

Conference Paper

Does Audit Quality able to Reduce Cost Stickiness? Evidence from Property, Real Estate and Building Construction Industry

Adrian Muluk, Eva Herianti, and Suwanti

Department of Management, Faculty of Economics and Business, Universitas Muhammadiyah Jakarta, Indonesia

Abstract

The purpose of this study is to determine the level of cost stickiness at SG&A cost (Sales, General, and Administrative) and test whether the level of stickiness costs can be reduced through audit quality. The study sample used property, real estate, and building construction industry listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period with a purposive sampling technique, so that the final number of samples obtained was 117 sample observations. This study uses eviews version 10 analysis tool. The results of the study show that every 1% increase in net sales will increase SG&A by 0.610%. Meanwhile, every 1% decrease in net sales will reduce SG&A by (0.610043-0.071380) 0.538%. Furthermore, the research findings show that audit quality can reduce stickiness costs. The implication of this study is that policy makers can use audit quality to reduce stickiness costs.

Keywords: Audit Quality, Cost Stickiness

Corresponding Author:

Adrian Muluk

trismomiharjo.suwanti@gmail.com

Received: 16 September 2019

Accepted: 28 September 2019

Published: 31 October 2019

Publishing services provided by
Knowledge E

© Adrian Muluk et al. This article is distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use and redistribution provided that the original author and source are credited.

Selection and Peer-review under the responsibility of the ICEMA Conference Committee.

1. Introduction

An important factor in measuring financial reporting quality is audit quality. Audit quality is considered to reduce conflicts of interest between shareholders and managers. The conflict of interest between shareholders and managers occurs because managers want to fulfill their interests rather than the interests of shareholders (Jensen & Meckling, 1976). Shareholders delegate their authority to managers with the aim of increasing shareholder prosperity. However, managers have a tendency not to meet the interests of shareholders optimally. This delegation of authority provides an opportunity for managers to act opportunistically in meeting their interests. This condition occurs because of information asymmetry. That is, managers have more information than shareholders, so managers can take advantage of that information in meeting their interests.

In conditions of conflict of interest, audit quality plays an important role as a mediator between shareholders and managers. Audit quality reflects the auditor's ability to

 OPEN ACCESS

reduce manager's opportunities as a result of information asymmetry (Watts & Zimmerman, 1983). The quality of audits reflected through external audits is an important part of corporate governance (Cohen et al., 2002; and Fan & Wong, 2005). Previous studies tend to test audit quality with earnings management (Liu, 2009; Liu & Yang, 2006; Cai et al., 2005; Wang & Zhang, 2005; Li et al., 2004), audit quality and related party transactions (Hong et al., 2011; Yan et al., 2009; Gao & Wu, 2007; Yue, 2006; Zheng & Ye, 2005), audit quality and CEO turnover (Wang, 2011; Jiang et al., 2007). However, there is still little literature that examines audit quality and cost behavior (Jiang et al., 2007). The focus of this research is to test audit quality and cost behavior through cost stickiness.

Anderson et al. (2003) explained that the concept of cost stickiness refers to the phenomenon that costs decrease when business activities experience slowdowns, whereas costs increase when business activities experience a significant increase. Based on the concept described by Anderson et al. (2003), some researchers try to test further about cost stickiness (Chen et al., 2012; Dierynck et al., 2012; Calleja et al., 2006). The focus of their research relates to the causes of stickiness costs. One of the causes of cost stickiness is manager's opportunistic behavior (Banker et al., 2012; and Sun & Liu, 2004). Calleja et al. (2006) show that stickiness costs are higher in France and Germany than in the United States and Britain. Furthermore, Chen et al. (2012) examined the effect of agency costs between shareholders and managers on stickiness costs and their findings indicate that stickiness costs play an important role in manager incentives (such as free cash flow, managerial tenure, and compensation structure). In addition, the findings also prove that effective corporate governance can reduce this condition.

Dierynck et al. (2012) show that executive incentives to conduct earnings management can influence the occurrence of cost stickiness through labor costs. That is, to meet profit targets, managers tend to manipulate labor costs. This condition shows that managers use opportunistic behavior to fulfill their interests. Anderson et al. (2003) explained that companies that have a large percentage of physical assets and human capital tend to have higher stickiness costs because the cost of adjusting these two assets is higher. That is, the cost of adjusting human resources will be higher and affect stickiness costs through increasing labor costs. Liang et al. (2014) explained that audit quality measured through external audits is an important method in corporate governance that can improve monitoring and limit manager's opportunistic behavior and reduce stickiness costs.

This research is important to provide empirical evidence on the importance of the role of audit quality in reducing manager's opportunistic behavior through cost stickiness. Thus, this study attempts to fill the void of previous research literature which still rarely tests audit quality and cost stickiness and the effectiveness of audit quality through external audits in reducing stickiness costs.

1.1. Theory and hypothesis Development

Cost Stickiness in Property, Real Estate, and Building Construction Industry

The company aims to produce optimal accounting profits to increase shareholder prosperity. However, accounting profits do not guarantee shareholders that the company's business activities have been carried out by managers in accordance with the interests of shareholders. This condition occurs because managers have more information than shareholders. As a result of information asymmetry, managers can behave opportunistically to fulfill their interests (Jensen & Meckling, 1976). Motivation managers use this condition to get incentives in the form of bonuses. Opportunistic managers can be done through cost stickiness.

Anderson et al. (2003) explain that cost stickiness occurs when managers intervene to adjust the level of resources in order to respond to changes in sales. The impact of resource adjustments is the high cost of adjustments when a company's sales experience slowdown compared to when sales increase. Thus, managers need to evaluate the nature of the decline and increase in costs. That is, when managers have doubts that the decline in sales is fixed, then managers tend to retain idle resources. This condition will cause the amount of costs not to decrease much, so that the emergence of stickiness costs. Thus, managers retain idle resources to increase their prosperity compared to the prosperity of shareholders. This is done by managers because managers have the power to control and use resources within the company rather than shareholders. Based on the description described above, the hypothesis proposed in this study is as follows.

H_1 : Sales, general, and administration cost (SG&A) are stickiness.

1.2. Audit Quality and Cost Stickiness

Agency theory explains that managers are authorized by shareholders to manage the company's business activities. However, as the party managing the company, managers have the motivation not to act in accordance with the interests of shareholders. This

condition occurs because managers have opportunistic behavior to fulfill their interests (Shleifer & Vishny, 1997). Finally, shareholders seek to reduce manager's opportunistic behavior through various monitoring mechanisms such as good corporate governance. The impact is the existence of cost sacrifice called agency costs (Jensen & Meckling, 1976). Management opportunistic behavior can be identified through cost behavior that fluctuates significantly outside the company's business conditions. Cost behavior is the tendency to change costs to respond to changes in activity volume (Samryn, 2012). That is, costs change according to the volume of business activities of the company. However, Anderson et al. (2003) explained that costs change disproportionately to changes in the volume of a company's business activities.

Banker et al. (2011) explain that managers' opportunistic behavior is the main cause of the occurrence of stickiness costs (Banker et al., 2011). Delegation of authority from shareholders to managers gives negative implications that shareholders must pay a large amount to obtain comprehensive information about the company's operational business activities managed by the manager. In addition, managers have a tendency to use a large amount of company resources in meeting their interests rather than increasing company value (Stulz, 1990; and Jensen, 1986). Chen et al. (2012) explained that when business performance experiences slowdown, opportunistic behavior of managers must reduce costs and maintain a number of costs in accordance with their business activities. However, managers with strong opportunistic behavior only gradually adjust costs when sales decline.

Audit quality plays an important role in reducing manager's opportunistic conditions which then helps reduce stickiness costs. Francis et al. (1999), and Becker et al. (1998) explained that audit quality has a large influence on the company in order to improve information transparency and reduce fraud that occurs within the company. Therefore, audit quality can identify and correct accounting fraud that occurs within the company as a result of earnings management (Qi et al., 2004). Liang et al. (2014) explained that audit quality measured through external audits is an important method in corporate governance that can improve monitoring and limit manager's opportunistic behavior and reduce stickiness costs. Based on the description, the hypothesis proposed in this study is as follows.

H₂: Audit quality can reduce the level of cost stickiness.

1.3. Methodology

The researcher uses the company’s financial statement data that has been published through the site www.idx.co.id. This study uses a sample of property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2018 period. However, the year of analysis starts from 2016-2018. This is because the 2015 was used by researchers to calculate the stickiness cost that was needed one year earlier. The sampling technique uses a purposive sampling with the following criteria.

TABLE 1: Sample Selection.

No.	Criteria	Not According to criteria	Total
1.	Property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) during the 2016-2018 period.		50
2.	Property, real estate and building construction companies that have not reported consistently for three years.	(2)	48
3.	The company suffered losses during the study period.	(9)	39
	Number of samples that meet the criteria		39
	Year of observation		3
	Number of sample observations		117

This study uses audit quality and stickiness cost variables. In addition, to calculate stickiness cost, a net sales variable and a net sales dummy are needed, so that this study uses four variables. The following is a description of the operational definition of the research variable.

1. Audit Qaulity

Audit quality is the auditor’s ability to improve financial reporting quality as evidenced by its ability to reduce agency conflict. This study uses the size of the Big Four and Non-Big Four KAP to measure audit quality. Value 1 for Big Four KAP, and vice versa value 0 for Non-Big Four KAP.

2. Cost Stickiness

Stickiness cost is the result of intervention of managers who have certain managerial incentives in managing the company’s operations (Setiawan, 2018). This study uses SG & A to measure stickiness cost variables. The following are the equations used to measure stickiness cost.

$$Stickiness\ Cost = \frac{SG\&A\ t}{SG\&A\ t - 1}$$

In calculating stickiness costs, net sales are needed. Thus, the equation for measuring net sales is as follows.

$$Nett\ Sales = \frac{NSE\ t}{NSE\ t - 1}$$

In addition, this study also requires a net sales dummy variable to measure stickiness cost. The net sales dummy variable is a variable that multiplies the dummy value by comparing net sales in period t with period t-1. The dummy value indicates that there is an increase or decrease in net sales between period t and period t-1. That is, if net sales increase, the dummy variable will be 0, while if net sales decrease, then the dummy variable will be worth 1. Next is the equation to calculate the net sales dummy variable.

$$Dummy\ Nett\ Sales = Dummy * \frac{NSE\ t}{NSE\ t - 1}$$

The researcher used eviews analysis tool version 10 to test the research hypothesis. In the study, researchers used two econometric equation models to test both hypotheses. The first hypothesis was tested using an econometric equation used by Anderson et al. (2003) and Setiawan (2018). The following is the form of the equation testing the first hypothesis.

$$\frac{SG\&A\ t}{SG\&A\ t - 1} = a + \beta_1 Log\left(\frac{NSE\ t}{NSE\ t - 1}\right) + \beta_2 Dummy * Log\left(\frac{NSE\ t}{NSE\ t - 1}\right) + e$$

The dummy value will be 0 if the net sales increase, so the coefficient value b1 shows the percentage increase in SG & A every 1% of net sales. Conversely, the dummy value will be 1 if net sales decrease, so the sum of the coefficients of b1 and b2 shows the percentage of SG & A decrease every 1% of net sales. Thus, if SG & A is stickiness, then the percentage increase must be greater than the percentage decrease, so H₁ is supported when β₁ > 0 and β₂ < 0.

The second hypothesis was tested using the econometric equation used by Farzaneh et al. (2013) and Setiawan (2018). However, the researcher modified it according to the context of this study. That is, the two researchers tested upward earnings management in reducing stikiness costs. Meanwhile, this study examines quality audits in reducing stickiness costs. Following is the form of the equation testing the second hypothesis.

$$\begin{aligned} \frac{SG\&A\ t}{SG\&A\ t - 1} = & a + \beta_1 Log\left(\frac{NSE\ t}{NSE\ t - 1}\right) + \beta_2 Dummy * Log\left(\frac{NSE\ t}{NSE\ t - 1}\right) \\ & + \beta_3 Dummy * Log\left(\frac{NSE\ t}{NSE\ t - 1}\right) AQ + e \end{aligned}$$

The dummy value will be 0 if the net sales increase, so the value of the coefficient β₁ shows the percentage increase in SG & A every 1% of net sales. Conversely, the dummy value will be 1 if net sales decline, so the sum of the coefficients of β₁, β₂, and β₃ shows

the percentage of SG & A decreases which are influenced by audit quality variables. Thus, if the audit quality can reduce the stickiness of the cost, then the coefficient of β_2 is negative and the β_3 coefficient is positive, so H_2 is supported when β_1 and $\beta_3 > 0$ and $\beta_2 < 0$.

Notes:

SG&A: Sales, General, and Administration Cost

NSE: Nett Sales

AQ: Audit Quality

2. Results and Discussion

This study uses descriptive statistics to provide an explanation of the research variables used. The following is table 2 showing the descriptive statistics of the research variables during the 2016-2018 period.

TABLE 2: Descriptive Statistics.

Description	SGA	LogNSE	DLogNSE	DLogNSEAQ
Mean	1.106560	0.011739	-0.023179	-0.003442
Median	1.045092	0.019108	0.000000	0.000000
Maximum	4.827299	0.333521	0.225523	0.090150
Minimum	0.020130	-1.057008	-1.057008	-0.228504
Std. Dev	0.439415	0.148732	0.123577	0.031513
Observation	117	117	117	117

Table 2 shows that the SGA average is 1.106560, LogNSE is 0.011739, DLogNSE is -0.023179, and DLogNSEAQ is -0.003442. Meanwhile, the standard deviation of SGA is 0.439415, LogNSE is 0.148732, DLogNSE is 0.123577, and DLogNSEAQ is 0.031513. This value shows the fluctuations in the research variables used in this research model. Furthermore, the number of final sample observations was 117 observations.

The first hypothesis testing (H_1), namely, sales, general, and administration cost (SG & A) is stickiness in property, real estate, and building construction companies. The researcher used three panel data regression models to test the first hypothesis. The three models are, (1) common effect, (2) fixed effect, and (3) random effect. Termination of these three models using paired test, namely, (1) chow test, (2) lagrange multiplier test, and (3) hausman test. The following are the paired test results to test stickiness sales,

general and administration (SG&A) for property, real estate and building construction companies.

TABLE 3: Step of Panel Data.

Methods	Test	Results
Chow Test	Sig. Cross-Section Fis 0.2544 > 0.05	Common Effect
Lagrange Multiplier Test	Sig. Breush Paganis 0.7792 > 0.05	Common Effect
Hausman Test	Sig. Cross-Section Random is 0.00405 < 0.05	Fixed Effect
Conclusion		Common Effect

Based on table 3 above, the researcher concludes that the suitable model to test the first hypothesis is the common effect. This result was obtained when researchers conducted paired testing through three models with the details that the results of the chow model and lagrange multiplier test showed that the suitable model was the common effect. Whereas, the results of the Hausman test show that the suitable model is a fixed effect, so the common effect model is more suitable to be used in testing the first hypothesis.

TABLE 4: Result of Hypothesis 1.

Independent Variable	Dependent Variable: Sales, General, & Administration	
	Unstandardized Coefficients	
	Coefficient	Std. Error
(Constant)	1.075187	0.003930
Net Sales	0.610043	0.125076
Dummy Net Sales	-0.071380	0.159269

Note: Correction heteroscedasticity usewhite cross-section.

Table 4 shows the stickiness of sales, general and administration cost (SG&A) tests on property, real estate and building construction companies. Based on the table, it can be seen that the β_1 coefficient value > 0 is equal to 0.610043 and the β_2 coefficient value < 0 is equal to -0.071380. Therefore, the researchers concluded that every 1% increase in net sales would increase SG&A by 0.610%. Meanwhile, every 1% decrease in net sales will reduce SG & A by (0.610043-0.071380) 0.538%. Thus, SG&A is stickiness in property, real estate and building construction companies, so the first hypothesis (H_1) is supported.

Anderson et al. (2003) explain that cost stickiness occurs when managers intervene to adjust the level of resources in order to respond to changes in sales. As a result of adjusting the level of resources in order to respond to changes in sales is an increase

in the cost of adjustments when the company’s sales experience slowdown compared to when sales have increased. This condition will affect the quality of the company’s performance fundamentally, so managers need to evaluate the changes in decreases and increase costs. Managers have doubts that the decline in sales is fixed, so managers tend to retain idle resources. This condition will cause the amount of costs not to decrease much, so that the emergence of stickiness costs. Thus, managers retain idle resources to increase their prosperity compared to the prosperity of shareholders. This is done by managers because managers have the power to control and use resources within the company rather than shareholders.

Testing the second hypothesis (H_2), namely, audit quality can reduce the stickiness cost level using all three paired testing models, namely, (1) common effect, (2) fixed effect, and (3) random effect. Determination of one of the three methods uses paired tests, namely, (1) chow test, (2) lagrange multiplier test, and (3) hausman test. Following are the three paired tests to estimate audit quality to reduce stickiness cost levels.

TABLE 5: Step of Panel Data.

Methods	Test	Results
Chow Test	Sig. Cross-Section F adalah 0.2629 > 0.05	Common Effect
Lagrange Multiplier Test	Sig. Breush Pagan adalah 0.7688 > 0.05	Common Effect
Hausman Test	Sig. Cross-Section Random adalah 0.0112 < 0.05	Fixed Effect
Conclusion		Common Effect

Based on table 5 above, the researcher concludes that the suitable model to test the second hypothesis is the common effect. This result was obtained when researchers conducted paired testing through three models with the details that the results of the chow model and lagrange multiplier test showed that the suitable model was the common effect. Whereas, the results of the Hausman test show that the suitable model is a fixed effect, so the common effect model is more suitable to be used in testing the second hypothesis.

Table 6 shows the results of quality audit tests to reduce stickiness cost levels. Based on the table, it can be seen that the coefficient of $\beta_1 > 0$ is equal to 0.615861, the coefficient of $\beta_2 < 0$ is equal to -0.103787, and the value of the coefficient $\beta_3 > 0$ is equal to 0.173553. Therefore, the researchers concluded that every 1% increase in net sales would increase SG&A by 0.615%, and the existence of an audit quality would reduce SG & A by 0.173% at a 1% decrease in net sales. Meanwhile, every 1% decrease in net sales will reduce SG&A by (0.615861-0.103787) 0.512%. Thus, audit quality can reduce the level of stickiness costs, so the second hypothesis (H_2) is supported.

TABLE 6: Result of Hypothesis 2.

Independent Variable	Dependent Variable: Sales, General, & Administration	
	Unstandardized Coefficients	
	Coefficient	Std. Error
(Constant)	1.074354	0.004561
Net Sales	0.615861	0.130913
Dummy Net Sales	-0.103787	0.187538
Audit Quality	0.173553	0.354251

Note: Correction heteroscedasticity use white cross-section.

Managers are authorized by shareholders to manage the company’s business activities. However, as the party that manages the company, managers have the motivation to act opportunistically in meeting their interests, so that the interests of shareholders become neglected (Shleifer & Vishny, 1997). This condition can be detrimental to shareholders, so to reduce manager’s opportunistic behavior, the role of corporate governance becomes important. Implementation of corporate governance through the implementation of audit quality creates new costs. That is, the impact of implementing audit quality is the existence of cost sacrifice called agency costs (Jensen & Meckling, 1976). However, audit quality is needed to suppress manager’s opportunistic behavior. Management opportunistic behavior can be identified through cost behavior that fluctuates significantly outside the company’s business conditions. Cost behavior is the tendency to change costs to respond to changes in activity volume (Samryn, 2012). That is, costs change according to the volume of business activities of the company. However, Anderson et al. (2003) explained that costs change disproportionately to changes in the volume of a company’s business activities.

The main cause of cost stickiness is manager’s opportunistic behavior (Banker et al., 2011). Delegation of authority from shareholders to managers gives negative implications that shareholders must pay a large amount to obtain comprehensive information about the company’s operational business activities managed by the manager. This condition occurs because managers have a tendency to utilize a number of company assets in meeting their interests rather than increasing company value (Stulz, 1990; and Jensen, 1986). Chen et al. (2012) explained that when business performance experiences slow-down, opportunistic behavior of managers must reduce costs and maintain a number of costs in accordance with their business activities. However, managers with strong opportunistic behavior only gradually adjust costs when sales decline.

In conditions of managerial opportunistic behavior, audit quality plays an important role in reducing this condition. Manager's opportunistic behavior can be done through cost stickiness. Francis et al. (1999), and Becker et al. (1998) explained that audit quality has a large influence on the company in order to improve information transparency and reduce fraud that occurs within the company. Therefore, audit quality can identify and correct accounting fraud that occurs within the company as a result of earnings management (Qi et al., 2004). The results of the study of Liang et al. (2014) show that audit quality measured through external audit is an important method in corporate governance that can improve monitoring and limit manager's opportunistic behavior and reduce stickiness costs.

3. Conclusion

This study aims to estimate and analyze the role of audit quality in reducing stickiness costs. The samples used in this study are property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2018 period. However, the analysis period starts from 2016-2018 because the previous year, namely, 2015 was used as the base year in calculating stickiness costs. The data approach used is panel data, so this study uses panel data regression estimation with eviews version 10. The conclusions based on the research findings are (1) SG&A costs are stickiness in property, real estate, and building construction companies, and (2) quality audits can reduce the level of cost stickiness.

This study has several limitations and can be used as consideration in future studies. These limitations can be explained by the following (1) this study is limited to property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2018, (2) measurement of audit quality variables using the Big Four KAP size and Non-Big Four. Meanwhile, there are still several other proxy measures of audit quality, (3) this study only uses quantitative methods in answering the phenomena that occur while there are still other methods in answering phenomena to obtain more robust results.

Based on the description of the limitations that the researcher has described earlier, this study has several suggestions as considerations in subsequent research. The suggestion can be described by the researcher as follows (1) further research can use a more complex sample of mining or manufacturing companies to detect manager's opportunistic behavior in making cost stickiness. In addition, further research can extend the period of research, (2) further research can use other audit quality proxies such as

auditor specialization, and (3) further research can use a combination of quantitative and qualitative methods through a triangulation approach to get better results.

References

- [1] Anderson, M., Banker, R., & Janakiraman, S. (2003). Are Selling, general, and Administrative Cost Sticky? *Journal of Accounting Research*. Vol. 41. Page. 47-63.
- [2] Banker, R. D., Byzalov, D., & Chen, L. T. (2013). Employment protection legislation, adjustment costs and cross-country differences in cost behavior. *Journal of Accounting and Economic*. Vol. 55. Page. 111–127.
- [3] Becker, C. L., Defond, M. L., Jiambalvo, J., & Subramanyam, K. R. (1998). The effect of audit quality on earnings management. *Contemporary Accounting Research*. Vol. 15. Page. 1–24.
- [4] Cai, C., Huang, Y. J., & Zhao, S. (2005). Empirical research on how audit quality influences earnings management: Evidence from manufacturing industry in Shanghai. *Auditing Research*. Vol. 2. Page. 3-10.
- [5] Calleja, K., Stelarios, M., & Thomas, D. C. (2006). A note on cost stickiness: Some international comparisons. *Management Accounting Research*. Vol. 17. Page. 127–140,
- [6] Chen, L., Song, L., & Shi, D. (2012). An empirical study on the upward estimation bias in cost stickiness: Evidence from Chinese listed companies. *China Accounting Review*. Vol. 1. Page. 3–16.
- [7] Cohen, J., Krishnamoorthy, G., & Wright, A. M. (2002). Corporate Governance and the Audit Process. *Contemporary Accounting Research*. Vol. 19. Page. 573-594.
- [8] Dierynck, B., Landsman, W. R., & Renders, A. (2012). Do managerial incentives drive cost behavior? Evidence about the role of the zero earnings benchmark for labor cost behavior in private Belgian firms. *The Accounting Review*. Vol. 87. Page. 1219–1246.
- [9] Fan, J., & Wong, T. J. (2005). Do External Auditors Perform a Corporate Governance Role in Emerging Markets? Evidence from East Asia. *Journal of Accounting Research*. Vol. 43. Page. 35-71.
- [10] Farzaneh N., S.M., Javad, S., Mahdi & B.S.A., Haddad. (2013). A Study of The Stickiness of Cost of Goods Sold and Operating Cost to Changes in Sales Level in Iran. *Studies in Business and Economic*. Vol. 8.
- [11] Francis, J. R., Maydew, E. L., & Sparks, H. C. (1999). The role of big 6 auditors in the credible reporting of accruals. *Auditing: A Journal of Practice & Theory*. Vol. 18. Page. 17–34.

- [12] Gao, Q., & Wu, L. N. (2007). Large shareholder expropriation of funds and the auditor choice: Further evidence. *Auditing Research*. Vol. 5. Page. 84–90.
- [13] Hong, J. M., Xu, Y. D., & Li, Y. R. (2011). Information disclosure quality, controlling shareholder's embezzlement and auditor selection. *Auditing Research*. Vol. 2. Page. 107–112.
- [14] Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American Economic Review*. Vol. 76. Page. 323–329.
- [15] Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firms: Managerial Behavior, Agency Costs and Ownership Structure, *Journal of Financial Economics*. Vol. 3. Page. 305-360.
- [16] Jiang, R., Liu, X., & Liu, B. (2007). An empirical study on the governance effect of the exterior audit from Chinese listed companies: A view from CEO turnover. *Journal of Finance and Economics*. Vol. 11. Page. 92–103.
- [17] Li, W. A., Wang, X. H., & Wang, W. (2004). Earnings management and audit opinions: An empirical study based on non-operating earnings. *Journal of Finance and Economics*. Vol. 11. Page. 126–135.
- [18] Liang, S., Chen, D., & Hu, X. (2014). External Auditor Types and the Cost Stickiness of Listed Companies. *China Journal of Accounting Studies*. Vol. 2. Page, 294-322.
- [19] Liu, J. H. (2009). Ownership, Earning Management and Audit Opinions. *Auditing Research*. Vol. 2. Page. 32-39.
- [20] Liu, Q., & Yan, Z. Y. (2006). Accounting Estimates and Quality of Independent Auditing. *Accounting Research*. Vol. 9. Page. 82-88.
- [21] Martania, R. M., Eltivia, N., & Setiawan, M. A. (2018). Apakah Earnings Management Mampu Mengurangi Tingkat Stickiness Cost? *Jurnal Riview Akuntansi dan Keuangan*. Vol. 8. Page. 125-134.
- [22] Qi, J. N., Chen, H. L., & Zhang, Y. (2004). Auditor size, brand, price and audit quality: Research on charging and quality of international big four Chinese audit marketing. *Auditing Research*. Vol. 3. Page. 59–65.
- [23] Samryn, L.M. (2012). *Akuntansi Manajemen: Informasi Biaya untuk Mengendalikan Aktivitas Operasi & Investasi*. Jakarta: Kencana
- [24] Shleifer, A., & Vishny, R. (1986). Large shareholders and corporate control. *Journal of Political Economy*. Vol. 94. Page. 461–488.
- [25] Stulz, R. M. (1990). Managerial discretion and optimal financing policies. *Journal of Financial Economics*. Vol. 26. Page. 3–27.
- [26] Sun, Z., & Liu, H. (2004). The expense 'stickiness' behavior of Chinese listed companies. *Economic Research Journal*. Vol. 12. Page. 26–34.

- [27] Watts, R. L., & Zimmerman, J. L. (1983). Agency Problem, Auditing, and the Theory of the Firm: Some Evidence. *Journal of Law and Economics*. Vol. 26. Page. 613-633.
- [28] Wang, J. C. (2011). Empirical study on the audit independence of top management turnover in the listed companies. *Journal of Shanxi Finance and Economics University*. Vol. 9. Page. 116–124.
- [29] Yang, D. M., Lin, B., & Wang, Y. C. (2009). Internal control, audit quality and large shareholder tunneling. *Auditing Research*. Vol. 5. Page. 74–81.
- [30] Yue, H. (2006). Large shareholder tunneling and the monitoring role of auditor. *China Accounting Review*. Vol. 6. Page. 59–68.
- [31] Zeng, Y., & Ye, K. T. (2005). Ownership structure, agency cost and external auditing demand. *Accounting Research*. Vol. 10. Page. 63–70.