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# Can Income and Equity Attribution Minimize Agency Costs? (Effect of Attribution Policy on Earnings Management and Firm Value)

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**ABSTRACT**

This study aims to measure the effectiveness of the policy of presenting profit and equity information attributable to owners of the parent entity and owners with non-controlling interests in the consolidated financial statements in an effort to minimize agency costs. Research on 546 companies listed on the IDX for the period 2017 – 2021, yielded evidence that the policy of presenting attributions of net income and equity to owners of parent entities and owners with non-controlling interests in consolidated financial statements can minimize agency costs, which is indicated by a negative effect on management earnings and positive influence on firm value. The novelty of this research is to examine the effect of attributions of net income and equity to majority and minority shareholders on earnings management and firm value to measure the effectiveness of earnings and equity attribution policies in minimizing agency costs in Indonesia.

**Keywords:** attribution of net income and equity, earnings management, firm value, agency costs.

## INTRODUCTION

Attribution of income is the disaggregation of net income and comprehensive income in the income statement to the owners of the parent entity (majority shareholder with controlling rights in the company group) and to owners with non-controlling interests (non-controlling minority shareholders in subsidiaries) in the presentation of consolidated financial statements. Equity attribution is disaggregating total equity in the consolidated statement of financial position to the two types of owners. The policy of adding information on income attributions and equity attributions in the presentation of consolidated financial statements is a relatively new thing in the long history of Financial Accounting Standards (Standar Akuntansi Keuangan - SAK) in Indonesia. The addition of this information has only been implemented since the enactment of SAK Effective June 1 2012 which converged for the first time with IFRS. The purpose of adding profit attribution information in presenting the income statement and adding equity attribution information in presenting the statement of financial position is to increase transparency, fairness of information and a form of concern for minority rights in group entities (Sotti, 2018). In the old accounting standards, non-controlling interests were not recognized as owners, therefore minority shareholders were considered an expense in the income statement and presented as debt in the balance sheet (Yahaya et al., 2015).

Apart from the appearance of the income statement and statement of financial position which are longer and more content due to additional attribution of profit and equity information, studies conducted by Yan & He (2018) in China and (Lopes et al., 2013) in Germany, found evidence that profit attribution policies can increase the value of relevance of the income statement for users in making decisions. In line with the findings in these two countries, Kusuma, n.d. in his study in Indonesia found evidence that profit and equity attribution policies can increase the relevance value of financial statements, as evidenced by a significant effect on stock returns as a proxy for market reaction and a significant effect on future comprehensive income comes as a proxy for predictive power. Testing the role of profit and equity attributions in increasing relevance value is important to do because relevance value is a measure of the qualitative characteristics of financial statements as stated in the conceptual framework and basic framework in SAK. Relevance value shows the usefulness of the information for the interests of the users. Kusuma, n.d. study has only reached the value of the policy relevance of attributions of earnings and equity, and has not examined the role of policy attributions of earnings and equity in earnings management and firm value.

Significant changes in the presentation of financial statements after the convergence of SAK to IFRS, is the application of fair value accounting which gives rise to the presentation of OCI and transparency and fairness of information which gives rise to the presentation of profit and equity attributions. However, research so far, especially in Indonesia, related to the impact of changes in the post-convergent format of presentation of financial statements on earnings management practices and on firm value, is mostly still on OCI, such as: Kusuma et al., (2022) who examined the effect of OCI on earnings management, Kusuma & Rahayu (2022) who examines the effect of OCI on tax evasion, Kusuma & Qowi (2022) who examines the effect of OCI on income smoothing and Kusuma (2021) who examines the effect of OCI on firm value. Meanwhile, the additional impact of profit and equity attribution information in the presentation of financial statements, Kusuma et al., (2021) examines the effect of profit attribution on tax evasion, Kusuma et al., (2022) examines the effect of attribution of comprehensive income on earnings management, but in this study it does not involve net income attribution and equity attribution. Research that examines the effect of net income attributions and equity attributions on earnings management and firm value, to our understanding, has not been studied so far in Indonesia.

This research develops Kusuma, n.d. and Kusuma et al., (2022) with originality as novelty in this study in a series of state of the art studies on the attribution of earnings and equity, in the form of testing the effect of attributions of earnings and equity on earnings management and firm value. This is important to study as a medium for measuring the effectiveness of the attribution of earnings and equity policies in minimizing information asymmetry and conflicts of interest between majority and minority shareholders (type 2 agency costs). The profit and equity attribution policy has long been applied in preparing consolidated financial statements, but studies on the role of this policy in minimizing agency costs have not been widely carried out, especially in Indonesia.

The results of testing the effect of attributions of earnings and equity on earnings management and firm value are expected to be useful as additional academic literature in the field of financial accounting, particularly the application of the principles of transparency and information fairness to users of financial statements and evidence of agency theory. Investors are expected to be input in making investment decisions on earnings management information and company value based on the percentage of their share ownership, whether as owners of a parent entity with large shareholdings or as owners with non-controlling interests with small shareholdings in subsidiaries in a company group. For DSAK IAI as a medium in assessing the effectiveness of the usefulness of applying accounting standards, especially profit and equity attribution policies.

Profit attribution is disaggregating the total net profit to the two types of company owners in one group of companies presenting consolidated income statements. Attributable profit is net profit and comprehensive income. Comprehensive income is also a relatively new policy in financial reporting in Indonesia, and has emerged since the implementation of the valuation of assets and debts at fair value which raises the adjustment difference from the carrying amount or the acquisition value which is recognized and recorded as other comprehensive income (OCI). OCI is presented in the income statement and presented under net income. Net profit plus OCI is called total comprehensive income. This value is also attributed to the owner. Equity attribution is disaggregating total equity between the two types of company owners in one group of companies presenting the consolidated statement of financial position.

Sotti (2018) in Germany, Yan & He (2018) in China, Lopes et al., (2013) in Germany and Yahaya et al., (2015) in Nigeria found the same evidence that the profit attribution policy in the presentation of consolidated financial statements adds relevance value to users, even though the format of the financial statements is longer. Kusuma (2021a) modifies the profitability formula, especially Return on Assets (ROA) by including profit attribution. The results showed that ROA attributable to net income and ROA attributable to comprehensive income can be used to predict future investment returns. In line with that, Kusuma, Assih, et al., (2021) develops Kusuma, (2021a) research by modifying the Return on Equity (ROE) formula by including profit attributions and equity attributions. The results show that ROE attributable earnings and ROE attributions of equity have relevance value for users because they are able to predict future information in making investment decisions. A recent study specifically examining the value relevance of non-controlling interests by Kusuma, n.d. also yielded relatively the same findings, namely the attribution of profit to non-controlling interests and the attribution of equity to non-controlling interests has a significant positive effect on stock returns and dividends in the coming period. , this means that even though the proportion of share ownership is small in the equity structure of the company group, the presentation of profit and equity attributions to non-controlling interests is very useful in predicting future investment returns based on the proportion of share ownership. Kusuma, Zuhroh, et al., (2021) in his study found evidence that the attribution of comprehensive income to owners of the parent entity increases the effect of net income and other comprehensive income on comprehensive income in the next period, this means that the attribution of comprehensive income increases the relevance value of comprehensive income. Likewise, Kusuma (2020) research also found that the attribution of comprehensive income to owners of the parent entity increased the effect of comprehensive income and operating cash flow on stock returns. Most of them are retail market players with small amounts of funds.

Earnings management is the act of modifying the value of profits according to the interests of certain stakeholders and misleading other stakeholders through the choice of accounting policies on accrued income and accrued expenses (Kusuma, 2016). Many researchers use Jones' modified discretionary accruals as a proxy for measuring earnings management. The value of high discretionary costs indicates the occurrence of earnings management in the presentation of financial statements. Earnings management can occur due to information asymmetry between management and other stakeholders, because information is dominantly owned by internal management who has direct access to the company's internal management (Robik et al., 2021; Athori, 2021). As a result, management can freely create financial report information according to their interests. Thus it can be concluded that earnings management practices are the impact of type 1 agency costs. The majority shareholder with significant ownership above 50% has full control over the company, he can freely determine the ranks of the board of directors and the board of commissioners because he has a majority vote in the RUPS. In such conditions, the potential for biased presentation of financial statements can occur, due to information asymmetry and the interests of the majority shareholders. This condition contrasts with minority shareholders as owners with non-controlling interests. Thus it can be concluded that earnings management practices are also an impact of type 2 agency costs. Companies can perform earnings management by presenting the value of net income and comprehensive income attributable to owners of the parent entity and to owners with non-controlling interests (Murdiyanto & Kusuma, 2022). The study conducted by Kusuma & Rahayu (2022) found evidence that the attribution of profit and equity has a positive effect on tax evasion. Kusuma et al., (2022) in his research concluded that earnings attribution has a negative effect on earnings management.

Firm value is the ratio between the company's market value and book value (Kusuma, 2017). Many researchers use Tobbin's Q as a proxy for measuring firm value. The higher the value of the company reflects the better the market perceives the company, especially the financial performance and the expected return on investment in the future. Firm value is a company's long-term goal, in addition to net profit as a short-term goal. A study conducted by Kusuma Unmer found evidence that changing the presentation format of income statements with additional OCI information has a positive effect on firm value.

Agency theory (Jensen & Meckling, 1976) (in entities with significant public ownership can occur between management and owners (type 1) and between fellow owners (type 2). A significant difference in the number of shareholdings between owners of parent entities and non-controlling interests in the share structure of group entities causes the domination of company control rights by owners of the parent entity which has the potential to create information asymmetry and conflicts of interest in group companies which can cause financial reporting to be biased, management occurs profits according to the interests of certain parties and affect the company's long-term goals which are reflected in the company's value. Consolidated financial reports which provide information on financial position, performance, cash flows and changes in equity to all group company stakeholders, including owners of parent entities and owners with non-controlling interests. The financial statements which present in a transparent and fair manner the information that is embodied in the presentation of information on profit attributions and equity attributions are expected to minimize type 2 agency costs with two measurement proxies, namely minimizing the occurrence of earnings management actions and increasing firm value. Based on this justification, the conceptual framework built in this study is as follows:

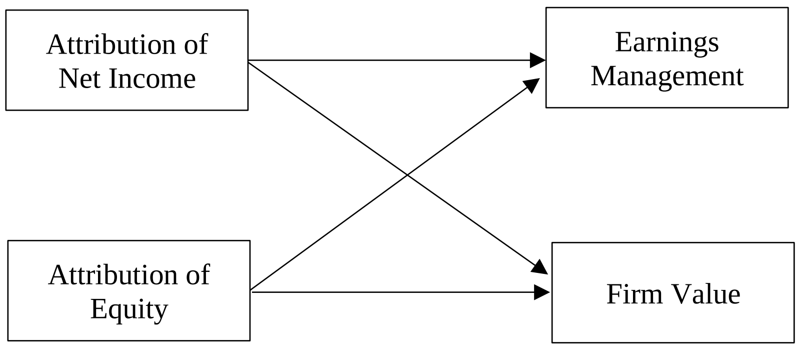


**Figure 1.** Research Conceptual Framework

Kusuma & Qowi (2022) in their study concluded that the policy of changing the format of presentation of income statements by adding OCI information grouped based on those that will be reclassified to net income and those that will not, has proven to be able to minimize management actions to carry out earnings management and income smoothing. Changes in the presentation of the income statement through the OCI reclassification policy are able to clarify which OCI items have the potential to be realized in the next period, thus narrowing the potential for earnings management through choosing the time and amount of OCI realization to obtain income from asset realization that has an impact on profit. Likewise the study conducted by Kusuma & Rahayu (2022) changes in the appearance of the income statement with the addition of OCI reclassifications also close the gap in tax evasion, by choosing when and how many assets are realized. In line with this, Kusuma (2020b) study also concluded that the appearance of the new income statement with additional attribution information on comprehensive income has a positive effect on earnings responses coefficient and a negative effect on discretionary accruals as a proxy for earnings management. Based on the justifications extracted from the findings of the previous research, this study builds the first hypothesis as follows:

H1: Attribution of net income and equity has a negative effect on earnings management.

Studies on the attribution of profit and equity used in modifying financial ratio analysis have been carried out before by Kusuma, Assih, et al., (2021). The results of his research concluded that the modification of profitability ratios involving profit attribution (ROA) and equity attribution (ROE) has a significant positive effect on stock returns. This means that

the attribution of earnings and equity has relevance value because it can be used to evaluate financial performance which is reflected in the positive influence on stock returns as a proxy measure of market reaction. In line with this, ROA based on attribution of net income and attribution of comprehensive income to owners of the parent entity can be used to predict investment returns in the future (Kusuma, 2021a), as well as ROA, ROE, NPM for attribution of profit and equity to non-controlling interests Kusuma, n.d.. Attribution of profit to owners of the parent entity moderates the effect of comprehensive income on stock returns (Kusuma, 2020a) and future earnings (Kusuma, Zuhroh, et al., 2021). Kusuma (2021b) study proves that modifying profitability with OCI-based ROA and ROE and attribution of comprehensive income can increase the effect of asset utilization on firm value . Based on the justifications extracted from the findings of the previous research, this study builds the second hypothesis as follows:
H2: Attribution of net income and equity has a positive effect on firm value.

## METHOD

This research is a quantitative research type of causal hypothesis testing. The hypothesis tested was built based on the agency grand theory , that the separation of owners and management (type 1) and differences in the percentage of ownership between majority and minority shareholders (type 2) will create information asymmetry and differences in interests. Financial reports with quality, transparent and fair presentation used as a medium for conveying performance can minimize this information asymmetry. One form of information transparency and fairness in the presentation of financial statements is additional information on profit attributions and equity attributions. The question that will be proven in testing the hypothesis of this study is "does the additional information attributions of earnings and attributions of equity have a negative effect on earnings management actions?" And has a positive effect on company value?".

The population in this study are publicly listed companies in Indonesia which are listed on the Indonesia Stock Exchange during the period 2017 to 2021 with a total of 624 companies, with a total sample of 546 companies and total observation data n = 2,730 with a sample selection technique using purposive sampling with the following criteria:

**Table 1.** Sample Selection Criteria

| Criteria | Number of Companies |
|---|---|
| Companies listed on the IDX 2017 – 2021 | 624 |
| Minus : Registered after 2017 | (12) |
| Financial reports in USD | (44) |
| Does not routinely publish financial reports | (12) |
| Does not present the number of NCI shareholdings | (10) |
| Number of samples | 546 |
| Data observation (546 companies multiplied by 5 years) | 2.730 |

**Source:** Investment Gallery University of Merdeka Malang

The variables of this study consist of earnings management with a proxy for the value of discretionary accruals as the 1st dependent variable (Y1.1) and firm value with a proxy for the value of Tobbin's Q as the 2nd dependent variable (Y1.2). The independent variables of this study include net profit attributable to owners of the parent entity (NI OC), net profit attributable to owners with non-controlling interests (NI NCI), equity attributable to owners of the parent entity (E OC), equity attributable to owners with non-controlling interests

(ENCI), and company size control variables (SIZE), type of industry and year period, as measured by the following formula:

**Table 2.** Research Variables and Measurement

| Variables | | Notation | Measurement | Reference |
|---|---|---|---|---|
| Dependent Variables | | | | |
| Earnings Management | Modified Jones Accruals Discretionary Value. | Y1.1 : $DA_{i,t}$ | $= \frac{\text{Total Accrual}}{\text{Total Assets}} - \text{Non Discressioner Accrual}$ | (Kusuma et al., 2022) |
| Firm Value | The ratio of market price to the company's book value. | Y1.2: Tobbin's $Q_{i,t}$ | $= \frac{\text{BV Asset} - \text{BV Equity} + \text{MV Assets}}{\text{BV Assets}}$ | (Kusuma, 2021b) |
| Independent Variables | | | | |
| Attribution of Net Income | Attribution of net income to owners of parent entity. | X1 : NI $OC_{i,t}$ | $= \frac{\text{Net Income Attributable to Owners Company}}{\text{Total Assets}}$ | Kusuma, n.d. |
| | Attribution of net income to owners of non-controlling interests. | X2 : NI $NCI_{i,t}$ | $= \frac{\text{Net Income Attributable to Non Controlling Interest}}{\text{Total Assets}}$ | Kusuma, n.d. |
| Attribution of Equity | Equity attribution to owners of the parent entity. | X3 : E $OC_{i,t}$ | $= \frac{\text{Equity Attributable to Owners Company}}{\text{Total Assets}}$ | Kusuma, n.d. |
| | Attribution of equity to owners of non-controlling interests. | X4 : E $NCI_{i,t}$ | $= \frac{\text{Equity Attributable to Non Controlling Interest}}{\text{Total Assets}}$ | Kusuma, n.d. |
| Control Variables | | | | |
| Company Size | | X4 : $SIZE_{i,t}$ | Log N dari nilai total aset. | Kusuma, n.d. |
| Type of Industry | | X5 : INDUSTRY | Multi dummy 9 jenis industri berdasarkan klasifikasi BEI. | Kusuma, n.d. |
| Research Period | | X6 : YEAR | Multi dummy untuk periode 5 tahun. | Kusuma, n.d. |

**Source:** compilation of previous studies.

Data were processed with descriptive statistics, correlation analysis, prerequisite test with classical assumption test and multiple linear regression analysis. To test the hypothesis, 2 models were built, equation 1 for the dependent variable of earnings management:

$$DA_{i,t} = \alpha_0 + \beta_1 NI\ OC_{i,t} + \beta_2 NI\ NCI_{i,t} + \beta_3 E\ OC_{i,t} + \beta_4 E\ NCI_{i,t} + \beta_5 SIZE_{i,t} + \beta_6 INDUSTRY_{i,t} + \beta_7 YEAR_{i,t} + \varepsilon \quad (1)$$

Hypothesis 1 which states that earnings and equity attribution policies have a negative effect on earnings management, is accepted if the test using multiple linear regression analysis produces profit attribution coefficients (β1 and β2) and equity attribution coefficients (β3 and β4) in equation 1 above has a negative sign with a significance level of t 1%, 5% or 10%.

Equation 2 for the dependent variable of firm value:

$$Tobbin's\ Q_{i,t} = \alpha_0 + \beta_1 NI\ OC_{i,t} + \beta_2 NI\ NCI_{i,t} + \beta_3 E\ OC_{i,t} + \beta_4 E\ NCI_{i,t} + \beta_5 SIZE_{i,t} + \beta_6 INDUSTRY_{i,t} + \beta_7 YEAR_{i,t} + \varepsilon \quad (2)$$

Hypothesis 2 which states that profit and equity attribution policies have a positive effect on firm value, is accepted if the test using multiple linear regression analysis produces profit attribution coefficients (β1 and β2) and equity attribution coefficients (β3 and β4) in equation 2 above have a positive sign with a significance level of t 1%, 5% or 10%.

## RESULT AND DISCUSSION

Table 3 below shows the results of descriptive statistics. The mean $DA_{i,t}$ is negative (–0.023) this means that during the study period the sample companies mostly did not take accrual earnings management, a negative DA value indicates that the value of non-discretionary accruals (NDA) is greater than total accruals. Mean Tobbin's $Q_{i,t}$ shows a positive value (0.307), this indicates that most of the sample companies have a positive equity market value and are greater than their book value. The mean of NI $OCI_{i,t}$ and NI $NCI_{i,t}$ are also positive (0.031 and 0.024), this means that most of the companies experience profits, realized revenues are greater than realized costs.

**Table 3.** Descriptive Statistics Results

| Variable | Mean | Minimum | Maximum | SD |
|---|---|---|---|---|
| NI $OC_{i,t}$ | 0,031 | –0,022 | 0,102 | 0,1041 |
| NI $NCI_{i,t}$ | 0,024 | –0,018 | 0,088 | 0,0166 |
| E $OC_{i,t}$ | 0,046 | 0,033 | 0,102 | 0,0809 |
| E $NCI_{i,t}$ | 0,026 | 0,013 | 0,077 | 0,0158 |
| $SIZE_{i,t}$ | 6,887 | 1,870 | 19,002 | 0,8182 |
| $DA_{i,t}$ | –0,023 | –7,592 | 9,4033 | 0,8043 |
| Tobbin's $Q_{i,t}$ | 0,307 | –3,301 | 6,4116 | 0,3227 |

**Source:** Results of data processing with statistical applications.

Table 4 below shows the results of the correlation analysis. DA has a negative correlation with Tobbin's Q (–0.301**), this means that when a company does not carry out earnings management, the company's value increases, the market reacts positively to management's commitment to present honest financial reports, as it reflects operating performance that is useful in decision making. NI OCI,t and NI NCIi,t are positively correlated with E OCIi,t and E NCIi,t, this is because net profit is closed to retained earnings account which is part of equity. SIZEi,t is positively correlated with attributions of net income and equity attributions, this means that the larger the size of the company, the more assets that can be utilized for operational activities so as to generate net income, the higher the value of net income, the greater the retained earnings and equity, and the greater net profit attributable to owners.

**Table 4.** Correlation Analysis Results

| Variable | NI $OC_{i,t}$ | NI $NCI_{i,t}$ | E $OC_{i,t}$ | E $NCI_{i,t}$ | $SIZE_{i,t}$ | $DA_{i,t}$ | Tobbin's Q |
|---|---|---|---|---|---|---|---|
| NI $OC_{i,t}$ | 1,000 | - | - | - | - | - | - |
| NI $NCI_{i,t}$ | 0,301** | 1,000 | - | - | - | - | - |
| E $OC_{i,t}$ | 0,267** | 0,317** | 1,000 | - | - | - | - |
| E $NCI_{i,t}$ | 0,409** | 0,482** | 0,341** | 1,000 | - | - | - |
| $SIZE_{i,t}$ | 0,211** | 0,002 | 0,208** | 0,001 | 1,000 | - | - |
| $DA_{i,t}$ | –0,816*** | –0,341** | –0,508*** | 0,113* | 0,723*** | 1,000 | - |
| Tobbin's $Q_{i,t}$ | 1,034*** | 0,645*** | 0,813*** | 0,326** | 0,709*** | –0,301** | 1,000 |

***, **, * Significant correlation coefficient at the level of 1%, 5% and 10%.

**Source:** Results of data processing with statistical applications.

Table 5 shows the results of multiple linear regression analysis. Hypothesis 1, which states that the attribution of earnings and equity has a negative effect on earnings management, was successfully proven in this study. Net profit attributable to owners of the parent entity has a negative effect on earnings management, with a regression coefficient of –0.881***(7.0870). Net profit attributable to non-controlling interests has a negative effect on earnings management, with a coefficient of -0.324** (4.0772). Equity attributable to owners of the parent entity has a negative effect on earnings management, with a coefficient of –0.511*** (4.3209). Equity attributable to non-controlling interests has a negative effect on earnings management, with a coefficient of 0.207* (4.0069). Hypothesis 2 was successfully proven in this study, that the attribution of earnings and equity has a positive effect on firm value. Net profit attributable to owners of the parent entity has a positive effect on firm value, with a coefficient of 1.077*** (8.5011). Net profit attributable to non-controlling interests has a positive effect on firm value, with a coefficient of 0.106* (3.8091). Equity attributable to owners of the parent entity has a positive effect on firm value, with a coefficient of 0.841*** (7.2481). Equity attributable to non-controlling interests has a positive effect on firm value, with a coefficient of 0.352** (5.0013).

**Table 5.** Results of Multiple Linear Regression Analysis

| | (1)<br>$Y_{1.1}$ = $DA_{i,t}$ | (2)<br>$Y_{1.2}$ = Tobbin's $Q_{i,t}$ |
|---|---|---|
| NI $OC_{i,t}$ | –0,881***<br>(7,0870) | 1,077***<br>(8,5011) |
| NI $NCI_{i,t}$ | –0,324**<br>(4,0772) | 0,106*<br>(3,8091) |
| E $OC_{i,t}$ | –0,511***<br>(4,3209) | 0,841***<br>(7,2481) |
| E $NCI_{i,t}$ | 0,207*<br>(4,0069) | 0,352**<br>(5,0013) |
| $SIZE_{i,t}$ | 0,663***<br>(5,2311) | 0,715***<br>(7,0056) |
| INDUSTRY | YES | YES |
| YEAR | YES | YES |
| F-Statistics | 12, 093*** | 16, 741*** |
| Adjusted $R^2$ | 0,4115 | 0,6038 |

***, **, * significant correlation coefficient at the level of 1%, 5% and 10%.

**Source:** Results of data processing with statistical applications.

## DISCUSSION

### Effect Attribution of Net Income and Equity on Earnings Management

Earnings attribution has a negative effect on earnings management. This is because the disaggregation of net income and comprehensive income to owners through profit attribution makes it easier to detect earnings management actions, rather than before there was a profit attribution policy or it was still aggregate profit. The pattern of earnings management will be easier to read through the persistence of net profit attributable to non-controlling interests and net profit attributable to owners with non-controlling interests, rather than aggregate net profit. The results of this study are in line with the findings of Kusuma et al., (2022) and Zhao et al., (2018) which prove that net profit attributable to owners of the parent entity has a negative effect on earnings management.

Profit attribution has a positive effect on firm value. This is because the disaggregation of net income values clarifies information on the owner's right to profit as a reflection of the right to operational financial performance achievements, which will affect the amount of return on investment received by each owner. Profit attribution clarifies potential investors because it distributes how much profit to majority shareholders and how much profit to minority shareholders. This profit distribution reflects the amount of return on investment in the form of dividends to be received in the future based on profit, making it easier for potential investors to predict dividends to be received in the future, based on the current distribution of profits, according to the proportion of their shareholding, whether as a majority or a minority in the entity group. The evidence of this finding is in line with Kusuma JRAK's research that profit attributable to non-controlling interests can be used to predict future information including the amount of dividends for non-controlling interests.

### Effect Attribution of Net Income and Equity on Firm Value

Equity attribution has a negative effect on earnings management. This is because equity is the total assets owned by the company after deducting all debts owned. So equity is the property of shareholders of the company. Thus, the policy of disaggregating total equity in equity attributions can clarify the distribution of net assets to each type of company owner. Net profit will eventually accumulate in retained earnings which are part of the equity group account, or in other words the net profit of period t will affect the total equity of period t. Net income resulting from earnings management actions will affect the value of retained earnings in equity. The disaggregation of net income and equity in the attribution of equity makes it easier for users to measure the track record of earnings between periods, so that if there is a value for a period that is significantly different from another period it will raise suspicions that this is due to earnings management through the game of accrual income and accrual expenses, making it easier for users to detect fraud through earnings management. The ease of detecting earnings management practices through attribution of earnings and attribution of equity through trends in earnings values makes management think twice about doing it.

Equity attribution has a positive effect on firm value. This is because equity attribution information provides a detailed explanation of the allocation of shareholder ownership rights to the company's net assets, where this information is very helpful for users to measure prospects for future cash flows distributed to them according to the proportion of their shareholdings that categorize potential investors whether they are as a group or not. majority shareholders with full control rights as owners of the parent entity, or only a minority in subsidiaries with no control rights.

## IMPLICATIONS

The limitations of this study are not examining the attribution of comprehensive earnings and the moderating role of non-controlling interest representation on the board of commissioners in minimizing earnings management and increasing firm value. With regard to agency costs, further research is suggested to examine the effect of profit and equity attributions on income smoothing practices, it seems that this area has not been extensively studied by accounting researchers in Indonesia.

Suggestions for investors that in assessing the prospects for future cash flows which are the return on investments made at this time, can use operating financial performance benchmarks not only aggregate net profit, but also attribution of profit based on the percentage of share ownership whether as the owner of the parent entity with the same share ownership. large or as an owner with non-controlling interests with small shareholdings in a subsidiary in a group of companies. Suggestions for DSAK IAI profit and equity attribution policies in order to further increase the value of relevance to the interests of users, also regulate profit attribution policies to associated entities where companies presenting financial statements have significant influence with ownership of 20% - 50%, because so far this policy has not been regulated.

## CONCLUSION

The purpose of this study is to prove the effect of profit attribution policies and equity attributions in the presentation of consolidated financial statements on earnings management practices (hypothesis 1) and on firm values (hypothesis 2). This study succeeded in proving both hypotheses. The results showed that the attribution of earnings and equity has a negative effect on earnings management practices, and a positive effect on firm value.

The findings of this study provide a theoretical meaning that the policy of adding profit attribution information in the income statement, and attribution of equity in the statement of financial position is proven to minimize agency costs arising from the separation of owners and managers (type 1) and between the majority shareholder as the owner of the parent entity and minority shareholders as non-controlling interests (type 2), as evidenced by the influence of profit and equity attribution policies in minimizing earnings management and increasing firm value. Additional profit and equity attribution information that makes the appearance of financial statements more content than the old format, does not make users get lost in making decisions, but instead provides clearer information.

Profit and equity attribution policies: 1) clarify the distribution of net income, comprehensive income and equity to the two types of owners, making it easier for them to predict future investment returns and make investment decisions, 2) the form of implementation of Good Corporate Governance (GCG), especially the elements of transparency and information justice. Attribution of profit and equity provides transparent information on performance allocation (profit) and net assets (equity) to all readers of financial statements, and attribution of profit and equity provides fair information to all shareholders, whether majority or minority, and 3) attribution of profit and equity equity as a form of concern for all the interests of users, whether large investors or investors with retail and short-term stock purchases.

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