

FINANCIAL REPORTING PROBLEMS: THE ANALYSIS OF QUALITY OF DISCLOSURE AND THE MEASUREMENT SYSTEM OF THE TRADITIONAL ACCOUNTING

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ABSTRACT

Full disclosure has been regarded as one of the cornerstones of the accounting system to protect investors from “opportunistic behavior” of management. This principle is also put as the main principles of good corporate governance. Such idea has caused the dependency on full disclosure. However this paper reveals that the more the companies disclose information in financial statement, the more likely the companies will smooth their income. This paper argues that the main problem of the accounting is in the measurement system. Historical cost accounting should be abandoned. The single measurement such as cash equivalent unit proposed by Chambers can be used as alternatives. In this case, The International Financial Reporting Standard (IFRS) has been one step ahead in improving the quality of financial reports through the use of fair value valuation.

Keywords: *Good Corporate Governance, Disclosure, Income Smoothing, Accounting Measurement.*

INTRODUCTION

Many business scandals, as well as globalization, have resulted in a demand for full disclosure of non-financial and financial information (Archambault & Archambault, 2003). The Financial statements, as one of the communication devices between companies and their investors, play a main role in implementing full disclosure principles.

Investors in many cases are too dependent on the quality of financial statement disclosure. It is true that theoretically, the more open the company the better the quality of disclosure and result in better financial reporting. Moreover, many research papers also support such theory (Mitton, 2002; Shaw, 2003). However, the quality of disclosure alone may not eliminate the probably opportunistic behavior of managers in preparing financial statements, namely income smoothing behavior. This paper argues that disclosure is insufficient to protect global financial investors from opportunistic behavior of managers. Therefore, the quality of the financial statement produced by accountants is suspected to be distrusted. The main problem of financial statement is on its measurement system since it gives management much discretion and does not account any price changes.

First, this paper discusses good corporate governance and the disclosure principles of financial statements and their importance. Second, it discusses the definition and motives of income smoothing behavior, as well as, the ways managers smooth their income. Then, it reveals and tests statistically the relation between the quality of disclosure and income smoothing. Finally, it will discuss the implication of the findings as well as the measurement problems on financial reporting.

GOOD CORPORATE GOVERNANCE AND DISCLOSURE

Since the 90s international business players have focused on the importance of good corporate governance practices. They believe that one of the causes of the Asian crisis in 1997-1998 was a lack of good corporate governance. They argue that without good corporate governance, companies or countries are vulnerable to financial crisis (Mitton, 2002). Moreover, the Enron case has encouraged business players to formulate regulation which strengthen the implementation of good corporate governance (Cornford, 2004).

Cornford (2004) further explains that there is no single model of good corporate governance; however it is concerned with the relationship between companies and their stakeholders such as lenders and shareholders. Mitton (2002) states that corporate governance is the means by which minority shareholders are protected from the opportunistic behavior of managers or majority shareholders. Based on Organization for Economic Co-operation and Development (OECD) principles, one of the good corporate governance principles is timely and

accurate disclosure and transparency of all information regarding the company. This also include audits (Cornford, 2004).

Disclosure and transparency principles demand that companies report their financial facts which can affect the judgment of the readers (Kieso, Weygandt, & Warfield, 2004). The Financial Accounting Standard Board (FASB) states that “disclosure refers to the process of providing information about items in the financial statements, via footnotes, supplementary schedules, or other means” (Shaw, 2003). Disclosure is expected to reduce asymmetric information between management and stakeholders especially investors and lenders (Verrecchia, 1999). Asymmetric information occurs because management has more information and more authority to choose accounting procedures (Milne, 2002). It means that disclosure is expected to improve the effectiveness of communication between companies and their stakeholders (Archambault & Archambault, 2003).

Disclosure does not only benefit investors and creditors but also managers and companies. The quality of disclosure indicates the credibility of the management (Ahmed & Courtis, 1991). It is also believed that disclosure will give protection to shareholder’s interests. Leftwich (2004) argues that when there is a sudden capital market decline, the investors in companies which have good quality reporting practices will be protected from big losses (Leftwich, 2004). He found that companies which had good quality reporting suffered less decline in their stock price in October 1929 in United States of America (USA) (Leftwich, 2004). This is supported by Mitton (2002) who found that firms in the five Asian countries, Indonesia, Malaysia, Korea, Philippines, and Thailand, which have good quality of disclosure, had a better stock price performance during the 1997-1998 crisis. It is believed that recent huge scandals such as the Enron case which involved multi-billion losses were caused by a lack of transparency.

INCOME SMOOTHING

However, we cannot exaggerate the importance of disclosure. Full disclosure is a must to balance the interest of the companies and their stakeholders. Users of financial reporting should also be concerned about opportunistic behavior of management which cannot be eliminated by implementing full disclosure principles.

Research reveals that the better the quality of disclosure, the more likely that companies smooth their income (Shaw, 2003). This issue then is problematic. While both investors and accountants believe that good quality of disclosure will improve communication between investors and companies, on the other hand, there is a positive relationship between the quality of disclosure and income smoothing.

Beidlemen (1973) defines income smoothing as managements’ effort to dampen variation in earnings to the extent allowed under sound accounting principles (Bathala & Carlson, March 1997). Karmon and Lubwama (1997) argue that by reducing variation in earnings, managers believe that stock price will increase (Karmon & Lubwama, 1997). Bauwhede, Willekens, and Gaeremynck (2003) state that the stability of earnings will influence the shareholders’ perception about economic earnings and their assessment of the probability of bankruptcy (Bauwhede, Willekens, & Gaeremynck, 2003). It is believed that investors have a positive attitude towards a managers’ performance if they can maintain the stability of earnings. Investors will also find it easier to forecast future income if the stability of earnings can be maintained. Therefore, investors are prone to buy shares in companies which show good stability of earnings.

Furthermore, Godfrey and Jones (1999) argue that income smoothing can be used to minimize the likelihood of adverse political attention to companies, especially for big publicly held companies and state- owned companies (Godfrey & Jones, 1999).

Income smoothing happens because management has the discretion to choose accounting principles in preparing income statements. Ronen and Sadan (1981, cited in Ashari, Hian, Soh, & Wei, 1994) states that income smoothing can be done in three ways: 1) managers can choose time of the occurrence of certain events, 2) managers can allocate certain revenues and expenses over different accounting period, 3) managers have options

to classify certain income items into different categories. However, such behavior can be classified as “manipulative” behavior because it gives mislead information to investors (Ashari et al., 1994).

The most interesting issue is that the quality of disclosure does not necessarily eliminate opportunistic behavior such as income smoothing. There is evidence that the quality of disclosure has positive relationship with income smoothing behavior (e.g. Ahmed & Courtis, 1991; Shaw, 2003). This means that companies which have good quality of disclosure are more aggressive in smoothing their incomes. Therefore, it is very risky for the investors to only be dependant on disclosure principles. Shaw (2003) finds that companies which have high quality of disclosure adopt more income-decreasing accruals during good news years and adopt relatively more income-increasing accruals during bad news years.

To investigate the correlation between disclosure and income smoothing, secondary data are used in this paper. However because of limited data, this paper cannot test the direct relation between disclosure and income smoothing. However, an ownership concentration variable is used to link disclosure to income smoothing. It is hypothesized that the more diverse the ownership of shares or less concentration of shares in the hands of a single shareholder, the more likely that companies smooth their income (see Godfrey and Jones, 1999; Carlson and Bathala, 1997). This is because the more diverse the ownership of shares, the tighter the control of shareholders. Therefore, managers are encouraged to demonstrate stable performance. On the other hand, it is also hypothesized that the more diverse the ownership of the stock, the more likely companies will have good quality of disclosure (see Archambault and Archambault, 2003). Companies which have less concentration of ownership are relatively more pressured to disclose their information, because such companies will attract more political intention.

To test both of the relationship between disclosure and income smoothing, there are three variables used in this paper, namely ownership concentration, disclosure index, and income smoothing status. Disclosure index data are adopted from Supto (1998), income smoothing status data are adopted from Jin (1997), and ownership concentration data are available in Indonesian Capital Market Directory. All data and tests used are adopted from my previous research (see Ghofar, 2003).

First, using simple regression, it is known that the coefficient regression of ownership concentration is -0.613 which is statistically significant. This means that there is a negative correlation between the level of disclosure and ownership concentration. In other words, the less the concentration of ownership in a single hand of shareholders, the better the quality of disclosure. (Data and statistical results are presented in attachments.) Second, using a Mean Whitney test, it is known that the mean of ownership concentration of non-smoother companies is different significantly from those of smoother companies, which is significant value of mean test is 0.002. This means that there is a relationship between income smoothing and ownership concentration. (Data and statistical results are presented in attachments).

From both of those tests, it can be inferred that the more the companies disclose information in financial statement, the more likely the companies will smooth their income. This finding supports the finding of Shawn (2003). This finding can be used as a warning for users of financial statement in interpreting data of financial statements (Ashari et al., 1994). Users of financial statements should be able to detect income smoothing behavior and not only be dependent on disclosure principles. Moreover, this finding is also important for the standard setting bodies in order to formulate fair rules and protect external parties from the opportunistic behavior of managers, because disclosure itself is not enough.

MEASUREMENT PROBLEM

The opportunistic behavior of managers can be reduced if accounting practices the consistent and comparable measurement system. Measurement, which is defined as the “process assigning numbers to represent qualities” (R.J Chambers, 1965) is the most important concept in accounting. Chamber (1965) states that measurements become obviously important for comparing or obtaining aggregates or differences between two or more things. Since accounting has role in making economic decision, the issue of measurement becomes the “heart” of

accounting. We have to note that an economic decision is the matter of choices of two or more alternatives. Therefore, the quality of corporate reports depends on the measurement systems.

The main issue is to establish the accurate and relevant measurement systems. However, to address such issue is not easy job for accountants. The accounting measurements should address the issue of multiple measurement bases in valuation within a company and the impact of those issues on net profit measurement. Therefore, the comparability and the consistency of the accounting information can be reached. Since the role of the accounting is to provide the users the information that useful in making economic decision, the comparability and consistency become more important. The issue of price changes which is still controversial should also addressed by accounting.

Without addressing those issues, the quality of accounting reports will be remain low, therefore the decisions made based on such information will be more likely wrong. This paper also argues that current cash equivalent as proposed by Chambers (1980) can be used as the alternative to remedy the weaknesses of the current accounting measurements.

THE USE OF MULTIPLE MEASUREMENT BASES ON THE ONE SET OF CORPORATE REPORTS

Current accounting practices use mix measurement in dealing with accounts valuation. They use lower cost or market for inventory, revaluation as well as depreciation for fixed assets etc. (Alfredson, et al, 2005). Chambers argues that this mix measurement leads to fallacy of mixed measurement. The dollar amounts of assets based on historical cost which is depreciated are added to amounts based on market value which is un-depreciated (Chambers, 1980).

Moreover, this mix measurement distracts the consistency and the comparability of accounting information. Companies have much discretion to devise their own accounts. Therefore, there are millions ways of calculating earnings and representing assets (Chambers, 1980). Companies with same characteristics could use different accounting policies which result in incomparable accounting information.

Incomparable accounting information will lead mislead economic decision, since users will be not able to distinguish the “good” and “bad” companies due to mislead information. Accounting will be useless, because produces information does not reflect the facts.

The next question is how accountants deal with those issues above. What is the ideal measurement to represent the accounts on financial information? Unfortunately, the perfect measurement system is not available in a world of uncertainty. Everything is depending on the nature of the company and the objectives of the users in making decisions.

Practically, based on Staubus (2004), there are two views of measurement bases used in establishing corporate reports. The first is proposed by Chambers and Sydney that accepts one measurement method in one set of corporate report, known as current net realizable price and another one is decision-usefulness view that accepts several measurements methods in the same financial report (Staubus, 2004).

Staubus (2004) argues that there are several important points of agreement between single measurement and multiple measurements, which are: both of them agree in the need for information useful in making decisions, the value of up-to-date measurement, the additivity requirement, and the importance of the reliability criterion. However, the one measurement method and the multiple measurement method differ in their starting points, the decision makers addressed, the decision to be informed, and the populations whose concepts of wealth are accepted.

In Chambers (1966), the one measurement method provides information of all assets and liabilities on the current net realizable prices, which is considered as the current cash equivalent the initial prices of goods and services sacrificed in production transformed to contemporary prices and aggregate. On the other hand, Staubus

(2004) argued that perfect measurement of assets is impossible as every asset of every firm is unique, so the only perfect measurement of it is today's price for that unique asset; such a price can only be observed on the day it is purchased or sold. However, accountants have much greater challenges in reporting the net asset items at their current market value if the market itself does not provide adequate information. Therefore, the uses of surrogate measurements, which regard to the realities of market economics, are considered in order to approximate the unobservable prices.

In terms of making decision, specifically for investors, multiple measurements is recommended by Staubus because investors concern about future capacity of the company which focus on the positive and negative cash flow potentials of company's assets and liabilities (company's liquidity positions). In the absence of observable market quotations for those cash flow potentials, a surrogate market price must be chosen on the basis of its reliability and its relevance to investors' cash flow oriented decisions.

(Staubus, 2004). This is based on the finance point of view, which stated that the value of any asset is a function of the cash flows expected from asset (Haugen, 1997). However, the users of financial reports not just only investors. There are some other most important constituents in financial reporting environment, which are: information intermediaries, regulators, management, and auditors (Beaver, 1998), which in making decision, not merely focused on cash flow. Moreover, providing measurements based on cash flow oriented decisions are more future action rather than measuring present financial position (Chambers & Dean, 1986).

THE ISSUES OF IGNORING SOME GAINS AND LOSSES, ACCRUAL AND MATCHING CONCEPT

According to Australian Accounting Standard Board (AASB) 101.80, Presentation of Financial Statement, AASB deals with some items that may meet the framework definitions of income or expense but are usually excluded from profit or loss, such as revaluation reserves (AASB 116.39&40), particular gains and losses arising on translating the financial statements of a foreign operation (AASB 121), and gains and losses on re-measuring available-for-sale financial assets (AASB 139). Moreover, the current traditional practice such as the historical cost accounting ignores many more losses and gains such as gain/losses from changes prices. Gains or losses are recognized when assets are sold.

Those items are excluded because they are regarded as the causes of volatility of company's profits, since market prices change every time. This argument ignores the reality that the world changes and uncertainty exists. The uncertainty and the volatility of market can not be denied.

That argument also ignores the fact that management has three economic decisions, namely buy, sell, and hold. We only measure the management's performance regarding the buy and sell decision. The decision to hold assets is also important but ignored. The decision to hold also reflects the timing of selling and buying. The decision to hold assets can benefit the firms as well as the decision of selling and buying. Therefore, any changes of assets value which are hold should be included in profit measurements.

Profits can be defined as the increases in net assets excluding the amounts of additional contribution to and from shareholders. This concept is known as capital maintenance concept (Chambers, 1980). Current accounting practices measure the profit by deducting revenues from expenses within the same period (matching concept). Revenues and expenses are recognized when they are realized (accrual). However, since they ignore the price changes and uses arbitrary matching principles, the profits might be understated and overstated. The management can use accrual to manipulate the profit by changing accounting methods and policies or timing the recognition of revenues or expenses (Ashari, et al, 1994). However, it is argued that those principles are the key principles of corporate reporting.

It is also argued that those principles are very important for the users, since such principles will enable users to measure the performance of the management. The accrual and matching concepts are considered as the best way to value and report the profits.

The accrual and matching concept rules are suitable when all the financial events can be identified in the periods in which they occur (Chambers, 1980). The traditional accounting based on the historical cost accounting ignores the changes in asset prices. They only recognized when the assets are sold, therefore they ignores for long period. The financial effects of changes in assets value are calculated using physical output, therefore depreciation is calculated (Chambers, 1980). In this case, the traditional accounting only recognizes the decreases of value assets due to the consumption of future economic benefits. However, since the measurement of depreciation and the determination to charge against the revenue are the discretion of the management, the calculation may not correspond with the facts (Chambers, 1980).

The management will choose the timing of recognition and the accounting methods that in line with the management's interests. Based on agency theory, the management will behave on its interest. The management will try to rip off the shareholders. The management may overstate and understate the earning trough accrual accounting.

To remedy such fallacy, we need consistent measurement so that the management can not use accrual accounting to rip off the shareholders. The single measurement such as cash equivalent unit proposed by Chambers can be used as alternatives. As mention above, this measurement uses general and uniform basis of assets valuation which is cash equivalents. All assets are determined in cash units. Expenses are charged against revenues based on changes in the cash equivalents of assets (Chambers, 1980), therefore the management can not "manipulate" the accrual accounting.

THE ISSUE OF INFLATION/DEFLATION

Accountants have agreed that monetary unit is used as the basis for measuring and valuating accounts. The value of money can be defined as the exchange value of money against goods and services. Since the equilibrium of money and goods and services is hard to achieved, the value of money will change over time. Inflation is condition when the level of prices is going up and the greater of money is needed to sustain a given volume of transaction (Chambers, 1980). It means that the purchasing power of money decreases. Deflation is the opposite of inflation.

The historical cost accounting that used as the basis of measurements of traditional practices ignores the value changes of money. Historical cost accounting has 3 ideas which are described as period principle, the accrual principle, and the matching principle (Beaver, 1998; Chambers, 1980; Peirson, 1966). Historical cost accounting uses cost incurred for the purchase of assets and services to value accounts on financial reporting. The revenues are charged against the costs of those revenues within the same period. Chambers (1980) states that if the goods or services are not considered as costs of revenues of a period, their costs will be carried forward into the following period and reported as assets.

The change of prices will induce customers and producers to rearrange their purchases or sales. Customers will either cease to buy the relatively more costly goods or reduce spending on those goods and increase on less costly substitutes (Chamber, 1980). Firms also will try to increase selling prices, therefore their revenue will tend to rise but the part of goods sold that charged to revenues at an earlier date will lag behind the increase of selling prices (Chambers, 1980). Thus, the profit will be greater. Moreover, the assets on balance sheet are valued at their purchase costs will not correspond with the level of prices at the time (Chamber, 1980). It means that the funds or capital used will be understated. If the profits are overstated and the capital is understated, the rate of return will be overstated (Chamber, 1980). Chamber (1980) argues that if the rate of return is overstated, it will encourage the investors to supply more money to the firms; therefore it will strengthen the growth. He also argues that historical cost will benefit older firms. In the case of recession or deflation, the profit under historical cost accounting will be understated.

However, although it will strengthen the growth, we argue that the historical cost misleads the earnings of firms. The accounting information will not be reliable in the case of price changes. The historical cost accounting is not objective in the case of inflation/deflation. It fails to describe the real value of assets reported on balance

sheet. The investors supply money not because of the performance of the company, but only because of unreal performance made by price changes. The managers will be more aggressive because they feel that they make good performance and the fact is that they do not. The corporate collapses such as Enron, HIH, OneTel are the evidence that the historical cost accounting failed to supply reliable and relevant information to investors.

THE IMPACTS OF ASSET VALUE CHANGE ON ACCOUNTING

The traditional accounting based on historical cost does not only ignore the fact that the general level of prices (inflation/deflation) change every time, but also the changes in specific prices of assets. The value of assets will change because of the change in purchasing power. However, the changes in specific prices of assets will also change the value of assets. The specific prices may or not move in the same direction as general level of prices (Godfrey, Hodgson, & Holmes, 2003). Peirson (1966) states that ideally accounting should adjust the changes in specific prices of assets such as inventories and fixed assets, the changes in general level of prices, and the changes in both specific prices and general prices.

We accept or not the value of assets such as inventories and fixed asset will vary thorough the time regardless the inflation/deflation. The price of computers has showed a relatively constant although the inflation grows. The decrease of computer prices is more influenced by technology changes. The antique assets always show increase prices as those assets are getting older.

To some extent the current practices of the accounting measurement has recognized the changes in specific prices such as inventories valuation. AASB 1019 replaced by AASB 102 regulate that inventory should be measured based on lower cost or net realizable value. This recognition accommodates the changes in inventory prices.

However, this practice seems to be only ad hoc and really creates other problems. Chambers (1980) argues that such valuation is meaningless and un-interpretable. If cost basis is the valid rule, there is no reason to switch to fair value and vice versa. The concept of lower cost or market actually is based on conservatism rather than objectivity. The users will not know which measurement used in particular assets and to what extent the impact of conservatism on inventory.

The concept of depreciation is also confusing. The allocation of costs over the expected life of assets does not reflect the value of assets. The assets might be sold on higher prices than those of book value. The amount of depreciation is calculated arbitrary. The depreciation methods such as the straight line and the double declining method can not be said to reflect the pattern of the consumption of future economic benefits, since those methods are often implemented for the same assets. The measurement of the consumption of economic benefit is rarely done by accountants. Again accounting fails to be objective because its measurement can not represent the reality. The term of objectivity here defined as the degree of the accounting measurements reflects the reality (Wojdak, 1970).

CONCLUSION

Disclosure principles, as a good corporate governance principle, are important to protect investors or users of financial reporting. Research reveals that companies which had good quality of disclosure suffered less losses in financial market during the US financial market crash in 1929 and the Asian crisis 1997-1998 (Leftwich, 2004; Mitton, 2002).

However, disclosure can not eliminate the opportunistic behavior of managers, namely income smoothing. There is evidence that the quality of disclosure relates to income smoothing (Shaw, 2003). Using secondary data of Indonesian companies, it is seen that income smoothing exists and correlates with disclosure level.

Investors and standard setting bodies cannot depend solely on disclosure implementation. Investors should be able to detect income smoothing behavior. They cannot simply rely on what managers disclose, they should

investigate how managers prepare financial reporting. Standard setting bodies should also consider this finding in order to formulate accounting standard.

To increase the quality of financial reporting, the measurement system of traditional accounting should be improved. The single measurement such as cash equivalent unit proposed by Chambers can be used as alternatives. As mention above, this measurement uses general and uniform basis of assets valuation which is cash equivalents. All assets are determined in cash units. Expenses are charged against revenues based on changes in the cash equivalents of assets (Chambers, 1980), therefore the management can not “manipulate” the accrual accounting. The International Financial Reporting Standard (IFRS) has been one step ahead to improve the quality of financial reporting through the use of fair value valuation.

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ATTACHMENTS

**Table 1,
Sample of Disclosure Index and Ownership Concentration**

N0.	Companies Name	Disclosure Index	Ownership Concentration
1	ARGHA KARYA PRIMA	0,28	0,31
2	BANK BALI	0,36	0,29
3	B.MASHIL UTAMA	0,40	0,37
4	B.NIAGA	0,36	0,53
5	B.RAMA	0,44	0,17
6	BARITO PACIFIK	0,40	0,30
7	BUNAS FINANCE	0,40	0,32
8	CENTEX	0,20	0,27
9	CIPUTRA DEVELOPMENT	0,39	0,40
10	HEXINDO ADIPERKASA	0,27	0,61
11	IGAR JAYA	0,20	0,82
12	IKI INDAH KABEL	0,2	0,41
13	INDO-RAMA SYN.	0,39	0,38
14	INDOCITRA FINANCE	0,12	0,77
15	JAYA PARI STEEL	0,24	0,15
16	LIPPO BANK	0,48	0,16
17	MAYORA INDAH	0,28	0,65
18	MIWON INDONESIA	0,44	0,42
19	MULTI BINTANG	0,24	0,75
20	SQUIBB IND.	0,16	0,70
21	TANCHO IND.	0,28	0,39
22	TEXMACO JAYA	0,28	0,80
23	UNGGUL INDAH	0,44	0,45
24	INTAN WIJAYA CHEMICAL	0,20	0,69
25	SONA TOPAS	0,29	0,39
26	PROTEC & GAMBLER	0,20	0,70

Disclosure Index data are adopted from Suripto (1998), Ownership concentration data are adopted from Indonesian Capital Market Directory.

Table 2
Statistical Test Result of Correlation between Ownership

NO	Companies Name	Income Smoothing Status	Ownership Concentration
1	INTER PACIFIC BANK	0	0,4400
2	MAYERTEX IND	0	0,2487
3	BANK DUTA	0	0,2643
4	EKADHARMA TAPE	0	0,7280
5	TEMBAGA MULIA	0	0,3590
6	BII	0	0,5100
7	BUN	0	0,4575
8	BBL DHARMALA	0	0,5103
9	CLIPAN FINANCE	0	0,6000
10	ERATEX DJAJA	0	0,2500
11	SEPATU BATA	0	0,6500
12	JAYA PARI STEEL	0	0,1553
13	BANK NIAGA	0	0,4171
14	BANK BALI	0	0,2947
15	MERCK IND.	1	0,7000
16	SCHERING-PLOUGH	1	0,5000
17	PRIMA ALLOY	1	0,7000
18	BAYER IND.	1	0,6000
19	GREAT GOLDEN	1	0,8060
20	UNITED TRACTORS	1	0,5311
21	SQUIBB IND.	1	0,7000
22	ASURANSI DAYIN MITRA	1	0,7392
23	ASURANSI HARAPAN AMAN	1	0,5825
24	MAREIN	1	0,4994
25	ASTRA GRAPHIA	1	0,7909
26	DELTA DJAKARTA	1	0,4900
27	MULTI BINTANG	1	0,7590
28	INTAN WIJAYA	1	0,7516
29	LIPPO PACIFIC FINANCE	1	0,4498
30	INDOSPRING	1	0,4740
31	INDOCEMENT	1	0,4240

Income Smoothing Status data are adopted from Jin (1997), 0 shows the income smoother and 1 show the on-income smoother. Ownership concentration data are adopted from Indonesia Capital Market Directory.

Mean Whitney Test of Relationship between Income Smoothing Status and Ownership Concentration

Test Statistics ^a	
	smoothin g
Mann-Whitney U	44.500
Wilcoxon W	149.500
Z	-2.959
Asymp. Sig. (2-tailed)	.003
Exact Sig. [2*(1-tailed Sig.)]	^a .002

a. Not corrected for ties.
b. Grouping Variable : status