The Effects of Earnings Opacity and Tax Avoidance on Corporate Value

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At present, performing opacity earnings and tax avoidance is a must since management generally believes that this can increase the corporate value to attract more investors. As a matter of fact, only a small amount of investors see the financial statements with high profits and lower tax payments as a high valued corporate investment. Probably it has no effect for companies doing earnings opacity or tax avoidance in enhancing the corporate value. This study aims to ascertain the effects of earnings opacity and tax avoidance on corporate value. Secondary data were obtained from the Indonesia Stock Exchange, the types of manufacturing corporate in a time span of 3 years (2011-2013). The results of this study showed that earnings opacity and tax avoidance do not significantly affect the corporate value. It is obvious that profit is not the focal point for the investors in considering buying and selling shares.

Key words: Earnings opacity, corporate size, corporate value, price ratio of earnings, tax avoidance

Introduction

In his research conclusion, Nasih (2014) stated that the assurance of earnings opacity affected the value of the corporate. The results in the history of accounting reports affirm that profit modification remains a relevant topic to discuss. Enron's case, that horrified the world of business in 2001, was related to the mechanism of fraud committed by Enron's management involving the use of accounting principles and the use of the service auditors in designing the financial manipulation (Nasih, 2014). The case was followed by other series of similar cases (Worldcom, Xerox) which has impaired public confidence against the function of the financial statements, even though it is audited by a reputable Public Accountant Firm (KAP). Despite the regulator’s immediate response on the case through various rules and ethics to avoid recurring cases, the fact verifies that modification profits are numerous. New cases are found almost every year in various countries; Indonesia is no exception.
Various terms are proposed to refer to profit modifications. Bhattacharya, Daouk and Welker (2003) introduced the term earnings opacity which has the implications of financial statement quality level. In the long run, earnings opacity has a harmful impact on many parties. High earnings opacity signifies poor quality financial statements, so that the financial statement function is not in the appropriate place. Consequently, this will inhibit the creation of productive activity and capital accumulation, acquisition of expertise, and technological transfer (Nasih, 2014). The hypothesis test showed that the greater the value of discretionary accruals (proxy earnings opacity), the higher the liquidity value. It means that the lower the quality earnings of the corporate, the lower the stock liquidity (T value 1.932).

Another form of modification purportedly also affects the value of the corporate which can be performed by the management in the tax area, that is, by carrying out a tax avoidance. This is done by the taxpayer in order to evade the objectionable tax consequences. Low taxes undoubtedly lead to the increase of the corporate profits.

That the certainty of tax avoidance has an impact on the corporate value was stated in the research of Tryas and Dwi (2012). The uniformity of the results was also confirmed in the study by Slemrod and Hanlon (2009) stating that aggressiveness tax action can increase or decrease the corporate stock value. If tax aggressiveness is perceived as an effort to conduct tax planning and tax efficiency, the effect on the corporate value is positive. Nevertheless, when viewed as an act of non-compliance, tax aggressiveness will increase the risk of reducing the corporate value.

Starting from this problem, the writers will examine the effects of earnings opacity and tax avoidance on corporate value. This research also includes several control variables, namely the corporate size, Price Earning Ratio (PER), Return on Asset (ROA), and Leverage, proven to show consistent effects against corporate values in previous studies. The purpose of using control variables is that the results of the earnings opacity and tax avoidance impacts against the corporate values is more accurate due to the elements/factors controlling them.

Academically, the results of this study can provide additional knowledge on tax avoidance, earnings opacity, and corporate values. These can be used as inputs for the practitioners and considerations for the management to implement tax avoidance, opacity earnings, and corporate value.

This paper is divided into four parts: first of all, part the background underlying the research related to earnings opacity and tax avoidance and the effects on the corporate values are explained. The next part informs the basic theory used in this study, followed by the methods used in the research. Afterwards, results are presented and finally the implications and limitations of the study are discussed.
Literature Review

The Agency Theory

Priguno and Hadiprajitno (2013) developed a definition of agency theory proposed by Jensen and Meckling (1976) as the relationship between the agent (management / corporate manager) and the principal (the corporate owner). In an agency relationship, there is a contract at which point the principal instructs another person (the agent) to perform a service on behalf of the principal and authorises the agent to make the best decision for the principal.

Earnings Opacity

In their journal, “The World Price of Earnings opacity”, Bhattacharya et al. (2003) defined earnings opacity as the extent earnings distribution is reported as failed to provide information about the correct earnings distribution but is unobservable. The more opaque the earnings, the more incorrect the signal changes of the economic value that occurs during a given period by the reported accounting earnings. Earnings reported in a country could be opaque because of a complex interaction between three factors: managerial motivation, accounting standards, and the enforcement of accounting standards (audit quality). It could be that earnings are opaque because managers have a motive to manipulate earnings. They can do this either because the accounting standards allow great flexibility or accounting standards are not present to regulate the accounting principles related to several fields of business activities. Another possible reason is that the enforcement of accounting standards, although the standards are tight, is lax. In short, earnings opacity is the loss of the informative level of the reported earnings of a company (Nasih, 2014).

Specifically, Bhattacharya, et al. (2003) used three measurements of earnings numbers that are associated with earnings opacity, namely earnings aggressiveness, loss avoidance, and earnings smoothing.

However, Dechow, et al. (1995) measure and detect earnings management based on accruals, while Satwika and Damayanti (2005) affirm accrual as a number of accounting adjustments required to change the operating cash flow into net income.

Tax Avoidance

As argued by Mardiasmo (2003), tax avoidance is an effort of tax relief by not violating the existing laws. In similar tone, Darussalam (2009) states that tax avoidance is a transaction scheme proposed to reduce the tax burden by exploiting the loopholes of a country’s tax provisions so that the scheme is declared legal by the tax experts based on the reason that it
does not violate tax laws. If the deed of tax avoidance is performed by infringing the tax laws, the more appropriate term is tax avoidance.

In an international context, tax avoidance is carried out by a company by transfer pricing, thin capitalization, controlled foreign corporation. Tax avoidance is usually performed by companies forming forged invoices, not recording some of the sales, or having counterfeited financial statements. Nevertheless, the practice of the tax avoidance mentioned above is often discovered; therefore, the mode of tax avoidance is now changing (Hutami, 2010).

Budiman dan Setiyono (2012) stated that in a corporate context, companies deliberately performed tax avoidance in order to reduce the level of tax payments performed and to enhance the corporate cash flow. The advantage of doing tax avoidance is to expand tax saving which most likely reduces tax payments and increases cash flow (Guire, et al., 2011).

**Corporate Value**

Son and Wirawati (2013) defines the corporate value as a portrayal of the general state of the company. Investors make corporate value as a measurement against a company, which is often related to stock prices. The high level of the corporate value indicates the high level of prosperity as a shareholder.

According to Rika and Islahudin (2008: 7), the corporate value is defined as the market value. Corporate value can provide greater affluence for the shareholders when the price of the corporate stock rises. The higher the stock price, the greater the wealth of shareholders.

Hermuningsih (2013) asserts that corporate value can be measured by the price to book value (PBV), which is the ratio between the share price and book value per share. Other related indicators are the book values per share, namely the ratio between capital (common equity) with the number of outstanding shares (Fakhruddin dan Hadianto, 2001). In this case, the PBV can be clarified as the comparison results between the stock market price and the book value shares. The high PBV will increase market confidence against corporate expectations indicating a high shareholder prosperity (Soliha and Taswan, 2002). The PBV could also mean a ratio revealing whether the price shares traded overvalue or undervalue these book value shares (Fakhruddin and Hadianto, 2001).

**Research Methods**

The present study uses a quantitative research approach with statistical tools to test the hypothesis. The dependent variable in this study is the corporate value which is anticipated to be affected by earnings opacity and tax avoidance (independent variable). There are control
variables functioning to restrain earnings opacity and tax avoidance effects against corporate value, namely Corporate Size, Earnings to Price Ratio; Return on Asset (ROA); and Leverage.

The type of data source used is secondary data obtained from the Indonesia Stock Exchange website (www.idx.co.id), consisting a list of issuers included in the manufacturing companies for the 2011 to 2013 period and the Annual Reports of the listed companies in the manufacturing period of 2011 - 2013. The report included the performance reports of issuers to be informed of the stock market price data, audit reports (financial statements) to familiarize oneself with the revenue data, accounts, assets, debts, earnings, cash flow, tax payments, and equity.

The analysis technique consists of classic assumption test to obtain unbiased and efficient estimate value from multiple regression equations by using four test equipment: normality, multicollinearity, heteroscedasticity, and autocorrelation tests; multiple regression models; model suitability test through determination coefficient (r2), f test; and hypothesis test.

The hypothesis is tested by using the t statistical test. Basically, the t statistical test shows the extent to which individual effect of the explanatory variables / independent describes the dependent variable variations (Ghozali, 2009: 16). The t-test is used to perceive the most dominant influence in the respective independent variable to explain the variation of the dependent variables with a 5% significance level. If the significance of the statistical processing results is below 5%; consequently, the independent variables significantly affect the corporate value.

Results and Discussion

An Overview of Research Subjects and Objects

The subjects in this study were manufacturing type companies listed on the Indonesia Stock Exchange (BEI) in a span time of 2011 - 2013. The selection of this industry is based on the facts reported by the Indonesian Regulatory Authority for the Indonesian Capital Market (Bapepam) in 2005. The reports mentioned that out of the 16 companies ascertained to practice modification profits, most of them are dominated by the manufacturing companies. Besides, there is intense competition and various obstacles, such as changes in fluctuating raw material prices, so that profits cannot be predicted accurately. This leads to the wide opportunity to conduct earning management tax avoidance. This study aims to examine whether the corporate value with an estimated magnitude is influenced by earnings management (earnings opacity) and tax avoidance practices.
The number of companies listed on the Stock Exchange during 2013 was 138 companies. Summary of the total population can be seen in table 1.

Table 1: Research Subject Framework

<table>
<thead>
<tr>
<th>Number of manufacturing companies listed on Indonesia Stock Exchange in 3 years were 414 companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not using the IDR currency</td>
</tr>
<tr>
<td>Experiencing loss</td>
</tr>
<tr>
<td>Receiving tax facilities</td>
</tr>
<tr>
<td>Negative equity</td>
</tr>
<tr>
<td>Inaccessible data for 3 consecutive years</td>
</tr>
<tr>
<td>Available data in total</td>
</tr>
</tbody>
</table>

Source: Processed Data

Description of Research Results

This description contains a series of collected data, either associated with the dependent variables (corporate value), independent variables (earnings opacity and tax avoidance), and control variables (corporate size, PER, profitability, and leverage). By describing the data, it is expected to obtain a clearer picture of the data.

The descriptive data is in the form of average value, minimum, maximum, and standard deviation. The complete results are presented in Table 2.

Table 2: Description of Corporate Value

<table>
<thead>
<tr>
<th>Corporate Value</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>40</td>
<td>0.103674</td>
<td>41.456836</td>
<td>3.99204873</td>
<td>7.454591900</td>
</tr>
<tr>
<td>2012</td>
<td>40</td>
<td>0.090974</td>
<td>43.741566</td>
<td>5.44733897</td>
<td>9.768760353</td>
</tr>
<tr>
<td>2013</td>
<td>40</td>
<td>0.96600</td>
<td>50.661391</td>
<td>4.61813248</td>
<td>8.919923726</td>
</tr>
</tbody>
</table>

Source: Processed Data

The results of the statistical processing show the average of the corporate value based on the stock price where the population companies stood under figure six (meaning the stock price is 6 times its book value). The figures are quite encouraging, although they decreased in 2013. The highest corporate value of the population companies was achieved by PT Unilever Tbk in 2013.
In 2013 PT Unilever Tbk achieved as many as 50 points, the highest corporate value of the population companies. PT Unilever consistently posted economic performance that continued to increase resulting from a blend of hard work, smart strategy, innovative products, and intensive social activities that were positively responded to by the investors flocking to buy the shares. In 2012, PT Nusantara Inti Corpora Tbk experienced the lowest corporate value by as many as 0.09 points.

Table 3: Statistical Description of Earnings opacity

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Opacity 2011</td>
<td>40</td>
<td>0.004168</td>
<td>0.987089</td>
<td>0.13429779</td>
<td>0.190177774</td>
</tr>
<tr>
<td>Earnings Opacity 2012</td>
<td>40</td>
<td>0.006711</td>
<td>0.266580</td>
<td>0.10501101</td>
<td>0.066900336</td>
</tr>
<tr>
<td>Earnings Opacity 2013</td>
<td>40</td>
<td>0.001259</td>
<td>0.437952</td>
<td>0.10000838</td>
<td>0.089881146</td>
</tr>
<tr>
<td>N Valid (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Data

The statistical processing results in Table 3 show the average earnings opacity of the population companies, which is around 10 to 13 percent. They are quite alarming figures against the tendency of Indonesia companies practicing earnings opacity. Although there was a trend to reduce the practice of modifying earnings as seen from the average of the decline, but investors should be aware of this negative phenomenon so as not to rely fully on the financial statements as the base in deciding to buy or sell the company stock.

The highest earnings opacity was performed by Alkindo Naratama Tbk, amounting to nearly 100% of the figure which should have been reported. There was only one independent commissioner, and the vacancy of managerial ownership enabled the internal controls to be inadequate, so it could not detect a deliberate attempt of earnings opacity performed for specific purposes. The lowest earnings opacity was conducted by PT Lion Metal Work Tbk in 2013.

Table 4: Statistical Description of Tax Avoidance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax avoidance 2011</td>
<td>40</td>
<td>0.076852</td>
<td>0.756525</td>
<td>0.24947325</td>
<td>0.099551281</td>
</tr>
<tr>
<td>Tax avoidance 2012</td>
<td>40</td>
<td>0.082384</td>
<td>0.940108</td>
<td>0.25903784</td>
<td>0.121871681</td>
</tr>
<tr>
<td>Tax avoidance 2013</td>
<td>40</td>
<td>0.087935</td>
<td>0.871611</td>
<td>0.27901077</td>
<td>0.145979361</td>
</tr>
<tr>
<td>N Valid (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Data

Statistical processing in Table 4 showed not too surprising information, namely the increasing tendency of Indonesian companies for practicing tax avoidance: up to 27% (2013) of tax that
should normally be paid. Regardless of the opinion that tax avoidance is not a tax offense since it only exploited the loopholes in the law applied to taxes, however, these results reaffirm Indonesia as a source of corruption.

The highest tax avoidance was conducted by PT Nusantara Inti Corpora in 2011. The aggressive tax avoidance was worthless because the corporate value represented by the share price did not show optimum results (the cheapest, as a matter of fact). The lowest tax avoidance was performed by PT Eterindo Wahanatama Tbk in 2011, which amounted to 7.6%.

Table 5: Statistical Description of Corporate Size, Price Earning Ratio, Profitability

<table>
<thead>
<tr>
<th>Variables</th>
<th>2011</th>
<th></th>
<th>2012</th>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min</td>
<td>Max</td>
<td>Ave</td>
<td>Min</td>
<td>Max</td>
<td>Ave</td>
</tr>
<tr>
<td>Corporate</td>
<td>11.3</td>
<td>18.84</td>
<td>14.38</td>
<td>11.4</td>
<td>19.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Size PER</td>
<td>1.08</td>
<td>983.2</td>
<td>18.9</td>
<td>0.18</td>
<td>16.686</td>
<td>672</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.004</td>
<td>2.67</td>
<td>0.18</td>
<td>0.0011</td>
<td>3.02</td>
<td>0.21</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.09</td>
<td>0.8</td>
<td>0.39</td>
<td>0.04</td>
<td>0.78</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Source: Processed Data

The data of company size as presented in Table 5 shows a rising trend average. It showed the eagerness of capital markets as a fairly effective funding source. PT Astra International Tbk owned the highest assets with a Ln of (19.18), or approximately Rp 213,994,000,000,000. The lowest assets were owned by PT Indo Can Kedaung with an Ln of (11.37) or Rp94,955,970,000.

The average Price Earning Ratio (PER) rose sharply in 2012, that is from 189 to 672, and showed consistency in 2013 (670). The highest PER was achieved by PT Unilever, which is about 16.686, higher than the market price of its shares, so that the prospective investors were enthusiastic to buy them. High PER also means high returns and the payback period is shorter. PT Nusantara Inti Corpora achieved the lowest PER, which ironically was the perpetrator of the most aggressive tax avoidance.

Profitability is believed to be the most important measure of financial performance to indicate the company's level of success. The average profitability in 2013 declined by almost 100 percent than from the earlier year. The cause is previously described. According to the Chief Executive Officer of Capital Markets Authority Supervision of Financial Services (OJK), Nurhaida, Indonesian capital market performance in 2013 was the third worst after China and Thailand. The decline in the growth of Indonesian capital market is due to the influence of the global and domestic pressures. The highest profitability was achieved by PT Charoen Pokphand Indonesia Tbk, that is 3.02 or 302 percent. At the end of 31 December 2013, PT Charoen Pokphand Indonesia Tbk recorded sales of USD 25.663 billion, which rose to 20.4%
compared to sales in 2012 amounting to USD 21,311 billion. The strong performance in sales originated in the strong growth in all three business activities. The company consists of animal feed, 1-day-old chicks (DOC) and processed food productions. The lowest profitability was once again experienced by PT Nusantara Inti Corpora in 2012 amounting to only 0.11%. The leverage data shows the impartial ratio with funding source from the share issuance. The highest leverage was obtained by PT Multi Bintang Indonesia Tbk. High debt is not always risky. PT Multi Bintang was able to boost the debt with a fairly impressive profit. The lowest leverage was conducted by PT Kalbe Farma Tbk, by only 0.21% of the total assets owned.

**Model Analysis and Hypotheses Testing**

**Normality Test**

The amount of data processed in this study were 120. Based on the central limit theory, when the data used in the study exceeds 100 the statistical sample produced will advance toward a normal distribution (Solimun, 2002). This proposition is supported by Gabriela (2013), Stephanie, et al (2013), and Thagete (2013). It can be concluded that the data in this study has a normal distribution.

**Multicollinearity Test**

The method used in this study to detect the presence or absence of multicollinearity symptoms is by looking at the Variance Inflation Factor (VIF) and the tolerance value for the respective independent variable.

**Regression Model**

Based on the multiple linear regression test results in Table 6, the regression model can be interpreted as follows:

\[
NP = -9,240 + 7,439 \text{ EO} + 1,074 \text{ TA} + 0,939 \text{ UP} + 0,002 \text{ PER} + 2,849 \text{ PROF} - 6,318 \text{ LEV} + e
\]
Table 6: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-std. Coeff B</th>
<th>Std Error</th>
<th>Beta</th>
<th>T</th>
<th>sig</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Zero-Order</td>
<td>Partial</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-9.240</td>
<td>5.741</td>
<td>-1.609</td>
<td>.110</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earning Opacity</td>
<td>7.439</td>
<td>4.760</td>
<td>.109</td>
<td>1.563</td>
<td>.121</td>
<td>.096</td>
<td>.145</td>
</tr>
<tr>
<td>Tax Avoidance</td>
<td>1.074</td>
<td>4.959</td>
<td>-.015</td>
<td>-.217</td>
<td>.829</td>
<td>-.066</td>
<td>-.020</td>
</tr>
<tr>
<td>Corporate Size</td>
<td>.939</td>
<td>.354</td>
<td>.197</td>
<td>2.652</td>
<td>.009</td>
<td>.391</td>
<td>.242</td>
</tr>
<tr>
<td>PER</td>
<td>.002</td>
<td>.000</td>
<td>.533</td>
<td>7.265</td>
<td>.000</td>
<td>.624</td>
<td>.564</td>
</tr>
<tr>
<td>Profitability</td>
<td>2.849</td>
<td>1.644</td>
<td>.121</td>
<td>1.733</td>
<td>.086</td>
<td>.166</td>
<td>.161</td>
</tr>
<tr>
<td>Leverage</td>
<td>-6.318</td>
<td>3.145</td>
<td>-.142</td>
<td>-2.009</td>
<td>.047</td>
<td>-.249</td>
<td>-.186</td>
</tr>
</tbody>
</table>

Information: a. Dependent Variable: Corporate Value

Source: Processed Data

1. Constant -9.240 shows if earnings opacity (EO), Tax avoidance (TA), corporate size (CS), Earnings to Price Ratio (PER), profitability (PROF), and Leverage (LEV) variables are not present or 0, then the vastness of corporate value (CV) is -9.240.

2. The regression coefficient of Earnings opacity (EO) variable is 7.439 affirming that if Earnings opacity (EO) variable increases by one unit, then the corporate value (CV) will increase by 7.439 times, assuming that the free variables and other controls are consistent.

3. The regression coefficient of Tax avoidance (TA) variable is 1.074 affirming that if Tax avoidance (TA) variable increases by one unit, then the corporate value (CV) will increase by 1.074 times, assuming that the free variables and other controls are consistent.

4. The regression coefficient of Corporate Size (CS) variable is 0,939 affirming that if Corporate Size (CS) variable increases by one unit, then the Corporate Size (CS) will increase by 0.939 times, assuming that the free variables and other controls are consistent.

5. The regression coefficient of Corporate Size (PER) variable is 0,002 affirming that if Corporate Size (PER) variable increases by one unit, then the Corporate Value (CV) will increase by 0.002 times, assuming that the free variables and other controls are consistent.

6. The regression coefficient of Profitability (PROF) variable is 2.849 affirming that if Profitability (PROF) variable increases by one unit, then the Corporate Value (CV) will increase by 2.849 times, assuming that the free variables and other controls are consistent.

7. The regression coefficient of Leverage (LEV) variable is -6,138 affirming that if Leverage (LEV) variable increases by one unit, then the Corporate Value (CV) will increase by -6,138 849 times, assuming that the free variables and other controls are consistent.
Testing Results of Conformity Model

Koefisien Determinasi (R²)

Table 7: Determination Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin- Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.689^a</td>
<td>.474</td>
<td>.446</td>
<td>6.483198235</td>
<td>2.149</td>
</tr>
</tbody>
</table>

Information:  
a. Predictors: (Constant), Leverage, Tax avoidance, Earnings opacity, Profitability, PER, Corporate Size;  
b. Dependent Variable: Corporate Value

1. From Table 10, Adjusted R Square (Adjusted R²) = 0.446, that 44.6% variation of the corporate value (CV) variable can be explained by Earnings opacity (EO), Tax avoidance (TA), Corporate Size (CS), Earning to Price Ratio (PER), Profitability (PROF), and Leverage (LEV) variants, while the remaining 55.4% by other variables.

2. R-square (R²) = 0.474, means the variation in the independent and control variables of Earnings opacity (EO), Tax avoidance (TA), Corporate Size (CS), Earning to Price Ratio (PER), Profitability (PROF), and Leverage (LEV).

3. R = 0.689 means the strength of the relationship between variant variables of Earnings opacity (EO), Tax avoidance (TA), Corporate Size (CS), Earning to Price Ratio (PER), Profitability (PROF), and Leverage (LEV) simultaneously against the corporate value (CV) is quite high, namely 68.9%.

This strong sufficient relationship emphasizes that the Indonesian market belongs to a half strong efficiency market category. The efficient market in a half strong form is said if the security prices fully reflect all the published information including information in the financial statements of the listed companies (assets, earnings, and all earnings opacity and tax avoidance indicators). Such information may be in the form of published information only affecting the security prices of the companies publishing such information. This can be, for example, in the form of announcements or published information affecting the security prices of a number of companies. For instance, government regulations or regulation from the regulators which have an impact on the company security is affected by the regulation.

F Test

According to Ghozali (2009:16), F statistical tests show whether all the independent variables (including controls) included in the model have jointly influenced the dependent variables. The hypothesis can be tested by using the analysis of variance (ANOVA).
The ANOVA test results by using F test shows the calculated F value of 16.991 with sig 0.000. Because the sig value (0.000) is smaller than the alpha (5%), the conclusion is that Earnings opacity (EO), Tax avoidance (TA), Corporate Size (CS), Earning to Price Ratio (PER), Profitability (PROF), and Leverage (LEV) have simultaneously a significant influence on the Corporate Value (CV).

**Table 8: F Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4285.054</td>
<td>6</td>
<td>714.176</td>
<td>16.991</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>4749.600</td>
<td>113</td>
<td>42.032</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9034.654</td>
<td>119</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Leverage, Tax avoidance, Earnings opacity, Profitability, PER, Corporate Size
b. Dependent Variable: Corporate Value

**Source:** Processed Data

**Hypothesis Testing**

The hypothesis testing in this study used the t statistical test. According to Ghozali (2009:17), the t statistical test basically shows how far the influence of the independent variable is on the dependent variable by assuming that the other independent variables are consistent.

**Table 9: T-Test Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Earnings opacity</td>
<td>1.563</td>
</tr>
<tr>
<td></td>
<td>Tax avoidance</td>
<td>0.217</td>
</tr>
<tr>
<td></td>
<td>Corporate Size</td>
<td>2.652</td>
</tr>
<tr>
<td></td>
<td>PER</td>
<td>7.265</td>
</tr>
<tr>
<td></td>
<td>Profitability</td>
<td>1.733</td>
</tr>
<tr>
<td></td>
<td>Leverage</td>
<td>-2.009</td>
</tr>
</tbody>
</table>

**Source:** Processed Data

Based on Table 9, the partial influence of the independent variables against the dependent variables can be explained as follows:

1. Earnings opacity (EO) Variable
   Partially, the Earnings opacity variable has a positive effect on corporate value (CV) variable based on the significant value of 0.121 which is smaller than alpha (0.05).
2. Tax Avoidance (TA) Variable
Partially, the Tax avoidance (TA) variable has no significant effect on the corporate value (CV) variable based on the significant value of 0.829 which is greater than alpha (0.05).

3. Corporate Size (CS) Variable
Partially, the Corporate Size (CS) variable has a significant effect on the corporate value (CV) variable based on the significant value of 0.009 which is smaller than alpha (0.05).

4. Earnings to Price Ratio (PER) Variable
Partially, the Earnings to Price Ratio (PER) variable has a significant effect on the corporate value (CV) variable based on the significant value of 0.000 which is smaller than alpha (0.05).

5. Profitability (PROF)
Partially, the Profitability (PROF) variable has no significant effect on the corporate value (CV) variable based on the significant value of 0.086 which is greater than alpha (0.05).

6. Leverage (LEV)
Partially, the Leverage (LEV) variable has a significant effect on the corporate value (CV) variable based on the significant value of 0.047 which is smaller than alpha (0.05).

**Earnings Opacity**

Based on the t Test, the significant value of earnings opacity is above 0.05, so it can be said the earnings opacity has no significant effect on the corporate value. Therefore, the first hypothesis which states that earnings opacity has a negative correlation with the corporate value is rejected. This study supports the investigation results conducted by Bhattacharya (2003) although the results contradict with the research of Nasih (2014) which can prove the negative influences against stock liquidity. According to Nasih, this detrimental impact confirms the Indonesian Regulatory Authority for the Indonesian Capital Market (Bapepam), and other authorities need to impose sanctions if the company is found guilty of practicing earnings management.

That earnings opacity has no influence on the corporate value, statistically indicates that both companies aggressively or passively pursuing earnings opacity have almost similar corporate value. This could be a warning to the companies that the practice of earnings management is futile since profit as the modification object is not the main focus of the investors. There are other factors that draw more of the investors’ attention. In practice, there are many share players on the stock exchange who are completely blind to the financial statements. Hence, they prefer
to use technical analysis, including psychological touch. There are special days believed to be the day—a sanctity so in fact, on that day the trading volume seemed to be much more crowded compared to other days.

The investors who quite understand accounting know that there are many methods and policies which are not uniformly practiced by the company. These conditions lead to the reluctance of its own to compare performance among companies. From the accounting standards it is believed that only investors doubtful of the earnings quality will then disregard whether the company is practicing earnings opacity or not. They prefer to use intuition in deciding to buy or sell the shares.

**Tax Avoidance**

Based on the t-test, the significant value of tax avoidance shows above 0.05, so it can be said that tax avoidance has no significant effect on corporate value. Therefore, the second hypothesis which states that tax avoidance has a positive relationship against corporate value is rejected. This study supports the investigation results conducted by Siregar (2012) although these results contradict with the research conducted by Tryas and Dwi (2012). But it is found the result that tax avoidance has a positive effect against corporate value (2014). According to Tryas and Dwi (2012), tax avoidance conducted by the company aims to reduce the tax burden, so that profit after tax will look great. In a variety of practices, a great return will be a major consideration for potential investors to buy the shares of the company. On the other hand, the existing shareholders are reluctant to release the shares seeing the good future prospects. The number of stock buyers, compared to the investors who will sell their shares, cause the company's stock price concerned become overpriced and thus increase the corporate value. That tax avoidance does not influence the corporate value statistically indicates that companies which aggressively or passively pursue tax avoidance have almost similar corporate value. Tax avoidance definitely causes company earnings to become optimal, therefore this action is fully supported by the owner who has great potential to obtain more dividends. But for the investors who are more concerned with the acquisition of capital gains, the results of this study once again confirm that profit is not the primary focus of the investors. Instead of using the financial statements in making investment decisions, investors are more comfortable and confident using a series of technical analysis since it is considered to represent the future stock price, compared to historical data.

Technically, Siregar stated that the reason that tax avoidance is not influential lies in the tax rate itself. The average level of tax avoidance amounts to 28.55% which is still above the average effective tax rate and was applicable in 2006 until 2010. The corporate tax rate applicable from 2006 - 2008 used the proportional rate of 28%, whereas in 2009 – 2010 employed a single tax of 25%. Thus, the average tax rate in 2006 - 2010 was 27.6%.
Control Variable (Corporate Size, PER, Profitability, Leverage)

In previous studies, control variables proved to have a significant effect on corporate value. This study, except for profitability, definitively adds to previous research consistency. Investors consider that a large size company has everything to make comfortable investments with a small risk of failure. A lot of potential investors are willing to buy the company's stock; therefore, the possibility to boost the stock price is wide open.

Investors still believe that high PER shows the rapid period of return on capital invested, so companies with high PER become a favourite for the prospective investors to pursue it. Thus, the potential increase in the company's share price is also wide open.

The amount of debt has always been a bad precedent for many parties, including in the eyes of investors. Generally, prospective investors are reluctant to buy company shares whose operations are financed by debt. Companies with low debt levels become a favourite for players to buy shares, because the company's stock price is high.

Profitability is not able to prove its relevance to the corporate value. Once again, most investors believe that profit is just a historical data, which often cannot predict the company's future share price. This study proves that stigma.

Conclusion

It is proven that earnings opacity and tax avoidance are equally not significant against corporate value. Profit, which is the object of the two variables, is not the main focus for investors in considering to buying or selling their shares. This is triggered by a view.

The view is that earnings are just past performance and that profit is just a past performance which often times does not represent the corporate value and cannot predict the future stock prices. Consistent with this statement, profitability as the control variable is also not related to the size of the corporate value.

Other control variables consistently generate similar conclusion with previous studies, namely having a significant effect on the corporate value. Company size, PER, and Leverage are the important consideration for investors to buy or sell their shares. A large asset is considered as a reference to the company's survival. A high PER is considered as a measure of speed payback period. A large debt is considered leaving a big risk on the company's future.

There are several limitations to this study: several companies were not accessible during the 2011-2013 financial statements, causing the number of samples and the number of observations
to become smaller. Some companies do not use Rupiah in its financial reporting, so they are not included as samples.

With the discovery of several limitations to this study, further researchers are expected to use other measures to estimate the earnings opacity to test the consistency of the results. To enhance the validity of the results, further researchers are expected to use all the companies listed on the Stock Exchange as the research objects.
REFERENCES


