ABSTRACT

Robert Harseno / 38150554 / 2019 / The effects of Earnings Management towards Corporate Value with Tax Avoidance mediating the relationship between Earnings Management and Corporate Value for companies listed in the Indonesian Stock Exchange from the years 2015 to 2018 / Advisor: Prima Apriwenni, S.E., Ak., M.M., M.Ak.

The sole aim of every company is to maximize its value. Value is measured in terms of the company's stock price which is a reflection of what the public thinks of the company's performance. Companies that focus on value maximization will most likely have a stable financial condition that will certainly benefit all the stakeholders of the company. However, in order for a company to create value, it must first segregate ownership and control between the agent and the principal. This segregation has the potential to cause an agency problem in the form of earnings management activities conducted by the manager. Earnings management is the only factor aside tax avoidance that is believed to affect corporate value in this research. Furthermore, earnings management is also believed to affect tax avoidance.

The agency, signaling and stakeholder theory are the theories that underly this research. The agency theory stipulates that there is a conflict of interest between the agent and the principal. The signaling theory stipulates that a company emits signals through various channels that will later be interpreted by the market as either a good or a bad signal. The stakeholder theory stipulates that a company must take into account the interests of all of its stakeholders. Earnings Management is measured by Discretionary Accruals that are calculated using the Modified Jones Model Formula. Tax avoidance is measured by Cash Effective Tax Rates. Corporate value is measured by the Tobin's Q ratio. This research incorporates profitability as a control variable and is measured by the Return on Assets ratio.

The objects of this research consist of 50 manufacturing companies listed in the Indonesian Stock Exchange from the years 2015 to 2018. The samples were taken based on the purposive sampling method. The data analysis methods that are used in this research are descriptives, data pooling test, classical assumption tests, multiple regression analysis, hypothesis testing and multiple regression analysis with an intervening variable.

The results of this research shows that the ha1 hypothesis is rejected because its sig. t value of 0.814 is greater than 0.05 however, the negative value of the regression coefficient is in line with this hyothesis. The ha2 hypothesis is also rejected because its sig. t value of 0.576 is greater than 0.05 however, the negative value of the regression coefficient is in line with this hyothesis. The ha3 hypothesis is accepted because its sig. t value of 0.030 is lower than 0.05 furthermore, the positive value of the regression coefficient is in line with this hyothesis. The ha4 hypothesis is rejected because its t score of 0.495 is lower than 1.96.

This research concludes that Earnings Management does not have any effect towards Corporate Value and Earnings Management also does not affect Tax Avoidance. However, Tax Avoidance has been shown to positively affect Corporate Value. Tax avoidance could not be proven as an intervening variable.

Keywords: Earnings Management, Tax Avoidance, Corporate Value

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