



The Effect of Industrial and Geographic Diversifications on the Earnings Management of the Manufacturing Companies in Indonesia

Hasan BASRI^a

Dahlia BUCHARI^b

^a Corresponding Author, Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia, P_haasan@unsyiah.ac.id

^b Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia

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Abstract

This research was conducted to address the prevalent issues regarding the effect of industrial diversification and geographic diversification either partially or simultaneously on the practice of earnings management. By utilizing purposive sampling techniques on the secondary data, the total of 80 sample studies were drawn from manufacturing companies listed on Indonesian Stock Exchange for the period of 2011-2014. Multiple linear regression analysis provided by SPSS 21.0 was also employed to test the hypotheses constructed within this research.

The result of the multiple linear regression analysis presents evidence that industrial diversification and geographic diversification simultaneously have a significant effect on the practice of earnings management. Alongside, it also affirms that partially, industrial diversification and geographic diversification have a significance effect on the practice of earnings management. These findings provide scholarly evidence on the implication of diversification strategies on the practice of earnings management to help financial statement users (investors, creditors, stakeholders, etc.), accounting standard setters, and regulators to assess the pervasiveness of earnings management within the company.