Analysis the Effect of Company’s Fundamental Characteristics and Real Earnings Management to Stock Return Moderated by Audit Quality

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Abstract: The investors’ motive for investing their funds in securities in the capital market is to get a return maximum return with a certain risk. Return on securities owned, especially stocks can be obtained in two forms of dividends and capital gains. By investing in stocks, an investor would expect a higher return. Stock prices provide an objective measure of the value of an investment in a company. In principle, the better the performance of the company in generating profits, the more demand for company shares is concerned, so that the stock price will increase. Otherwise, if the circumstances are contratry then this will decrease the company's stock price. For investors, the rate of return is a major factor because the return is the result obtained from an investment . Therefore the investor will require a wide range of information and analysis that will be used to determine the investment options that will be chosen. Based on the exposure of the facts, the average return received by shareholders of the company has always fluctuated from year to year. Investors who choose to invest in the capital market in the form of securities shares means investing in the company's prospects.

Financial statement information is one of the potential sources are used by investors to assess the price of shares in the stock. If the financial statements showed good results, the it means that the company has a good performance, otherwise if the result is not satisfied, it is a symptom of the onset of problems. In the capital market, not all of the shares of companies that have a good profile will give you a good return to investors so that investors needs to do more in-depth analysis about the company. It can be said that many factors affect the movement of the stock return. The investors need to do in-depth analysis of the changes, such as by conducting fundamental analysis based on financial ratios.

Fundamental analysis is the analysis to calculate the intrinsic value of companies using financial data, the company's intrinsic value can be realized by the stock price. If the prospect of company is strong and good, then the stock price will reflect that strength and rising with an increase in the financial condition of a company. In fact, investors often concern only financial statements to gain information, regardless of how profits are generated. This prompted the management company to perform an action, i.e earnings management.

Managers can manage the company's revenue in two ways, first, establish policies on accrual option that allowed generally accepted accounting principles in order to achieve the desired profit level (known as the accrual-based). Second, managers can manage revenue by changing the timing and scale of operating decisions, it is also called the Real Earnings Management or Real Activity Management (Zang, 2012). Real Earning Management (REM) can be categorized in three activities, namely Sales Manipulation, Over Production and Discretionary Expenses. Real earnings management is very difficult to detect by external stakeholders. Because, they are not included in the supervision and oversight of external auditors and regulators. Factors that differentiate between companies and limit the ability of management to manage earnings include internal structure of governance of the company, and accounting decisions years earlier made by companies that limit the choices of accounting next. This study focuses on one of the factors, namely external quality auditors.Therefore the purpose of this research is to find out the fundamental and real earning management effect analysis to stock return which moderated by audit quality on the manufacturing companies which are listed in the Indonesia Stock Exchange since 2010 to 2014 with size and sales growth as a control variable.

Sample selection method is performed by using purposive sampling method which selects samples based on certain criteria in appropriate with the criteria which is required by the researcher. As much as 49 samples are obtained

based on this sample selection method. The analysis method which is applied in this research is the quantitative method and statistics analysis is the multiple linear regressions analysis.

It is found from the result of the analysis that return on asset (ROA) and REM through cash flow with 5% significancy level, positively effect to stock return. While Current Ratio moderated by audit quality had positive effect to stock return or in other words audit quality streghten the relation between Current Ratio and stock return. Furthermore, REM through production cost moderated by audit quality had positive effect to stock return or in other words audit quality strenghten the relation between REM through production cost and stock return

Keywords: Fundamental characteristics, Real Earning Management (REM), Stock return, Audit Quality, Sales Growth, Size.

Introduction

In capital market, the uncertainty of the expected return make an investor has to choose prudently the alternative of the investment.It is said that there are many factors affecting the stock return movement. Investors should analyze in depth the change of the stock return, for example by analyzing the fundamental of the company based on financial ratios.

Fundamental analysis is the analysis to asses the company's instrinsic value by using financial company's data. Instrinsic value can be reflected in stock price. Tehnical analysis can be used by investor beside fundamental analysis.
If the company's prospect is strong and good, the stock price will reflect that strength dan grow as the company's financial condition increasing.

In valuing stock with fundamental analysis, there are financial ratios that reflect the company's financial condition and performance. Financial ratios consists of liquidity, profitability, activity and market ratios. Financial ratios is used to explain the strength and weakness of company's financial condition and also to predict the stock return in the capital market (Hermi and Kurniawan, 2011)

Manager can manage company's earnings by applying the policy of accrual methods that can be choosen that accepted by accounting standard to reach the expected eranings. (accrual based).Manajer can also manage earnings by changing the time and operating decision scale, what we call real earnings management or real activity management (Zang, 2012)

Enforcement of earnings management may distort the quality of financial statement reporting (Sun, et al, 2008), which may affect the estimate of the creditor against the company's expected cash flow. Based on previous research conducted by Roychowdhury (2006), Real Earning Management (REM) can be categorized in three activities, namely Sales Manipulation, Over Production and Discretionary Expenses.

Auditing is reducing the information asymmetry that exists between management and stakeholders of the company by allowing parties outside the company to verify the validity of the financial statements. Auditing effectiveness and its ability to prevent earnings management is expected to vary with the quality of auditors. In comparison with the low quality auditors, more high-quality auditor has the ability to detect the accounting practices in question, and when it is detected, the auditor will issue an opinion other than unqualified opinion without exception in their audit reports. Therefore, high-quality auditing act as an effective deterrent earnings management, because management reputation will be destroyed and the company's value will drop if the misreporting is detected and revealed (Ardiati, 2003) .

DeAngelo (1981) in Ardiati (2003) developed a two-dimensional definition of audit quality. The first is to be able to detect material misstatements, and the second is a material misstatement should be reported. She theorized that the larger the audit firm better they conduct the audit because they have a better reputation. And because the larger the firm has more human resources, so they can acquire more skilled employees. Big 4 auditor is often associated with high-quality audits than non-Big 4 auditors.

One useful analysis is to measure the performance of the company through the financial ratios of the company or by doing fundamental analysis and analysis of the Real Earning Management. Given the importance of fundamental factors, Real Earnings Management and audit quality it is not surprising that many researchers conducting research on the factors that affect the stock returns. But the research that has been done, many are still experiencing inconsistencies with each other. Inconsistency in these studies led to the emergence of research gap. It is therefore necessary that further research on the effect of ROA, DER, CR, TAT and REM on stock returns. Differences of this

study with previous research were on the variables studied, in this study using ROA, DER, CR, TAT, REM through Operating Cash Flow, REM with Production Costs, REM through discretional Expenses and Total REM, with Audit.Quality as a moderating variable

Research question

Based on the description in the background, it can be formulated the research question that will be presented is as follows:

1. Does the company's profitability affect on stock returns?
2. Does the company's leverage affect on stock returns?
3. Does the company's liquidity affect on stock returns?
4. Does thecpmpany's efficiency affect on stock returns?
5. What is the Real Earnings management through manipulation of Operating Cash Flow effect on stock returns?
6. Does the Real Earnings management through manipulation Production Costs affect on stock returns?
7. Does Real Earnings management through manipulation Discretionary Expenses affect on stock returns?
8. Does the total Real Earning affect the Stock Return?
9. Does the audit quality strengthen the relationship between the company's profitability and Return Stocks?
10. Is the quality of audits reinforce the relationship between the company's leverage and Stock Return?
11. Is the audit quality to strengthen ties between the company's liquidity and Stocks Return
12. Is the audit quality reinforce the relationship between the ratio of thecpmpany's efficiency and Stock Return?
13. Is the audit quality to strengthen the relationship between Real Earning management through manipulation of Operating Cash Flow and Stock Return?
14. Is the audit quality to strengthen the relationship between Real Earning management through manipulation Production Costs and Stock Return?
15. Is the audit quality to strengthen the relationship between Real Earning management through manipulation Discretionary Expenses and Stock Return?
16. Is the audit quality to strengthen ties between the Total Real Earning management and Stock Return?

The contribution of research

1. For investors, this research could be used as a tool of analysis of the stocks traded on the exchange through the variables used in this study so that investors can choose the investment option that is considered most appropriate.
2. for academics, this study can be used as an adjunct literature in the field of accounting.

Signaling Theory

Signalling theory emphasizes the importance of information released by the company for investment decisions outside the company. Information is an important element for investors and businessmen because the information is essentially presenting the information, record or good overview of the state of the past, present and future circumstances for the survival of a company and how the market of its securities.

One type of information released by the company that can be a signal for parties outside the company, especially for investors is the annual report. The information disclosed in the annual report include accounting information that is information relating to the financial statements and non-accounting information that is information relating to the financial statements. The annual report should contain information that is relevant and revealing information that is considered important to be known by the user reports both the inside and outside. All investors need information to evaluate the relative risk of each company so that they can diversify their investment portfolio and the combination with the desired risk preferences. If a company wants its shares purchased by the investor, the company must make disclosure of financial statements in an open and transparancy.

Agency Theory

Earnings management practices can be explained by the agency theory. Agency theory began when the owner of the company is not able to manage his own company by himself, so the owner must enter into a contract with executives to run the company. As an agent, morally responsible to optimize the benefit of the owner (principal) and in return will receive compensation in accordance with the contract.

Agency theory model describes the relationship between principal and agent. Jensen and Meckling (1976) define an agency relationship as a contract occurs when between one or more individuals (principal) binding agreement with another individual (agent) which involves the delegation of authority to an agent in making decisions. At the company that its capital structure in the form of shares, shareholders acting as principal, and the board as their agent. Shareholders employ the board of directors to act in the interest of the principal -in this case is a shareholder.

Fundamental analysis

Fundamental analysis states that any stock investment has a strong foundation called intrinsic value that can be determined through an analysis very carefully to the condition of the company at the present condition and prospects in the future. Intrinsic value is a function of factors combined company to generate profit (return) is expected with a risk attached to these shares. This value is estimated by investors or analysis, and the results of these estimates are compared with the current market value (current market price) so that unknown stocks overpriced or underpriced (Tandelilin, 2010).

Based on the above statement, it can be concluded that the fundamental analysts try to predict stock returns in the future by estimating the value of the fundamental factors that affect stock returns in the future and analysts try to apply the relationship of these factors to obtain estimates of stock returns ,

Stock Return

Return is the result obtained from an investment. Return can be a realized return that has happened or expected return that has not happened yet but is expected to occur in the future (Jogiyanto, 2011). Realized Return is calculated based on historical data. Realized return is very important because it is used as a measure of corporate performance and is also used as the basis of calculating the expected return in the future.

Real Earning Management

Roychowdhury (2006) states that earnings management through real activities manipulation is the shift from the earnings management practices from normal operation into abnormal operating practices, motivated by the desire managers to convince some stakeholders in order to believe the financial statements are prepared on the basis of normal operation. Displacement of normal operating practice into not normal do not contribute to the value of the company despite reporting managers achieve goals. Managers involved earnings management concerned with his personal interest to achieve the objectives of reporting because they act as an agent. Therefore, motives of earnings management are to avoid losses and avoid debt covenant violations, to avoid government intervention, as well as to increase the bonus.

Graham et al. (2005) states that the financial manager indicated a willingness to manipulate earnings through real activities rather than accrual. In detecting manipulation of the real activity of the company, Roychowdhury (2006) using a Dechow model et al. (2000) and focus on the following three earnings management methods are:

a) Sales Manipulation, defined as the management effort to increase sales on a temporary basis by offering price discounts and soften loans. For example, the increase in sales volumes as a result of the offer price discounts at any given time will lead to an inflow becomes large, but the cash inflows per sales, discounts net of additional sales, lower than cash flow per normal sales or in other words a decline in margins , Another way to increase the volume of sales management is to offer soft loans, such loans offer interest rates lower (zero-percent financing) at the end of the fiscal year. This will increase earnings or cash flow into the company immediately. Roychowdury (2006) provides evidence that the manager did manipulation through real activity by giving rebates to increase sales, reduce cost of goods sold through an increase in inventories, and reduced discretionary expenses to increase reported earnings.
b) Reduce discretionary expenses such as R and D, advertising, and general and administrative expenses which in general are a burden on the period of the expenditure. Thus, companies can reduce expenses reported so its profit increases. Examples of conventional management related real earnings management with discretionary expenses is if the expense borne by discretionary in the form of cash, then a reduction in this expense would reduce cash outflow and would have a positive impact on the abnormal Cash Flow from Operations (CFO) in the current period, but may be otherwise will also pose a risk that is a lower cash flow in the future.
c) Overproduction, increase production with the aim of reporting Cost of Goods Sold (COGS) lower. With the high level of production, fixed costs plated on a large unit, resulting in the value of the fixed cost per unit lower.As long as a decrease in fixed costs per unit can not be covered by the increase in the marginal cost

per unit, the total cost per unit decreased This causes the COGS reported lower, and companies can report better operating margins

Audit Quality

Audit quality is defined as a joint probabilit that an auditor will find and report violations that exist in the client's financial reporting system. The possibility that the auditor will find misstatement depends on the quality of the auditor's competence while the measures reported misstatements depends on auditor independence (DeAngelo, 1981 in Ardiati, 2003). Audit quality is determined by two things: the competence and independence. Auditing effectiveness and its ability to prevent earnings management is expected to vary with varied quality auditor. Compared with low-quality auditor, the auditor believed to be of high quality with the ability to detect the accounting practices of suspicious or vulnerable to fraud. Therefore, high-quality auditing is regarded as an effective deterrent earnings management (Ardiati, 2005). Ardiati (2005) states that an audit of high quality acts as an effective deterrent earnings management, because management reputation will be destroyed and the company's value will drop if this incorrect reporting detected and exposed.

Hypothesis Development

Effect of the company's profitability on stock return

In planning and implementing investment, it needs deeply considerations and calculations because of the element of uncertainty. Consequently, Investment activities must decide how the amounts invested and in what asset investment is made. One of the financial assets that can be considered is stock. Stock assessment can be done by assessing the fundamentals of company issuing the shares or by way of technical analysis. Fundamental analysis is done by looking at the company's financial performance. This financial performance can be measured by conventional and modern method. The company's financial performance as measured by conventional method using financial ratios of liquidity ratios, activity ratios, profitability ratios and leverage ratios.

Consistent with theory and opinion of Modigliani and Millerd(MM) [1958] which states that the value of a company is determined by the earnings power of the company's assets. A positive result indicates that the higher the earnings power, and a more efficient asset turnover, or the higher the profit margin earned by the company. This resulted in an increase in the value of the company which can certainly affect stock returns. Results of this study indicated that investors are still using the Return On Assets (ROA) as a benchmark of companies performance that is used to predict the total return of stocks, thus greater Return On Assets (ROA) will show the performance of the company rose so that stock returns will also rise , Based on these explanations, it can be formulated hypothesis is as follows:

H1: The company's profitability has a positive effect on stocks..

Effect of Company's leverage on stock return.

Leverage has an effect on stock returns because leverage information will affect the performance of the stock and led to share price appreciation and depreciation. This leverage ratio measures the performance of the company's ability to restore its long-term debt. From the perspective of investor, the higher leverage showed the larger the company's dependence on outside parties so that the greater the level of risk companies to meet their debt obligations. This had an impact on the decline in stock prices, according to research (Thrisye and Simu, 2013). Based on these explanations can be formulated hypothesis is as follows:

H2: The company's leverage has a negative effect on stocks.

Effect of Company's liquidity on stock return.

According to Gitman (2009) Liquidity is demonstrating the company's ability to meet the financial short term obligations at the right time or the company's ability to provide cash or cash equivalents, which indicated the size of current assets, ie assets that are easily converted into cash include cash, securities, receivables, inventory. The company's liquidity is often measured using a current ratio indicates a company's ability to fund its operations and repay short-term obligations. Based Ulupui Research (2009), variable current ratio has an influence on stock returns. This indicates that the investor will obtain a higher return if a company's ability to meet short-term obligations is higher. Allegations about this is because investors pay attention to cash management, accounts receivable and inventory of the company before making a decision to invest in the stock market. Based on these explanations can be formulated hypothesis is as follows:

H3: The company's liquidity has a positive effect on stocks.

Effect of company's efficiency on stock return.

If the company's management can use company assets well, increase sales greater than the increase in costs, and in turn, investor will receive higher returns This influence can increase the price of the stock market and attract investors to invest their capital in the company. This is in line with research conducted by Lambey (2014). Based on these explanations can be formulated hypothesis is as follows:

H2: The company's efficiency has a positive effect on stocks

Effect Real Earning Management through manipulation of Operating Cash Flow (REMAKO) on stock returns

Sales management is related to the managers who try to increase sales during the accounting period with the aim of increasing the earnings to meet the targets. In addition, the company can also offer credit period more lenient, causing cash flow operations of the current period decreased compared to the level of normal sales, this resulted from increasing sales volume that leds to earnings for the year is high but the cash flow decreased due to small cash inflows because off credit sales and discounts. Based on these explanations, it is concluded that the Real Earning Management by increasing sales that offering a credit period which is softer, will lower the current operating cash flow, which is the ultimate goal that the financial statements look better and increase stock returns. Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. If the earnings management is efficient, the company would increase earnings management (positively related). In light of the contracting efficiency perspective it can be formulated hypothesis is as follows:

H5: Real Earnings Management through operating cash flow (AKO) has a positive effect on Stock Return.

Effect Real Earning through manipulation of Production Cost Management (REM PROD) on stock return.

The next technique earnings management that can be done is to carry out large-scale production (overproduction), causing large-scale production in fixed overhead costs divided by the number of units of goods are high so that the average cost per unit and cost of goods sold decreased. The decrease in cost of sales will result in an increase in operating margin, which is the ultimate goal that the financial statements look better and increase stock returns. this is in line with research Koyuimirsa and Prog (2011). Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. If the earnings management is efficient, the company will increase earnings management (positively related). In light of the contracting efficiency perspective it can be formulated hypothesis is as follows:

H6: Real Earnings Management through the production costs has a positive effect on Stock Return.

Effect Real Earnings Management through manipulation of discretionary Expenses (REM EXP) on stock returns.

The company carries out large-scale production with the objective of increasing reported earnings (Thomas and Zhang 2002). Raising profit or avoiding the negative profit or loss can also be done by reducing discretionary expenses. Discretionary expenses that can be reduced is the cost of advertising, research and development costs, and cost of sales, general, and administrative expenses such as employee training and repair and travel costs. Other studies conducted by Andayani (2008) that examined Indonesia public companies found evidence that the company' did manipulation of real activity. Manufacturing companies do overproduction, discounts, and gives leeway to credit as an indication of real earnings management, which led to high production costs. The results also indicate the existence of earnings management for discretionary expenses are generally recorded when incurred. The company reduced discretionary costs that are reported to be increasing earnings and stock returns will increase. As Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists, If the earnings management is efficient , the company would increase earnings management (positively related). In light of the contracting efficiency perspective it can be formulated hypothesis is as follows:

H7: Real Earnings Management through Discretionary Expenses has apositive effect on Stock Return.

Effect of Total Real Earning Management (TOT_REM) on stock returns.

According to Roychowdhury (2006), the shift accrual earnings management to real earnings management conducted managers based on several factors: First, the accrual earnings management were likely to attract the attention of auditors and regulators as compared with the real decisions, such as those associated with pricing and production. Second, managers who rely on accrual earnings management would be at risk if desired earnings targets can not be achieved despite doing accrual earnings management. Meanwhile, real earnings management may occur throughout the accounting period runs through the daily activities of the company, without waiting for the end of the period, so the manager will be easy to achieve the desired earnings. Therefore, the practice of real earnings management will increase earnings in the financial statements and would raise the stock price. Total Real Earning Management in this hypothesis is the total value of Real Earning Management through manipulation of Operating Cash Flow, Real Earnings Management through manipulation Production Costs and Real Earnings Management through discretional manipulation Expenses. In previous hypothesis explained that the 3 proxies are Real Earnings Management through manipulation of Operating Cash Flow, Real Earnings Management through manipulation Production Costs and Real Earnings Management through discretional manipulation Expenses positive effect, it is assumed Total Real Earnings Management will have positive influence on stock prices. Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. If the earnings management is efficient, the company will increase earnings management that increase sthe stock return (positively related). In light of the contracting efficiency perspective it can be formulated hypothesis is as follows:

H8: Total Real Earning Management has a positive effect on Stock Return.

Effect of company's profitability on stock returns which are moderated by Audit Quality

Auditing reduces the information asymmetry that exists between management and stakeholders of the company by allowing parties outside the company to verify the validity of the financial statements. Auditing effectiveness and its ability to prevent fraud will vary with the quality of auditors. In comparison with the low quality auditors, more high-quality auditor has the ability to detect the accounting practices in question, and when it is detected, the auditor will issue an opinion other than reasonable opinion without exception (unqualified opinion) in their audit reports. Therefore, high-quality auditing to act as an effective deterrent fraud, because management's reputation will be destroyed and the company's value will drop if the reporting is wrong (misreporting) is detected and revealed (Ardiati, 2003).

Manager is possible to do engineering in the financial statement in order to report financial ratios look good, among others, e.g, Profitability Ratios. Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Based on these explanations can be formulated hypothesis is as follows:

H9: Audits Quality reinforces the positive effects the relation between profitability and stock return.

Effect of company's leverage on stock returns which are moderated by Audit Quality

The leverage ratio is useful for long-term creditors and shareholders who want to know the end or at least the prospect of dividends and interest payments in the future. Furthermore, there are some criteria so that companies can be said to have a good financial position, which is able to meet its obligations on time. Audit quality is seen as the ability to enhance the quality of corporate financial reporting. With high quality audits are expected to increase investor confidence. The explanation is based on the hypothesis can be formulated as follows

H10 : AuditQuality reinforces the negative effects of company's leverage on the Stock Return.

Effect of company's liquidity on stock return which are moderated by Audit Quality

The most common ratio used to analyze a company's working capital position (liquidity) is to use a current ratio (CR). This ratio shows the ratio of current property value (which can immediately be used as currency) with short-term debt. Current ratio is a ratio that measures the extent to which the ability of the company is commonly used in

current assets to meet current liabilities. Reason CR widely used as a measure of liquidity because of its ability to describe:

1. The ability of the company meet its current liabilities (short-term liabilities).
2. The Company's ability to sustain losses.
3. The ability of enterprises to provide a reserve fund.

Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Based on these explanations can be formulated hypothesis is as follows:

H11 : Quality audits reinforces positive influence company's liquidity on Stock Return.

Effect of company's efficiency on stock return which is moderated by Audit Quality

Company's efficiency which proxied by Total Assets Turnover (TAT) shows how to use the overall effectiveness of the company's assets to increase sales and improve earnings. TAT is affected by the value of net sales made by the company compared to the total value of assets owned by the company. When the value of TAT improved means an increase in net sales, an increase in net sales of the company will encourage increased profits that will lead to an increasing in the company's stock price, which in turn would increase the company's stock returns. Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Based on these explanations can be formulated hypothesis is as follows:

H12 : Audit Quality reinforces the positive influence of company's efficiency on stock return.

Effect of Real Earnings Management through manipulation Operating Cash Flow on stock returns which is moderated Quality Audit

Manipulation of real activity conducted through cash flow operating activities result in increased earnings which earninngs is a measure of financial performance. Earnings growth continues to increase from year to year gives a positive signal about the prospects of the company, the higher the earnings achieved by the company indicate the better performance of the company. Companies that have the ability to increase earnings, its stock price will tend to rise, because if the company makes the greater earnings, then theoretically the company will be able to distribute dividends, which grow and will affect positively on stock returns. If the company is able to distribute dividends, it is believed that the greater the demand for the company's stock will increase. The increasing demand in stocks shows an increasing market performance than before. Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. If the earnings management is efficient, the company would continue to do earnings management (positively related). Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Thus, the hypothesis can be formulated as follows:

H13 : Audit Quality reinforces the positive effect of Real Earnings Management through Operating Cash Flow on stock return.

Effect Real earnings management through manipulation of Production Cost Management on stock return which is moderated Audit Quality

Real earnings management action by the overproduction is by producing goods greater than that required in order to achieve the expected demand firms. Production on a large scale causes the price of goods sold decreased so that profits can be increased. Thus, the real earnings management through production costs will increase the earnings which the company's performance will also increase, if the performance of the company increased the share price will increase so that the performance of the market will increase. Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Thus, the hypothesis can be formulated as follows:

H14 : Audit Quality reinforces the positive effect of Real Earnings Management through Production Costs on Stock Return.

The effect of Real earnings through manipulation Discretionary Expenses on stock return which is moderated Audit .

Raise earnings or avoid reporting negative earnings or losses can also be done by reducing discretionary expenses. Discretionary expenses that can be reduced is the cost of advertising, research and development costs, and cost of sales, general, and administrative expenses such as employee training and repair costs and travel. A reduction of these costs at the end of the period led to accounts payable was reduced below normal and the impact on the positive

performance of the stock. Midiastuty and Machfoedz (2003), stating that earnings management may be efficient, not always opportunists. Audit quality is seen as the ability to enhance the quality of corporate financial reporting. Based on these explanations can be formulated hypothesis is as follows:

H15 : Audit Quality reinforces the positive effects of Real Earning Management through Discretionary Expenses on Stock Return.

Research Methods

Research design

This research is the study of causality, which is a type of research with the characteristic problem of a causal relationship between two or more variables. Research causality is a type of ex post facto research, ie type of research on data collected after the occurrence of a fact or event. Researchers can identify the facts or events such as a variable that is affected and to investigate the variables that affect (Indriantoro and Supomo, 1999).

Operational Variables

Stock Return

Return is the result obtained from an investment. Return can be realized return that has happened or expected return that has not happened yet but is expected to occur in the future (Jogiyanto, 2011). Stock return is the dependent variable in this study. Allegedly stock return variable is influenced by several other factors. Stock returns mathematically formulated as follows:

Systematically, the stock return (Brigham dan Houston, 2010)calculation is as following:

$$\text{Stock return} = \frac{P_1 - P_0}{P_0}$$

Note:

P_t or P_1 = Pric

P_{t-1} or P_0 = Price at time t-1

D_t = Dividen

Because of the financial statements has been known closing price on the company every year and because not all companies pay dividends periodically so that in this study the authors used a formula stock returns are taken from Brigham and Houston (2010) to facilitate the return of researchers to calculate the shares.

Profitability

ROA is used to measure how effectively companies exploit economic resources to make a profit. ROA ratio represents the ratio of profitability in this study. ROA is obtained by dividing the Net Income After Tax (NIAT) to average total assets (average total assets). ROA is mathematically formulated as follows (Ang, 1997):

$$ROA = \frac{NIAT}{\text{Total Assets}}$$

Leverage

DER ratio represents the ratio of leverage or solvency ratio. DER is obtained by comparing the value of total debt to total equity. In matemaris DER written by the following equation (Ang, 1997):

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Liquidity

Current Ratio (CR) is used to measure the ability of current assets to cover current liabilities (short-term liabilities) of the company. CR ratio represents the ratio of liquidity in this study. CR is obtained by dividing current assets by current liabilities (short-term liabilities). CR mathematically formulated as follows (Ang, 1997):

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Efficiency

Total Assets Turnover (TAT) ratio is used to measure the efficiency of the use of all assets to generate a level of sales. TAT ratio represents the ratio of activity in this study. TAT obtained by comparing the sales / net revenue (sales / net income) with total assets / assets. Mathematically TAT written by the following formula (Ang, 1997):

$$TAT = \frac{\text{Net Income}}{\text{Total Assets}}$$

Real Earning Management (REM)

Based on Dechow et al. models (2000), Roychowdhury (2006) illustrates that normal operation cash flow is as linear function from sales and sales movement in a period. Regression should made before getting in in hypothesis testing to get normal operating cash flow. Regression model for mormal operation cash flow replicate from Roychowdhury (2006) research as follows:

$$\mathbf{CFO_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(S_t/A_{t-1}) + \varepsilon_t}$$

CFOt/At-1	=	Operation cash flow in t year scaled with total assets in t-1 year.
α(1/At-1)	=	Intercep scaled with total assets in t-1 year pada tahun t-1, with the purpose of operating activity cash flow does not have a value of 0 when sales and sales lag is 0.
St/ At-1	=	Net sales in year t scaled by total assets at year t-1
St-1/ At-1	=	Net sales in year t-1 scaled by total assets at year t-1

Therefore, this study will use abnormal activities cash flow, then for each abnormal activities cash flow observation year (ABN_CFO) is the difference of actual operation cash flow activities value which scaled by one year total assets before testing less the cash flow activities from normal operations that calculated using the estimated coefficients of the above equation models..

Production above normal levels of operating companies (overproduction) in order to report the cost of goods sold (COGS) lower is one of way the management use to manipulate earnings through real activity manipulation . Cost of production is the sum of cost of goods sold (COGS) and changes in inventories (ΔINV) throughout the year. Researchers like Roychowdhury (2006) used the model to estimate normal production costs with the regression formula as follows:

$$\mathbf{PROD_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(\Delta S_t/A_{t-1}) + \beta_3(\Delta S_{t-1}/A_{t-1}) + \varepsilon_t}$$

$PROD_t$: production cost in year t, wherein $PROD_t = COGS_t + \Delta INV_t$.

A_{t-1} : total assets in year t-1

S_t : sales in year t

ΔS_t : sales in year t less sales in year t-1

ΔS_{t-1} : sales movement in year t-1

α0 : konstanta

ε_t : error term in year t.

Similarly with the operating activities cash flow, coefficient value of the estimated regression equation above is used to calculate the normal value of the production cost. Thus, abnormal production costs (ABN_PROD) is obtained by subtracting the value of the actual production costs which scaled by total assets one year prior to the period of testing with normal production costs are calculated using the estimated coefficients of the above equation models.

To calculate the normal level of discretionary expenses, following researchers used regression model that replicates from research Roychowdhury (2006):

$$\mathbf{CFO_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(S_t/A_{t-1}) + \varepsilon_t}$$

DISEXPt : discretionary expenses in year t
At-1 : total assets in year t-1
St : sales in year t
□0 : konstanta
□t : *error term* in year t

Discretionary costs are defined as the sum of the cost of advertising, research and development expenses, selling expenses, general and administrative expenses. The value of the estimated coefficients from the regression equation above is used to calculate the normal value of discretionary costs. Thus, abnormal discretionary expenses (ABN_DISEXP) is obtained by subtracting the value of the actual cost of discretionary scaled by total assets one year prior to the test period with normal discretionary costs which calculated using the estimated coefficients of the above equation models.

Subramanyam (1996) divides income into three components, namely operating cash flow, a non-discretionary accruals and discretionary accruals, that all three components are responded by the stock market. Selection of discretionary accruals by a company can result in an increase or decrease in earnings, making investors would respond to stock market prices. Moreover, according to Subramanyam (1996) if the market can distinguish between opportunistic and efficient discretionary accruals then opportunistic discretionary accruals will be negatively related to stock returns and discretionary accruals will efficient positively related to stock returns.

Audit Quality

According Titman and Trueman (1986), Beauty (1986), Krinsky and Rotenberg (1989), and Davidson and Neu (1993) in Widiastuty and Febrianto (2010), audit quality measured by the accuracy of the information reported by the auditor. Audit quality is determined from audit capabilities to reduce noise and bias and improve the fineness on accounting data (Wallace, 1980 in the Widiastuty and Febrianto, 2010).

Quality audit is an audit carried out by a competent and independent person. Competent auditor is the auditor who has the technological capability, understand and implement the proper audit procedures, understand and use the find the correct method, etc. Instead, an independent auditor will independently report if finds a violation. Probability of any violations depends on their level of competence. DeAngelo (1981b) in Widiastuty and Febrianto (2010) found that only two qualities possessed by large accounting firms (Big 8 at that time). This opinion is supported by Lee (1993) in Widiastuty and Febrianto (2010). According to Lee, if the auditor and client both are relatively small size, then there is a large probability that income will be depend on the auditors' audit fees paid by clients. Therefore, this small auditor will tend to be independent of the client. Conversely, if the auditor is large accounting firm, then it tends to be more independent of their clients, whether large or small sized client. Therefore, the size of the accounting firm was later widely accepted by researchers of accounting and is widely used as a measure of audit quality. In the past it was the big eight accounting firms that have shrunk to four today.

Samples are divided into two groups, the companies audited by Big 4 accounting firm and the companies that are not audited by Big 4 accounting firm. If the company is audited by Big 4 accounting firm, the audit quality is high, and if it were not audited by Big 4 accounting firm, the quality is low. Many studies have found that audit quality is positively correlated with the credibility of the auditor and negatively correlated with financial reporting errors. Score 1 is for companies audited by big 4 accounting firm, and 0 is for companies that are not audited by big 4 accounting firm.

Research model

The method used in analyzing the variables in this study is using multiple linear regression. Multiple linear regression is a linear regression model of the dependent variable is a linear function of several independent variables (Ghozali, 2011).

Model 1:

$RET_{it} = a + b_1.\ ROA_{it} + b_2.\ CR_{it} + b_3.\ DER_{it} + b_4.\ TAT_{it} + b_5.\ REM_BPROD_{it} + b_6.\ REM_AKO_{it} + b_7.\ REM_DISEXP_{it} + b_8.KA_{it} + b_9.ROA.KA_{it} + b_{10}.CR.KA_{it} + b_{11}.DER.KA_{it} + b_{12}.TAT.KA_{it} + b_{13}.BPROD.KA_{it} + b_{14}.CFO.KA_{it} + b_{15}.DISEXP.KA_{it} + e_{it}$

Model 2:

$RET_{it} = a + b_1.\ ROA_{it} + b_2.\ CR_{it} + b_3.\ DER_{it} + b_4.\ TAT_{it} + b_5.\ TOT_REM + b_6.KA_{it} + b_7.ROA.KA_{it} + b_8.CR.KA_{it} + b_9.DER.KA_{it} + b_{10}.TAT.KA_{it} + TOT_REM.KA_{it} + e_{it}$

RET = Stock Return
a = constant
b = coefficient of the regression line
ROA = Return On Asset
CR = Current Ratio
DER = Debt To Equity Ratio
TAT = Total Asset Turnover
REM_BPROD = Real Earnings Management Through Production Costs
REM_AKO = Real Earnings Management Through Operating Cash Flow
REM_DISEXP = Real Earnings Management Through Discretionary Fee
KA = Quality Audit
TOT_REM = Total Real Earning Management
SGRO = Sales Growth
Size = Size Company
e = standard error

Audit quality measurement is using a scale dummy for audit quality, value 0 for KAP Non Big Four and one for KAP Big Four. Variable b_8 - b_{15} In model 1 and variable b_6 - b_{10} in model 2 the value 0 if the company uses non big four KAP.

Tabel 1- Purposive Sampling Research Sampling

No	Purposive Sampling	Jumlah
1.	Manufacturing company list	165
2.	Less manufacturing company which is not complete in data in 5 years in a row. (2010-2014)	(49)
3.	Companies that suffered losses in the years 2010-2014	(52)
4.	Bookkeeping in US Dollars	(8)
5.	Does not provide a complete set of financial statements	(7)
6.	Total	49

Result and Discussion

Descriptive Statistics

Results of descriptive statistical process data is processed with IBM SPSS Statistics 19 program can be seen in the table below:

Tabel 2.Descriptive Statistics

Variabel	Min	Max	Mean	Std_Dev
Stock Return	-1.483	2.261	0.300	0.523
CR	0.208	7.727	2.425	1.540
DER	0.104	5.152	0.887	0.776
ROA	0.001	0.715	0.122	0.113
TAT	0.002	0.956	0.163	0.149
SalesGrowth	-0.535	2.049	0.152	0.229
Size	11.267	19.279	14.479	1.736
REM_AKO	-0.359	0.774	0.000	0.143
REM_PROD	-0.367	0.729	0.000	0.143
REM_DISXP	-0.500	0.930	0.000	0.245
TOT_REM	-0.831	1.790	0.000	0.432

Classic Assumption Testing
There is no problem in classic assumption testing, so that the regresission can be continued as it achieved the BLUES assumption.

Hypothesis Testing

Following table showing the result of the test from model 1 and 2.

Tabel 3 Hasil Uji Hipotesis

		Model 1			**Model 2**	
	Coefficient	**t**	**p-value**	**Coefficient**	**t**	**p-value**
Constant	-0.415	-1.355	0.089	0.226	0.328	0.372
CR	0.007	0.228	0.410	-0.061	-0.926	0.178
DER	0.015	0.275	0.392	0.087	0.726	0.235
ROA	5.702	3.429	0.001	-0.425	-0.424	0.336
TAT	-3.082	-2.008	0.023	0.308	0.945	0.173
Sales Growth	0.349	2.395	0.009	0.094	0.449	0.327
Size	0.034	1.591	0.057	-0.005	-0.119	0.453
REM_AKO	7.160	1.946	0.027			
REM_PROD	-6.906	-1.876	0.031			
REM_DISXP	-0.181	-1.008	0.158			
TOT_REM	-0.295	-1.574	0.059	0.192	0.710	0.240
CR_Kua	0.092	2.929	0.002	0.065	0.758	0.225
DER_Kua	-0.019	-0.160	0.437	-0.003	-0.012	0.495
ROA_Kua	0.338	0.089	0.465	0.437	0.314	0.377
TAT_Kua	-0.491	-1.162	0.436	-0.706	-0.653	0.257
REM_AKO_Kua	-5.296	-3.004	0.002			
REM_PROD_Kua	5.08	2.711	0.004			
REM_DISXP_Kua	0.129	0.042	0.313			
TOT_REM_Kua				-0.400	-1.016	0.156

The results of the test

1) First Hypothesis

The first hypothesis examine the influence between return on assets (ROA) and Return on Equity. Based on the above table, it can conclude that the variable return on assets (ROA) with a significance level of 0.001, where 0.001 values is < 0.05, with a beta coefficient amounting 1.232, Therefore it concluded that Ha accepted or Ho rejected, which means Return on assets (ROA) was effect significantly positive on Stock Return.

2) Second Hypothesis

The second hypothesis examine the influence between Debt-to-equity ratio (DER) and Stock Return. Based on the above table, it can be concluded that the DER does not significantly affect stock returns, where value 0.392 > 0.05. Therefore it can also concluded that Ha is rejected or Ho accepted, which means that the DER variable not significantly affect stock returns.

3) Third Hypothesis

The third hypothesis examine the influence between Current ratio (CR) and the Stock Return. Based on the above table it can be concluded that the current ratio (CR) has no significant effect, the value amounting 0.410 > 0.05. Results of this study are consistent with previous research by Farhan and Ika (2012) with the title financial ratios to study the effect of stock return manufacture companies in the stock exchange Indonesia, that research proved that CR have no effect on stock returns. Therefore it can concluded that Ha rejected or Ho accepted, which means that current ratio (CR) variable does not significantly affect stock returns.

4) Fourth Hypothesis

The fourth hypothesis examine the influence between Total assets turnover (TATO) and the Stock Return. Based on the above table, Total assets turnover (TAT) variable have negative effect with a significance level amounting 0.023, where the value 0.023 < 0.05, with a beta coefficient amounting -0.876 Therefore it can be concluded that Ha rejected or Ho accepted, which means that the Total assets turnover (TAT) does not significantly affect stock returns.

5) Fifth Hypothesis

The fifth hypothesis examine the influence between Real Earnings Management through operating cash flow (REM_AKO) and Stock Return. With a significance level amounting 0.027, where the value 0.027 < 0.05, with a beta coefficient amounting 1.951 which means that every increase in Real Earnings Management through operating cash flow (REM_AKO) variable will increase the stock returns amounting 1.951. Therefore it can concluded that Ha accepted or Ho rejected, based on the above table it can be said that the Real Earnings Management through operating cash flow (REM_AKO) has a positive significant effect to stock returns.

6) Sixth Hypothesis

The sixth hypothesis examine the influence between Real Earnings Management through production costs and Stock Return, with a significance level amounting 0.031, where the value 0.031 < 0.05, with a beta coefficient amounting -1.883, which means that every increase of one unit DER variable will lower stock returns amounting 1,883. Therefore it concluded that Ha is rejected or Ho accepted, which means variable Real Earnings Management through the production cost have not positive significant effect to stock returns..

7) Seventh Hypothesis

The seventh hypothesis examine the influence between Real Earning Management by Discretionary Expenses and Stock Return, the result shows that Real Earnings Management through Discretionary expenses are not significant effect on stock returns, with a significance level of 0.158. Based on the above table, it can be concluded that Ha rejected or Ho accepted, which means that the variable Real Earnings Management through Discretionary Expenses not significantly affect stock returns.

8) Eighth Hypothesis

The eighth hypothesis examine the influence between Total Real Earning Management and stock return, Total Real Earnings Management does not have a significant effect on stock returns, with a significance level of 0.240, which 0240 > 0.05. Based on the above table it can be concluded that Ha rejected or Ho accepted, which means that the variable Total Real Earnings Management has no effect on stock returns.

9) Ninth Hypothesis

The ninth hypothesis examine the influence between ROA which moderated by audit quality (ROA_KUA) and return Shares, with a significance level amounting 0.465, in which 0.465 > 0.05, it means the quality of the audit did not moderate the positive influence of ROA with stock return. Based on the above table it can be concluded that Ha rejected or Ho accepted, it can be said that the quality of audit moderating variable ROA (ROA_KUA) had no significant effect on stock returns.

10) Tenth Hypothesis

The tenth Hypothesis examine the influence between Debt to equity ratio which moderated by audit quality (DER_KUA) and stock return, with a significance level amounting 0.437, 0.437 > 0.05, a beta coefficient amounting -0.018, which means that the quality of the audit did not moderate the negative effects of DER with stock return. Based on the above table it can be concluded that Ha rejected or Ho accepted, it can be said that the quality of the audit moderating variable Debt to equity ratio (DER_KUA) had no significant effect on stock returns.

11) Eleventh Hypothesis

The eleventh Hypothesis examine the influence of the current ratio which moderated by quality audit (CR_KUA) and return Shares, with a significance level amounting 0.002, where the value 0.002 <0.05, with a beta coefficient of 0.356, which means that every increase in the current ratio which moderated by quality audit (CR_KUA) will increase the stock return for 0.356. Based on the above table it can be concluded that Ha accepted or Ho rejected, which means that the audit quality reinforce positive and significant impact on the relationship with the Current Ratio and Return stocks.

12) Twelfth Hypothesis

The twelfth hypothesis examine the influence of Total assets turnover which moderated by audit quality (TAT_KUA) and stock return, with a significance level of 0.436, in which 0436 > 0.05, which means that the quality of audit does not moderate the influence Total assets turnover (TAT_KUA) and stock returns. Based on the above table, it can be concluded that Ha rejected or Ho accepted, Total assets turnover which moderated by audit quality variable (TAT_KUA) did not significantly affect to stock returns.

13) Thirteenth Hypothesis

The thirteenth hypothesis examine the influence between Real Earnings Management Through Operating Cash Flow which moderated by audit quality (REM_AKO_KUA) and stock returns, with a significance level of 0.002, where the value 0.002 < 0.05, with a coefficient beta amounting -1.081, which means every increase in Real Earnings Through Management Operating Cash Flow which moderated by audit quality (REM_AKO_KUA) will lower stock returns amounting 1.081. Based on the above table, it can be interpreted that Ha rejected or Ho accepted, the audit quality does not moderate the Operating Cash Flow Real Earnings Management (REM_AKO).

14) Fourteenth Hypothesis

The fourteenth Hypothesis examine the influence between Real Earnings Through Production Cost which moderated by audit quality (REM_PROD_KUA) and stock returns, with a significance level amounting 0.004, where 0.004 > 0.05, with a beta coefficient amounting 1.028, which means that every increase in the Real Earnings Through Production Cost which moderated by audit quality (REM_PROD_KUA) will increase the stock returns amounting 1.028. Based on the above table, it can be conclude that Ha accepted or Ho rejected, quality of audit variable moderate positive effects Real Earnings Management through Production Costs (REM_PROD_KUA) on stock returns.

15) Fiveteenth Hypothesis

The fifteenth hypothesis examine the influence between Real Earnings Through Discretionary Expenses which moderated by audit quality (REM_DISXP_KUA) and the Stock Return, with a significance level amounting 0.313 where 0.313 > 0.05, which means that the quality of the audit variable did not moderate the positive influence of Real Earning Management through Discretionary Expenses (REM_DISXP_KUA) on stock returns. Based on the above table, it can be concluded that Ha is rejected or Ho accepted, the quality of the audit variable moderating Real Earning Management through Discretionary Expenses (REM_DISXP_KUA) had no significant effect on stock returns.

16) Sixteenth Hypothesis

The sixteenth hypothesis examine the influence between total real earning management which moderated by audit quality (TOT_REM_KUA) and stock return, with a significance level amounting 0.156, which 0.156 > 0.05. Based

on the above table, it can be concluded that Ha rejected or Ho accepted, the audit quality did not moderate the positive influence of Total Real Earnings Management (TOT_REM_KUA) on stock returns.

Research Disscussion

This study was conducted to examine the effect of ROA, CR, DER, TAT, REM through Production Costs, REM through Operating Cash Flow, REM through Discretionary Expenses and Total REM as an independent variable to stock return as the dependent variable and audit quality as moderating variable.

The following are discussions of the results of each variables involved in the study.

1. Effect of Profitability on Stock Return
Return On Assets (ROA) variable has a positive and significant effect on stock returns. This indicates that the value of a company is determined by the earning power of the assets of the company. A positive result indicates that the increased of earnings power will also increased the efficiency level of asset turnover, and the increased of profit margin earned by the company which will have an impact on the increased in value of the company and resulted in increased stock returns. Results of this study indicated that investors are still using the Return On Assets (ROA) to benchmark the performance of companies that are used to predict the total return of stocks, therefore the Return On Assets (ROA) will show the performance of the company rose, so that that stock returns will also rise. This result supports the research conducted by Farkhan and Ika (2012) Ulupui (2009), and Ginting (2012) which states the same thing that the return on assets had a positive and significant effect on stock returns.

2. Effect of Leverage on Stock Return
Debt to equity ratio Variable showed no significant results. This indicates that the debt ratio does not impacted to changes in stock returns. This result is in line with research of Hutauruk et al (2014), in contrast with Arista study (2012) which states that DER had positive and significant effect on stock prices. The difference is probably due to differences in sample used. Probably, it would be different if it is used to predict returns over the next five years.
Although the results are not significant, it does not mean that investors can ignore the debt ratio of a company. Often the financial distress facing the company due to the failure of debt payment. The higher proportion of debt that causes high fixed payment, and would causing the risk of bankruptcy (Arista, 2012).

3. Effect of LIquidity of the Stock Return
CR variables showed that no significant effect on stock returns. CR is usually used as a measuring tool to measure a company's liquidity situation. This is in line with research conducted Thrisye and Simu (2012), Low Current ratio is usually considered to indicate the occurrence of a problem in liquidation and can be interpreted as an early indicator of the inability of the company to meet its short term obligations. On the other hand, a company that has a Current Ratio too high does not mean having a good performance. The high Current Ratio which means high liquidity also shows that the companies are unable to manage the money to create money that eventually can reduce the profitability of the company. Stocks with high liquidity will facilitate investors to buy and sell the shares, but the high CR does not necessarily guarantee it will be able to repay loans that have matured, since the proportion of current assets that are not in good condition in case cash excess and the proportion of accounts receivable and inventory too big. This shows that the investor will obtain a lower return if the company's ability to meet the lower short-term obligations (Thrisye and Simu, 2012).

4. Effect of Efficiency on Stock Return
TAT variables showed no significant effect on stock returns. The low activities on a certain sales level will lead to increasing the amount of surplus funds that are embedded in assets that are not productive, so it can lead to total assets turnover (TAT) to be down. Other events could also be an impact on the total assets, for example when the economy in not good condition or in an inflation condition will have an impact on stock return.
The results support of research conducted by Farkhan and Ika (2012), Thrisye and Simu (2013) and Anggraini (2010), which states the same conclusion, that the ratio of the activity is not useful to measure stock returns. Mostly investors only see the the new assets that more efficiently because of the of technology effect, in inflation condition assets increase or decrease can cause decline in stock returns.

5. Effect of Real Earning Management through Operating Cash Flow on Stock Return
Real Earning Management through Operating Cash Flow variable showed the positive and significant impact. This is similar to the research conducted by Agmarina and Yuyetta (2011).

Real activity manipulation conducted through operating cash flows have an impact on profit improvement. Profit is a measure of financial performance. Earnings growth continues to increase from year to year gives a positive signal

about the company's prospects. Manipulation of the real activity of the company will make the company's annual report looks proper, so the demand for shares will increasing. Stocks higher demand shows that the higher of market's performance. So there is a positive relationship between real activity manipulation through operating cash flows and market performance.

6. Effect of Real Earnings Management through Production Costs to Stock Return

Real Earning Management through Production Cost Variable had no positive effect. This contrasts with research conducted by Koyuimirsa and Prog (2012).

7. Effect of Real Earnings Management through Discretion Expenses to Stock Return

Real Earnings Management through discretional Expenses Variable showed no significant effect on stock returns. This is similar to the research conducted by Koyuimirsa and Raharja (2012).

In this research can be known that the manipulation of real activity through discretional expenses do not affect the performance of the market. This indicates that the larger or higher the manipulation practices of real activity through discretional expenses may not be able to encourage companies to improve market performance.

Based on previous research, there are several reasons that lead to the manipulation of real activity does not affect the performance of the market, one of them is real activity manipulation undertaken by the management of short-term performance showed good company but potentially will reduce the value of the company. This is because the actions taken by manager to improve earnings will now have a negative impact on performance (profit) company's next period (Roychowdhury, 2006). The performance fell in the next period will result in lower company's stock price, so that the company's value will drop.

8. Effect of Total Real Earnings Management to Stock Return

Variable Total Real Earnings Management through Operating Cash Flow, Production Costs and Discretional Expenses showed that no significant effect on stock retun. This is according to research conducted by Fitriyani, Et al (2012).

9. Effect of Return On Asset (ROA) which moderated by Audit Quality to Stock Return.

The audit quality variable does not moderate positive effect Return On Asset (ROA) to stock returns.

10. Effect of Debt to Equity Ratio (DER) which moderated by Quality Audit to Stock Return.

Debt to Equity Ratio (DER) which moderated by Quality Audit Variable showed negative and significant effect on the stock return, in other words Audit Quality does not moderate negative relationship between Debt to Equity Ratio (DER) with the Stock Return.

11. Effect of Current Ratio (CR) which moderated by Quality Audit to Stock Return.

Current Ratio Variable (CR) which moderated by Quality Audit showed positive and significant impact on stocks, in other words Audit Quality strengthen the positive relationship between the Current Ratio (CR) and Return stocks significantly.

12. Effect of Total Asset Turnover (TATO) of the Stock Return moderated by Quality Audit.

Total Asset Turnover Variable (TAT) which moderated by Quality Audit showed negative and significant effect on the stock return, in other words Audit Quality does not moderate positive influence between Total Asset Turnover (TAT) with Stock Return.

13. Effect of Real Earning Management through Operating Cash Flow which moderated by Audit Quality to stock return.

Real Earnings Management through Operating Cash Flow Variable which moderated by Quality Audit showed negative and significant impact on stocks, in other words Audit Quality does not moderate positive relationship between Real Earnings Management through Operating Cash Flow which moderated by Quality Audit to Stock Return.

Roychowdhury (2006) found that real earnings management is less attract auditor's attention than the accrual-based earnings management due to the real activity manipulation is an operational decision by the company on product pricing, restrictions on spending, and production quantities that are not the auditor's responsibility. Dechow et al (2000) research results showed that some companies suspected do the manipulating earnings, capital market authorities did not investigate the decisions related to pricing and production. Moreover, manipulation of real activity usually performed by companies with poor financial performance, the purpose is to achieve profit targets slightly above zero. Therefore auditor will not pay much attention to the manipulation of real activity since

corporate profits will not be too high amount. Zarowin Cohen (2010) research results showed that the auditors who have a high level of vigilance was not able to detect the real earnings management conducted by client (Ratmono, 2010).

14. Effect of Real Earnings Management through Production Costs which moderated by Quality Audit to Stock Return.

Real Earnings Management through Production Costs which moderated by Quality Audit Variable showed positive and significant impact on stocks, in other words Audit Quality moderate the positive relationship between the Real Earnings Management through production costs and Stock Return.

15. Effect of Real Earnings Management through Discretion Expenses which moderated by Quality Audit to Stock Return.

Real Earnings Management through discretionary expenses which moderated by Audit Quality Variable showed a positive and not significant effect against Shares, in other words Audit Quality does not moderate negative relationship between Real Earnings Management through discretional Expenses with Stock Return.

Roychowdhury (2006) found that real earnings management is less attract auditor's attention than the accrual-based earnings management due to the real activity manipulation is an operational decision by the company on product pricing, restrictions on spending, and production quantities that are not the auditor's responsibility. Dechow et al (2000) research results showed that some companies suspected do the manipulating earnings, capital market authorities did not investigate the decisions related to pricing and production. Moreover, manipulation of real activity usually performed by companies with poor financial performance, the purpose is to achieve profit targets slightly above zero. Therefore auditor will not pay much attention to the manipulation of real activity since corporate profits will not be too high amount. Zarowin Cohen (2010) research results showed that the auditors who have a high level of vigilance was not able to detect the real earnings management conducted by client (Ratmono, 2010).

16. Effect of Total Real Earnings Management which moderated by Quality Audit to Stock Return.

Total Real Earnings Management which moderated by Quality Audit Variable showed negative and not significant effect on stocks, in other words Audit Quality does not moderate the positive relationship between Total Real Earnings Management with Stock Return, it is in line with research conducted by Fitriyani, Et al (2012).

According to Roychowdhury (2006) and Cohen and Zarowin (2010) argue that earnings management in real less attract auditor's attention than earnings management based on accrual basis, because of the manipulation of the activity of the real is an operational decision by the company on product pricing, restrictions on spending, and production quantities are not be the auditor's responsibility. Research results Dechow et al. (1996) showed that the investigated companies suspected of manipulating earnings, capital market authority-even (in this case the SEC) did not investigate the decisions related to pricing and production. Moreover, manipulation of real activity usually performed by companies with poor financial performance with the sole purpose of achieving profit targets slightly above zero. Therefore auditor will not pay much attention to the manipulation of real activity, since corporate profits will not be too high amount. Therefore auditor will not pay much attention to the manipulation of real activity since corporate profits will not be too high amount. Zarowin Cohen (2010) research results showed that the auditors who have a high level of vigilance was not able to detect the real earnings management conducted by client (Ratmono, 2010).

Conclusions And Implications

Conclusion

This study was conducted to prepare the empirical evidence regarding the factors that affecting stock returns such as fundamental characteristics, Real Earnings Management and Audit Quality. Based on the research that has been done, the researcher can conclude that:

1. Return on assets (ROA) has a positive impact on stock returns.
2. DER does not significantly affect the stock returns.
3. Current ratio (CR) does not significantly affect stock returns.
4. Total assets turnover (TAT) does not have positive effect on stock returns.
5. Real Earnings Management through operating cash flow have significant positive effect on stock returns.
6. Real Earnings Management through the production cost does not have positive effect on stock returns.
7. Real Earnings Management through Discretionary Expenses Variable does not have significant effect on stock returns.

8. Total Real Earnings Management Variable have no effect on stock returns.
9. Quality audit does not moderate positive effect between ROA and stock returns.
10. Quality audit does not moderate the negative effects between debt-to-equity ratio and stock returns.
11. Audit quality strengthen positive relation effect between Current Ratio and stock returns.
12. Audit quality does not moderate the positive effect between Total assets turnover and stock returns.
13. Audit quality does not moderate the positive effect between Real Earnings Management through the Operating Cash Flow and stock returns.
14. Audit Quality moderates the positive effects of Real Earnings Management through Production costs and stock returns.
15. Audit quality does not moderate positive effect of Real Earnings Management through Discretionary Expenses and stock returns.
16. Audit quality variable does not moderate positive effect of Total Real Earning Management and stock returns.

Limitation of the research

This study has several limitations, such as:

1. Due to the limited time and ability possessed by the author, the research objects were limited only for the company that categorized as manufacturing company, which is contained in IDX Fact Book 2010 until 2014 which published their financial statements for 5 years in a row for period 2010 to 2014. The result will be different if the sample size is more bigger.
2. The object of the study issues are also limited to the fundamental factors and real earnings management which moderated Quality Audit lited in Indonesia Stock Exchange.

Implications

Managerial Implications

Based on these results, return on assets (ROA), Real Earnings Management through operating cash flow (AKO), the Current Ratio which moderated by audit quality (CR_KA) and REM Through Production Costs which moderated by Audit Quality (REM_BPROD_KA) can be used as more significant benchmarks in determining the amount of stock returns.

Further Research Implications

Based on the above limitations of the study, the authors hope that subsequent research can pay attention to other factors that can be considered to make improvements:

1. Extending the research object to cover all companies listed on the Indonesia Stock Exchange, in order to obtain more accurate results and can represent more complete information about stock returns.
2. Increase the time period of observation in order to deliver better results and accurately, in order to see the consistency of the research data.

For further research it is better to exclude other variables that allegedly have an influence on stock returns such as the age of the company, collateralized assets and other variables that affect stock returns.

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