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**INVESTIGATING THE IMPACT OF REAL EARNING MANAGEMENT ON THE
FIRM VALUE**

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ABSTRACT

This study aims at investigating the correlation between the real earnings management and firm value. The real earnings management refers to the deliberate manipulation of real activities in order to report a target earning. Since the real earnings management is mainly associated with the real activities and is not only resulted from the accounting choices, it is expected that it affects the cash flows and firm value. Two variables, the intrinsic value obtained from the model of discounted cash and also the perceived value (the ratio of earning to the price per share), are applied as the dependent variables in order to test the hypotheses based on the between the real earnings management and firm value. The results of analyzing the of data of 76 sample companies through multiple regression and Panel EGLS (Panel estimated generalized least square) during 2009 to 2013 indicate that the real earnings management in studies period has no significant impact on the intrinsic and perceived value and stock in sample companies, and the value of companies is more affected by the growth opportunities and the rate of return on assets and partially by the financial leverage.

Keywords: Earnings management, firm value

INTRODUCTION

The purpose of any economic activity is to make earnings and added value from investment. In other words, any

businessman does the economic activities such as manufacturing or service in order to make earnings. Due to the emergence of industrial revolution and the creation of

large corporations and the need for capital market entities, the holders of funds in the capital markets do the investment through purchasing the shares of companies listed on stock exchange. They aim at making the earnings from the dividends of company as well as changes in the stock price of company. According to the new form of corporate ownership and the need for professional head managers and also the impossibility of considering the individual shareholders' views in managing the company, the shareholders have to select the managers for company, and thus the separation of ownership and management occurs and it leads to the several issues including the representation issue for company.

Despite the accepted accounting standards, there are still the controversial issue among the theorists and professionals about the earnings reporting due to the lack of a comprehensive earnings theory, and thus the earnings reporting has been faced with challenges. The financial analysts generally consider the benefit as a prominent factor in their deliberations and judgments. Therefore, accepting the economic consequences of earnings reporting seems inevitable. In theory, there is the earnings management not only in inefficient capital markets, but also in efficient capital markets. This study focuses on the real

earnings management and attempts to review and analyze its effect on the firm value because it seems that the managers are able to achieve their self-interested goals in their authority by earnings management activities and thus affect the financial statements and change the results in line with their goals, and finally affect the report users' decisions according to the accounting standards under which the published information should be transparent and without the biased tendencies. Therefore, we are seeking to investigate the impact of real earnings management on the firm value and its various aspects in order to provide the more real information for information users by controlling and identifying these factors as there has been no conducted study in this regard yet.

This aspect of earnings management is investigated in this research. The earnings and book value are often applied as the bases for valuation of company. Affecting on the reliability of earnings, the earnings management determines the firm value. The earnings management is one of the management tricks to achieve the important goal of each business unit or the increased stock value. Given that the financial statements of companies are the important tools to evaluate the financial condition of company for actual and potential investors

and other users' important decisions, and the earnings management is among the important factors affecting these financial statements and reports, this research seek to study the impact of real earning management and its information content on firm value.

RESULTS

Analysis of research results:

$$\Delta Sales_{i,t-1}/Assets_{i,t-1} + \beta_4 ROA_{i,t} + \beta_5 SG_{i,t} + \varepsilon_{i,t}$$

as the index of real earnings management in order to calculate the abnormal the combined data. In this regard, the regression is simultaneously implemented in order to prove the effects of cross and

- Measurement of abnormal production cost

As mentioned in previous discussions, the following regression model is utilized to calculate the abnormal production cost.

$$PROD_{i,t}/Assets_{i,t} = \beta_0 + \beta_1 Sales_{i,t}/Assets_{i,t} + \beta_2 \Delta Sales_{i,t}/Assets_{i,t} + \beta_3$$

The model above is implemented and the absolute value of residual ($\varepsilon_{i,t}$) is utilized production cost. The appropriate regression model should be determined while using period, and then the F Limer test is done as its results are presented as follows:

Effect test	Statistic value	Degree of freedom	Probability of statistic
F Statistic for cross section	3.606542	(75 and 295)	0.0000
F Statistic for period	5.869510	(4 and 295)	0.0001

According to the obtained probability, F statistic is lower than 0.05 both for cross section and time period. The effects of each section are not integrated (without special effects) and it can be concluded that the cross section and tome period have specific effects. Therefore, it is necessary to implement the regression with random effect model for cross section and time period, and then perform Hausman test to determine whether the appropriate regression of effects is fixed or random. During the implementation of regression with random effect model for cross section,

an error message¹ is seen in software and it indicates the lack of random effect model for the time period, so the time period

Effect test	Chi-square statistic	Degree of freedom	Probability of statistic
Randomness for cross section	9.266162	5	0.0989

effect model will be fixed. Hausman test is also utilized to verify the randomness of cross section effect model; its results are presented in Table 2:

According to the obtained statistics for Hausman test for the cross section with the

¹ Random effects estimation requires number of cross section > number of coefs for between estimator for estimate of RE innovation variance

probability of not less than 5%, the null hypothesis of random effects is not rejected, and thus the correct model of cross section is random. Therefore, the appropriate regression model is the fixed

periodic and random cross sectional effect model. The results of implementing the regression with the model above are according to Table 3:

Table 3: Results of regression implementation - Abnormal production cost measurement model				
Dependent variable: Production costs				
Methods: Panel EGLS (Panel estimated generalized least square)				
Total period: 5				
Number of sections: 76				
Total number of panel views: 380				
Variable	Coefficient	Standard deviation	T statistic	Probability
Sales of this year	0.880656	0.025506	34.52743	0.0000
Changes in sales of this year	0.065440	0.073860	0.885996	0.3762
Changes in sales of last year	-0.005345	0.036471	-0.146564	0.8836
Return on assets	-0.808537	0.046986	-20.20813	0.0000
Sales growth	-0.085379	0.040201	-2.123791	0.0344
Constant value	-0.053506	0.017815	-3.003344	0.0029
Adjusted coefficient of determination	0.851266	Durbin-Watson statistic		1.853473
F statistics	242.0200	Probability of F statistic		0.000000

According to the results, Durbin-Watson statistic (1.85) is from 1.5 to 2.5, and thus the residuals of model have no autocorrelation problem. On the other hand, the possibility of F statistic is less than 0.05, thus the regression model is also significant. Furthermore, the histogram of residuals is also observable in the figure below. The obtained mean value is equal to 2.35×10^{-18} which is approximately zero and refers to the zero expected value of residuals, and therefore implies the randomness of its distribution. Furthermore, the shape of histogram shows its normal distribution. The descriptive statistics of residual values are shown on the right side of histogram.

Furthermore, the results obtained for the coefficients of relevant variables and obtained probability for t-statistic, which are applied to investigate the significance of coefficients, suggest that the more the sales of this year is enhanced, the more the production costs are increased (direct correlation). The rates of return on assets and sales growth are inversely correlated with the production costs.

Therefore, the residual values of each year can be utilized as follows. After extracting the residual values from EViews software, these values are entered into *Excel* file, and the absolute value of its raw amount is utilized as an index of abnormal production cost.

- Measuring the abnormal operating cash flow variable

According to the cases presented in the third chapter, the following regression

$$CFO_{i,t}/Assets_{i,t} = \beta_0 + \beta_1 Sales_{i,t}/Assets_{i,t} + \beta_2 \Delta Sales_{i,t}/Assets_{i,t} + \beta_3 ROA_{i,t} + \beta_4 SG_{i,t} + \varepsilon_{i,t}$$

The model above is implemented to calculate the abnormal cash flows, and the absolute value of residual values of model ($\varepsilon_{i,t}$) applied as an index of real earnings management. The proper regression model should be determined for using the

model is applied for calculation of abnormal operating cash flow.

combined data. In this regard, the regression is simultaneously implemented by proving the effects of section and period, and then the F-Limer test performed; its results are presented as follows:

Effect test	Statistic value	Degree of freedom	Probability of statistic
F Statistic for cross section	3.445584	(75 and 296)	0.0000
F Statistic for period	1.102614	(4 and 296)	0.3555

According to the obtained probability of F statistics for section, as it is less than 0.05, the effects of each section are not integrated (without the special effects) and it can be concluded that the section has special effects. Therefore, it is necessary to implement the regression for section with random effect model, and then Hausman test performed to determine whether the appropriate model of fixed effect regression

is random or cross-sectional. Furthermore, the obtained likelihood for F statistic is more than 0.05 for time period was and it indicates that the time period has no specific effects. Therefore, Hausman test will be performed only for cross effects. The results of Hausman's test are presented in Table 5:

Effect test	Chi-square statistic	Degree of freedom	Probability of statistic
Randomness of section	35.442293	4	0.0000

According to the obtained statistics for Hausman test on a section with the probability less than 5%, the null hypothesis of Hausman test, based on the random effects, is rejected, and thus the

sectional fixed effect model is the appropriate regression model. The results of implementing the regression with the model above are presented in table 6:

Table 6: Results of regression implementation - Abnormal cash flow measurement model				
Dependent variable: Operating cash flow				
Method: Panel least square (PLS)				
Total period: 5				
Number of sections: 76				
Total number of Panel views: 380				
Variable	Coefficient	Standard deviation	t statistics	Probability
Sales of this year	0.210994	0.047290	4.461662	0.0000
Changes of sales for this year	-0.065866	0.085813	-0.767555	0.4434
Return on assets	0.258149	0.124324	2.076413	0.0387
Sales growth	-0.067977	0.042679	1.592737	0.1123
Constant value	-0.020023	0.032264	-0.620602	0.5353
Adjusted coefficient of determination	0.624921	Durbin-Watson statistic		2.062780
F Statistic	8.993080	Probability of F statistics		0.000000

According to the results, Durbin-Watson statistic (2.06) is from 1.5 to 2.5, and thus the residuals of model have no autocorrelation problem. On the other hand, the possibility of F statistic is less than 0.05, thus the regression model is also significant. Furthermore, the histogram of residuals is also observable in the figure below. The obtained mean value is equal to 2.92×10^{-19} which is approximately zero and refers to the zero expected value of residuals, and therefore implies the randomness of its distribution. Furthermore, the shape of histogram shows its normal distribution. The descriptive statistics of residual values are shown on the right side of histogram.

Furthermore, the results obtained for the coefficients of relevant variables and obtained probability for t-statistic, which are applied to investigate the significance

$$DEXP_{i,t}/Assets_{i,t} = \beta_0 + \beta_1 Sales_{i,t}/Assets_{i,t} + \beta_4 ROA_{i,t} + \beta_5 SG_{i,t} + \varepsilon_{i,t}$$

Like what is done for measuring other independent variables, the regression is

of coefficients, suggest that the more the sales of this year is enhanced, the more the operating cash flow is increased (direct correlation). The rate of return on assets has direct correlation with the operating cash flows.

Therefore, the fitted and real values of dependent variable are extracted and then the values of residual in regression model and described in detail in the attached tables. The absolute amount of residual for each year of company is applied as an index of earnings management (abnormal cash flow) and used as the independent variable.

- Measuring the abnormal optional cost variable

According to the issues mentioned in the third chapter, the following regression model is used to calculate the abnormal optional cost.

simultaneously implemented by fixing the effects of each section and period for

regression fit of model above, and then the F Limer test is done and its results are as follows:

Effect test	Statistic value	Degree of freedom	Probability of statistic
F Statistics for section	15.309608	(75 and 297)	0.0000
F Statistics for period	0.912924	(4 and 297)	0.4567

According to the obtained probability of F statistic for section, as it is less than 0.05, the effects of each section are not integrated (without special effects) and it can be concluded that the section has special effects. Therefore, the regression should be implemented for section by random effect model, and then the Hausman test performed in order to

determine whether the appropriate regression model for fixed effects is cross-sectional or random. Furthermore, the obtained probability of F statistic is more than 0.05 for time period indicating that the time period has no special effects. Therefore, Hausman test will be performed only for cross sectional effects. The results of Hausman's test are presented in Table 8:

Effect test	Chi-square statistic	Degree of freedom	Probability of statistic
Randomness for section	0.484581	4	0.9223

According to the obtained statistics for Hausman test on a section with the probability less than 5%, the null hypothesis of Hausman test, based on the random effects, is not rejected, and thus the

sectional random effect model is the appropriate regression model. The results of implementing the regression with the model above are presented in table 9:

Dependent variable: Optional costs				
Method: Panel EGLS (Panel estimated generalized least square)				
Total period: 5				
Number of sections: 76				
Total number of panel views: 380				
Variable	Coefficient	Standard deviation	t statistic	Probability
Sales of this year	0.056406	0.009545	5.909514	0.0000
Return on assets	-0.026308	0.017679	-1.488143	0.1376
Sales growth	0.007452	0.004111	1.812733	0.0707
Constant value	0.014476	0.004459	3.246586	0.0013
Adjusted coefficient of determination	0.345126	Durbin-Watson statistic		1.826538
F statistic	22.44671	Probability of F statistic		0.000000

According to the results, Durbin-Watson statistic (1.83) is from 1.5 to 2.5, and thus the residuals of model have no autocorrelation problem. On the other hand, the possibility of F statistic is less than

0.05, thus the regression model is also significant. Furthermore, the histogram of residuals is also observable in the figure below. The obtained mean value is equal to 7.53×10^{-20} which is approximately zero

and refers to the zero expected value of residuals, and therefore implies the randomness of its distribution. Furthermore, the shape of histogram shows its normal distribution. The descriptive statistics of residual values are shown on the right side of histogram.

Furthermore, the results obtained for the coefficients of relevant variables and obtained probability for t-statistic, which are applied to investigate the significance of coefficients, suggest that the more the sales of this year is enhanced, the more the operating cash flow is increased (direct correlation).

After implementing the regression above, like the previous cases, the absolute value of residuals is applied as an index of earnings management (abnormal optional cost). The real, estimated and residual values are presented in the appendix.

The classic assumptions are all about the regression residual, and the normality of residual can be tested in two ways, firstly, the residual can be directly tested, and second the dependent variable can be examined. If the dependent variable is normal, it can be concluded that the residual is also normal. When we use the panel structure data, all classic assumptions are generally not relevant because by controlling the effects of any company or any year on the distribution of dependent

variable the necessary reforms are automatically in a way that the model residual fulfills all classic preconditions; in other words, it is normal, and solves the heteroscedasticity problem, and also its expected value becomes zero and thus it will have the random distribution. On the other hand, all classic assumptions are done by ordinary least squares method, and as we have used the panel data in our research, we utilize the Panel EGLS (Panel estimated generalized least square). However, the normal histogram of residual distribution is provided and it aims at approving the accuracy of effect model because if the model of effects is properly selected, all classic assumptions will be met automatically.

Given that the independent variables were measured in the previous sections, now all variables are available for hypothesis test. Here, we provide the descriptive statistics and correlation matrix for the variables of hypotheses test, and then provide the cases associated with the implementation of regression model.

- Descriptive statistics and correlation matrix for variables of hypothesis test

As shown in the previous sections, the independent variable is calculated and the values of the whole necessary data are now obtained for hypothesis test. Table 10 displays a general scheme of data including

the mean, median, minimum, maximum, and standard deviation of calculated variables for hypothesis test.

Table 10: Descriptive statistics of hypothesis test variables

Variable	Mean	Median	Maximum	Minimum	Standard deviation
Price to earnings per share	6.648280	5.614431	22.51827	1.900535	3.281518
Gordon	7.223153	7.323020	10.20230	3.728083	1.093361
Abnormal production cost	0.058486	0.043974	0.339112	2.55×10^{-5}	0.051788
Abnormal cash flow	0.057047	0.046629	0.316408	0.000322	0.046358
Abnormal optional costs	0.023059	0.016977	0.190435	0.000270	0.024509
Return on assets	0.169826	0.143609	0.631343	0.007228	0.114695
Sales growth	0.229128	0.194612	1.057793	-0.317083	0.249354
Financial leverage	0.570981	0.578910	0.923101	0.096415	0.166251

The values presented in Table 10 indicate the descriptive statistics of variables applied in hypothesis test (including the central statistics indices, namely, the mean, median as well as the dispersion indices including the maximum, minimum, and standard deviation). For instance, the obtained values for price to earnings per share variable indicate that the price per share is about 6.65 times higher than the reported earnings per share. For a half of data, this figure is more than 561 and its maximum value is equal to 22.52 and its minimum 1.9. The obtained standard deviation is shown at the final column. The interpretation of results is also the same for all other variables.

Pearson method is utilized to calculate the correlation matrix of research variables. In this method, the correlation between each pair of variables is estimated using Pearson method and then the probability is obtained for this correlation by t-test. The correlation for each pair variable with the probability

less than 0.05 is significant at the confidence level of 95%, and if this probability is less than 0.01, the correlation between these two variables is also significant at a confidence level of 99%.

The direction of changes between two variables and the intensity of these changes are obtained by correlation coefficient, but since there may be other variables which affect the changes of dependent variable, it is necessary to control the effect of other variables in order to determine the relationship between the dependent and independent variables. Therefore, the regression is utilized in this regard.

According to another usage of correlation matrix, it investigates the existence of severe co-linearity between the explanatory variables. The statistical literature argues that since it is difficult to find the variables which have no linear relationship with each other in practice, the correlation level is considered between the -0.5 and +0.5 as the tolerable threshold. There is no strong co-

linearity problem between the explanatory variables, namely, the abnormal production cost, abnormal cash flows, abnormal optional costs, return on assets, the sales growth and financial leverage, because the correlation between all two variables ranges from -0.5 to +0.5. Therefore, all these variables can be simultaneously entered into a linear regression model, and the multiple-linear regression applied.

The next section represents the statistical analysis of hypothesis test in two separated parts through each dependent variable (the ratio of price to earnings per share and the natural logarithm of value obtained from Gordon Model).

- Hypothesis test through the natural logarithm of value obtained from Gordon model

Table 11: F Limer test for hypothesis-value test model in Gordon Model			
Effect test	Statistic value	Degree of freedom	Probability of statistic
F statistic for section	6.299536	(75 and 294)	0.0000
F statistic for period	0.450052	(4 and 294)	0.7723

With regard to the proposed cases of Chapter 3 and since the obtained probability of F statistic is less than 0.05 for section, the null hypothesis of F test is rejected for section, and thus the section has the special effects, but its time period

The former section represented the descriptive statistics and correlation matrix of variables in hypothesis test model. This section initially represents the stages of determining the proper regression model and then the results of regression.

Following the cases presented in the third chapter, the appropriate regression model should be determined in order to implement the regression and test the hypothesis using the panel data (Year-Company). Therefore, the regression is simultaneously implemented by fixing the effects of each section and period for regression, and then the F Limer test is done and its results are according to the table 11:

has no special effects. Therefore, we should randomize the effects of regression section, and then implement the Hausman test. The Hausman test results are presented in Table 12.

Table 12: Hausman test; hypothesis-value test model in Gordon Model			
Effect test	Chi-square statistic	Degree of freedom	Probability of statistic
Randomness of section	86.938576	6	0.0000

According to the obtained statistics for Hausman test for a section with the probability of less than 5%, the null hypothesis of Hausman test based on the

random effects is rejected, and thus the cross sectional fixed effect model is the accurate regression model. The results of

implementing the regression through the mentioned model are presented in Table 13.

Table 13: Results of implementing the regression- hypothesis-value test model for Gordon Model

Dependent variable: Natural logarithm of obtained value from Gordon Model
 Method: Panel EGLS (Panel estimated generalized least square)
 Total period: 5
 Number of sections: 76
 Total number of panel views: 380

Variable	Coefficient	Standard deviation	t statistics	Probability
Abnormal production cost	-0.089949	0.197002	-0.456591	0.6483
Abnormal cash flow	-0.546732	0.329071	-0.661444	0.0977
Abnormal optional costs	0.729980	0.810144	0.901049	0.3683
Return on assets	3.048776	0.735948	4.142649	0.0000
Sales growth	0.301254	0.031918	9.438479	0.0000
Financial leverage	1.161416	0.603635	1.924037	0.0553
Constant value	6.120347	0.435477	14.05434	0.0000
Adjusted coefficient of determination	0.818398	Durbin-Watson statistic		1.928495
F statistic	53.66049	Probability of F statistic		0.000000

According to the results, Durbin-Watson statistic (1.93) is from 1.5 to 2.5, and thus the residuals of model have no autocorrelation problem. On the other hand, the possibility of F statistic is less than 0.05, thus the regression model is also significant. Furthermore, the histogram of residuals is also observable in the figure below. The obtained mean value is equal to 8.18×10^{-18} which is approximately zero and refers to the zero expected value of residuals, and therefore implies the randomness of its distribution. Furthermore, the shape of histogram shows its normal distribution. The descriptive statistics of residual values are shown on the right side of histogram.

Using t test, we can investigate the significance of coefficients obtained from the implementation of regression. The obtained probability for all three independent variables associated with the real earnings management (abnormal

production cost, abnormal cash flow, and abnormal optional costs) is not less than 0.05, thus the null hypothesis of t-test based on the zero (insignificant) relevant factors cannot be rejected at the error level of 5%, and thus none of three hypotheses of research are accepted at the confidence level of 95%.

Hypothesis test using the ratio of price to earnings per share

Similar to what presented earlier, we should determine the appropriate regression model in order to test the hypothesis. Therefore, the regression is simultaneously implemented by fixing the effects of each section and period for regression, and then the F Limer test is done and its results are according to the table 14.

According to the obtained probability of F statistics for section and time period, as they are less than 0.05, the effects of each section are not integrated (without special effects) and it can be concluded that the

section and time period have special effects. Therefore, the regression should be implemented for section and time period by random effect model, and then the Hausman test performed in order to determine whether the appropriate regression model of effects is fixed or random. During the implementation of regression with random effect model for cross section, an error message² is seen in software and it indicates the lack of random effect model for the time period, so the time period effect model will be fixed. Hausman test is also utilized to verify the randomness of cross section effect model; its results are presented in Table 15.

According to the obtained statistics for Hausman test for the section with the probability of not less than 5%, the null hypothesis of random effects is not rejected at the error level of 5%, and thus the correct model of sectional effects is random. Therefore, the random effect model is the appropriate sectional effect model. Furthermore, according to the mentioned cases, it is found that the time period effect model is according to the fixed effects, thus the random sectional effect and the time period fixed effect models are the appropriate regression models. The results

of implementing the regression with the model above are presented in Table 16.

According to the results, Durbin-Watson statistic (1.84) is from 1.5 to 2.5, and thus the residuals of model have no autocorrelation problem. On the other hand, the possibility of F statistic is less than 0.05, thus the regression model is also significant. Furthermore, the histogram of residuals is also observable in the figure. The obtained mean value is equal to 1.40×10^{-17} which is approximately zero and refers to the zero expected value of residuals, and therefore implies the randomness of its distribution. Furthermore, the shape of histogram shows its normal distribution. The descriptive statistics of residual values are shown on the right side of histogram.

Using t test, we can investigate the significance of coefficients obtained from the implementation of regression. The obtained probability for all three independent variables associated with the real earnings management (abnormal production cost, abnormal cash flow, and abnormal optional costs) is not less than 0.05, thus the null hypothesis of t-test based on the zero (insignificant) relevant factors cannot be rejected at the error level of 5%, and thus none of three hypotheses of research are accepted at the confidence level of 95%.

² Random effects estimation requires number of cross section > number of coefs for between estimator for estimate of RE innovation variance

Table 14: F Limer test for hypothesis test and the ratio of price to earnings per share

Effect test	Statistic value	Degree of freedom	Probability of statistic
F Statistics for section	2.212607	(75 and 294)	0.0000
F Statistics for period	30.645952	(4 and 294)	0.0000

Table 15: Hausman test for hypothesis test model and the ratio of price to earnings per share

Effect test	Chi-square statistic	Degree of freedom	Probability of statistic
Randomness of section	2.963022	6	0.8135

Table 16: Results of regression implementation for the hypothesis test and the ratio of price to earnings per share

Dependent variable: Ratio of price to earnings per share Method: Panel EGLS (Panel estimated generalized least square) Total period: 5 Number of sections: 76 Total number of panel views: 380				
Variable	Coefficient	Standard deviation	t statistic	Probability
Abnormal production cost	-6.294031	5.370432	-1.171979	0.2420
Abnormal cash flow	-2.397305	3.260609	-0.735232	0.4627
Abnormal optional costs	-7.357755	6.893276	-1.067381	0.2865
Return on assets	8.656382	2.007534	4.311948	0.0000
Sales growth	0.111034	0.653133	0.170002	0.8651
Financial leverage	0.251731	1.581590	0.159163	0.8736
Constant value	7.938372	1.093162	7.261847	0.0000
Adjusted coefficient of determination	0.368800	Durbin-Watson statistic		1.844750
F statistic	14.93261	Probability of F statistic		0.000000

CONCLUSION

This research seeks to investigate the correlation between the real earning management and firm value through three hypotheses, namely, the abnormal production cost, abnormal cash flow, and abnormal optional costs, on the firm value. According to the results of data analysis, the applied data of this research is resulted from the combination of sectional and times series. Using F Limer and then Hausman test, we determine the appropriate model for doing the regression and then implement the regression. The results of

statistical analysis in this study indicate the rejection of all three hypotheses at the confidence level of 95%. In other words, the results of this research indicate the insignificant of this hypothesis.

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