International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. IX, Issue 1, Jan 2021

http://ijecm.co.uk/

THE EFFECT OF EARNINGS MANAGEMENT AND OPERATIONAL PERFORMANCE ON STOCK RETURNS AFTER TAX AMNESTY ANNOUNCEMENT

Luh Ayu Krisnawati

Faculty of Economics and Business, University of Udayana, Indonesia

luhkrisna88@gmail.com

I Made Sukartha

Faculty of Economics and Business, University of Udayana, Indonesia

Abstract

This study aims to prove empirically whether tax amnesty program made companies postpone the publication of financial statement earnings to the period after the tax amnesty announcement, determine the effect of earnings management and operational performance on stock returns after the tax amnesty announcement and tested how the stock prices will move along with the announcement. This research was conducted on companies listed on the Indonesia Stock Exchange from June 30th 2011 to June 30th 2016 by following tax amnesty policy. The data analysis technique used is modified Jones Model (1995) and multiple linear regression test. Based on the analysis, companies that participate in tax amnesty have made no effort to reduce their reported earnings after the announcement of the tax amnesty. Earnings management has no positive effect on stock returns. Operational performance has a positive effect on stock return. The results of this study do not support the agency theory because the company does not carry out earnings management by reducing the amount of reported earnings, so that the company does not get tax incentives.

Keywords: Earnings management, operational performance, stock return, tax amnesty announcement, stock price

INTRODUCTION

The capital market is said to be efficient if it show stock prices that fully describes the available information. An efficient capital market makes stock prices tend to be reasonable and truly represents an investor assessment of the company future earnings prospects, also shows the quality of its management. However, the change of stock price that very volatile and frequently happened is a reaction from rational and competing investors.

One of the information that investors in the capital market will respond to is profit announcements. Earning announcement can affect the stock price in the capital market, because if a company profit increases, it is assumed that the share price will also increase. In typical case if a company profit decreases, but the stock price continues to increase, then it indicates that there are other factors that can influence stock returns. Stock returns or stock prices that experience changes and are unstable can be seen from the share price of Siloam International Hospitals Tbk. on June 28th, 2016 to June 30th, 2016 the price increased from Rp. 11,248.20, Rp. 11,297.10, Rp. 11,346.00, but at the time of the tax amnesty announcement on July 1st, 2016 to July 13th, 2016, the share price decreased to Rp. 11,199.30, Rp. 11,003.60, Rp. 10,759.10, Rp. 10,856.90. On the other hand, the share price of National Gas Company (Persero) Tbk. on June 28th, 2016 to June 30th, 2016 the price increased from Rp. 2,320.00, Rp. 2,320.00, 2,340.00 and remained stable, experiencing an increase both at the time the tax amnesty was announced on July 1, 2016 to July 13, 2016 from Rp. 2,340.00, Rp. 2,400.00, Rp. 2,520.00, Rp. 2,520.00. This phenomenon of stock price changes make it interesting to examined other factors, like profit management because it can recognize the expenses and income in the period that should occur, through the application of the accrual basis principle that is acceptable in accounting, known as the matching concept.

This basis has the advantage of the ‘matching’ in time period, but on the other hand the accrual basis has a weakness in the preparation of financial statements which results in management having the flexibility to use the accounting method to be chosen without deviating from the prevailing financial accounting standards. Leading to asymmetric information that occurs when managers as agents know more about the company internal information and prospects in the future than shareholders and stakeholders as principals, which is an implication of agency theory. Management realizes that profits get the most attention from users of financial statements, so a manager will try to present his profits as best as possible to show that the entity he manages looks healthy. Ball and Brown (1968) conducted the first study using statistics to find the response of stock prices to the net income statement. Researchers documented the phenomenon that stock prices would tend to rise or fall after earnings announcements containing unexpected information. A high tax burden can encourage management to do various ways, for example by manipulating company earnings data (earnings management). In America, research on the impact of selecting the LIFO and FIFO inventory valuation methods on income tax expense was conducted by Dopuch and Pincus (1998); Dhaliwal et al (1994); Cloyd et al (1996) who show that companies choose the LIFO method to make income tax savings. Research by Guenther (1994) found that the reduction in corporate income tax rates for earnings management with the 1986 Tax Reform Act proved that the accrual rates of large companies were relatively lower than the accrual rates of small companies.

There are various policies implemented by the government to increased state revenue, including the tax amnesty program. In Indonesia, it has implemented a tax amnesty similar program three times, namely in 1964, 1984 and 2004 but it has failed to attract public enthusiasm. Another story with the 2016 tax amnesty program which can be said to be successful because it has succeeded in receiving total assets reported to the state of Rp. 4,855 trillion (Yulianto, 2017). The tax amnesty policy was enacted on July 1, 2016 based on Law of the Republic of Indonesia Number 11 of 2016 concerning tax amnesty (tax amnesty). Tax Amnesty means that existing report data is considered to have been bleached and some tax debts have also been written off (Nanda, 2017). The tax amnesty program is expected to be able to provide benefits to corporate taxpayers, with the elimination of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying ransom (www.pajak.go.id) . According to the Director of Corporate Valuation, PT. The Indonesian Stock Exchange (IDX) Samsul Hidayat stated that tax amnesty is expected to improve Indonesia's macroeconomic conditions. Improving macro conditions prompted companies to believe in selling shares.

Tax amnesty on financial reports also contributes positively to companies in the capital market so that it can increase investor confidence (www.liputan6.com, 2016). Harum Dewi (2017) stated that there was a positive reaction to the shares of Kompas 100 index companies during the tax amnesty policy announcement and the market reaction was stronger in large companies than small companies.

As for the ransom rate for assets within the territory or assets outside the territory of Republic of Indonesia which are transferred to the territory of the Republic of Indonesia within a period of at least three years from the transfer time are presented in table 1.

Table 1. Ransom Rate for Net Assets

Application Submission Periods	Disclosure of property that	
	Transffered to and within the territory of the Republic of Indonesia	Abroad and not transferred to the territory of the Republic of Indonesia
1st Period	2 %	4 %
2nd Periods	3 %	6 %
3rd Periods	5 %	10 %

Source: *www.pajak.go.id*

In case the management is the party who wants to pay the smallest possible tax by maximizing the value of the company. Earnings management can be done by choosing an accounting method or a discretionary accrual approach (Scott, 2006). Yin and Cheng (2004) examined the effect of tax and non-tax incentives on earnings management practices and found that companies that earn profits are more interested in reducing discretionary accruals to get tax benefits. Yamashita and Otogawa (2007) examine accrual accounting and the relationship between two incomes in Japan which is more explicit, which finds discretionary accruals negative, thus showing that Japanese companies regulate profit and loss to minimize income tax costs. Wijaya and Martani (2011) found that companies that earn profits practice greater earnings management which are influenced by tax incentives, namely tax planning and net deferred tax liabilities than companies that are affected by net deferred tax liabilities and earnings pressure. Management made efforts by playing discretionary accruals, namely saving the company's profits to be included in the tax amnesty at a rate of 2% in period I, management made tax savings where it should have been paid was 25%. It is suspected that the behavior of the management is efficient. Healy (1985) shows empirically that before management performs earnings management, managers must have inside information on the company's net income. This shows the tendency of management to opportunistically manage net income by maximizing bonuses based on the company's compensation program. Healy (1985) tries to prove and predict the accounting method that managers will choose. This research is an extension of the bonus plan hypothesis. In the bonus contract, if the net profit is below the net profit limit (below the bogey), the manager will reduce the profit (taking a bath) by charging all the costs that should have been incurred in the coming period, so that the amount of net profit in the future can increase. and get a bonus. If the profit is at the too high limit (above the cap), then the manager will choose policies and procedures by reducing net income to the profit limit so that he gets a bonus. If it is between the upper (cap) and lower (bogey) limits of net income, the manager will tend to carry out earnings management by increasing revenue.

Earnings management will tend to followed by a decline in performance (underperformance) after the offering period due to negative abnormal returns. Improved management performance can be achieved if the use of the entire company capital invested in assets can generate profits or profits. The company's performance can be seen through the company's financial statements in carrying out business activities and the ability to utilize its business activities effectively and efficiently. Operational performance is one of the aspects used by investors to consider investing decisions in a company. Feri and Nurwiyanta (2014) state that ROE, ROA, and NPM simultaneously have a significant effect on stock prices in the real estate and property sectors on the Indonesia Stock Exchange for the period 2008-2011. Arifiansyah (2016) found that the company's operational performance after the tax amnesty announcement had a negative effect. to the stock returns of manufacturing companies. Farid and Purnamawati (2013) found that there was earnings management in 3 periods after the IPO by means of income decreasing but it did not have a significant relationship with cumulative abnormal return (CAR) and proved that the company's operating performance could not moderate the relationship between earnings management and CAR. Accounting Standards explain that accrual-based earnings provide a better performance measurement than the information generated by cash flow.

However, Hassabelnaby and Said (2001) found cash flow provides a better measure of economic performance and more information than earnings. Putriani and Sukartha (2014) found that free cash flow does not have a significant effect on stock returns, while net income has a positive and significant effect on stock returns. Wendi Asmorojati, et al (2017) found that the capital market did not react even though the announcement of the tax amnesty policy on 1 July 2016 was good news, but the announcement did not contain meaningful information for investors. Sutra Manik, et al (2017) state that tax amnesty policy information does not provide a signal to investors so that this information does not affect investors' decisions to invest in the capital market in the property sector because tax amnesty funds are still deposited so that the capital market has not received tax amnesty funds such as targeted earlier.

The purpose of this study is to prove empirically whether the companies postpone the announcement of financial statement earnings to the period after the tax amnesty announcement. This is to determine the effect of earnings management on stock returns and to prove how stock prices will move after the tax amnesty announcement is made. This is to determine the effect of the company's operational performance on stock returns after the tax amnesty announcement.

This research is expected to contribute to the results of research on agency theory which implies asymmetry information between managers as agents and owners as principals. When there is asymmetry information, managers can provide signals about the condition of the company to investors in order to maximize the value of the company's shares. Positive accounting theory uses agency theory to explain and predict the choice of accounting policies by managers, one of which is the political cost hypothesis in which companies tend to reduce current earnings by shifting reported earnings to future periods. The results of the analysis of this study support agency theory because the size of the earnings management carried out by company management will be able to affect stock returns. The results of this study are expected to be able to contribute ideas to investors and shareholders in analyzing and making the right investment choices so as to optimize profits with low investment risk. The conceptual framework in this study is presented in Figure 1 as follows.

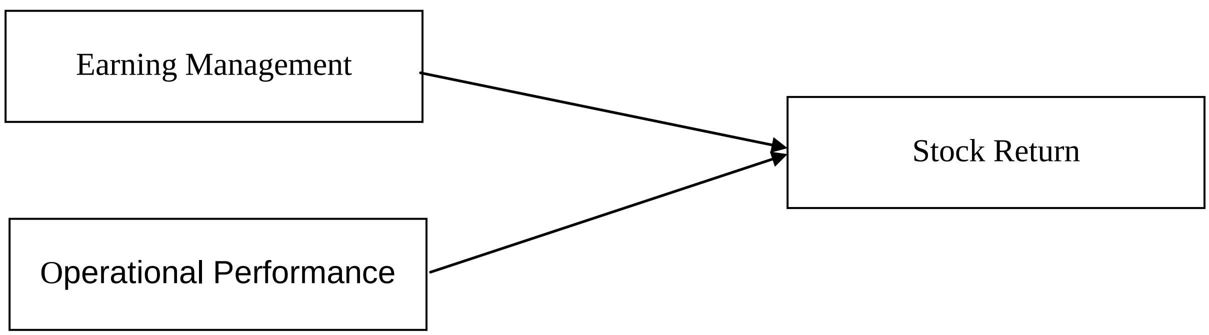

Figure 1. Conceptual Framework

Agency theory implies the existence of information asymmetry between managers as agents and owners as principals (shareholders). Conflicts of interest occur due to differences between owners and managers. An agency relationship is a contract in which one or more shareholders (principals) and managers (agents) perform services on behalf of the principals to make the best decisions for the principals. However, management realizes that earnings get great attention from users of financial statements, so a manager will try to present his profits as best as possible to show that the entity he manages looks healthy.

Negative Earnings Management Prior to The Tax Amnesty Announcement

The existence of the tax amnesty policy issued by the Government made the management make efforts by playing a discretionary accrual, namely saving company profits to be included in the tax amnesty at a rate of 2% in period I, so that the management made tax savings where it should have been paid was 25 %. It is suspected that the behavior of the management is efficient. Several previous studies have proven that companies perform earnings management in response to lower tax rates. Research by Dopuch and Pincus (1998); Dhaliwal et al (1994);

Cloyd et al (1996) showed that companies choose the LIFO method as an income decresing company to make income tax savings. Management has made several efforts to obtain more profits by implementing tax shifting, which moves this year's profit to next year or shifts the cost recognition from next year to this year, so that next year costs are lower. Research by Guenther (1994) on the reduction of corporate income tax rates on earnings management with the 1986 Tax Reform Act.Yin and Cheng (2004) examined the effect of tax and non-tax incentives on earnings management practices and found that companies that earn profits are more interested in reducing discretionary accruals. Yamashita and Otogawa (2007) examine accrual accounting and the relationship between two incomes in Japan which is more explicit, which finds discretionary accruals negative, thus showing that Japanese companies regulate profit and loss to minimize income tax costs. From the description, the first hypothesis in this study can be compiled:

H1: There is negative earnings management before the tax amnesty announcement.

Effect of Earnings Management on Stock Returns after the Announcement of the Tax Amnesty

In agency theory, it is explained that agency conflicts will arise when managers and shareholders have unbalanced information. Agency conflicts will arise if managers do not reflect all the information they have in the financial statements. The accrual basis in the financial statements provides an opportunity for managers to modify the financial statements to produce the desired amount of profit. Because managers realize that profits get the most attention from users of financial statements which can make the stock price rise or fall in the stock market. If a company profit at the time of publishing its financial statements has decreased, it is assumed that the share price will also decline. However, if the profit of a company during the tax amnesty program increases but what happens is different, the stock price will continue to decline. The phenomenon of stock prices that tend to rise or fall after the earnings announcement is because it contains information that investors do not expect. Through the tax amnesty event imposed by the government, it affects management behavior in managing its financial reports.

Ball and Brown (1968) documented the phenomenon that stock prices tend to rise or fall after earnings announcements that contain unexpected information. Ardiati (2003) found that the effect of earnings management on stock returns was greater for companies audited by KAP Big 5 compared to KAP Non-Big 5.Wijaya and Martani (2011) that it is not only companies that earn profits that manipulate, but companies that experience losses will do earnings management in response to the reduction in corporate tax rates in Indonesia so that it can affect the reaction of share prices. Maxson and Martani (2011) found that companies carry out

earnings management in response to the reduction in corporate tax rates in Indonesia. According to Ferdiansyah and Purnamasari (2012), it is found that earnings management partially affects stock returns that the higher the earnings management, the higher the stock return that investors will receive. The second hypothesis in this study is:
H2: Earnings management has a positive effect on stock returns after the tax amnesty announcement.

The Effect of Operational Performance on Stock Returns After the Announcement of the Tax Amnesty

Financial reports are media managers (agents) to account for the results of their performance and provide a signal to shareholders (principals) to assess the company's performance. The company's operating performance is the company's ability to carry out its operations, which is one aspect of consideration for investors in making investment decisions in a company. The company's operational performance is measured using the free cash flow approach by Ross et al. Free cash flow is used as a benchmark by company management to determine whether the company policy is good or not. The company's performance looks good if it has excess free cash flow. Because the greater the free cash flow available, the healthier a company is. So that it has a positive impact on the company's stock return because many investors are interested in investing in the company.

Research conducted by Hassabelnaby and Said (2001) found cash flow provides a better measure of economic performance and more information than earnings. Performance information is useful for predicting a company's capacity to generate existing resources so that the free cash flow approach is an approach that has parameters for examining the flexibility of an issuer that is able to measure a company's financial flexibility because it is seen as more transparent and more difficult to manipulate. Vakilifard and Shahmoradi (2014) found that companies that have high free cash flow (operational performance) will produce high returns or stock prices as well. Montoliang and Tjun (2019) found that there was a significant influence between free cash flow and stock returns in companies active in LQ 45 on the Indonesia Stock Exchange for the period 2015-2017. However, Jensen's (1986) study found that excessive free cash flow actually leads to waste of agency costs, resulting in reduced stock returns received by shareholders. Putriani and Sukartha (2014) found that free cash flow does not have a significant effect on stock returns, while net income has a positive and significant effect on stock returns. Widya & Matusin (2015) tested the effect of stable profitability and free cash flow on stock returns of manufacturing industries listed on the IDX and found that stable profitability had a positive effect on stock returns, but there was no influence between free cash flow and stock returns. Arifiansyah (2016) found that stock returns have a negative effect on the company's operational performance after the tax amnesty announcement. Based on the description above, the third hypothesis is formulated as follows:

H3: The company operational performance has a positive effect on stock returns after the announcement of the tax amnesty.

RESEARCH METHODS

This research was conducted in the Indonesian capital market, in this case the Indonesia Stock Exchange (IDX) through the website www.idx.co.id and finance.yahoo.com which provide daily share price information during the observation period, namely companies that carry out earnings management and companies that do not perform earnings management.

The object of this research is stock returns which are thought to be influenced by earnings management variables and operational performance. This study includes companies that have gone public and listed on the Indonesia Stock Exchange (IDX) from June 30, 2011 to June 30, 2016. The scope of this research is limited to examining earnings management during the publication of financial reports. The test of stock returns seven days after the tax amnesty announcement uses the daily closing share price which is suspected to be influenced by earnings management and the Company operational performance. In this study, the independent variables are earnings management and operational performance, while the dependent variable is stock returns calculated by the following formula:

$R_{it} = (P_{it} – P_{it}\text{-}_1) / P_{it}\text{-}_1$..(1)

Where:

Rit = Stock return of of each company

Pit = Stock price i on day-t (closing)

Pit-1 = Stock price i on day-t (closing) - 1

Earnings management is measured using the Jones Model modified by Dechow, et al (1995) to calculate discretionary accruals and nondiscretionary accruals as follows:

$TA_{it} = NI_{it} - CFO_{it}$ ….…………………………………..(2)

Calculate discretionary accrual that estimate with *Ordinary Least Square* (OLS) regretion equation with the formula:

$TAit/Ait_{-1} = \alpha(1/Ait_{-1}) + \beta 1(\Delta PENDit/Ait_{-1} - \Delta PIUTit/Ait\text{-}_1) + \beta 2(ATKit/Ait_{-1}) + \varepsilon it$……..........................(3)

Calculate non-discretionary accrual (AND)

$ANDit = \alpha(1/Ait\text{-}_1) + \beta 1(\Delta PENDit/Ait\text{-}_1 - \Delta PIUTit/Ait\text{-}_1) + \beta 2(ATKit/Ait\text{-}_1)$................................(4)

Calculate the existance of profit arrangement by discretionary accrual proxy (AD)

$AD\ it = ADit/Ait\text{-}_1 = TAit/Ait\text{-}_1 - ANDit/Ait\text{-}_1$ ……….........(5)

Where:

TAit = Total accrual for company 'i' in t period

NIit = Net income before extraordinary items of company 'i' in t period.

CFOit = Company 'i' operating cash flow in t period

ΔPENDit = Revenue of company 'i' in t period minus revenue in t-1 period.

ΔPIUTit = Receivables of company 'i' in the end of t year less receivables in the t-1 year.

ATKit = Gross tangible fixed assets of company 'i' at the end of t year

Ait-1 = Total assets of company 'i' at the end of t-1 year

Eit = Error term for company 'i' in t year

α, β1, β2 = Fitted coeff. obtained from the regression results on the calculation of total accruals

AD it = Discretionary accrual of company 'i' at the end of t-1year.

ANDit = Non-discretionary accrual of company i at the end of t-1 year

Operational performance is measured using the free cash flow approach method. In this study using the free cash flow formula from Ross et al. (2000) are:

Free Cash Flow = Cash Flow from Operations - Capital Expenditures .... (6)

RESULTS AND DISCUSSION

The population in this study are publicly traded companies that have been listed on the IDX for the period June 30th, 2011 to June 30th, 2016 and have complete financial reports and have not suffered losses during the observation year as much as 519 companies. There were 233 companies that did not participate in the tax amnesty. There were 109 companies that experienced losses during the observation year.

Table 2. Research Sampling

Sampling Criteria	Quantity
The number of publicly traded companies listed on the BEI 2011-2016	519
Companies that do not participate in the tax amnesty	(233)
Companies that incur losses during the observation year	(109)
Sample size	177

The classical assumption test that has been carried out is the normality test, multicollinearity test, and heteroscedasticity test. The results of the classical assumption test, namely:

Normality test

normality test show that if the data spreads around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, then the regression model fulfills the normality assumption shown in Figure 2 below:

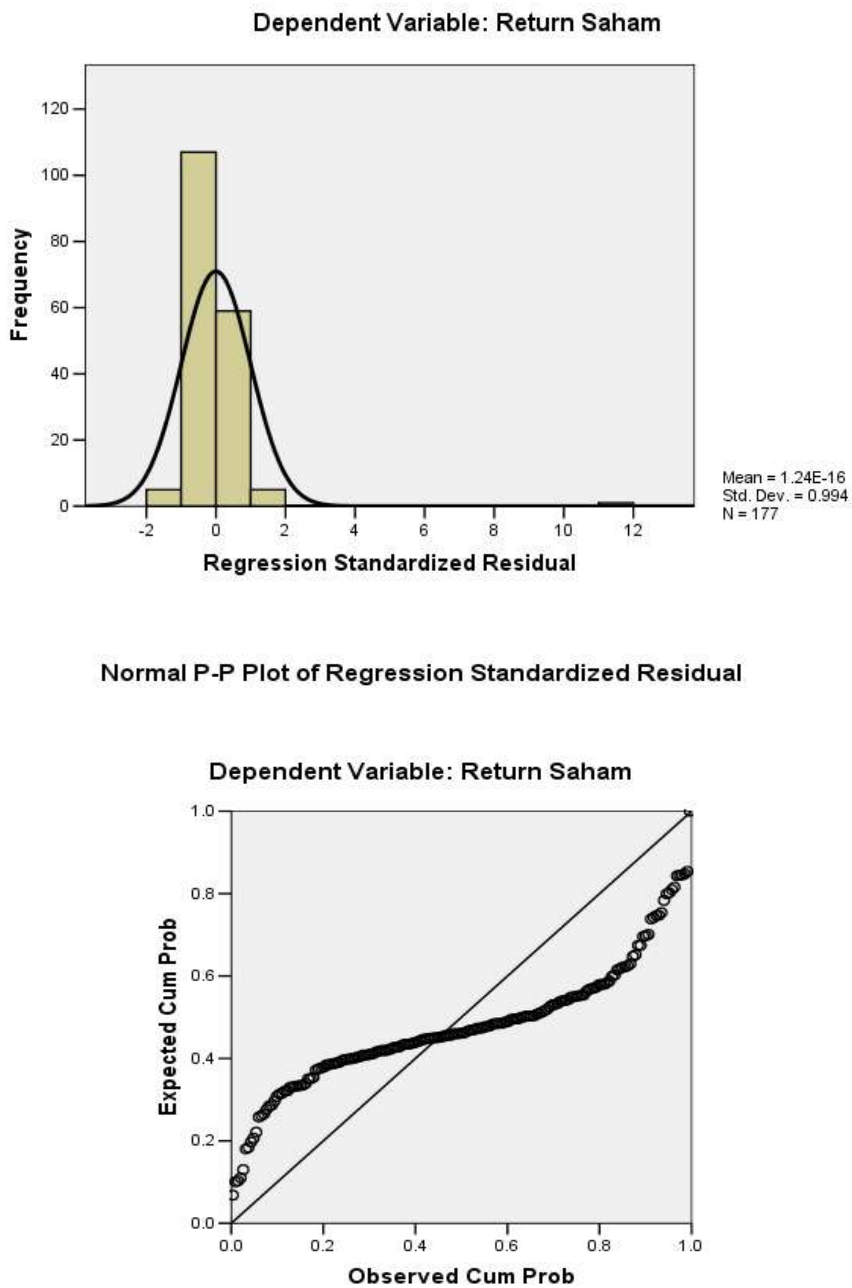

Figure 2. The Normality Test Diagram

Based on Figure 2. above, the distribution of research data on earnings management variables, operational performance and stock returns shows that the data spreads around the diagonal line and follows the direction of the line, meaning that the regression model meets the assumption of normality so that it is classified as normal data distribution.

Multicollinearity Test

Table 3. Multicolinierity Test Result

	Tolerance	VIP
Earning Management	0,988	1,012
Operational Performance	0,988	1,012

The results in Table 3 indicate that the tolerance value is greater than 0.1 and the variance inflation factor (VIF) value is smaller or less than 10. This indicates that in this study there is no multicollinearity between the independent variables in the regression model.

Heteroscedasticity Test

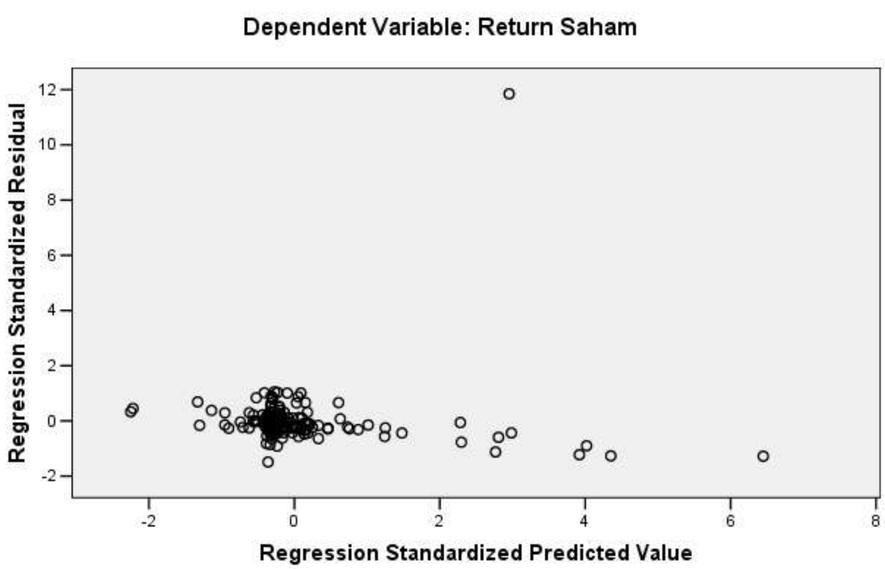

Figure 3. Heteroscedastisity Test Result

The results of the SPSS output display are presented in Table 3. It clearly shows that at α = 5%, the distribution of εi / s values is in the interval (-2,12) to spread randomly. So it can be concluded that the regression model does not contain heteroscedasticity.

Descriptive statistics of sample used where the calculated earnings management is earnings management before 1 July 2016. So that the financial statements dated June 30th 2016. With 5 year time series data backward (10 semesters) for the OLS analysis of the modified Jones model which has complete financial reports and follows the tax amnesty are presented in Table 4. Descriptive statistics include the average value, as well as the min and max values of discretionary accruals, non-discretionary accruals and total accruals.

Table 4. Descriptive Statistic of Earning Management

Information	Minimum	Maximum	Average
AD	-0,00003	0.09309	0,00053
AND	-0.79827	0.06260	-0.07791
TA	-0.79827	0.06261	-0.07739

Note: AD= Discretionery accrual, AND = Non discretionery accrual, TA= Accrual total

The minimum and maximum discretionary accruals (AD) values for companies that participate in the tax amnesty are -0.00003 and 0.09309. The average value of discretionary accruals (AD) for companies that participated in the tax amnesty was 0.00053. The discretionary accrual average value is to show that the company makes earnings arrangements that increase earnings (proxied by AD).

The minimum value of non-discretionary accruals (AND) for companies that participate in the tax amnesty is -0.79827 and the maximum value is 0.06260. The average value of all observations is -0.07791.

The lowest total accrual value (TA) for companies that participate in the tax amnesty is -0.79827 and the highest value is 0.06261. The average value of all observations is -0.07739.

Based on statistical calculations, earnings management data proxied by discretionary accruals, operational performance using the free cash flow approach, obtained the value of stock returns in companies listed on the IDX for the period June 30th, 2011 to June 30th, 2016 that followed the tax amnesty can be explained in Table 5.

Table 5. Descriptive Statistic of Earning Management and Operational Performance

	Mean	Minimum	Maximum	Std. Deviation	N
Earning Management	0,00534	-0,00003	0,09309	0,00699	177
Operational Performance	0,27890	-1,57526	5,56170	0,82525	177
Return	0,00549	-0,03636	0,33900	0,00549	177
Valid N					177

Based on Table 5. above, it can be concluded that the average stock return of companies listed on the IDX for the period June 30th, 2011 to June 30th, 2016 that followed the tax amnesty under study was 0.00549 with a minimum number of -0.03636 and a maximum number of 0 , 33900. The standard deviation of 0.02717 means that the error deviation is greater than the average return indicating more varied data. This data shows that the stock return on the sale of each company share that follows the tax amnesty on the IDX for the period June 30th, 2011 to June 30th, 2016 is 0.549%.

The average earnings management proxied by discreationary accruals in companies that participated in the tax amnesty on the IDX for the 2011-2016 period under study was 0.00053 with a minimum figure of -0.00003 and a maximum figure of 0.09309. The standard deviation of 0.00699 means that the error deviation is greater than the average earnings management, indicating more varied data. This data shows that the company's earnings management that follows the tax amnesty on the IDX from June 30th, 2011 to June 30th, 2016 is 0.053% of total assets.

The average operational performance of companies listed on the IDX for the period June 30th, 2011 to June 30th, 2016 following the tax amnesty under study was 0.27890 with a minimum figure of -1.57526 and a maximum figure of 5.56170. The standard deviation of 0.82525 means that the error deviation is greater than the average operational performance indicating more varied data. This data shows that the operational performance on the sale of each share of the companies that follow the tax amnesty on the IDX for the period June 30th, 2011 to June 30th, 2016 is 27.89%.

The coefficient of determination (R2) is used to measure how far the model is able to explain the relationship between the variation in the dependent variable. The results of the coefficient of determination (R2) are presented in Table 5.6 below:

Table 6. Determination Coefficient (R^2)

R Square	0,048
Adjusted R square	0,037
F Test	4,364
Sig.	0,014

Based on Table 6. it is known that the Adjusted R Square is 0.037. This means that variations in stock returns can be explained by variations in earnings management and operational performance of 3.7% while the remaining 96.3% is explained by other factors.

The F test is used to determine whether the independent variables have a significant effect on the dependent variable. It is also known that F count = 4.346> F 0.05 (2.174) = 3.00 or H0 is rejected. The significance of the F test is 0.014 which is smaller than 0.05, indicating that earnings management variables and operational performance have a simultaneous effect on stock returns. Thus the model is considered fit for testing and proving the hypothesis can be continued.

Before the regression test is carried out, a different test is first performed to see whether which independent variable has the most dominant influence on the dependent variable. This relationship can be seen in Table 7 below:

Table 7. t Test Result

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.004	.002		1.669	.097		
Earn. Mngmnt	-.109	.289	-.028	-.376	.707	.988	1.012
Opr. Performance	.007	.002	.219	2.948	.004	.988	1.012

a. Dependent Variable: Stock Return

Based on the influence test between earnings management (X1), operational performance (X2) on stock returns (Y), the multiple linear regression equation is obtained as follows:

$Y = 0.004 - 0.109X1 + 0.007X2$

The regression equation above shows a constant value of α of 0.004, which means that if the earnings management variable and operational performance are 0 (zero), then the stock return variable will be 0.004.

The $\beta 1$ coefficient value of -0.109 (0.707) indicates that the regression coefficient is negative 0.109 and is not significant (0.707 is greater than 0.05), this indicates that earnings management has no effect on stock returns, which means that earnings management increases by 1 unit. , then the stock return does not change.

The $\beta 2$ coefficient value of 0.007 (0.004) indicates that the regression coefficient is positive 0.007 and significant (0.004 is less than 0.05), this means that operational performance has a positive effect on stock returns, which means that if operational performance increases by

1 unit, then return stock is expected to increase by 0.007 assuming that earnings management is unchanging or constant.

Based on the results of hypothesis testing, the effect of earnings management (X1) on stock returns (Y) is obtained by the t count with a probability value of 0.707> α = 5%, this means that the hypothesis H0 is accepted and H1 is rejected. Therefore, there is no effect of earnings management on stock returns. This indicates that the size of the earnings management carried out by the company management will not be able to affect the company's stock return.

Based on the test results, the effect of operational performance (X2) on stock returns (Y) is obtained by the t count with a probability of 0.004 <α = 5%, this means that H0 is rejected and H1 is accepted. Therefore, there is a positive effect of operational performance on stock returns. This indicates that the level of operational performance carried out by the company management will be able to affect the company's stock return.

The first hypothesis is that there is negative earnings management before the announcement of the tax amnesty. The calculation shows that the average value of discreationary accruals (t-1) shows 0.00053 (positive), which means that the test results do not prove that companies that participate in tax amnesty carry out earnings management by reducing reported earnings. The results of testing the first hypothesis (H1) are not in line with the results of research by Dopuch and Pincus (1998); Dhaliwal et al (1994); Cloyd et al (1996), Yin and Cheng (2004), Yamashita and Otogawa (2007). The test results that have been described prove that the first hypothesis (H1) is rejected, so it can be stated that the companies that participated in the tax amnesty had no efforts to reduce their reported earnings before the tax amnesty announced. The results do not support the opinion that management is saving profits or tax savings where 25% should be paid to be included in the tax amnesty at a rate of 2% in period i which is thought to be efficient behavior.

The second hypothesis is that earnings management has a positive effect on stock returns after the announcement of the tax amnesty. Based on the test results, the t count with the significance of earnings management is 0.707> α = 0.05, this means that H0 is accepted and H1 is rejected, indicating partially earnings management has no effect on stock returns. This indicates that the size of the earnings management carried out by the company management will not be able to affect the company's stock return. The results of testing the second hypothesis (H2) are in line with the research results of Saputra (2016), Wendi Asmorojati, et al (2017), Sutra Manik, et al (2017). The results of this study are inconsistent with the results of research from Healy (1985), acknowledged Scott (2006), Ball and Brown (1968), Wijaya and Martani (2011). The test results that have been described prove that the second hypothesis (H2) is rejected, so that it can be stated that the higher the profits reported by the companies participating in the tax amnesty on the IDX for the period June 30th, 2011 to June 30th, 2016, then the share price will not have an effect so it will not be reacted positive by investors because the return received by investors will remain or not change. The results of this study do not support the agency theory used as the basis for this study, because the company does not carry out earnings management by reducing the amount of reported earnings, so that the company does not get tax incentives in carrying out earnings management, which means that the accrual policy adopted cannot affect the company's operating cash flow either. directly or indirectly that causes the market to not react to the policies taken by the managers of the companies under study.

The third hypothesis is that operational performance has a positive effect on stock returns after the announcement of the tax amnesty. Based on the test results in Table 5.10, the results of t count with a significant operational performance of $0.004 < \alpha = 0.05$, this means that H0 is rejected and H1 is accepted, indicating that partially operational performance has a significant effect on stock returns. This indicates that the size of the free cash flow reported by the management of the company following the tax amnesty will be able to have a significant effect on the company's stock return. Since operational performance is one of the aspects used by investors to consider investing decisions. The results of this study are in line with Hassabelnaby and Said (2001), Vakilifard and Shahmoradi (2014) and the research of Montoliang and Tjun (2019). The results of this study are inconsistent with research conducted by Jensen (1986), Putriani and Sukartha (2014), Widya & Matusin (2015).

CONCLUSION

Based on the discussion of the research results, it can be concluded that 1) There was no negative earnings management before the announcement of the tax amnesty. This indicates that companies that participate in the tax amnesty are not proven to delay the announcement of financial statement earnings by reducing reported earnings or making tax savings before tax amnesty to save company profits which are included in the period after the tax amnesty announcement; 2) There is no significant effect of earnings management on stock returns after the announcement of the tax amnesty. This indicates that the size of earnings management carried out by the management will not be able to influence the decline or increase in the company's stock return; 3) Operational performance has a positive effect on stock returns, which means that an increase in operational performance results in an increase in stock returns. Based on the results of the analysis and conclusions, some suggestions can be made, namely. 1) The occurrence of earnings management results in the financial information presented by the company not in accordance with the actual facts, therefore users of financial statements are expected before making a transaction to review the income statement information presented by the company; 2) Investors are advised to conduct analysis before deciding to invest in a sector or company, in order to see whether the company can provide benefits in the future or not; 3) Further researchers can still improve this research, by observing similar themes or titles but with different observation event periods and identifying other variables that can affect earnings management on stock returns such as economic value added (EVA), interest rates, value. rupiah exchange against US Dollar, return on assets (ROA), return on equity (ROE), dividend payout ratio (DPR).

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