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THE EFFECT OF COMPANY SIZE, LIQUIDITY, PROFIT PERSISTENCE, SUPPLY METHOD, AND SALES GROWTH ON EARNINGS RESPONSE COEFFICIENT

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Abstract

The Objective of study to empirically examine the effect of company size, liquidity, earnings perspective, inventory method, and sales growth on earnings response coefficient. The data in this study used secondary data from manufacturing companies listed on the Indonesia Stock Exchange in 2012 - 2016. Data were analyzed using a quantitative approach panel data regression analysis. The results of the study show that simultaneously the independent variables of company size, liquidity, earnings persistence, inventory method, and sales growth have a effect on the dependent earnings response coefficient variable. And partially variable company size, earnings persistence, inventory method, and sales growth have a positive effect on earnings response coefficient while liquidity variables partially have a negative effect on earnings response coefficient.

***Keywords**: Earnings response coefficient, earnings quality, earnings response coefficient*

INTRODUCTION

One of the financial information, which is often used by investors in making investment decisions is information. This profit information gives an overview of the performance of a company and is one of the indicators used to measure the success or failure of the company in the conduct of its activities.

Publication of the financial report which has relevant information content i.e. earnings information for decision making will be responded to by the market participants but the process of preparing the financial report did not note so that it will trigger the onset of disfunctional behavior in the form of practice management profit (earning management) that caused the poor quality of the resulting profit.

The importance of profit information is expressly mentioned in the Statement of Financial Accounting Concept (SFAC) No. 1 stating that in addition to assessing the performance of management, earnings also helped the earnings capability of mengestimasi representative, as well as for estimate the risk in investment or credit (FASB, 1985).

Agency theory States that between management and owners have different interests (Jensen and Meckling, 1976). Principals tend to want his company can keep going (going to concern) and get the highest possible return on investment being undertaken whereas management wants compensation extended over its performance. Management as the company manager has information about companies that more than shareholders so the asymmetry of information. This can lead to the occurrence of conflict management practices which the agency accounting profit oriented to achieve specific performance with reported earnings in order to maximize his personal interests are opportunists. If this is the case then the consequence is poor quality of the resulting profit and cause errors in decision-making because the profits showed no performance information management in fact so that parties making users report being lost.

Cho and Jung, 1991 stating that the quality of the resulting profit company affects a given reaction. The strong market reactions to information profit can be seen from the high Earning Response's (ERC). According to Scott (2009), ERC response coefficient or profit is defined as a measure of the rate of abnormal return of a security component in responding to unexpected reported earning the company that issued the securities. ERC is used for measuring abnormal return that comes from earnings surprises (Teoh and Wong, 1993).

In other words, earnings response's is the market reaction against profit announced by the company. The given reaction may depend on the poor quality of good profits generated by the company. One of usability's earnings response is to do fundamental analysis by investors in the research model for determining market reaction over corporate earnings information.

There is some research on the factors that affect the quality of the company's profit with variable size, liquidity, risk sitematik or beta, capital structure, quality Auditors, the quality of the accrual and persistence. Such research include: Mulyani dkk (2007) factors that Affect Earnings in the company's Response were listed on the Jakarta Stock Exchange, Novianti (2012) Earnings Quality Studies on manufacturing companies listed on the stock exchange The effect of Indonesia, Teak Margaretta P (2006) analysis of the factors affecting the Earnings Response Coefficient: empirical evidence on the Jakarta Stock Exchange, Susilawati and Christine Dwikarya (2008) determinants of ERC, Rachmawati and Triatmoko (2007) Analysis of factors that affect the quality of Earnings and the value of the company, Jang et al (2007). Factors that affect the quality of earnings on manufacturing company in the JSE, Perdani (2009) analysis of factors that influence the Response Coefficient, Yuli (2010). Factors that affect the Quality of earnings on manufacturing company in Indonesia stock exchange, Irawati (2012) the influence of the structure of capital, profit growth, the size of the company's liquidity and Earnings, to the quality of Imroatussolihah (2013) Influence the risk, Leverage, growth opportunities, Persistence of profit and quality of Corporate Social Responsibility towards Earning Response on the company's High Profile and Naimah and main (2006) influence of Company Size, growth, and profitability of the company against the coefficient Response and the response Coefficient.

Of the factors that affect the quality of the earnings above, researchers chose the size of the company, the persistence of liquidity and profit as a research variable due to previous research results that have not been consistent. In addition researchers also added two variables that are thought to have an impact on earnings response variable i.e. 's method of inventory and sales growth.

The size of the company related to the quality of the profit because the larger the size of an enterprise business continuity then these companies will be higher in improving the financial performance of the company so that it does not need to engage in the practice of manipulation profit. Some of the research expressed Cho and Jung (1991) as Mulyani dkk. (2007), Jang et al (2007), (2008), Susilawati and Naimah and main (2006) supports the existence of a positive relationship between the size of the company's earnings with response, contrary to Collins and Kothari in Etty (2008), found that the size of the significant negative effect with corporate earnings's response coefficient.

Liquidity suggests that the company is able to meet his/her financial obligations in the short term using funds smoothly. But when the liquidity of the company is too large then the company is not able to manage assets lancarnya everything possible so financial performance becomes less good there and the possibility of manipulating earnings to beautify the spider information such. Liquidity increased due to the asymmetry of information (Amihud, 2008). Gharezi and Zadeh (2013) stated that liquidity has a weak negative relationship and on the quality of earnings. A variety of research conducted with regard to the influence of liquidity against earnings response's shows the diversity of results. Research Irawati (2012) concluded that the negative effect of liquidity significantly to the quality of the earnings. While the research results of Jang et al (2007) showed a positive effect significant liquidity to the quality of earnings.

Persistence of profit is a measure that describes the company's ability to maintain the amount of profit gained at this time until the future. The higher the persistence of higher quality then the profit profit. This means that the resulting profit an enterprise quality. So the conclusion to be drawn that the persistence of significant positive earnings effect on quality profit, Jang et al (2007). But according to research conducted Romasari (2013) persistence of profit has no effect on quality. In some ways the opposite could happen, as it did in the first half of the year 2011 at PT. MerckTbk who, despite the profit decline of 19%, but its stock price increased by 20.62%. The opposite happened on PT. Bentoel International Investama Tbk share price decline of 8.3%, although the company's net profit rose 108% to Rp 235 billion.

With regard to the selection of the valuation method of inventories, Niehaus (1989) States that there exists a conflict of interest between management by the owner of the company. This conflict arises because of differences in economic outcomes expected from the election due to the inventory valuation method. Management will choose the method which increases the value of the company, i.e. the methods that generate a large profit that reflects the desire of investors, with the hope the management will get a big bonus too. But the condition was not expected by the owner because the owner considers the cost minimization of taxes. This is such a condition so that researchers suspect a the influence of inventory valuation method against earnings's response.

Company-owned sales growth, can motivate managers to obtain profit. Kim at al (2003), noted that sales growth could affect the tendency of companies to manage earnings, so likely it is management accounting practices oriented on the profit to achieve specific performance obtain a high bonus. State companies with high sales growth rates usually will make improvements to the core of the income statement are controlled by the factor income in previous years for example by increasing sales and promotions providing discount-discount. In manufacturing companies, there is one fact that manufacturing companies tend to have power over the company's the distributor who is appointed as an agent to increase sales with the establishment of service level so that this circumstance will spur management to implement various sales strategies instead of manipulating earnings. However, the existence of a phenomenon that occurs in the year 2013 PT. Merck experienced negative sales growth Tbk amounting to 13% but experiencing positive profit growth of 20%. Year 2014 PT. KIAS Tbk and PT.

SCCO Tbk, PT. 2015 year KIAS Tbk and PT. CEKA Tbk also experienced similar things, making researchers interested in adding sales growth factor as a research variable.

The difference in the results of the study indicate the need for further research done over the factors that affect earnings's response with the thought that the research will most likely get different results When in the context of research and time objects or samples examined different then the researcher using the variables already used in previous research. Investigators want to analyze again the influence of size of the company, liquidity, and earnings persitensi against earnings's response, in addition there are 2 (two) variables are added i.e. method of inventory and sales growth expected effect on earnings's response coefficient.

This research is the replication of the previous research using the same variables and add some other new variables. The difference of this research with previous research lies in the addition of variables, i.e. research year 2012 year up to the year 2016.

Based on the background above, researchers try to do research with the title of the research "the influence of Company Size, liquidity, Earnings Persistence, Preparation Methods, and sales growth against Earnings ('s Response Empirical study on the manufacturing companies listed on the Indonesia stock exchange 2012-2016) ".

LITERATURE REVIEW

A. Agency Theory

Agency theory (Agency theory) is the theory base of Jensen and Meckling underlying the company's business practices used during this time. The theory has its roots from the synergy of economic theory, decision theory, sociology, and organizational theory. The main principle of this theory asserts the existence of a working relationship between the authorized parties (principal), namely investors with parties who accept the authority of the (agent), namely managers, in the form of a contract of cooperation.

Management agents of the shareholders, as owners of the company. Shareholders hope agents will act on their interests so as to delegate authority to the agent. To be able to perform its functions properly, management should be given incentives and adequate supervision. With the granting of incentives to the management then chances are a great incentive to get management practise manipulating earnings. To be able to perform an adequate oversight then surveillance can be done through ways such as the binding agent, the examination of the financial statements, and a limitation on decisions that may be taken. The activities of the supervision costs are of course called the cost of Agency (agency cost). Agency costs are the costs associated with management oversight to ensure that management is acting consistently in accordance with contractual agreements with the company's creditors and shareholders. (Horne, 2005:482).

B. Signalling Theory

Signaling theory grounded theory by Akerlof (1970), which discusses the problems of information Asymmetry. This theory is based on the premise that managers and shareholders do not have the same access to corporate information. There is certain information that is known only by the Manager, while the shareholders don't know the information. So, there's information not symmetry (asymmetric information) between managers and shareholders. As a result, when the company's capital structure changes, it can bring information to the shareholder value of the company will result in change. In other words, there was a sign or signal (signalling).

Information asymmetry occurs when there is an imbalance of information owned by one party with the other party. Agency theory (agency theory) imply the existence of asymmetry of information between managers and shareholders as an agent as a principal. Information asymmetry occurs when the manager knows the internal information and prospects of the company in the future compared to shareholders and other stakeholders. So, information asymmetry arise because one party has knowledge that is not owned by any other party. Signal theory explains that a good quality company intentionally would give signals in a market. Thus the market is expected to be able to distinguish good quality companies and bad.

RESEARCH METHODS

The Research Model

The approach used in this study was the quantitative approach, which includes quantitative analysis to test between theory and data by first setting a hypothesis and then test with statistics analysis techniques i.e. regression analysis of the data panel. Researchers using this research design to answer the questions that have been raised in the formulation of the problem. The purpose of this study was to empirically test to get an explanation of the relationships between variables through hypothesis testing.

Population and Sample

The population in this research is the manufacturing companies listed on the Indonesia stock exchange (idx) of the year 2012-2016 that is as much as 123 companies but from the specified criteria only 94 companies that meet these criteria.

Sampling is done using a purposive sampling method that will be used, it must meet the criteria set forth researcher.

Table 1. Sampling criteria

Perusahaan Manufaktur yang terdaftar 2012-2016	123
Tidak mempublikasikan laporan keuangan secara konsisten 2012-2016	(0)
Perusahaan manufaktur yang delisting	(1)
Tidak menyajikan harga penutupan harga saham harian dan tahunan secara lengkap	(3)
Laporan Keuangan disajikan dalam Dollar	(25)
Perusahaan yang dapat menjadi sampel	**94**

Methods Of Data Collection

Data collection methods used in this research is the study of the literature and study of documentation. Data and theory in the study was obtained from the literature, articles, journals and previous research results that are relevant to the Foundation's research and theories. Data are also obtained from the
study documentation is done by collecting data from either secondary institution that issued such data as well as from the internet.

Methods Of Data Analysis

Descriptive Statistics Analysis

Models used to analyze data is a way of describing the sample data that has been collected without making conclusions. Aiming to find out the average (mean) and standard deviation of each variable.

RESULTS Of RESEARCH

	X1	X2	X3	X4	X5	Y
Mean	***12.21781***	***3.878149***	***6.991340***	***0.785106***	***0.126298***	***0.124147***
Maximum	***14.42***	***464.9800***	***13.45***	***1***	***8.04***	***0.2903***
Minimum	***10.60***	***0.010***	***-12.36***	***0***	***-0.90***	***0.1109***
Std. Dev.	***0.703988***	***24.23166***	***8.395202***	***0.411186***	***0.602296***	***0.010405***
Observations	***470***	***470***	***470***	***470***	***470***	***470***

Data Description

Variables that exist in this research be descriptive, where variables used in this study is the size of the company (UP), liquidity (L), earnings persistence (PL), the method of preparation (MP), (PP) sales growth, and earnings response's (ERC).

Table 2. The Descriptive Statistics Analysis

Sumber: hasil pengolahan data, 2018 (Lampiran 2)

Description Of Research

ResultsThis research use the data panel which is a combination of data time series and cross section data using software Eviews 9 by doing a classic assumption test and testing kriterium statistics (F-test and t-test).

A Classic Assumption Test

1. **Multicollinearity**

Multicollinearity test done with top detection value of R2 and the significance of the variables used. Rule of Thumb says if the obtained value of the coefficient of determination (R2) is high while there are most or all of the variables that were not significant, then the partial allegedly occurred on the model of the multicollinearity (Gujarati, 2004). More than that, Multicollinearity is usually occur in the estimation using data coherently time (time series) so that by combining existing data with the data of cross section resulted in the problem of multicollinearity is technically can be reduced .

This research uses data panel, i.e. a combination of time series data with the data of cross section, so technically it could be said the issue can be resolved relatively multicollinearity. This is confirmed by the results of a correlation between the free variables there is no above 0.80 or correlated perfectly means a linear dependency relationship does not occur is strong among the independent variables, in other words no problem occurs multikoliniearitas , so the value of the standard error of the coefficient to be valid and the significance of the coefficient test results with t test is valid, as shown in table 3 below.

Table 3. Multicollinearity Test Results

Test Criteria	The Value Of Testing	Interpretation
Multikol < 0,8	-0.067911 -0.059505 -0.054698 -0.005484 -0.014842 0.217721 0.071144 0.023548 0.021852 0.001160	Non Multikolinearitas

Source: the results of the data processing, 2018 (Attachment 3)

2. Heteroskedastisitas

Based on the results of the residual analysis using Eviews software 9 retrieved the value of the independent variable probability of overall alpha value of 0.05 > so the hypothesis H0 is accepted and concluded that there was no heteroskedastisitas in the model. Thus, the value of the standard error of the coefficient estimation of results generated by OLS method was accurate. Clearly heterokedastisitas the test results presented in table 4.

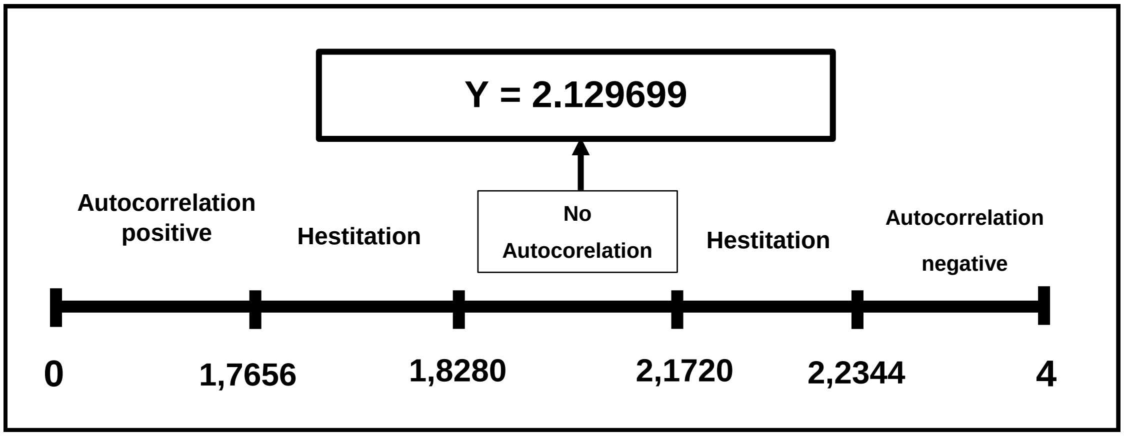
Table 4 results of Test Heteroskedastisitas

Test Criteria	The Value Of Testing	Interpretation
Chi Square prob. > 0,05	UP = 0.7250 L = 0.8090 PL = 0.1428 MP = 0.3733 PP = 0.8269	Non Heteroskedastisitas

Source: the results of the data processing, 2018 (Attachment 3)

3. Autocorrelation

Based on the results of the analysis of the data is retrieved the value of the Durbin-Watson (DW) by 2.129699. This value is compared to a table of DW are among the du (1.7656) and 4-du (2.1720) so that is not the case the autocorrelation test and t test means F is valid and unbiased estimation results. An overview over the results of analysis autocorrelation test data based on the Durbin-Watson (DW) can be seen in Figure 1 below.

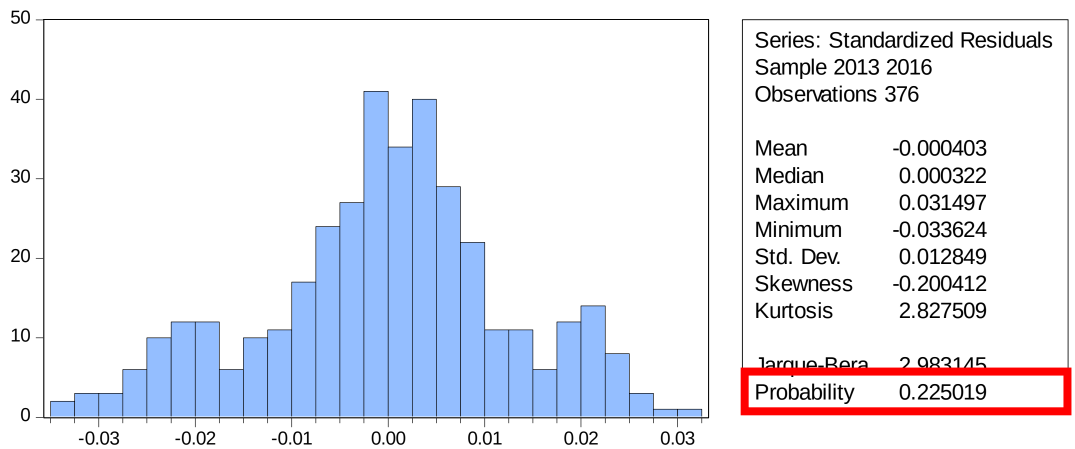


Source: Annex 3 of data processed

Figure 1. Autocorrelation Test Results

4. Normality

Based on the results of testing the assumptions of classical, Appendix 3 research results obtained value of the probability of 0.225019 Bera-Jarque. Thus the value of the probability of Jarque-Bera is greater than alpha 0.05, so the assumption of normality is fulfilled.



Source: Annex 3

Figure 2. Normality Test Results

Panel Data Regression Results

Based on the testing statistic conducted kriteium thus obtained the results panel data regression analysis such as table 5 as follows:

Table 5. Panel Data Regression Analysis Results

Direct Connection Variable	The Regression Coefficient	t-Statistics	Prob.	Description
UP → ERC	2.0574	6.1912	0.0000	significant
L → ERC	-0.0075	-5.6415	0.0000	significant
PL → ERC	0.0054	4.7795	0.0000	significant
MP → ERC	0.0047	2.6077	0.0095	significant
PP → ERC	0.0333	4.2596	0.0000	significant

Source: Appendix 4, the data processed, 2018

Based on the analysis results in table 5. the following equation is obtained:

$$\mathbf{ERC = 7.88 + 2{,}0574\ UP - 0{,}0075\ L + 0{,}0054\ PL + 0{,}0047\ MP + 0{,}0333\ PP}$$

Test for Goodness of Fit

Hypothesis testing statistics criteria involving the size of the suitability of the models used (goodness of fit) and test of significance, either partially testing (test t) as well as the simultaneous testing (test F).

1. The Coefficient Of Determination (R2)

The value of the coefficient of determination (R2) shows the accuracy or goodness of fit model used. The greater the value of the coefficient of determination (R2) or the value approaching one (1) then will the better the model in explaining the influence of free variables (independent) against the variable (the dependent). On the contrary, the smaller value (R2) or the value is close to zero (0), it will be increasingly not good model used.

Tabel 6. *Goodness of Fit Model*

Variable	R-square	F-Statistic	Prob.	Conclusion
Y	0.3076	32.878	0,000	The model is Valid because the Prob (F-statistics) α = 0.05 prob <: 0.000 < 0.05. The model is quite good because the variable Predictor (exogenous) in model contributes of 30.76 percent in the affected variable response (endogenous) 69.24 per cent, the rest is influenced by other factors outside the model.

Source: Appendix 4, the data processed, 2018

2. **Simultaneous Trials (Test F)**

Based on the results of the estimation of the regression analysis of the data panel looks at the Annex 4 that the value of the probability of the F-statistic is 0000 (smaller than α). Thus it can be concluded, that the independent variable that is the size of the company, liquidity, earnings persistence, method of preparation, and sales growth are jointly significant influential variable earnings response coefficient.

3. **Partial Test (test t)**

T-test was used to test the presence of an independent variable influences the dependent variables against individually by checking the value of the probability. The degree of trust which is used by researchers of α = 0.05. The results of the analysis based on Annex 4, showing the t-test statistics as seen in table 5.

4. Hypothesis Testing

The results of hypothesis testing research as a whole are presented in table 7 as follows:

Table 7. A Summary Of The Results Of Hypothesis Testing Research

Relationship	The hypothesis	The Test Results		Conclusion
		Sig.	Description	
UP → ERC	(+) significant	0.0000	(+) significant	Accepted
L → ERC	(-) significant	0.0000	(-) significant	Accepted
PL → ERC	(+) significant	0.0000	(+) significant	Accepted
MP→ ERC	(+) significant	0.0095	(+) significant	Accepted
PP → ERC	(+) significant	0.0000	(+) significant	Accepted

Source: data processed, 2018

DISCUSSION

From the results of a test done F obtained value of the probability of the F-statistic is 0000 (smaller than α). Thus it can be concluded, that the independent variable that is the size of the company, liquidity, earnings persistence, method of preparation, and sales growth are jointly significant influential variable earnings response coefficient on manufacturing companies were listed on the Indonesia stock exchange years 2012-2016.

Influence of the size of the company's Earnings Response Coefficient

T test results done by mobilising that the variable size of the company more influenced positively earnings response coefficient on manufacturing companies listed on the Indonesia stock exchange 2012-2016, as indicated the value of probability of 0000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable size of the company partially positive effect earnings response coefficient meaning when a rise in the value of the variable is the size of the company amounting to 1 percent then it will increase earnings response coefficient of 2.0574 .

The results of this research are consistent with research conducted by Mulyani dkk. (2007), Jang et al (2007), (2008), Susilawati and Naimah and main (2006) which supports the existence of a positive relationship between the size of the company with *earnings response coefficient*.

The influence of Liquidity against *Earnings Response Coefficient*

Research on liquidity variables were measured using the Current Ratio, Current ratio indicates the extent to which current assets cover current liabilities-liabilities. The larger the comparison of current assets current liabilities then the higher the ability companies cover short-term keawajiban. Current ratio that low is usually considered to indicate the occurrence of liquidity problems otherwise current ratio is too high is also nice because it shows less abundance of idle funds that ultimately could reduce kemampulabaan company (Sawir, 2009:10).

The t-test analysis results of conducted obtained rating probability of regression coefficients and 0.0000 is negative i.e.-0.0075. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then a variable effect on liquidity *earnings response coefficient* While negative values of the regression coefficients-0.0075 showed a weak negative influence means that if a rise in the value of the variable liquidity amounting to 1 per cent would depress earnings of 0.0075 's response so that it can be concluded that variable liquidity partially negative effect against *earnings response coefficient.*

The results of this research are consistent with research conducted by Gharezi and Zadeh (2013) stating that liquidity has a weak negative relationship and on the quality of earnings. So did Research Irawati (2012) concluded that a partially negative effect liquidity significantly to the quality of the earnings.

The influence of Persistence against Profit *Earnings Response Coefficient*

Variable persistence of profit on this study measured using regression coefficients between the accounting profit for the period profit for the accounting period by now. The scale of the data used is the ratio. From the results of the analysis performed, the resulting probability is a value of 0.0000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable persistence profit partially positive effect significantly to earnings response Coefficient variable regression and's persistence profit of 0.0054 This means that if a rise in the value of the variable persistence profit of 1 percent then it will increase earnings response coefficient of 0.0054 .

The Influence of Preparation methods of *Earnings Response Coefficient*

Research on preparation methods of variables it uses dummy variable where the 0 indicates a firm using the FIFO method and number 1 for companies that are using the average method. From the results of the analysis performed, the resulting probability is a value of 0.0095. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variables method partially supplies positive effect significantly to earnings response coefficient of regression and variable's method of preparation of This means that if a rise in the value of 0.0047 variable method supplies a 1 percent then it will increase earnings response coefficient of 0.0047.

The influence of sales growth against *Earnings Response Coefficient*

The variable sales growth on this research is measured using the ratio between sales growth period right now with sales periods ago. The scale of the data used is the ratio. From the results of the analysis performed, the resulting probability value is 0.000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable sales growth partially positive significant effect against *earnings response coefficient* regression Coefficients and variables of growth of sales of 0.0333 meaning when a rise in the value of the variable sales growth of 1 percent, it will increase earnings response coefficient of 0.0333.

CONCLUSION

Based on the results of research and discussion expressed earlier then the conclusions of this research are as follows,

1. The results of the testing performed, the obtained value of the probability of the F-statistic is 0000 (smaller than α) so that it can be concluded that the simultaneous variable size company, liquidity, earnings persistence, method of preparation, and growth sales of variable earnings effect on response on's manufacturing companies listed on the Indonesia stock exchange period 2012-2016,
2. From the results of analysis conducted is obtained probability value of 0000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable size of the company partially positive effect against earnings response coefficient in manufacturing company's response were listed on the Indonesia stock exchange year 2012-2016, meaning that the larger the firm the greater the response of investors against the company because it is considered to have a good prospect in a period of relatively old and better able to generate profits.
3. From the results of analysis conducted is obtained probability values of the regression coefficients and 0.0000 is negative i.e.-0.0075. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable liquidity effect on earnings response coefficient while a negative value's response from the regression coefficients-0.0075 showed a weak negative influence so it can be inferred that partially, the liquidity effect negatively to earnings at the company's manufacturing response listed in Indonesia stock exchange years 2012-2016, this means liquidity have negative direction on the Earnings Response Coefficient (ERC). Therefore, investors responded negatively to the high level of liquidity of a company.
4. From the results of the analysis performed, the resulting probability is a value of 0.0000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then the variable persistence partially profit, earnings persistence of positive effect against earnings response coefficient in manufacturing company's response were listed on the stock exchange Indonesia 2012-2016 years, meaning that investors will respond positively to this earnings information because investors assume the more persistent profit earned from time to time, then the higher the level of the ERC and this condition indicates that the profit earned the company is increasing continuously.
5. From the results of the analysis performed, the resulting probability is a value of 0.0095. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then it can be inferred partially, the method supplies a positive effect against earnings response coefficient in manufacturing company's response were listed on the stock exchange Indonesia 2012-2016 years, meaning that investors believe management will select the method of inventory that will increase corporate value through increased prosperity of shareholders or investors.

6. From the results of the analysis performed, the resulting probability value is 0.000. The value of the probability t is smaller than 0.05 significance level (0.05 t < prob) then sales growth partially variable, positive effect against the earnings response coefficient of the company's response on the etrdaftar manufacturing in Indonesia stock exchange 2012-2016 year, meaning investors respond favorably to this sales growth over the information because sales growth companies will be able to motivate managers to obtain profit.

ADVICE

From the results of research conducted, the researchers advise as follows,

1. To investors so that the results of this research can be used as consideration in the analysis undertaken to take investment decisions. This is because according to some research, the ERC is influenced by many factors, not only regarding financial information are factors such as liquidity, and earnings persistence, yet the factor non-financial information such as company size, method of supplies, and sales growth can also affect numbers ERC. The strong market reactions to information earnings reflected the high value of the ERC, shows that the markets assess the reported profit has a good quality. So instead, the weak market reaction to information earnings reflected the low value of the ERC, indicating that the market is judging the quality of reported earnings.
2. To the management company can apply the right policy on the factors that affect the market reaction against the accounting profit as measured by earnings response coefficient (ERC), so investors are interested in conducting investment in the company.
3. To further this research so that researchers can serve as reference materials for further research by replacing the objects so that the research results are not limited to just the manufacturing companies listed on the stock exchange Indonesian.
4. The sample of this research was done at the manufacturing companies in all sectors and future expected to further researchers to undertake research on one sector in order to more clearly shows the influence of the variables are independent of the dependent variable.

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