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performance and profitability showed significant relationship at 5% and 95% confidence interval towards the performance of those companies except for liquidity and solvency. At the end of this study, it is recommended that other variable and factor should be used for future research namely the turn over asset as dependant variable and political issue as factor since it may have impact on acquiring company. Additionally, it is also recommended for future research to include companies that involved in series of M&A in multiple years especially during the financial global crisis.

Keywords: Liquidity; Solvency; Profitability; Operating performance; Mergers and Acquisitions; Malaysia

5. CORPORATE GOVERNANCE MECHANISM AND FRAUD IN ACCOUNTING INFORMATION (F80)

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This research aims to see whether the company that has a corporate governance mechanism will reduce the likelihood of restatement. The existence of restatement would be considered a material misstatement by the investor. Corporate governance mechanisms are expected to be able to reduce the likelihood of restatement, which include: the existence of the board of directors who come from non-management (outside director) and the existence of the audit committee. The results support H1 that the company has a composition of non-management directors who do the restatement is lower than companies that do not do the restatement. However, research results do not support H2 that the existence of an audit committee would reduce the occurrence of restatement.

Keywords: Restatement; Corporate governance; Accounting information

6. THE RELATIONSHIP BETWEEN AGENCY PROBLEMS AND FIRM PERFORMANCE ON FAMILY FIRMS IN INDONESIA (F34)

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The objective of this study is to investigate the relationship between the agency problem mechanisms with firm performance on family firms in Indonesia. If there is a negative relationship between the mechanisms of reducing agency problems means there is a substitution relationship between the mechanisms of reducing the agency problems that agency costs can be reduced. However, if there is a positive relationship means that the increasing use of one of the mechanisms reducing agency problems will increase the use of other mechanism reducing agency problems. The sample of this study are 46 companies that obtained by the method of purposive sampling. To analyze the relationship between variables simultaneously, this study uses two-stage least squares (2SLS) method. The result shows that there is significant relationship exists between debt policy and dividend policy. But, there is no significant relationship between insider ownership and debt policy, and between insider ownership and dividend policy in reducing agency problems in the family firms in Indonesia although the firm performances proxied by Tobin's Q are increase.

CORPORATE GOVERNANCE MECHANISM AND FRAUD IN ACCOUNTING INFORMATION

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Abstract

This research aims to see whether the company that has a corporate governance mechanism will reduce the likelihood of restatement. The existence of restatement would be considered a material misstatement by the investor. Corporate governance mechanisms are expected to be able to reduce the likelihood of restatement, which include: the existence of the board of directors who come from non-management (outside director) and the existence of the audit committee. The results support H1 that the company has a composition of non-management directors who do the restatement is lower than companies that do not do the restatement. However, research results do not support H2 that the existence of an audit committee would reduce the occurrence of restatement.
Keywords : *Restatement, Corporate Governance, Accounting Information*

1. INTRODUCTION

Financial statements is one of the tools for management to take some accountability for the management of the business and an indicator in considering decision-making by stakeholders, so it must be free of any material misstatement. The accounting fraud had taken place in various countries, including Indonesia. In the USA the accounting fraud had grown extensively, Spathis et al. (2002) explains that in the USA the accounting fraud led to huge losses in almost all industries. Accounting fraud and losses in the stock market was declining accountability management so as to make the shareholders increase the cost of monitoring of management. Generally, the accounting fraud related to corruption. In corruption, common actions that do include the manipulation of the

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recording, the disappearance of documents, and mark-up the financial harm the country or economy of the country.
Indonesia including State corruption ranked highest in the world. In Indonesia, the accounting fraud proved the existence of the liquidation of some banks, state owned enterprises and management filed a private criminal cases to court, banking, tax manipulation, and other cases. Despite the alleged accounting fraud is already chronically, but there is nothing a theoretical and empirical study in a comprehensive manner. The existence of these phenomena need to be a theoretical studies by the science of accountancy.
Agency theory (Jensen and Meckling,1976) is often used to describe the accounting fraud. Agency theory intended to solve two problems going on in the agency relationship. One of them is a problem that arises when a) desire or goal of principals and agents against, and b) when the principal found it difficult to trace what was done by the agent. When the agent and the principal tried to maximize their utility, as well as have the desire and the motivation is different, then the agent (management) do not always act according to the wishes the principal (shareholders) will act as well as detrimental to shareholders, among other unethical behaviour and tend to do the accounting fraud.
Jensen and Meckling (1976) explains that the principal can solve this problem by giving appropriate compensation to the agent, as well as the cost of monitoring. To get a good monitoring results , the company needed an effective internal control. To resolve the problem of agency management company should implement accounting rules correctly. Credibility of the information society requires (Indonesian Institute of Accountants, 2009). Agency problem also occurs , if principals find it difficult to discover what is actually done by the agent. This situation is referred to as information asymmetry. Actions taken by management is influenced by the situation of information asymmetry. Unethical behavior and tendencies accounting fraud also caused by a substantial case that attitudes and moral responsibility of the company. The company has a moral and social responsibility that at the operational level of moral responsibility in representing management.
Several studies have shown that managers tend to perform earnings management with a variety of patterns (sugiri, 1998; Healy, 1985; Cahan, 1992 ; Beattie, 1994). This fact is supported by several studies which concluded that this practice is a common practice. Levitt (1998) worried about this situation because earnings management practices can reduce the credibility of financial statements that are likely to harm the profession and that is going to harm people, especially investors in general. Impact globally if managers tend to ignore the interests of investors, it would cause the collapse of investors' expectations of return on investment that will lead to capital inflows to a State has decreased while capital outflows increased. The next result stock prices in the country will decline so it does not develop its capital markets and possible loss of value of currency exchange of the country. To avoid the bad consequences that result from

behavioral manipulation by managers who caused because of a conflict of interest between the owner and management, we need a mechanism that can align the various interests. According to the agency theory to address the lack of harmony of interest one of which is through the administration of a good corporate governance (Shleifer and Vishny , 1997).

Good corporate governance is concerned with how the investors believe that management will benefit them, sure they are not going to invest in projects that are not profitable, but it is also related to how investors control managers (Shleifer and Vishny, 1997). Good corporate governance as a concept has no single definition, refers to the definition of corporate governance is a pattern of relationships, systems and processes used by the company to deliver value to shareholders on an ongoing basis in the long term, by taking into account the interests of other stakeholders, based on the laws and norms. From the above definition contained meaning that good corporate governance focus is providing guarantee / protection on the investment of shareholders investment in the company.

Good corporate governance is concerned with how the investors believe that management will benefit them , sure they are not going to invest in projects that are not profitable , but it guarantees the rights of the investor can be achieved if the principles of good corporate governance is implemented in the activity company. The principle are [1] transparency in the decision making process and transparency in disclosing material information about the company and revelan , [2] independency state where the company is managed in a professional manner without any conflict of interest and influence / pressure from any party not in accordance with the laws and principles of a healthy organization, [3] accountability functions , implementation and accountability of the organization so that the management company to run effectively, [4] responsibility in the administration of the company that is spesific to the laws and principles healthy organization, and [5] the fairness, equitable treatment and equal rights in the meet stakeholder arising under treaties and regulations also related to how investors control managers (Shleifer and Vishny, 1997).

In order to achieve the purpose of good corporate governance, we need a mechanism that is used to ensure that the activities of a company in a healthy walk in the direction that the set (Syakhroza, 2005). Some good corporate governance mechanisms have been identified in previous empirical research, these mechanisms include internal mechanisms such as the board, audit committee, managerial ownership, executive compensation, and external mechanisms such as institutional ownership, and financing with debt (Bernhart and Rosenstein, 1998).

This study will examine the relationship between corporate governance mechanisms, in case the composition of the Board of Directors along with tenur and Accounting Information Fraud , as measured by the disclosure of information as set out in the capital market law (Law No. 8/1995 concerning Capital Market, Law No. 45/1995 concerning the Capital Market , and the Law no. 46/1995 on Audit Procedures in capital markets) .

The research will take samples of the observation period 1999-2010, in which the violations carried out by a public company listed on the Indonesia Stock Exchange .

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Accounting fraud. Indonesian Institute of Accountants (2009) describes the accounting fraud as : (1) misstatements arising from fraudulent financial reporting misstatement or omission is intentional or the number of disclosures in the financial statements to deceive financial statement users, (2) misstatement arising from improper treatment of the asset (often referred to as misuse or embezzlement) relating to the theft of assets resulting entity financial statements are not presented in accordance with accounting principles generally accepted in Indonesia . Improper treatment of the entity's activities can be done in various ways, including embezzlement of receipt of goods / money , theft of assets , or actions which cause the entity pay for goods or services which are not received by the entity . This action can be accompanied by a note or a false or misleading document and may involve one or more individuals among management , employees , or third parties . From the perspective of criminal, fraudulent accounting categorized as white-collar crime. Geis and Meier (1997:40) cites Sutherland (1940) explains that the white-collar crime in the business world is a misstatement of financial statements , manipulation in the stock market, commercial bribery, bribery and acceptance of a bribe by a public official (directly or indirectly), cheating on taxes, and bankruptcy. In capital market activities, the accounting fraud will affect investors' reaction to the company's stock (Feroz et al , 1991; Palmrose et al , 2004). Companies that get SEC reprimands decreased 13 % return for the period of 2 days of observations about the disclosure of accounting fraud (Feroz et al, 1991). While Palmrose et al (2004) using restatement announcements as a proxy for the likelihood of accounting fraud . Research results found evidence that there is a negative return when the restatement firms

Results of other studies about accounting fraud, accounting fraud shows that are influenced by the level of corruption in a country (Sheifer and Vishny (1993), Gaviria (2001)). There is empirical evidence of accounting fraud, both from abroad, as well as in Indonesia (Dechow et al., 1995; Wilopo, 2006)

Corporate Governance . One role of the board of directors of the company is to minimize the cost of supervision due to the separation between the owner and the controlling decision in the modern enterprise. The Board of Directors will receive the delegation of authority to carry out internal control and control of the decision of the shareholders of the company. Delegation of authority is because the shareholders that it faces due to transfer risk from investors who hold shares for several companies at once, while the other side wants shareholders that management acts in accordance with the interests of the owners. The composition of the board of directors is one of the important factors that will streamline the monitoring of the management policy. This interest will be effective if the composition of the board of directors is derived from the (management) and also from outside (non- management). This composition is expected to add value to the company. The existence of the board of directors from outside the company to be able to add to the reputation of the company, where outsiders would certainly staked name management and best performance. In addition to the experience of non- management board that will help build the company and is not directly oversee the operations of the company. The reason to use the board of directors from among the other non- management (Beasley, 1996) : (1) they are more experienced, (2) they understand the importance of control of the decision, and (3) they work in a controlled system.

Theory proposed Fama (1980) and Fama & Jensen (1983) deals with the composition of the board of directors is the higher composition of the board of directors who come from non-management to improve the effectiveness of the board in conducting operational control management. The more effective control of the company is expected to reduce the possibility of fraud in accounting disclosure. Some previous research (Shivdasani, 1993) has classified board of directors who come from non- management as " independent directors " and " gray directors ". Independent directors is from outside the company and has no affiliation / relationship with the company and with the other board. While the director is gray directors from outside the company and the possibility of having affiliations with other directors in the company. The directors category is likely due to the problems raised by the affiliate relationship management. Fama (1980) and Fama & Jensen (1983) predicts that the high composition of independent directors will increase the effectiveness of the board of directors in monitoring management. The hypothesis in this study :

H1 : The proportion of independent directors to the board of the company to commit fraud accounting information tends to be lower than companies that do not commit fraud accounting information .

The existence of the board of directors of the company to monitor the operational management can not be separated from the formation of the audit committee. The board of directors will delegate authority over the control of the company to the audit committee in order to improve the quality of reporting between management and shareholders. Pincus et al (1989) said that the audit committee is one of monitoring mechanisms of corporate management. The existence of an audit committee is expected to reduce the possibility of fraud presentation of accounting information, so that hypothesis 2 is:

H2 : Board of directors of the company who did the accounting fraud less likely to have an audit committee than companies that do not commit fraud accounting information.

3. RESEARCH METHOD

3.1. Measurement of Variables

Criteria for accounting fraud (FRAUD) in this research is that if the company re-issued disclosure (restatement announcements) in the financial statements. This proxy is used by Palmrose (2004) to identify the market's reaction to the stock price if the company did restatement. Measurement of this variable is if the company re-issued disclosure (restatement announcements) will be given dummy 1, and the other (if not) 0.

Board of directors from outside the company (outside director /% OUTSIDE) is the directors who are not affiliated with the company. Board of Directors from non-professional management more generally in business operations, can prevent the misuse of company resources, so it will be able to improve the performance of the firm (Yermack, 1996). Measurement of these variables with the% amount of non-management Directors.

The company's growth (GROWTH) is a development company that shows how the company managed to use his resources. This variable is measured by the growth of the company's assets during the 2 years prior to restatement.

Older companies listing on the stock exchange (AGEPUB) is long the company has been listed on the stock exchange. The new company listing in the stock market will have a high level of risk in doing restatement because the public will push managers to meet the expectations (Beasley, 1996). Measurement of this variable is the length of a corporation has been listed on the stock exchange.

Stock ownership by management (MGTOWNBD) is the number of shares held by the manager who sits on the board of directors. Lack of ownership by the management is expected to increase the company's investor confidence and increase motivation to improve the company's stock value (Jensen & Meckling, 1976). This variable is measured by how much (%) shares owned by management.

The period of time the board of directors took office (CEOTENURE) is believed to be influence the restatement (fraud) in the company, the longer the CEO took office more "robust" to influence management (Beasley, 1996). This variable will be measured by the length of time a person served as CEO and a control variable.

Other control variables, the possibility of CEO maintained for the next period (BOSS) is whether the CEO and will be maintained for the next period. Measurement of these variables with the dummy.

The existence of the Audit Committee (KAUDIT) is believed to reduce the restatement by the company, because the process has gained operational oversight of the audit committee. Measurement of these variables with the dummy.

3.2. Data Collection

Research data is a restatement events that occurred during the period 2005-2009 on public companies in Indonesia Stock Exchange. Data obtained from Reference Center Indonesian Capital Market and Capital Market Directory (ICMD). All data is secondary data from financial statements (audited). This research will separate the companies that have accounting information to commit fraud and similar companies that did not commit fraud. Observation period is 1999-2010. Criteria for companies that do not commit fraud are:

a. Have the same size of the company by the company to commit fraud. Measurements for the size of the company is the market value of the firm's equity. Comparison if the company has the same size is if the market value + 30% of the market value of equity companies who commit fraud.
b. In the same industry category.
c. The same disclosure period between the company and not cheating.

Analytical methods will be used in this study is logistic regression (logit). Selection of analytical methods adapted to the purpose of the study is to test the possibility of the occurrence of an event, in this case the possibility of fraudulent accounting information for a company that has a board of directors from within and outside management. Research suggested by the model to analyze dichotomous variables with logit (Stone and Rasp, 1991)

3.3. Research Model

Logistic regression model as in this research study Beasley (1996) and adapted to the conditions in Indonesia are:

Hyphotesis 1 :

$$FRAUD_i = \alpha + \beta_1\%OUTSIDE_i + \beta_2GROWTH_i + \beta_3AGEPUB_i + \beta_4MGTOWNBD_i + \beta_5CEOTENURE_i + \beta_6BOSS_i + \varepsilon$$

Hyphotesis 2 :

$$FRAUD_i = \alpha + \beta_1\%OUTSIDE_i + \beta_2GROWTH_i + \beta_3AGEPUB_i + \beta_4MGTOWNBD_i + \beta_5CEOTENURE_i + \beta_6BOSS_i + \beta_7 KAUDIT + \varepsilon$$

where:

FRAUD = dummy variable, 1 if the company is committing fraud and other 0

% OUTSIDE = % board of directors from outside the company.

GROWTH = % of the average total assets for the 2 years before the company commit fraud
AGEPUB = old company listing on the stock exchange
MGTOWNBD = % cumulative shareholding of directors at the company's internal
CEOTENURE = long year served as the board of directors
BOSS = dummy variable, 1 if the board of directors is still maintained and the other 0
KAUDIT = dummy variable, 1 if the firm has an audit committee and 0 otherwise.
ε = the residual error

4. ANALYSIS AND DISCUSSION OF RESULTS

The following table is a comparison between the companies that do the restatement and non-restatement. Division 2 this group is to show that the sample is similar. Loebbecke et al (1989) in Beasley (1996) said that the possibility of fraud is if the management company has the same characteristics. The results in Table 1 indicate that the total assets and total sales between the two types of samples is not much different.

Table 1
Comparison between the Performing and Non Performing restatement company

	Performing Restatement Co. (Mean) [Std. Dev] n	Non Performing Restatement Co. (Mean) [Std. Dev] n
Total Assets*	*2.470.843*	*3.067.987*
	[3.643.678]	*[5.037.321]*
	27	*27*
Total Sales*	*522.658*	*987.095*
	[765.256]	*[1.558.027]*
	27	*27*

**Million Rupiah*

The results of logistic regression models for both Model I and Model II can be seen in the following table:

Table 2

Logit Model Results for Outside Director

Coefficient	Variable	Est. Coefficient	T-Stat
A	INTERCEPT	9,463	0,003
Board Composition :			
	%OUTSIDE	-1,107	0,166
Control Variabel :			
	GROWTH	2,147	0,842
	AGEPUB	-0,002	0,587
	MGTOWNBD	0,045	0,512
	CEOTENURE	0,078	0,322
	BOSS	0,014	0,437
R^2		9,1%	

Table 2 shows that, overall, the variables showed significant results, although %OUTSIDE showed negative results. These results indicate that the company is not doing restatement was the composition of the board of directors who come from non-management greater than the composition of a company that does restatement. These results are consistent with Beasley (1996), Fama (1980) and Fama and Jensen (1983) who argued that the directors who come from non-management was effective in monitoring the operation of the company. These results support H1, that the company which has the composition of non-management directors who did restatement is lower than companies that do not do the restatement. Beasley test results (1996) is negative and significant. Results are not significant at this research possible because some of the samples did restatement does not have a director ouside composition.

Testing model 2 (Table 3) include the existence of an audit committee as one of the factors that are believed to reduce the restatement by company. KAUDIT test results that were negative and not significant. Hypothesis 3 was not supported by these results, so that the existence of an audit committee does not reduce the likelihood of restatement firms. Not significant possibility that the presence of an audit committee is not appropriate measurement. The existence of audit committees in corporate personnel usually only for a short period (high turnover) so that the measurement would be better if you use the activities of the committee itself. Activities committee consists of how many times they held a meeting to discuss the company's operational problems. The optimal frequency of meetings 4 times a year (Beasley, 1996). Indonesian capital market regulator has required all public companies to establish an audit committee to ensure effective performance.

Table 3
Logit Model Results for Outside Director and Audit Committee

Coefficient	Variabel	Est. Coefficient	T-stat
A	INTERCEPT	12,73	0,564
Board Composition :			
	%OUTSIDE	-0,976	0,076
The existence of the impact of the Audit Committee:			
	KAUDIT	-0,035	0,674
Control Variable :			
	GROWTH	1,561	0,872
	AGEPUB	-0,002	0,089
	MGTOWNBD	0,007	0,965
	CEOTENURE	-0,006	0,644
	BOSS	2,169	0,423
R^2		7,3%	

5. CONCLUSION

This research aims to see whether the company has a corporate governance mechanism will reduce the likelihood of restatement. Any restatement would be considered a material misstatement to investors. Corporate governance mechanism should be able to reduce the likelihood of restatement, which include : the presence of the board of directors who come from non- management (outside director) and the existence of an audit committee. The results support H1 and H2 that the company has a composition of non- management directors who did restatement is lower than companies that do not do the restatement. Nevertheless , the results do not support H3 that the existence of audit committee will reduce the occurrence of restatements. This research has the limitation that the study sample is only for the period 2005-2009, the number of firms sampled only 27 restatement firms and 27 non restatetment company. Further measurements of the audit committee that would look better if the number of audit committee meetings conducted itself.

Future studies may add a proxy to measure corporate governance mechanisms, for example by an independent commissioner and incentives. The number of companies can be reproduced by adding a period of time, in accordance with applying the rules and regulations regarding good corporate governance .

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APPENDICES

Appendix A: SAMPLE COMPANY PERIOD 2005-2009

No	Company (*Restatement*)	No	Company (*Non-Restatement*)
1	*Astra Agro Lestari*	28	Trimegah Securities
2	*Davomas Abadi*	29	Prasidha Aneka Niaga
3	*Excelcomindo Pratama*	30	Global Land Development
4	Lippo E-Net	31	Danayasa Artathama
5	*Bentoel Internasional Investama*	32	PP
6	*Zebra Nusantara*	33	Agung Podomoro Land
7	*Asia Kapitalindo Securities*	34	Indosat
8	*Bekasi Asri Pemula*	35	PP London Sumatra Indonesia
9	*Bank Nusantara Parahyangan*	36	HM Sampoerna
10	*Bakrie & Brothers*	37	Indonesia Air Transport
11	*Bank Victoria Internasional*	38	Lamicitra Nusantara
12	*Ciputra Development*	39	Bank ICBC NISP
13	*Duta Kirana Finance*	40	Bank Bumi Artha
14	*Grahamas Citrawisata*	41	Buana Finance
15	*Jaya Real Property*	42	Jakarta Setiabudi Internasional
16	*Sinar Mas Multiartha*	43	Pudjiadi & Sons estate
17	*Surya Semesta Internusa*	44	Summarecon Agung
18	*Bank Internasional Indonesia*	45	Capital Inc Investment
19	*Bakrieland Development*	46	Bank Mayapada
20	Indonesian Paradise Property	47	Gowa Makasar Tourism Dev.
21	*Lippo Cikarang*	48	Wintermar Offshore Marine
22	*Nusantara Infrastructure*	49	Garda Tujuh Buana
23	*Mitra Investindo*	50	SUGI Samapersada
24	Pelita Sejahtera Abadi	51	Gema Grahasarana
25	*Hotel Sahid Internasional*	52	Bakrie Telecom
26	*Wijaya Karya*	53	Mitra Adiperkasa
27	*Akbar Indo Makmur*	54	Multipolar