SRIWIJAYA INTERNATIONAL JOURNAL OF DYNAMIC ECONOMICS AND BUSINESS

Conservatism Accountancy, Profit Persistence and Systematic Risk Towards The Earnings Responses Coefficient

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ABSTRACT

The purpose of this research is to understand the influence of investor reaction towards profit that measured by the earning response coefficient with the variable of conservatism accountancy, persistence of profit and the systematic risk at the company, which have high market capitalization and listed in the LQ 45 index. Population in the research are companies, which are listed in the LQ 45 index from the period of 2011 to 2015 that have complete financial information, and have financial notation in the form of Rupiah and excluded from the banking sector. The analysis method that being used is multiple linier regressions analysis and the result shows that conservatism accountancy partially significant affecting the Earning Response Coefficient. It shows that there is an investor reaction towards companies in the Index LQ 45, which applies conservatism accountancy in gaining profit. Profit persistence and the systematic risk is not significantly affecting earnings response coefficient.

INTRODUCTION

Indonesian scope of investment business in the stock market circulation is started to grow rapidly. It could be seen from the quantity growth of the companies and the market capitalization at the Indonesian Stock Market (BEI). The investment business is being fond by the business society particularly by the investor. It is because of the allocated fund is considered to bring benefit in the future. From the type of investment point of view, investor that allocating some of their private assets to add profit, is categorized as investor that choose investment on the financial asset by buying financial instrument such as shares, bonds, warrants, or mutual fund (Susilo, 2009).

Figure 1 shows the composition of the foreign investors and the domestic one that summarized in the yearly statistical report summary (IDX, 2015) which shows the change of the investor number that fused in the Indonesian Stock Market from year 2004 – 2015. From the said picture, it can be said that the increase of the investor' number in the first quarter of the year 2012 up to the year 2015 have the same average, such the balance of the investor's type shows that the investment activities is started to become more preferably as the promising business activities.

Figure 1. The Graph of Stock Market Trading According to the Types of The

Investors
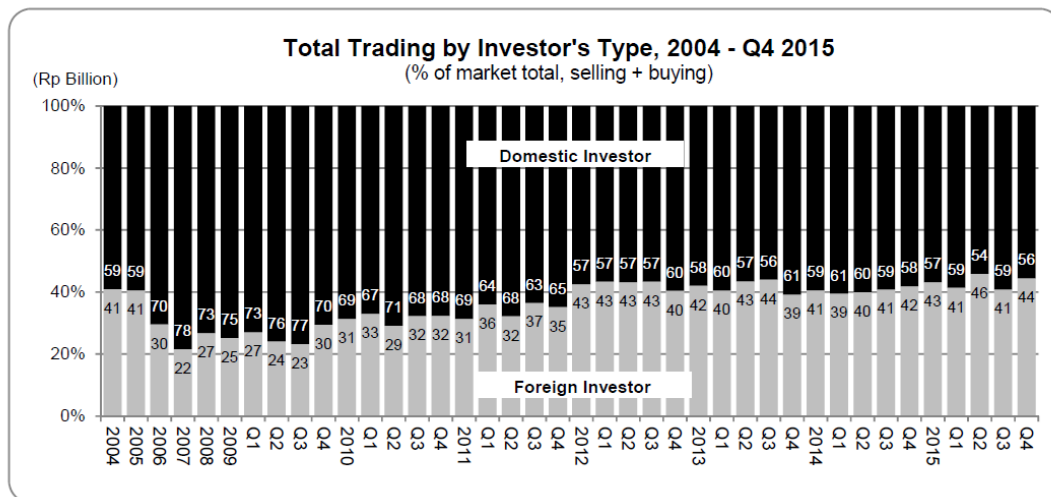
Source: IDX Factbook 2015

Financial transaction specially in buying stock, investors need to take note of or to pay attention on the value that being contained from the result of the said stock transaction. The most preferable result of the transaction is when the investor is gaining the profit. Profit is pertained as the re-payment for the

company's effort, in the form of the increasing assets in particular period of time, that will be distributed to the creditors, stock holders, including the investor (Suwarjono, 2013).

The profit, which is announced by an emitter in a stock market movement, will influence the investor decision in selling or buying such the stocks. It is because the investor has the hope in the future or the advantage from buying the stock, which normally called as stock return. Return is pertained by investor as the outcome obtained from the investment activities which is already happened or not yet happened or that is still being expected to be happened in the future (expected return) (Jogiyanto, 2013).

Persistence profit appears when the company is able to increase its performances until creating the quality on good profit information. With such the condition, investor will be interested by giving the response on the stock movement, which is still revolves at the stock market. Profit notification done by the company will affecting the market reaction, such the reaction could be in the form of the changes in trade volume or in the change of the stock's price.

This profit quality is related to the profit information reported by the company, that could influence the investor decision when such the information is concerning with such the profit where the profit is a net profit that mentioned in the income statement report and the ability of the company in creating the said profit as the predictor of the future profit. Predictive value is where such the profit information will become crucial information for the user of the financial report. Except taking note of quality factor on profit information, conservatism accountancy is another factor to become the consideration in knowing the market response in creating return market (Diantimala, 2008). This accountancy conservatism practice is proofing that the profit, which is generated by the company will be more qualified because the implementation of the conservative accountancy is preventing the company in making the financial report or the profit over statement.

One of the company that activates the conservative profit earning is PT. Bank Mandiri, Tbk with not too significant profit growth in quarterly period in the year 2015, but still it make this company is ranked as the big 10 category of 50 market capitalization also included in category active stock trading (IDX, 2015). Profit quality that measured by Earnings Response Coefficient implemented by estimating the abnormal stock that responding the un-predictable component from the profit that reported by the company with the existence of the stock publication which is refer to the strong or weak the relation between the abnormal return and un-expected return.

An investor has to decide factor of choosing type of stock, type of security, to invest and also has to consider when such the investor do the investment. That is related to the pattern of the profit, which is gained by the investor that concerning with the return of stock trading in the stock market. The profit or return that gained by the investor is also related to the risk that could influence

the level of stock demand and supply in the market. The uncertainty that could be faced by the investor is the deviation between the expected return and the actual return namely the risk.

Two types of risk that could be faced by the investor are Systematic Risk and Non Systematic Risk. Systematic Risk could be happened in relation with the stock movement in the dominant market, while for the Non Systematic Risk, an investor will face this risk when it is happen in a particular stock level. The Systematic Risk is a risk that cannot be avoided or diversified by the investor in a pattern of stock trading, when this risk is happen, all types of stock will suffer the loose such as the interest rate, foreign exchange rate, and the government policies are also being affected. The earning response that happen in the stock market is influenced by various factors that could influencing one company response earning differences such as: 1) Beta (Systematic Risk); 2) Capital Structure (leverage); 3) Earning Persistence; Profit/Earning Quality; 5) Growth Opportunities; 6) Price Informative; (Rahmawati, 2012).

Delvira (2013) concluded that the Systematic Risk Factor has the negative and significant relation towards the earning response and the size of the earning persistence has the positive relation where similar result is obtained by Margaretta (2006).

Besides, the principal of the financial report which is influenced by conservatism accountancy, which is presumed can influencing the earning quality that creates by the company that implements the conservative accountancy gets positive response from the investor in relation with the earning which is provided at the financial report that has been published (Tuwentina & Wirama, 2014).

Another research concerning with the conservatism accountancy is done by Suaryana (2007) with the result of the study telling that company which is implementing conservatism accountancy practice has a lower prediction ability towards earning response compare to the company that implementing the optimistic accountancy. The implementation of this conservative accountancy is not affecting the different of the earning response coefficient because the more conservative, a company tends to fluctuated because it can generates the bias earning and tend to report the earning which is not actual (Utami, 2015).

The basic thinking of an investor regarding to the earning response coefficient is that the investor has the future calculation (expectation) concerning with the earning which is reported by the company for the future period. A research conducted by Mulyani, et al. (2007) stated that earning persistence has a significant positive influence toward the earning response coefficient and the research which is conducted has the different result from the research that conducted at the manufacture company in the period of time year 2009 – 2012 with the result that the earning persistence is not affecting the earning response coefficient with the reason that the company in an observation period is generating fluctuate earning so the investor is consider that the change of the

earning which is happened is not influencing the investment decision that has been taken (Buana, 2014).

This research of the earning response is choosing the stock emitter that registered in the index LQ 45 because the stock which are traded are the active stocks with high level of liquidity, the superior stock which is available in the Index LQ 45 also the form of a group of stock which is originated from each sectors available at Bursa Efek Indonesian/Indonesian Stock Market (Susilo, 2009).

LITERATURE REVIEW

Efficient Market

The market condition is called efficient by seeing how is the market response caused by the existence of information on the stock prices. The relation between the market reaction and the information received could become the reference in evaluating the market (Susilo, 2009). Efficient market as one of the tool to disseminates the information to the investors with relevant characteristic, on time, could be trusted and economist. Information that usually being involved in the market evaluation is being formed from the information appeared in the financial report (Buana, 2014).

Ahmad Rodoni and Othman Yong in (Fahmi & Hadi, 2009) named the conditions of efficient market is attached in the stock price criteria which is independent or which is fluctuated, where there is no one can influencing the movement of the stock price. The other criteria is the company must uncover information relate d to the operational activities that can attracts investor to make the quick action to face new information such as information regarding earning that has been generated.

The tendency of the un-bias stock price information is happen in an efficient market condition., the opening and the closing stock price that move accurately in accordance with the prediction can be the chance for the investor, compare to the bias information of the stock price from the un-efficient market condition. Investor's needs various information are taking place properly and opened without any thing is hidden.

The needed information are all information issued by the company in the form of periodically financial record, time series and could be used to predict the conditions that could be happen in the future (Fahmi & Hadi, 2009). Market efficiency in accordance with information such as earning announcement could be absorbed and response faster by the investors. The difference of the market reaction is happened when the signal received by the market as the result of the information from each company (Rodoni & Yong, 2002).

Financial statement analysis written by Foster G (Jogiyanto, 2013) explains various kinds of information or the announcements that could influence the stock price. One of them is influenced by such the indicators:

1. Earning related announcement; a. Initial yearly report; b. Detail yearly report; c. Initial interim Report; d. Detail interim report; e. The report of the changes of the accountancy's method. And f. the auditor report
2. Forecast announcement by company officials; a. Prediction of the earning prior to the end of the fiscal year.
3. Securities Industry Announcement; a. Report of the Yearly Meeting; b. The Changes of the stock ownership; c. Price and Trade Volume Report.

From those three indicators, this research is more focus on examining the response of the investors via indicators that related to the earning/profit and also the announcement published by securities industry where such the industry is covering the emitter included in the index LQ 45.

Conservatism Accountancy;

Conservatism Accountancy is a principle of carefulness implemented by the company in reporting the financial report towards the records of the income and expenses account (Suwardjono, 2013). An accountant interprets conservatism accountancy by recognizing good news as the benefit compare to the bad news as a loss (Basu, 1997).

Companies implementing conservatism accountancy will caused miss-matching where the future cost will be matched with the recently income, where ideally, the recently cost period is to be matched with the income in the same period. Such the miss-matching will caused understatement towards the earning in the recently period, that tend to be directed to the overstatement of the earning in the next period that caused by the understatement of the cost in the such period (Chen, et al., 2007).

Companies that implementing conservatism accountancy reporting the low earning compare to the companies that implementing optimistic accountancy. It is said that the implication of conservative accountancy to the companies will be reflected in the companies operational activities such as; 1) Slowing the admission of the income or revenue, 2) Fastening the admission of responsibility or expenses, 3) Lowering the value of the assets; and 4) Raising the value of the debt. Those are making the net assets value of the company become smaller (Wijaya, 2012).

Widya (2004) in (Wijaya, 2012) assumed two categories for a company that called as a company implementing conservative accountancy. Among them: Stock method that chosen by the company that implementing conservative accountancy is FIFO and the average with the assumption at the situation of the economic inflation the company still producing a conservative financial report and the depreciation method that chosen is the double declining depreciation balance method with the assumption that the choose of the method of linear

depreciation will create the high cost. One of the main focus in the financial report is earning/profit report that provide information regarding financial performance of one company in one particular period. Creditors and investors as the user of the financial report can use the earning information and its components to assists in knowing the things such as; 1) To evaluate the company's performances; 2) Estimating the ability to earn in the long run; 3) Predicting the future earning and; 4) To measure the investment risk or loan for the company (Savitri, 2016).

This careful principle is a reminder for the company in stating the high value of the assets because the high assets caused the cost needed is bigger because the company has to declare such the cost at the recently period (Utami, 2015). The company that implementing conservatism accountancy will generate the qualified earning because such the principle will avoid the company in reporting the overstatement earning or avoid the company by purpose provide earning in a big amount. Investor will refer to that earning in making decision to invest in regard with the earning expectation, which is expected by the investor in the future (Wijaya, 2012).

The Earning Persistence

The earning that created by the company is an activity that happened caused by the effort to cover the cost that expended from the revenue as a proof of the achievement on the persistence of the life cycle of the company (Suwardjono, 2013). Earning/profit is important information in a financial report. Profit could become the basic calculation of tax; to calculate the dividend that will be distributed to the owners and that will be hold by the company; earning is also become the guidance in stipulating the investment policy and the decision making; and the interesting one is the earning could be made as the reference of earning forecasting or the forecasting of the company's economic affair in the future (Harahap, 2012).

Profit that being made as the earning basic forecasting is related to how an investor responding good news information from a company's stock movement. The persistence earning will influence the stock volume movement which is circulated in line after the company announced its earning via the published financial report (Buana, 2014). The earning persistence is measured by looking for the coefficient slope of regression between the recently period of the accountancy and the accountancy earning in the previous period. The accountancy's earning is believed has fulfilled the conservatism principle, because basically only recognize the earning that has been realized and based on the matching principle where earning/profit is the outcome minus expenses that received or expended at the same period. The more persistence the earning, the stronger the company in predicting the company's economic condition in the future (Mulyani, et al, 2007).

Systematic Risk

The risk that faced by all companies, this risk has general characteristic and valid for all stock that circulated in the stock market. The systematic risk is the risk that cannot be removed by doing the diversification because the fluctuation of the systematic risk is influenced by macro factor that can influencing the aggregate market (Darmadji & Fachruddin, 2012).

Systematic risk is commonly called as the market risk that being proxy using beta proxy with the single index model (Utami, 2015). Beta is the size of the coefficient number that shows sensitivity or the trend of the response of a stock towards the market. The risk means the differences between the realized return the expected return which is happened as one thing that harm the investor while investing in a company (Darmawan & Purnawati, 2015).

Beta as the measures value of the systematic risk from one security against the market risk value of its stock index (Jogiyanto, 2013). A company's beta value is used as the indicator to indicate the risk, which is related to the relation between a stocks earning level in the market. The low systematic risk value also has the tendency to be changed because of the macro economic condition and the internal company's condition. The company with less wealthy financial condition can be lowering the company's value on its generated performance (Kurniawati, et al., 2008). Investor will reduce its receiving risk level by considering a company's specific risk in its investment decision. Investor will value the recently earnings to predict the future earning and return, when the future earning has the high risk, the investor reaction on the earning expectation will be low (Darwanis & Andina, 2013)

The Earning Response Coefficient

At the time the company announced its accountancy earning, the market condition is the expectation of how big the earning a company's stock price information publicly available to stipulates the difference between the Expected Earning and the Realized Earnings. Such the difference is called the Shocking Earning (Suwardjono, 2013).

The shocking Earning is presenting information that haven't caught by the market so the market will react at the time of the announcement which is reflected by the change of the company's stock price (return) (Buana, 2014). The stock price and the earning has relation regarding to the information's content with the analysis. When the change of the unexpected earning is positive, the company has a positive abnormal rate of return that recognized as good news for the investor. On the other side, if the unexpected earning is negative, so it has a negative abnormal rate of return that makes investor recognize that information as the bad news (Mulyani, et al., 2007). The earning information contended in the earning that generated by the company is measured by using proxy ERC (Earning Response Coefficient) by using the indicator of abnormal return of a stock as a response on the shocking earning's

component that reported by the company in the movement of its stock in the market (Scott, 2009).

Earning Response Coefficient is being used to explain the market reaction on the earning information, which is announced by the company (Dyantimala, 2008). The appearance of the investor's reaction on the Earning information's consideration that resulted by each company has caused the value of the earning response coefficients are different on one to another company during the observation period. To know the period of observation's duration in deciding the abnormal return, three observation windows are used such as; 1) Before the case happened; 2) After the case happened; 3) The period of the case happening (Prakarsa, 2006).

The increase of the company's earning not always being followed by the positive such the increase of the stock price and vice versa, if the company's earning is decreasing, the earning of the stock price is not always be decreasing also. For that, such the ERC is being used as the evaluation model to indicates the increase or the decrease of the stock price because of the market reaction on the company's earning's information (Buana, 2014).

METHODS

Population And Sample

Population in this research are companies that listed in LQ 45 index during the period of 2011 – 2015 or during 5 years of the observation. The author choose LQ 45 index as the research population in order to get deepen result from the earning response coefficient that will be created by some sectors of the research sample. The selected companies that will be examined is to be put on the Table 1: Population of Companies Index LQ45.

Table 1. Population Companies Index LQ45

Explanations	Number of Companies
Population companies of Indonesian Stock Market (BEI) that registered in the Index LQ45 year 2011 - 2015	92
BEI companies that constantly registered in the Index LQ45 year 2011 - 2015	21
BEI companies Banking Sectors that constantly registered in the Index LQ45	(4)
using other currency out of Rupiah .	(4)
Total Sample during the observation	13

Source: www.sahamok.com (processed on July 2006)

From the above chosen sample the writer gets around 13 companies that has data completeness to be made as the sample of the companies that will be observed. Those 13 companies are listed in table 2 below.

Table 2. List of Companies in LQ45 Index

No	Stock Codes	Name of the Companies	Sectors
1	AALI	Astra Agro Lestari Tbk	Agriculture
2	ASII	Astra International Tbk	Miscellaneous Industry
3	GGRM	Gudang Garam Tbk	Consumer Goods Industry
4	INDF	Indofood Sukses Makmur Tbk	Consumer Goods Industry
5	INTP	Indocement Tunggal Prakarsa	Basic Industry and Chemicals
6	KLBF	Kalbe Farma Tbk	Consumer Goods Industry
7	LPKR	Lipo Karawaci Tbk	Property, Real Estate and Building Construction
8	LSIP	PP London Sumatera Indonesia Tbk	Agriculture
9	PTBA	Tambang Batubara Bukit Asam Tbk	Mining
10	SMGR	Semen Indonesia (Persero) Tbk	Basic Industry and Chemical
11	TLKM	Telekomunikasi Indonesia (Persero) Tbk	Infrastructure, Utilities and Transportation
12	UNTR	United Tractors Tbk	Trade, Service and Investment
13	UNVR	Unilever Indonesia Tbk	Consumer Goods Industry

Source : www.sahamok.com (processed on July 2016)

Analysis Method

The Analysis Method that being used is the Multiple Linear Regression Analysis, with the formula such as follows:

$$ERC_{it} = \beta_0 - \beta_1 CONACC_{1it} + \beta_2 EP_{2it} - \beta_3 RS_{3it} + \varepsilon$$

Where:

B_0	: Constant
β_1, β_2, β_3	: Appraising Coefficient Regression
CONACC	: Conservatism Accountancy
ERC	: Earning Response Coefficient
EP	: Earning Persistence
RS	: Systematic Risk

Variable Measurement

The measurement of the variables that being used in this research are briefly shows on the Table 3 as follows:

Table 3. Measurement of the Variables

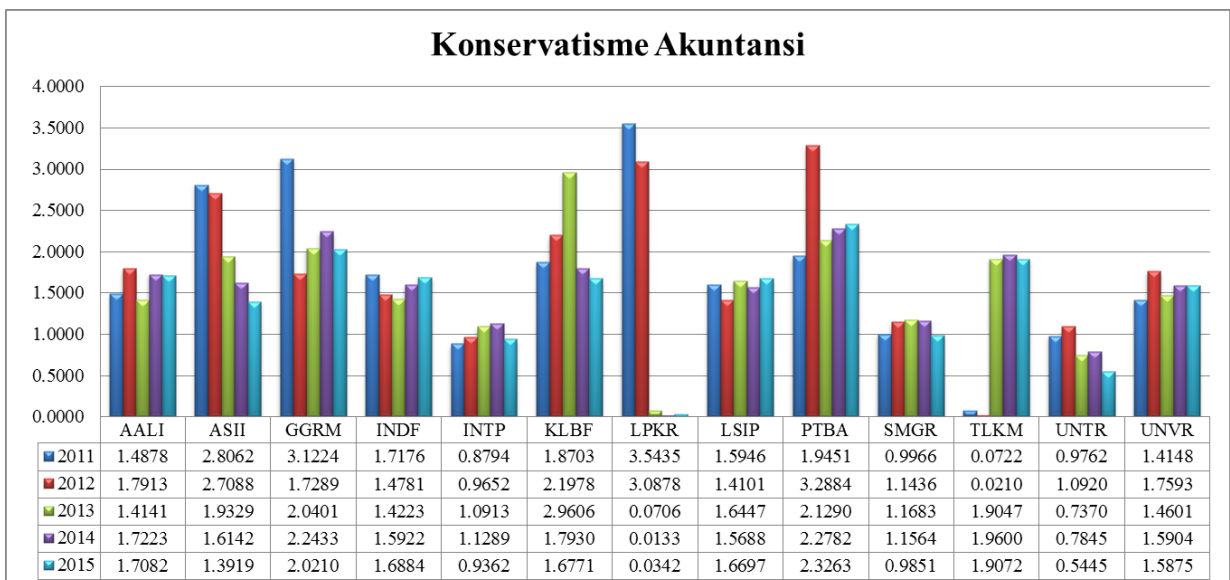| Variable	Indicators
Independent Conservatism Accountancy	(Watts, 2002),(Irwanto, 2015) $$CONACC = \frac{(NI_{i,t} + Dep_{i,t} - CFO_{i,t})}{TA_{i,t}} x - 1$$ Where: CONACC = Conservatism Accountancy NI = Company's Net Earning DEP = Depreciation Amortization Accumulation CFO = Net Cash Operational Activities TA = Total Asset i,t = Observation period at the company
Systematic Risk	$\beta_{i,t} = \frac{\sigma im}{\sigma^2 m}$ (Jogiyanto, 2013)(Mulyani, et al., 2007) $R_{it} = \frac{(P_{it} - P_{it-1})}{P_{it-1}}$ $R_{mt} = \frac{(Indeks saham LQ45_{it} - Indeks saham LQ45_{it-1})}{Indeks saham LQ45_{it-1}}$ Where: β = Beta Earning (Indicator Systematic Risk) $\sigma^2 m$ = Varian of the return indeks of the stock LQ45 (R_{mt}) σim = Covarian of the company's stock return at year t (R_{it}) R_{mt} = Stock Return Indeks LQ45 R_{it} = The Company's stock Return i pada tahun t P = The Closing Price of the company's stock i pada tahun t IHSG = Stock Price Index LQ45 pada tahun t
Earning Persistance	$EP_{it} = \alpha + \beta NI_{it-1} + \varepsilon$ (Delvira, 2013) Where: β = Slope of coefficient Regression as the value of Earning Persistence EP = Net earning after tax the company i in the year t NI = Net earning after company's tax i in the year t-1
Dependent Earning Response Coefficient	$CAR_{it} = \alpha + \beta UE_{it} + \varepsilon$ (Syarifulloh & Wahyudin, 2016) ; (Delvira, 2013) $CAR_{it(-3,+3)} = \sum_{t=-3}^{+3} AR_{it}$ $UE_{it} = \frac{EPS_t - EPS_{t-1}}{EPS_{t-1}}$ $AR_{it} = R_{it} - R_{mt}$ Where: CAR = Proxy of the *Earnings Response Coefficient* β = Slope of the coefficient Regression as the value of ERC AR = The company's *Abnormal Return i* in the period of t it = The Company's stock *Return i* in the period of t Rmt = Market *Return* in the period of t UE = The Shocking Earning EPS = Earning of each stock

Source: (Watts, 2002); (Irwanto, 2015); (Jogiyanto, 2013); (Mulyani, et al., 2007); (Delvira, 2013); and (Syarifulloh & Wahyudin, 2016)

Description Variable

Conservatism Accountancy

The measurement of the Conservatism Accountancy involving the value of Net Earning, the accumulation value of depreciation/amortization and the value net cash from the operational activities of the company so the earning quality that create by the company could be evaluated. In this regard the conservatism accountancy principle that conducted by the company LQ45 as the object of the research is shown by the calculation result to get the value of CONACC, if the value/point of CONACC become higher it is means that the company is more conservative compare to the company with the lower points of CONACC.

Figure 2. The Graph of Conservatism Accountancy

	AALI	ASII	GGRM	INDF	INTP	KLBF	LPKR	LSIP	PTBA	SMGR	TLKM	UNTR	UNVR
2011	1.4878	2.8062	3.1224	1.7176	0.8794	1.8703	3.5435	1.5946	1.9451	0.9966	0.0722	0.9762	1.4148
2012	1.7913	2.7088	1.7289	1.4781	0.9652	2.1978	3.0878	1.4101	3.2884	1.1436	0.0210	1.0920	1.7593
2013	1.4141	1.9329	2.0401	1.4223	1.0913	2.9606	0.0706	1.6447	2.1290	1.1683	1.9047	0.7370	1.4601
2014	1.7223	1.6142	2.2433	1.5922	1.1289	1.7930	0.0133	1.5688	2.2782	1.1564	1.9600	0.7845	1.5904
2015	1.7082	1.3919	2.0210	1.6884	0.9362	1.6771	0.0342	1.6697	2.3263	0.9851	1.9072	0.5445	1.5875

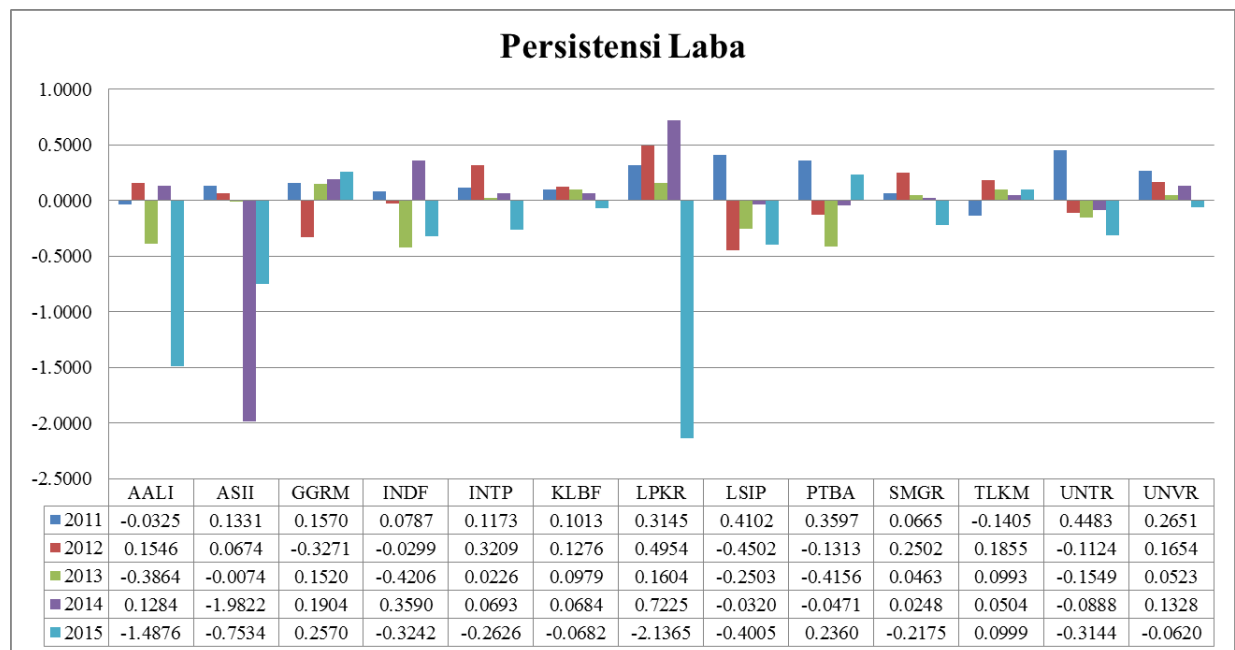Source: Data was processed December 2016

The achievement of points of CONACC by each emitter is shown in the Figure 2, measurement the point of CONACC that originated from the calculation operation of the Net Earning value (plus depreciation or amortization) minus Net Cash Value of the operational activities and then divided by total value of the asset will produce the value of CONACC. Then the value of CONACC times negative one (-1) until the value of CONACC becomes positive. Givoly & Hayn (2002) state that the higher the points of CONACC, means the company has conducted the conservatism accountancy principle. The highest and the lowest points of Conservatism Accountancy belongs to Lipo Karawaci Tbk (LPKR) with the point of 3.545 in the year 2011 and 0.0133 in the year 2014.

The high assets of LPKR in the year 2004 such as Rp.37.761.171 million is increased if it is compare to the year 2011 which is only Rp.18.259.171 million, The change of the LPKR asset's value is followed by the increase of the net

earning value that happened in the year 2011 and 2014. One of the implementation concepts of the implementation of the conservatism accountancy is lowering the evaluation of the debt, LPKR has been proven to have the value of debt higher than the value of the assets that owned by the company. Figure 2 shows there are 6 emitter which are stable in implementing conservatism accountancy. Some of them are: Astra Agro Lestari Tbk (AALI), Indofood Sukses Makmur Tbk (INDF), Indocement Tunggal Prakasa Tbk (INTP), PP London Sumatera Indonesia Tbk (LSIP), Semen Indonesia Persero Tbk (SMGR) dan Unilever Indonesia Tbk (UNVR). The average value of the conservatism accountancy's gain in the LQ 45 Companies as the research object is 1,5846 so it can be concluded that the conservatism accountancy principle has been implemented by each of the emitter.

Earning Persistence

Figure 3. The Graph of the Earning Persistency

	AALI	ASII	GGRM	INDF	INTP	KLBF	LPKR	LSIP	PTBA	SMGR	TLKM	UNTR	UNVR
2011	-0.0325	0.1331	0.1570	0.0787	0.1173	0.1013	0.3145	0.4102	0.3597	0.0665	-0.1405	0.4483	0.2651
2012	0.1546	0.0674	-0.3271	-0.0299	0.3209	0.1276	0.4954	-0.4502	-0.1313	0.2502	0.1855	-0.1124	0.1654
2013	-0.3864	-0.0074	0.1520	-0.4206	0.0226	0.0979	0.1604	-0.2503	-0.4156	0.0463	0.0993	-0.1549	0.0523
2014	0.1284	-1.9822	0.1904	0.3590	0.0693	0.0684	0.7225	-0.0320	-0.0471	0.0248	0.0504	-0.0888	0.1328
2015	-1.4876	-0.7534	0.2570	-0.3242	-0.2626	-0.0682	-2.1365	-0.4005	0.2360	-0.2175	0.0999	-0.3144	-0.0620

Source: Data was processed December 2016

The persistence condition of the earning that produced by the company will influence the investor decision (Buana, 2014). The earning, which is said persistence shows the strong relations between accountancy earning of the company and the stock abnormal return, so the influence to the earning response coefficient is become bigger. Measurement of the coefficient regression slope of the net earning after tax is shown in figure 3.
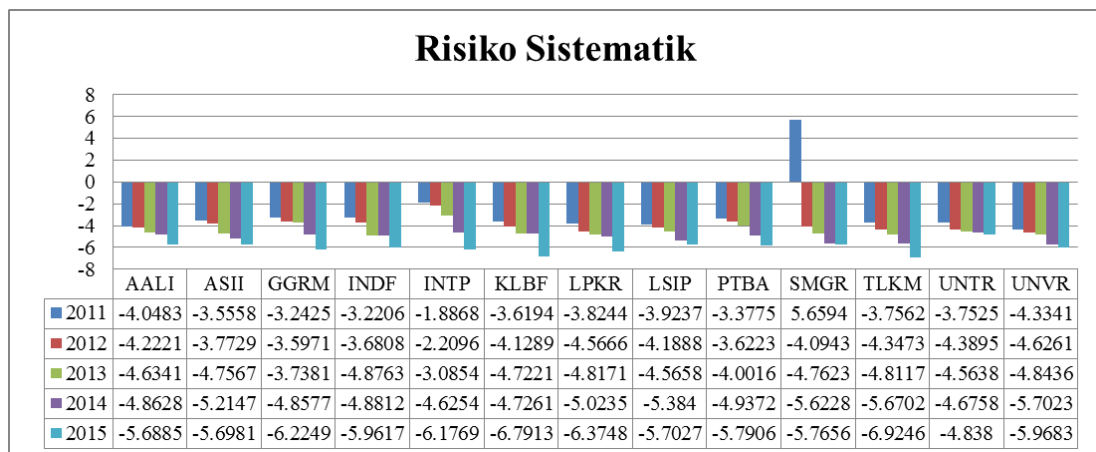
When the result of the regression slope of the accountancy earning after tax in the period year of observation with the accountancy earning after tax before the year of observation is bigger than 1 ($\beta > 1$) it is means that the earning of the

company has the high persistence. If the value of Beta is bigger than zero (β> 0) shows that the earning of the company is persistence. And if less or as same as zero (β≤ 0) means the company's earning is fluctuated and is not persistence (Marisatusholekha & Budiono, 2015). It can be shown in the picture 4.2 the highest and the lowest value of the Beta Slope Earning Persistence belong to Pt Lipo Karawaci Tbk (LPKR) at 0,7225 and the lowest value of Beta - 2,1365.

The average Beta value at each emitter can says that the companies are not persistence in pronouncing the accountancy earning in its financial report. It can be shown from the 13 emitter as the research object have negative points of beta which is means that the emitters are not showing the earning which is persistence. If we look at the period of 2011-2014, there are some of the companies that showing the earning information at the level of persistence. They are: Indocement Tunggal Prakasa Tbk (INTP), Kalbe Farma Tbk (KLBF), Lipo Karawaci Tbk (LPKR), Semen Indonesia Persero Tbk (SMGR), dan Unilever Indonesia Tbk (UNVR) with the beta gaining more than zero (β> 0). In the year 2015 most of the companies showing earning value smaller than the year 2014, so the change of the earning become negative and only some of the emitter which have beta more than zero (β> 0). in the year 2015 such as Gudang Garam Tbk (GGRM), Tambang Batubara Bukit Asam Tbk (PTBA) dan Telekomunikasi Indonesia (Persero) Tbk (TLKM).

Systematic Risk

Figure 4. The Graph of the Systematic Risk

Risiko Sistematik	AALI	ASII	GGRM	INDF	INTP	KLBF	LPKR	LSIP	PTBA	SMGR	TLKM	UNTR	UNVR
2011	-4.0483	-3.5558	-3.2425	-3.2206	-1.8868	-3.6194	-3.8244	-3.9237	-3.3775	5.6594	-3.7562	-3.7525	-4.3341
2012	-4.2221	-3.7729	-3.5971	-3.6808	-2.2096	-4.1289	-4.5666	-4.1888	-3.6223	-4.0943	-4.3473	-4.3895	-4.6261
2013	-4.6341	-4.7567	-3.7381	-4.8763	-3.0854	-4.7221	-4.8171	-4.5658	-4.0016	-4.7623	-4.8117	-4.5638	-4.8436
2014	-4.8628	-5.2147	-4.8577	-4.8812	-4.6254	-4.7261	-5.0235	-5.384	-4.9372	-5.6228	-5.6702	-4.6758	-5.7023
2015	-5.6885	-5.6981	-6.2249	-5.9617	-6.1769	-6.7913	-6.3748	-5.7027	-5.7906	-5.7656	-6.9246	-4.838	-5.9683

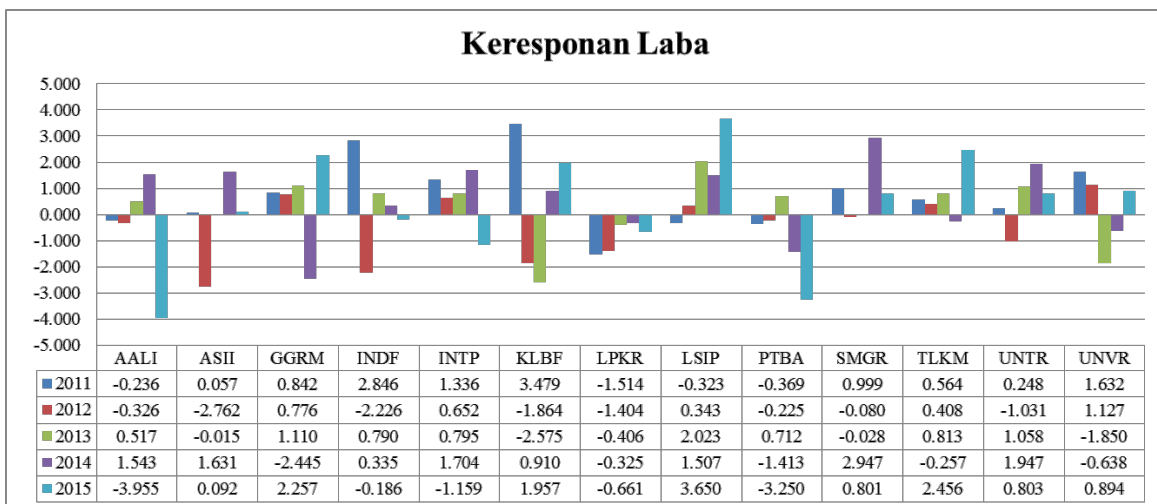Source: Data was process December 2016

The systematic risk with the model of CAPM is using the company co-variant stock return data with the variant stock return Index market LQ45 that measured to get the investment risk scale that gained by the investor. The earning which have been produced by the companies since the year 2011-2015 move fluctuated and influencing the scale of stock prices that happened at the date of the report of the company's earning publication. The value of the Systematic

risk of the sample research shows that a low risk value under zero (0). With the average point is -4,47072 it can be said that the investor will pay attention to such the company to make the investment decision to get profit in the future.

In 5 years, the company with the highest point of risk such as 5,6594 belong to Semen Indonesia (Persero) Tbk and the lowest points is belong to Telekomunikasi Indonesia (-6,9246). Unilever Indonesia Tbk has the smallest point of risk in the year 2011 – 2012 and 2014, while the company with the lowest point of systematic risk in 2013 is Indofood Sukses Makmur Tbk and the smallest point of systematic risk in the year 2015 is Telekomunikasi Indonesia Tbk. Company with the highest point of systematic risk in 2011 is Semen Indonesia Tbk such as 5,6594 and for 3 years continuously since 2012-2014 Indocement Tunggal Prakasa Tbk get the highest point of systematic risk. In the year 2015 United Tractor Tbk get the score of -4,838.

Earnings Response Coefficient

Figure 5 : The Graph of The Earning Response Coefficient

	AALI	ASII	GGRM	INDF	INTP	KLBF	LPKR	LSIP	PTBA	SMGR	TLKM	UNTR	UNVR
2011	-0.236	0.057	0.842	2.846	1.336	3.479	-1.514	-0.323	-0.369	0.999	0.564	0.248	1.632
2012	-0.326	-2.762	0.776	-2.226	0.652	-1.864	-1.404	0.343	-0.225	-0.080	0.408	-1.031	1.127
2013	0.517	-0.015	1.110	0.790	0.795	-2.575	-0.406	2.023	0.712	-0.028	0.813	1.058	-1.850
2014	1.543	1.631	-2.445	0.335	1.704	0.910	-0.325	1.507	-1.413	2.947	-0.257	1.947	-0.638
2015	-3.955	0.092	2.257	-0.186	-1.159	1.957	-0.661	3.650	-3.250	0.801	2.456	0.803	0.894

Source: Data was processed December 2016

Earning response coefficient that gained by the company is shown by the scale of coefficient regression slope between the value of CAR (cumulative Abnormal Return) and UE (Unexpected Return). Based on the Figure 5 it is shown that the response of the investors on the earning of the companies that includes in Index LQ45 in the year 2011 – 2015 not always giving positive response on the earning information that shows by the company.

During 5 years of observation, companies having the lowest investor response are goes to some emitter such as Astra Agro Lestari Tbk (AALI) with the point of earning response of -3,955 in the year 2015 become first lowest level, the second lowest position is Astra International Tbk (ASI) with the score of -2,762 in the year 2012 and in the year 2014 Kalbe Farma Tbk get the score of ERC -2,575 or the 3rd lowest position for the company with the lowest score of the earning response. At the highest position for the highest score of the Earning

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Response Coefficient during the period of research are : PP London Sumatera Indonesia Tbk in the year 2015 in the first place followed by Kalbe Farma Tbk (KLBF) in the second position in the year 2011 with the score of earning response 3,479 and the 3rd place goes to Semen Gresik Tbk with the score of 2,947.

FINDINGS
The Estimation of Multiple Regression Model

Chow Test

The first step done to decide the equation of double regression that will be used is deciding the estimation model between common effect or fixed effect by using Chow test or likelihood test. The hypothesis that formulated for the acceptance of the criteria in the Chow test are as follows:
Ho: Common Effect Model
Ha: Fixed Effect Model

The acceptance of Ho is done by seeing the value of F-probability that is bigger than 0,05 (=5%) or by seeing P-value Chi-square, if the value ≥ (significantly level 5%) so the model that is used is common effect or accepting Ho. The result of Chow test which is done in this research is as follows:

Table 4. Common Effect Model

Dependent Variable: ERC_Y

Method: Panel Least Squares

Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.192272	0.691726	1.723619	0.0898
KA_X1	-0.513627	0.257710	-1.993043	0.0507
PL_X2	0.205505	0.423458	0.485302	0.6292
RS_X3	0.023293	0.122744	0.189766	0.8501

R-squared	0.062900	Mean dependent var		0.262091
Adjusted R-squared	0.016813	S.D. dependent var		1.564393
S.E. of regression	1.551186	Akaike info criterion		3.775480
Sum squared resid	146.7768	Schwarz criterion		3.909289
Log likelihood	-118.7031	Hannan-Quinn criter.		3.828276
F-statistic	1.364812	Durbin-Watson stat		1.919120
Prob(F-statistic)	0.262008			

Source: Secondary Data that processed on January, 2017

Table 5 shows the estimation with the hypothesis zero (Ho) or the *Common Effect* Model and at the Table 6 Fixed Effect Model will become the alternative hypothesis (Ha)

Table 5. Fixed Effect Model

Dependent Variable: ERC_Y

Method: Panel Least Squares

Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.075337	0.797083	1.349090	0.1826
KA_X1	-0.486966	0.260906	-1.866443	0.0671
PL_X2	0.179806	0.448132	0.401235	0.6897
RS_X3	0.006927	0.159661	0.043386	0.9655

Effects Specification				

Period fixed (dummy variables)

R-squared	0.131027	Mean dependent var	0.262091
Adjusted R-squared	0.024311	S.D. dependent var	1.564393
S.E. of regression	1.545260	Akaike info criterion	3.823079
Sum squared resid	136.1062	Schwarz criterion	4.090696
Log likelihood	-116.2501	Hannan-Quinn criter.	3.928671
F-statistic	1.227809	Durbin-Watson stat	1.831441
Prob(F-statistic)	0.302924		

Source : secondary Data processed Eviews 8.1(January, 2017)

After having each estimation through common effect and fixed effect model, further more we are testing the accuracy of the estimation by using Chow Test as describe in the table below:

Table 6. Chow Results

Redundant Fixed Effects Tests

Equation: ESTIMASIPOOL

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.785998	(12,49)	0.6620
Cross-section Chi-square	11.442793	12	0.4914

Source: Secondary Data that processed, (January, 2017)

The above output result shows that the probability score for *Cross Section* F is 0,6620 means F-probability ≥ 5% Or can be seen from the score of P-value Chi-square more than 0,05 so it can be said that *common effect* is more appropriate to be used rather than Fixed Effect and accepting the zero hypothesis (H$_0$)

The Influence of Conservatism Accountancy on Earning Response Coefficient

The result of the Hypothesis Test shows that conservatism accountancy has bad influence to the Earning Response Coefficient with the score of T $_{statistic}$ -1,993043, which is bigger than the score of T $_{table}$ 1,67022 so H$_{a1}$ is accepted and refuse the H$_0$. The significantly score of the conservatism accountancy's variable 0,0507 ≤ 0,05 is showing that conservatism accountancy has significant influence to Earning Response Coefficient. The negative sign at the Coefficient Regression is -0,513627 shows the negative relation between conservatism accountancy against the Earning Response

This negative relation happened because of the attractiveness of the investor on the company's earning which was announced tends to become low on the company implementing conservative accountancy even though the trade volatility such the company is pertains active. The result of this research is in line with (Suaryana, 2007) who says that the response belong to the investor on the company's earning which is fluctuated is low.
This is in line with the theory of implementation of the conservatism accountancy that bring benefit to investor (Savitri, 2016) that will make investor considering the risk to be faced when a company with high earning but not conservative will bring advantages or looses.

With the significant score smaller than alpha (α=5%) it is shows that investor believe to invest at the company with Index LQ45 because such the company has implementing the conservatism accountancy principle so the earning that created by the company is proper and can assist the investor in predicting the scale of earning from the investment they did.

The Effect of the Earning Persistence to the Earning Response Coefficient

The result of the hypothesis test on the earning persistence shows there is no influence on the earning response, this is proofed by the T $_{statistic}$ calculation such as 0,485302 which is smaller compare to the score of T $_{table}$ such as 1,67022. By comparing T $_{table}$ to T $_{calculation}$ that earning persistence available in the zone of revenue, the hypothesis is rejected. The refusal of the hypothesis that supported by significant value in this variable is bigger than alpha such as 5%. Even though the value of coefficient regression of the earning persistence is positive or has the parallel result but still does not have significant relation to the earning response. The result of this research is not in line with Delvira

(2013) which is saying that the more persistence the created earning, the better investor response to the company's information that reporting the earning.

Companies that are listed in LQ45 index have the score of the regression slope not more than 1 (one) therefore the investors are not responding enough at the company's earning. Companies included in the Index LQ45 are the group of companies with high earning but moving in the fluctuation way in every period. This makes the investor not to interested to have the earning as the assisting information in making decision to invest. The finding that the earning persistence is not affecting the earning response coefficient is in line with the research made by Buana (2014) with the result that the earning persistence is not the key in deciding high or low the value of earning response coefficient of a company.

The Influence of The Systematic Risk To The Earning Response Coefficient

The third hypothesis in the research is Systematic Risk that presumed has the negative influence to the earning response coefficient, from the test result of double regression estimation it is obtained the score **t** significant 0,8501. This significant score is bigger than 0,05 so the systematic risk does not have influence to the Earning Response Coefficient and refuse the hypothesis formulation Ha3. The companies, which have the higher risk will influence the investor expectation related to return that being expected in the future. If the risk that produced by the company is low so the investor reaction to the company's earning will become higher and on the way around if the risk is high, it will make the investor response lower in responding to the company's earning (Mulyani, et al., 2007).

It is found in this research that that the systematic risk is not affecting the ERC. The trend that investors don't pay attention to the score of the systematic risk belong to the company is because of the investor's worries of the positive information (Earning) from a company that suddenly obtain the earning/profit while in the previous period was reporting the decrease of the earning continuously.
This is also because of the investor in Indonesia is being the risk neutral so at the company with low risk investor is not interested in the earning information that produced by the company. This result of the research is in line with Buana (2014) and Rofika (2015) that point out the low score of systematic risk cannot decide the height of the score of the earning response coefficient of a company.

CONCLUSION

Based on the result of the research that has been presented above, we can get some conclusions such as: (1) Conservatism Accountancy has negative and significant influence to the Earning Response Coefficient; The test of the level of the earning response coefficient at the LQ45 companies shows that conservatism accountancy become one of the factor that causing the earning

move fluctuated that make the interest of the investor in the earning become lower. (2) The earning persistence is not affecting the earning response coefficient. This is because the LQ45 Companies in the observation period are informing fluctuated earning, so the earning is not become the main information for the investors in making the investment decision. (3) Systematic Risk does not influence the earning response coefficient because the investor type in Indonesia is a Risk Neutral type that means the investor is not interested in the company to invest even though the company has the low risk.

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