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The Influence of Earnings Aggressiveness and Income Smoothing toward Enterprise Value with the Good Corporate Governance as Moderating Variable in Pharmacy Enterprises in Indonesia Stock Exchange

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ABSTRACT

The aim of this study is to (1) analyze the influence of earnings aggressiveness and income smoothing toward the pharmacy company point in Indonesia stock exchange, (2) to analyze whether Good Corporate Governance able to be the variable which moderate the influence of earnings aggressiveness and income smoothing toward the pharmacy company point in Indonesia stock exchange. This is to prove that the company exists in the capital market for the investor, therefore the investor will not just focusing on the high-profit achievement as the finance achievement measurement from the company operational activity, and also this can give the prosperity for the stock share owner/principle as the capital owner.This indicator becomes one of the requirements of how far the progress of one company especially for the company that has been registered in Indonesia Stock Exchange. The focus of this study is put on the company achievement in earning the business profit and the relation with the company value.The technique of sampling applied in this study is purposive sampling and it gained six companies as the sample for research period 2010-2015. This research applied the classic test assumption (normality test, multicollinearity test, heteroscedasticity test and correlation autotest), this research analysis method used the multiple linear regressive analyses with Moderate Regression Analysis model and to test the hypothesis it applied the t-test, f-test, and determination test. The result of statistic test showed that partially and simultaneously Earnings Aggressive and Income Smoothing is negatively affected the pharmacy company point in Indonesia Stock Exchange, Good Corporate Governance cannot be as the variable which moderates the influence of Earnings Aggressiveness and Income Smoothing toward the pharmacy company point in Indonesia Stock Exchange.

INTRODUCTION

The company existence in Capital market between investor sight not only focus on the high profit achievement as the financial benchmark from the operational activity in one company, but also give the prosperity for the stock share owner/principal as the capital owner through the high company value achievement that also become the outcome/result from the company operational activity.

Harahap (2010) defines “profit is the number of diminishing of production cost price, other cost and the loss of the income or operational income”. The high profit will make the market reaction of the company share getting higher too, the more investor invests the share of the company the more company value improvement will be.

Sartono (2008) said that maximizing the company value (or stock share) it is not similar with maximizing the profit of the pieces of stock share (EPS)”, when profit is defined as a profit based on accounting (it can be seen in company profit and loss report), this phenomena mostly experienced by the developing company in this world and also the company which has been registered in Indonesian stock exchange.

Fombrun et al., (2000) defined "profit management has the bad impact on the company. As the consequence, if the manager does the profit management, the manager can get a bad reputation, loses his job, and also his career”. Meanwhile for the company consequence is the threat of action from the employee, the customer get misunderstanding, pressure from the investor, termination of the company’s co-workers, lawsuits from the apparatus, boycott of the activists, the cynical view of the society, and disclosure of the media that will eventually worsen the company’s reputation. Moreover, Zahra et al (2005), “the company will lose the stakeholder's support which increases the alertness and suspicion from the shareholder and another stakeholder". Moreover, not a few companies have to close because the management tried to practice the profit management.

A professor from the United State of America, James Tobin found a method known as "Tobin Q" to measure the enterprise value. In this method, the company value is measured by using the equity market value (MEV), where MEV is the multiplication result of total outstanding stock share and closing stock price at the end of the year.

THE PROBLEM OF THE STUDY

Based on the background of the study, the problem of this study that formulated as seen below:

a. Do Earnings Aggressiveness affects the pharmacy company value in Indonesia Stock Share period 2010-2015?

b. Do Income Smoothing affects the pharmacy company value which registered in Indonesia Stock Exchange period 2010-2015?

c. Do Income Smoothing and Earnings Aggressiveness simultaneously affect the pharmacy company value which is registered in Indonesia Stock Share period 2010-2015?

d. Does Good Corporate Governance moderate the relation of Earnings Aggressiveness influence and Income Smoothing toward the pharmacy company value which is registered in Indonesia Stock Exchange period 2010-2015?

THE OBJECTIVE OF THE STUDY

Based on the previous explanation above, the purpose of this study are:

a. To know and analyze the influence of Earnings Aggressiveness toward the pharmacy company value which is registered in Indonesia Stock Exchange period 2010-2015.

b. To know and analyze the influence of Income Smoothing toward the pharmacy company value which is registered in Indonesia Stock Exchange period 2010-2015.

c. To know and analyze the influence the of Earnings Aggressiveness and Income Smoothing simultaneously toward the pharmacy company value which is registered in Indonesia Stock Exchange Period 2010-2015.

d. To know and analyze whether Good Corporate Governance moderates the influence of the relation of Earnings Aggressiveness and Income Smoothing toward the pharmacy company value which is registered in Indonesia Stock Exchange period 2010-2015.

REVIEW OF LITERATURE

A. Enterprise Value

The Enterprise Value Definition

Wahyudi (2008) said that company value is known as enterprise value (EV) or firm value is the cost that should be paid by the investor candidate if that firm is being sold". According to Husnan and Pudjiastuti (2007), the enterprise value is the cost that should be paid by the investor candidate if the company will be sold, the high company value, and the high ease will the owner of the company get". According to Sartono (2008), the enterprise value is the company sale value as an operating business"

Based on Fama (2006), "the enterprise value is the reflection of the stock price ". The market price of the company stock, which is created between the purchaser and trader in that transaction, is called as company market price because the stock market price is considered as the reflection of the real company asset value. The created enterprise value through the stock market price is influenced by investation opportunity.

There is a number of investigations opportunities, which can give the positive sign related to the enterprise improvement in the future, so it can improve the enterprise value. The high share price, the higher enterprise values will be. The high enterprise value becomes the enterprise owner's hope because with the high value shows the wealth of the share hold shareholder and the enterprise's wealth is presented by the market price, which is the reflection of the investigation decision, capitalizing, and asset management.

The Enterprise Value Measurement

The economic noble recipient from the United State of America, Professor James Tobin found a formula to measure the company value. Next, that formula is known in term of Tobin's Q. In this formula, James Tobin explained that in measuring the enterprise value is not enough only comparing the stock share with the written value, debt and asset should be considered in measuring the enterprise value. In Tobin's Q, all the debt and enterprise share capital should be included; it is not only the regular share and enterprise equity, which is included but also the whole enterprise asset.

Ferdawati (2009) said that systematically, Tobin Q is formulated as follow:

$$Tobin's\ Q = \frac{Market\ value\ of\ assets}{Estimated\ replacment\ cost}$$

In a simple form, Sukamulja (2010) measured Tobin's Q using the formula:

TOBIN's Q = (MVE + DEBT) / TA

Whereas :

MVE = P x Qshares

DEBT = (CL – CA) + INV + LTL

Direction:

MVE: the market value of the total share circulation

DEBT: the total of Enterprise obligation

TA: the booked value of the total enterprise asset

P: the closing share price

C shares: the number of shares that circulate at the end of the year.

CL: the short term obligation

CA: free asset

INV: the book value supply

LTL: the long-term obligation

According to Sukamulja (2010), the higher Tobin's Q point shows that the company has a good prospect development. The higher company asset market price compare with the company asset book value shows the higher investor's willingness to expend more to owe that enterprise".

B. *Earnings Aggressiveness*

The Definition of *Earnings Aggressiveness*

According to Altamuro *et al.*, (2005) "*Earning aggressiveness* defined as the management action toward the delay tendency to the lost and expedite the profit admission, and next, it impacts on the decreasing of profit quality".

Bedard dan Johnstone, (2004) said that "*Earnings aggressiveness* is a management action related to profit manipulation". According to Chan *et al., (*2001) " profit component point (such inventory) manipulation can be done by improving the actual and at the same time it decreases the cost, therefore the profit that is reported is higher than the real profit.

Earnings aggressiveness is the tendency to delay the loss admission and fasten the profit admission.Bedard and Johnstone, (2004) said, "Earnings aggressiveness is a management effort which is related to profit manipulation by improving the accrual components and in the same time decreasing the cost, so the reported profit is higher than the real one. In other words, earnings aggressiveness is the reported profit, which cannot give the real economy profit image. Earnings aggressiveness is the output of actual obligation, especially the discretion accrual, such as credit obligation and the secured debt documentation; the business volume, the debt declining and other discretion accrual do not cause the credit improvement.

Earnings Aggressiveness Measurement

Beaver (2002) is that the acrual aggregate cannot seize the profit development in the long term and misspecified potentially". In another word the acrual aggregate direct to the earnings opacity.

Based on that concept, Bhattacharya et al., (2003) earnings aggressiveness is measured based on the acrual aggregate, and formulated as followed:

$$EARN.AGRSt = (\Delta CAt - \Delta CLt - \Delta CASHt + \Delta STDt - DEPt + \Delta TPt)/\ TAt - 1$$

Direction:

EARN.AGRSt : Earnings Aggressiveness periode t;

ΔCAt : the Current Assets Alteration (Current Assett – Current Assett-1);

ΔCLt : Perubahan Current Liabilities Alteration (CLt – CLt-1);

ΔCasht : Perubahan Cash Alteration (Casht – Casht-1);

ΔSTDt : Short Term Debt Alteration (STDt – STDt-1);

DEPt : Depresiation and Amortisation period t;

ΔTPt : Tax Payble Alteration (TPt – TPt-1);

TAt-1 : Total Assets period t-1;.

C. Income Smoothing

The Definition of Income Smoothing

According to Belkaoui (2009) "income smoothing is the profit fluctuation diminishing from year to year by moving the income from the year with the high income to the period which is not really profitable". Fuddenberg and Tirole in Budileksamana and Andriani research said that income smoothing is the time manipulation process when the profit is happening or profit report so the reported profit looked stable.

Beidleman in Ghozali and Chariri defined the reported income smoothing can define as the effort that intentionally to smooth or to vary the profit level so it seems normal for the enterprise. In this case, the income smoothing shows the company management effort to diminish the abnormal profit variation in the permitted limitation in accounting practice and sound management principle.

From the definitions above, it concluded that income smoothing is the manipulation effort intentionally, carried out by the management toward the reported profit fluctuation so the enterprise profit is on the stable level by the enterprise, in other words, so the reported enterprise profit seemed stable as long as it is permitted by the accounting principle and good management. The income smoothing does not depend on the dishonesty and distortion or alteration, but on the available chance in accepted transaction accounting alternative principles and the deployment.

Income Smoothing Measurement

In artificial smoothing concept, the management applied the smoothing through the financial report services. The items or the financial report services which is as the smoothing object is the profit and acrual. The profit that used as the smoothing object such as: (operating income, OI), the net income before extraordinary items, NIBE), and the net income, NI). Meanwhile, the acrual as the smoothing object is the acrual working capital and the total acrual.

Refers to the concept and those review of the literature, this research is measuring the income smoothing from the NIBE standard deviation ratio toward the CFO deviation standard; both are divided by the total assets-1 (Francis modification *et al.*, 2004). This measurement is based on the argumentation that NIBE is produced while the company is operating in the normal activity, so the management using the private information can do the smooth on the income fluctuation will be.

According to Francis *et al.*, (2004) earnings smoothing (smoothness) measurement formulated into:

$$\text{Income Smoothing} = \sigma\ (\text{NIBE/Assett-1})/\ \sigma\ (\text{CFO/Assett-1}).$$

The low ratio shows the smooth income, so the income seems sustainable. In other words, the smooth income, the high-income quality will be. And in the contrary, the higher ratio shows the fluctuative income, the lower income quality, and known as the earnings opacity.

Eckel (1981) said that the enterprise classified into income smoothing group (IS) if:

CV sales index > CV earnings index

$$\text{IS} = \frac{CV Sales}{CV Earning}$$

Where :

CV Sales: marketing alteration coefficient variation gained from the comparison result between the marketing deviation standard and the marketing average.

CV Earning: income alteration coefficient variation gained from the result of income deviation standard comparison result with the income average.

D. Good Corporate Governance

Good Corporate Governance Definition

OECD (2007) defined that Corporate Governance is the set of relation system among the business company management, direction, commissioner, shareholders and other interest caretakers".

According to Suprayitno (2004) "Corporate governance is as the process and applied structure in establishing the enterprise, with the main purpose to improve the shareholder value in long-term, and keep noticing other stakeholders interest".

Good Corporate Governance Measurement

According to Bhuiyan and Biswan (2007), the formula that applied in measuring the GCG disclosing index in the annual report:

$$IPGCG = \frac{\sum itemscoreG \quad CGdisclo \quad \sin \ g}{\sum Maximum \quad Item \ \ GCGscore} x100 \ \%$$

MATERIALS AND METHODS

The approach that applied in this study is Associative approach; associative research is the research to know the relation between two or more variables in a research. The data is quantitative which is in the form of the number (secondary data) using the ratio scale based on the formula used as the basic measurement and used statistical analysis instrument that is moderate regression analysis (MRA).

The population in this research is the pharmacy enterprise which is registered in Indonesia Stock Exchange a long year 2010 till 2015 those are nine enterprises. The technique of choosing the sample applied the purposive sampling. The research samples were chosen based on following criterion:

1) Pharmacy enterprises which are continually listed in Indonesia Stock Exchange in 2010-2015.

2) Pharmacy enterprises which published the financial report in 2010-2015.

3) Pharmacy enterprises which share its dividend in 2010-2015.

The pharmacy enterprises, which has been registered in Indonesia Stock Exchange and passed all the criterion above is as follow:

Table 1: The list of Research sample

No	Code	The name of the company
1	DVLA	Darya Varia Laboratoria Tbk
2	KAEF	Kimia farma (Persero) Tbk
3	KLBF	Kalbe Farma Tbk
4	MERK	Merck Indonesia TBk
5	SQBB	Taisho Pharmaceutical TBk
6	TSPC	Tempo Scan Pasifik TBk

source: WWW. Idx. Co.Id

The main data in this research is the secondary data. The secondary data in this research is in time series dimension and pooled data, so the real sample is not the sample, which is from the sample unit, but the observation sample counted by diverting the chosen sample unit with the years of observation. The secondary data in this research gained through the company financial report publication, which is registered in Indonesia Stock Exchange.

The data is in the form of:

(1) financial report items based on the research variable.

(2) the number of sharing dividend

(3) stock share marketing volume. The financial report items gained from the balance sheet and income-loss report.

The collected secondary data in thus research will be analyzed using the quantitative method, including descriptive statistical analysis and inferential statistic.

The descriptive statistical analysis in this study include the frequency distribution analysis, meanwhile, the inferential statistical analysis in this research include classic assumption test, regression analysis and interaction test using MRA method for the moderating variable using the SPSS program, compatible model test, and hypothesis test.

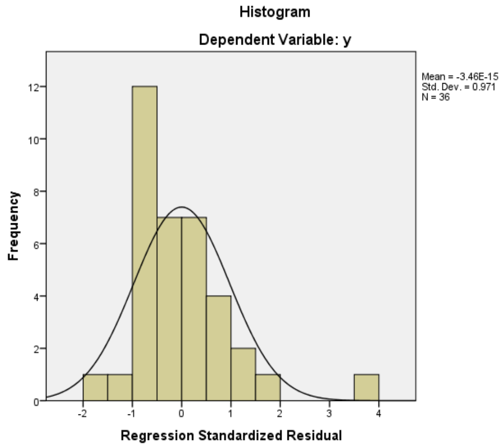
RESULTS

Classic Assumption Test

Classic assumption test is the multiple regressive analysis requirements. In classic assumption test includes the normality test, multicollinearity, heterokedasticity test and autocorrelation test.

a. Normality test

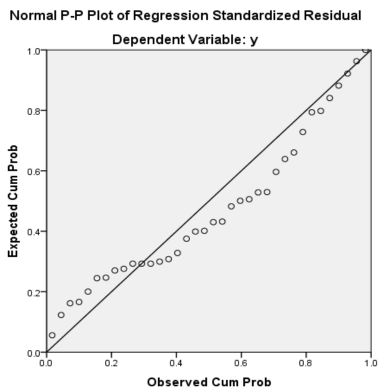
According to Ghozali (2005) "normality test aim is to test whether in regressive model, the user variable or residual have the normal distribution".



Picture 1: Histogram Graphic

Source: data analysis result (SPSS 2017)

The histogram graphic in picture 1 shows the normal distribution model because the graphic is neither askew to the left nor right.



Picture 2: Normal P-Plot graphic

Source: Data analysis result (SPSS 2017)

On p-plot normal graphic picture seen that the data spread out around the diagonal line and following the diagonal line direction so that it concluded that regressive model has passed the normality assumption.

b. Multicollinearity Test

The aim of multicollinearity is to test whether regressive model found that there is the correlation between the independent variable. The good regressive model should not correlate between the independent variable. Multicollinearity can be detected by seeing the tolerance value and *variance inflation factor* (VIF). The general *cut off* value used to show if there is multicollinearity is tolerance value 1>0.10 or the same with VIF value 1 <10.

Table 2: Multicolinierity Test Value Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-1571.176	2963.017		-.530	.600					
	X1	-.029	.220	-.048	-.131	.897	-.205	-.023	-.023	.226	4.433
	X2	1488.907	2591.387	.101	.575	.570	.141	.103	.099	.966	1.035
	Moderating1	-.240	.383	-.201	-.626	.536	-.253	-.112	-.108	.290	3.443
	Moderating2	-.402	77.125	-.001	-.005	.996	-.012	.000	.000	.477	2.098

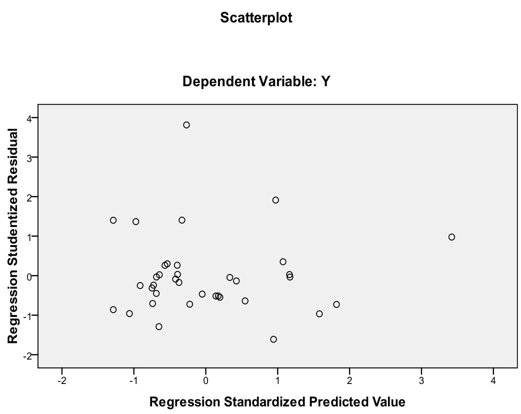
a. Dependent Variable: Y

Source: data analyzing result (2017)

Based on SPSS data analyzing result on table 2 shows that the Tolerance variable value X1=0.226 and X2 =0.99 to Y, moderating tolerance value X1 and X3 to Y=0.290, moderation X2 and X3 to Y=0.477 and VIF value X1 to Y=4.433, VIF X2 to Y=1.035, VIF moderate X1 and X3 to y=3.443, Moderation X2 and X3 to Y=2.098 where the data tolerance value which do not show the multicolinearity tolerance value indication 1>0,10 or VIF value 1<10 so for the data X1 and X2 to Y and also moderate X3 to the relation of X1 to Y also for the relation of X2 to Y there is no multicolinearity indiction.

c. Heterokedasticity Test

Based on Ghozali (2005) " heteroskedasticity test purpose is to test whether in the regression model there is no similarity variance from one residual observation to another observation". The good regressive model is when there is no heteroskedasticity. The way to check whether it is available or not is by seeing the plot graphic between prediction score and dependent variable prediction score.



Picture 3: Scatterplot

Source: SPSS data analyzing result (2017)

Based on scatterplot graphic on picture 3 seen that the dots spread above and under 0 on axis Y, it indicates there is no heteroskedasticity indication. It concluded that there is no heteroskedastisitas on regressive model so the regressive model can be used to see the enterprise value, which is registered in BEI based on independent variable Independent Earnings Aggressiveness and Income Smoothing with the Good Corporate Governance as moderating variable.

c. Autocorrelation Test

The aim of this test is to test whether in the linear regressive model there is the correlation between the intruder mistakes on t period with the period t-1 (before). The way to detect the autocorrelation available is using Durbin Watson test.

Table 3: Autokorelasi Test Value Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.273[a]	.075	.045	1.06946839	.075	.625	4	31	.648	1.418

a. Predictors: (Constant), Moderating2, Moderating1, X2, X1

b. Dependent Variable: Y

Source: data analysis result(2017)

Based on autokorelasi test result on table 3 shows that Durbin-Watson point is 1,488 put on DL 1,3536 ≤d≤Du 1,5872 (from the table of Durbin-Watson t-1=36 and t=3) therefore, the regressive model is free from the autocorrelation problem.

Linear Regressive Analysis

The Multiple Linear Regressive Analyses

Regression is a method to create a cause and effect relationship between one variable and other variables.

Table 4: The Score of Multiple Linear Regressive Analysis Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1872.422	2873.478		-.652	.519		
	X1	-.116	.103	-.192	-1.128	.267	.987	1.013
	X2	1754.980	2509.696	.119	-.699	.489	.987	1.013

a. Dependent Variable: Y

Based on table 4 above, the multiple linear regressive equality is as follow:

$$Y = -1.872,422 - 0,116X1 + 1.754,98X2$$

If the X1 value increase for 1 so Y value will decrease 0.116 and if X2 increase 1 so Y will increase 1.754,98 nd if X1 and X2 =0 so Y value will decrease 1.872,422

***Moderate Regression Analysis* (MRA)**

The statistic analysis will be applied is using the moderate regression analysis (MRA), moderate regression analysis especially by doing the interaction test which is in regressive equality contains interactions unsure between the variable, those are independent variable, the reason of choosing this test because the independent variable is the interrelated variable and not compared to the one and another variable.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
	(Constant)	-1571.176	2963.017		-.530	.600					
	X1	-.029	.220	-.048	-.131	.897	-.205	-.023	-.023	.226	4.433
1	X2	1488.907	2591.387	.101	.575	.570	.141	.103	.099	.966	1.035
	Moderating1	-.240	.383	-.201	-.626	.536	-.253	-.112	-.108	.290	3.443
	Moderating2	-.402	77.125	-.001	-.005	.996	-.012	.000	.000	.477	2.098

a. Dependent Variable: Y

Source: data analyzing result (2017)

Based on the table above, the Moderating Regression Analysis (MRA) is:

$$Y= -1.576 – 0,029X1+1.488,907X2 -0,24X1.X3 – 0,402\ X2.X3$$

If the X1 score is increased 1 so Y variable will decrease 0.029 and if the X2 increased 1 so Y will increase 1,488,907 and if X1 interacted with X3 and it increases 1 so Y will decrease 0,24 , if X2 interacted with X3 increase 1 so Y will decrease 0.402 an if X1 and X2 =0 and if X1.X3 and X2.X3 =0 so Y will decrease to 1.576

Partially Significant Test (t-test)

Partially, hypothesis test using t-test. According to Ghozali (2005) "t statistic test basically shows how deep the influence of one independent variable individually in explaining the dependent variable". This test is done by comparing t-sum significance with the certainty:

- If $t_{sum} < t_{able}$ on α 0.05, so H_i is rejected and
- if t-sum > t_{able} on α 0.05, so H_i is accepted.

Where H0: NP = 0, means that there is no influence between variable independent variable (X) and dependent variable (Y)

H0: NP≠0, means that there is no influence between the independent variable (X) and dependent variable (Y)

Hipotesis 1:

Earnings Aggressiveness positively and significantly influence the pharmacy enterprise value which is registered in Indonesia Stock Exchange period 2010-2015.

From the hypothesis test, it shows the t-sum is

-1.128 meanwhile the t-table score on the level α 0.05 and n=36 is 2.035 where the t-table >t-sum it means Ha is rejected and H0 is accepted where H0: NP= 0, this shows partially there is the negative influence of Earnings Aggressiveness toward the pharmacy enterprise which has been registered in Indonesia Stock Exchange period 2010-2015, with the indication of Earnings Aggressiveness it does not affect the enterprise value on level 95%.

Hipotesis 2:

Income Smoothing positively and significantly affects the pharmacy enterprise which is registered in Indonesia Stock Exchange period 2010-2015.

From the hypothesis test, it shows that the t-sum is -0.699 , meanwhile the t-table n level α 0.05 and n=36 is 2.035 where the t-table > t-sum it means Ha is rejected and H0 is accepted where Ho= NP=0, this shows that Income smoothing has negative influence partially toward the pharmacy enterprise which has registered in Indonesian Stock Exchange period 2010-2015, with the indication that there is Income Smoothing does not influence the enterprise value on the accurate level 95%.

Simultaneously Significant Test (F Test)

Hipotesis 3:

Earnings Aggressiveness and Income Smoothing simultaneously affect positively towards the pharmacy enterprise value, which has registered in Indonesia Stock Exchange period 2010-2015.

From the hypothesis test shows that F sum is 0.982 meanwhile F-table on level α 0.05 and dk=36 and dk=4-1 is 2.9223 where F-table >F-sum means that Ha is rejected H0 is accepted where H0:β =0, this shows significantly that simultaneously Earnings Aggressiveness and Income Smoothing does not affect the pharmacy enterprise value which has been registered in Indonesia Stock Exchange period 2010-2015, with the indication there is Earnings Aggressiveness and Income Smoothing does not affect the company value on level 95%.

Moderating Variable Interaction Test

Hipotesis 4:

Good Corporate Governance moderates the relation of Earnings Aggressiveness toward the pharmacy enterprise value, which has been registered in Indonesia Stock Exchange period 2010-2015.

From the hypothesis result, shows that t-sum moderates XI.X3 is -0.626 meanwhile t-table is 2.035 where the t-sum >t-tabel and t-sum moderates X1.X3 is -0,005 meanwhile the t-table is 2.035 where t-sum>t-tabel means that Ha is rejected means that Good Corporate Governance cannot moderate the relation of Earnings Aggressiveness and Income Smoothing toward the pharmacy enterprise value which has been registered in Indonesia Stock Exchange period 2010-2015.

Determination Coefficient (R^2)

The Determination Coefficient score based on data analysis output shows the Adjusted R-Square score is 0.045 means that the tested variable influence is 4.5 % meanwhile 95.5 % is influenced by other untested factors in this research.

DISCUSSION

1. The Influence of Earnings Aggressiveness toward the Enterprise Value

From this research result shows that the t-sum is -1.128, t-table on level α 0.05 and n=36 is 2.035 where t-table >t-sum means that Ha is rejected, means that partially there is a negative influence of Earnings Aggressiveness toward the pharmacy enterprise which has been registered in Indonesia Stock Exchange period 2010-2015, there is the indication of Earnings Aggressiveness affects the decreasing enterprise value on level 95 %. From the data of Earnings Aggressiveness pharmacy enterprise negative value every year, it supposed to be increased because the pharmacy enterprise practice the profit admission, the fact is the value fluctuate unstable.

This needs some efforts to improve the income by minimizing the production cost or expanding to stimulate the investor positive respond to buy the pharmacy enterprise stock share so there will be the improvement of the enterprise value. Next, they have to improve the cash value by liability efficiency process to decrease the interest charge, so it will increase the cash value in the enterprise and this to add the company production factors so the total of the asset and the company debt balances, therefore, this will support the positive sight of the investor of the pharmacy enterprise.

This study comes along with Pratama (2014) research result shows that the income management negatively affects the enterprise value which has been registered in Indonesia Stock exchange and on the contrary with Indriani, et al (2014) research result in Indonesia and Hwang (2014) in Taiwan, shows that profit management affects positively and significantly toward the enterprise value which has been registered in Indonesia Stock Exchange.

The high-profit management done by the management side will decrease the enterprise value in the future. This shows that investor does not consider on fundamental factor through the financial report in pharmacy enterprise stock exchange purchasing, there is an indication that the investor believes that pharmacy enterprise has a good investment prospect because it produces the goods that people need very much.

2. The Influence of Income Smoothing toward the Enterprise Value

From the hypothesis result shows that t-sum is -0.699, t-belong level α 0.05 and n=36 is 2.035 where t-table >t-sum means Ha is rejected, this shows that partially there is a negative influence of Income Smoothing toward the pharmacy company value period 2010-2015, with the indication of Income Smoothing affects toward the enterprise value decreasing on level 95%.

As seen in Income Smoothing value data on pharmacy enterprise every year, is stable enough, therefore this becomes one of the trigger factors of pharmacy enterprise decreasing the value.

Through the income smoothing, when in the certain year the income supposed to be high and give positive respond for the investor to invest the share which will disappear because pharmacy company will never show the spectacular income achievement because of the income smoothing effect. Therefore, Pharmacy Company should be able to run the good strategy, minimalizing the cost production to earn the maximum income in order to gain the investor's interest; income smoothing will not decrease the company value. The enterprise will increase if the pharmacy enterprise does not accomplish the income admission, but the enterprise value will be unstable if the enterprise Income Smoothing value getting higher.

Through the income accelerating admission, pharmacy enterprise should pay tax from the real income, which they have not accepted yet; therefore, the increased income will be decreased because of the tax cost. This should be deleted in order to improve the income and real profit, so pharmacy enterprise will gain the net income, which is not loaded tax debt in the future.

This research result is in line with Pratama (2014), proved that income management affects negatively toward enterprise value which has been registered in Indonesia Stock Exchange and this research is in the contrary with Indriani et al (2014) in Indonesia and Hwang (2014) in Taiwan, prove that income management significantly affect positively toward the enterprise value which has been registered in Indonesia Stock Exchange.

It means the investor who invests in pharmacy enterprise do not consider the indication of income smoothing on the financial report and when the investor decides to invest in pharmacy enterprise probably they oriented on share return and the number of dividends they will get.

3. The Influence of Earnings Aggressiveness and Income Smoothing Simultaneously toward the Enterprise Value

From the hypothesis test result shows that F-sum is 0.982 meanwhile F-table on level α 0.05 and dk=36 and dk=4-1 is 2.9223 where F-table >F-hitung means that Ha is rejected, this shows there is a negative influence of Earnings Aggressiveness and Income Smoothing simultaneously toward the pharmacy enterprise value which has been registered in Indonesia Stock Exchange period 2010-2015, with the indication of Earnings Aggressiveness and Income Smoothing do not affect the enterprise value of credibility 95 %.

If we look at the *Earnings Aggressiveness* and *Income Smoothing* value of pharmacy enterprise is low enough and stable every year, this should be a correction for the pharmacy company, but the fact as seen on the obtained data of pharmacy enterprise value fluctuate that company management side does not do the revisement in decreasing the practice to advance the profit admission and improve the company cash flow by decreasing the debt of monetary interest income and the long-term debt. In the future, pharmacy enterprise is hoped will be able to improve the enterprise cash flow, and then the income and profit improvement should be balanced with the good company asset management so there will be the balance comparison between the company cash flow and the total asset that owed. In the future, the investor appraisal toward the pharmacy enterprise share can be more positive which implicate on the pharmacy company value improvement.

This research result is different with Indiriani et al (2014) in Indonesia and Hwang (2014) in Taiwan prove that income management positively gives the significant effect toward the enterprise value, which has registered in Indonesia Stock Exchange.

This research result is in the contrary with Efficiency Market Hypothesis (EMH) theory that said financial report could affect the market share.

This shows how important the role of financial report, however in this research there is no the significant influence of Earnings Aggressiveness dan Income Smoothing toward pharmacy enterprise value shows that in invest purchasing by the investor in pharmacy company which has been registered in Indonesia Stock Exchange is not considered fundamentally if there is an indication of Earnings Aggressiveness and Income Smoothing which can be a boomerang for the company because there is no suitability of profit report and the shared dividend is too much so it will affect the increase or decrease of the enterprise value for the company, means that the marketer tends to see the short term opportunity when decide to invest the stock share of pharmacy company because the level of the high company value without thinking about the risk in the future if the pharmacy company keep doing the profit management.

4. Good Corporate Governance Moderates the Relation of Earnings Aggressiveness and Income Smoothing toward the Enterprise Value

From the hypothesis test result shows that t-sum moderates X1.X3 is -0,626 meanwhile the t-table is 2,035 where t-sum>t-table and t-sum moderates X2.X3 is -0,005 meanwhile t-table is 2,035 where t-hitting >t-table means that Ha is rejected, this shows that *Good Corporate Governance* cannot moderate the relation of *Earnings Aggressiveness* and *Income Smoothing* toward the pharmacy company value which has been registered in Indonesia Stock Exchange period 2010-2015.

If we see from the yearly stable pharmacy enterprise Good Corporate Governance index data disclosing, this pharmacy enterprise values supposed to be improved because there are process revision and the transparency of the management system and the good pharmacy enterprise management, the fact is pharmacy enterprise value as seen in data showed the fluctuation which sign that Good Corporate Governance is not able to give the positive effect for pharmacy enterprise because of the significant negative influence of Earnings Aggressiveness and Income Smoothing. This shows that Good Corporate Governance cannot moderate the Earnings Aggressiveness and Income Smoothing influence toward the enterprise value.

This shows that the transparent enterprise management system is not only to improve the pharmacy enterprise value, maybe the profitability level and the share return as the factor which is noticed by the investor in the process of investing an enterprise share. Therefore, pharmacy enterprise should notice the liquidity ratio and profitability so the investor will be more attracted to invest in pharmacy enterprise in order to achieve the enterprise value improvement.

This research is in the contrary with Vinola Herawaty (2008) “The Role of the Good Corporate Governance as the Moderating Variable from the Influence of Earnings

Management toward the Enterprise Value“ shows that Corporate Governance variable has the significant influence toward the enterprise value with independent commissaries variable and institutional ownership.

This research is also in the contrary with Rachmawati and Triatmoko (2007) under the title “The Analysis of Factors which Affect the Income Quality and Enterprise Value”. This research result shows that Investment Opportunity Set (IOS) and Mekanisme *Corporate Governance* Mechanism affect the income quality and enterprise value.

It means that in pharmacy company, process of GCG disclosing cannot as the supporting factor to delete the profit management practice indication, because when there is the indication of profit management practice but still there is no influence of increase and decrease the pharmacy enterprise value period 2010- 2015 decide to invest the pharmacy enterprise, the investor just focus on the significant improvement of pharmacy enterprise value without realizing the pharmacy enterprise value fluctuation and the minimum operational management system displacement is proper with GCG index which settled by BAPEPAM.

Because we can see from the less GCG disclosing index on pharmacy company, this made the good operational management implementation through the GCG has no influence on the investor decides to invest in Pharmacy Company.

CONCLUSION

1. From this study, it concluded that: 1.Earnings Aggressiveness partially negatively affects the pharmacy enterprise, which has been registered in BEI period 2010-2015.

2. Income Smoothing partially affects negatively toward the pharmacy enterprise value, which has been registered in BEI period 2010-2015.

3. Earning Aggressiveness and Income Smoothing simultaneously does not affect the pharmacy enterprise value in BEI period 2010-2015.

4. Good Corporate Governance cannot moderate the relation of Earnings Aggressiveness and Income Smoothing toward the pharmacy enterprise value, which has been registered in BEI period 2010-2015.

SUGGESTIONS

After doing this research, the researcher suggests:

1. for the next researcher who wants to analyze with the same title and phenomena they can do the research on the different enterprise in a different company in the different industry sector in the pharmacy industry, so it will develop the new knowledge in analyzing the influence of profit management toward the enterprise value from many industries sector.

2. For the investor and the marketer, they can evaluate the important factors if they want to invest the pharmacy enterprise stock share, as seen from financial report about the enterprise value they have to go through the fluctuation (unstable) meanwhile they report the income which continuously improves every year, because the management income practice in pharmacy enterprise which shares the dividend to the shareowner has the negative influence toward the pharmacy enterprise value.

3. Especially for pharmacy enterprise which has been registered in Indonesia Stock Share period 2010-2015 which share the dividend should be more aware in doing the income smoothing, to prevent the profit management which makes the enterprise value getting lower when there is the imbalance between the income report and company asset.

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