THE PRACTICE OF EARNINGS MANAGEMENT: LONG TERM AND SHORT TERM DISCRETIONARY ACCRUAL MODEL (Empirical Studies On index of LQ-45 during 2004 to 2010 period)

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Abstract
This research aims to analyze the pattern of earnings management practices by the long term and short term discretionary accrual model in LQ - 45 during 2004 to 2010. The samples are 165 firms by using the purposive sampling method. Based on the results of descriptive statistic analysis, earnings management practices in the long term discretionary accrual models tend to use a pattern of earnings increasing. While the practice of earnings management by short term discretionary accrual models tend to use pattern of earnings decreasing. The pattern of increasing earnings are carried by manipulating the amount of net income and total assets owned, the removal of fixed assets and intangible assets, recognizing the various expenditures as costs, changes in accounting methods to change the method of depreciation of fixed assets. Usage the pattern decrease in earnings figures are carried by manipulating the use of accounting methods: recording of inventory, other current assets recognition less, to reduce accounts receivable, to increase other current liabilities, recognized expenses in the future, the losses in the current period that are still recognized the receivable is recognized as a cost, and the reserve accounts of higher losses. Furthermore, from the results of Wilcoxon test states there are significant differences between long term discretionary accrual models with short-term discretionary accruals in earnings management practice (Prob. value 0,000). The future study, it would be added the other model such as real management and then compare among these models.

Keyword: Discretionary Accrual Model, Short Term Discretionary Accrual Model, Long Term Discretionary Accrual Model, Index LQ – 45.

Introduction
Focus the attention of the investors and creditors is on the financial statement which containing information profit and cash flow that is very important for users, internal and extern the company. Financial report also serves as communication to link
the various parties who have interests against the company and as a form of manager responsibility of resources to the owner.

The most important parameters for measuring the performance of management are profit and cash flow. Profit and cash flow capable of being described better of the company conditions and the prospect of economic growth. In addition, investors and creditors must also consider characteristic of corporate finance, because relevance of any accounting firm figures not equal.

According to Ikatan Akuntan Indonesia (IAI), profit served in financial report is profit produced through an accrual method. Accrual profits are considered to be a better measure than cash flow from the company operating activities, because an accrual method consider a matter of time (Dechow, 1994).

The practices of earnings management occurred because the companies use accrual method in preparing its financial statements. Transactions are not recognized in the event of cash or cash equivalents received or released. As a consequence, the profits in financial statements contain elements of cash and accrual (non-cash) in current period.

The elements of accrual can be occurred because of nondiscretionary accruals and discretionary accruals. For example: in case nondiscretionary accruals, increasing in credit sales as the company's growth. While on discretionary accruals, changes in the cost of accounts receivable losses due to change in accounting policies made by management. Their implication is the accounting profits are determined by the magnitude of both discretionary and nondiscretionary accruals.

Some researchers have difficulty in distinguishing between discretionary accrual with non-discretionary accrual. Discretionary approach is substance accrual management interference in the financial reporting process. Then the allowance accounts receivable not collectible which do not suitable with the conditions noted, it lead to discretionary accrual changed. For example: in an economic growth period, the company expects no change accrued (e.g. receivables and debts) due to increased sales without the expected earning management.

Previous studies (Healy 1985; DeAngelo 1986; Dechow and Sloan 1991; Gumanti 2000; Gomez, et al. 2000) generally use aggregate accruals approach for measuring the existence of earning management. This approach separates the total accrual in non discretionary accruals component and discretionary accruals component. One of the advantages of aggregate accruals approach is potentially to illustrate the increasing and decreasing the profits, because it means less attention to be known by external parties, Gumanti (2000). But in the aggregate accruals model, also reaped criticism from other researchers. According to Gomez, et al. (2000), this model did not heed a connection between accrual and cash flow, so some non-discretionary accruals incorrectly classified as discretionary. As a result an error occurred on the specification in this model.

Whelan and McNamara (2004) offer a new model in the discretionary accrual approach which is a development of model of Jones (1991) and Dechow (1994). The difference lies in the discretionary accruals are separated into short term and long term discretionary accruals. The separation is expected to describe the role of discretionary accruals in earnings management clearly.

The research of Whelan and McNamara (2004) stated that in the long-term and short-term discretionary accruals have different effects on the relevance of financial
reporting information. These effects cannot be revealed with the older models, so the weakness of the old models are only short-term-oriented focus.

Short-term and long-term discretionary accrual has different characteristics. The difference lies in the issue of return period and the accounting method used. Short-term discretionary accrual has a relatively short period of time (generally only one year). While the long term discretionary accrual has a relatively long period of time or long (over a year). Other causes are: the existence of differences in the selection of the accounting method is performed, the recording of inventory, accounts receivable, business assets, accounts payable and taxes payable, intangible assets, revenue and net income.

Long term discretionary accrual model has stronger market responded, has time period relatively longer and will give us the time of return with relatively longer. The management was more found of the use of this model, because it provides an opportunity to perform manipulation of financial statements.

This study is part of post graduate research grants in the second phase, which followed by Fauziah (2011). This research continues other models in measuring earnings management practices of companies listed in the LQ 45 index. The Research aims: (1) analyzing the practice earning management with short term and long term discretionary accrual model in the company's go public the LQ 45 index, (2) testing the difference of earnings management practices with the approach of the long term and short term discretionary accrual model on the company's go public in LQ 45 index.

**Theoretical background and hypotheses**

Earnings management is a topic of interest for researchers and practitioners. Earnings management related to the accounting policy choice and is in the process of reporting financial interventions external to achieve a particular goal. Earnings management practices occur, because they use a particular management decisions in financial reporting and the preparation of transactions that change the financial statements with the intention of misleading the stakeholders about the condition of the economic performance of the company.

Scott (2006: 344) showed the earnings management is the selection of accounting policies by the manager of Financial Accounting Standards that exist and naturally can be maximize their utility and or the company's market value. Schipper (1989) defines the earnings management as an intervention with specific intent against external financial reporting process on purpose to gain some personal benefit. Fischer and Rosenzweig (1995), earnings management is the act of a manager's by presenting reports profit increase (decrease) from running into their responsibilities, without incurring an increase in (decrease) in long-term economic profitability.

Characteristics of the short-term and long-term discretionary accruals approach is different. Short term accrual is accrued which affected working capital accounts and describe changes in current assets and liabilities. While the long term describing the depreciation accounts, future tax benefits, employees rights, revaluation of assets, and reasonable value adjustments of financial instruments.

Information content of accrual components has been established in the previous research (Wilson, 1986; Dechow 1994; Cotter, 1996; Loftus and Sin (1997); Chia et al, 1997; Guay and Sidhu, 2001). The results show that most of the short term accrual is more relevant value than the long term accrual.
According to DeChow (1994), short-term discretionary accruals and discretionary long-term accruals have different characteristics. Short-term discretionary accruals has characteristics: (1) a relatively short period of time i.e. one accounting period, (2) an accrual involves working capital account, and (3) describe the changes in current assets and debt accounts. While the long term discretionary accruals has characteristics: (1) a period of more than one accounting period, (2) includes depreciation, revaluation of assets, and reasonable value adjustments on financial instruments.

The relative usefulness of accrual components depending on the interval return. Short term accrual most relevant to one-year return interval. While the long term accrual most relevant return interval increasing which has a longer period of time. The results of this research show the accrual of short-term and long-term accruals have different influence in particular to the relevance of profit information and book value (Cotter 1996; Guay and Sidhu, 2001).

Chia et al (1997) tested the bias effects through aggregation model comparison that uses components of revenue and profit. Components that are checked are cash flow from operations, short term accrual and long term accrual. The result showed that each component contain additional information on the total income and value relevance of short term accrual greater than long term accrual.

Management can take advantage of these differences with accrual components characteristics reverses. The market expects short term accrual for return relative quickly, so restricted chance to be manipulated earning by management. Sloan (1996) suggests that it can take up to three years of accrual above for return. However, the expected behavior of long term accrual is providing more opportunities for opportunistic behavior as long term accrual manipulation that could remain undetected during the accounting period.

According to DeChow (1994), if it is intended to reduce the problems of the accrual of timing and matching in cash flow, use of short-term accruals are aimed at reducing the problem of timing and better matching. In the meantime, there is no clarity reasons the use of long-term accruals to accommodate those goals. This is due to the use of the accrual of the kind of long-term political process influenced by Watts and Zimmerman (1978).

Richardson et al. (2001) examined the information content of the accrual of earnings quality and find that long term accrual gives more information about the enforcement of the SEC (Securities Exchange Commission) rather than short term future accrual. In addition, the use of long term accrual to manipulate financial reports has been revealed in research. Short term and long term accrual has the potential to reduce the time different and suitable problem, distinguishing between those components is to consider an interest in any investigations of the role of discretionary accrual as an earnings management tool.

This research separates the value of discretionary accruals to be short-term and long-term discretionary accruals. This is intended to be able to know more detail about the patterns that are managers used to manage company in particular based on accrual transactions.

From the explanation above, then it can be formulated as the following hypothesis: “There is a significant difference between earnings management practices by use short term discretionary accrual model with long term discretionary accrual model”
Methodology
This research population is the all companies listed on the Indonesia stock exchange (BEI) with the LQ 45 index criteria. The sample is 165 companies for seven years of observation, i.e. during 2004 to 2010 period. Sample method uses purposive sampling. The criteria established for selecting samples are: (1) the company listed on the Indonesia stock exchange, fit the category LQ 45 Index during the period 2004 to 2010, which publishes financial reports ordered, (2) the company that publishes the annual financial reports as well as on the website of his company on the Indonesia Stock Exchange for the period 31 December 2004 to 2010 and it expressed in rupiah (Rp) (3) manufacturing company (not including the banking industry, insurance and other financial), and (4) the company provides data related with the research completely. Based on criteria describing above, procedures for determining the number of samples that are used as follows:

Table 1 Number of Samples per Year

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population of companies listed on the LQ-45 index</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>315</td>
</tr>
<tr>
<td>The number of companies listed on the LQ - 45 which publish their financial statements ordered</td>
<td>42</td>
<td>38</td>
<td>38</td>
<td>30</td>
<td>28</td>
<td>29</td>
<td>33</td>
<td>238</td>
</tr>
<tr>
<td>Companies including non-manufacturing (industry-banking, insurance and other financial)</td>
<td>(8)</td>
<td>(7)</td>
<td>(7)</td>
<td>(8)</td>
<td>(7)</td>
<td>(6)</td>
<td>(6)</td>
<td>(49)</td>
</tr>
<tr>
<td>The company’s financial report incomplete</td>
<td>(10)</td>
<td>(4)</td>
<td>(5)</td>
<td>(1)</td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
<td>(24)</td>
</tr>
<tr>
<td>The number of sample firms per year</td>
<td>24</td>
<td>27</td>
<td>26</td>
<td>21</td>
<td>20</td>
<td>21</td>
<td>26</td>
<td>165</td>
</tr>
</tbody>
</table>

Sources: www.idx.co.id

The development of discretionary accrual model to be short term and long term discretionary accrual allows the research of differential impact of earnings management. Short term accrual model is impacted by the magnitude of the change in accounts receivable, inventory, other current assets, accounts payable, tax payable and other current liabilities. While the long term accrual model is impacted by the size of the value of the fixed assets, intangible assets and other assets not included in the categories of assets.

Data analysis used is to develop modified Jones model (aggregate accruals) with the short term and long term discretionary accrual model. The test steps are as follows:

1. Calculate the total accrual
   \[ \text{ACC}_{t,i} = \text{EARN}_{t,i} - \text{CFO}_{t,i} \] ..........................(1)

Where:
\[ \text{ACC}_{t,i} = \text{Total Accruals for firm } i \text{ in year } t \]
EARN_{i,t} = Earnings before extraordinary Items for firm i in year t
CFO_{i,t} = Cash Flows from Operations for firm i in year t

2. Calculate the amount of short term accrual
STACC_{i,t} = AR_{i,t}+ INV_{i,t}+ OCA_{i,t}- AP_{i,t}+ TXP_{i,t}- OCL_{i,t} ......(2)
Where:
STACC_{i,t} = Short-term Accruals for firm i in year t
AR_{i,t} = Accounts Receivable at end year t less Accounts Receivable at end year t-1 for firm i
INV_{i,t} = Inventory at end year t less Inventory at end year t-1 for firm i
OCA_{i,t} = Other Current Assets at end year t less Other Current Assets at end year t-1 for firm i
AP_{i,t} = Accounts Payable at end year t less Accounts Payable at end year t-1 for firm i
TXP_{i,t} = Tax Payable at end year t less Tax Payable at end year t-1 for firm i
OCL_{i,t} = Other Current Liabilities at end year t less Other Current Liabilities at end year t-1 for firm i.

3. Calculate the amount of long term accrual
LTACC_{i,t} = ACC_{i,t} - STACC_{i,t} .................................................(3)
Where:
LTACC_{i,t} = Long-term Accruals for firm i in year t
ACC_{i,t} = Total Accruals for firm i in year t (calculated using equation)
STACC_{i,t} = Short-term Accruals for firm i in year t (calculated using equation)
After calculation of short term and long term accrual calculation then conducted on short term discretionary accrual (STDAM) and long term discretionary accrual (LTDAM).

4. Short term discretionary accrual
STDAM_{i,t} = \frac{STACC_{i,t}}{TA_{i,t-1}} \left( \beta_1 \left( \frac{1}{\log TA_{i,t-1}} \right) + \beta_2 \left( \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{TA_{i,t-1}} \right) + \beta_3 \left( \frac{INC_{i,t}}{TA_{i,t-1}} \right) \right) .....(4)
Where:
STDAM_{i,t} = Short term discretionary accrual for firm i in year t
STACC_{i,t} = Short term accruals for firm i in year t (calculated using equation)
TA_{i,t-1} = Total assets for firm i at end year t-1
\log TA_{i,t-1} = Logarithm of total assets for firm i at end year t-1
\Delta REV_{i,t} = Revenues in year t less revenues in year t-1 for firm i
\Delta REC_{i,t} = Accounts Receivable at end year t less Accounts Receivable at end year t-1 for firm i
INC_{i,t} = Net profit in year t-1 for firm i

5. Long term discretionary accrual
LTDAM_{i,t} = \frac{LTACC_{i,t}}{TA_{i,t-1}} \left( \beta_1 \left( \frac{1}{\log TA_{i,t-1}} \right) + \beta_2 \left( \frac{PPE_{i,t}}{TA_{i,t-1}} \right) + \beta_3 \left( \frac{INT_{i,t}}{TA_{i,t-1}} \right) + \beta_4 \left( \frac{INC_{i,t}}{TA_{i,t-1}} \right) \right) .....(5)
Where:
LTDAM_{i,t} = Long term discretionary accrual
LTACC_{i,t} = Long term accrual for firm i in year t
TA_{i,t-1} = Total assets for firm i at end year t-1
\log TA_{i,t-1} = Logarithm of total assets for firm i at end year t-1
PPE_{i,t} = Property, plant and equipment at end year t for firm i
INT_{i,t} = Intangibles at end year t for firm i
INC_{i,t} = Net profit for firm i at end year t

The next test was conducted to test the difference is there a significant difference between the use short term discretionary accruals model and long term discretionary accruals. If the data is normally distributed, we use the sample paired t test. However, if the data is not normally, we use analysis of non parametric (Wilcoxon signed ranks test).

Results and Discussion
1. Descriptive Statistics Analysis
Descriptive statistics analysis for Short Term Discretionary Accrual Model and Long Term Discretionary Accrual Model per year can be seen in the following table:

<table>
<thead>
<tr>
<th>Period</th>
<th>N</th>
<th>Variable Mean Value</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>STDAM</td>
<td>LTDAM</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>24</td>
<td>-0.4125267</td>
<td>1,3516302</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>27</td>
<td>-0.3463341</td>
<td>1,3883278</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>26</td>
<td>-0.4146223</td>
<td>1,2826390</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>21</td>
<td>-0.3904917</td>
<td>0,5672086</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>20</td>
<td>-0.4000156</td>
<td>-0,2392281</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>21</td>
<td>-0.4026187</td>
<td>-0,2009027</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>26</td>
<td>-0.4110563</td>
<td>-0,2612551</td>
<td></td>
</tr>
<tr>
<td>Jumlah</td>
<td>165</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Secondary data processed

Based on table 2 above shows that with short term discretionary accrual approach model, management tends to decrease the profit pattern. The average value of earnings management mean during 2004 to 2010 is negative. While on long term discretionary accrual model, management tends to increase the accrual rate of profit figures, the magnitude of the mean value is positive except for the years 2008-2010

Table The recapitulation STDAM and LTDAM Year 2004-2010

<table>
<thead>
<tr>
<th>Period</th>
<th>Company</th>
<th>Code</th>
<th>STDAM</th>
<th>LTDAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Aneka Tambang (Persero) Tbk</td>
<td>ANTM</td>
<td>-0.90146</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gudang Garam Tbk</td>
<td>GGRM</td>
<td></td>
<td>1.82572</td>
</tr>
<tr>
<td>2005</td>
<td>Medco Energi Internasional Tbk</td>
<td>MEDC</td>
<td>-0.60386</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unilever Indonesia Tbk</td>
<td>UNVR</td>
<td></td>
<td>2.28827</td>
</tr>
<tr>
<td>2006</td>
<td>Unilever Indonesia Tbk</td>
<td>UNVR</td>
<td>-0.61370</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aneka Tambang (Persero) Tbk</td>
<td>ANTM</td>
<td></td>
<td>-4.53223</td>
</tr>
<tr>
<td>2007</td>
<td>Tambang Batubara Bukit Asam Tbk</td>
<td>PTBA</td>
<td>-0.56954</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Berlian Laju Tanker Tbk</td>
<td>BLTA</td>
<td></td>
<td>1.87071</td>
</tr>
<tr>
<td>2008</td>
<td>Bakrie Sumatra Plantations Tbk</td>
<td>UNSP</td>
<td>-0.63638</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tambang Batubara Bukit Asam Tbk</td>
<td>PTBA</td>
<td></td>
<td>-0.88129</td>
</tr>
<tr>
<td>2009</td>
<td>Elnusa Tbk</td>
<td>ELSA</td>
<td>-0.56815</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Barito Pacific Timber Tbk</td>
<td>BRPT</td>
<td></td>
<td>-0.90410</td>
</tr>
</tbody>
</table>
In 2004
On the short term discretionary accrual model (STDAM), a practice of earnings management tends to lose the most profit made by Perusahaan Aneka Tambang (Persero) Tbk (ANTM). It is -0.90146. Decline in profit figures made from components of other current assets. Management recording the magnitude of current assets this year was smaller than a year earlier resulting in total assets owned by small companies. With the less total assets of small will affect the benefits which resulted in the reported a small profit as well. This is done to avoid decline tax obligation.
On the long term discretionary model (LTDAM), the highest earnings management practices carried out by the Gudang Garam Tbk (GGRM). Its value is 1,82572. Earnings management practices carried out by raising earning through manipulation of the components of earnings. With a reported high income that will generate high profits, management’s expectations will get bigger bonuses. Nevertheless, there is one company has lowers profits, namely Limas Stokhomindo Tbk (LMAS). It is caused earnings before extraordinary post smaller than cash from operating activity of the company, resulting in a total accruals LTDAM negative.

In 2005
The most tendency of decreasing earnings management practice carried out by MEDC Corporate (Medco Energy International Tbk) with discretionary accrual value Short Term (STDA) is -0.60386. It is done by manipulating the recognition of assets and other noted smaller for this year, so it affects the profit of the company. By reducing the net income reported, the company expects to avoid the large taxes.
The companies that tend to raise the highest profit was Unilever Indonesia Tbk (UNVR) with the value of Long Term Discretionary Accrual (LTDA) is 2.28827. The raising of profit was carried out in recognizes the long-term debt is higher. The higher of ratio of debt/equity in long term accruals lets managers use accounting methods that can improve the net profit of the company, thereby reducing the presence of technical default.

In 2006
The practice of earnings management by short term discretionary accrual model tend to use patterns reduce earnings figures. Companies that tend to decrease lowest profit is Unilever Indonesia Tbk (UNVR) with a value of STDA is -0.61370. Decrease in profit done by manipulating the use of accounting methods in the recorded inventory. The company chose the method that generates the lowest net income. For example: select the LIFO than FIFO method. With a reported net income of small managers hope to avoid payment of taxes.
In the long term discretionary accrual model in general tend to be use patterns raise earnings figures, except for Perusahaan Aneka Tambang (Persero) Tbk (ANTM). However it has the greatest value for LTDAM (-4.53223). This is due to this company's has cash from operating activity of the company is greater than the profit before extraordinary post, it resulting in a total of accrual is negative.
In 2007
On the model of short term discretionary accrual, earnings management practice tend to use a lower patterns. Companies that tend to reduce profit are greatest is Bukit Asam Coal Limited Tbk (PTBA) with a value of STDAM is-0.56954. Decrease in profit numbers is done by manipulating recording method recorded a smaller inventory, thus affecting the value of the CGS rise and lead to profit the company down. On the model of long term discretionary accrual most companies, tend to raise the profit figures, except: MEDC, PGAS, the PTBA, SMCB, TLKM, SULI, BMTR and UNTR. Berlian Laju Tanker Tbk has greatest value of LTDAM, namely 1.87071. The Act of raising a number of profit made by raising the intangible assets, so as to raise revenue. With a reported income that high expected management will get a bigger bonus.

In 2008
Most companies that use model short discretionary accrual tend to do earnings management practices with lower profit. Earnings management practices do lowers profit with patterns most performed by the company Bakrie Sumatra Plantations Tbk (UNSP) with a value of STDAM is-0.63638. Management decreases earnings management numbers by raising short-term debt/equity, thus reducing the corporate revenues. On the model of long term discretionary accrual, most companies tend to lower profit, except for the company: Aneka Tambang (Persero) Tbk., International Nickel IND. Tbk, and Bakrie Sumatra Plantations Tbk. Primarily, to raise the profit numbers done by management to manipulate in changing accounting methods. Change of accounting method used to record a transaction, for example: change the depreciation method of fixed assets depreciation method from the method of depreciation figures in a straight line. Companies that engage in the practice of management on the highest income was Bukit Asam Coal Limited with LTDAM value is Tbk-0.88129. Because the company makes use of the opportunities to make accounting estimation: such as receivables are collectible. With the recognition of receivables are collectible is resulting in greater profits down.

In 2009
Use of short term discretionary accrual models produce a negative value, It means earnings management practices tend to lower the profit numbers. Companies that tend to lower most profit number is Elnusa Tbk. the value of STDAM is -0.56815. Management does decrease in earning by raising other current debt. With the long term discretionary accrual models, most companies do earning management practice by lowering profit number. Earnings management practices with decreasing largest profit is Barito Pacific Timber (BRPT) with its value is 0.90410. The tendency of lowering profit is done by manipulating the recording of inventory accounting methods, where inventory is smaller recognize thus affecting he value of ending inventory which resulted in the profit decrease. While the long term discretionary accrual model, there are some companies that their practice the earnings management by raising the profit number, due to the factors controlling the accrual transactions, where the transaction has an influence on the income accrued and expenses but did not appear on a cash flow statement. Example: amortization and depreciation fixed assets is fully controlled by the company in
determining the economic age, so that companies can manage the size of the imposition of cost in order to achieve the desired profit.

In 2010
From the results of the STDAM calculations, trend of earnings management practice with lower profit pattern. Decreasing in profit numbers were done by manipulating the record of supplies method. While on a model long term overall companies tend to increase the profit number, except Elnusa Tbk and Tbk. Andar Energy Both these companies raise profit numbers by raising the intangible assets. The company did decrease profit, because profit before extraordinary post is smaller than cash from operating activity, so the total accruals has negative value.

2. Non Parametric Statistic Analysis
To analyze the differences earnings management practices with short term and long term discretionary accrual model in index LQ using non parametric statistic analysis. We use wilcoxon signed ranks test because data is not normally distributed.
From the test, it obtained the value z is -9.883 (prob 0.000). It means that there is a significant difference earning management value between using short term discretionary accrual and long term discretionary accrual model. Generally, this research result support the previous study (Whelan’s and Mc Namara, 2004); It showed, a short term and long term discretionary accrual model have different effects against relevance of information financial report.

Table 4
Results of Wilcoxon Signed Ranks Test

<table>
<thead>
<tr>
<th>Test Statistics&lt;sup&gt;b&lt;/sup&gt;</th>
<th>LTDAM - STDAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z</td>
<td>-9.883&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

Long term discretionary accrual models has more impact on the relevance of profit and value book value compared with the short term discretionary accrual models (Whelan, 2004). Short term discretionary accrual model tend to use patterns reduce the profit. As a result, the manager have difficulties manipulating profits, due to the relatively short period of time. While the long term model discretionary accrual models tend to use raise profit pattern. In order to look larger profits, then management manipulate the size of net profit and total assets are owned so there is easier in obtaining long-term credit. The management also perform manipulation of profit, because the time spent is relatively length.
Conclusion
Based on short term discretionary accrual models (STDAM), during 2004 to 2010 period, most companies included in the LQ 45 index tend to use a pattern by reducing profit numbers. While on the long term discretionary accrual model approach (STDAM) tend to use a pattern by raising profit numbers. According to the Wilcoxon test, there is a significant difference between the use of short term discretionary accrual model with long term discretionary accrual in the measure earnings management practice. The use of short term discretionary accrual models tends to reduce profit numbers which affect the components of current assets. Long term f discretionlary accrual models tend to do practice of earnings management to raise profits by affecting components of fixed assets.

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