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Heru Fahlevi <jurnal@unsyiah.ac.id>
To: Sansaloni Butar-Butar <sansaloni@unika.ac.id>

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jdab@unsyiah.ac.id

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1 message

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To: Sansaloni Butar-Butar <sansaloni@unika.ac.id>

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Indayani Indayani
Universitas Syiah Kuala
inya74@gmail.com

Jurnal Dinamika Akuntansi dan Bisnis
<http://jurnal.unsyiah.ac.id/JDAB>
jdab@unsyiah.ac.id

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Perataan Laba, *Default Risk* dan *Stock Price Crash*: Suatu Pengujian Efek Moderasi Umur Manajer

Sansaloni Butar Butar
Universitas Katolik Soegijapranata
sansaloni@unika.ac.id

ABSTRAK

Penelitian ini menguji efek moderasi umur manajer (presiden direktur/direktur utama) terhadap *stock price crash*. Lebih spesifik, penelitian ini menguji apakah umur manajer dapat memoderasi hubungan perataan labadan *stock price crash* serta hubungan *default risk* dan *stock price crash*. Menggunakan 852 sampel perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2013-2017, hasil analisis menunjukkan umur manajer dan *default risk* berhubungan negatif dengan *stock price crash* sesuai dengan prediksi. Hasil analisis juga menunjukkan umur manajer dapat memoderasi hubungan antara *default risk* dan umur manajer. Namun interaksi antara umur manajer dan *default risk* menunjukkan arah yang positif. Arah positif mengisyaratkan bahwa kepercayaan investor terhadap manajer yang memiliki usia tua membuat manajer kurang hati-hati sehingga gagal mengantisipasi efek negatif *default risk*. Ketika sadar bahwa perusahaan memiliki masalah keuangan yang besar, mereka segera merevisi kepercayaan mereka dan mengakibatkan terjadinya *stock price crash*. Sementara itu, hasil analisis menunjukkan perataan laba tidak berhubungan dengan *stock price crash*.

Kata Kunci: *Stock price crash*, *default risk*, perataan laba, *bad news hoardings*.

Income Smoothing, Default Risk, and Stock Price Crash: Probing the moderating effect of CEO Age.

ABSTRACT

This study examines the moderating effect of CEO age on stock price crash. More specifically, this study examines whether CEO age moderate the association between income smoothing and stock price crash and the association between default risk and stock price crash. Employing 852 samples of firms listed on the Indonesia Stock Exchange for period of 2013-2017, the results show that CEO age and default risk are negatively associated with stock price crash and CEO age moderate the association between the two variables. However, the interaction between CEO age and default risk shows a positive direction. A positive direction suggests that investors confidence in old age managers undermine the threat of financial problem and thus fails to anticipate promptly the negative effects of default risk. When investors suddenly realize that firms have huge financial problems, they revise their belief about firm future prospects causing sharp decline in stock prices. Income smoothing is not significantly associated with stock price crash.

Keyword: Stock price crash, default risk, income smoothing, bad news hoardings.

1. Pendahuluan

Teori pasar efisien dikembangkan berlandaskan asumsi bahwa pelaku pasar selalu bertindak rasional dan bereaksi dengan cepat terhadap informasi baru. Namun perlu dicatat bahwa teori pasar efisien hanya berlaku jika informasi tersedia secara luas bagi pelaku pasar dalam saat yang sama (Shleifer, 2000). Apabila kondisi ini terpenuhi, maka harga saham yang tercipta akan merefleksikan kondisi perusahaan yang sesungguhnya. Namun dalam realitas, perusahaan mungkin saja menyembunyikan informasi negatif (*bad news*) yang berpotensi membawa dampak buruk terhadap harga saham. Jika ini terjadi, harga saham perusahaan tidak lagi mencerminkan kondisi yang sebenarnya. Akumulasi *bad news* yang semakin menumpuk suatu waktu tidak dapat disembunyikan lagi dan terpaksa diungkap ke pasar (Habib et al., 2017). Peristiwa ini menimbulkan sentimen negatif yang besar sehingga memicu kejatuhan harga saham. Investor yang rasional seharusnya dapat mengantisipasi terjadinya *stock price*

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Penulis: Penulis berpandangan bahwa belum ada istilah Indonesia yang digunakan dan dapat diterima secara luas untuk istilah *default risk* dan *stock price crash*. Sementara istilah *income smoothing* sudah diterjemahkan menjadi perataan laba dan sering digunakan dalam banyak penelitian di Indonesia. Jika *default risk* dan *stock price crash* diterjemahkan menggunakan definisi yang sebenarnya maka judul akan terlalu panjang dan tidak sesuai dengan panduan penulisan JDAB yang membatasi jumlah kata untuk judul tidak lebih dari 20 kata. Di samping itu, panduan penulisan JDAB juga tidak mengharuskan semua istilah asing diterjemahkan ke dalam bahasa Indonesia. Karena itu, penulis tetap menggunakan judul yang sama tanpa perubahan.

crash. Kejatuhan harga saham suatu perusahaan dalam waktu yang relatif singkat dikenal secara luas dengan sebutan *stock price crash* (Habib et al., 2017). Fenomena *stock price crash* telah mendorong berbagai studi empiris di pasar modal dunia untuk menjelaskan dan mengidentifikasi penyebabnya (Hong et al., 2017; Chang, 2017; Li et al. 2019; Harymawan et al. 2019).

Berbagai perspektif telah dikembangkan untuk menjelaskan *stock price crash*.. Yang paling dominan adalah *bad news hoarding*. Menurut perspektif ini, potensi *stock price crash* diawali dari asimetri informasi antara manajer dan pemegang saham (Chen et al., 2017; Habib, et al., 2017). Manajer berkepentingan untuk mempertahankan laba yang tinggi agar kompensasi yang diterima terus bertambah. Demi terwujudnya tren laba yang stabil, manajer melakukan upaya-upaya sistematis untuk memengaruhi laba. Hasil-hasil riset terdahulu mengkonfirmasi kecenderungan manajer menyembunyikan dan menangguhkan pengungkapan berita negatif (*negative news*) dalam periode waktu tertentu untuk menghindari reaksi negatif investor yang dapat mengancam karir dan kompensasi manajer (Kothari et al., 2009; Kim et al., 2011; Chang, et al. 2017; Jung et al., 2019.)

Upaya-upaya sistematis yang dilakukan perusahaan untuk menangguhkan pengungkapan *bad news* mengakibatkan aliran informasi negatif ke dalam pasar modal menjadi terhalang sehingga distribusi return saham menjadi tidak simetris (Hutton et al., 2009; Kothari et al., 2009). Salah satu contoh *bad news* adalah *default risk*. Upaya menyembunyikan *default risk* tidak mungkin berlangsung terus. Apabila akumulasi *default risk* telah melewati suatu batas tertentu sehingga tidak tersedia lagi cara-cara legal untuk menyembunyikannya, kesulitan keuangan yang parah terpaksa diungkap dalam satu periode tertentu yang memicu respon negatif investor. Harga saham mengalami penurunan yang signifikan. Penurunan harga saham dalam jumlah besar dan dalam waktu yang singkat ini yang disebut dengan *stock price crash* (Habib et al., 2017). Namun perlu dicatat bahwa menurut teori pasar efisien, investor rasional akan bereaksi cepat terhadap suatu informasi sehingga keterjadian *stock price crash* merupakan anomali pasar modal.

Dari penjelasan di atas dapat dipahami bahwa investor tidak sepenuhnya rasional dan dapat menilai kondisi perusahaan sesungguhnya seperti yang diasumsikan teori pasar efisien. Salah satu cara yang dapat dilakukan untuk menutupi kondisi perusahaan yang sebenarnya yaitu dengan melakukan tindakan perataan laba. (Kothari et al., 2009; Chen et al., 2017). Tindakan perataan laba menghasilkan tren laba yang stabil dan persisten bagi sebagian kalangan dipercaya dapat berpengaruh positif terhadap nilai perusahaan. Laba yang stabil merupakan sinyal positif yang sengaja diberikan perusahaan agar investor memahami prospek perusahaan di masa depan (Badertscher et al., 2012). Survei yang dilakukan Graham et al., (2005) menunjukkan hampir 97% dari 400 responden yang merupakan *top executives* menginginkan laba yang lebih rata (stabil) karena mereka percaya bahwa investor memiliki persepsi positif terhadap perusahaan yang menunjukkan tren laba yang stabil dibandingkan perusahaan lain. Apabila tindakan perataan laba dilakukan untuk mengomunikasi informasi privat dan investor memahami sinyal tersebut, maka efeknya terhadap saham perusahaan akan positif dan *stock price crash* tidak akan terjadi.

Namun penelitian klasik Healy (1985) dan berbagai penelitian setelahnya (Fudenberg dan Tirole, 1995; Defond dan Park, 1997) menunjukkan bahwa tindakan perataan laba dilakukan manajer untuk memenuhi target bonus dan mengamankan jabatan. Motif perataan laba untuk mendapatkan keuntungan privat seperti ini berpotensi menurunkan nilai perusahaan. Studi Chen et al., (2017) yang menggunakan sampel perusahaan dari pasar modal Amerika Serikat (AS) memberi bukti adanya hubungan positif antara perataan laba dan *stock price crash*. Hasil studi tersebut menunjukkan bahwa perataan laba membawa dampak negatif terhadap nilai perusahaan Investor di pasar modal AS. Pelaku pasar di AS tampaknya memiliki keahlian yang tinggi dalam menganalisis laporan keuangan perusahaan sehingga tidak mudah

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dikelabui perusahaan melalui tindakan perataan laba. Apakah investor di Bursa Efek Indonesia juga memiliki keahlian yang sama? Perlu dilakukan investigasi untuk menilai respon pasar di pasar modal berkembang sebelum generalisasi dapat dilakukan.

Andreou et al., (2017) menunjukkan bahwa perusahaan yang memiliki manajer (CEO) yang berusia muda lebih besar kecenderungannya mengalami risiko *stock price crash* dibandingkan perusahaan yang dikelola CEO yang berusia lebih tua. Manajer yang berusia muda memiliki dorongan besar untuk menunjukkan kinerja yang baik sehingga lebih berani dalam mengambil kebijakan yang penuh risiko. Jika dilihat dalam perspektif ini, hubungan antara *default risk* dan *stock price crash* serta hubungan antara perataan laba dan *stock price crash* mungkin dipengaruhi pula oleh karakter manajer yang mengelola perusahaan.

Penelitian ini bertujuan untuk menguji efek moderasi umur manajer terhadap hubungan antara perataan laba dan *default risk* dengan *stock price crash*. Seperti yang telah dijelaskan dalam diskusi sebelumnya, kecanggihan perilaku pasar sangat menentukan hubungan antara perataan laba dan *stock price crash*. Dalam pasar modal yang efisien seperti pasar modal AS, pelaku pasar tidak terpengaruh oleh upaya perusahaan untuk menampilkan tren laba yang stabil dalam menutupi kinerja yang buruk. Namun patut diduga bahwa pelaku pasar modal di Indonesia belum secongah pelaku pasar di AS sehingga hubungan antara perataan laba dan *stock price crash* merupakan pertanyaan empiris. Berkaitan dengan efek moderasi umur manajer terhadap perataan laba dan *default risk*, sepanjang yang penulis ketahui, belum ada penelitian sebelumnya yang menguji efek moderasi umur terhadap *stock price crash*. Efek moderasi umur dimotivasi studi Andreou et al., (2017) yang menemukan hubungan negatif antara umur manajer dan *stock price crash*. Hubungan negatif mengisyaratkan bahwa perusahaan yang dikelola manajer muda lebih berani melakukan perataan laba dibandingkan manajer usia tua sehingga pengaruh perataan laba dan *stock price crash* diprediksi semakin menguat. Penelitian ini juga memasukkan beberapa variabel kontrol yang telah dilaporkan mempengaruhi *stock price crash* yaitu ukuran perusahaan, profitabilitas, tingkat utang (*leverage*) dan pertumbuhan penjualan (Chen et al., 2001; Jin and Myers 2006; Hutton et al., 2009).

2. Kerangka Teoritis dan Pengembangan Hipotesis

Jensen dan Meckling (1976) mengembangkan *agency theory* yang menyatakan bahwa relasi pihak-pihak yang ada di dalam perusahaan dapat dijelaskan dengan kontrak antara pemilik perusahaan (prinsipal) dan pengelola perusahaan (agen). Prinsipal (pemegang saham) mendelegasikan sebagian besar wewenang yang dimiliki kepada agen (manajer) untuk mengelola sumber daya yang ada. Pemegang saham berharap agar manajer bekerja dengan sungguh-sungguh dengan mengutamakan kepentingan para pemegang saham. Namun sebagai manusia yang memiliki sifat oportunistik, manajer memiliki dorongan untuk lebih mengedepankan kepentingan pribadi daripada kepentingan para pemegang saham. Sifat oportunistik muncul karena lemahnya mekanisme pengawasan yang ada baik dari dalam dan para pemegang saham yang berada di luar perusahaan. Pihak di luar perusahaan tidak memiliki informasi yang cukup untuk memastikan bahwa perusahaan dikelola dengan baik.

Agency theory memprediksi informasi asimetri antara manajer dan pemegang saham akan mendorong terjadinya konflik keagenan. Manajer lebih memikirkan apa yang bisa diperoleh dari perusahaan daripada manfaat apa yang bisa diberikannya kepada perusahaan dan para pemegang sahamnya. Keunggulan dalam hal kepemilikan informasi mendorong sifat oportunistik dalam diri manajer untuk mengeksploitasi informasi yang dimiliki demi kepentingan pribadi. Sadar bahwa informasi negatif akan mendorong investor merevisi kepercayaan mereka terhadap prospek perusahaan di masa depan, manajer berupaya untuk menyembunyikan berita buruk (*bad news*) tersebut. Dia akan berupaya untuk menahan informasi tersebut agar tidak diketahui pasar sehingga penurunan harga saham dapat dihindarkan.

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Jelaskan mengapa variabel moderasi dimunculkan dalam penelitian ini

Penelitian tentang *stock price crash* terus berkembang dalam beberapa tahun terakhir dan berbagai argumen telah dikemukakan untuk menjelaskan fenomena *price crash*. Salah satunya adalah *bad news hoarding* yang pertama kali dikemukakan dalam Jin dan Myers (2006). Secara konseptual, risiko jatuhnya harga saham disebabkan oleh ketidakmampuan manajer untuk menahan lebih lama lagi berita buruk (*bad news*) yang sudah terakumulasi dari waktu ke waktu dari pengamatan para pelaku pasar (Habib, et al., 2017). Namun kemampuan untuk menahan informasi dari pasar ada batasnya. Akumulasi *bad news* yang selama ini ditutupi tidak lagi bisa ditutupi dan terpaksa harus diungkapkan sepenuhnya. Pada saat pasar mengetahui betapa buruknya kondisi perusahaan yang sesungguhnya, secara bersamaan mereka akan melepas saham perusahaan dan memicu *stock price crash* (Hutton et al., 2009; Kothari et al., 2009). Distribusi return saham menjadi asimetrik dan akan menjadi condong negatif saat akumulasi *bad news* tidak lagi mampu untuk disembunyikan dari pasar (Hutton et al., 2009; Jin dan Myers, 2006; Zhu, 2016).

Akuntansi akrual memungkinkan perusahaan melakukan praktik perataan laba. Selain dengan mempercepat atau memperlambat pengakuan biaya, praktik perataan laba juga dapat dilakukan pada saat mengestimasi penyisihan piutang tidak tertagih. Seperti yang banyak diulas dalam buku teks akuntansi (Tessema dan Deumes, 2017), ketidakpastian penerimaan kas dari penjualan kredit mengharuskan manajer menyisihkan sebagian dari nilai transaksi sebagai piutang tidak tertagih. Namun estimasi piutang tidak tertagih mungkin saja lebih tinggi (rendah) dari yang sesungguhnya tergantung peristiwa di masa mendatang. Kesalahan estimasi bisa dipicu faktor natural tanpa ada kesengajaan dalam melakukannya. Tetapi kesalahan estimasi juga bisa dipicu oleh kesengajaan untuk menaikkan atau menurunkan laba. Kesalahan estimasi yang bertujuan untuk menghasilkan laba yang stabil dikenal secara luas sebagai praktik perataan laba. Selain mengintervensi pos-pos akrual, perataan laba juga dapat dilakukan melalui aktivitas ril seperti menawarkan potongan harga diakhir tahun, merubah jadwal pengiriman barang, dan menunda atau mempercepat pemeliharaan mesin.

Perataan Laba dan Stock Price Crash

Standar akuntansi yang ada saat ini memungkinkan manajer menyembunyikan *bad news* untuk mengurangi volatilitas keuangan perusahaan (Yao, 2014). Salah satu cara yang dapat dilakukan adalah dengan melakukan praktik pelaporan laba. Chen et al. (2017) menyatakan bahwa praktik perataan laba dilakukan secara luas dalam pelaporan keuangan. Sementara Gu dan Zhao (2016) menyatakan bahwa perataan laba telah dilakukan secara luas oleh manajer dan telah lama menjadi perhatian para akademisi. Acharya dan Lambrecht (2015) memberikan ilustrasi tentang praktik perataan laba yang disinyalir telah dilakukan oleh perusahaan-perusahaan besar. Perusahaan telekomunikasi ITT yang dipimpin Harold Geneen dari tahun 1959 hingga 1977 mencatat laba kuartalan yang mengalami peningkatan selama lima puluh delapan kuartal berturut-turut. Banyak kalangan yang menyakini, kenaikan ini merupakan permainan angka yang dilakukan perusahaan seperti tercermin pada pertumbuhan laba yang stabil sepanjang kepemimpinannya. Masih menurut Acharya dan Lambrecht (2015), perusahaan-perusahaan lain yang juga diyakini melakukan praktik perataan laba adalah *Microsoft*, *General Electric*, dan *American Express*.

Menurut Acharya dan Lambrecht (2015), tekanan yang dibebankan kepada manajer agar laba yang dilaporkan memenuhi ekspektasi pasar merupakan motivasi utama dalam melakukan perataan laba. Lebih jauh mereka mengatakan, tindakan manajer untuk mempercepat atau memperlambat pengakuan biaya atau pendapatan dilakukan agar fluktuasi laba dapat ditekan. Manajer percaya bahwa laba yang fluktuatif membawa dampak negatif terhadap nilai perusahaan sehingga manajer yang berpotensi gagal memenuhi target laba memilih jalan pintas dengan memotong pengeluaran-pengeluaran investasi. Walaupun laba terlihat stabil, tindakan ini akan menurunkan nilai perusahaan dalam jangka panjang. Upaya-

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upaya proaktif untuk memenuhi ekspektasi pasar mengakibatkan distorsi dalam pengambilan keputusan. Pengambilan keputusan yang keliru pada akhirnya menurunkan nilai perusahaan.

Berbeda dengan perspektif yang menyatakan tindakan perataan laba dapat merugikan perusahaan, beberapa peneliti berargumen bahwa tindakan perataan laba dapat dibenarkan sebagai sarana pensinyalan, yaitu menyampaikan informasi privat kepada pemegang saham tentang prospek perusahaan di masa mendatang. Sankar dan Subramanyam (2001) melakukan studi analitis untuk memahami perilaku manajer terhadap pelaporan laba dengan menggunakan model pertukaran ekonomi (*exchange economy*) pada dua periode. Dalam model tersebut, manajer diasumsikan melaporkan laba yang bias pada periode berjalan dan bias tersebut akan mengalami reversal di masa depan. Namun jika reversal melewati batas minimum, manajer akan terdorong melakukan perataan. Tindakan ini dilakukan dengan tujuan mengomunikasi informasi privat melalui laba yang dilaporkan. Dari hasil analisis mereka menyimpulkan bahwa tindakan perataan laba dapat dilakukan manajer untuk mengelola ekspektasi pasar sehingga nilai perusahaan dapat terus meningkat.

Studi analitis lain yang dilakukan Kirschenheiter dan Melumad (2002) juga mendukung tindakan perataan laba sebagai sarana mengomunikasi informasi privat. Dalam studi tersebut, mereka mengembangkan model pelaporan keuangan dimana investor berupaya untuk menilai presisi laba yang dilaporkan perusahaan. Hasil analisis menunjukkan kejutan laba yang tinggi dapat menyebabkan kemampuan investor dalam menilai presisi laba menurun sehingga nilai perusahaan turut mengalami penurunan. Untuk mencegah penurunan nilai perusahaan, manajer dapat melakukan tindakan perataan laba. Hasil analisis juga menunjukkan bahwa manajer *big bath* pada periode berjalan menghasilkan laba masa mendatang yang lebih tinggi dan menaikkan nilai perusahaan.

Argumenteoretis yang telah dikemukakan sebelumnya menunjukkan ada dua pandangan yang saling bertentangan tentang dampak yang ditimbulkan perataan laba terhadap nilai perusahaan. Pandangan pertama menekankan sifat oportunistik manajer yang sengaja tidak melaporkan laba perusahaan yang sesungguhnya untuk menghindari persepsi negatif pasar. Laba yang fluktuatif memberi kesan bahwa perusahaan mengalami kesulitan dalam mempertahankan dan meningkatkan pertumbuhan laba. Perlu upaya-upaya yang sistematis untuk mencegah persepsi negatif pasar yang dapat menurunkan nilai pasar perusahaan (Kirschenheiter dan Melumad, 2002). Manajer akan terancam kehilangan pekerjaan bila penurunan nilai perusahaan tidak segera diatasi (DeFond and Park, 1997). Karena itu, penting bagi manajer untuk melaporkan laba yang sesuai dengan ekspektasi pasar (Acharya dan Lambrecht, 2015). Salah satu cara yang dapat dilakukan perusahaan untuk menghindari dampak negatif *bad news* yaitu dengan menahan sementara publikasi berita negatif tersebut dari pengamatan pasar.

Pandangan kedua tentang tindakan perataan laba yang dilakukan manajer dilatarbelakangi keinginan untuk menyampaikan informasi privat. Sebagai orang dalam, manajer memiliki akses informasi yang tidak terbatas untuk menilai prospek perusahaan ke depan. Keleluasaan dalam mengakses informasi menempatkan mereka lebih unggul daripada pihak di luar perusahaan dalam memahami kondisi perusahaan yang sesungguhnya. Kondisi ini menyebabkan terjadinya asimetri informasi tentang prospek perusahaan ke depan antara pihak dalam dan luar perusahaan. Manajer yang tahu bahwa perusahaan yang dikelolanya memiliki prospek yang baik tetapi tidak mungkin mengatakan secara langsung karena tidak akan dipercayai oleh pasar dapat memilih cara tidak langsung dengan memberi sinyal melalui laba yang dilaporkan. Jika sinyal tersebut berhasil merubah pandangan pasar tentang perusahaan, maka dapat berdampak positif terhadap nilai perusahaan dan risiko terjadinya *stock price crash* dapat ditekan. Argumen ini konsisten dengan Shabani (2018) yang menemukan hubungan negatif antara perataan laba dan risiko kebangkrutan.

Karena argumen-argumen yang dikemukakan tentang dampak perataan laba terhadap nilai perusahaan saling bertentangan, hipotesis yang menghubungkan perataan laba dan *price crash* tidak dinyatakan dalam arah tertentu.

H1: Perataan laba berpengaruh terhadap *stock price crash*.

Default Risk dan Stock Price Crash

Sebagai pihak yang rasional, investor selalu berkeinginan agar investasi pada saham memberi keuntungan yang lebih tinggi daripada semua alternatif investasi yang ada, setelah disesuaikan dengan risiko yang menyertainya. Salah satu risiko yang dipertimbangkan adalah kegagalan perusahaan memenuhi kewajiban keuangan yang mengarah pada terjadinya *default*. Dengan mempertimbangkan *default risk*, investor menuntut return yang setara dengan risiko yang harus ditanggung. Apabila *default risk* terjadi secara sistematis, maka investor akan menuntut return saham yang lebih tinggi (Chava dan Purnanandam, 2010). Semakin tinggi risiko yang harus ditanggung, semakin tinggi pula return yang diharapkan (Garlappi et al., 2008). Potensi kegagalan perusahaan dalam melunaskan kewajiban tercermin dari rasio utang yang tinggi. Rasio utang yang tinggi mengisyaratkan bahwa perusahaan sangat bergantung pada utang untuk membiayai proyek-proyek investasi yang ada. Semakin tinggi rasio utang terhadap aset atau ekuitas yang dimiliki, semakin tinggi pula potensi kegagalan perusahaan dalam memenuhi kewajibannya. (Subramanyam, 2014).

He dan Ren (2017), mendefinisikan *default risk* sebagai probabilitas perusahaan mengalami kegagalan dalam memenuhi kewajiban keuangan. Sementara, Garlappi et al., (2008) mendefinisikan *default risk* sebagai kemungkinan kegagalan perusahaan dalam membayar bunga atau pokok pinjaman. Menurut He dan Ren (2017), secara konseptual *default risk* berbeda dengan kesulitan atau keterbatasan keuangan (*financially constraints*). Perusahaan dikatakan mengalami keterbatasan keuangan jika mengalami kesulitan mendapatkan sumber pendanaan eksternal untuk pendanaan investasi. Perusahaan yang mengalami keterbatasan keuangan berpeluang besar mengalami *default* dibandingkan perusahaan yang tidak mengalami keterbatasan keuangan.

Untuk menurunkan *default risk* perusahaan harus berupaya meningkatkan perolehan kas di masa mendatang melalui proyek-proyek investasi yang menguntungkan (He dan Ren, 2017). Namun hal ini tidak mudah dilakukan oleh perusahaan yang mengalami keterbatasan keuangan. Perusahaan yang mengalami keterbatasan keuangan harus memilih apakah investasi didanai melalui sumber pendanaan internal atau eksternal. Apabila pendanaan internal yang dipilih, maka perusahaan harus menyisihkan sejumlah kas yang cukup untuk mendanai investasi. Sementara pendanaan eksternal dapat dilakukan dengan menerbitkan saham atau dengan menerbitkan obligasi.

Acharya et al., (2007) melakukan analisis empiris untuk menentukan kebijakan keuangan yang paling tepat bagi perusahaan yang mengalami keterbatasan pendanaan eksternal dalam mendanai proyek investasi potensial di masa mendatang. Dalam kondisi tersebut, perusahaan harus mempertimbangkan kebijakan keuangan yang ada saat ini sehingga ketersediaan dana untuk investasi tetap terjaga sepanjang waktu. Ada dua pilihan yang dapat dilakukan: meningkatkan saldo kas dengan melakukan penghematan dan penerbitan utang tambahan atau meningkatkan kemampuan perusahaan mendapatkan utang di masa depan. Hasil analisis menunjukkan kecenderungan perusahaan untuk meningkatkan kas atau mengurangi tingkat utang dalam rangka pembiayaan investasi di masa mendatang tergantung sensitivitas arus kas terhadap peluang-peluang investasi yang ada. Dengan kata lain, perusahaan yang mengalami kesulitan keuangan menyesuaikan pilihan-pilihan pendanaan dengan proyek-proyek investasi yang memengaruhi stabilitas arus kas. Apabila pilihan-pilihan yang tersedia terbatas, maka kemungkinan besar perusahaan akan melewatkan proyek-proyek investasi yang menjanjikan keuntungan yang besar (He dan Ren, 2017). Hal ini akan

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memperparah masalah keuangan yang dihadapi dan berpotensi mengarah pada *stock price crash*.

Analisis sebelumnya menunjukkan perusahaan yang memiliki keterbatasan keuangan akan sulit untuk mendapat pendanaan eksternal sehingga berpotensi mengalami *default*. Potensi *default* meningkatkan kemungkinan terjadinya *stock price crash*. Untuk mencegah investor mengetahui keadaan keuangan perusahaan yang sesungguhnya, manajer akan berupaya untuk menyembunyikan *bad news* tersebut sehingga harga saham tidak mengalami penurunan atau bisa bertahan pada level yang ada saat itu. Namun akumulasi *bad news* yang membesar dan harga saham yang tidak lagi mencerminkan fundamental perusahaan akan memicu terjadinya *default* dan akhirnya dapat meningkatkan kemungkinan terjadinya *stock price crash* (Hutton et al., 2009; Kim et al., 2011).

He dan Ren (2017) mengemukakan alternatif pemikiran lain yang berlawanan dengan penjelasan sebelumnya. Mereka mengatakan *stock price crash* tidak akan terjadi apabila investor mampu mendeteksi keterbatasan keuangan yang dialami perusahaan serta menilai dampaknya terhadap harga saham. Saat pasar mengetahui perusahaan sengaja menyembunyikan *bad news* untuk memberi kesan bahwa kondisi keuangan perusahaan dalam keadaan sehat, pasar akan segera memberi respon negatif dan harga saham akan turun secara perlahan. Penurunan harga saham secara perlahan menutup kemungkinan terjadinya *stock price crash*.

Walaupun demikian, bukti empiris dari beberapa penelitian terdahulu yang menguji dampak kesulitan keuangan terhadap return saham menunjukkan bahwa pasar tidak mampu mendeteksi dan menilai dampak keterbatasan keuangan terhadap nilai perusahaan (Lamont et al., 2001; White and Wu, 2006). Untuk dapat mengetahui jumlah *bad news* yang disembunyikan serta melakukan penyesuaian harga saham atas tindakan manajer menyembunyikan *bad news* tersebut, investor membutuhkan informasi privat. Informasi privat tidak mungkin bisa diperoleh jika investor tidak memiliki informan dari dalam perusahaan.

Berdasarkan diskusi di atas, hubungan *default risk* dan *stock price crash* tidak dapat ditentukan dengan cukup menyakinkan. Hipotesis dua berikut ini dinyatakan tanpa arah:

H2: *default risk* berpengaruh terhadap *stock price crash*.

Umur Manajer dan Stock Price Crash

Kompensasi berbasis kinerja merupakan praktik lazim dalam dunia bisnis. Pasar tenaga kerja merekam setiap prestasi masa lalu manajer dan sering digunakan sebagai input dalam menentukan kompensasi di masa mendatang. Capaian-capaian di masa lalu menaikkan nilai mereka di pasar tenaga kerja. Jadi, prestasi masa lalu dan kompensasi di masa mendatang saling berkaitan. Keinginan untuk menorehkan prestasi yang luar biasa, lebih terasa sangat penting bagi manajer yang berusia muda karena mereka memiliki masa kerja yang lebih pendek daripada manajer yang berusia lebih tua. Menurut Andreou et al., (2017), manajer (CEO) yang berusia muda memiliki dorongan yang lebih kuat untuk membuktikan kemampuan dan prestasi kerja mereka sehingga kompensasi besar yang diterima dapat dirasakan dalam jangka waktu yang panjang.

Litjens (2017) menyatakan bahwa manajer (CEO) yang masih memiliki usia muda cenderung memiliki kepercayaan diri yang berlebih. Manajer usia muda menganggap mereka memiliki pengetahuan dan kemampuan yang lebih tinggi dalam memecahkan masalah sehingga berani dalam mengambil risiko. Pendapat ini didukung temuan Serfling (2014) yang menunjukkan bahwa semakin tinggi umur CEO semakin rendah risiko perusahaan. Sementara Peltomaki et al. (2018) melaporkan hasil temuan yang menunjukkan umur CEO berhubungan negatif dengan volatilitas saham.

Lebih jauh Andreou et al., (2017) mengatakan, pengungkapan informasi negatif tentang kinerja manajer lebih memengaruhi kekayaan pribadi manajer yang lebih muda karena pasar

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tenaga kerja akan menggunakan informasi ini sebagai dasar menentukan kompensasi di masa depan. Karir masa depan yang masih terbentang panjang mendorong manajer yang berusia muda melakukan praktik perataan laba untuk meningkatkan reputasi. Perataan laba yang dilakukan dengan menduda atau menyembunyikan *bad news* bertujuan untuk memberi kesan bahwa kinerja keuangan perusahaan stabil sepanjang waktu. Padahal akumulasi *bad news* tidak selamanya bisa disembunyikan dan akhirnya harus diungkap ke pasar. Karena itu, perusahaan yang dikelola manajer yang berusia muda lebih berisiko mengalami *stock price crash* relatif terhadap perusahaan yang dikelola manajer berusia tua.

Berdasarkan argumen di atas, hubungan umur manajer (presiden direktur/direktur utama) dan *stock price crash* dinyatakan dalam hipotesis tiga berikut ini:

H3: Perusahaan yang dikelola manajer berusia muda mengalami risiko *stock price crash* yang lebih tinggi daripada yang berusia tua.

Seperti yang telah dijelaskan sebelumnya, hubungan *default risk* dengan *stock price crash* bisa positif atau negatif tergantung kemampuan investor untuk memperoleh informasi privat. Namun hasil penelitian Andreou et al., (2017) mengisyaratkan bahwa kekuatan hubungan kedua tersebut mungkin dipengaruhi karakteristik manajer yang mengelola perusahaan. Seorang manajer yang berusia muda diekspektasi lebih berani menggunakan diskresi untuk memilih kebijakan akuntansi yang dapat menyembunyikan *default risk*. Keberanian tersebut didorong oleh keinginan yang sangat kuat untuk membangun reputasi sebagai seorang manajer muda melalui capaian prestasi yang luar biasa. Sebaliknya, manajer yang berusia lebih tua tidak merasa perlu untuk membuktikan prestasi mereka lagi sehingga lebih memilih cara-cara yang wajar dalam menyelesaikan masalah keuangan dan tidak memiliki dorongan kuat untuk menutupi *default risk*.

Namun, pengaruh usia terhadap hubungan antara *default risk* dan *price crash* tergantung asumsi yang digunakan mengenai kepemilikan informasi privat. Apabila investor diasumsikan tidak mampu mengantisipasi kesulitan keuangan perusahaan, hubungan positif antara *default risk* dan *price crash* akan semakin kuat pada perusahaan yang dikelola manajer usia muda dibandingkan manajer dengan usia yang lebih tua. Sebaliknya, apabila investor diasumsikan mampu mengantisipasi kesulitan keuangan perusahaan, hubungan negatif antara *default risk* dan *price crash* akan semakin kuat pada perusahaan yang dikelola manajer usia muda dibandingkan manajer dengan usia yang lebih tua. Jadi, efek moderasi umur terhadap arah hubungan antara *default risk* dan *price crash* tidak bisa ditentukan dengan menyakinkan. Argumen ini mengarah pada hipotesis empat berikut ini:

H4: Umur manajer dapat memperkuat (memperlemah) hubungan *default risk* dan *stock price crash*.

Telah dijelaskan sebelumnya bahwa ada dua pandangan yang bertentangan terkait upaya perataan laba yang dilakukan manajer. Pandangan pertama dibangun berdasarkan argumen sifat oportunistik yang ada di dalam diri setiap manajer. Dikatakan bahwa selalu ada dorongan dalam diri manajer untuk menampilkan capaian laba yang konsisten dari waktu ke waktu walaupun kondisi yang ada menunjukkan hal yang sebaliknya. Menaikkan laba pada saat kondisi perusahaan dalam keadaan buruk dan menurunkan laba pada saat kondisi baik merupakan cara yang dapat ditempuh manajer untuk memberi kesan bahwa laba perusahaan stabil sepanjang waktu. Namun upaya meratakan laba dengan memilih kebijakan akuntansi tertentu tidak dapat dilakukan dalam jangka waktu yang panjang. Suatu saat tidak ada lagi cara yang tersedia untuk mempertahankan konsistensi laba sepanjang waktu dan pasar segera bereaksi negatif ketika mengetahui kondisi yang sesungguhnya. Tindakan yang bersifat oportunistik tersebut pada akhirnya mendorong terjadinya *stock price crash*. Situasi ini

menjadi lebih parah jika perusahaan dikendalikan manajer muda yang memiliki kepercayaan diri yang tinggi dan berani melakukan tindakan perataan laba yang lebih ekstrim.

Manajer berusia muda diekspektasi memiliki dorongan yang lebih besar untuk melakukan tindakan perataan laba dibandingkan manajer yang lebih tua. Dorongan yang sangat kuat dipicu oleh keinginan untuk membangun reputasi sebagai manajer muda berprestasi di pasar tenaga kerja sehingga berhak mendapat kompensasi tinggi di masa depan. Keberanian manajer usia muda untuk melakukan perataan laba relatif terhadap manajer yang lebih tua pada saat kondisi perusahaan yang buruk akan memperkuat efek positif perataan laba terhadap *stock price crash*. Akibatnya, penurunan harga saham terjadi dengan intensitas yang lebih besar dan memicu *stock price crash* yang lebih parah. Namun perlu dicatat bahwa kondisi ini hanya bisa terjadi dengan asumsi bahwa investor tidak mengetahui perataan laba yang dilakukan manajer di masa lalu.

Pandangan kedua tentang tindakan perataan laba yang dilakukan manajer dibangun berdasarkan asumsi bahwa manajer adalah seorang yang penuh tanggung jawab dan sangat peduli terhadap keberlangsungan perusahaan. Manajer selalu berupaya untuk menyampaikan kondisi perusahaan yang sesungguhnya kepada para pemegang saham dan mencoba menghilangkan kesenjangan informasi yang ada tentang prospek perusahaan. Seorang manajer yang memiliki keyakinan kuat akan prospek perusahaan di masa mendatang tetapi belum mendapat apresiasi yang seharusnya dari para pelaku pasar dapat menggunakan kebijakan akuntansi tertentu untuk memberi sinyal tentang kondisi perusahaan yang sesungguhnya. Sinyal tersebut tercermin dari perolehan laba yang stabil sepanjang waktu. Dalam perspektif ini, tindakan perataan laba yang dilakukan manajer merupakan upaya untuk mencegah terjadinya *stock price crash*. Apabila perusahaan dikelola manajer usia muda, efek negatif perataan laba terhadap *stock price crash* diekspektasi semakin menguat dibandingkan manajer usia tua. Demikian pula sebaliknya. Hal ini disebabkan keberanian manajer usia muda untuk melakukan upaya pensinyalan berbeda dengan manajer yang lebih tua.

Berdasarkan diskusi di atas, efek moderasi umur terhadap hubungan antara perataan laba dan *price crash* tidak dapat ditentukan dengan cukup menyakinkan sehingga hipotesis berikut ini dinyatakan tanpa arah.

H5: Umur manajer dapat memperkuat (memperlemah) hubungan perataan laba dan *stock price crash*

3. Metode Penelitian

Populasi dari penelitian ini adalah seluruh perusahaan yang terdaftar di Bursa Efek Indonesia. Seleksi sampel dilakukan dengan menggunakan metode *purposive sampling* yang mengharuskan perusahaan tercatat di Bursa Efek Indonesia dari tahun 2013 hingga tahun 2017 serta memiliki data keuangan lengkap untuk mengukur seluruh variabel penelitian. Periode 2013-2017 dipilih karena pada masa itu banyak perusahaan di Bursa Efek Indonesia mengalami penurunan harga saham yang sangat signifikan. Ini tercermin dari volatilitas indeks pasar yang tinggi (Butar Butar, 2019). Sumber data utama berasal dari www.idx.co.id dan *website* perusahaan. Perusahaan dikeluarkan dari sampel jika tidak memiliki laporan keuangan lengkap. Detail kriteria pengambilan sampel adalah sebagai berikut:

1. Perusahaan tercatat di Bursa Efek Indonesia secara berturut-turut dari tahun 2013 hingga tahun 2017 kecuali perusahaan yang masuk kelompok industri keuangan dan asuransi. Industri keuangan dan asuransi dikeluarkan karena perusahaan-perusahaan yang beroperasi dalam industri ini memiliki karakteristik keuangan yang berbeda.
2. Laporan keuangan tersedia dalam rupiah dan tahun fiskal 31 Desember.
3. Laporan tahunan dapat diakses dari sumber yang digunakan
4. Laporan tahunan menyediakan secara lengkap informasi yang diperlukan untuk mengukur variabel-variabel penelitian.

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Penulis: Sudah ditambahkan

Commented [U18]: apa alasan mengambil periode tersebut

Berdasarkan kriteria pemilihan sampel di atas, jumlah perusahaan sampel yang tersedia dan memenuhi kualifikasi adalah 910(182 x 5 tahun) seperti tersaji pada tabel 1.

Tabel 1. Kriteria Pengambilan Sampel

Kriteria	Jumlah
Perusahaan yang tercatat di BEI pada tahun 2017	572
Tidak tercatat secara berturut-turut di BEI dari tahun 2013-2017	(22)
Perusahaan masuk kelompok asuransi, sekuritas dan perbankan	(99)
Laporan tahunan menggunakan US Dollar	(25)
Laporan Tahunan tidak dapat diakses dari sumber data	(89)
Laporan tahunan tidak melampirkan laporan keuangan	(35)
Data harga saham tidak tersedia dari sumber data	(58)
Profil Dewan Direksi tidak tersedia di laporan tahunan	(62)
Sampel akhir	182

Pengukuran Variabel

Stock Price Crash (Crash)

Stock price crash adalah penurunan harga saham dalam jumlah yang besar dan dalam waktu yang relatif singkat (Hutton et al., 2009; Zhu, 2016). Konsisten dengan penelitian terdahulu, variabel ini diukur menggunakan regresi model pasar yang diperluas yaitu dengan menambah *lag* t-2 dan t-1 dan *lead* t+2 dan t+1 ke dalam model pasar standar (Hutton et al., 2009; Kim dan Zhang, 2015; Andreou et al., 2016). Untuk lebih jelas, model pasar yang diperluas dinyatakan sebagai berikut:

$$R_{jt} = \alpha_j + \beta_1 R_{m,t-2} + \beta_2 R_{m,t-1} + \beta_3 R_{m,t} + \beta_4 R_{m,t+1} + \beta_5 R_{m,t+2} + \epsilon_{j,t} \quad (1)$$

Keterangan: R_{jt} adalah return perusahaan j dalam minggu t; R_{mt} adalah return pasar IHSG dalam minggu t

Residual yang diperoleh dari model pasar yang diperluas di atas mencerminkan informasi spesifik perusahaan. Selanjutnya, residual yang diperoleh dari model pasar yang diperluas ($\epsilon_{j,t}$) ditambah dengan 1 dan ditransformasi ke dalam logaritma natural menjadi $w_{j,t} = \ln(1 + \epsilon_{j,t})$. Tujuan residual dikonversi ke dalam logaritma natural adalah untuk mengurangi kecenderungan distribusi return yang tidak simetris (Kim dan Zhang, 2015; Andreou et al., 2016). Residual yang telah ditransformasi ($w_{j,t}$) digunakan sebagai ukuran *stock price crash*.

Perataan Laba (Smooth)

Variabel perataan laba ini diukur menggunakan prosedur yang dikembangkan dalam Gassen dan Fulbier (2015). Perataan laba diukur dengan membandingkan deviasi standar laba bersih dan deviasi standar arus kas operasi. Selanjutnya hasil perbandingan dideflasi dengan total aset.

Default risk (Default)

Variabel *default risk* diukur menggunakan *altman Z score* (Altman, 2005) yang dikembangkan untuk perusahaan-perusahaan di negara berkembang dengan rumus sebagai berikut:

$$Def_Risk = 6.56 * X_1 + 3.26 * X_2 + 6.72 * X_3 + 1.05 * X_4 \quad (2)$$

Keterangan: X_1 adalah *working capital* dibagi dengan total aset; X_2 adalah laba ditahan (saldo laba) dibagi dengan total aset; X_3 is EBIT dibagi dengan total aset; X_4 adalah ekuitas pemegang saham dibagi dengan total aset.

Umur Manajer (Umur)

Mengikuti Andreou et al., (2017), pengujian hipotesis pengaruh umur manajer terhadap *stock price crash* dilakukan menggunakan variabel indikator. Namun berbeda dengan Andreou et al., (2017) yang mengelompokkan umur manajer (CEO) kedalam 4 kelompok, penelitian ini hanya mengelompokkan manajer ke dalam kelompok usia dibawah 51 tahun dan diatas atau sama dengan 51 tahun. Hal ini dilakukan karena hasil penelitian Andreou et al., (2017) menemukan perbedaan signifikan risiko *stock price crash* diantara kedua kelompok. Dalam penelitian ini, yang dikategorikan sebagai manajer adalah presiden direktur atau direktur utama.

Variabel kontrol

Dalam penelitian ini ada empat variabel kontrol yang diketahui memengaruhi *stock price crash* yaitu Ukuran perusahaan, profitabilitas, tingkat utang (*leverage*) dan pertumbuhan penjualan (Chen et al., 2001; Jin and Myers 2006; Hutton et al., 2009). Variabel kontrol dimasukkan untuk mengurangi kemungkinan terjadi *error in variable*. Pengukuran masing-masing variabel kontrol adalah sebagai berikut: 1) Ukuran perusahaan (*size*) adalah aset total yang ditransformasi menggunakan logaritma natural. 2) Profitabilitas adalah rasio laba bersih terhadap aset total. 3) Pertumbuhan penjualan adalah selisih penjualan tahun berjalan dikurangi tahun lalu dibagi penjualan tahun berjalan. 4) tingkat utang adalah rasio utang total terhadap aset total.

Commented [U19]: tidak dijelaskan di latar belakang penggunaan variabel kontrol
Penulis: Sudah ditambahkan penggunaan variabel kontrol di pendahuluan

Model Empiris

Berikut model regresi yang digunakan menguji hipotesis satu hingga hipotesis lima:

$$\text{Crash}_{jt} = \beta_0 + \beta_1 \text{Smooth}_{jt} + \beta_2 \text{Default}_{jt} + \beta_3 \text{Umur}_{jt} + \beta_4 \text{Umur} * \text{Smooth}_{jt} + \beta_5 \text{Umur} * \text{Default}_{jt} + \beta_6 \text{Size}_{jt} + \beta_7 \text{Growth}_{jt} + \beta_8 \text{ROA}_{jt} + \beta_9 \text{LEV}_{jt} + \epsilon_{jt} \quad (3)$$

Keterangan:

- Crash_{jt} = *Stock price crash* perusahaan j pada tahun t.
- Smooth_{jt} = Perataan Laba perusahaan j pada tahun t.
- Default = *Default Risk* perusahaan j pada tahun t.
- Umur_{jt} = Variabel *dummy*, 1 jika umur manajer di bawah median, 0 jika lainnya.
- $\text{Umur} * \text{Smooth}$ = Interaksi antara umur dan perataan laba
- $\text{Umur} * \text{Default}$ = Interaksi antara umur dan *default risk*.
- Size_{jt} = Ukuran perusahaan perusahaan j pada tahun t.
- Growth_{jt} = Pertumbuhan penjualan perusahaan j pada tahun t.
- ROA_{jt} = Profitabilitas perusahaan j pada tahun t.
- LEV_{jt} = Tingkat utang (*leverage*) perusahaan j pada tahun t.

Seluruh pengujian hipotesis dilakukan dengan analisis regresi linear ganda. Regresi linear ganda mengharuskan distribusi residual memenuhi asumsi-asumsi yang mendasari regresi linear seperti normalitas, kolinearitas, heteroskedastisitas dan autokorelasi.

Hasil dan Pembahasan

Statistik Deskriptif

Jumlah observasi yang memenuhi kriteria sampel dan dapat digunakan untuk pengujian hipotesis adalah 910 perusahaan sampel. Namun dari jumlah tersebut, sebanyak 58 observasi yang berada diluar tiga deviasi standar dari residual dikeluarkan dari sampel dengan tujuan normalitas data. Sampel akhir perusahaan yang tersedia untuk pengujian hipotesis adalah 852 observasi. Pola penyebaran data untuk masing-masing variabel dapat dilihat dari statistik deskriptif yang disajikan pada tabel 2.

Tabel 2. Statistik Deskriptif

	N	Minimum	Maksimum	Rata-Rata	Dev. Standar
Crash	852	0,002	5,43	2,49	0,89
Smooth	852	0,00	0,78	0,004	0,03
Default	852	-8,64	10,99	5,40	2,27
Umur	852	0,00	1	0,35	0,47
Umur*Smooth	852	0,00	0,21	0,002	0,01
Umur*Default	852	-2,76	10,99	1,89	2,94
Size	852	2,83	12,60	7,83	1,75
Growth	852	-1,00	3,50	0,08	0,39
Roa	852	-1,51	1,01	0,03	0,14
Lev	852	0,01	3,24	0,49	0,31

Sumber: Data diolah, 2019

Dari tabel 2 dapat diketahui bahwa *stock price crash* (crash) memiliki rata-rata 2,49. Ini mengindikasikan bahwa besaran return mingguan yang terburuk adalah 2,614 kali deviasi standar dibawah rata-ratanya. Sementara, rata-rata perataan laba (Smooth) adalah 0,004. Artinya, secara rata-rata perataan laba yang dilakukan perusahaan sampel tidak terlalu besar atau moderat. Rata-rata tingkat *default risk* adalah 5,47. Angka ini diperoleh dari rumus *Altman Z Score*. Umur yang memiliki rata-rata sebesar 0,35 menunjukkan bahwa proporsi manajer yang berusia 51 tahun ke bawah lebih sedikit daripada yang berusia di atas 51 tahun. Sementara, rata-rata interaksi umur dengan *default risk* (Umur*Default) dan perataan laba (Smooth) masing-masing 0,0002 dan 1,89. Karena kedua variabel merupakan variabel interaksi, rata-rata tersebut tidak memiliki makna. Rata-rata ukuran perusahaan (Size) yang sebesar 7,83 menunjukkan perusahaan sampel umumnya perusahaan menengah. Sementara, pertumbuhan perusahaan (Growth) dan profitabilitas (Roa) yang memiliki nilai rata-rata masing-masing 0,08 dan 0,03 menunjukkan bahwa secara rata-rata pertumbuhan perusahaan sampel tidak terlalu besar dan tingkat profitabilitas rendah. Tingkat utang dengan rata-rata 0,49 menunjukkan bahwa secara keseluruhan perusahaan sampel tidak mengalami kesulitan keuangan.

Koefisien Korelasi

Tabel 3 menyajikan korelasi diantara variabel utama untuk mendapatkan pemahaman yang lebih jauh tentang hubungan antara variabel-variabel utama yang digunakan. Fokus utama diarahkan pada hubungan antara *stock price crash* dan variabel-variabel independen yang dinyatakan dalam hipotesis penelitian. Korelasi antara tingkat perataan laba dan *stock price crash* (Crash) menunjukkan arah positif (0,013) tetapi tidak signifikan secara statistik (*two-tail*). Hasil korelasi ini tidak konsisten dengan yang diprediksi. Korelasi antara *default risk* dan *stock price crash* memiliki arah negatif (-0,022) dan juga tidak signifikan secara statistik. Korelasi antara umur manajer dan *stock price crash* memiliki arah negatif (-0,087) dan signifikan secara statistik pada level 5% (*two tail*). Walaupun signifikan, arah korelasi tidak sesuai dengan prediksi. Sementara, korelasi antara dua variabel interaksi dan *stock price crash* juga tidak

signifikan secara statistik dengan masing-masing *p-value* sebesar -0,021 dan 0,107. Dengan demikian, hasil pengujian korelasi menunjukkan hanya umur yang berkorelasi signifikan pada *stock price crash*.

Tabel 3. Koefisien Korelasi

	Crash	Smooth	Default	Umur	Umur*Smooth	Umur*Default
Crash	1	0,013	-0,022	-0,087*	-0,021	-0,055
Smooth	0,013	1	0,075*	0,036	0,456**	0,036
Default	-0,022	0,075*	1	0,005	0,013	0,297**
Umur	-0,087*	0,036	0,005	1	0,182**	0,880**
Umur *Smooth	-0,021	0,456**	0,013	0,182**	1	0,170**
Umur*Default	-0,055	0,036	0,297**	0,880**	0,170**	1

*. Korelasi signifikan pada level 0.05 (dua sisi)

** Korelasi signifikan pada level 0.01 (dua sisi).

Pengujian Hipotesis

Hasil pengujian hipotesis ditampilkan dalam Tabel 4. Kemampuan variabel independen dalam menjelaskan variasi dalam *stock price crash* sangat rendah yaitu sebesar 2,6%. Ini mengisyaratkan bahwa sebagian besar variasi *stock price crash* dipengaruhi oleh variabel-variabel lain yang tidak masuk dalam model. Walaupun demikian, pengaruh perataan laba, *default risk*, umur dan efek moderasi umur secara simultan terhadap *stock price crash* sangat kuat. Ini tercermin dari nilai *p-value* yang kurang dari 1% dan F test sebesar 3,554.

Hipotesis satu memprediksi perataan laba berpengaruh terhadap *stock price crash*. Dari tabel 4 dapat diketahui perataan laba (Smooth) tidak berpengaruh signifikan terhadap *stock price crash* (Crash). Dengan demikian, hipotesis tidak terdukung.

Hipotesis dua memprediksi *default risk* berpengaruh terhadap *stock price crash*. Hasil analisis regresi menunjukkan *default risk* (Default) berpengaruh negatif signifikan terhadap *stock price crash* (Crash) pada level kurang dari 1%. Artinya, semakin tinggi *default risk*, semakin rendah risiko *stock price crash*. Karena hipotesis dinyatakan tanpa arah, maka hasil pengujian mendukung hipotesis dua terdukung.

Hipotesis tiga memprediksi perusahaan yang dikelola manajer berusia muda memiliki risiko *stock price crash* lebih tinggi dibandingkan yang tua. Perlu diingat bahwa variabel umur manajer merupakan variabel *dummy* yang bernilai 1 jika umur manajer di bawah 51 tahun dan 0 jika sebaliknya. Dengan kata lain, koefisien regresi yang menghubungkan umur manajer dan *stock price crash* diprediksi memiliki arah positif. Analisis regresi menunjukkan bahwa umur manajer (Umur) memiliki arah negatif dan signifikan pada level kurang dari 1%. Artinya, perusahaan dikelola manajer usia tua lebih berisiko mengalami *stock price crash* dibanding manajer usia muda. Walaupun pengarangnya signifikan, hipotesis tiga dinyatakan tidak terdukung karena arahnya bertentangan dengan prediksi.

Hipotesis empat memprediksi umur manajer dapat memperkuat atau memperlemah pengaruh *default risk* terhadap *stock price crash*. Analisis regresi menunjukkan variabel interaksi antara umur dan *default risk* (Umur*Default) signifikan pada level kurang dari 5% dengan arah positif. Dengan demikian, Hipotesis empat terdukung secara statistik.

Hipotesis lima memprediksi umur manajer dapat memoderasi pengaruh perataan laba terhadap *stock price crash*. Analisis regresi menunjukkan variabel interaksi umur dan perataan laba (Umur*Smooth) tidak signifikan secara statistik. Dengan demikian hipotesis lima tidak terdukung.

Tabel 4. Hasil Analisis Regresi

Tabel 4. Pengaruh Perataan Laba, *Default Risk*, dan Efek Moderasi Terhadap *Stock Price Crash*.

Variabel	Koefisien	Std. Dev	t	P-Value
Konstanta	3,625	0,228	15,901	0,000
Smooth	0,401	1,153	0,347	0,728
Default	-0,069	0,021	-3,309	0,001
Umur	-0,519	0,162	-3,211	0,001
Umur*Smooth	-3,461	2,511	-1,378	0,168
Umur*Default	0,066	0,027	2,414	0,016
Size	-0,071	0,018	-3,845	0,000
Growth	-0,054	0,078	-0,695	0,487
Roa	0,196	0,249	0,788	0,431
Lev	-0,292	0,121	-2,413	0,016
<i>Adjusted R²</i>	0,026			
<i>F-Stat</i>	3,554			
<i>P-Value</i>	0,000			

Commented [U20]: beri penjelasan variabel Y nya apa

Penulis: Judul tabel sudah direvisi

Pembahasan

Hipotesis Satu: Perataan laba berpengaruh terhadap *stock price crash*.

Seperti yang telah dijelaskan sebelumnya, ada dua pandangan berbeda yang dapat menjelaskan hubungan antara perataan laba dan *stock price crash*. Pandangan pertama berlandaskan asumsi bahwa manajer adalah seorang yang lebih mengedepankan kepentingan pribadi daripada pemegang saham. Tindakan perataan laba dilakukan untuk mengejar target-target pribadi sehingga manajer terdorong untuk menyembunyikan kondisi perusahaan yang sesungguhnya melalui perataan laba. Sedangkan pandangan yang kedua memiliki asumsi bahwa manajer adalah seorang yang selalu mengedepankan kepentingan perusahaan. Dalam situasi dimana terjadi kesenjangan informasi terkait kondisi perusahaan yang sesungguhnya antara perusahaan dan para pemegang saham, seorang manajer akan berupaya mengomunikasikan informasi privat yang dimiliki melalui tindakan perataan laba. Dia selalu memiliki keinginan agar orang-orang di luar perusahaan mengerti kondisi perusahaan yang sesungguhnya. Manajer yang tahu bahwa perusahaan yang dikelolanya merupakan perusahaan yang baik tetapi pasar tidak mengetahui kondisi ini dapat memberi sinyal ke pasar dengan melaporkan laba yang stabil sepanjang waktu. Ini dilakukan dengan cara melakukan perataan laba. Pasar yang menangkap sinyal tersebut akan mengapresiasi saham perusahaan dan risiko *stock price crash* dapat dihindari.

Namun hasil analisis regresi tidak mendukung hipotesis satu bahwa tindakan perataan laba berpengaruh terhadap *stock price crash*. Analisis regresi menunjukkan bahwa investor tidak memberi respon atas upaya yang dilakukan manajer dalam menampilkan tren laba yang stabil sepanjang waktu, baik yang bertujuan oportunistik atau pensinyalan. Hasil ini mengisyaratkan bahwa tindakan perataan laba tidak memengaruhi pandangan investor tentang kinerja perusahaan yang sesungguhnya. Walaupun manajer berupaya menampilkan citra positif tentang kinerja keuangan perusahaan, investor tampaknya dapat melihat apa yang

Commented [S21]: Justifikasi belum kuat, kaitkan dengan dasar teori

Penulis: Komentar reviewer 1 dan reviewer 2 relatif hampir sama. Argumen teori telah ditambahkan dalam pembahasan pengujian hipotesis satu. Karena komentar sama, penulis hanya menggunakan warna kuning untuk menunjukkan revisi dari reviewer.

Commented [U22]: sebaiknya pada bagian pembahasan ini menyebutkan hipotesisnya apa sebagai sub judul dan tandingan hasil ini dengan dasar pengembangan hipotesis

Penulis: Sudah ditambahkan

sesungguhnya terjadi dibalik tren laba yang stabil tersebut. Pergerakan harga saham tidak terpengaruh oleh upaya manajer untuk memengaruhi persepsi pasar. Temuan ini tidak konsisten dengan Chen et al., (2017) yang menemukan bukti bahwa tingkat perataan laba yang tinggi meningkatkan risiko *stock price crash*. Namun pengujian tambahan yang mereka lakukan menunjukkan bahwa perataan laba berhubungan dengan return negatif. Artinya, pasar dengan cepat mengantisipasi tindakan perataan laba yang dilakukan perusahaan. Jika dikaitkan dengan temuan Chen et al., (2017) ini, kegagalan dalam mengidentifikasi hubungan antara perataan laba dan *stock price crash* dalam penelitian ini bisa jadi disebabkan pelaku pasar di Indonesia sudah mengantisipasi perataan laba sebelum *price crash* terjadi.

Hipotesis Dua: *default risk* berpengaruh terhadap *stock price crash*.

Sebelumnya telah dijelaskan bahwa arah hubungan antara *default risk* dan *stock price crash* tergantung asumsi tentang kepemilikan informasi privat oleh investor. Asumsi pertama menyatakan bahwa pasar tidak mengetahui *bad news* yang disembunyikan perusahaan. Perusahaan yang mengalami keterbatasan keuangan berpotensi mengalami kegagalan dalam memenuhi kewajiban keuangan. Semakin tinggi masalah keuangan yang dialami perusahaan, semakin besar pula kemungkinan terjadinya *stock price crash*. Walaupun demikian, perusahaan tetap berupaya mencegah investor memahami kondisi keuangan perusahaan dengan menyembunyikan potensi *default* yang mungkin dialami perusahaan di masa mendatang. Tujuannya adalah agar saham perusahaan tidak mengalami kejatuhan harga yang besar sehingga memicu terjadinya *stock price crash*. Namun upaya tersebut tidak mungkin dilakukan selamanya. Menyembunyikan *bad news* secara terus menerus mengakibatkan akumulasi *bad news* membesar. Ketika tidak ada cara lain yang tersedia untuk lebih lama menyembunyikannya maka terjadilah gagal bayar yang memicu *stock price crash*. Jadi, *default risk* diprediksi berhubungan positif dengan *stock price crash*.

Asumsi yang kedua menyatakan bahwa investor mampu mendeteksi dan mengantisipasi kesulitan keuangan yang dialami perusahaan dengan melepas kepemilikan saham secara perlahan-lahan sehingga penurunan harga saham dalam jumlah yang besar dan dalam waktu yang singkat tidak terjadi. Penurunan harga saham secara perlahan menghindarkan perusahaan mengalami *stock price crash*. Namun perlu dicatat bahwa hasil-hasil penelitian yang telah dilakukan sebelumnya menunjukkan bahwa pasar tidak selalu dapat mengetahui dan mengantisipasi dampak keterbatasan keuangan (Lamont et al., 2001; White and Wu, 2006). Tanpa informasi dari dalam perusahaan, pasar tidak akan dapat mendeteksi *bad news* yang disembunyikan perusahaan.

Hasil analisis regresi menunjukkan bahwa *default risk* berpengaruh negatif terhadap *stock price crash*. Arah hubungan negatif mendukung asumsi yang kedua bahwa pelaku pasar mampu mendeteksi kesulitan keuangan yang dialami perusahaan dan mengantisipasinya sebelum masalah tersebut membesar dan merugikan mereka. Berdasarkan informasi yang dimiliki, investor melepas kepemilikan saham di perusahaan secara bertahap sehingga kejatuhan harga saham dalam waktu singkat tidak sampai terjadi. Jadi dapat disimpulkan bahwa semakin tinggi *default risk* semakin rendah risiko *stock price crash*.

Hipotesis Tiga: Perusahaan yang dikelola manajer berusia mudamengalami risiko *Stockprice crash* yang lebih tinggi daripada yang berusia tua.

Hipotesis tiga memprediksi perusahaan yang dikelola manajer yang berusia muda lebih rentan terhadap keterjadian *stock price crash*. Alasannya, manajer muda memiliki kepercayaan diri yang berlebih dan berani mengambil risiko. Karir yang masih panjang mendorong mereka untuk membuktikan kemampuan diri. Mereka akan melakukan segala cara termasuk praktik perataan laba untuk meningkatkan reputasi. Ditengah kondisi perusahaan yang memburuk, manajer melakukan tindakan perataan laba untuk memberi kesan bahwa perusahaan yang

dikelolanya memiliki kinerja yang baik. Namun akumulasi *bad news* yang disembunyikan dari pengetahuan para pelaku pasar tidak akan membesar sepanjang waktu dan pada akhirnya harus diungkapkan ke pasar. Peristiwa ini akan memicu terjadinya *stock price crash*. Sebaliknya, manajer berusia tua tidak memiliki hasrat yang besar untuk pembuktian diri. Mereka lebih mampu menahan diri untuk terlibat dalam praktik pelaporan keuangan yang merugikan pemegang saham. Dengan demikian, perusahaan yang dikelola manajer berusia tua lebih kecil kemungkinannya mengalami *stock price crash*.

Hasil analisis regresi menunjukkan bahwa umur berpengaruh positif terhadap *stock price crash*. Namun arahnya tidak sesuai dengan prediksi. Arah positif mengisyaratkan bahwa perusahaan yang dikelola manajer usia tua lebih berpeluang mengalami *stock price crash*. Hasil ini bertentangan dengan pernyataan hipotesis tiga dan tidak konsisten dengan Andreou et al., (2017) yang menggunakan sampel perusahaan AS. Perbedaan ini mungkin diakibatkan perbedaan karakter manajer usia muda di AS dan di Indonesia. Manajer muda di AS tampaknya lebih berani melakukan *bad news hoarding* di awal karir mereka demi mendapatkan keuntungan finansial yang besar. Sementara manajer muda di Indonesia tampaknya tidak melakukan *bad news hoarding* karena sadar bahwa perjalanan karirnya masih panjang dan tidak ingin mengorbankannya demi keuntungan jangka pendek. Pada saat berada dalam situasi yang sulit berkaitan dengan penurunan kinerja keuangan perusahaan, manajer usia muda dihadapkan pada dilema yang pelik, antara menyembunyikan kinerja buruk dari pasar atau mengakuinya tetapi berupaya untuk memperbaiki kinerjanya. Hasil pengujian tampaknya menunjukkan bahwa manajer usia muda di Bursa Efek Indonesia lebih memilih untuk mengakui *bad news* saat terjadi sehingga mencegah akumulasi *bad news* yang dapat memicu *stock price crash*.

Hipotesis Empat: Umur manajer dapat memperkuat (memperlemah) hubungan default risk dan stock price crash

Analisis regresi menunjukkan variabel interaksi umur dan *default risk* berpengaruh positif signifikan terhadap *stock price crash* pada tingkat 5% sehingga hipotesis empat terdukung. Walaupun demikian, hasil ini tampaknya tidak konsisten dengan hasil pengujian hipotesis dua yang menunjukkan *default risk* berpengaruh negatif terhadap *stock price crash* dan hasil pengujian hipotesis tiga yang menunjukkan bahwa umur berpengaruh negatif terhadap *stock price crash*. Seperti dijelaskan sebelumnya, arah negatif yang menghubungkan *default risk* dan *stock price crash* menunjukkan seolah-olah investor mampu mendeteksi dan mengantisipasi masalah keuangan yang dihadapi perusahaan dengan menjual saham secara bertahap sehingga *price crash* tidak terjadi. Sementara arah negatif yang menghubungkan umur dan *stock price crash* menunjukkan bahwa perusahaan yang dikelola manajer usia tua memiliki risiko *stock price crash* yang lebih tinggi. Setelah diinteraksikan dengan umur, hubungan *default risk* dan *price crash* berubah menjadi positif. Artinya, perusahaan dengan *default risk* yang tinggi dan dikelola manajer berusia muda memiliki risiko *stock price crash* yang tinggi. Perubahan arah dari negatif menjadi positif sangat membingungkan sehingga sulit dijelaskan untuk saat ini. Perlu penelitian lanjutan dengan menggunakan ukuran *default risk* yang berbeda sebelum generalisasi dapat dilakukan. Mungkin saja rumus *Altman Z Score* untuk mengukur *default risk* tidak tepat digunakan di Indonesia sehingga arah hubungan antara *default risk* dan *price crash* tidak sesuai dengan prediksi. Kemungkinan lain adalah pengukuran variabel *dummy* umur berdasarkan kelompok usia dibawah dan diatas 51 tahun kurang andal untuk memisahkan kelompok umur tua dan muda.

Hipotesis Lima: umur manajer dapat memperkuat (memperlemah) hubungan perataan laba dan stock price crash.

Commented [S23]: Justifikasibelumcukupkuat

Penulis: Sudah ditambahkan

Hipotesis lima dirumuskan tanpa arah karena ada dua argumen yang saling bertentangan yang menghubungkan tindakan perataan laba dan *stock price crash*. Namun analisis regresi logistik tidak mendukung prediksi tersebut. Sebelum menjelaskan alasan yang menyebabkan interaksi antara umur dan perataan laba tidak berpengaruh terhadap *stock price crash*, lebih dahulu dipaparkan kemungkinan-kemungkinan yang terkait dengan arah variabel interaksi. Arah koefisien interaksi tergantung hubungan mula-mula antara perataan laba dan *stock price crash*. Paragraf-paragraf berikut mencoba untuk menggambarkan tiga kemungkinan efek interaksi perataan laba dan umur terhadap *stock price crash* yang tercermin dari koefisien interaksinya.

Pertama, koefisien interaksi memiliki arah positif dan signifikan secara statistik. Kondisi ini terjadi karena perataan laba dan *stock price crash* memiliki hubungan positif. Hubungan positif antara perataan laba dan *stock price crash* akan menguat jika perusahaan dikelola manajer usia muda sehingga koefisien interaksi diprediksi memiliki arah positif. Sekalipun perusahaan dikelola oleh manajer usia tua, hubungan perataan laba dan *stock price crash* diprediksi tetap memiliki arah positif. Namun besaran (magnituda) koefisien interaksi lebih rendah pada perusahaan yang dikelola usia tua dibandingkan perusahaan yang dikelola usia muda. Perlu dicatat bahwa dalam kedua kondisi tersebut sifat oportunistik diasumsikan tetap ada di dalam diri manajer yang muda atau yang tua tetapi lebih kuat pada manajer usia muda.

Kedua, koefisien interaksi memiliki arah negatif dan signifikan secara statistik. Kondisi ini terjadi karena perataan laba dan *stock price crash* berhubungan negatif. Seperti telah dijelaskan dalam bagian sebelumnya, hubungan negatif antara perataan laba dan *stock price crash* berlandaskan asumsi bahwa manajer adalah seorang yang bertanggung jawab dan peduli tentang masa depan perusahaan. Apabila diasumsikan perataan laba dan *stock price crash* memiliki hubungan negatif, maka ada dua kemungkinan arah koefisien interaksi umur dan perataan laba: 1) jika perusahaan dikelola oleh manajer usia muda yang memiliki obsesi lebih besar untuk menunjukkan kinerja yang baik dibanding manajer tua, hubungan negatif perataan laba dan *stock price crash* akan semakin menguat dan arah variabel interaksi diprediksi tetap positif. 2) jika perusahaan dikelola oleh manajer usia tua, hubungan perataan laba dan *stock price crash* diekspektasi tetap positif tetapi besaran (magnituda) koefisien interaksi lebih rendah dibandingkan perusahaan yang dikelola usia muda.

Ketiga, koefisien interaksi memiliki arah positif (negatif) tetapi tidak signifikan secara statistik. Ada dua kemungkinan apabila ini yang terjadi: 1) hubungan mula-mula antara perataan laba dan *stock price crash* positif (negatif) tetapi tidak signifikan dan hubungan antara umur dan *stock price crash* positif (negatif) juga tidak signifikan secara statistik. 2) hubungan mula-mula antara perataan laba dan *stock price crash* positif (negatif) tetapi tidak signifikan sementara umur dan *stock price crash* berhubungan positif (negatif) signifikan secara statistik.

Membandingkan beberapa alternatif arah koefisien interaksi dengan hasil pengujian hipotesis menunjukkan bahwa kemungkinan ketiga konsisten dengan hasil pengujian. Hasil analisis regresi logistik menunjukkan bahwa koefisien interaksi antara perataan laba dan *stock price crash* memiliki arah negatif tetapi tidak signifikan secara statistik. Di samping itu, hasil pengujian juga menunjukkan bahwa umur berpengaruh negatif terhadap *stock price crash* tetapi perataan laba tidak berpengaruh signifikan. Secara keseluruhan hasil-hasil ini menunjukkan bahwa, walaupun tidak signifikan, arah negatif koefisien interaksi disebabkan efek negatif umur terhadap *stock price crash*. Ketika umur berinteraksi dengan perataan laba, efeknya terhadap *stock price crash* menjadi semakin berkurang sehingga dampaknya terhadap pergerakan harga saham juga semakin kecil. Temuan ini mengisyaratkan bahwa faktor umur berperan penting dalam memengaruhi *stock price crash* tetapi efeknya tidak cukup dominan mempengaruhi hubungan antara perataan laba dan *stock price crash*.

Telah dijelaskan sebelumnya bahwa ada dua pandangan yang bertentangan terkait upaya perataan laba yang dilakukan manajer. Pandangan pertama dibangun berdasarkan argumen sifat oportunistik yang ada di dalam diri setiap manajer. Dikatakan bahwa selalu ada dorongan dalam diri manajer untuk menampilkan capaian laba yang konsisten dari waktu ke waktu walaupun kondisi sesungguhnya menunjukkan sebaliknya. Menaikkan laba pada saat kondisi perusahaan dalam keadaan buruk dan menurunkan laba pada saat kondisi baik merupakan cara yang dapat ditempuh manajer untuk memberi kesan bahwa laba perusahaan stabil sepanjang waktu. Namun upaya meratakan laba dengan memilih kebijakan akuntansi tertentu tidak dapat dilakukan dalam jangka waktu yang panjang. Suatu saat tidak ada lagi cara yang tersedia untuk mempertahankan konsistensi laba sepanjang waktu dan pasar segera bereaksi negatif ketika mengetahui kondisi yang sesungguhnya. Tindakan yang bersifat oportunistik tersebut pada akhirnya mendorong terjadinya *stock price crash*. Situasi ini akan menjadi lebih parah jika perusahaan dikendalikan oleh manajer yang berusia muda yang memiliki kepercayaan diri yang tinggi sehingga berani melakukan tindakan perataan laba yang lebih ekstrim.

Manajer berusia muda diekspektasi memiliki dorongan yang lebih besar untuk melakukan tindakan perataan laba dibandingkan manajer yang lebih tua. Dorongan yang sangat kuat dipicu oleh keinginan membangun reputasi sebagai manajer muda berprestasi sehingga meningkatkan nilainya di pasar tenaga kerja dan berpotensi menerima kompensasi tinggi di masa depan. Keberanian manajer usia muda untuk melakukan perataan laba relatif terhadap manajer yang lebih tua pada saat kondisi perusahaan yang buruk akan memperkuat efek positif perataan laba terhadap *stock price crash*. Akibatnya, penurunan harga saham terjadi dengan intensitas yang lebih besar sehingga memicu *stock price crash* yang parah pula. Perlu dicatat bahwa kondisi ini hanya bisa terjadi dengan asumsi bahwa investor tidak mengetahui perataan laba yang dilakukan manajer di masa lalu.

Pandangan kedua tentang tindakan perataan laba yang dilakukan manajer dibangun berdasarkan asumsi bahwa manajer adalah seorang yang penuh tanggung jawab dan sangat peduli terhadap keberlangsungan perusahaan. Manajer selalu berupaya untuk menyampaikan kondisi perusahaan yang sesungguhnya kepada para pemegang saham dan mencoba menghilangkan kesenjangan informasi yang ada tentang prospek perusahaan. Seorang manajer yang memiliki keyakinan kuat bahwa prospek perusahaan sangat menjanjikan tetapi pasar belum memahami dan mengapresiasi sepenuhnya dapat menggunakan kebijakan akuntansi tertentu untuk memberi sinyal bahwa perusahaannya dalam kondisi yang baik dan laba cenderung stabil sepanjang waktu. Dalam perspektif ini, tindakan perataan laba yang dilakukan manajer merupakan upaya untuk mencegah terjadinya *stock price crash*. Apabila perusahaan dikelola oleh manajer usia muda, efek negatif perataan laba terhadap *stock price crash* diekspektasi semakin menguat dibandingkan manajer usia tua. Demikian pula sebaliknya. Hal ini disebabkan keberanian di dalam diri manajer usia muda yang tidak dimiliki manajer usia tua untuk melakukan upaya pensinyalan lebih besar dibandingkan manajer yang lebih tua.

Hasil yang tidak mendukung hipotesis kemungkinan disebabkan oleh hubungan mula-mula antara perataan laba dan *stock price crash* yang dinyatakan dalam hipotesis satu tidak terdukung secara statistik. Walaupun umur berpengaruh negatif terhadap *stock price crash*, interaksi umur dengan perataan laba ternyata menyebabkan pengaruh umur menjadi tidak dominan lagi dalam memengaruhi *stock price crash*. Hasil ini mengisyaratkan bahwa investor tidak memandang umur manajer sebagai faktor yang krusial dalam menilai efek perataan laba terhadap harga saham perusahaan. Tanpa melihat apakah perusahaan dikelola manajer muda atau yang sudah tua, pasar tampaknya memahami dan bisa menilai efek perataan laba terhadap prospek perusahaan ke depan sehingga tidak terpengaruh oleh upaya-upaya manajer mempercantik laporan keuangan.

Berkaitan dengan variabel kontrol yang ditambahkan ke dalam model, hanya ukuran perusahaan (*Size*) dan *leverage* (*Lev*) yang memengaruhi *price crash*, masing-masing

signifikan pada level 1% dan 5%. Sementara, tingkat pertumbuhan (Growth) dan profitabilitas (Roa) tidak memengaruhi *stock price crash*.

Kesimpulan, Keterbatasan, dan Saran

Peristiwa turunnya harga saham perusahaan dalam waktu yang relatif singkat telah menjadi fenomena tersendiri di pasar modal berbagai negara di dunia. Peristiwa ini dikenal dengan istilah *stock price crash*. Banyak penelitian telah dilakukan untuk memahami lebih jauh faktor-faktor yang menyebabkan terjadinya *stock price crash*. Berbagai perspektif dikemukakan dan dikembangkan untuk menjelaskan kejatuhan harga saham dalam waktu yang relatif singkat. Salah satunya adalah akibat dari akumulasi *bad news* yang selama ini tidak terungkap ke pasar. Menurut perspektif ini, *stock price crash* terjadi karena tumpukan *bad news* yang dirilis ke pasar dalam waktu yang bersamaan. Manajer menyembunyikan dan menangkupkan pengungkapan berita negatif (*negative news*) dalam periode tertentu untuk menghindari dampak negatif terhadap karir dan kompensasi jangka pendek yang diterima manajer.

Penelitian ini menguji faktor-faktor yang memengaruhi *stock price crash* dengan mengambil konteks pasar modal Indonesia. Faktor-faktor yang diyakini memengaruhi *stock price crash* yaitu perataan laba, *default risk*, umur manajer, dan efek moderasi umur terhadap *price crash*. Fokus penelitian ditekankan pada efek moderasi umur terhadap *stock price crash*. Hasil analisis regresi berganda menunjukkan: 1) Perataan laba tidak berpengaruh terhadap *stock price crash*. Temuan ini menunjukkan bahwa investor sangat rasional dalam menilai realitas ekonomi perusahaan. Upaya perataan laba yang dilakukan manajer tidak memengaruhi persepsi investor terhadap prospek perusahaan di masa mendatang. 2) *Default risk* berpengaruh negatif terhadap *stock price crash*. Hasil ini menunjukkan bahwa investor dapat mendeteksi dan merespon dengan cepat kesulitan keuangan perusahaan sebelum menyebabkan masalah besar di kemudian hari. Respon dini investor mencegah terjadinya *stock price crash*. 3) Perusahaan yang dikelola manajer usia tua lebih berisiko mengalami *stock price crash* dibanding manajer usia muda. Hasil ini tidak konsisten dengan prediksi. Hasil yang tidak konsisten ini mungkin disebabkan perbedaan karakter manajer di Indonesia dengan di AS. Karakter manajer muda di Indonesia tampaknya tidak seagresif manajer muda di AS. Mereka tidak melakukan *bad news hoarding* karena sadar bahwa tindakan tersebut dapat menghancurkan kredibilitas mereka sebagai manajer muda yang masih memiliki karir yang panjang. 4) Interaksi umur dan *default risk* berpengaruh positif signifikan terhadap *stock price crash*. Hasil ini mengisyaratkan bahwa manajer muda usia yang mengelola perusahaan dengan *default risk* yang tinggi memiliki risiko yang lebih tinggi mengalami *stock price crash*. Sebelum umur dan *default risk* diinteraksikan, hasil pengujian terhadap *stock price crash* menunjukkan arah negatif. Setelah interaksi, arah hubungan menjadi positif. Perubahan ini sulit untuk dijelaskan saat ini sehingga penelitian lanjutan perlu dilakukan untuk menjelaskan fenomena ini. 5) Interaksi antara umur dan perataan laba tidak memengaruhi *stock price crash*. Hasil ini mengisyaratkan bahwa investor cukup rasional dalam menilai perataan laba sehingga umur manajer bukan faktor penting untuk menilai efek perataan laba terhadap kinerja perusahaan. Tidak peduli apakah perusahaan dikelola manajer muda atau tua, pasar tampaknya dapat menilai efek ekonomis perataan laba sehingga *bad news hoarding* yang dapat mendorong *stock price crash* dapat dihindari.

Generalisasi hasil penelitian perlu dilakukan secara hati-hati. Penelitian ini menggunakan return mingguan untuk mengukur *stock price crash*. Untuk penelitian berikutnya perlu mempertimbangkan penggunaan proksi berbeda untuk *price crash*, seperti koefisien kemiringan negatif dari return harian individu perusahaan dan volatilitas return harian perusahaan (Callen dan Fang (2017)). Di samping itu, penelitian berikutnya juga perlu mempertimbangkan penggunaan proksi yang berbeda untuk perataan laba seperti yang

Commented [U24]: apa penelitian ini bias di generalisasi?

Penulis: Beberapa penelitian menggunakan return harian dan bulanan. Penelitian ini menggunakan return mingguan. Karena itu, penelitian ini hanya bisa dibandingkan dengan penelitian sejenis yang menggunakan return mingguan. Untuk yang menggunakan return harian dan bulanan harus dilakukan penelitian berbeda.

digunakan dalam Tucker and Zarowin (2006) dan Chen et al. (2017). Dalam dua penelitian tersebut, perataan laba diukur menggunakan hasil korelasi antara perubahan dalam laba sebelum dilakukan manajemen laba (*pre-managed earnings*) dan perubahan akrual abnormal. Sebagai tambahan, penelitian lanjutan juga disarankan untuk menggunakan pengelompokan umur seperti yang dilakukan Andreou et al., (2017) dan ukuran *default risk* yang lain. Arah koefisien interaksi yang positif bisa jadi disebabkan pengukuran umur dan *default risk* yang tidak tepat dalam konteks perusahaan di Indonesia.

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Penulis: Ini penting dilakukan dalam rangka meningkatkan validitas hasil penelitian. Ini sering disebut dengan *robustness check*. Ada kemungkinan hasil berbeda ditemukan jika menggunakan proksi yang berbeda.

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Penulis: Sudah ditambahkan

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1 message

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Indayani Indayani
Universitas Syiah Kuala
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Income Smoothing, Default Risk and Stock Price Crashes: A Test of Manager Age Moderating Effect.

Sansaloni Butar Butar
Universitas Katolik Soegijapranata
sansaloni@unika.ac.id

ABSTRAK

Penelitian ini menguji efek moderasi umur manajer (presiden/direktur/direktur utama) terhadap *stock price crashes*. Lebih spesifik, penelitian ini menguji apakah umur manajer dapat memoderasi hubungan perataan laba dan *stock price crashes* serta hubungan *default risk* dan *stock price crashes*. Menggunakan 852 sampel perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2013-2017, hasil analisis menunjukkan umur manajer dan *default risk* berhubungan negatif dengan *stock price crashes* sesuai dengan prediksi. Temuan ini menunjukkan bahwa perusahaan yang dipimpin oleh manajer yang lebih muda atau perusahaan yang memiliki masalah keuangan lebih kecil kemungkinannya mengalami *stock price crashes*. Sementara itu, hasil analisis juga menunjukkan bahwa perataan laba tidak berhubungan dengan *stock price crashes*. Untuk variabel interaksi, hasil analisis menunjukkan umur manajer dapat memoderasi hubungan antara *default risk* dan *stock price crashes* dengan arah positif. Arah positif mengisyaratkan bahwa kepercayaan investor terhadap manajer yang memiliki usia tua tidak mengurangi kekhawatiran investor tentang masalah keuangan perusahaan. Arah positif juga mengisyaratkan bahwa investor gagal mengantisipasi efek negatif *default risk* secara cepat sebelum masalah tersebut menjadi besar. Ketika sadar bahwa perusahaan memiliki masalah keuangan yang besar, mereka segera merevisi kepercayaan mereka dan mengakibatkan terjadinya *stock price crashes*.

Kata Kunci: *Stock price crashes, default risk, perataan laba, bad news hoardings.*

ABSTRACT

This study examines the moderating effect of manager age on stock price crashes. More specifically, this study examines moderating role of manager age on the association between income smoothing and stock price crashes and the association between default risk and stock price crashes. Employing 852 samples of firms listed on the Indonesia Stock Exchange for period of 2013-2017, the results show that manager age and default risk are negatively associated with stock price crashes, suggesting that firms managed by younger managers or firms with higher risks are more likely to experience stock price crashes. On the other hand, income smoothing is not significantly associated with stock price crashes. With regard to moderating effect of manager age, the results show that manager age effect the association between default risk and stock price crashes with a positive direction. A positive direction suggests that investor belief in older managers cannot lessen the threat of financial problem. It also suggests that investors fails to anticipate promptly the negative effects of default risk. When investors suddenly realize that firms have huge financial problems, they revise their belief about firm's prospects, causing sharp decline in stock prices. In addition, this study finds no significant effect of manager age on the association between income smoothing and stock price crashes.

Keyword: *Stock price crashes, default risk, income smoothing, bad news hoardings.*

1. Introduction

Efficient market theory assumes that market participants act rationally and react quickly to new information. But the theory holds when information is widely available to market participants at the same time (Shleifer, 2000). In such condition stock prices should reflect the economic reality of a company. However, firms may intentionally hide bad news to avoid its negative effect on stock prices. In such a situation, the firm's stock price will no longer reflect real financial conditions. When the market finally discover the accumulated bad news and react accordingly, large drop in stock prices will occur (Habib et al., 2017). A sharp decline of stock prices in short period is widely known as stock price crashes. The incidence of stock price crashes has drawn many empirical studies in various capital markets

that seek to identify the determinants of stock price crashes. (Hong et al., 2017; Chang, 2017; Li et al. 2019; Harymawan et al. 2019).

The concept of bad news hoarding has been the most dominant argument to explain stock price crashes (Hutton et al., 2009; Chen et al., 2017; Habib, et al., 2017). It is based on the assumption that managers have incentives to withhold or keep bad news from market knowledge for an extended period. Systematic efforts to influence earnings will result in overvaluation of the firm's stock price. Prior studies confirm the tendency of managers to hide and suspend the disclosure of bad news to avoid its negative effect on manager long term career and compensation (Kothari et al., 2009; Kim et al., 2011; Chang , et al. 2017; Jung et al., 2019.). Meanwhile, Liu et al. (2019) reported that the credit swap market allows market participants to reduce the likelihood of bad news hoarding and thus lowers the risk of stock price crashes. Guan et al. (2019) reported that transparency in the bond market reduces the risk of stock price crashes.

Systematic efforts to delay the disclosure of bad news hinder the flow of negative information into capital market, causing the distribution of stock returns to be unsymmetrical (Hutton et al., 2009; Kothari et al., 2009). Default risk is one example of bad news that managers try to withhold from public disclosure. However, the ability of managers to hide default risk are not limitless. Once the accumulation of bad news passes a certain threshold, all bad news must be revealed at once. Severe financial difficulties that a firm faces must be released immediately, triggering a negative response from investors. As a result, firm's stock price drop significantly. A sharp decline in stock prices within a relatively short period of time is widely called stock price crashes (Hutton et al., 2009; Habib, et al., 2017).

Deliberate concealment of firm's economic realities can be accomplished through income smoothing (Kothari et al., 2009; Chen et al., 2017). Income smoothing practices produce stable and persistent earnings, making investors believe on firm's prospects. A survey conducted by Graham et al., (2005) shows that almost 97% of 400 top executives prefer more stable earnings to maintain positive perceptions of investors. Smooth earnings is a signal that helps investors to estimate firm's real prospects more accurately. In this regard, income smoothing is a mechanism to communicate private information to prevent the downside risk of equity values (Badertscher et al., 2012). If investors can interpret the signal, the resulting effect on stock price will be positive and the likelihood of stock price crashes decreases.

However, Healy's classic study (1985) and several studies thereafter (Fudenberg and Tirole, 1995; Defond and Park, 1997) show that managers smooth earnings to meet bonus targets and secure jobs. Such motives have the potential to reduce firm's value. Using US firms, Chen et al., (2017) provides evidence of positive relationship between income smoothing and stock price crashes, suggesting that income smoothing causes a negative impact on firm's value. The findings also indicates that the US capital market is an efficient capital market. US Market participants seem to be knowledgeable in analyzing firm's financial statements that income smoothing cannot be used to obscure firm's real condition. It is unlikely to expect that Indonesian investors will have similar respond on the practice of income smoothing.

This present study examine the moderating effect of manager age, income smoothing, and default risk on stock price crashes. Positive correlation between income smoothing and stock price crashes reported in Chen et al., (2017) indicates that US investors were able to see beyond earning numbers and not affected by the company's efforts to display smooth earnings to hide poor performance. This is not necessarily true with indonesian investors. Indonesia capital market may not as efficient as US capital market. Thus, the effect of income smoothing on stock price crashes remain an empirical question in the context of Indonesian

capital market. Parallel test is also conducted on default risk. No prior studies were ever conducted to test moderating effect of manager age.

A test of age moderating effects is motivated by Andreou et al. (2017) in which they show that firms with younger managers (CEOs) were more likely to experience stock price crashes. They argue that younger managers have greater incentives to show their capabilities in managing firms to gain early rises in compensation. Younger managers are more sensitive about firm performance because labor market will use their past performance in determining the level of compensation. Bad performance are more costly for younger managers than the older ones, causing younger managers have more incentive to withhold negative performance. In this perspective, the effect of income smoothing and default risk on stock price crashes may be influenced by the age of managers who run the company. In addition, this study also includes several control variables that have been reported previously to affect stock price crashes. Specifically, the control variables are firm size, profitability, debt levels (leverage) and sales growth (Chen et al., 2001; Jin and Myers 2006; Hutton et al., 2009).

2. Theoretical Framework and Hypothesis Development

Agency theory suggests that information asymmetry between managers and stockholders will lead to agency conflicts (Jensen and Meckling (1976). Managers are more prone to opportunistic behaviour when control mechanisms do not function effectively. Having informational advantage over stockholders allow them to exploit information for personal gain and engage in short-sighted personal target at the expense of long run stockholders well-being (Andreou et al., 2016). Opportunistic behaviour may take two forms: undertaking inefficient investment decisions that aims at higher stock price, or engaging in earnings management to maintain inflated stock price. One way to accomplish earnings management is through adopting income-increasing accounting policies. At least, managers can choose accounting policies to obscure firm's economic reality so that firm's price remain unchanged. Systematic effort to avoid stock price decline may last for an extended period as long as the opportunity remains.

Most research on stock price crashes have been built upon bad news hoardings argument proposed by Jin and Myers (2006). Conceptually, stock price crash risk stems from the inability of managers to withhold accumulated bad news after having passed a certain threshold (Habib, et al., 2017). Managers have attempted to withhold bad news from market knowledge for an extended period. But it is not limitless. Ultimately, accumulated bad news must be revealed at once. When the market learn how bad the condition of the firm really is, they will simultaneously release the firm's shares, leading to stock price crashes (Hutton et al., 2009; Kothari et al., 2009). When bad news accumulation is no longer able to be hidden from the market, distribution of stock returns becomes asymmetric and negatively biased (Hutton et al., 2009; Jin and Myers, 2006; Zhu, 2016).

Estimation errors resulting from efforts to report smooth earnings are widely known as income smoothing. As a special type of earnings management, income smoothing is carried out through manipulation of accrual accounting as well (Tessema and Deumes, 2017). In addition to accelerating or shifting the recognition of costs, income smoothing can also be accomplished through allowance for uncollectible debts. The uncertainty of cash receipts from credit sales requires managers to set aside a portion of credit sales as uncollectible receivables (Subramanyam, 2014). However, the estimated amount of uncollectible receivables are subject to error due to unintentional-human errors or deliberate errors to increase or decrease earnings. In addition to adjusting accrual items, income smoothing can also be done through real activities such as offering price discounts at the end of the year, changing the delivery schedule, and delaying or speeding up intangible asset maintenance.

Income Smoothing and Stock Price Crashes

Present accounting standards open rooms for managers to engage in income smoothing (Yao, 2014). Although discussions on income smoothing have been more on theoretical perspectives, recent firm's financial reporting suggest that practice of income smoothing is not merely conceptual discourse but is actually carried out by firms. Gu and Zhao (2016) and Chen et al. (2017) state that managers have extensively engaged in income smoothing as reflected in Graham et al. (2005) findings. Acharya and Lambrecht (2015) claim that the practice of income smoothing has a long tradition in financial reporting. One example is Telecommunications company (ITT) led by Harold Geneen from 1959 to 1977. During the period, ITT recorded increases in earnings for fifty-eight consecutive quarters. Many believe that the increase is a result of income smoothing aiming to provide stable earnings growth throughout his leadership. Other firms that are also believed to practice income smoothing are Microsoft, General Electric, and American Express.

Income smoothing has the potential to destroy firm value. According to Acharya and Lambrecht (2015), the pressure to meet market's earnings expectations motivate managers to engage in income smoothing. They argue that shuffling cash flows backward and forward to smooth earnings may bring unintended consequences on firm value. The risk of meeting market's earnings expectation may force managers to take a shortcut by cutting investment expenses, causing firm value decreases. In an attempt to smooth earnings, managers distort real decisions and destroy firm value in the long run.

In contrast to the perspective that income smoothing may cause damage to firm value, some argue that income smoothing can be justified as a signaling tool, conveying private information to shareholders about the firm's prospects. Sankar and Subramanyam (2001) seek to understand the behaviour of managers towards reporting earnings using the economic exchange model in two periods. In this model, managers are assumed to report biased earnings in the current period and the bias reverse in the future. If the reversal exceeds the minimum limit, managers will be encouraged to level out earnings. Income smoothing is carried out with the aim of communicating private information through reported earnings. Results of their analytical study prove that income smoothing aiming to meet market expectations result in value creation for company.

Another analytical study conducted by Kirschenheiter and Melumad (2002) also supports income smoothing as a means of communicating private information. They develop a financial reporting model in which investors sought to assess the precision of earnings reported by companies. It assumes that earnings shock reduce the ability of investors to assess the quality earnings and thus decreases firm value. To prevent a decline in firm value, managers engage in income smoothing. The analysis shows that income smoothing through 'big bath' in the current period produce higher future profits and increase the value of the firm.

The preceding arguments highlight two conflicting arguments that can be used to explain the impact of income smoothing on firm value. One argument emphasizes the opportunistic nature of managers who intentionally obscure real financial performance to avoid the market's negative perception. Unstable reported earnings is a signal that firms are experiencing difficulties in maintaining earnings growth. Accordingly, systematic efforts are required to prevent negative perception that might harm firm market value (Kirschenheiter and Melumad, 2002). Managers are at risk of losing their jobs following the decline in firm value (DeFond and Park, 1997). Therefore, it is important for managers to report earnings that meets market earnings expectations (Acharya and Lambrecht, 2015). One way to avoid the negative effects of bad news is to temporarily hold the publication of bad news from market knowledge.

The second argument for income smoothing is the desire to convey private information. As an insider, managers have unlimited access to information that enable them to predict firm's future performance. Ease of access into private information makes them superior over outside parties in understanding the true condition of the firm. If managers strongly believe that firms have good prospect but investors do not share the same conviction, they have to find ways to reduce the information asymmetry. Directly inform the market that firm is in a good condition may not be a good choice. Firms choose to smooth earnings as indirect way to convey firm's real condition. If the signal successfully changes the market's perception, then market value increases and stock price crashes can be suppressed. This argument is consistent with Shabani (2018) who finds a negative relationship between income smoothing and bankruptcy risk.

Since arguments for and against income smoothing are equally reasonable, following hypothesis is stated with no specific direction.

H1: Income smoothing is associated with stock price crashes.

Default Risk and Stock Price Crashes

Among other factors, rational investors base their stock investment decisions on the ability of firms to meet their obligations. A failure to meet financial obligations will affect firm's future operation and flexibility to respond market dynamics. Thus, default risks determine investors expected return (Garlappi et al., 2008). Higher default risk lead to higher demand of returns (Chava and Purnanandam, 2010). The likelihood of financial failure is reflected in higher debt ratio. Higher debt ratios suggest that firms are very dependent on debt to finance existing investment projects, causing default risk increases (Subramanyam, 2014).

He and Ren (2017) define default risk as the probability of firms failing to meet financial obligations. Similarly, Garlappi et al., 2008) defines default risk as the probability of failure to pay principal and related interest. Conceptually, default risk is different from financial constraints He and Ren (2017). A company is considered to be financially constraints if it has difficulty getting external sources to finance its operation. Firms having financial constraints are more likely to experience default relative to other companies. However, a threat of default risks can be reduced by increasing future cash flow through profitable investment projects (He and Ren, 2017). Financially constraints firms are less likely to invest in such projects due to insufficient source of funds.

Acharya et al., (2007) conducted an empirical analysis to determine the most appropriate financial policies that firms can adopt in limited external funding situation. In such conditions, firms must formulate policies to maintain availability of funds. There are two choices that can be made: increasing cash balances by making savings and issuing additional debt or increasing firm's ability to attract creditors. The analysis shows the tendency of firms to increase cash or reduce the level of debt in the context of future investment financing depends on the sensitivity of cash flow to various investment opportunities. In other words, firms having financial difficulties adjust funding options to maintain cash flow stability. If funding choices are limited, then it is very likely that firms overlook profitable investment projects (He and Ren, 2017). The situation is expected to exacerbate financial problems and default risks, leading to stock price crashes.

Preceding analysis suggests that firms with financial constraints have difficulties in obtaining external financing. Potential default increases the likelihood of stock price crashes. Realizing the negative consequence of default risks, managers attempt to hide bad news to avoid stock price decline and maintain current stock price. As a result, current stock prices fail to reflect the firm's intrinsic value. Once accumulation of bad news are revealed to the market, investors would react negatively and stock price drop significantly (Hutton et al., 2009; Kim et al., 2011).

He and Ren (2017) suggest an alternative argument which is contrary to the previous explanation. They argue that the incidence of stock price crashes can only occur when investors are unable to detect financial constraints and their impact on stock prices. If the markets are assumed to be able to detect financial distress early and find out deliberate attempt to hide bad news, investors will gradually adjust the firm's stock price. Slower decline in stock prices deter the possibility of stock price crashes. Nonetheless, the previous studies examining the impact of financial difficulties on stock returns shows that the market is unable to detect and assess the impact of financial constraints on firm value (Lamont et al., 2001; White and Wu, 2006). Investors require private information to discover amount of hidden bad news and make necessary adjustments to firm's stock price. Access to private information is possible only if investor have informants in the company.

Given the two opposing views described above, the relationship between default risk and stock price crashes cannot be determined convincingly. Accordingly, the following hypotheses are stated with no directional prediction:

H2: *default risks are associated with stock price crashes.*

Age of Manager and Stock Price Crashes

Performance-based compensation is a common practice in the business world. Labor market tracks workers achievements and use them as a basis to determine wages to be received in future employment. Outstanding performance increases a manager's value in the labor market and result in higher future compensation (Andreou et al., 2017). Therefore, past managerial achievements is closely related to future compensation.

The desire to make superior achievements is stronger for younger managers because they need to impress labor market about their abilities. Litjens (2017) argues that younger managers (CEOs) tend to have excessive self-confidence because of having higher knowledge and abilities in problem solving. Excessive self-confidence makes them bolder in taking risks. The argument is supported by Serfling (2014) who find CEO age is associated with lower risk. Peltomaki et al. (2018) also reports consistent findings that CEO age is negatively related to stock volatility.

Younger managers have more incentives to withhold bad news to avoid adverse effect on compensation and labor market (Andreou et al., 2017). This is due to the fact that younger managers have longer future career and desire to proof their abilities to build good reputation in labor market. Disclosure of negative information should have more negative impact on personal wealth of younger managers because labor market will use this information as a basis for determining compensation in the future. However, bad news accumulation cannot be hidden in the long run and ultimately must be revealed to the market. Thus, firms managed by young managers are more likely to experience stock price crashes. The arguments lead to the following three hypotheses:

H3: *Firms managed by younger managers experience higher stock price crashes than older managers.*

As described earlier, the relationship between default risk and stock price crashes can be positive or negative depending on the ability of investors to obtain private information. But the findings in Andreou et al., (2017) suggests that the correlation between the two variables might be influenced by the characteristics of managers who manage the company. Younger managers have more courage to choose accounting policies to hide default risk. The courage is driven by a very strong desire to build a reputation as a young manager with extraordinary achievements. On the contrary, older managers do not have the same desire to

prove their achievements. They prefer natural ways to resolve financial problems and are not compelled to cover default risk.

However, the effect of manager age on the relationship between default risk and price crashes depends on the assumptions with regard to ownership of private information. If investors are assumed to be unable to anticipate the firm's financial difficulties, a positive relationship between default risk and price crashes will be stronger in firms managed by younger managers relative to older managers. Conversely, if investors are assumed to be able to anticipate the firm's financial difficulties, a negative relationship between default risk and price crashes will be stronger in companies managed by younger managers compared to older managers. Thus, moderating effect of age on the the relationship between default risk and price crashes cannot be stated in a specific direction. This argument leads to the following hypothesis:

H4: Age of managers effect the relationship between default risk and stock price crashes.

As previously described, there are two opposing views related to income smoothing. The first view is built upon the argument of opportunistic behaviour of managers. It is argued that managers have incentives to hide bad news to present stable earnings growth over time. However, efforts to smooth income by choosing certain accounting policies cannot be sustained in the long term. At the end, there are no ways left to maintain smooth earnings and firms are forced to disclose accumulated bad news at once. The market would reacts strongly following the revelation. Thus, a managerial opportunistic behaviour causes large drop in stock price. The situation is worse when younger managers control the company. With higher high self-confidence, it is expected that younger managers are bolder to do extreme income smoothing, making positive effect of income smoothing on stock price crashes stonger. It should be noted that this condition occurs when investors are not aware of income smoothing in prior years.

The second is built upon the assumption that managers are highly responsible on weel-being of firms. With that characteristic, managers seek to eliminate information asymetry regarding the real condition of the company to investors. If investors do not fully understand the prospect of the firm, firms are expected to engage in income smoothing to provide signals about a firm's real condition. In this perspective, income smoothing is an effort to prevent stock price from being departed from intrinsic value. Younger managers are expected to provide aggressive signaling in an attempt to show his managerial qualities. Thus, negative effect of income smoothing on stock price crashes is expected to be stronger for firms managed by younger managers.

Based on the above discussion, the moderating effect of age on the relationship between income smoothing and price crashes cannot be determined convincingly, leading to the following hypothesis:

H5: Age of managers effect the relationship between income smoothing and stock price crashes

3. Research Methods

This study collects sample from Indonesia Stock Exchange in 2013-2017. The period was chosen because many public companies experienced a decline in stcok prices as reflected in higher market index volatility (Butar Butar, 2019). Data sources are mainly collected from www.idx.co.id. and a firm's official website. If financial data are not available from JCI official website, additional search are carried out with Google search engine. Firms with incomplete data are excluded. Sampling criteria are as follows:

1. Firms are listed on Indonesia Stock Exchange from 2013 to 2017, except financial and insurance companies. Financial and insurance industries are excluded because these companies have different financial characteristics.
2. Financial statements are available in rupiah and fiscal year of 31 December.
3. Annual report are available from the sources and provides complete information to measure variables.

Based on the sample selection criteria presented in table 1, the number of firms available for test of hypotheses is 910 (182 x 5 years).

Tabel 1. Sampling Criteria

Criteria	Total
Firms are listed on the JCI in 2017	572
Firm are not listed for five consecutive years from 2013-2017	(22)
Firms belong to insurance, securities and banking industries	(99)
Financial data were stated in US Dollar	(25)
Annual Report are not available from data sources	(89)
Annual report does not contain financial statements	(35)
Stock prices are not available from data sources	(58)
Board of Directors' profile are not available in annual reports	(62)
Final sample	182

Measure of Variables

Stock Price Crashes (Crashes)

Stock price crashes is defined as a sudden drop of stock prices in a relatively short period (Hutton et al., 2009; Zhu, 2016). Consistent with prior studies, this study employs an expanded market model by adding t-2 and t-1 lags and leads t + 2 and t + 1 into the standard market model (Hutton et al., 2009; Kim and Zhang , 2015; Andreou et al., 2016). The expanded market model is stated as follows:

$$R_{jt} = \alpha_j + \beta_1 R_{m,t-2} + \beta_2 R_{m,t-1} + \beta_3 R_{m,t} + \beta_4 R_{m,t+1} + \beta_5 R_{m,t+2} + \varepsilon_{j,t} \quad (1)$$

Note: R_j is individual return of firm j in week t ; R_M is market return in week t .

The residuals from the expanded market model (ε_j, t) are added by 1 and then transformed into natural logarithms to $w_j, t = \ln(1 + \varepsilon_j, t)$. The conversion is applied to reduce the tendency of asymmetrical return distributions (Kim and Zhang, 2015; Andreou et al., 2016). Transformed residual (w_j, t) is used as a measure of the stock price crashes. The residuals reflect firm-specific information.

Income Smoothing (Smooth)

Measure of income smoothing follows a procedure developed in Gassen and Fulbier (2015). Income smoothing is a ratio of standard deviation of net income and standard deviation of operating cash flows deflated with total assets.

Default risk (Default)

Measure of default risk follows Altman Z score that has been specifically developed for firms in developing countries (Alman, 2005). The formula is stated as follows:

$$\text{Def_Risk} = 6.56 * X_1 + 3.26 * X_2 + 6.72 * X_3 + 1.05 * X_4 \quad (2)$$

Note: X1 is working capital divided by total assets; X2 is retained earnings divided by total assets; X3 is EBIT divided by total assets; X4 is shareholder equity divided by total assets.

Manager Age (Age)

Manager age is an indicator variable, equal 1 if a manager's age below 51 and 0 otherwise. The measure is adopted from Andreou et al., (2017) who find significant difference in stock price crashes between the two groups. The term manager in this study is referred to president directors or directors.

Control Variables

Prior studies report that size, profitability, leverage and sales growth have significant effects on price crashes (Chen et al., 2001; Jin and Myers 2006; Hutton et al., 2009). For this reason, these variables are included in the regression model as control variables. These four control variables are measured as follows: 1) Size is Ln total assets. 2) Profitability is the ratio of net income to total assets. 3) Sales growth is the difference between current and last year's sales divided by current year's sales. 4) debt level is the ratio of total debt to total assets.

Empirical Model

The test of hypotheses are conducted using the following regression model:

$$\text{Crashes}_{jt} = \beta_0 + \beta_1 \text{Smooth}_{jt} + \beta_2 \text{Default}_{jt} + \beta_3 \text{Age}_{jt} + \beta_4 \text{Age} * \text{Smooth}_{jt} + \beta_5 \text{Age} * \text{Default}_{jt} + \beta_6 \text{Size}_{jt} + \beta_7 \text{Growth}_{jt} + \beta_8 \text{ROA}_{jt} + \beta_9 \text{LEV}_{jt} + \varepsilon_{jt} \quad (3)$$

Where,

- Crashes = *Stock price crashes.*
- Smooth = *Income smoothing.*
- Default = *Default Risk.*
- Age = *Age of managers, equal 1 if manager age below median and 0 otherwise.*
- Age*Smooth = *Interaction of age and income smoothing.*
- Age*Default = *Interaction of age and default risk.*
- Size = *Firm Size.*
- Growth = *Sales growth.*
- ROA = *Profitability.*
- LEV = *Leverage.*

Results and Discussion

Descriptive statistics

Based on sample selection criteria, as much as 910 firm samples are available for the test of hypotheses. Of these, 58 firm samples were excluded to satisfy data normality assumption, leaving 852 available for further examination. Descriptive statistics for each variable are presented in table 2.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Standar Dev.
Crashes	852	0,002	5,43	2,49	0,89
Smooth	852	0,00	0,78	0,004	0,03

Default	852	-8,64	10,99	5,40	2,27
Age	852	0,00	1	0,35	0,47
Age*Smooth	852	0,00	0,21	0,002	0,01
Age*Default	852	-2,76	10,99	1,89	2,94
Size	852	2,83	12,60	7,83	1,75
Growth	852	-1,00	3,50	0,08	0,39
Roa	852	-1,51	1,01	0,03	0,14
Lev	852	0,01	3,24	0,49	0,31

Source: SPSS output, 2019.

As shown in Table 2, the mean for stock price crashes (crashes) is 2.49, indicating the worst weekly return is 2.614 times the standard deviation below the mean. Meanwhile, mean for income smoothing (Smooth) is 0.004, suggesting that level of income smoothing is moderate. Mean for risk is 5.47. Note that this figure is obtained from the Altman Z Score formula. Manager age has an average of 0.35, suggesting that proportion of managers who aged 51 years and younger is lower than those aged above 51 years. Mean for interaction of age and default risk (Age*Default) and income smoothing (Age*Smooth) are 0.0002 and 1.89, respectively. Because both variables are interaction variables, these figures have no meaning. The Mean for firm size (Size) is 7.83, suggesting that firm samples are generally medium-sized firms. Meanwhile, the mean for firm's growth (Growth) and profitability (Roa) are 0.08 and 0.03 respectively, indicating moderate growth and low profitability. The mean for debt (Lev) of 0.49 indicates that on average sample firms do not have financial difficulties.

Correlation coefficient

Table 3 presents coefficient correlations of main variables. The main focus is on the relationship between stock price crashes as dependent variable and the hypothesized variables stated in the research hypothesis. Income smoothing and stock price crashes (Crashes) are positively correlated (0.013) but statistically insignificant (two-tail). The correlation between default risk and stock price crashes is negative (-0,022) but statistically insignificant. The correlation between manager age and stock price crashes is negative (-0.087) and statistically significant at the 5% level (two tails). However, the direction is not consistent with prediction. Meanwhile, the correlation between the two interacting variables and stock price crashes is also insignificant with p-value of -0.021 and 0.107 respectively. Taking as a whole, the results presented in table 3 provide preliminary evidence to reject moderating effect of age on stock price crashes.

Tabel 3. Correlation coefficient

	Crashes	Smooth	Default	Age	Age*Smooth	Age*Default
Crashes	1	0,013	-0,022	-0,087*	-0,021	-0,055
Smooth	0,013	1	0,075*	0,036	0,456**	0,036
Default	-0,022	0,075*	1	0,005	0,013	0,297**
Age	-0,087*	0,036	0,005	1	0,182**	0,880**
Age*Smooth	-0,021	0,456**	0,013	0,182**	1	0,170**
Age*Default	-0,055	0,036	0,297**	0,880**	0,170**	1

*. Korelasi signifikan pada level 0.05 (dua sisi)

** Korelasi signifikan pada level 0.01 (dua sisi).

Source: SPSS output, 2019.

Tests of Hypothesis

Table 4 presents the test of hypotheses. Adjusted R^2 is quite small (2.6%), suggesting low ability of independent variables to explain variations in stock price crashes. In other word, most variations in stock price crashes are influenced by other variables not included in the model. Simultaneously, the effect of income smoothing, default risk, and moderating effect of age on stock price crashes are quite strong as reflected in p-value less than 1% and F test of 3.554.

Hypothesis one (H1) predicts that income smoothing affect stock price crashes. The test result is not consistent with the prediction. Hypothesis two (H2) predicts that default risk affects stock price crashes. The results confirm the prediction of H2 with p-value less than 1%, suggesting that the higher the default risk, the lower the risk of stock price crashes.

Hypothesis three (H3) predicts that firms managed by younger managers have a higher risk of stock price crashes than the older ones. Note that manager age is a dummy variable equals 1 if manager's age is under 51 years and 0 otherwise. In other words, manager age and stock price crashes are predicted to have a positive correlation. The results shows that manager age (Age) is negatively associated with crashes at less than 1% level of significance. This means that companies managed by older managers are more at risk of experiencing stock price crashes than younger managers. Thus, the test result is contrary to the prediction of H3.

Hypothesis four (H4) predicts that age of managers effect the relationship between default risk and stock price crashes. Regression analysis show that the interaction coefficient of age and default risk (Age*Default) is positive and significant at less than 5%. Thus, the test result confirm H4.

Hypothesis five (H5) predicts that age of managers effect the relationship between income smoothing and stock price crash. Regression analysis show that interaction of age and income smoothing (Age*Smooth) is statistically insignificant. Thus, the test results reject the prediction of H5 .

Tabel 4. The Effect of Income Smoothing, Default Risk, and Its Moderating Effects on Stock Price Crashes.

Variables	Coefficients	Dev. Std	T	P-Value
Konstanta	3,625	0,228	15,901	0,000
Smooth	0,401	1,153	0,347	0,728
Default	-0,069	0,021	-3,309	0,001
Age	-0,519	0,162	-3,211	0,001
Age*Smooth	-3,461	2,511	-1,378	0,168
Age*Default	0,066	0,027	2,414	0,016
Size	-0,071	0,018	-3,845	0,000
Growth	-0,054	0,078	-0,695	0,487
Roa	0,196	0,249	0,788	0,431
Lev	-0,292	0,121	-2,413	0,016
<i>Adjusted R²</i>	0,026			
<i>F-Stat</i>	3,554			
<i>P-Value</i>	0,000			

Source: SPSS output, 2019.

Discussions

Hypothesis One (H1): Income smoothing affects the stock price crashes.

As explained earlier, Two opposing views can be used to explain the relationship between income smoothing and stock price crashes. The first view is based on the assumption that the manager is a person who put personal interests before shareholders'. In an attempt to pursue personal targets they are encouraged to hide the true condition of the company through income smoothing, leading to stock price crashes. The second view assumes that managers are persons who always puts the interest of company before their personal interests. In situations where asymmetry information exists regarding firm's prospects, managers are encouraged to communicate private information through income smoothing. Managers are concerned with the ability of investors to understand the true picture of company. In case of differential knowledge among investors about firm's prospect, managers choose to smooth earnings to provide signals about economic reality of the firm. If the signal successfully adjust investor belief, then the incidence of stock price crashes can be avoided.

However, the results of the regression analysis do not support H1 that states income smoothing affect stock price crashes. It seems that investors do not respond to managers' efforts to present stable earnings trends over time. This implies that the income smoothing undertaken by managers do not affect investors' views about the firm's prospects. Although managers try to display a positive image of the firm's financial performance, it seems that investors can see what really happens behind the stable earnings trend. Stock price movements are not affected by managers' efforts to influence market perception. This finding is not consistent with Chen et al., (2017) who found evidence that a high level of income smoothing increases the risk of stock price crashes. But tadditional test show that income smoothing was associated with negative returns. The market seem to be able to quickly anticipates income smoothing. In light of Chen et al., (2017) findings, the failure to identify the relationship between income smoothing and stock price crashes in this study may be an indicative of investors abilites to anticipate income smoothing before stock price crashes occurred.

Hypothesis Two (H2): default risk affects stock price crashes.

That relationship between default risk and stock price crashes stated in H2 depends on the assumptions about the ownership of private information by investors. The first assumption is the market does not know about the default risk that firms had hidden for long time. As previously described, firms under financial distress are more likely to experience defaults in meeting financial obligations. The higher the financial problems, the greater the possibility of stock price crashes. Firms seek to find ways to prevent investors from understanding firm's financial condition to avoid downside of stock prices that may trigger stock price crashes. However, efforts to hide bad news cause bad news accumulation to pile up. Ultimately, firms are forced to reveal the accumulated bad news at once, leading to stock price crashes. Thus, default risk is predicted to be positively related to stock price crashes.

The second assumption is that investors are able to detect and anticipate financial difficulties and gradually adjust firm's stock prices. Gradual adjustments prevent incidence of stock price crashes. In light of efficient market theory, the finding reported in this study is consistent with efficient market theory. However, it should be noted that prior studies show that the market cannot fully anticipate the effects of firm's financial difficulties (Lamont et al., 2001; White and Wu, 2006). With no sufficient information from within the company, the market will not be able to detect hidden bad news.

The test results show that default risk negatively affects stock price crashes. The negative relationship supports the second assumption that market participants are able to

detect firm's financial difficulties and anticipate them before things get worse. They do this by releasing their stock ownership gradually and thus prevent stock price crashes. In sum, the higher the default risk, the lower the risk of stock price crashes.

Hypothesis Three (H3): Firms managed by younger managers experience higher stock price crashes than older managers.

Firms managed by younger managers are more likely to experience stock price crashes as stated in H3. Younger managers have excessive self-confidence and motivation to show their abilities and competences to impress labor market. They are risk takers and more willing to engage in income smoothing for the purpose of reputation. Practice of income smoothing through selecting accounting policy allow them to hide bad news so that firm performances look stable over time. However, the accumulation of bad news cannot be hidden at all times and must be disclosed to the market. On the other hand, older managers do not have the same desires and urge to pursue outstanding career. They are not compelled to adopt unsound reporting practices to hide bad performance. Thus, firms managed by older managers are less likely to experience stock price crashes.

Test of hypothesis shows that age has a positive effect on stock price crashes. However, the observed sign is contrary to the predictions. A positive direction suggests that firms managed by older managers are more likely to experience stock price crashes. This finding is not consistent with Andreou et al., (2017) who used US firms as samples. The conflicting result may be attributed to differences in personal characters of Indonesian managers and US managers. While younger managers in US seem to be more open to the practice of bad news hoarding, younger managers in Indonesia prefer normal ways to advance their careers. They realize that their career are still long to go and do not want to sacrifice them for short-term results. When experiencing financial performance declines, younger managers in Indonesia chose to acknowledge and disclose bad news when it occurs so that the accumulation of bad news that lead to stock price crashes can be prevented.

Hypothesis Four (H4): Age managers strengthen (weaken) the relationship of default risk and stock price crashes

Results show that interaction between age and default risk has positive effect on stock price crashes at 5% level of significance. This findings is contrary to H2 test result that default risk has a negative effect on stock price crashes and also contrary to H3 test result that age has a negative effect on stock price crashes. As explained earlier, the negative sign is an indicative of investor's ability to detect and anticipate financial difficulties by gradually sell their shares and thus preventing stock price crashes. Furthermore, it suggests that firms managed by older managers are more likely to experience stock price crashes. When age interacts with default risk and price crashes, the sign of coefficient becomes positive, which means that firms with higher default risk and managed by younger managers are more likely to experience stock price crashes. A change from negative to positive sign is quite confusing and no explanation could be offered right now to explain this bizarre behaviour. Subsequent studies by using different default risk measures should be conducted before strong inferences be made. It is possible that the Altman Z Score measure of default risk is not appropriate in Indonesia context resulting in contradicting results. Another possibility is that the measure of age based on two grouping, below and above 51, are not strict enough to separate older and younger managers groupings.

Hypothesis Five (H5): Age managers can strengthen (weaken) relationships Income Smoothing and Stock Price Crashes.

As described earlier, H5 is stated without no specific direction due to conflicting arguments linking income smoothing and stock price crashes. However, the test result show the insignificant effect of income smoothing on stock price crashes. We have to look at the initial relationship between income smoothing and stock price crashes to understand the insignificant result. The direction of the interaction coefficient depends on the initial relationship between income smoothing and stock price crashes. The following paragraphs describe the possibilities of the moderating effect of age on the relationship between income smoothing and stock price crashes. These are reflected in the signs of interacting variables.

First, the interacting coefficient is positive and statistically significant. This condition occurs because income smoothing and stock price crashes have a positive relationship. A positive relationship between income smoothing and stock price crashes is expected to be magnified when a company is managed by younger managers. In this scenario, the interaction coefficient is predicted to have a positive direction. In spite of managing by older managers, the direction is predicted to be positive. However, the magnitude of direction is lower for firms managed by older managers than those managed by younger managers. Note that in both conditions, opportunistic behaviour is assumed to persist but stronger for younger managers.

Second, the interacting coefficient is negative and statistically significant. This condition occurs because income smoothing and stock price crashes are negatively related. As explained in the previous section, the negative relationship between income smoothing and stock price crashes is based on the assumption that the manager is a responsible person and cares about firm's prospects. If income smoothing and stock price crashes are negatively related then two possibilities exist regarding the sign of interacting variable: 1) when a company is managed by younger managers with obsessions to show best performance, the negative correlation between income smoothing and stock price crashes is expected to be stronger. Thus, the interacting coefficient is also predicted to be positive. 2) when a company is managed by older managers, the correlation between income smoothing and stock price crashes is expected to remain positive but the magnitude the interacting coefficient is expected to be lower than firms managed by younger managers.

Third, the interacting coefficient is positive (negative) but is not statistically significant. In this condition, two possibilities exist regarding the sign of interacting variable: 1) the initial relationship between income smoothing and stock price crashes is positive (negative) but not statistically significant and the relationship between age and stock price crashes is positive (negative) but also not statistically significant. 2) the initial relationship between income smoothing and stock price crashes may be positive (negative) but statistically insignificant but the correlation between age and stock price crashes are positive (negative) and statistically significant.

Comparing one possibility to others, it can be concluded that the third possibility is consistent with the test result. The interacting coefficient is negative but statistically insignificant. In addition, the test results also show that age has a negative effect on stock price crashes, but income smoothing has no significant effect on stock price crashes. Taken together, the results indicate that, although insignificant, the negative interacting coefficient is due to negative effect of age on stock price crashes. However, when age of manager is interacted with income smoothing, the effect on stock price crashes is significantly reduced that it does not affect stock price movements. This finding suggests that age plays an important role in influencing stock price crashes, but the effect is not strong enough to change the relationship between income smoothing and stock price crashes.

It has been explained previously that there are two conflicting views related to income smoothing. The first is built upon opportunistic nature of managers. It is argued that managers have incentives to hide bad news through selecting certain accounting policies to report stable earnings from time to time. However, efforts to smooth income by choosing certain accounting policies cannot be carried out for ever. Ultimately there are no ways left to maintain smoothing earnings and accumulated bad news have to be revealed at once, leading to stock price crashes. The situation is worse for firms managed by younger managers due to extreme income smoothing practices.

Younger managers are expected to have a greater incentive to engage in income smoothing than older managers. A strong impetus is triggered by a desire to establish outstanding reputation as a young, high-achieving manager. The courage of young managers to engage in income smoothing relative to older managers strengthen the positive effect of income smoothing on stock price crashes. As a result, the decline in stock prices occurs with a greater intensity that it triggers a severe stock price crashes as well. It should be noted that this condition can only occur with the assumption that investors do not know the income smoothing practices in the past.

The second view to support income smoothing is built upon the assumption that managers are individuals who are responsible and concerned about firm's sustainability. Managers are assumed to be mindful of increasing shareholders's welfare and reducing asymmetric information with regard to firm's prospects. A manager who has a strong belief in firm's prospects may use certain accounting policies to smooth earnings so that the market's perception matches manager's. In this perspective, income smoothing engagement is an effort to prevent stock price crashes. If the company is managed by younger managers, the negative effect of income smoothing on stock price crashes is expected to be stronger than older managers and vice versa. This is due to strong desire within younger managers to give signals to investors .

Test result of H5 does not appear to support the predictions. The insignificant result may be induced by the initial relationship between income smoothing and stock price crashes as stated in H1. As reported before, H1 is not statistically supported. Although as a main variabel, age has negative effect on stock price crashes but interaction with income smoothing causes the effect of age to be no longer dominant in influencing stock price crashes. Therefore, the insignificant interacting variable implies that investors do not regard age of managers as an essential factor in assessing the effect of income smoothing on the firm's stock price. Regardless of how old are the managers who run the companies, the market seems to understand and be able to assess the effect of income smoothing on firm's prospects. With regard to control variables, firm size (Size) and leverage (Lev) are the only variables that affect price crashes with 1% and 5% level of significant respectively.

Conclusions, Limitations, and Suggestions

Large drops in firm's stock prices for relatively short period have become intriguing event in the capital markets world wide. The event is known as stock price crashes. Large body of researches have been devoted to gain in-depth understanding on factors that caused stock price crashes. These studies argue that forced revelation of accumulated bad news is the primary cause of stock price crashes. Systematic efforts by managers to conceal and suspend disclosure of bad news for an extended period cause bad news accumulation to pile up. Since no option left to hide them, firms have to reveal them at once. Immediate disclosure induces large negative reaction, leading to stock price crashes.

This present study seek to identify factors that influence stock price crashes in the context of the Indonesian capital market. Specifically, the factors are believed to have effects on stock price crashes are income smoothing, default risk, age of managers, and moderating

effect of age. However, the focus is on moderating effect of age. The test of hypothesis show that: 1) Income smoothing is not associated with stock price crashes. This finding suggests that investors are quite rational in assessing the economic reality of a company. Efforts to smooth income through selecting certain accounting policies seem to have no effect on investors' perceptions of future performances. 2). Default risk is inversely related to stock price crashes. It seems that investors are able to detect firm's financial difficulties and make a quick respond to anticipate large drop in stock prices. These quick responses prevent large fall in stock prices and the incidence of stock price crashes avoided. 3) Firms managed by older managers pose higher stock price crash risk relative to those managed by younger managers. But the findings is not consistent with the prediction. Differences in manager's characters may explain the insignificant result. Younger managers of Indonesia seem not to be as aggressive compared to younger managers in US. Younger managers of Indonesia seem to be ignorant of bad news hoarding concept. 4). The interaction of age and default risk has positive effect on stock price crashes. The result suggests that firms having higher default risk and managed by younger managers are more likely to experience stock price crashes. Initially, default risk and stock price are inversely related. But after interacting with age, the sign of the correlation change and becomes positive. This is quite complicated and no explanation offered to to explain the change right now. 5) The interaction between age and income smoothing has no effect on stock price crashes. This findings suggests that investors are rational enough in assessing the purpose of income smoothing that age of managers does not influence their views on firm's prospects. The market seems to be able to assess the economic effects of income smoothing regardless of a manager's age.

Generalization of the results should be made carefully. This study uses weekly returns to measure stock price crashes. Subsequent researches should consider to use different proxies for stock price crashes. Examples are the negative slope coefficient of daily returns and the volatility of daily returns as in Callen and Fang (2017). Subsequent research also need to consider other proxies for income smoothing as used in Tucker and Zarowin (2006) and Chen et al. (2017). In those studies, the correlation between changes in earnings before earnings management (pre-managed earnings) and abnormal accrual changes are the proxies for income smoothing. It is also recommended to separate age grouping as in Andreou et al., (2017) and use other measures of default risk. Positive interacting coefficient found in this study may be due to inappropriate measurement of default risk for Indonesian firms.

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Banda Aceh - Indonesia

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Income Smoothing, Default Risk and Stock Price Crashes: The Moderating Effect of Manager Age

Sansaloni Butar Butar

Universitas Katolik Soegijapranata, Indonesia

*Corresponding author: sansaloni@unika.ac.id

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ABSTRACT

The purpose of this study is to investigate the moderating role of manager age on the association between income smoothing and stock price crashes and the association between default risk and stock price crashes. The data was collected from the samples of 182 companies firms listed on the Indonesia Stock Exchange from 2013 to 2017 (910 firm-year observation). Using the multivariate analysis as the data analysis method, this study revealed that manager age and default risk were negatively associated with stock price crashes. On the other hand, the income smoothing was not significantly associated with stock price crashes. With regard to moderating effect of manager age, the results showed that manager age effect the association between default risk and stock price crashes with a positive direction. Meanwhile, no significant effect of manager age on the association between income smoothing and stock price crashes is found in this study.

Perataan laba, Risiko Default, dan Crashes Harga Saham: Efek Moderasi Umur Manajer

ABSTRAK

Penelitian ini menguji apakah umur manajer dapat memoderasi hubungan perataan laba dan crashes harga saham serta hubungan risiko default dan stock price crashes. Data dikumpulkan dari perusahaan sampel yang berjumlah 182 perusahaan yang terdaftar di Bursa Efek Indonesia antara tahun 2013 s.d. 2017 (910 observasi). Dengan menggunakan metode regresi berganda sebagai teknik analisis data, penelitian ini menemukan bahwa umur manajer dan risiko default berhubungan negatif dengan crashes harga saham sesuai dengan prediksi. Sementara itu, hasil analisis juga menunjukkan bahwa perataan laba tidak berhubungan dengan crashes harga saham. Untuk variabel interaksi, hasil analisis menunjukkan umur manajer dapat memoderasi hubungan antara risiko default dan crashes harga saham dengan arah positif. Efek yang signifikan dari umur manajer terhadap hubungan antara perataan laba dan crashes harga saham tidak ditemukan dalam penelitian ini.

1. Introduction

Efficient market theory assumes market participants act rationally and react quickly to new information. But the theory holds when information is widely available to market participants at the same time (Shleifer, 2000). In

such condition stock prices should reflect the economic reality of a company. However, firms may intentionally hide bad news to avoid its negative effect on stock prices. In such a situation, the firm's stock price will no longer reflect real financial conditions. When the market finally

discover the accumulated bad news and react accordingly, large drop in stock prices will occur (Habib et al., 2017). A sharp decline of stock prices in short period is widely known as stock price crashes. The incidence of stock price crashes has drawn many empirical studies in various capital markets that seek to identify the determinants of stock price crashes (Chang et al., 2017; Harymawan et al., 2019; Li et al., 2019; Shleifer, 2000).

The concept of bad news hoarding has been the widely accepted argument to explain stock price crashes (Chen et al., 2017; Habib et al., 2017; Hutton et al., 2009). It is based on the assumption that managers have incentives to withhold or keep bad news from market knowledge for an extended period. Systematic efforts to influence earnings will result in overvaluation of the firm's stock price. Prior studies confirm the tendency of managers to hide and suspend the disclosure of bad news to avoid its negative effect on manager long term career and compensation (Chang et al., 2017; Jung et al., 2019; Kim et al., 2011; Kothari et al., 2009). **Meanwhile, Liu, Ng, Tang, & Zhong (2019) that the credit swap market allows market participants to reduce the likelihood of bad news hoarding and thus lowers the risk of stock price crashes.** Guan, Kim, Bon, Xin, & Liu (2019) reported that transparency in the bond market reduces the risk of stock price crashes.

Systematic efforts to delay the disclosure of bad news hinder the flow of negative information into capital market, causing the distribution of **stock returns to be unsymmetrical (Hutton et al., 2009; Kothari et al., 2009)** Default risk is one example of bad news that managers try to withhold from public disclosure. However, the ability of managers to hide default risk are not limitless. Once the accumulation of bad news passes a certain threshold, all bad news must be revealed at once. Severe financial difficulties that a firm faces must be released immediately, triggering a negative response from investors. As a result, firm's stock price drop significantly. A sharp

decline in stock prices within a relatively short period of time is widely called stock price crashes (Habib et al., 2017; Hutton et al., 2009).

Deliberate concealment of firm's economic realities can be accomplished through income smoothing (Chen et al., 2017; Kothari et al., 2009). Income smoothing practices produce stable and persistent earnings, making investors believe on firm's prospects. A survey conducted by Graham et al., (2005) shows that almost 97% of 400 top executives prefer more stable earnings to maintain positive perceptions of investors. **Smooth earnings is a signal that helps investors to estimate firm's real prospects more accurately.** In this regard, income smoothing is a mechanism to communicate private information to prevent the downside risk of equity values (Badertscher et al., 2012). If investors can interpret the signal, the resulting effect on stock price will be positive and the likelihood of stock price crashes decreases.

However, Healy's (1985) Healy's classic study and several studies thereafter Fudenberg & Tirole (1995) and Defond & Park (1997) show that managers smooth earnings to meet bonus targets and secure jobs. Such motives have the potential to reduce firm's value. Using US firms, Chen et al., (2017) **provides** evidence of positive relationship between income smoothing and stock price crashes, suggesting that income smoothing causes a negative impact on firm's value.

The findings also **indicates** that the US capital market is an efficient capital market. US Market participants seem to be knowledgeable in analyzing firm's financial statements that income smoothing cannot be used to obscure firm's real condition. It is unlikely to expect that Indonesian investors will have similar **respond** on the practice of income smoothing.

This study **aim** to examine the moderating effect of manager age, income smoothing, and default risk on stock price crashes. Positive correlation between income smoothing and stock price crashes reported in Chen et al., (2017) indicates that US investors were able to see

beyond earning numbers and not affected by the company's efforts to display smooth earnings to hide poor performance. This is not necessarily true with Indonesian investors. Indonesia capital market may not as efficient as US capital market. Thus, the effect of income smoothing on stock price crashes remain an empirical question in the context of Indonesian capital market. Parallel test is also conducted on default risk. **No prior studies was ever conducted to test** moderating effect of manager age.

A test of age moderating effects is motivated by Andreou et al., (2017) in which they show that firms with younger managers (CEOs) were more likely to experience stock price crashes. They argue that younger managers have greater incentives to show their capabilities in managing firms to gain early rises in compensation. Younger managers are more sensitive about firm performance because labor market will use their past performance in determining the level of compensation. Bad performance are more costly for younger managers than the older ones, causing younger managers have more incentive to withhold negative performance. In this perspective, the effect of income smoothing and default risk on stock price crashes may be influenced by the age of managers who run the company. In addition, this study also includes several control variables that have been reported previously to affect stock price crashes. Specifically, the control variables are firm size, profitability, debt levels (leverage) and sales growth (Chen et al., 2001; Hutton et al., 2009; Jin & Myers, 2006).

The following section discusses the theoretical framework and the formulation of the **tested hypothesis in this study**. Research method section provides information about how the study conducted including the samples and data analysis method. **Following that**, the results and discussion section interprets the findings and discusses them with prior research. Finally, the conclusion section

summarizes and concludes the research findings and provides suggestions for further research.

2. Literature review

Agency theory suggests that information asymmetry between managers and stockholders will lead to agency conflicts (Jensen & Meckling, 1976). Managers are more prone to opportunistic behaviour when control mechanisms do not function effectively. Having informational advantage over stockholders allow them to exploit information for personal gain and engage in short-sighted personal target at the expense of long run stockholders well-being (Andreou et al., 2017). Opportunistic behaviour may take two forms: undertaking inefficient investment decisions that aims at higher stock price, or engaging in earnings management to maintain inflated stock price. One way to accomplish earnings management is through adopting income-increasing accounting policies. At least, managers can choose accounting policies to obscure firm's economic reality so that firm's price remain unchanged. Systematic effort to avoid stock price decline may last for an extended period as long as the opportunity remains.

Most research on stock price crashes have been built upon bad news hoardings argument proposed by (Jin & Myers, 2006). Conceptually, stock price crash risk stems from the inability of managers to withhold accumulated bad news after having passed a certain threshold (Habib et al., 2017). Managers have attempted to withhold bad news from market knowledge for an extended period. But it is not limitless. Ultimately, accumulated bad news must be revealed at once. When the market learn how bad the condition of the firm really is, they will simultaneously release the firm's shares, leading to stock price crashes (Hutton et al., 2009; Kothari et al., 2009). When bad news accumulation is no longer able to be hidden from the market, distribution of stock returns becomes asymmetric and negatively biased

(Hutton et al., 2009; Jin & Myers, 2006; Zhu, 2016).

Estimation errors resulting from efforts to **report** smooth earnings are widely known as income smoothing. As a special type of earnings management, income smoothing is carried out through manipulation of accrual accounting as well (Tessema & Deumes, 2017). In addition to accelerating or shifting the recognition of costs, income smoothing can also be accomplished through allowance for uncollectible debts. The uncertainty of cash receipts from credit sales requires managers to set aside a portion of credit sales as uncollectible receivables (Subramanyam, 2014). However, the estimated amount of uncollectible receivables are subject to error due to **unintentional**-human errors or deliberate errors to increase or decrease earnings. In addition to adjusting accrual items, income smoothing can also be done through real activities such as offering price discounts at the end of the year, changing the delivery schedule, and delaying or speeding up intangible asset maintenance.

Income smoothing and stock price crashes

Current accounting standards open rooms for managers to engage in income smoothing (Yao, 2014). Although discussions on income smoothing have been more on theoretical perspectives, recent **firm's financial reporting** suggest **that practice** of income smoothing is not merely conceptual discourse but is actually carried out by firms. Gu & Zhao (2016) and Chen et al., (2017) state that managers have extensively engaged in income smoothing as reflected in Graham et al., (2005) findings. Acharya & Lambrecht (2015) claim that the practice of income smoothing has a long tradition in financial reporting. One example is Telecommunications company (ITT) led by Harold Geneen from 1959 to 1977. During the period, ITT recorded increases in earnings for fifty-eight consecutive quarters. Many believe that the increase is a result of income smoothing aiming to provide stable earnings growth

throughout his leadership. Other firms that are also believed to practice income smoothing are Microsoft, General Electric, and American Express.

Income smoothing has the potential to reduce firm value. According to Acharya & Lambrecht (2015) pressure to meet market's earnings expectations motivate managers to engage in income smoothing. They argue that shuffling cash flows backward and forward to smooth earnings may bring unintended consequences on firm value. The risk of meeting market's earnings expectation may force managers to take a shortcut by cutting investment expenses, causing firm value decreases. In an attempt to smooth earnings, managers distort real decisions and destroy firm value in the long run.

In contrast to the perspective that income smoothing may cause damage to firm value, some argue that income smoothing can be justified as a signaling tool, conveying private information to shareholders about the firm's prospects. Sankar & Subramanyam (2001) seek to understand the behaviour of managers towards reporting earnings using the economic exchange model in two periods. In this model, managers are assumed to report biased earnings in the current period and the bias reverse in the future. If the reversal exceeds the minimum limit, managers will be encouraged to level out earnings. Income smoothing is carried out with the aim of communicating private information through reported earnings. Results of their analytical study prove that income smoothing aiming to meet market expectations result in value creation for company.

Another analytical study conducted by Kirschenheiter & Melumad (2002) also supports income smoothing as a means of communicating private information. They **develop** a financial reporting model in which investors **sought** to assess the precision of earnings reported by companies. It assumes that earnings shock reduce the ability of investors to assess the quality earnings and thus decreases firm value. To prevent

a decline in firm value, managers engage in income smoothing. The analysis shows that income smoothing through 'big bath' in the current period produce higher future profits and increase the value of the firm.

The preceding arguments highlight two conflicting arguments that can be used to explain the impact of income smoothing on firm value. One argument emphasizes the opportunistic nature of managers who intentionally obscure real financial performance to avoid the market's negative perception. Unstable reported earnings is a signal that firms are experiencing difficulties in maintaining earnings growth. Accordingly, systematic efforts are required to prevent negative perception that might harm firm market value (Kirschenheither & Melumad, 2002). Managers are at risk of losing their jobs following the decline in firm value (Defond & Park, 1997). Therefore, it is important for managers to report earnings that meets market earnings expectations (Acharya & Lambrecht, 2015). One way to avoid the negative effects of bad news is to temporarily hold the publication of bad news from market knowledge.

The second argument for income smoothing is the desire to convey private information. As an insider, managers have unlimited access to information that enable them to predict firm's future performance. Ease of access into private information makes them superior over outside parties in understanding the true condition of the firm. If managers strongly believe that firms have good prospect but investors do not share the same conviction, they have to find ways to reduce the information asymmetry. Directly inform the market that firm is in a good condition may not be a good choice. Firms choose to smooth earnings as indirect way to convey firm's real condition. If the signal successfully changes the market's perception, then market value increases and stock price crashes can be suppressed. This argument is consistent with Shabani & Sofian (2018) who finds a negative relationship between income smoothing and bankruptcy risk.

Since arguments for and against income smoothing are equally reasonable, following hypothesis is stated with no specific direction.

H₁: Income smoothing is associated with stock price crashes.

Default risk and stock price crashes

Among other factors, rational investors base their stock investment decisions on the ability of firms to meet their obligations. A failure to meet financial obligations will affect firm's future operation and flexibility to respond market dynamics. Thus, default risks determine investors expected return (Garlappi et al., 2008). Higher default risk lead to higher demand of returns (Chava & Purnanandam, 2010). The likelihood of financial failure is reflected in higher debt ratio. Higher debt ratios suggest that firms are very dependent on debt to finance existing investment projects, causing default risk increases (Subramanyam, 2014).

He & Ren (2017) define default risk as the probability of firms failing to meet financial obligations. Similarly, Garlappi et al., (2008) defines default risk as the probability of failure to pay principal and related interest. Conceptually, default risk is different from financial constraints (He & Ren, 2017). A company is considered to be financially constraints if it has difficulty getting external sources to finance its operation. Firms having financial constraints are more likely to experience default relative to other companies. However, a threat of default risks can be reduced by increasing future cash flow through profitable investment projects (He & Ren, 2017). Financially constraints firms are less likely to invest in such projects due to insufficient source of funds.

Acharya & Lambrecht (2015) conducted an empirical analysis to determine the most appropriate financial policies that firms can adopt in limited external funding situation. In such conditions, firms must formulate policies to maintain availability of funds. There are two

choices that can be made: increasing cash balances by making savings and issuing additional debt or increasing firm's ability to attract creditors. The analysis shows the tendency of firms to increase cash or reduce the level of debt in the context of future investment financing depends on the sensitivity of cash flow to various investment opportunities. In other words, firms having financial difficulties adjust funding options to maintain cash flow stability. If funding choices are limited, then it is very likely that firms overlook profitable investment projects (He & Ren, 2017). The situation is expected to exacerbate financial problems and default risks, leading to stock price crashes.

Preceding analysis suggests that firms with financial constraints have difficulties in obtaining external financing. Potential default increases the likelihood of stock price crashes. Realizing the negative consequence of default risks, managers attempt to hide bad news to avoid stock price decline and maintain current stock price. As a result, current stock prices fail to reflect the firm's intrinsic value. Once accumulation of bad news are revealed to the market, investors would react negatively and stock price drop significantly (Hutton et al., 2009; Kim et al., 2011).

He & Ren (2017) suggest an alternative argument which is contrary to the previous explanation. They argue that the incidence of stock price crashes can only occur when investors are unable to detect financial constraints and their impact on stock prices. If the markets are assumed to be able to detect financial distress early and find out deliberate attempt to hide bad news, investors will gradually adjust the firm's stock price. Slower decline in stock prices **deter** the possibility of stock price crashes.

Nonetheless, the previous studies examining the impact of financial difficulties on stock returns **shows** that the market is unable to detect and assess the impact of financial constraints on firm value (Lamon et al., 2001; White & Wu, 2006). Investors require private information to discover

amount of hidden bad news and make necessary adjustments to firm's stock price. Access to private information is possible only if investor have informants in the company.

Given the two opposing views described above, the relationship between default risk and stock price crashes cannot be determined convincingly.

H₂: Default risks are associated with stock price crashes

Age of manager and stock price crashes

Performance-based compensation is a common practice in the business world. Labor market tracks workers achievements and use them as a basis to determine wages to be received in future employment. **Outstanding** performance increases a manager's value in the labor market and result in higher future compensation (Andreou et al., 2017). Therefore, past managerial achievements **is** closely related to future compensation.

The desire to make superior achievements is stronger for younger managers because they need to impress labor market about their abilities. Litjens (2017) argues that younger managers (CEOs) tend to have excessive self-confidence **because of having** higher knowledge and abilities in problem solving. Excessive self-confidence makes them bolder in taking risks. The argument is supported by Serfling (2014) who **find** CEO age is associated with lower risk. Peltomäki et al., (2018) also **reports** consistent findings that CEO age is negatively related to stock volatility.

Younger managers have more incentives to withhold bad news to avoid adverse effect on compensation and labor market (Andreou et al., 2017). This is due to the fact that younger managers have longer future career and desire to proof their abilities to build good reputation in labor market. Disclosure of negative information should have more negative impact on personal wealth of younger mangers because labor market will use this information as a basis for determining

compensation in the future. However, bad news accumulation cannot be hidden in the long run and ultimately must be revealed to the market. Thus, firms managed by **young** managers are more likely to experience stock price crashes.

H₃: Firms managed by younger managers experience higher stock price crashes than older managers

As described earlier, the relationship between default risk and stock price crashes can be positive or negative depending on the ability of investors to obtain private information. But the findings in Andreou et al., (2017) suggests that the correlation between the two variables might be influenced by the characteristics of managers who manage the company. Younger managers have more courage to choose accounting policies to hide default risk. The courage is driven by a very strong desire to build a reputation as a young manager with extraordinary achievements. On the contrary, older managers do not have the same desire to prove their achievements. They prefer natural ways to resolve financial problems and are not compelled to cover default risk.

However, the effect of manager age on the relationship between default risk and price crashes depends on **the assumptions with regard to ownership of private information**. If investors are assumed to be unable to anticipate the firm's financial difficulties, a positive relationship between default risk and price crashes will be stronger in firms managed by younger managers relative to older managers. Conversely, if investors are assumed to be able to anticipate the firm's financial difficulties, a negative relationship between default risk and price crashes will be stronger in companies managed by younger managers compared to older managers. Thus, moderating effect of age on the the relationship between default risk and price crashes cannot be stated in a specific direction.

H₄: Age of managers **effect** the relationship between default risk and stock price crashes

As previously described, there are two opposing views related to income smoothing. The first view is built upon the argument of opportunistic behaviour of managers. It is argued that managers have incentives to hide bad news to present stable earnings growth over time. However, efforts to smooth income by choosing certain accounting policies cannot be sustained in the long **term**. At the end, there are no ways left to maintain smooth earnings and firms are forced to disclose accumulated bad news at once. The market would reacts strongly following the revelation. Thus, a managerial opportunistic behaviour **causes** large drop in stock price.

The situation is worse when younger managers control the company. With higher high self-confidence, it is expected that younger managers are bolder to do extreme income smoothing, making positive effect of income smoothing on stock price crashes stonger. It should be noted that this condition occurs when investors are not aware of income smoothing in prior years.

The second is built upon the assumption that managers are highly responsible on **weel**-being of firms. With that characteristic, managers seek to eliminate information **asymetry** regarding the real condition of the company to investors. If investors do not fully understand the prospect of the firm, firms are expected to engage in income smoothing to provide signals about a firm's real condition. In this perspective, income smoothing is an effort to prevent stock price **from being** departed from intrinsic value. Younger managers are expected to provide aggressive signaling in an attempt to show his managerial qualities. Thus, **negative** effect of income smoothing on stock price crashes is expected to be stronger for firms managed by younger managers.

H₅: Age of managers **effect** the relationship between income smoothing and stock price crashes

3. Research method

This study collects sample from Indonesia Stock Exchange (IDX) in 2013-2017. The period was chosen because many public companies experienced a decline in stock prices as reflected in higher market index volatility (Butar, 2019). Data sources are mainly collected from IDX website and firm' official website. The sampling criteria are as follows:

- 1) Firms are listed on Indonesia Stock Exchange from 2013 to 2017, except financial and insurance companies.

Financial and insurance industries are excluded because these companies have different financial characteristics.

- 2) Financial statements are available in rupiah and fiscal year of 31 December.
- 3) Annual report are available from the sources and provides complete information to measure variables.

Based on the sample selection criteria presented in table 1, the number of firms available for test of hypotheses is 910 (182 x 5 years).

Table 1. Sampling criteria

Criteria	Total
Firms are listed on the JCI in 2017	572
Firm are not listed for five consecutive years from 2013-2017	(22)
Firms belong to insurance, securities and banking industries	(99)
Financial data were stated in US Dollar	(25)
Annual report are not available from data sources	(89)
Annual report does not contain financial statements	(35)
Stock prices are not available from data sources	(58)
Board of directors' profile are not available in annual reports	(62)
Final sample	182

Stock price crashes

Stock price crashes is defined as a sudden drop of stock prices in a relatively short period (Hutton et al., 2009; Zhu, 2016). Consistent with prior studies, this study employs an expanded

market model by adding t-2 and t-1 lags and leads t + 2 and t + 1 into the standard market model (Andreou et al., 2016; Hutton et al., 2009; Kim et al., 2011). The expanded market model is stated as follows:

$$R_{jt} = \alpha_j + \beta_1 R_{m,t-2} + \beta_2 R_{m,t-1} + \beta_3 R_{m,t} + \beta_4 R_{m,t+1} + \beta_5 R_{m,t+2} + \epsilon_{j,t} \quad (1)$$

Note: R_j is individual return of firm j in week t ; R_M is market return in week t .

The residuals from the expanded market model (ϵ_j, t) are added by 1 and then transformed into natural logarithms to $w_j, t = \ln(1 + \epsilon_j, t)$. The conversion is applied to reduce the tendency of asymmetrical return distributions (Andreou et al., 2016; Kim et al., 2011). Transformed residual (w_j, t) is used as a measure of the stock price crashes. The residuals reflect firm-specific information.

Income smoothing

Measure of income smoothing follows a procedure developed in (Gassen & Fülbier, 2015).

Income smoothing is a ratio of standard deviation of net income and standard deviation of operating cash flows deflated with total assets.

Default risk

Measure of default risk follows Altman Z score that has been specifically developed for firms in developing countries (Altman, 2005). The formula is stated as follows:

$$\text{Def_Risk} = 6.56 * X1 + 3.26 * X2 + 6.72 * X3 + 1.05 * X4 \quad (2)$$

Note: X1 is working capital divided by total assets; X2 is retained earnings divided by total assets; X3 is EBIT divided by total assets; X4 is shareholder equity divided by total assets.

Manager age

Manager age is an indicator variable, equal 1 if a manager's age below 51 and 0 otherwise. The measure is adopted from Andreou et al., (2017) who find significant difference in stock price crashes between the two groups. The term manager in this study is referred to president directors or directors.

The control variables

Prior studies report that size, profitability, leverage and sales growth have significant effects

on price crashes (Chen et al., 2001; Hutton et al., 2009; Jin & Myers, 2006). For this reason, these variables are included in the regression model as control variables. These four control variables are measured as follows: 1) Size is Ln total assets. 2) Profitability is the ratio of net income to total assets. 3) Sales growth is the difference between current and last year's sales divided by current year's sales. 4) debt level is the ratio of total debt to total assets.

The test of hypotheses are conducted using the following regression model:

$$\text{Crashes}_{jt} = \beta_0 + \beta_1 \text{Smooth}_{jt} + \beta_2 \text{Default}_{jt} + \beta_3 \text{Age}_{jt} + \beta_4 \text{Age} * \text{Smooth}_{jt} + \beta_5 \text{Age} * \text{Default}_{jt} + \beta_6 \text{Size}_{jt} + \beta_7 \text{Growth}_{jt} + \beta_8 \text{ROA}_{jt} + \beta_9 \text{LEV}_{jt} + \varepsilon_{jt} \quad (3)$$

Where,

- Crashes = Stock price crashes.
- Smooth = Income smoothing.
- Default = Default risk.
- Age = Age of managers, equal 1 if manager age below median and 0 otherwise.
- Age*Smooth = Interaction of age and income smoothing.
- Age*Default = Interaction of age and default risk.
- Size = Firm size.
- Growth = Sales growth.
- ROA = Profitability.
- LEV = Leverage

4. Results and discussion

Based on sample selection criteria, as much as 910 firm samples are available for the test of hypotheses. Of these, 58 firm samples were excluded to satisfy data normality assumption, leaving 852 available for further examination. Descriptive statistics for each variable are presented in table 2. As shown in Table 2, the mean for stock price crashes (crashes) is 2.49, indicating

the worst weekly return is 2.614 times the standard deviation below the mean.

Meanwhile, mean for income smoothing (Smooth) is 0.004, suggesting that level of income smoothing is moderate. Mean for risk is 5.47. Note that this figure is obtained from the Altman Z Score formula. Manager age has an average of 0.35, suggesting that proportion of managers who aged 51 years and younger is lower than those aged above 51 years.

Table 2. Descriptive statistics

	N	Minimum	Maximum	Mean	Standard Dev.
Crashes	852	0.002	5.43	2.49	0.89
Smooth	852	0.00	0.78	0.004	0.03
Default	852	-8.64	10.99	5.40	2.27
Age	852	0.00	1	0.35	0.47
Age*Smooth	852	0.00	0.21	0.002	0.01
Age*Default	852	-2.76	10.99	1.89	2.94
Size	852	2.83	12.60	7.83	1.75
Growth	852	-1.00	3.50	0.08	0.39
ROA	852	-1.51	1.01	0.03	0.14
Lev	852	0.01	3.24	0.49	0.31

Source: SPSS output, 2019

Mean for interaction of age and default risk (Age*Default) and income smoothing (Age*Smooth) are 0.0002 and 1.89, respectively. Because both variables are interaction variables, these figures have no meaning. The Mean for firm size (Size) is 7.83, suggesting that firm samples are generally medium-sized firms. Meanwhile, the mean for firm's growth (Growth) and profitability (ROA) are 0.08 and 0.03 respectively, indicating moderate growth and low profitability. The mean for debt (Lev) of 0.49 indicates that on average sample firms do not have financial difficulties.

Correlation coefficient

Table 3 presents coefficient correlations of main variables. The main focus is on the relationship between stock price crashes as dependent variable and the hypothesized variables stated in the research hypothesis. Income smoothing and stock price crashes (Crashes) are positively correlated (0.013) but statistically insignificant (two-tail). The correlation between default risk and stock price crashes is negative (-0.022) but statistically insignificant.

Table 3. Correlation coefficient

	Crashes	Smooth	Default	Age	Age*Smooth	Age*Default
Crashes	1	0.013	-0.022	-0.087*	-0.021	-0.055
Smooth	0.013	1	0.075*	0.036	0.456**	0.036
Default	-0.022	0.075*	1	0.005	0.013	0.297**
Age	-0.087*	0.036	0.005	1	0.182**	0.880**
Age*Smooth	-0.021	0.456**	0.013	0.182**	1	0.170**
Age*Default	-0.055	0.036	0.297**	0.880**	0.170**	1

* Correlation is significant at 0.05 (two tails)

** Correlation is significant at 0.01 (two tails).

Source: SPSS output, 2019.

The correlation between manager age and stock price crashes is negative (-0.087) and statistically significant at the 5% level (two tails). However, the direction is not consistent with prediction.

Meanwhile, the correlation between the two interacting variables and stock price crashes is also insignificant with p-value of -0.021 and 0.107 respectively. Taking as a whole, the results

presented in table 3 provide preliminary evidence to reject moderating effect of age on stock price crashes.

Results of the hypothesis tests

Table 4 presents the test of hypotheses. Adjusted R² is relatively small (2.6%). It suggests a low ability of independent variables to explain variations in stock price crashes. In other word, most variations in stock price crashes are influenced by other variables outside the model. Simultaneously, the effect of income smoothing, default risk, and moderating effect of age on stock price crashes are relatively strong as reflected in p-value less than 1% and F test of 3.554.

The H₁ predicts that income smoothing affect stock price crashes, but the test result is not supported the H₁. Meanwhile, the H₂ predicts that default risk affects stock price crashes and the the results support the H₂ with p-value less than 1%. This finding supports that the higher the default risk, the lower the risk of stock price crashes. Moreover, the H₃ predicts that firms managed by

younger managers have a higher risk of stock price crashes than the older ones. The manager age is measured by a dummy variable (1 for manager age is under 51 and 0 for manager age is above 51). The results shows that manager age (Age) is negatively associated with crashes at less than 1% level of significance. This means that companies managed by older managers are more at risk of experiencing stock price crashes than younger managers. Thus, H₃ is rejected.

Furthermore, the H₄ predicts that age of managers effect the relationship between default risk and stock price crashes. The regression analysis showed that the interaction coefficient of age and default risk (Age*Default) is positive and significant at less than 5% significant level. Thus, the test result confirm H₄.

Lastly, the H₅ predicts that age of managers effect the relationship between income smoothing and stock price crash and the result showed that interaction of age and income smoothing (Age*Smooth) is statistically insignificant. Thus, the test results reject the H₅.

Table 4. The data analysis results

Variables	Coefficients	Dev. Std	T	P-Value
Constant	3.625	0.228	15.901	0.000
Smooth	0.401	1.153	0.347	0.728
Default	-0.069	0.021	-3.309	0.001
Age	-0.519	0.162	-3.211	0.001
Age*Smooth	-3.461	2.511	-1.378	0.168
Age*Default	0.066	0.027	2.414	0.016
Size	-0.071	0.018	-3.845	0.000
Growth	-0.054	0.078	-0.695	0.487
ROA	0.196	0.249	0.788	0.431
Lev	-0.292	0.121	-2.413	0.016
Adjusted R ²	0.026			
F-Stat	3.554			
P-Value	0.000			

Source: SPSS output, 2019

Discussions

The results of the regression analysis do not support H₁ that states income smoothing affect stock price crashes. It seems that investors do not

respond to managers' efforts to present stable earnings trends over time. This implies that the income smoothing undertaken by managers do not affect investors' views about the firm's prospects.

Although managers try to display a positive image of the firm's financial performance, it seems that investors can see what really happens behind the stable earnings trend. Stock price movements are not affected by managers' efforts to influence market perception.

This finding is not consistent with Chen et al., (2017) who found evidence that a high level of income smoothing increases the risk of stock price crashes. But **tadditional** test **show** that income smoothing was associated with negative returns. The market seem to be able to quickly anticipates income smoothing. In light of Chen et al., (2017) findings, the failure to identify the relationship between income smoothing and stock price crashes in this study may be an indicative of investors abilites to anticipate income smoothing before stock price crashes occurred.

Furthermore, the relationship between default risk and stock price crashes stated in H₂ depends on the assumptions about the ownership of private information by investors. The first assumption is the market does not know about the default risk that firms had hidden for long time. As previously described, firms under financial distress are more likely to experience defaults in meeting financial obligations. The higher the financial problems, the greater the possibility of stock price crashes.

Firms seek to find ways to prevent investors from understanding firm's financial condition to avoid **downside** of stock prices that may trigger stock price crashes. However, **efforts** to hide bad news cause bad news accumulation to pile up. Ultimately, firms are forced to reveal the accumulated bad news at once, leading to stock price crashes. Thus, default risk is predicted to be positively related to stock price crashes.

The second assumption is that investors are able to detect and anticipate financial difficulties and gradually adjust firm's stock prices. Gradual adjustments prevent incidence of stock price crashes. In light of efficient market theory, the finding reported in this study is consistent with efficient market theory. However, it should be

noted that prior studies show that the market cannot fully anticipate the effects of firm's financial difficulties (Lamon et al., 2001; White & Wu, 2006). With no sufficient information from within the company, the market will not be able to detect hidden bad news.

The results of this study demonstrated that the default risk negatively affects stock price crashes. The negative relationship supports the second assumption that market participants are able to detect firm's financial difficulties and anticipate them before things get worse. They do this by releasing their stock ownership gradually and thus prevent stock price crashes. In sum, the higher the default risk, the lower the risk of stock price crashes.

Firms managed by younger managers are more likely to experience stock price crashes as stated in H₃. Younger managers have excessive self-confidence and motivation to show their abilities and competences to impress labor market. They are risk takers and more willing to engage in income smoothing for the purpose of reputation. Practice of income smoothing through selecting accounting policy allow them to hide bad news so that firm performances look stable over time. However, the accumulation of bad news cannot be hidden at all times and must be disclosed to the market. On the other hand, older managers do not have the same desires and urge to pursue outstanding career. They are not compelled to adopt unsound reporting practices to hide bad performance. Thus, firms managed by older managers are less likely to experience stock price crashes.

Test of hypothesis shows that age has a positive effect on stock price crashes. However, the observed sign is contrary to the **predictions**. A positive direction suggests that firms managed by older managers are more likely to experience stock price crashes. This finding is not consistent with Andreou et al., (2017) who used US firms as samples. The **conflicting** result may be attributed to differences in personal characters of Indonesian managers and US managers. While younger

managers in US seem to be more open to the practice of bad news hoarding, younger managers in Indonesia prefer normal ways to advance their careers. They realize that their career are still long to go and do not want to sacrifice them for short-term results. When experiencing financial performance declines, younger managers in Indonesia chose to acknowledge and disclose bad news when it occurs so that the accumulation of bad news that lead to stock price crashes can be prevented.

The results also demonstrated that interaction between age and default risk has positive effect on stock price crashes at 5% level of significance. This findings is contrary to H₂ test result that default risk has a negative effect on stock price crashes and also contrary to H₃ test result that age has a negative effect on stock price crashes. As explained earlier, the negative sign is an indicative of investor's ability to detect and anticipate financial difficulties by gradually sell their shares and thus preventing stock price crashes. Furthermore, it suggests that firms managed by older managers are more likely to experience stock price crashes. When age interacts with default risk and price crashes, the sign of coefficient becomes positive, which means that firms with higher default risk and managed by younger managers are more likely to experience stock price crashes.

A change from negative to positive sign is quite confusing and no explanation could be offered right now to explain this bizarre behaviour. Subsequent studies by using different default risk measures should be conducted before strong inferences be made. It is possible that the Altman Z Score measure of default risk is not appropriate in Indonesia context resulting in contradicting results. Another possibility is that the measure of age based on two grouping, below and above 51, are not strict enough to separate older and younger managers groupings.

As described earlier, H₅ is stated without no specific direction due to conflicting arguments linking income smoothing and stock price crashes.

However, the test result show the insignificant effect of income smoothing on stock price crashes. We have to look at the initial relationship between income smoothing and stock price crashes to understand the insignificant result. The direction of the interaction coefficient depends on the initial relationship between income smoothing and stock price crashes. The following paragraphs describe the possibilities of the moderating effect of age on the relationship between income smoothing and stock price crashes. These are reflected in the signs of interacting variables.

First, the interacting coefficient is positive and statistically significant. This condition occurs because income smoothing and stock price crashes have a positive relationship. A positive relationship between income smoothing and stock price crashes is expected to be magnified when a company is managed by younger managers. In this scenario, the interaction coefficient is predicted to have a positive direction. In spite of managing by older managers, the direction is predicted to be positive. However, the magnitude of direction is lower for firms managed by older managers than those managed by younger managers. Note that in both conditions, opportunistic behaviour is assumed to persist but stronger for younger managers.

Second, the interacting coefficient is negative and statistically significant. This condition occurs because income smoothing and stock price crashes are negatively related. As explained in the previous section, the negative relationship between income smoothing and stock price crashes is based on the assumption that the manager is a responsible person and cares about firm's prospects. If income smoothing and stock price crashes are negatively related then two possibilities exist regarding the sign of interacting variable: 1) when a company is managed by younger managers with obsessions to show best performance, the negative correlation between income smoothing and stock price crashes is expected to be stronger. Thus, the interacting coefficient is also predicted to be positive. 2) when a company is managed by older managers, the

correlation between income smoothing and stock price crashes is expected to remain positive but the magnitude the interacting coefficient is expected to be lower than firms managed by younger managers.

Third, the interacting coefficient is positive (negative) but is not statistically significant. In this condition, two possibilities exist regarding the sign of interacting variable: 1) the initial relationship between income smoothing and stock price crashes is positive (negative) but not statistically significant and the relationship between age and stock price crashes is positive (negative) but also not statistically significant. 2) the initial relationship between income smoothing and stock price crashes may be positive (negative) but statistically insignificant but the correlation between age and stock price crashes are positive (negative) and statistically significant.

Comparing one possibility to others, it can be concluded that the third possibility is consistent with the test result. The interacting coefficient is negative but statistically insignificant. In addition, the test results also show that age has a negative effect on stock price crashes, but income smoothing has no significant effect on stock price crashes. Taken together, the results indicate that, although insignificant, the negative interacting coefficient is due to negative effect of age on stock price crashes. However, when age of manager is interacted with income smoothing, the effect on stock price crashes is significantly reduced that it does not affect stock price movements. This finding suggests that age plays an important role in influencing stock price crashes, but the effect is not strong enough to change the relationship between income smoothing and stock price crashes.

It has been explained previously that there are two conflicting views related to income smoothing. The first is built upon opportunistic nature of managers. It is argued that managers have incentives to hide bad news through selecting certain accounting policies to report stable earnings from time to time. However, efforts to smooth income by choosing certain accounting policies

cannot be carried out for ever. Ultimately there are no ways left to maintain smoothing earnings and accumulated bad news have to be revealed at once, leading to stock price crashes. The situation is worse for firms managed by younger managers due to extreme income smoothing practices.

Younger managers are expected to have a greater incentive to engage in income smoothing than older managers. A strong impetus is triggered by a desire to establish outstanding reputation as a young, high-achieving manager. The courage of young managers to engage in income smoothing relative to older managers strengthen the positive effect of income smoothing on stock price crashes. As a result, the decline in stock prices occurs with a greater intensity that it triggers a severe stock price crashes as well. It should be noted that this condition can only occur with the assumption that investors do not know the income smoothing practices in the past.

The second view to support income smoothing is built upon the assumption that managers are individuals who are responsible and concerned about firm's sustainability. Managers are assumed to be mindful of increasing shareholders's welfare and reducing asymmetric information with regard to firm's prospects. A manager who has a strong belief in firm's prospects may use certain accounting policies to smooth earnings so that the market's perception matches manager's. In this perspective, income smoothing engagement is an effort to prevent stock price crashes. If the company is managed by younger managers, the negative effect of income smoothing on stock price crashes is expected to be stronger than older managers and vice versa. This is due to strong desire within younger managers to give signals to investors .

Test result of H₅ does not appear to support the predictions. The insignificant result may be induced by the initial relationship between income smoothing and stock price crashes as stated in H₁. As reported before, H₁ is not statistically supported. Although as a main variabel, age has negative effect on stock price crashes but

interaction with income smoothing causes the effect of age to be no longer dominant in influencing stock price crashes. Therefore, the insignificant interacting variable implies that investors do not regard age of managers as an essential factor in assessing the effect of income smoothing on the firm's stock price. Regardless of how old are the managers who run the companies, the market seems to understand and be able to assess the effect of income smoothing on firm's prospects. With regard to control variables, firm size (Size) and leverage (Lev) are the only variables that affect price crashes with 1% and 5% level of significant respectively.

5. Conclusions

This study study seek to identify factors that influence stock price crashes in the context of the Indonesian capital market. This finding suggests that investors are quite rational in assessing the economic reality of a company. Efforts to smooth income through selecting certain accounting policies seem to have no effect on investors' perceptions of future performances. Secondly, the default risk is inversely related to stock price crashes. It seems that investors are able to detect firms' financial difficulties and make a quick respond to anticipate large drop in stock prices.

Thirdly, firms managed by older managers pose higher stock price crash risk relative to those managed by younger managers. However, the findings are not consistent with the prediction. Differences in manager's characters may explain the insignificant result. Younger managers of Indonesia seem not to be as aggressive compared to younger managers in other countries, for example in the US.

Fourthly, the interaction of age and default risk has positive effect on stock price crashes. The result suggests that firms having higher default risk and managed by younger managers are more likely to experience stock price crashes. Lastly, the interaction between age and income smoothing has no effect on stock price crashes. This findings

suggests that investors are rational enough in assessing the purpose of income smoothing that age of managers does not influence their views on firm's prospects. The market seems to be able to assess the economic effects of income smoothing regardless of a manager's age.

Generalization of the results should be made carefully. This study uses weekly returns to measure stock price crashes. Further researches should consider to use different proxies for stock price crashes and income smoothing, for example changes in earnings before earnings management and abnormal accrual changes.

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Heru Fahlevi <jurnal@unsyah.ac.id>

Tue, Apr 21, 2020 at 10:07 AM

To: Sansaloni Butar-Butar <sansaloni@unika.ac.id>

Dear respected Authors, Reviewers and Readers,

Firstly, we would like to wish you the very best during these difficult times. We want you to know how much we value and appreciate you as part of our community. At this challenging time, with the outbreak of COVID-19, we would like to wish you and your loved ones safe passage through this difficult period. It is challenging operating under the current restrictions; however, we are confident that we will get through this, together.

For this first time, all papers published in the JDAB are fully in English with aims to reach international readers and as a crucial step to be globally recognized. In this letter, we summarize and comment on the papers to contribute to the advancement of accounting knowledge. There are 8 scholarly outputs in this issue with different kinds of empirical and analytical approaches, and contributed by researchers and scholars from Southeast Asia.

The first paper, authored by Amrie Firmansyah and Artikayara Yunidar on Financial Derivatives, Financial Leverage, Intangible Assets, and Transfer Pricing Aggressiveness: Evidence from Indonesian Companies, examined the determinants of transfer pricing aggressiveness among the Indonesian public nonfinancial companies. Results demonstrate that financial derivatives, financial leverage, and intangible assets have a positive influence on transfer pricing aggressiveness.

The second paper by Suryo Pratolo, Nandhika Ristyawardani Surya Atmaja, and Hafiez Sofyani on What Determines Village Autonomy in Indonesia? A Case of Villages in Sleman Regency, revealed factors determine the village autonomy in Indonesia. By using villages in Sleman Regency as the sample, the study found a direct influence of community participation on the village fund management. This study also demonstrated the role of village fund management as an intervening variable on the relation between village fund management and village autonomy.

The third paper entitled Determinants of Effective E-Procurement System: Empirical Evidence from Indonesian Local Governments. This paper authored by Dhiona Ayu Nani and Syaiful Ali which surveyed the local government procurement services in Indonesia. They uncovered that the strategy-technology-organization-people-environment (STOPE) variables can improve the accountability, transparency, efficiency, and effectiveness of the government in implementing procurement activities.

In the fourth paper by Dwi Marlina Wijayanti and Fachmi Pachlevi Yandra titled The Role of Incentives, Emotional Connection, and Organizational Justice in Establishing an Effective Whistleblowing System: An Experimental Study, the role of incentives, emotional connection, and organizational justice in supporting whistleblowing system was investigated. Using an experimental study involved 171 accounting and banking students from universities in Yogyakarta, Indonesia, this study unveiled that the incentives can encourage individuals to report a fraud on conditions of high emotional relations and low organizational justice.

The following paper entitled The Role of Corporate Governance as a Moderating Variable on Earnings Management and Carbon Emission Disclosure is authored by Ayu Astari, Erwin Saraswati and Lilik Purwanti. The study analyzed the influence of earnings management on carbon emission disclosure was analyzed. Using 60 firm-year observations from 12 Indonesian companies, the study showed a significant effect of earnings management on carbon

emission disclosure. In this study, the board of commissioner size moderates the influence of the earnings management on the carbon emission disclosure.

The sixth paper by Norhafiza Baharudin and Ruzita Jusoh titled Enablers of Target Cost Management Implementation: Evidence from Malaysia, studied key enablers of target cost management (TCM) at the Malaysian context. Using a single case study approach carried out in a Malaysia automotive firm, this study found the key enablers for the successful implementation of TCM are teamwork, top management support and commitment, and training.

The seventh paper entitled Income Smoothing, Default Risk and Stock Price Crashes: The Moderating Effect of Manager Age authored by Sansaloni Butar-Butar. The study analyzed a sample of 182 companies firms listed on the IDX from 2013 to 2017 (910 firm-year observation) and found a negative effect of manager age and default risk on the stock price crashes.

The last paper authored by Nur Asni and Tjiptohadi Sawarjuwono on Unveiling Intrinsic Value in Biodiversity Accounting: A Challenge for Accountants in Indonesia, provides a conceptual framework of biodiversity accounting within the frame of intrinsic value using a deep ecological concept approach.

To end this letter, we would like to express our sincerest gratitude to all the contributors of this issue for raising the level of academic discourse in the field of accounting and business. We are grateful as well to our professional reviewers for their service and dedication in critically evaluating papers worthy of being published.

Heru Fahlevi
Editor in Chief

Banda Aceh Indonesia
Phone +6282276634977
hfahlevi@unsyiah.ac.id
Dr.rer.pol. Heru Fahlevi M.Sc
Editor in Chief
Jurnal Dinamika Akuntansi dan Bisnis
Accounting Department
Syiah Kuala University

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jdab@unsyiah.ac.id