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Accrual earnings management: Evidence from IPOs firms in Indonesia

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ABSTRACT

This study aims to analyze the influence of information asymmetry and managerial ownership toward earnings management with audit committee as moderating variable. This research used 119 companies which did Initial Public Offering (IPOs) during the period of 2014 to 2018. The data were analyzed using moderate regression analysis (MRA). This research used audit committee as moderating variable to analyze the influence of information asymmetry and managerial ownership toward earnings management. The results showed that the information asymmetry and managerial ownership had negative significant influence toward earnings management. The audit committee was unable to moderate the influence of information asymmetry and managerial ownership toward earnings management. Investors must prioritize vigilance in considering investment decisions, and more explore deeply into the company's characteristics, especially since the company has just gone public.

Introduction

Earnings management through accrual has received academic attention. Since IFRS has been adopted by companies going public, more provision and the increasing accrual movement can be justified by the companies through precautionary principle. Earnings management is a distortion resulted from an accrual accounting. Indonesia has adopted the accrual-based accounting although it can cause distortion. Therefore, its usage needs to be identified and justified, and the accounting information can then reflect good business activities (Subramanyam & Wild, 2009).

In some cases, the management is suspected to have a role in doing earnings management techniques, such as Lippo Bank which tried to disguise its losses in 2002 and modified credit card data in Bukopin. In 2018 PT Garuda Indonesia disclosed their whole income in 1 year, or in the term of agreement. PT Perusahaan Listrik Negara and PT Pertamina succeeded in showing their great achievement at the end of 2018 and debts in receivables.

Several factors affecting earnings management have been studied, and these studies found that positive asymmetry influenced earnings management (Andika & Sukartha, 2015; Mustikawati & Cahyonowati, 2015; Wardani & Wahyuningtyas, 2018; Zhang et al., 2020). Meanwhile some studies stated that information asymmetry did not influence earnings management (Tangngisalu & Jumady, 2020; Wiryadi & Sebrina, 2013). Other studies using managerial ownership variable showed that negative managerial ownership influenced earnings management (Amarsanaa, 2019; Amir & Nozari, 2015; Astari & Suryanawa, 2017; Yegon et al., 2014), while the others revealed that managerial ownership did not influence earnings management (Asyati & Farida, 2020; Partayadnya & Suardikha, 2018; Zakia et al., 2019).

Good corporate governance implementation can help directors to limit manager's opportunistic habit and to reduce agency fee (Connolly et al., 2012). Some new regulations introduced due to new technology, globalization, culture and social environment push better corporate governance and financial information transparency (Zgarni et al., 2016). For example, SOX in the United State of America, the Financial Security Law no. 2005-96 in Tunisia, and the financial security law in France in 2003 which strengthen the good corporate governance existence in global discussions. One of the aspects of good corporate governance that is often debated in various circles, including governments and other related parties, is the existence of an audit committee. In Indonesia, Ikatan Komite Audit Indonesia (IKAI) manages all the regulations and focuses on quality improvement of good corporate governance. It makes sure that every management motivation in doing earnings management is under control, according to the relevant regulations, and not excessive in order to maximize the protection of shareholders and other stakeholders.

Governance law firms have considered the audit committee as one of the most important committees for assessing the internal control system (Oqab, 2012). The financial reports are of higher quality, improve the integrity of financial statements, and act as a deterrent to manipulation of internal control which has an influence on earnings management (Järvinen & Myllymäki, 2016). The audit committee in its role is to see fairness in the company's

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financial statements which is made as a guarantor of protection for company stakeholders so that earnings management can be minimized (De Vlaminck & Sarens, 2015; Wilbanks et al., 2017; Zgarni et al., 2016).

This study selects companies that do IPO (Initial Public Offering) because generally these companies are always shown the differences in interests in determining the price of their initial shares, the cause of information asymmetry, and the existence of an audit committee within the company regarding the financial statements, which will then be published for the benefit of IPOs. This study aims to examine the effect of information asymmetry and managerial ownership on earnings management with the audit committee as the moderating variable.

The authenticity of this research is the frequency of audit committee meetings as a moderator variable. The frequency of audit committee meetings was chosen because the audit committee must meet at least four times per year, and these meetings are held regularly throughout the year. The audit committee should meet at least once a year with the company's external auditors and avoid the presence of the general manager or anyone associated with top management. In the current digital era, reliable investigative skills are needed in uncovering fraudulent practices (Sumartono et al., 2020). Detection of any fraud cannot be separated from the company's internal control, so the audit committee is expected to carry out its duties and authorities to the maximum, whether it is internal control, related to supervision, risk management, internal audit, ethics and code of ethics, accounting and financial reporting, and independent audit (Kartal et al., 2018). In addition, previous researchers revealed that the audit committee was able to moderate (weaken) the relationship between information asymmetry and earnings management (Septiadi & Mimba, 2015).

The originality of the research is in the indicator of the measurement of the audit committee variable which uses the frequency of meetings in determining its size to be used in research. The sample classifications of this research is coming from manufacturing companies to companies conducting IPOs, while the same class is the measurement of information asymmetry using Bid-ask Spread. This is because the sample companies are IPOs.

The audit committee is a good corporate governance mechanism, which monitors the company's internal control and financial reporting quality. The committee is usually at the forefront of financial matters and related to management risk (Deslandes et al., 2019). The role of the audit committee is to see the fairness in the company's financial statements which is made as a guarantor of protection for company stakeholders so that earnings management can be minimized (De Vlaminck & Sarens, 2015; Wilbanks et al., 2017; Zgarni et al., 2016).

Literature Review

The agency theory developed by Jensen and Meckling (1976) shows an agency relationship as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. However, it is generally impossible for the principal or the agent at zero cost to ensure that the agent will make optimal decisions from the principal's viewpoint. So, the agency theory is based on the unequal interests that are owned and become the basic views between the principal and the agent. Every agency or government needs to work together to seek to implement deep and sustainable changes through proper GCG codes (Krenn, 2015). Control plays an important role in maintaining the stability of a good company. The more control the board exerts over managers (agents), the less opportunity for them to engage in selfish activities inconsistent with maximizing shareholder wealth (Al-haddad & Whittington, 2019).

Recent regulatory reformation in continental Europe in 2005 focused on improving the quality of corporate governance. The current regulations provide significant advice for all parties so that they are able to play an important role. The regulations are also accountable to all parties involved in the corporate governance process, in particular the regrouping of the audit committee and external auditors. A qualified audit comes from an independent process and the high professionalism conducted by the expert auditor (Hamdani et al., 2020). The audit committee in the financial statements plays a significant role in seeing the fairness of the company's report which is made as a protection guarantor for the company's stakeholders so that earnings management can be minimized (De Vlaminck & Sarens, 2015; Wilbanks et al., 2017; Zgarni et al., 2016).

Conflict between owner and management will escalate as the company grows. In an effort to reduce the occurrence of agency problems, there will be agency costs incurred by the company to control it (Godfrey et al., 2010). Signal theory is very relevant when used in this study because the information circulating from the given signal will affect investors' decisions. It is important for companies to provide an overview of information to the public (Wolk et al., 2001). According to Scott (2011), earnings management is defined as an action taken when choosing accounting policies to achieve certain goals, both in increasing company value and in the personal interest of company management (Rahman et al., 2013). Several techniques are commonly used by management in conducting earnings management, including the "cookie jar reserve" technique, the "big bath" technique, the "big bet on the future" technique, the "flushing" the investment portfolio technique, the "throw out" a problem child technique, the "introducing new standard" technique, write-off of long-term operational assets, sale/lease back, operating vs non-operating income, early maturity of debt, use of derivatives, and the "shrink the ship" technique.

According to Bodie et al. (2014), asymmetric information is potential for one trader to have private information about the value of securities that his trading partner does not know. Information asymmetry is a situation where some investors have excess information while other investors do not. This information asymmetry variable can be measured with relative bid-ask spread. Managerial ownership is carried out to stretch the conflict caused by the separation of ownership and agent between the two parties, and the goal is clear: to minimize managers practicing earnings management by offering managers to participate in the share-based compensation program (Prempanichknukul & Sangboon, 2012).

The audit committee is considered as the core system of corporate governance because it helps the board of directors to complete their responsibilities to shareholders, and corporate governance law has considered the audit committee to be one of the most important committees for assessing the internal control system (Oqab, 2012). Detection of any fraud cannot be separated from the company's internal supervision. Weaknesses in internal control have been identified that can lead to fraud (Hamdani & Albar 2016). The audit committee is expected to carry out its duties and authorities to the fullest, be it internal control, related to supervision, risk management, internal audit, ethics and code of ethics, accounting and financial reporting, and independent audit (Kartal et al., 2018).

The Influence of Information Asymmetry to Earnings Management

Information asymmetry happens due to the presence of one party who has excess information in understanding the condition of a company, and this is of course is very closely related to signaling theory (Wolk et al., 2001). Signaling theory shows the importance of companies in providing an overview of information to the public. Earnings management practices are the trigger and the opportunistic attitude of company management that moves profits according to the company's wishes to look good. This is because good earnings quality is a reflection of the company's condition (Dai et al., 2013). The increasing transparency of a company and the level of information held by each dimension will be more even. It is hoped that the low information asymmetry can decrease earnings management practices as information asymmetry has positive motive for earnings management (Zhang et al., 2020). Based on this explanation, hypothesis 1 is proposed as follows:
H1: Information asymmetry has a positive effect on earning management

The Influence of Managerial Ownership to Earnings Management

The enhancement of managerial ownership reduces management and shareholder agency conflicts, consistent with alignment of interests (Jensen & Meckling, 1976). Managerial ownership has an indirect impact on controlling management behavior so that agency costs can be minimized (Baye & Prince, 2014; Sintyawati & Dewi, 2018). When the managerial ownership is higher, the management behavior will indirectly be formed to work harder to maximize its performance in obtaining maximum profit, and this surely does not harm the company because of a sense of belonging to a company. It is in line with a research conducted by Kharashgah et al. (2020) which pointed out that earnings management practices will decrease when managerial ownership increases. This could mean managerial ownership has a negative effect on earnings management. Hypothesis 2 is proposed as follows:
H2: Managerial ownership has a negative effect on earning management

The Audit Committee Weakens the Effect of Information Asymmetry on Earning Management

Statement of Financial Accounting Concept (SFAC) No. 1 gives information that becomes a major concern in determining management performance or accountability. The attitude of managers who practice earnings management can be reduced through the implementation of GCG mechanisms, in this case using audit committee proxies. The audit committee members are comprised of independent people, who are indirectly involved with the company management process and only in supervision as an extension of the board of directors. They have experience in effective supervision, with accounting and financial backgrounds. The audit committee has some responsibilities including choosing an accounting firm. Thus, audit committee can influence management in order to make a policy in preparing financial reports that aim to increase transparency of the company's performance. Septiadi and Mimba (2015) showed that the audit committee moderates the relationship between information asymmetry and earnings management. Then, hypothesis 3 is proposed as follows:
H3: Audit committee weakens the effect of information asymmetry toward earning management

The Audit Committee Strengthens the Influence of Managerial Ownership on Earning Management

In Nigeria the role of audit committee is enhanced to check management activities as well as reduce earnings management level (Musa & Isa, 2018). With the presence of the audit committee, it is hoped that the three motivations of conducting earnings management by the management, such as debt motivation, bonus motivation, and regulatory motivation (tax), can be controlled. Because the audit committee has a very close position with oversight of the company's financial statements (Amin et al., 2017), so operationally the surplus value given in the

ownership portion in the company makes management able to reduce its opportunism (Abed et al., 2012). The implementation of GCG is a separate obligation of the regulations in providing protection for the interests of the company to achieve the company's goals. Based on the description above, the following hypothesis 4 is formulated:
H4: Audit committee strengthens the effect of managerial ownership toward earning management

Research Method

This is an associative and causal research. The population in this research were 149 companies that conducted IPOs on the Indonesia Stock Exchange (IDX) over the period 2014 to 2018. The samples were selected using a purposive sampling technique and 119 companies with the following characteristics were eligible for participation in this study. *Firstly,* companies that conducted IPOs on the IDX between 2014 and 2018. *Secondly*, published complete financial statements for the period of December 31, 2014 to 2018 on the Indonesian stock exchange website. *Lastly,* had complete financial report data related to the research variables studied in the financial statements.

Earnings management adopts the Modified Jones model (Dechow et al., 1995). The steps in finding the value of discretionary accruals are as follow:

1. Calculating the total accruals by using cash flow approach:

$$TAC_{i,t} = NI_{i,t} - OCF_{i,t} \quad (1)$$

Where,
$TAC_{i,t}$: Total accruals in year;
$NI_{i,t}$: Earning before extraordinary item in year; and
$OCF_{i,t}$: Operating Cash Flow in year;

2. Looking for coefficient value based on total accrual regression
The usefulness of this regression is to detect the presence of discretionary accruals and non-discretionary accruals. Discretionary accruals are used to see the difference between total accruals and non-discretionary accruals.

$$\frac{TAC_{it}}{TA_{it-1}} = \alpha_1\left(\frac{1}{TA_{it-1}}\right) + \beta_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \varepsilon_{it} \quad (2)$$

Where,
TAC_{it} : Total accruals in year;
TA_{it-1} : Total assets at time t-1;
ΔREV_{it} : Revenue I year t less revenues in year t-1 scaled by total assets at t-1;
ΔREC_{it} : Receivable year t less revenues in year t-1 scaled by total assets at t-1;
PPE_{it} : Gross property plant and equipment in year t scaled by total assets at t-1; and,
εit : Error item;

3. Calculating the discretionary accrual
This model assumes the relationship between non-discretionary accruals and explanatory variables. The discretionary accruals are calculated using the following equation:

$$DAC_{it} = \frac{TAC}{TA_{it-1}} - (\alpha_1\left(\frac{1}{TA_{it-1}}\right) + \beta_2\left(\frac{(\Delta REV_{it} - \Delta REC_{it})}{TA_{it-1}}\right) + \beta_2\left(\frac{PPE_{it}}{TA_{it-1}}\right)) \quad (3)$$

Information asymmetry variable is measured with relative bid-ask spread (Mustikawati & Cahyonowati, 2015). This bid-ask spread is usually more able to reflect the picture of information asymmetry rather than returns.

$$BidAsk_{i,t} = \frac{(ask_{i,t} - bid_{i,t})}{\left\{\frac{(ask_{i,t} + bid_{i,t})}{2}\right\} \times 100\%} \quad (4)$$

Where,
$ask_{i,t}$: Closing ask price at the end of each year in company i; and.
$bid_{i,t}$: Closing bid price at the end of each year in company I;

The managerial ownership variable is calculated by the total percentage of management's share ownership rather than the total number of outstanding company shares.

$$\text{Managerial ownership} = \frac{\text{Number of shares owned by management}}{\text{Total number of outstanding company}} \times 100\% \quad (5)$$

Policies concerning audit committee are determined based on POJK: Number 55/POJK.04/2015. It is in the fourth section about duties, responsibilities, and authorities of the audit committee in Chapter IV Article 13 which

contains the audit committee meeting at least once every 3 (three) months. The following is how to measure the frequency of the audit committee:

KA = Number of Audit Committee Meetings in the Company (6)

Results and Discussion

The research was conducted in the companies which carried out IPOs on the Indonesia Stock Exchange from 2014 to 2018. There were 119 companies that met the sample selection criteria by having complete and consistent financial statements.

Table 1. Sample selection

	2014	2015	2016	2017	2018	Total
Number of Companies conducting IPO	23	17	15	37	57	149
Companies that do not publish financial reports	(6)	(7)	(4)	(4)	(9)	(30)
Total	17	10	11	33	48	119

Table 2. Descriptive Statistic

Variable	N	Min	Max	Mean	Std. Deviation
EM	119	-1.294494	8.732026	0.266767	1.347507
ASY	119	1.163151	3.943330	2.878563	0.649193
KM	119	-10.58608	4.558646	0.478614	3.780518
KA	119	0.000000	18.00000	4.478261	4.042767

Before testing the hypothesis, multiple regression is used before and after moderation to see whether the hypothesis is supported or not. It is necessary to test the classical assumptions, such as normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test.

Table 3. The classical assumptions

Test	Prob.
Normality Test (Jarque-Bera)	0.381113
Autocorrelation (Brusch-Godfrey)	0.0807
Heteroscedasticity (White)	0.2401
Multicollinearity (Variance Inflation Factors) VIF	
ASY	1.181365
KM	1.063430
KA	1.204661

By seeing the diagram above, it may not form a perfectly symmetrical bell. However, it can be seen that the probability value is 0.381113. As the probability value is greater than 5% (0.381113> 0.05), then the data already has a normal distribution.

Tabel 3 shows that the probability in the autocorrelation is 0.0807 > 0.05, this indicates that this regression does not have autocorrelation, so the used data can be used to see the level of earnings management at the time of the IPOs on the IDX. Furthermore, based on the value of VIF, information asymmetry is 1.181365, managerial ownership is 1.063430, and the audit committee is 1.204661, in which the VIF value of each variable is < 10. So, there is no multicollinearity problem in the prediction model.

Therefore, the results of heteroscedasticity by using the White test shows that the available data from the Probability Ob*R-Squared is 0.2401> of 0.05. So, no heteroscedasticity or the regression model is homoscedasticity.

Hypothesis Testing

The results of the regression analysis reveal that the information asymmetry variable partially has a negative and significant effect on earnings management. Similarly, the managerial ownership variable partially has a negative and significant effect on earnings management, while the audit committee variable has a negative and insignificant effect on earnings management.

Information asymmetry has a prob value of 0.0231 < 0.05, meaning that information asymmetry partially has a significant effect on earnings management. Managerial ownership has a prob value of 0.0167 < 0.05, which means that managerial ownership partially has a significant effect on earnings management, while the audit

committee has a prob value of 0.8508 > 0.05, which indicates that the audit committee partially has a significant effect on earnings management.

Table 4. Regression Result before Moderation Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1,633516	1,309185	1,247735	0,2242
ASY	-1,150486	0,473985	-2,427263	0,0231
KM	-0,209291	0,081387	-2,571544	0,0167
KA	-2,147228	1,730521	-1,240799	0,8508
F-statistic	3,798554			
Prob. (F-statistic)	0,023230			
R-squared	0,3219			
Adjusted R-squared	0,2371			

Based on the F test, the probability value is 0.023 < 0.05. The results prove that information asymmetry and managerial ownership simultaneously have a significant effect on earnings management. Based on the results, the Adjusted R-squared is 0.2371, which means the independent variables consist of information asymmetry and managerial ownership that are able to explain earnings management of 0.2371. Other unincluded variables in the research model is 0.77 or 77%.

Moderated Regression Analysis Test (MRA)

Table 5. Regression Result with Moderation Variables

Variable	Coefficient	Stad. Error	t-Statistic	Prob.
C	3.0395	1.7464	1.7404	0.0958
ASY	-1.6110	0.6044	-2.6654	0.0141
KM	-0.3118	0.1111	-2.8065	0.0103
KA	-0.6611	0.5951	-1.1108	0.2786
ASY_KA	0,2208	0,1857	1,1891	0.2470
KM_KA	0,0392	0,0285	1,3743	0.1832
R-squared	0.4034			
Adjusted R-squared	0.2678			

Information asymmetry variable gives a coefficient value of -1.6110 with a significant value of 0.0141 < from (0.05) which means that it has a significant negative effect. Meanwhile, the information asymmetry of the audit committee gives a coefficient value of 0.2208 with a significance value of 0.2470 > α (0.05). Thus, it has no significant effect. Based on the partially obtained results, the audit committee variable as moderating cannot moderate between the information asymmetry on earnings management and it is stated as a moderating predictor.

Managerial ownership variable gives a coefficient value of -0.3118 with a significant value of 0.0103 < α (0.05) which means that it has a significant negative effect. Meanwhile, the managerial ownership of the audit committee provides a coefficient value of 0.0392 with a significance value of 0.1832 > (0.05), meaning that it has no significant effect. Based on the partially obtained results, the audit committee variable as a moderating variable cannot moderate managerial ownership on earnings management and is stated as a moderating predictor.

The Influences of Information Asymmetry on Earnings Management

Information asymmetry is caused by the lack of stock transactions on the Stock Exchange (Ghani et al., 2017). Investors take their investment in the future into great consideration when they purchase shares, especially if their companies have just been listed on the stock exchange. The companies are those that strengthen capital by adding equity financing instead of debt (Holderness, 2018; Zhang et al., 2020). The costs coming from company's decision to go public will influence every management decision to deal with accepted risks such as an increase in agency costs, company size, window-dressing, and also due to market timing problems before issuing shares (Alanazi et al., 2011; Doski, 2014; Pastusiak et al., 2016). The rise of several losses and new costs that may make the company's performance decrease is a result of an increasing costs and may cause losses. The lack of information asymmetry also has an unexpected influence due to several companies' inherent risks that want to strengthen equity by IPOs. Unexpected result during IPOs then motivates management to improve its performance, and one effort taken is by doing earnings management.

Depending on external financing, especially strengthening in equity, this may cause problems from information asymmetry and generate motives for earnings management (Zhang et al., 2020). This behavior of the

managers, which represents managers' self-interest at the detriment of the shareholders' interests, could be triggered by various market pressures and incentives of self-preservation. This study is in line with Sunarto and Sundarta (2015); Wiyadi et al. (2015), and not in line with Andika and Sukartha (2015); Bar-yosef and Prencipe (2013); Mustikawati and Cahyonowati (2015); Wardani and Wahyuningtyas (2018); Yamaditya and Raharja (2014); Zhang et al. (2020), that stated that information asymmetry has positive and significant influences to earnings management.

The Influences of Managerial Ownership to Earnings Management

Jensen and Meckling (1976), identified that increasing managerial ownership could reduce management and shareholder agency conflicts, which was consistent with alignment of interests. Managerial ownership has an indirect impact on management behavior controlling, so the agency costs can be minimized (Sintyawati & Dewi, 2018). Prempanichknukul and Sangboon (2012) argue that sharing the compensation to management has the impact of increasing managerial ownership, and it is likely to increase the sense of ownership. Sharing ownership owned by management can minimize earnings management practices. The reason is because the sense of ownership that arises from the number of shares they have, for example, the ownership of shares given to management has a very significant influence in suppressing the opportunistic attitude of management in earnings management.

The high managerial ownership can make the management minimize their opportunistic attitude; as a result, the managerial ownership has a significant negative influence on earnings management (Alves, 2012; Amarsanaa, 2019; Amir & Nozari, 2015; Astari & Suryanawa, 2017; Baik et al., 2010; Habib & Jiang, 2012; Khan et al., 2012; Kouki et al., 2011; Mahariana & Ramantha, 2014; Wiryadi & Sebrina, 2013; Yegon et al., 2014). Meanwhile, some argue that managerial ownership does not significantly influence earnings management (Asyati & Farida, 2020; Partayadnya & Suardikha, 2018; Zakia et al., 2019).

The Effects of Audit Committee as a Moderator of Information Asymmetry Influence and Managerial Ownership on Earnings Management

The test results show that there is an interaction between information asymmetry, audit committee, and managerial ownership. Because the audit committee does not have a significant influence on earnings management, it is not able to moderate the influences of information asymmetry and managerial ownership. Managerial ownership of earnings management, however, with the existence of the audit committee as a moderating variable, slightly strengthens the relationship between information asymmetry, managerial ownership, and earnings management. This can be seen from the growth of the Adjust R-squared value in the regression equation with a moderating variable of 0.267 while the Adjust R-squared in the regression equation without the moderating variable is 0.237. This is because the existence of the audit committee only fulfills the demands in fulfilling the obligation to disclose corporate reports. The number of meetings held in each company has not yet had a real impact on the company.

Conclusion

The rise of several new losses and costs that have an adverse influence on the company's performance, such as the increasing costs from the IPOs policy, may cause higher costs for company. The lack of information asymmetry also has an unexpected effect due to several inherent risks of companies that want to strengthen equity by IPOs. The unexpected results of the IPOs motivates the management to improve its performance, and one effort taken is by doing earnings management. Sharing ownership owned by management can minimize earnings management practices because the sense of ownership that arises from the number of shares they have, for example the ownership of shares given to management, has a very significant influence in suppressing the opportunistic attitude of management in earnings management. The existence of audit committee is only to fulfill the demands in fulfilling the obligation to disclose corporate reports. The number of meetings held in each company has not yet had a real impact on the company.

This study suggests that investors must be more careful in considering investing, especially in companies that have IPOs. *First*, investors should explore the characteristics of the company, especially since the company has just gone public. Thus, its performance is still not visible. *Second*, a low bid-ask spread level that is even close to 0 indicates that the company's market liquidity is low, so it can trigger inherent risk in companies conducting IPOs. This study has some limitations. There are still many variables that have not been used, and this is evidenced by the acquisition of Adj-R of 0.26. The determination of the group of companies is highly recommended so that research can be focused on their respective criteria or can be separated based on the size of the companies: large and small companies in order to see the tendency for companies to do earnings management.

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