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Manipulation Detection in Financial Statements

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Abstract — Currently, manipulation in financial statements more difficult to detect. Generally, by distorting the accounting records, forgery transaction or misapplication of accounting principles will have impact on distruction market, investors and public opinion. This study developed th lou and Wang research which adding internal control system as part of corporate governance. The objective of this research are find out the factors influence manipulation in financial statements.

The results of this study are: (1).the auditor opinion has a negative effect on the tendency of manipulation in financial statements. (2). Level of corporate debt, liquidity, ROA, independent boars of drectors, internal control system and audit qulity have no effect on tendency of manipulation in financial statements. (3). Auditor rotation showed the opposite relationship with the hypothesis.

Keywords—*:* manipulation, the value of firm, corporate governance, financial statements

I. Introduction

1.1. Background

Auditor as an external controller of financial statement should not just follow the audit procedures outlined in the audit program but also must underlie the attitude of professional skepticism. Auditors who have skepticism not only take for granted the results of an explanation of the auditee, but also will ask questions to obtain evidence and the results confirmed the findings of the problem. This will make the auditor may find misstatements that is not only caused by errors but also manipulation hidden by the company. The auditor is able to detect manipulation among others, by seeing the sign, signal, or red flags an action that is thought to cause or potential cause of manipulation. Red flags are a condition peculiar or different from the normal state. Although the incidence of red flags do not necessarily indicate the existence of manipulation, but the red flags are always appeared in any cases of fraud that may be a warning sign that fraud/manipulation occurred.

Currently, frauds of the financial reporting more difficult to detect. Generally, by distorting the accounting records, forgery transaction, or misapplication of accounting principles that will have an impact on distrust market, investors, and public opinion. Some auditors failure detecting fraud , there are can be seen in the case of Enron, Xerox, WorldCom, Tyco, Kimia Farma and a number of other operations Frozen Bank.

Financial scandals are certainly not the only cause of the crisis of confidence prevailing in the business world. Just as the auditor must not be assumed simply that the management is dishonest, but also should not allow and assume that the management is definitely honest. Phenomena that underlie some of the research in the field of accounting has also highlighted the differences between the concepts of fraud and revenue management. The study conducted by Amara, Amar, and Jarboui (2013) [11] explains that the analysis determinants of the risk of fraud involving several theories. Agency theory, services theory, and the theory of "broken trust" that helps to detect fraud in accounting is unethical behavior..

This study developed the Lou and Wang research's which tend towards the manipulation of financial statements by adding internal control structures variable as part of corporate governance. The rationale for entering the internal control structure as part of corporate governance is that an effective internal control is a tool that reinforces good access to capital and ensures sustainability. Effective internal controls also provide moral enlightenment that brings leaders and staff when faced with ethical dilemmas in making the foundation and building Good Corporate Governance. Effective internal control requires awareness of senior management and board members, and this awareness must eventually be accompanied by a commitment and an example of ethical behavior for the organization. Thus the ethical behavior of the leader companies provide a strong impact on the ethical behavior of its employees, so that the design of the management company will go well because of the awareness of control occurred in all levels of the company.

1.2. The research Problem

The formulations of the problem posed in this study are as follows:

(1). Does the firm value influence the detection of manipulation in financial statements? (2). Does the corporate governance influence the detection of manipulation in financial statements? (3). Does the external auditor influence the detection of manipulation in financial statements?

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II.. LITERATURE REVIEW

2.*1. Agency theory*

This theory is based on the economic perspective of the relationship "principal / agent" which is marked by conflicts of interest Donaldson and Davis (1991) [8]. This relationship reflects the transfer of the trust and the obligation to opportunism agent. Agency theory based on two basic assumptions that opportunism leaders and asymmetry information. Attitude opportunism will strive to maximize personal interest in self manner. People who have this attitude will make a profit as an agent and thus adopt opportunistic behavior . Opportunism occurs through decisions and actions taken by the leaders. In the case of the leader will be tempted to make the accounting fraud to conceal the truth. This attitude is reinforced through accounting fraud with uses of information asymmetry that will determine the opportunistic behavior of leaders. In fact, management uses all information including productive use policy management and utilizing the flexibility of accounting principles, the leaders will choose accounting methods that improve the results. In the problem of information asymmetry is no loss of information. Moreover, the company faced financial difficulties or deficiencies in internal control, then this will affect the shareholders and creditors

2.2. Agency Problem

Scott (1997) [20] states when multiple parties are involved in a business transaction has more information than the other party, the condition is said to be the asymmetry information. Asymmetry information is information that is distributed unevenly between agents and principals, and business processes that occur are carried agent can not be observed directly by the principal, this is the cause of the agent will do disfunctional behavior. One disfunctional behavior conducted agent is managing the data in the financial statements to conform to the expectations of principals although the report does not describe the actual condition of the company. One of the manipulation of data in the financial statements is the practice of earnings management. Earnings management is a process that is carried out within the limits of general accounting general acception accounting principles and leads to a certain extent desired on reported earnings (Assih and gudono, 2000) [1]. Earnings management may occur when more management uses judgment in preparing financial statements as well as in selecting the transactions that can change the financial statements Healy 1985 [10].

Healy and Palepu (1993) [18] stated stockholders will benefit if earnings management is used to signal private information held about managers and if it is used to reduce the political cost Watts and Zimmerman (1986) [25]. But stockholders will be harmed if earnings management is used to generate private profit for managers, such as to raise compensation (Healy, 1985) [10]. Healy and Wahlen (1998) [17] divides the underlying motivation of earnings management in the three groups. First, the motivation of the capital market as indicated by the stock return. Second, motivation contract can be debt contracts and contract management compensation. Third, regulatory motive form of motivation to avoid political costs.

Scott (1997) [20] stated that there are several factors that encourage managers to manipulate earnings. (1). Bonus scheme (2). Contracts debt (debt covenants). (3). the political motivation. Companies during the period of high prosperity tend to earnings management by lowering profits to reduce its visibility. (4). Taxation motivation. Companies prefer this method of accounting which can produce lower reported earnings, so that the tax must be paid to the government also becomes lower. (5). Change of Chief Executive Officer (CEO). CEO of the approaching end of his term tend to income maximization to increase their bonuses.

Association of Certified Fraud Examiners (ACFE-2012) [2] categorized into three groups fraud (fraud tree) :

a. Corruption: bribery, illicit (illegal gratuity), and extortion.
b. Fraudulent financial statements): Cheating and fraud.
c. Misappropriation of assets:). cash fraud and cheating on inventories and other assets (fraudulent disbursement).

Manipulation in financial reporting is generally done by management, and conditions that allow for manipulation to watch out for : 1. Management reluctant to provide data to the external auditors. 2. Frequent replacement of the external auditors. 3. Inadequate internal control company. 4. There are many transactions at the end of the year. 5. There is a document that is missing and could not be found. 6. Frequent change of bank account. 7. Debt extended continuously. 8. The high employee turnover. 9. Sales of the company's assets at below market prices. 10. The existence of a transaction that does not make sense.

2.3. *Research Model*

The systematic process of implementation this research can be described in the following scheme:

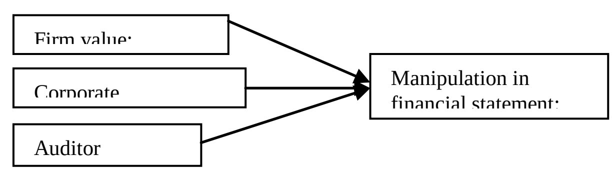

Fig.1 Research model

Fig. 1 describes the research model. This research will test the factors of manipulation in financial statements. We use 3 factors to detect manipulation in financial statements: firm value, corporate governance and auditor external. Firm value are the internal factor of the firm that indicate the performance of the firm. In this research the proxy of firm value are debt, liquidity and ROA.

Corporate governance is the system of rules and norms of the company or the market, which also involves a wide range of interests such as stakeholders, shareholders, management, public administration, personnel, customers, suppliers and others. These norms provide the strategic direction of the company, effectively control management within the membership on the board, increase confidence and loyalty to shareholders. The proxies od corporate governance are independence board, internal control system. external auditors is one of the components used by the company to monitor the performance of management in the company's operational processes. The proxies of external auditor are : opinion audit, audit quality and auditor rotation.

This research is interesting because use internal control system as new proxy of corporate governance. We use internal control because internal control system is a system that created the organization to ensure compliance with management policies, security of company assets and the creation of mechanisms that work effectively and efficiently. This is the basic foundation in organisasi to do some activity effective and efisient.

2.4. Hypotheses Development

2.4.1 Motivation for manipulation in the Financial Statements

Manipulation generally is cause there is pressure on person to do the manipulation . In relation to the financial statements, pressure comes across from the difficulty in arranging financial condition primarily associated with the numbers interest investors and used as the basis for management. Bonus-factors are often referred to factors associated with the company's performance.

Debt

A company already to suffer from financial difficulties in the first year cash flow is less than the long-term liabilities maturing. Cash flow is defined as net income plus non-cash expenses. Companies experiencing financial difficulties generally decline in growth, profitability, and fixed assets, as well as an increase in the level of inventories relative to healthy companies. Financial difficulties also be seen from the weakening financial condition, lenders are starting to take action, the supplier may not post material credit, favorable capital investment may have to be removed, and dividend payments are disturbed.

Several studies about the pressure to perform manipulation caused the ratio of debt carried by Wuerges and Borba, 2010 [26] ; Beneish (1999) [4] , shows that companies with high debt levels seem to take action in the manipulation of financial statement presentation. Dechow et al. (2011) [7] and Smaili et al. (2009) [21] found no positive effect of the high level of debt and the desire to do fraud. On the basis of the findings of the empirical and logical thinking above, then compiled the following hypothesis:

H1a: Companies that have high debt levels tend to perform manipulations in the presentation of financial statements

Liquidity

Kirkos et al. (2007) [12] found that the company has low liquidity in the manipulation of financial statements do, to give a good overview of the situation of the company, the manager made the overstatement of the value of assets to indicate the condition of the related company likuidity better. Additionally Dechow et al. (2011) [7] also found that firms with high leverage have debt requirements will motivate action earnings manipulation. Based on an explanation above, we arranged hypotheses as follows:

H1b: Companies that have lower liquidity tend to manipulate the financial statements.

Company Performance

Dechow et al. (2011) [7] ; Okoye et al. (2009) [15] ; Brazel et al. (2006) [5] ; Summers and Sweeney (1998) [23] found a negative effect of the possibility a company performance to manipulate the company's performance level that it reflects the low level of performance of the company encourages managers to make improvements in performance, hiding the problems that lead to low performance and raise the overall performance of the company. On the basis of the above arguments, structured hypothesis as follows:

H1c: The low performance of the company tends to make the management manipulate financial statements

2.4.2. Corporate governance

Independent board members

Many businesses with various types of corporations began to run its governance system in an open, systematic and responsible. It is driven by the needs of the market that demands a public company run by good management system, transparance and auditable following the rise of the various scandals of corporate financial reporting system - a global company a few years ago. In managing the company according the rule of good governance system to prevent fraud, the role of Independent Commissioner, is indispensable. Independent Commissioner may serve to oversee the running of the company to ensure that the company has been doing the practices of transparency, disclosure, self-reliance, accountability and the practice of justice according to the applicable provisions in an economic system (state).

Functions of the Board of Commissioners including Commissioner Independent future will be able to (1) The Board of Directors oversees the company achieve its performance in the business plan and provide advice to the Board of Directors regarding the irregularities in the management of business that is not in accordance with the direction you want to target by the company, and (2) monitoring the implementation and the effectiveness of the practice good corporate governance. In this case may play a role in the Independent Commissioner to represent the interests of minority shareholders.Matoussi and Gharbi (2011) [14]; Beasley and Carcello(2000) [3]concluded that the presence of independent members in the board of directors may reduce the frequency of manipulation by the company. On the basis of the above, we structured hypothesis as follows:

H2a: The existence of an independent board may reduce the likelihood of manipulation in the financial statements.

Internal control system

Effective internal controls also provide moral enlightenment that brings leaders and staff when faced with ethical dilemmas in making the foundation and building of Good Corporate Governance. Effective internal control requires awareness of senior management and board members, and this awareness bike eventually must be accompanied by a commitment and an example of ethical behavior for the organization. Thus the ethical behavior of the leader companies provided a strong impact on the ethical behavior of its employees. With the standard of ethical behavior will be able to control the behavior of manipulation in financial reporting. On the basis of this, it is arranged hypothesis:

H2C: The strength of the company's internal controls will be able to control manipulation in the financial statement

2.4.3. External Auditor

The quality of the external auditor

Lennox and Pittman (2010) [13] ; Smaili et al. (2009) [21] showed that the presence of the external auditors in alliance with the Firm 'the big four' has the ability to detect fraud in the financial statements compared with the auditors who are members of audit firm non big four. Main Board and Second Board of Public Listed Companies in Malaysia for the financial year 2007, we found that Indonesian firms subject to greater agency problems indicated by reviews their high ownership concentration, are more likely to hire a brand name, quality differentiated Big Four external auditors. In the analysis of audit fees, we find that the audit market in Indonesia is subject to the fee regulations and that the external auditors take into considerations of the complexity of its clients when making decisions audit fee. Also, we find that the lower the external auditor's modification threshold as their clients' agency problems increases. Consistent with the opinion analysis, it is noted that the low earnings will more likely auditors to avoid long trigger audit tenure with firms that have more agency problems embedded in reviews their ownership structures. Taken together overalls evidence lends support to the agency theory and suggests that independent external auditors do play a role of corporate governance to mitigate the agency conflict in emerging market like Indonesia.

H3a: companies audited by the audit firm who allied with the big four are better able to find manipulation in financial statements

Audit Opinion

Audit opinions are referring of what types of opinions are being rendered by the external auditors. The auditor's responsibility is to express an opinion as to whether the set of accounts Gives a true and fair view of the company in accordance with the financial reporting framework. Basically, there are two types of opinions, unqualified opinion and qualified opinion. Qualified d opinions are not desirable because It may Affect the market share price and the manager's compensations. A qualified opinion does not benefit all parties in an organization as it reflects in the company's earnings. Whenever, there is a modified opinion, automatically the reliability and validity of the annual report will be questionable roommates reduce the confidence level of the external potential and existing public shareholders, hence affecting the share price.

H3b: companies that get unqualified audit opinion of the financial statement more easily find manipulation in the financial Auditor **Auditor Rotation**

Substitution auditor occured for several reasons : (i) the client company is a merger between several companies that originally had the auditor each different; (ii) the need for a broader professional services; (iii) is not satisfied with the firm ; (iv) the desire to reduce the income of the audit; and (v) a merger between several auditor firms. Another reason to encourage a change of auditors is the decision of the Minister of Finance of the Republic of Indonesia No. 17 / PMK.01 / 2008 with an obligation to replace the audit firm after conducting an audit for 6 (six) consecutive years and by a public accountant for a maximum of three (3) consecutive years. Wang (2011) [24] estimated that the change of auditor positive effect with the possibility of cheating. The change of auditor positive effect on financial statement fraud. On the basis of arguments and results of previous studies, we drafted hypothesis:

H3c: Companies often make auditor rotation more easily find manipulation in the financial statements

III. Research Methodology

3.1. Population and Samples

Population is a group of people, events, or anything that has certain characteristics. The population used in this study is company listed on the Indonesian Stock Exchange between 2010-2011. Methods for sampling in this study using purposive sampling methods with multiple criteria: (1). Consecutive listing for 2 years in Indonesian capital market (2). Publish the financial statements. We use secondary data and the source of the data obtained from ICMD (Indonesia capital market directory) and JSX (Jakarta stock exchange) and from the websites of each company. We get 122 data observation In accordance with the criteria; the data obtained for this research process can be described as follows:

TABLE I
THE DATA SAMPLE AND OBSERVATION

	2010	2011	Total observation
Company listed in Indonesia capital market	310	310	620
Inactive listing	59	55	(144)
The date of financial statement is not in December	5	2	(7)
Data not complete	185	200	(385)
Total data	61	61	122

3.2. Operational definitions and variable Measurement

1. Debt

Debt is the component of financial that indicates the persentage of company's asset that are provided via debt. It is the ratio of total debt (the sum of total current liabilities and long term liabilities) and total asset (the sum of current asset, fixed asset and other asset). Debt = Total debt / Total assets

2. Liquidity

Liquidity ratios are the ratios that measure the ability of the company to meet its short term debt. These ratio measure the ability of a company to pay of its short term liabilities when they fall due. The measurement of ratio liquidity is Current Assets / Current Liability

3. Company performance

Company performance is measurement with Return on total assets (ROA). Its measures the performance of the operating company that indicates how much assets they have to run the operating entities. Summers and Sweeney (1998) [23].
ROA = Net Income before extraordinary items t-1

4. The independence of the Board Commissioners

The independence of board commissioners is a member of commissioner board from external company with no share ownership or other affiliation with the company . the measurement of independence of board commissioner is = number of independent board / total commissioners board.

5. Internal control system

An internal control system are the process by which the organization maintain environment that encourage incorruptibility and deter fraudulent activities by management and employeesThe measurement of internal control system we use the index of internal control disclosure by hunziker 2013[22]

TABLE II
MEASUREMENT OF INTERNAL CONTROL SYSTEM

Item	Content	Score
objective	Statement about the objective of the ICS	Disclosing = 1; otherwise = 0
responsibility	Management's responsibility of ICS	Disclosing = 1; otherwise = 0
effectiveness	Statement about the effectiveness of the ICS	Disclosing = 1; otherwise = 0
Specific elements	Discussion about internal control activities	Disclosing = 1; otherwise = 0
Limitation	The discussion about the limitation of an ICS	Disclosing = 1; otherwise = 0
Monitoring	Statement about regular assessment of the ICS	Disclosing = 1; otherwise = 0
Internal audit	Assessment of ICS by internal audit	Disclosing = 1; otherwise = 0

ICS = internal control system ; The sum of each index are the measurement of the internal control system in this study

6. Audit quality.

Audit quality is the quality of audit work provided by eksternal auditor in the highest standar . Lenox et al.2010 [13] stated that auditor alliance with the a big four audit quality better than non big four. Measurement with dummy variables, audit firm the big four in the given value of 1 and audit firm non big four rated 0

7. Opinion Audit

Opinion audit is a certificate that accompany financial statement and its provided by independent accountant who audit a company financial statement. Francis and Krishnan (1999) [9] concluded that the chance of fraud in the financial statements if they received a qualified audit opinion opinions. Then the measurement is AUDREPORT = a dummy variable for an opinion audit where 1 = an unqualified opinion and 0 = otherwise

8. Auditor Rotation

Auditor rotation is the change of independence auditor who audit financial statement that cause by some reason. The prior research stated that the incidence of audit failures and the emergence of fraud because of the change of auditors, measurements were used: AUDCHANG = a dummy variable for change in auditors where 1 = change in auditors in the 2 years prior to fraud occurrence and 0 = no change in auditors.

9. Manipulation

Phenomenon to explain the manipulation of the data obtained from financial statements by way of calculating earnings management fraud If there is a state of the rated 1 and if the financial statements are free from manipulation rated 0. The indication of manipulation is done by calculating the earnings management is happening in the company, then from the calculation that no longer identified as manipulation= a dummy variable for fraud in financial statements = 1, and 0 = no fraud in financial statements

IV. THE EMPIRICAL RESULT

In table 3, the classification table presents information about the accuracy of the prediction. In the table prediction accuracy figures show 54.5%. Its means that the model is able to predict correctly valued at 54.5%. in the table 4, variable in the quation show wald test, the column sig n figures worth of 0.341, is not significant at α = 5% level, thus there are independent variables that affect manipulation actions on the company's financial statements

TABLE III
CLASSIFICATION TABLE A B

observeb			Predicted		
			Ml		Precentage
			0.00	0.10	correct
Step 1	ml	0.00	50	00	100
		1.00	60	00	0
Overall presentage					54.5

A : ontains is included in the model
B : The cut value is 0.500

TABLE IV
VARIABLES IN THE EQUATION

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 constant	-.182	.191	.907	1	.341	.833

TABLE V
MODEL SUMMARY

Step	-2log likelihood	Cox&Snell R Square	Nagelkerke R Square
1	135.634^{a}	.135	.180

A: Estimation terminated at iteration number 4 because parameter estimates charged by less than .001

Goodness of fit test in the logit model can be seen in table 5, the value of Cox & Snell R square magnitude = 0.135. Its means that the variable company value, corporate governance and the auditor is able to explain the actions of fraud by the company amounted to 13.5%. while based Nagelkerke R square of 0.180 or the ability of the independent variable (the value of the company, corporate governance and auditors) to explain the variation of the dependent variable (manipulation of financial statements) amounted to 13.5%

TABLE VI
CLASSIFICATION TABLEA

observed			Predicted ml 0.00	1.00	Percentage correct
Step 1	ml	.00	53	7	88.3
		1.00	25	25	50.0
Overall percentage					70.9

a.the cut value is .500

The table 6 describes how well the model classifies cases into two groups both earnings management action (fraud) or not. Overall accuracy of prediction of 70.9%, this is better than just using constants as described above. The accuracy of the predictions that did not make the manipulation of 88.3% and accuracy of prediction of manipulation is 50%

4.2. Hypotheses Testing

In table 7, the variables in the equation above, can be arranged logistic regression model as follows:

Z = 0435 + 1.489LEV +0.96 LIQ 1,489 - 1,537 2,658 ROA + 2. 658IND +0.069SPI - 0155 KUA - 1.737opini + 0.737 rotation + ε (1)

Based on the table 7, we can infer whether or not acceptable hypothesis proposed in this study. This SPSS program setting for neutral hypotheses, so if the hypothesis use the sign of beta, the significance must devided by 2.

TABLE VII
VARIABLE IN EQUATION

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1	lev	1.489	2.098	.504	1	.378	4.434
	Liq	.096	.332	.083	1	.774	1.100
	Roa	-1.537	2.003	.558	1	.443	.215
	Ind	2.658	2.012	1.748	1	.186	14.265
	Qua	-.122	.456	.116	1	.733	.856
	Spi	.069	.180	.148	1	.701	1.072
	Opini	-1.737	.527	10.849	1	.001	.0176
	rotasi	.737	.559	1.736	1	.187	2.090
	Contant	-1.101	1.888	.340	1	.560	.332

A :.variabel(s) entered on step 1: lev,liq, roa,ind,kua,spi,opini,rotasi

H1a: Companies that have high debt levels tend to perform manipulation in the financial statement presentation. Based on the table 7 above , the value of significance is 0.78, or significance / 2 = 0.239, we can conclude that the hypothesis is rejected. The amount of debt has not always assessed negative by investors and other outsiders. Because the value of debt could also indicate a growing company with a strategy that dare to take on debt to invest in order to get a return on investment to cover the debt incurred. In such conditions, the company's debts should not be hidden or even altered the numbers in order to be minimized so that the image of the company to be a good investor. Therefore, the payable under such conditions can’t be attributed to the manipulation within the company.

H1b: Companies that have low liquidity tends to manipulate in its financial statements. Based on the table 7 above test, the value of significance is 0.774 or significance / 2 = 0.387, we can conclude that the hypothesis is rejected. Liquidity is often seen as a positive signal of company information to all investors and other financial readers. By having a good liquidity, the companies rated positively by investors associated with the ability to pay the liabilities. But often the value of liquidity is not a stand-alone value as the basis for deciding the value of the company for the signal. On the basis of this explanation can be seen that the liquidity is not fully reflect the company's desire to perform manipulative actions.

H1c: The low performance of the company tends to make the management of manipulation in the financial statements. Based on the table 7 above , the value of significance is 0. 443 or significance/2 = 0.212, we can conclude that the hypothesis is rejected. Manipulation is generally done for the sake of enriching himself / private. Meanwhile, to improve enterprise value or performance of the company takes a variety of efforts and involvement, so the desire to manipulate a more basic individual is not able to be a manipulation action.

H2a: The existence of an independent commissioner may reduce the possibility of manipulation in the financial statements. Based on the table 7 above, the value of significance is 0.186 or significance/2 = 0.093, we can conclude that the hypothesis is rejected . The significance of the figures at the level of under 0,10 but trending positive, then the hypothesis is rejected because H2A supposed existence of independent directors in the board of directors the company a negative effect on the tendency to manipulate the presentation in the financial statements. The agency conflict In developing countries such as Indonesia and Malaysia, the concentration of stock ownership is dominated by family members or government institutions. So the agency problem shifted to the concentration of ownership structure, and agency problems occur on minority and majority ownership. Agency problem so difficult to control the mechanisms of corporate control with conventional models such as the board of directors and audit committee. According to the scott (1997) [20], facing the problem of agency, ownership control could find a credible way of monitoring and bonding mechanism to ensure minority ownership that interests remain protected.

H2b: companies who have a good internal control system will be able to control the manipulation of financial statements. Based on the table 7 above , the value of significance is 0. 701 or significance/ 2 = 0.251, we can conclude that the hypothesis is rejected. Internal control system is a series of systems and activities designed to create control management within the organization including manipulation actions undertaken by management in preparing the financial statements. Stretcher control process is based on reporting standards and other standards as a guide in making management and financial reporting. Throughout the reporting is in accordance with the standards would not be regarded as unethical. Activity manipulation of financial statements, as measured by earnings management is still in the realm of activities according to the standard that this condition does not deviate from the procedures set out in the internal control system.

H3a: companies are in: auditor firm allied with the big four are better able to find in the manipulation of financial statements. Based on the table 7 above , the value of significance is 0. 478 or significance /2 = 0.239, we can conclude that hypotheses H3a is rejected. Audits conducted by independent auditors are to determine the reasonableness and fairness of financial statement. Element of concern is the suitability disclosure by independent auditor company's financial statements in accordance with the standards of financial accounting and management's assertions fifth. The numbers differ between benchmarking unaudited financial statements with the already placed at the level of materiality. Likewise relation to the findings of earnings management. Auditors do not always interpret the earnings management as a negative thing, then when I'll see the difference conclusions should be interpreted within the context of materiality.

H3b: companies that have unqualified opinion tends commit to prevent the fraud of financial statement presentation. Based on the table 7 above, the value of significance is 0. 000. significancy /2 = 0.000.The significance below 0.01, its mean the hypothesis H3b is accepted. , companies get a unqualified opinion tends commit to prevent the manipulation in financial statement presentation. The auditor will use all the knowledge to be able to give the right opinion. Associated with the provision of the right opinion in accordance with the conditions of the company, the auditor will try with both for finding a variety of fraud (if any) so as to be able to give an opinion in accordance with the real conditions.

H3c: Companies often make auditor rotation more easily find manipulation in the financial statements. Based on the above test results, the value of significance is 0.187 or significancy/2 = 0.094. The significance of the figures are at levels below 10%. Trending positive, then the hypothesis is rejected because in the research H3C is precisely the change of auditors will increase the tendency to manipulate the presentation in the financial statements. The company replaced its auditor because of two things, the first is related to the mandatory rotation rule, the second relates to the needs of the company will be a priority so that the auditor replaced. Explanation of the rejection of this hypothesis is that the financial statement audit work performed by the auditor generally done after the end of the year and approaching dates financial statements. When viewed on a period not appropriate to compare the same year the possibility of fraud with the change of auditors.

V. Conclusion And Implication

5.1. Conclusion

The conclusions that can be drawn from this study are (1). The value of a company is measured by the level of corporate debt, liquidity and corporate performance does not affect the trend in the manipulation of financial statement presentation. (2) factors of corporate governance as measured by the presence of independent directors and internal control systems have slightly different results. Both hypotheses are equally rejected but for the existence of an independent commissioner rejected because the direction of different hypotheses. 3. Factor auditors as measured by the quality of the audit, the auditor's opinion and auditor rotation shown mixed results. The auditor's opinion a negative effect on the tendency of manipulation in financial lapora. whereas no effect on audit quality trend in the manipulation of financial statements and auditor rotation showed the opposite relationship with the hipotheses.

5.2. Advice and Implication

1. The research is expected to be developed in the future with more current data. This study experienced problems can not enter data in 2012 and above the financial statements due to differences in reporting standards, especially regarding extraordinary items, so that the study only stopped in 2011 alone. To better illustrate the changes in accounting standards could then be used as a control in the process of testing the model
2. The next Researchers can add the study variables predicted to influence the manipulation such as the existence of an audit committee.
3. The next Researchers can also add proxy of variables that have been used in this study with more comprehension proxy

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