The effect of real earnings management through operating cash flow approach on company performance

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A R T I C L E   I N F O

A B S T R A C T

Earnings management through real activities is a numbers game with the profits made through the activities associated with operational activities. In this study, real earnings management with operating cash flow approach using proxies on firm performance indicators Return on Assets (ROA) and Tobin's Q. The sample used in this study is a manufacturing company using the sample selection criteria. The results of the regression analysis for this study indicate that real earnings management approach to operating cash flow effect on the company's performance indicators Return on Assets (ROA) and no effect on the company's performance indicators Tobin's Q.

A B S T R A K

Manajemen laba melalui aktivitas riil merupakan permainan angka laba yang dilakukan melalui aktivitas-aktivitas yang berhubungan dengan kegiatan operasional. Dalam penelitian ini, manajemen laba riil dengan pendekatan arus kas operasi diproksikan terhadap kinerja perusahaan yang menggunakan indikator Return on Assets (ROA) dan Tobin's Q. Sampel yang digunakan dalam penelitian ini adalah perusahaan manufaktur menggunakan kriteria pemilihan sampel. Hasil analisis regresi untuk studi ini menunjukkan bahwa manajemen laba riil dengan pendekatan arus kas operasi berpengaruh terhadap kinerja perusahaan dengan indikator Return on Assets (ROA) dan tidak berpengaruh terhadap kinerja perusahaan dengan indikator Tobin's Q.

1. INTRODUCTION

In general, earnings management is conducted in two ways, namely the accrual manipulation and real activities manipulation (Agmarina & Yuyetta 2011). They are different in implementation. The accrual manipulation has no impact on cash flow and performed at the end of the period, while the real manipulation has impact on cash flow which is directly done in each accounting period with the aim to meet earnings targets in order to avoid losses.

Real earnings management is the management actions that deviate from normal operating activities of the company with the desire to provide understanding for one of the stakeholders that certain financial reporting objectives have been achieved through the company's normal operating activities

(Roychowdhury 2006). On the contrary, real earnings management is conducted by the management showing a good performance in short-term. However, it potentially will reduce the value of the company. This is due to the fact that the action is taken to increase profits, in which the managers will now have a negative impact on performance (profit) company in the next period (Roychowdhury 2006).

To get optimal profit, corporate managers tend to use or choose accounting policies that can be profitable for them. In that case, business enterprises also often delay the real activity or plan of which an important company aims to reduce costs to increase profits. In relation to such argument, this study focuses on measuring the performance of companies using two indicators: Return on Assets (ROA) and Tobin's Q. ROA is used to measure the

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operational performance of the company while Tobin's Q to measure the market performance of the company.

There are several previous studies that revealed the effect of earnings management on the corporate performance. For example, it was a research conducted by Ferdawati (2009) who tested the effect of real earnings management on firm value (Tobin's Q). Another one is that by Ferdawati research (2009) that indicates that earnings management is proved to have a positive effect on firm value (Tobin's Q) and proved that the company which was doing real earnings management tends to be lower than the value of the company compared to those which did not do real earnings management.

Still another research which was done by Armando & Farahmita Research (2012), they tested earnings management through accruals and real activity around an additional stock offering and its effect on firm performance. The analysis showed an increase in production activities of the company in the SEO positive effect on company performance, while discretionary spending reduction activities and sales management does not affect the company performance. It was also found that there was no significant effect of abnormal operating cash flow variables (ABCFO) to changes return on assets (ROA). Abnormal operating cash flow is a proxy of earnings management through real activities by way of sales management. Some previous research results seem showing inconsistencies. Therefore, the researcher wants to return to uncover the real problem with the effect of earnings management operating cash flow approach to company performance. This study deals with the company's performance measurement using indicators Return on Assets (ROA) and Tobin's Q.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS
Theoretical Basis
Armando & Farahmita (2012) tested earnings management through accruals and real activity around an additional stock offering and its effect on company performance, the listed companies in Indonesia Lather Effect 2001-2007. The sample consisted of all companies listed on the Indonesia Stock Exchange (BEI) that implemented SEO through a rights issue in 2001-2007. The variables used were earnings management, discretionary accruals, abnormal real activities.. It showed an increase in the production activity of the company in the SEO positive effect on company performance, while discretionary spending reduction activities and

sales management does not affect the company performance. It was suspected that real earnings management activities of the company tend did not act opportunistically, so it did not result in a decrease in the company's performance.

Goddess & Prasetiono (2012) tested ROA, NPM, DER, and the Size of the smoothing practices which was done by manufacturing companies on the Stock Exchange 147 companies Indonesia. The sample includes ROA in manufacturing companies. The variables are NPM, DER, Size, and income smoothing practices. Of the four factors studied (ROA, NPM, DER, and size), it is evident that the NPM and the size has significant and positive effect on practice income smoothing. On the other hand, other factors, namely ROA and DER proved to have no effect on the practice of income smoothing. Ferdawati (2009) also tested the effect of real earnings management on the company value. The population consisted or was taken from the companies listed on the Indonesia Stock Exchange (IDX). The sample was non-financial companies in the population. The analysis showed that earnings management proved significantly affect the value of the company and proved that the value of companies did real earnings management which was lower than the value of the company that conducted real earnings management.

Marita & Daruliwanti (2011) tested the analysis of the practice of earnings management through real activities manipulation in the company right issue. The population was all in a group of manufacturing companies listed in Indonesia Stock Exchange (IDX) 2005-2009. The variables were earnings management and real activities manipulation. The analysis showed companies in Indonesia indicated significantly to affect earnings management through real activities and manipulation of operating cash flow before the rights issue and indicated significantly to affect earnings management through real activities manipulation cost of production. Yet, it performed earnings management through real activities on discretionary costs prior to the rights issue.

Roychowdhury (2006) tested Earnings Management through Real Activities Manipulation with the sample from all companies in Comp stat in 1987-2001. The variables are real activities, sales management, discretionary cost, and overproduction. The study by Roychowdhury (2006) showed that companies conduct real earnings management to avoid losses by way of: (1) Offering rebates to increase sales, (2) excessive production to reduce the cost of goods sold (COGS), (3) Lowering discretion spending to increase corporate profits.

Agency Theory

Theory of Agency underlies the relationship or contact between principal and agent (Anthony and Govindarajan 2002) in (Agmarina & Yuyetta 2011). The leader delegate responsibility for decision making to the agent. It can be said that the principal gave a mandate to the agent to carry out certain tasks accordance with the employment contract has been agreed (Agmarina & Yuyetta 2011). Employment contract is intended employment contract between capital owners and managers of the company, where the agent and the principal want to maximize the utility of each information possessed.. The agent has a lot of information about the company managed compared with the principal.

The amount of information held by the agent can make it easier to perform actions that can lead to information asymmetry. Information asymmetry is a condition where not all information submitted to the principal agent or even different conditions reported with reality in the field. Thus, information asymmetry may encourage agents or manager to perform earnings management.

Signaling Theory

Signaling theory is an effect arising from the announcement of financial statements that were captured by financial statement users, especially investors (Sunarto 2009). Theory is used to explain that the signal is essentially enterprise information used for the positive and negative signals to the users. In this context, quality financial reporting will provide better information about the performance of the company which will be presented to potential investors with the aim of improving the company's shares or as a tool for investors making an investment decision.

Agency theory in the study consists of such as managers (agents) and owners (principle) do commitment or the so-called contract to achieve the expected benefits that can maximize the utility owners and management can guarantee to receive a reward. The benefits received by both parties based on the company's performance (Sunarto 2009). In general, the views of the company's profit and performance. It informs the profits to the owner through the presentation of a financial report. The signal can be done through financial information such as the company's financial statements. The financial statements can provide a signal of prosperity is growing and profits are relatively stable (sustainable).

Earnings Management

Scott as in Marita & Daruliwanti (2011) stated that profit management is management actions to choose accounting policies of a particular standard with the aim of maximizing welfare and or the market value of the company. Earnings management behavior is one form of creative accounting actions of a manager who does not present it, but there is the motivation that drives managers conduct earnings management (Sulistiawan, Januarsi, and Alvia 2011: 31).

Real Earnings Management

As stated by Roychowdhury (2006), earnings management through real activity is the deviation from normal operating activities of the company are motivated by management's desire to give a misconception to stakeholders that certain financial reporting objectives have been achieved through the company's normal operating activities. Earnings management through real activities refer to the numbers game profits made through the activities derived from normal business activities or operations relating to, for example, delaying or accelerating product promotion sales by giving massive discount (Sulistiawan et al. 2011: 70).

Cash Flows Operating Activities

Brigham and Houston in Agmarina & Yuyetta (2011) states that cash flow is the cash flow generated by operating expenditure required to maintain the operating cash flow in the future. Positive cash flows are called cash flow, if the inflow is greater than outflow, and vice versa if the cash outflow is greater than inflow of cash is called Negative Cash Flows. Cash flow operations contain details of the amount of cash receipts and disbursements of the company's operations (Marita & Daruliwanti 2011).

Company Performance

Performance measurement is a process that is done to increase business activities in order to achieve company goals. Corporate performance will be better if the company is able to control the behavior of the top executives of the companies to protect the interests of shareholders. In this research, performance measurement is based on two indicators, namely:

1. The Return on Assets (ROA)

ROA is a financial ratio that measures a company's ability to generate earnings. The higher the company ROA is, the higher the management of assets owned by the company is. This in turn will be able to increase its profit. The higher profits from the company can be coaxed investors to invest in the company.

Figure 1
Framework of the Study
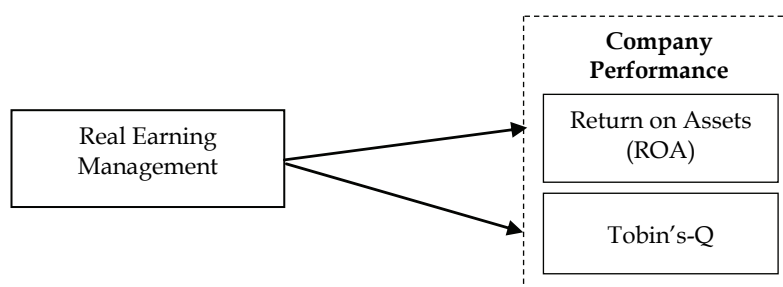
2. *Tobin's Q*

Tobin's Q is the ratio of the market value of the company's assets as measured by the market value of the outstanding shares and debt (enterprise value) to the replacement cost of company assets (Sudiyatno & Puspitasari 2010). Investors need information on Tobin's Q to determine whether the company is in growing conditions, no growth (stagnant) or even decreases, so that they can decide what to do under these conditions (Sudiyatno & Puspitasari 2010).

Framework of the Research

The framework as in this study can be presented in Figure 1.

Performance of Company Real Earnings Management (ROA)

Real earnings management is proxied by using the company's performance indicators such as return on assets (ROA). ROA indicates the competence for generating profits by exploiting assets used in the activity of the changes. It also shoes the operations. Thus, the greater fluctuations in earnings is the more the result is (Dewi & Prasetiono 2012). It has a positive impact on the company in terms of investor confidence in the company, because the investor can predict earnings and risk in investing. In other words, the higher the ratio the higher the asset management company. Therefore, the presence of ROA can motivate earnings management. Thus hypothesis 1 is as follows:

H1: Real earnings management approach to operating cash flow effect the company's performance with indicator of Return on Assets (ROA).

Performance of Company Real Earnings Management (Tobin's Q)

Ferdawati (2009) argues when the manager does real earnings management years now, the company will increase profits and performance of the company will also increase. Thus, increasing the performance of the company will also increase the price of the stock market resulting in firm value (Tobin's Q) will also increase. TFor that reason, the hypothesis 2 is as follows:

H2: Real earnings management approach to operating cash flow affects the company's performance with indicator of Tobin's Q.

3. RESEARCH METHOD

Research Design

This study aims to analyze the effect of real earnings management with operating cash flow approach to performance measurement indicators companies use return on assets (ROA) and Tobin's Q

Identification of Variables

The variables used to guide the discussion consists of the dependent variable that is company performance (ROA and Tobin's Q) while the independent variable is real earning management with operating cash flow approach.

Dependent Variables

Return on Assets (ROA) is used to measure the company's ability to generate laba. Thus, the greater the change in ROA will show greater fluctuations in the management's ability to generate profits (Dewi & Prasetiono 2012). Return on Assets (ROA) was measured using the following formula:

$$ROA = \frac{EAT}{TotalAset}. \tag{1}$$

Tobin's Q is the indicators to measure the company performance, especially on the value of the company, showing a proforma management in managing the assets of the company (Sudiyatno & Puspitasari 2010). Value of Tobin's Q can be calculated by the following formula:

$$Tobin'sQ = \frac{MVE + DEBT}{TA}. \tag{2}$$

Description:
MVE: Market Value of Equity (Equity Market Value) = stock price closing, end of year × number of shares outstanding at end of year
DEBT: Long-Term Debt

TA: book value of the company total asset

Independent Variables

The manipulation of real activities is the management actions that deviate to increase company profits. For that reason, it looks good in the eyes of investor. This is intended to identify companies doing real activities manipulation with cash flow approach uses cash flow operations of abnormal operating activities (ABN_CFO). Abnormal operating activities and Cash flow are derived from the difference between the value of the actual cash flow operating activities scaled by total assets one year before testing reduced the cash flow of normal operations (Agmarina & Yuyetta 2011). Normal operating activities and Cash flows are calculated using the regression model, replicate of the study (Roychowdhury 2006):

$CFOt/At\text{-}1 = a0 + a1 (1/At\text{-}1) + \beta1 (St / At\text{-}1) + \beta2 (\Delta St / At\text{-}1) + \varepsilon t.$ (3)

Description:

$CFOt/At\text{-}1$ = Cash flow operations in year t scaled by total assets in year t-1.

$a (1/At\text{-}1)$ = Intercept scaled by total assets in year t-1 with the goal of operating activity cash flow does not have a value of 0 when sales and sales lag is 0.

$St / At\text{-}1$ = Net sales in year t scaled by total assets in year t-1.

ΔSt = sales of firm i in year t minus sales in year t-1

$\Delta St/At\text{-}1$ = Changes in net sales in year t scaled dengantotal assets in year t-1.

$a0$ = constant

Population, Sample, and Sampling Technique

The populations are all manufacturing companies listed on the Indonesia Stock Exchange (IDX). The sample is selected using selection criteria sample.

The sampling technique is through the test sample criteria (purposive sampling). The selection criteria for the sampleare as follows:

a. Included in the group of companies manufacturing industrial sector does not move during the study.
b. The financial statements denominated in dollars.
c. Have an accounting period ending on December 31.
d. Complete data is available in Indonesian Capital Market Directory (ICMD) and or www.idx.co.id.
e. Manufacturing companies that are not doing mergers and acquisitions during the year or study.
f. Manufacturing companies that do not do a stock split during the study.

Data Analysis Techniques

Data analysis techniques are steps performed to answer the research objectives. The purpose of this study was to determine and analyze whether real earnings management affect firm performance through operating cash flow approach. Corporate performance is measured using two indicators: Return on Assets (ROA) and Tobin's Q. The data analysis technique used is descriptive analysis, the classic assumption test, and regression analysis to examine the effect of real earnings management on the performance of the company through cash flow approach. The steps of data analysis techniques in this study are as follows:

1. Tabulates component of operating cash flow
2. Perform regression using equation 3.
3. From the results of the regression, the residual value is taken. The residual value is the real earnings management through operating cash flow. The higher the residual value, the more indicated the company did real earnings management through operating cash flow. And said the company is not indicated to real earnings management if the residual value is close to zero or equal to zero.
4. Having the residual value of real earnings management through operating cash flow is known, the company performance that tabulates components, Return on Assets (ROA) and Tobin's Q.
5. Perform regression using the following equation:

$ROA = a + \varepsilon + \beta1MLR.$ (4)

$TQ = a + \varepsilon + \beta2MLR.$ (5)

Where:

ROA = Return on Assets

TQ = Tobin's-Q

MLR = real earnings management through cash flow operating activities

ε = constant

$\beta1$ = regression coefficient MLR

$\beta2$ = coefficient of regression MLR

ε = error term

6. Results of regression were used to answer the hypothesis or research problem formulation.

Step-by-step analysis and model testing hypothesis testing in this study was to test as follows:

Descriptive Analysis

Descriptive statistics is a description of the data that is seen from the average value (mean), standard deviation, variance, maximum and minimum (Ghozali 2011: 19). This analysis is used to present and analyze the data with the calculations in order to clarify the state of the data.

Classical Test Assumptions

1. Normality Test

The aim is to test the normality test whether the regression model, the dependent variable and independent variables or residuals have a normal distribution (Ghozali 2011: 160). If the results of the test for normality using Kolmogorov Smirnov significance values are above 5 per cent or 0.05 it means that the residuals of the regression model are normally distributed. And conversely, if the results of tests of normality using Kolmogorov Smirnov significance values are below 5 per cent or 0.05 means that the residuals of the regression model are not normally distributed.

2. Testing Heteroskidastity

The purpose of heteroscedasticity test is to determine whether the regression model of the residual variance occurs inequality one observation to another observation. Regression model is called heteroscedasticity in which when the variance of the residual one observer to another observer is different, and it is called homoskedastisity (Ghozali 2011: 139). Regression model is considered good if it heteroscedasticity does not happen. This study uses glejser test to determine whether the regression model heteroscedasticity occur. Test glejser is seen from the significance, when the significance value is above 5 percent confidence level it means that the regression model does not occur yield heteroscedasticity.

Regression Analysis

Regression analysis is to explain the dependence of the dependent variable and one or more independent variables. Additionally, Juha regression analysis showed the direction the relationship between the dependent variable with the independent variable (Ghozali 2011: 95). This analysis is mathematically written by the equation 4 and 5.

Interpretation of the Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to determine the ability of the independent variable (X) in explaining the dependent variable (Y). Coefficient of determination (R^2) between 0 and up to i. The coefficient of determination (R^2) is used to determine how much influence the management real income through operating cash flow approach to company performance using indicators Return on Assets (ROA) and Tobin's Q.

The smaller the R^2 value (close to 0) indicates the real earnings management through operating cash flow (the independent variable) is determined not to be able to explain the variation in the change return on Assets (ROA) and Tobin's Q (the dependent variable). If the value of $R^2 = 1$ means that the independent variables have a perfect relationship to the dependent variable. The higher the adjusted R^2 (close to 1) is the better the regression is. If the value of $R^2 = 0$ means there is no relationship between the dependent and independent variables.

Test Statistic F

F statistical test is used to determine whether all the independent variables included in the regression model have the effect simultaneously on the dependent variable (Ghozali 2011: 98). F statistical test is not used to test the model, but is used to test the independent variable as the independent variable in this study is only one variable.

Test Statistic t

T statistical test is used to to find out the influence of one individual independent variable in explaining variation (Ghozali 2011: 98). T statistical test showed essentially no effect if the partially between the dependent variable (Y) and the independent variable (X).

H01: There is no effect of real earnings management with operating cash flow approach on company performance by measuring Return on Assets (ROA)

H11: There is an effect of real earnings management with operating cash flow approach on company performance by measuring Return on Assets (ROA).

H02: There is no effect of real earnings management with operating cash flow approach on the company performance by measuring Tobin's Q.

H12: There is an effect of real earnings management with operating cash flow approach on company by measuring Tobin's.

Basis for decision making using figures of significance:

If the Sig-t <0.05 then H0 is rejected

If the Sig-t ≥ 0.05, then H0 is accepted

4. DATA ANALYSIS AND DISCUSSION

Based on the sampling technique, the criteria used is manufacturing companies that did not move during the industrial sector research, financial statements denominated in dollars. They have accounting periods ending on December 31. The complete data were available in Indonesian Capital Market Directory (ICMD) and or www.idx.co.id, not a merger and or no acquisition during the study and did not do a stock split during the study.

From the Indonesia Stock Exchange, there are 179 manufacturing companies in 2008 that is 895 of

Table 1
Descriptive Statistic

Year	Mean		
	MLR	ROA	Tobin's Q
2008	-0.03778	0.36707	0.23179
2009	-0.02808	0.06970	0.23750
2010	-0.03740	0.06197	0.22855
2011	0.06790	0.06659	0.23637
2012	-0.00805	0.06273	0.22744
Total	0.00131	0.05897	0.23244

Table 2
Summary of Hypothesis testing

Testing	ROA	*Tobin's Q*
R Square	0.220	0.001
F test		
F Value	146.821	1.707
Significant value	0.000*	0.192
t Test		
t Value	12.117	-1.307
Significant value	0.000*	0.192

data from the year 2012. As the data to be excluded from the sample inter alia delist 40 companies of data. The companies are moving enterprise sector amounted to 4 or 40 the data, the company the financial reports using the data as much as 47 dollars, companies doing as much as 6 stock split of data, and some companies that did not provide complete data of 154 data. After the elimination of sample selection criteria, the final sample used in the study consisted of 608 data from 2008 to 2012.

Descriptive Analysis
As in Table 1, it can be seen that the average value of real earnings management between the years 2008-2012 was 0.0013. The highest average value of the study period amounted to 0.0679 in 2011 which showed that in 2011 had the highest value of real earnings management. This, in turn, could cause the value of real earnings management in 2011 which is very high. Meanwhile, in 2008 an average value that is equal to the lowest-0.0378 which shows that in 2008 had a value lower real earnings management that caused the value of real earnings management in 2008 was very low during the period of observation.

Still in Table 1, it also shows that during the study period 2008 to 2012, the average return on assets (ROA) of 0.0590. The average value of return on assets (ROA) of the highest is seen in the study period in 2009 which was 0.0697 and this also

shows that in 2009 had a value of return on assets (ROA), the highest so as to show that in 2009 the company is able to manage its assets properly so can generate high profits. However, in 2008 it was the lowest average value which is equal to 0.0367 which shows that in 2008 had a return on assets (ROA) is low but in 2008 the company was still able to generate profits although in very low numbers.

In period 2008 to 2012, the average value of Tobin's Q is 0.2324. The average value of Tobin's Q was higher than seen in 2009 which was 0.2375 which shows that in 2009 the company has a good market performance so the company is able to cover its debts and liabilities or firm shows the company is able to manage the assets well. Yet, in 2012 it is the lowest average value that is equal to 0.2274 which shows that in 2012 the company has a poor performance so that companies are not able to cover its debt is considered a total assets of the company.

Table 2 shows that the coefficient of determination adjusted R Squared is 0.220 which means that the variable ROA can be explained by the independent variables are the real earnings management with operating cash flow approach (MLR) of 22.0 %. Yet, the remaining 78.0 percent is explained by other variables other than in this study.

Determinant coefficient of test results show that the value of the adjusted R Square is 0.001 which means that the variable Tobin's Q can be explained by the independent variables are the real earnings management with operating cash flow approach (MLR) was 0.1 percent. Yet, the remaining 99.9 percent is explained by other variables not examined in this study.

From the results of the F test on firm performance (ROA) above shows significance of 0000. Since the significance value less than 0.05 means that H0 is rejected and H1 is accepted which means that the regression model is said to fit.

From the results of the F test on firm performance (Tobin's Q) above shows the significance value of 0.192. It can be concluded that Ho is accepted while H1 is rejected, so it can be concluded that real earnings management variables with operating cash flow approach there is no effect on the company's performance with Tobin's Q.

Partial regression test results above shows that the value of the variable t in real earnings management on corporate performance with ROA indicator of 12.117 with a significance of 0.000. It can be concluded that real earnings management approach to operating cash flow positive effect on firm performance using ROA indicator, because the significance value less than 0.05 and positive value

Table 3
Summary of Hypothesis Testing Based on Industry Sectors

No.	Industry Sectors	R² test		t test			
				ROA		Tobin's Q	
		ROA	Tobin's Q	t-calc.	Sig.	T-calc.	Sig.
1	Adhesive	0.156	0.027	1.793	(0.101)	-1.157	(0.000)*
2	Apparel and Other Textile Products	0.114	0.061	2.149	(0.041)*	1.679	(0.105)
3	Automotive and Allied Products	0.094	-0.009	2.788	(0.007)*	-0.629	(0.531)
4	Cables	-0.007	-0.021	0.916	(0.369)	-0.708	(0.486)
5	Cement	0.607	0.254	4.759	(0.000)*	-2.399	(0.032)*
6	Chemical and Allied	0.116	-0.036	2.131	(0.043)*	-0.255	(0.801)
7	Consumer Goods	0.504	0.736	3.019	(0.019)*	4.831	(0.002)*
8	Electronic and Office Equipment	0.092	0.304	1.651	(0.118)	-2.903	(0.010)*
9	Fabricated Metal Products			1.496	(0.173)		
10	Food and Beverages	0.340	-0.012	6.297	(0.000)*	-0.352	(0.726)
11	Lumber and Wood Products	0.016	-0.051	-1.076	(0.310)	-0.714	(0.493)
12	Metal and Allied Products	0.092	-0.020	6.153	(0.017)*	0.091	(0.928)
13	Paper and Allied Products	-0.010	-0.063	0.923	(0.372)	-0.336	(0.742)
14	Pharmaceuticals	0.451	0.033	5.459	(0.000)*	1.476	(0.149)
15	Photographic Equipment	-0.080	0.049	0.512	(0.621)	1.230	(0.250)
16	Plastics and Glass Products	0.083	-0.010	2.392	(0.021)*	-0.687	(0.495)
17	Stone, Clay, Glass and Concrete Products	0.640	-0.055	5.901	(0.000)*	0.108	(0.915)
18	Textile Mill Products	0.271	-0.054	2.635	(0.019)	0.422	(0.679)
19	Tobacco Manufacturers	0.346	-0.074	2.710	(0.020)*	0.420	(0.682)

of t-test. This suggests that higher real earnings management, the higher the ROA.

Partial regression test results above shows that the value of the variable t in real earnings management on firm performance indicators Tobin's Q of -1.307 with a significance of 0.192. It can be concluded that real earnings management with operating cash flow approach does not affect the company's performance using indicators Tobin's Q, because the significance value is more than 0.05.

Further steps taken after the regression as a whole is doing regression test based industrial sector on the variable profit management real with cash flow approach operation towards the company performance (ROA and Tobin's Q). This is intended to see the industrial sector which is contributing to cause significant yield or not significant in the overall regression test results.

Based on Table 3, it shows the results of tests conducted on R2 that real earnings management variables on firm performance (ROA) shows that the highest value of adjusted R Square is located in the industrial sector Stone, Clay, Glass and Concrete Products with adjusted R Square that is 0.640. This indicates that the dependent variable (ROA) can be explained by the independent variables are the real earnings management with operating cash flow approach (MLR) amounted to 64.0 percent.

The rest is of 36, 0 percent is explained by other variables not examined in this study.

However, the lowest adjusted R Square is located in the industrial sector of the Paper and Allied Products is equal to -0.010. This means the dependent variable (ROA) cannot be explained by the independent variables are the real earnings management with operating cash flow approach (MLR). The test results R2 is performed on variable earnings management real on firm performance (Tobin's Q) indicates that the value of the adjusted R Square highest lies in the industrial sector Consumer Goods is of 0.736 which means that the dependent variable (Tobin's Q) can be explained by the independent variables are earnings management real with operating cash flow approach (MLR) is at 73.6 percent.

The rest of 26, 4 % is explained by other variables not examined in this study. Yet, the lowest adjusted R Square is located in the industrial sector of the Tobacco Manufacturers that is equal to -0.074. This which means the dependent variable (Tobin's Q) cannot be explained by the independent variables are the real earnings management with operating cash flow approach (MLR).

As seen in Table 3, it shows the results of the t test of real earnings management variables with operating cash flow approach to company performance indicators ROA measurements indicate

that there are 11 industrial sectors that have significant value below 0.05. The t-test value is positive and other Apparel industry Textile Products; Automotive and Allied Products; Cement; Chemical and Allied; Consumer Goods; Food and Beverages; Metal and Allied Products; Pharmaceuticals; Plastics and Glass Products; Stone, Clay, Glass and Concrete Products; Tobacco Manufacturers.

T-test results in real earnings management variables with operating cash flow approach to performance measurement indicators the company uses Tobin's Q indicates that there are 4 industries that have significant value below 0.05 and a negative value of t-test that the industrial sector Adhesive, Cement, Consumer Goods , Electronic and Office Equipment.

Influence of Real Earnings Management by Operating Cash Flow Approach to Performance Company (ROA)
Real earnings management is a deviation from normal operating activities of the company which refers to the numbers game profits made through the activities derived from normal business activities or operations related. ROA is one of the profitability ratios that indicates management's ability to generate profits from assets used in operations. ROA is positive indicates the company is able to generate profits from assets used in operations.

On the contrary, if ROA indicates that the negative of the assets used for operating activities, the company is only able to produce very low profits or even losses the company gets. The greater the change is the greater the fluctuations ROA show management ability to generate earnings (Dewi & Prasetiono 2012). It can have a positive impact on the company in terms of investor confidence in the company, because investors can predict profit and risk in investing.

The result of F-test shows that the significance value is below 0.05 that is 0.000. This indicates Ho is rejected and H1is accepted. Thus, real earnings management variables with operating cash flow approaches the performance of the company have an effect on ROA. The test analysis result also shows significant results, it can be concluded that real earnings management variables with operating cash flow approach with positive influence towards company performance with ROA.

The result is not consistent with the research by Armando & Farahmita (2012) which indicates there is no significant influence of abnormal operating cash flow variables (ABCFO) towards changes in return on assets (ROA). Abnormal operating cash flow is a proxy of earnings management through real activities by way of sales management. The difference with the results of previous studies is allegedly caused by the previous research companies do not do real earnings management approaches through operating cash flow by accelerating sales by giving discounts or soft loans to boost corporate profits.

Influence of Real Earnings Management by Operating Cash Flow Approach to Company Performance (Tobin's Q)
Tobin's Q is an indicator for measuring the company performance, especially on the value of company. This value represents a management in managing the assets of the company (Sudiyatno & Puspitasari 2010). According Ferdawati (2009) if the manager does real earnings management years the company will increase profits and its performance. Thus, increasing the company performance will also increase the price of the stock market resulting in company value (Tobin's Q) will also increase.

The other evidence is that F-test analysis shows that the significance value is above 0.05 that is 0.192, which means Ho is accepted while H1is rejected. It also shows that a significance value is 0.192 with a t-test -1.307, and this can be concluded that real earnings management variables with no operating cash flow approach to the company's performance influences Tobin's Q. This is therefore not consistent with the results of research done by Ferdawati (2009) which suggests that earnings management is proven positive effect on company value (Tobin's Q).

The difference is generally thought to be due the location which is in Indonesia. In this case, more investors see a return of the value of Q is used as a guide for investment decisions. Since the value of profits can be seen directly in the financial statements, the value of Q is not contained in the financial statements. On the contrary, it was calculated in advance. This indicates that the company performance (Tobin's Q) is not taken into account in assessing the company.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS
In general, this study has determined the effect of real earnings management with operating cash flow approach on the company performance using indicators ROA and Tobin's Q for the companies listed in Indonesia Stock Exchange 2008-2012. It can be concluded as the following.

The initial assumptions of classical test shows that there are symptoms of classical assumption that as due to the data which were not normally

distributed, the researchers had tried to normalize them by removing outliers from the data sample. This can provide the results of the classical assumption test after the data outliers removed and found that the normality test showed that the data were normally distributed. The results of heteroscedasticity test also shows that for the company performance (ROA) do not occur in heteroscedasticity. However, the company performance (Tobin's Q) occurs in heteroscedasticity and indicates that there is a positive autocorrelation regression models.

Another results show there is a significant effect for overall real earnings management on the company performance using indicators ROA and Tobin's Q. The number of initial samples was 608 and after the data outliers were excluded the sample size was 518. Thus, the researchers used a sample of data outliers removed after the data sample is 518.

The F test shows that real earnings management variables approach, the operating cash flow affects company performance with the Return on Assets (ROA), but does not affect the company's performance with the indicator of Tobin's Q.

The test results of coefficient of determination (R^2) for the dependent variable of company performance using ROA indicator obtained adjusted R Square is 0.220 which means that the variable ROA can be explained by the independent variables. These are the real earnings management with operating cash flow approach (MLR) which is at 22.0 percent. For the dependent variable of company performance using Tobin's Q indicator obtained adjusted R Square that is 0.001 which means that the variable Tobin's Q can be explained by the independent variables that are the real earnings management with operating cash flow approach (MLR) was 0.1 percent.

Furthermore, the real earnings management approach to operating cash flow has an effect on the company performance by sing indicators of ROA, but it does not affect the company's performance with indicators of Tobin's Q. The benefits of this study are the such as it specifically shows the analysis of the effect of real earnings management with cash flow approach that uses operating cash flow on the company performance with the indicators ROA and Tobin's Q. This research is expected to contribute to the users of financial statements for providing additional information to the investors and prospective investors in making investment decisions as well as for further research.

The limitation is on the data taken from www.idx.co.id or Indonesian Capital Market Directory (ICMD). Thus, there were some companies that were excluded from the study because the sample data might not be complete and some of the test results of classic assumption adjusted R Square in which it can be low in terms of the company performance using indicators of Tobin's Q. This is because of the fact that the real earnings management can less explain the variable of the company performance by using the indicators of Tobin's Q.

Therefore, the researchers suggest that it can be given in connection with the limited research that has been done for further research. It is expected to look for the data sources other than www.idx.co.id or Indonesian Capital Market Directory (ICMD) in order to obtain more complete data. Besides that, further research can also extend the sample which probably adds another variable or theories.

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