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"The Influences of Real Manipulation Activity on Total Accruals Quality and Tax Management : A Empirical Research to Predict the Future Prospect"

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Abstract: The empirical research is to distinguish the pattern of management behaviour in implementing positive and negative manipulation,when it gives a different contribution on measurement the earning quality. This research had used the indicator of total accruals quality and tax management toward the future performance using the dividend policy as moderating variable. By dividing the positive and negative manipulation activity, the research had shown out the difference implication between them. All investors have the positive perspective on highly tax obedience and negative perspective on highly used innate accruals. The critical finding assumed that all public firm which have negative manipulation had gotten higher the investors' positive perspective than a firm which has positive manipulation. In comparing on the firm performance, the firm with negative manipulation has better indicator in financial market, including the prospect estimation in the future expansion. This empirical research indicated the investor's positive perspective on the improvement on accruals quality, in which the dividend policy has a critical position as dossominating the signal, reflected on the discretionary accruals quality reduced out the total accruals quality. It reflects on the disability to develop the expansion plan, it is a strong pressure factor on management in implementing the the positive manipulation. The other motive in implementing positive manipulation is the big proclivity of management effort in dissiminate the signal "goods news" to investor. It indicates that the firm performance has been on the right track. By analyzing the total accruals quality usage, the management has tendensious aspire in implementing the accruals quality with systematic method that influences the investor's perception as the communication process. The empirical testing pointed out that the inconsistent accruals policy, relied on the management objection dynamically, contained of opportunistic behaviour. To consider the dynamic comunication process, this empirical reseach has developed out a novelty in estimating accruals quality literature by mapping the feedback of interaction with the decision tree model.

Keywords: Accruals Quality, Tax Management, Future Market Based On Earnings, Future Performance On Equity, High Yielded Dividen Policy, Discretionary Tax Accruals and Earning Quality.

Background of Study

The measurement of firm performance used the stock market value as the signal of investors' reaction in obtaining the financial statement information was started by the research of Ball and Brown (1968) and Beaver (1968). The investor's response has fluctuated during the publication period of financial statements, this one reflects the response of capital market players to gain the benefits of accounting information. The previous research indicates that the firm's performance information gives contribution to the investment decisions (decision usefulness), especially in achieving a predetermined rate of return.

Elayan et al, (2016) and Bassiouny et al, (2016) showed all investor in stock market have forced on the improvement of financial statements'quality increasingly in last decade, which absolutely helped investors predict the firm in the future. This investor's demand reflects that there is a significant implication of the financial report's quality on the positive market reactions. Eskandari and Foumani, (2016) suggested that the effect of usefull accounting information reflects management's ability to influence the market reactions through a feedback process between management and investors. The relationship between future performance and performance report quality is supported by the stock market players' intention for the reliability and accounting information scope, which tends to increase recently, this is related to the reputation of company managers (Marti'nez et al, 2016). It includes patterns of transparency, consistency, and comparison of some instruments, so that it can help investors to calculate the intended rate of return (Lee, 2001 and Myring, 2006).

Regarding the phenomenon of earnings quality in Indonesia, Leuz et al, (2003) stated that Indonesia is in a country cluster in low level of the investor protection, it showed the poor quality of earnings in some firms, similar results are reinforced by Djankov et al, (2008 in Ratmono, 2010). Myring (2006) classified Indonesia into the "emerging market" while Lako (2006 in Puspitaningtyas, 2011) indicated a decrease in the relevance value of accounting information in the manufacturing industry in Indonesia around 2.1-8.5% from the period 1995-2004. Partami et al, (2015) assumed that these values tended to decline sharply until the last decade. Thus, a number of Indonesian firms have problems in earnings quality, this test encourages management to improve its earnings quality.

The investors's ability in absorbing the financial report information can be seen through some acceptances of "bad" signals on the usage of accruals in the earnings management implementation. Rosner (2003) and Nurul and Baridwan (2007) explained that the use of accruals is to illustrate the potential bankruptcy or inability to do the business's debt as an implication of the "bad" impact of firm performance. Dahlia and Utama (2014) assumed that several Indonesian firms with earnings management practices has increased in the last decade, in line with the average growth of the Indonesian capital market index of 26.75% per year in the period 2000-2016 based on the BEI 2017's annual report. Dichev *et al*, (2016) said a number of CEOs distort the earnings report evidently, due to the discretionary authorization of the accounting methods. Riwayanti *et at*, (2016) argued that the opportunity of earnings management have been existed in publishing the accounting information, because of obtaining the information acquisition.

The persistent earnings information has an effect on the pattern of accruals usage to the financial statements quality, Khotari (2001) argued that the use of accruals have influenced the investors' reactions and perceptions through the indicator of firm's performance. Francis *et al*, (2005) also assumed that several large companies in the United States have a poor level of earnings quality, it reflects that those firms tend to attain the high level of the accruals's quality. The high level of earnings quality with the use of low accruals can contribute the positive investor perceptions (Ping, 2016). The high earnings quality can be a good guidance in estimating future prospects with a high degree of accuracy (Povolotskaya, 2014). The high of total accruals quality is reflected by the low level in implementing the total accruals, so that the distortion can be minimized in reporting the firm's performance, which can be used as a measurement of risk information (Kent et al, 2008). The pattern of accruals's implementing is also carried out on several indicators that cannot be influenced by management, so that this research used the total accruals quality as a indicator measurement.

Ifada et al, (2015) suggested management have the tax management which reflects the tax policies on determining the amount of tax costs, including the ability to do higher or lower tax payments. Ryu (2014) found that a number of Korean firms reduce their incomes, which made the regulators impose tax incentives to make the firms increase their tax payments. Choi et al, (2009) discovered an opportunity to have the high level of do discretionary tax accruals, when there are some differences between accounting standards and tax regulations, including the misleading perceptions on the grey areas between auditors and tax officers.

Based on illustration regarding the measurement of investor's reactions to gain the benefit of accounting information through the moderation model. The research have some novelty description, particularly in measurement some indicators like below:

1. The influence of accruals quality on the future performance in firms, which have the positive and negative manipulation activity, by developing the dividend policy as a moderating variable
2. The influence of tax management on the future performance in firms, which have the positive and negative manipulation activity, by developing the dividend policy as a moderating variable.

The Problem Formulation

The problem formulation of this study is arranged as follow:

1. Does the accruals quality have an influence on the future performance in firms, which have the negative and positive manipulation ?
2. Does the tax management in firms, which have the negative and positive manipulation in measuring discretionary tax accruals have an influence on its future performance ?
3. Does the dividend policy of firm, which have the negative and positive manipulation moderate the effect of accruals on its future performance ?
4. Does the dividend policy on firms, which have the negative and positive manipulation moderate the influence of tax management with discretionary tax accruals measurement on its future performance ?

The Agency Theory

The Agency Theory describes the segregation between management functions (by managers) and ownership functions (by shareholders) in a firm. It Test the impact of earnings management on firm performance, in which the determining the profit calculation is a mis-leading indicator of the firm's performancey (Kothari, 2001 and Dichev et al, 2015). The firm is able to influence people's perceptions by using the benefits of financial statement information (Scott, 2015). It indicates that there is investors' reaction to the firm performance report during the publication period of financial statements (Ball and Bartov, 1996). Thus, the earnings management have indicated the conflict of interest, including the misleading information.

The Positive Accounting Theory

The Positive Accounting Theory (PAT) is stated by Watts and Zimmerman (1986) in explaining a number of capital market phenomena and the up and down process of some firms' stock market prices, the theory argued that a firm is a 'nexus of contracts'. The positive accounting theory argues that companies will use the different accounting policies to minimize the contracting costs, including determining the profit.

The Signalling Theory

The basis of this theory is that management and shareholders do not have the same access to the information, because of the information asymmetry. There is certain information that is only controlled by management, while shareholders are unable to obtain equal information. When there is a change in the company's funding policy, related to the up and down value of the firm, this kind of information can be shared with shareholders. Evidence of management's responsibility in managing the firm is the ability to give signs or signaling to shareholders regarding the prospects and performance of the firm in the next period (Desai et al, 2004, and Bhattacharya et al, 2012).

The Regulation Theory

In the development of the stock market, its the stock market's regulator have an authorization to influence the go public firm to implement the spesific accounting policies or tend to increase the conservatism element, as a reaction to the Sarbanne Oxley Act (2003) (Lasdi, 2008). The Indonesian tax regulations do not recognize the existence of consolidated financial statements which each of firm is treated as a special unit business, it known as one firm as one SBU. So the every company will be treated as a tax object. The implications of regulatory theory esplained the management should have a pure willingness to improve financial satement quality, including to minimize earnings management opportunities and real-based manipulation activity (Rosner, 2003 and Roychowdury, 2006).

The Firm's Value

By using the Life Cycles and Multistage, the predictive formulas with growth can be arranged, as follows: (Bodie et al, 2013)

$$\text{Price}_t = \text{Div}_0 \sum_{t=1}^{T} \frac{(1+g_1)}{(1+k)^{t+1}} + \frac{\text{Div}_t\,(1+g_2)^t}{(1+k)^t\,(k-g)} \quad \text{...} (1)$$

Brigham and Houston, (2011) show that the rate of return on investment includes dividend pay out and expected return, as follows:

k = *Dividend Yield* + *Capital Gains Yield*

$k = Div_t \;/\; P_t + g$ which g= k pada model CAPM..(2)

By using the mathematical substitution of equation (2) and based on equation (1), the future price prediction formula is arranged as follows:

Price t + 1 = [{(Price t + Div t) (1 + k)}] by entering the past period dividends

Price t + 1 = [{Price t X (1 + k)} + {Divt X (1 + k)} + {Divt-1 X (1 + k) t-1}] .... (3)

The Description :

1. $Price_0$ and $Price_{t+1}$ = Share Price with growth of periods t and t + 1
2. g_1 and g_2 = Growth Patterns of Pre and Upcoming Periods.
3. Divt and Divt + 1 = Dividend value for periods t and t + 1.
4. k = Rate of Return with CAPM, where k = rf + β [E (rm) - rf]
5. t = Time Period.
6. b = Rate of Return Retention or (1- dividend pay out in percentage).
7. R = Interest Rate or Risk-Free Investment Level
8. ROE = Return on Equity with the profit level divided by the value of equity.

Darmodaran (2012) used the measurement indicator to estimate the average growth rate with a geometry approach, the formulation is:

Geometry Growth Rate (g) = [$\textit{market value}_0 \,/\, \textit{market value}_n$] $^{1/n}$ -1... (4)

The Description :

1. Market value_0 = The Stock Market Prices in the Early Period
2. Market value_t = The Stock Market Prices in the Nth Period

Dividend Policy

Figure 1 explains the effect of dividend policy with several the dividend theory approaches on the level of stock market price fluctuations, as follows:

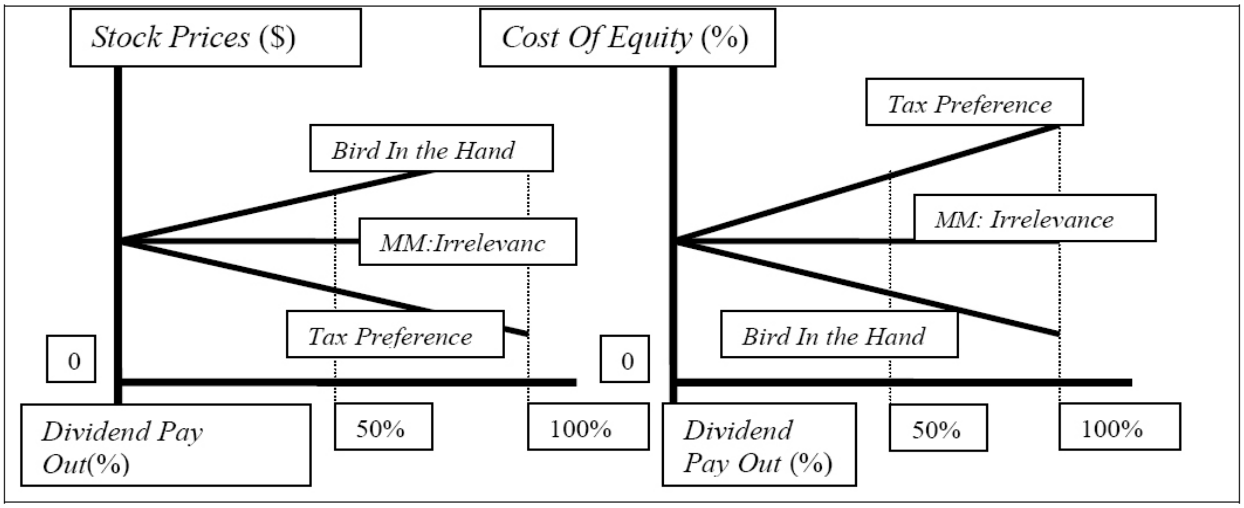

Figure1. *The Dividend Theory.*

Source: Ros *et al,* (2007) and Brigham and Houston (2011)

Research Framework

The framework of the research is arranged as follow:

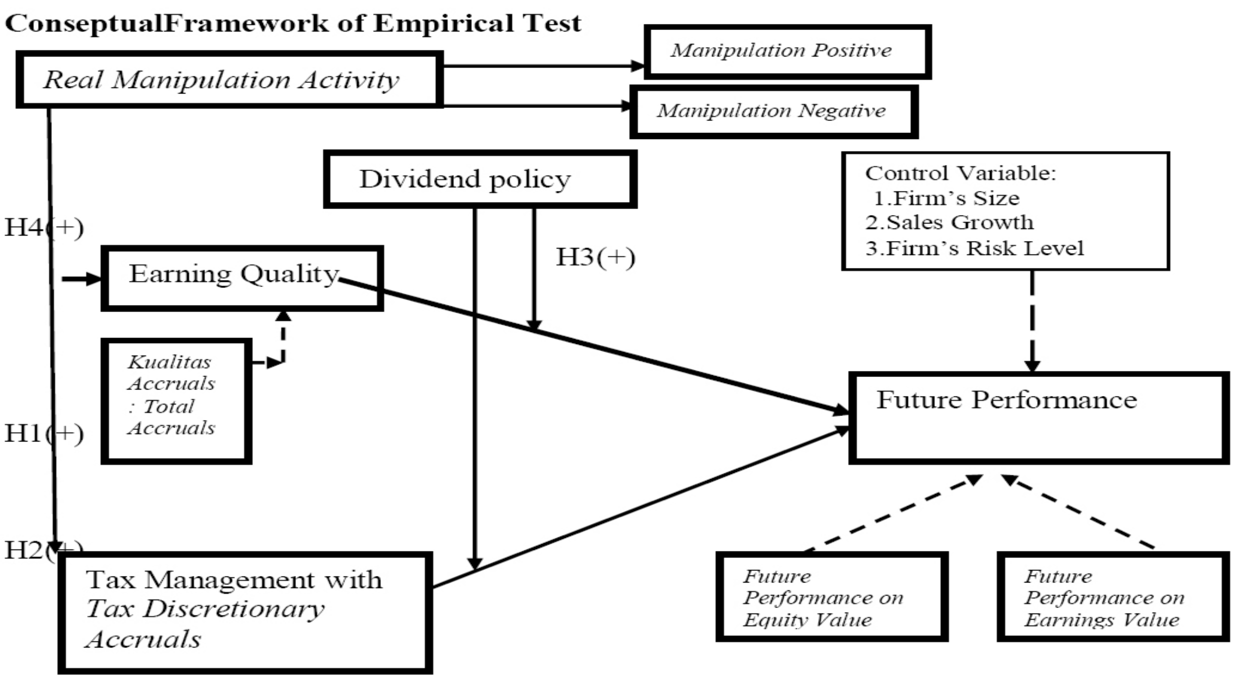

Figure2. *Research Framework*

Note : Arranged and made related to the research's tittle and objective.

The Effect of Accruals Quality on the Future Performance

This research used the measurement the future performance, by separating the equity and earning, which have objection is to improve the significant level of empirical testing, particularly using the distinguishing the firms, which have the negative and positive manipulation. Thus, the following hypotheses are proposed :

H1a: The accruals quality has a positive effect on the future performance in firms, which have the Negative Manipulation.

H1b:The accruals quality has a positive effect on the future performance in firms, which have the Positive Manipulation.

Management also tends to improvement the accruals quality by using accruals in low level, so that accruals have influences the some indicator of performance in the accounting reporting, including the firm capability in doing financing activity (Kerstein and Rai, 2007). Ping (2016) suggested the abnormal effects of accruals on future market values, similar to Zuo (2015) using current period accruals to estimate the condition and prospects of a firm. Thus, the following hypothesis was developed:

1. H1a1 : The Accruals Quality has a positive contribution on the future performance (equity value) in the firm, which have the Negative Manipulation.
2. H1a2 : The Accruals Quality has a positive contribution on the future performance (earnings value) in the firm, which have the Negative Manipulation.
3. H1b1 : The Accruals Quality has a positive contribution on the future performance (equity value) in the firm, which have the Positive Manipulation.
4. H1b2 : The Accruals Quality has a positive contribution on the future performance (earnings value) in the firm, which have the Positive Manipulation.

In this research, this test used the measurement of tax management measurement by using discretionary tax accruals. If there is a positive discretionary tax accruals, it contributes positively to investor perceptions, because of tax explosure in the future (Ryu, 2014). The tax management reduces the potential for agency cost and make a positive contribution to future prospects. Thus, the following hypotheses are proposed:

H2a: The Tax Management has a positive contribution on the Future Performance in Firms, which have the Negative Manipulation.

H2b: The Tax Management has a positive contribution on the Future performance in Firms, which have the Positive Manipulation.

The demand for high quality financial statement on the company's predictions for the next period is reflected in the high accruals quality (Elayan et al, 2016 and Bassiouny et al, 2016) and management reputation elements (Marti'nez et al, 2016). In developing out some novelties, this test indicates the contribution of dividend policy has an effect on the decrease of the accruals usage, including to increase the accruals quality. Regarding the Research on 'the information hypothesis', Chaudhary et al. (2016) stated that dividend policy is a tool to find out investor feedback related to firm policies and performance, including future prospects, it was also reinforced by Tresl (2013). The reaction and anticipation of investors on earnings quality through the use of accruals, Zuo (2015) and Ping (2016) suggested the use of accruals raises, the difficulty of predicting future prospects. Thus, the following hypotheses are proposed:

H3a: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance in firms, which have the Negative Manipulation.

H3b: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance in firms, which have the Positive Manipulation.

Thus, the following hypothesis was developed:

1. H3a1: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance (equity value) in firms, which have the Negative Manipulation.
2. H3a2: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance (earnings value) in firms, which have the Negative Manipulation.
3. H3b1: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance (equity value) in firms, which have the Positive Manipulation.
4. H3b2: The Dividend Policy have strengthened positively the moderation between the Accruals Quality and the Future Performance (earnings value) in firms, which have the Positive Manipulation.

The tax management is intended to reduce the probability of tax exposure or agancy cost in future, so it gave a strong pressure for management to implement the discretionary tax accruals in low level (Ryu, 2014, Hu et al, 2015, and Lee, 2016). By focusing on the investors involvement in the taxation policy, it provides management incentives to comply with tax regulations by measuring discretionary tax accruals in tax management policies. Thus, the following hypotheses are proposed:

H4a: The Dividend Policy have strengthened positively the moderation between the Tax Management and the Future Performance in firms, which have the Negative Manipulation.

H4b: The Dividend Policy have strengthened positively the moderation between the Tax Management and the Future Performance in firms, which have the Positive Manipulation.

Data Collection Method

The population in this test is several public firms in the manufacturing industry registered at the Indonesia Stock Exchange in the period of 2000-2017. The sampling technique of this study was purposive sampling. The type of data in this study is secondary data, obtained through ICMD (Indonesia Market Capital Directory).

Operational Variable Definition: Future Performance

In measuring the investors' anticipation, this test using the time value concept in predicting out future performance with the development of the Damodaran (2012) model and the life cycles and multistage growth models approach (Bodie *et al*, 2013).

$$\textit{Estimated Price}_{t+1} = Po\ (1+g_1)^{t} + \sum_{t=1}^{T} \frac{Div_t(1+g_1)^t}{(1+k)^t} + \frac{Div_{t-1}\ (1+g_2)}{(k-g_2)(1+k)^{t+1}} \quad \text{.........................(5)}$$

Future Performance Based on Equity Value

To calculate the future factor values on the asset's growth as in table 3.1 during the observation period, the formulas is presented as follows

Future Performance Based On Equity is = *Estimated Price t/Equity* $_{t.}$..(6)

Future Performance Based on Earnings

This testing use the future factor values on the earning's growth as in table 3.1 during the observation period, the formulas is presented as follows

Future Market Value Based On Earnings adalah *Estimated Price t/Earning* $_{t+1}$ ....(7)

Description :

a. P_0 is the market price in period t.

b. Estimated Price $_{t+1}$ = Value of the stock market prediction for period t + 1.

c. Div $_{t-1}$ and Div *t* = The amount of the dividend in the previous period and running

d. g_1 and g_2 = The value of the previous growth rate and running.

e. k% = The average interest rate in the annual period

Real Manipulation Activity Measurement

This test uses three proxies in estimating the *real* earnings manipulation activity.

First Proxy: *Abnormal CFO.*

$CFO_t/Asset_{j,t-1} = \alpha_0 + \alpha_1 (1/Asset_{j,t}-1) + \alpha 2 (Sales_{it}/ Asset_{j,t-1}] + \alpha 3 (\Delta Sales_{ij}/ Asset_{j,t-1}) + \varepsilon_{j,t}$ .... (8)

Second Proxy: *Abnormal Discretionary Expenses.*

$DISEXP_t/Asset_{jt-1} = \alpha_0 + \alpha 1 (1/Asset_{j,t-1}) + \alpha 2(Sales_{it} / Asset_{j,t-1}) + \varepsilon_{j,t...}$ .... (9)

Third Proxy: *Abnormal Production Costs.*

$PROD_t/Asset_{j,t-1} = n\alpha_0 + \alpha_1 (1/Asset_{j,t}-1) + \alpha 2 (Sales_{j,t}/ Asset_{j,t-1}] + \alpha 3 (\Delta Sales_{j,t}/ Asset_{j,t-1}) + \varepsilon_{j,t}$ .... (10)

The Description :

1. $CFO_{j,t}$ = The abnormal CFO in firm i period t is indicated by the estimated value $\varepsilon_{j,t}$ (level of error).
2. $DISEXP_{j,t}$ = The abnormal discretionary expenses in company i period t is indicated by the estimated value $\varepsilon_{j,t}$ (level of error).
3. $PROD_{j,t}$ = The production costs namely cost of goods sold + changes in inventory of company j in year t indicated by the estimated value of $\varepsilon_{j,t}$ (level of error). The residual error value in this proxy has the opposite direction (multipied by -1) to the proxy of cash flow abnormalities and administrative costs (Ratmono, 2010).
4. Manipulation Activity $_{j,t}$ = The sum of the residual error values in the regression equation for abnormal cash flow, discretionary expenses and production costs in firm j period t indicated by the estimated value $\varepsilon_{j,t}$ (error rate).

Independent Variable: The Total Accruals Quality

This test uses the model of Francis et al, (2005) in estimating the accruals quality in 5 time periods. Formulation of the formula for estimating the accruals quality through the regression equation as follows:

$TAj, t = \alpha + \beta 1 \, CFOj, t-1 + \beta 2 \, CFOj, t + \beta 3 \, CFOj, t+1 + \beta 4 \, \Delta Revj, t, t+1, + \beta 5 \, PPEj + \varepsilon jt$ .... (11)

The Description:

1. TAj, t = Total Accruals company j period t.

2. CFOt-1, CFOt and CFOt + 1 = Cash Flow Past, Current and Upcoming Periods.

3. Δ Rev = Revenue Change Rate for the Current and Upcoming Period.

4. PPE = Value of Fixed Period Fixed Assets (Property Plant Equipment).

5. Total Accruals = absolute (εjt,) X -1, where the absolute residual value of the company j period t X -1 (Perotti and Wagenhofer, 2014).

Independent Variable : Tax Management

In measuring tax management through discretionary tax accruals. The improvement of the discretionary testing model of tax accruals (Ryu, 2014, Hu et al, 2015, Lee, 2016 and Choudhary et al, 2016) can be arranged as follows:

1. Total Tax Accruals, formulated as follows:

$TTA_{j,t} = \alpha 1 + \lambda 11\ (\text{Net Profit})_{j,t} + \lambda 12\ (\text{Sales})_{j,t} + e_{j,t}$ .... (12)

2. Discretionary Tax Accruals are formulated as follows:

$DTA_{j,t} = \text{abs}\ (e_{j,t})\ X\text{-}1 = TTA_{j,t} - (\alpha 1 + \lambda 11\ (\text{Net Profit})_{j,t} + \lambda 12\ (\text{Sales})_{j,t} + \lambda 13\ (\text{Deferred Tax})_{j,t} + \lambda 14\ (\text{Tax Liability})_{j,t}) + e_{j,t}$ ....(13)

Expectations for each variable are λ 0> 0; λ 11> 0; λ1 2> 0 λ 0> 0; λ 13> 0; λ 14> 0

The Description :

1. Net Profit = Net profit of company j in period t.

2. Sales = Value of Sales of company j in period t.

3. Deferred Tax = Deferred Tax Value of company j in period t.

4. Tax Liability = Value of Tax Payable for company j in period t.

Moderating Variable: Dividend Policy

This test uses moderating variables which are variables that can reinforces or enervate the direct relationship between the independent variable and the dependent variable.

The Formula is: $\frac{\text{Dividend}}{\text{Net Income}}$ .... (14)

Control Variable: Firm's Size

Siregar and Utama (2005) pointed out that firm size also influences earnings management patterns. Proxy of net sales changes amount indicates that the influence of large companies is able to obtain the higher net income, as researched by Fama and French (1997), Baker and Wurgler (2004), Dahlia and Utama (2014) and Desai et al, (2004). This empirical test uses the natural logarithm (ln) of total assets of the current period.

Control Variable: Sales Growth

This research uses the sales growth rate indicator, which is the growth rate of revenue from net income, the formula is developed as follows: (Istianingsih, 2010)

SGt = ((Sales t - Sales t-1) / Sales t-1) .... (15)

The Description :

1. Sales_t = The net sales of the current period

2. Sales_{t-1} = The previous period's net sales

Risk

The formulation of the beta coefficient of the company's stock in a period of time is marked by the *bi* coefficient, the formula can be arranged, as follows: (Brigham and Houston, 2011 and Ross et al, 2007).

$\beta_{iM} = \sigma_i / \sigma_m \ X \ \rho_{iM}$ .... (16)

The Descriptive Analysis of Research Objects

The pattern of gathering data is described in the table below:

Table1. *Research Objects Structures*

Description	Total
1. *Go Public* Firm from 2000-2016	538 Firms
2. The *Manufacturing* Firm using Dividend Policy	155 Firms
3. The Conducted Observation	2.256 Observations
4. The Observation of Firm using Dividend Policy	1.240 Observations
5. The Failed Observation in Data Collection and Outliner Test	57 Observations

Source : Secondary Data Compilation

The Statistics Test

By using the central limit theorema approach (Hair et al. 2010; Gujarati, 2011) used for large sample sizes, when testing using a sample value of n> 30, there is a tendency to follow the normality curve.

The proof of the central value theorem (central limit theorem) is as follows:

If X is the mean of a sample with size n taken from the population with the mean μ and variance α2, then the limit distribution approaches the standard normal distribution . It mathematically can be written in the following equation :

$$\lim_{n\to\infty} P(Z \leq \ \pi) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{x} e^{-\frac{y2}{2}dy}$$

By looking over the Variance Inflation Factor (VIF) and Person Correlation Matrix. this values indicate that there is no high collinearity and multicollinearity. Based on Gujarati, (2011) as a rule of thumb autocorrelation test, du = 1.84513 and dl = 1.9356, the maximum value is 4-1.84512 = 2.15487. This test proves a good regression model, because it is free from autocorrelation.

Table2. *The Autocorrelation with Residual Error*

Autocorrelation Test		Regression Equity odel		
Description	Neg-Equity	Neg-Earnings	Pos-Equity	Pos-Earnings
Durbin Watson Value	2.10	2.07	2.054	2.050.
Result	Qualified	Qualifed	Qualified	Qualified

Note : significance level 5 %

By calculating the regression model (8), (9), and (10), the separating this observations can be done as the following test results:

1. Based on the negative residual error value, there are 745 observations, that pointed out that the firm had done the decreasing profit from actual in this observations.

2. Based on the positive residual error value, there are 438 observations, that pointed out that the firm had done the increasing profit from actual in this observations.

The Negative Manipulation Test

The test of with future performance based on equity is arranged as follows:

Future Performance On Equity = 5.43 + 1.06 X1 - 2.37 X2 + 2.76 X3 + 43.33 X4 + 66 X5 + 8.07 X6 + 1.87 X7 + 4.03 X8 + error1 .... (17)

The test of with future performance based on earning is arranged as follows:

Future Performance On Earnings = 1.68 + 2.58 X1 - 3.29 X2 + 7.78 X3 + 12.40 X4 + 27.89X5 - 2.25 X6 -4.92 X7 -1.3 X8 + error2 .... (18)

The results of multiple regression models test is presented in table 3 as follows

Table3 . *The Coefficient Regression of Total Accruals Quality's Testing*

The Measurement The Dependent Variable	*Future Performance on Equity*			*Future Performance on Earnings*		
Description :	**Coefficient**	**T**	**Sig**	**Coefficient**	**T**	**Sig**
1. Constant Coefficient Value	5.435	.391	.696	1.684	.743	.669
Dependent Variable						
2. *Total Accruals* (X1)	1.063	4.703	.000	2.589	4.038	.000
3. *Discretionary Tax Accruals* (X2)	-2.370	-.952	.034	-3.294	-.466	.006
4. *Dividend Pay Out* (X3)	2.768	3.877	.012	7.789	3.847	.014
5. *Total Accruals* Moderation (X4)	43.331	6.539	.000	12.401	6.596	.000
6. *Discretionary Tax Accruals* Moderation (X5)	66.008	.879	.038	27.897	.976	.033
Control Variable						
7. Log *Total Asset* (X6)	-8.072	-.847	.040	-2.250	-.832	.041
8. *Sales Growth* (X7)	-1.878	-.524	.006	-4.924	-.484	.063
9. Risk Level (X 8)	4.038	.090	.009	-1.302	-.692	.099
a. *Analysis Of Variance* F Value Test b. Significant Level *c.* *Adjusted R Square* *d.* *Koefisien R*	388,275 (> F Value, 0,519) 0.0000 (< 0.05) 0.875 0.878			392.862 (> F Value, 0.519) 0.0000 (< 0.05) 0.877 0.879		

Note : Significant Level 5 % Source : Secondary Data Compilation F Value=(0.05,0,519)

Table 3 shows the results of the same empirical test on measuring the future performance on equity and earnings. It can be arranged, as follows:

1. This test indicates that the first hypothesis (H1a1 and b1) is accepted. There is a positive relationship between the increase of total accruals quality and future performance in this firms.

2. This test indicates the second hypothesis (H2a) is rejected. There is a negative coefficient of discretionary tax accruals on the future performance in this firms.

3. This test indicates the third hypothesis (H3a1 and b1) is accepted. The dividend moderating variables and total accruals quality have a positive contribution to the future performance.

4. This test indicates that the fourth hypothesis (H4a) is rejected. The tax management variable have not been moderating variable on future performance. This pattern of relationship have interactions with future prospects.

The moderation results on firm, which have positive manipulation in table 4 below :

Table4. *The Moderating’s Results*

The Measurement	*Future Performance Based on Equity*			*Future Performance Based on Earnings*		
Variable	**Dividend Policy**	**Total *Accruals* Moderation**	**Tax Management Moderation**	**Dividend Policy**	**Total *Accruals* Moderation**	**Tax Management Moderation**
Significance	0.012	0.000/2	0.038/2	0.014	0.000/2	0.033/2
Coefficient		Positive	Positive		Positive	Positive
Result		To Strengthen	Interaction		To Strengthen	Interaction

Table 4 indicates that the dividend policy functions has moderated the total accruals quality and not moderated the tax management on future performance in the firms, which have the negative manipulation. By testing out two tails, it proves the moderating relationship between the dividend policy with total accruals quality and tax management has a significant influence, when the results of the division show the value < 0.05. This moderation have the significant level, when the significant in moderation results is smaller than the dividend.

The Positive Manipulation Test

The Test of future performance based on equity is arranged as follows:

Future Performance On Equity = 2.97 - 0.09 X1 + 0.04 X2 + 2.54 X3 + 0.16 X4 + 0.07 X5 + 0.01X6 + 0.03 X7 - 0.28 X8 + error3 .... (19)

The Test of future performance based on earnings is arranged as follows:

Future Performance On Earnings = 0.33 - 0.42 X1 + 0.31 X2 + 1.85 X3 + 0.08 X4 + 0.06 X5 + 0.02 X6 + 0.04 X7 + 0.81 X8 + error4 .... (20)

The results of multiple regression models test is presented in table 5 as follows:

Table5 . *The Coefficient Regression of Total Accruals Quality’s Testing*

Basic Measurement Independent Variable	*Future Performance on Equity*			*Future Performance on Earnings*		
Keterangan :	**Coeffisient**	**T**	**Sig**	**Coeffisient**	**T**	**Sig**
1. Constant Coefficient Value	2.971	.334	.007	.335	.794	.043
Dependent Variable						
2. *Total Accruals* (X1)	-0.097	-.768	.044	-.427	-7.141	.000
3. *Discretionary Tax Accruals* (X2)	0.040	.292	.008	.031	4.878	.000
4. *Dividend Pay Out* (X3)	2.549	.876	.030	1.853	.747	.045
5. *Total Accruals* Moderation (X4)	0.162	.820	.010	.080	5.043	.020
6. *Discretionary Tax Accruals* Moderation(X5)	-0.070	-.203	.008	-.065	-3.959	.060

Control Variable						
7. Log *Total Asset* (X6)	0.018	.593	.010	.021	.741	.010
8. *Sales Growth* (X7)	0.003	.110	.009	.040	.757	.008
9. Risk Level (X 8)	-0.289	-1.059	.029	-.081	-2.697	.007
a. Analysis Of Variance F Value Test	102,328 (> F Value, 0,519)			162.556 (> F Value, 0.519)		
b. Significant Level	0.0000 (< 0.05)			0.0000 (< 0.05)		
c. Adjusted R Square	0.651			0.601		
d. Coeffisient R	0.675			0.629		

Note : Significant Level 5 % Source : Secondary Data Compilation F Value=(0.05,0,519)

Table 5 indicates the results of the same empirical test on the future performance on equity and earnings can be arranged, as follows:

1. This test indicates that the first hypothesis (H1a2 and b 2) is rejected. There is a negative relationship between the increase of total accruals quality and the future performance in this firms.
2. This test inicates that the second hypothesis (H2b) is accepted, There is a positive value on the coefficient regression of discretionary tax accruals on the future performance in this firms.
3. This test indicates that the third hypothesis (H3a2 and b2) is rejected, the total accruals quality variable has a negative contribution to the future performance. The results of moderation do not act as moderating variables, it just only a interaction feedback.
4. This test shows that the fourth hypothesis (H4b) is accepted, the tax management moderating variable contributes positively on the future market performance. The dividend policy has moderating variables on future performance, particularly the strengthen’s relationship.

The moderation results on firm, which have positive manipulation in table 6 as follows:

Table6. *The Moderating’s Results*

The Measurement	*Future Performance Based on Equity*			*Future Performance Based on Earnings*		
Variable	**Dividend Policy**	**Total *Accruals* Moderation**	**Tax Management Moderation**	**Dividend Policy**	**Total *Accruals* Moderation**	**Tax Management Moderation**
Significance	0.030	0.010/2	0.080/2	0.045	0.020/2	0.060/2
Coefficient		Positive	Positive		Positive	Positive
Result		Interaction	To Strenghten		Interaction	To Strenghten

Table 6 indicates that the test results are different from table 4, the dividend policy have been the moderation variable on the tax management, in this case this moderation shows that dividend do strengthen the tax management’s relationship on the prospect’s performance in the future. On the other side this moderation variable has not moderated total accruals quality on future performance, it reflects on the interaction of feedback.

The Mapping of Investor’s Reaction to the Financial Statement Publication

By observing the results of the empirical test above, the research develop innovations using the model decision tree. The mapping patterns of management behavior and investor reactions are seen in Figure 8 below as follows

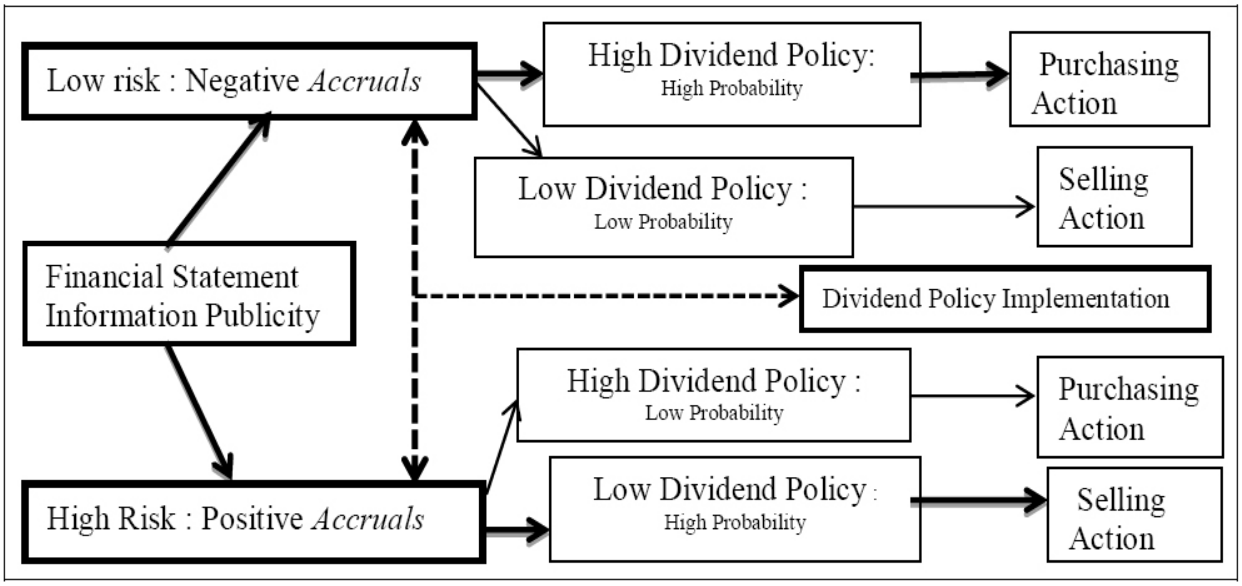

Figure8. *The Mapping of Investor Reaction to The Earning Management and Dividend Policy*

Note : Researcher compilation result

In Figure 8 indicates that there is an estimation of the high accruals use in the publication period of financial statements, this encourages management to reduce the accruals quality by using dividend policy as the dynamical communication process regarding the future company prospects. The negative investor perceptions of opportunistic behavior encourages management's prolivity to reduce out the level of firm risk by increasing the quality of accruals through high yielded dividend policy. The feedback process between investor reactions and future performance is seen through the decision tree model.

Conclusions

This empirical research has several conclusions, which can be presented as follows:

a. The research shows the improvement of earnings quality have the different result on the positive and negative manipulation, when the testing uses the measurement of future performance on equity and earnings value. By looking over the coefficient regression on firm which have the negative manipulation, the increasing the total accruals quality give the positive investor perception, because of misleading information in this financial reporting. When looking over the firm, which have the positive manipulation, this shows the capability of investor in detecting the usage of accruals, so the improvement accruals quality is meaningless communication. This indicates the ability of investors to distinguish companies that have a "good prospect", the tendency to increase profits from real value reflects the inability of future company expansion. The use of accruals helps a number of investors 's estimate the company's future work.

b. The tax management have indicated the differences influences on the future performance in the firm, which have the positive and negative manipulation. The management have proclivity to do the tax payment in low rate, when the firm have the negative manipulation, because of the high confidence in the better future. This one have given the high pressure on management to level up the tax saving, the investor have negative perception on tax explosure in the future, including the agency cost. By doing this regression testing, it shows that the management has the willingness to do the tax payment in high rate, because the management wants to maximum the firm value by increasing the discretionary tax accruals. By showing out the high flexibility in planning tax payment, the tax management have the different invluences on the procpect in future.

c. The moderation between dividen and accruals quality give the different contribution, it depends on the manipulation pattern. The dividend policy have been the strengthen moderation the accruals quality and the future performance in this firm, which have the negative manipulation. In this case dividend can levelp down the posibility of usage of accruals in the minimum point. When a company is indicated to increase profits from the actual, the dividend policy is not able to encourage management to improve the quality of reporting, because the management have a subjective motive to report the management of this company have been on the right track.

d. The dividend policy do not encourage management to reduce the use of discretionary tax accruals, when the company have the negative manipulation. It illustrates the interaction of feedback relationship significantly. The combination of dividend policy and tax management has a positive influence on future performance, when the investors have a positive perception of tax payments. Based on the the firm, which have the positive manipulation, the testing proves that the dividend policy have been the strengthen moderation between the tax management and the future performance. The dividend policy encourages management to have the high obedience of tax regulation by minimizing the discretionary tax accruals.

Recommendations for Next Research

There are several points to be recomended as follows:

1. For the next research, the integrated model can expected to calculate the accurate possibility in estimating management in implementing the negative oar positive manipulation.
2. This current research indicates that management does not consistently use positive and negative manipulation, it is expected that next research can use a comprehensive model by using the combination measurement with the primary and secondary data as proven empirical of earning quality.

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