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Effect of tax planning, deferred tax burden, and deferred tax asset on earnings management

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Abstract

This study aims to provide empirical evidence of the effect of tax planning, deferred tax expense, and deferred tax assets on earnings management. The population used in this study are manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2015-2020. By using a purposive sampling method, the number of observations used in this study amounted to 185 observations. The dependent variable in this study is earnings management and the independent variables in this research are tax planning, deferred tax expense, and deferred tax assets. The results of the study provide evidence that tax planning and deferred tax expense have a positive and significant effect on earnings management while deferred tax assets do not affect earnings management. This study supports the agency theory which explains the political costs that must be borne by companies so that the greater the political costs that must be borne by companies encourages companies to carry out earnings management through tax planning and is caused by differences in accounting profit and fiscal profit which result in deferred tax burdens.

Keywords: Earnings Management, Tax Planning, Deferred Tax Expenses, Deferred Tax Assets.

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INTRODUCTION

Companies in the era of globalization are currently experiencing fierce competition to continue to survive in the global market. In carrying out earnings management, management is faced with a condition where if profits are increased, it will reflect the company's good performance, but on the other hand, it will also have an impact on increasing corporate tax. Governments and taxpayers have different perspectives when it comes to tax revenue. The government expects an increase in revenue from taxes, while companies are certainly trying to minimize the tax burden by doing tax planning. Tax planning refers to the process of minimizing tax debt but still within the framework of applicable tax regulations.

Companies in Indonesia preparing financial statements must comply with Financial Accounting Standards (SAK), besides that companies must also prepare income statements based on applicable tax regulations (fiscal income statements). The difference between SAK and tax regulations will generate two types of income, namely profit before tax (accounting profit) and taxable income (fiscal profit).

As stated in the Statement of Financial Accounting Standards (PSAK) No. 46 by the Financial Accounting Association (IAI) (2018) that management is free in determining the choice of accounting policies in determining the amount of deferred tax expense/income reserves. The allowance of deferred tax expenses or income occurs due to the difference in recognition between accounting standards and tax regulations. This provides an opening for management to carry out earnings management actions.

Recognition of deferred taxes can increase and decrease net profit due to the recognition of the deferred tax burden so that the possibility of paying taxes in future periods becomes greater or less. This is a loophole for management to manipulate the amount of its net profit so that it can reduce the amount of tax that must be paid.

Phillips et al. (2003) state that management seeks to manage the increase in accounting profit without increasing taxable income (fiscal profit). The implementation of management policies to manage the increase in accounting profit will result in a temporary difference between accounting and taxes. Research by Phillips et al. (2003) states that the deferred tax burden arises from the temporary difference between accounting profit and fiscal profit. The deferred tax burden can be used to predict the earnings management used by the company in fulfilling two objectives, namely to avoid a decrease in profits and to avoid losses.

Deferred tax assets are the amount of income tax recovered in the future period as a result of temporary differences that can be deducted from expenses in the calculation of fiscal profit and residual loss compensation. The incidence of deferred tax assets is if the profit according to Accounting is smaller than the profit according to taxes which means the tax burden will be less than the tax owed. This resulted in the company being able to postpone the taxes owed in the coming period.

Manufacturing enterprises are industrial sector enterprises that process raw materials into finished materials. The graph of the growth of the type of company (business field) based on constant price GRDP 2010 during 2017-2021 shows that the position of manufacturing companies (processing industry) experienced the largest growth for five consecutive years compared to other companies. This means that manufacturing companies have a very large opportunity in driving the economy in Indonesia.

The significant growth rate of manufacturing companies in Indonesia makes manufacturing companies required to have various competitive advantages to compete with other companies. Not only from the quantity or quality of products offered and the income earned but also from sound financial management. Therefore, various financial management policies must ensure the continuity of the company's business.

This has also led to manufacturing companies in Indonesia that carry out earning management to avoid a high tax burden. An example of the phenomenon of earning management practices has occurred in PT. Coca Cola Indonesia (CCI). PT CCI allegedly circumvented taxes, causing a shortage of tax payments worth IDR 49.24 billion. As a result, the Directorate General of Taxes (DGT) found a high cost overrun that year. As a result, there is a decrease in taxable income. According to the DGT, PT CCI's total taxable income in that period was IDR 603.48 billion. Meanwhile, the calculation of PT CCI's taxable income is only IDR 492.59 billion. With this difference, DGT calculated the income tax shortfall (PPh) of PT CCI of Rp 49.24 billion (kompas.com, 2014).

With the background and research that has been carried out by several previous researchers who have varied research results, the researcher tries to conduct follow-up research that is replicative by adding research variables according to the suggestions of previous researchers. This study aims to test whether tax planning, deferred tax burden and deferred tax assets can be used as a profit management detector as previously conducted by previous researchers but by utilizing the latest data.

LITERATURE REVIEW

Agency Theory

One of the sizes of a company that is often used as the basis for making business decisions is the profits generated by the company. The concept of earnings management can be started from the agency theory approach. Jensen & Meckling (1976) states that an agency relationship is a contract between a management (agent) and an investor (principal). The agency theory view is that there is a separation between the principal and agent parties which causes the emergence of potential conflicts that can affect the quality of reported profits. The meaning of principal in this agency theory is that the shareholder or owner provides facilities and funds for the operating needs of the company while the agent is the management who must manage the company as the principal has entrusted to him.

Agency theory has the assumption that each individual is solely motivated by his well-being and self-interest. The principal is motivated to enter into a contract to prosper himself through dividends or an increase in the company's share price. Meanwhile, the agent is motivated to improve his welfare through increased compensation.

Conflicts of interest are escalated when the principal does not have sufficient information about the agent's performance due to the principal's inability to monitor the agent's activities within the company. In addition, agents have more information about their capacity, work environment, and the company as a whole. This results in an imbalance of information owned by principals and agents and is known as information asymmetry.

The asymmetry of information and conflicts of interest that occur between the principal and the agent encourages the agent to hide some information that is unknown to the principal and present information that is not actual to the principal, especially *the* information related to profit.

Tax Planning

Tax planning is one way that can be utilized by taxpayers in the implementation of tax or income management efforts, but it should be noted that tax planning is meant by tax planning without violating the constitution or applicable tax regulations.

Tax planning is the ability that must be prepared by the Taxpayer (WP) to obtain a minimum tax burden (liability). Theoretically, tax planning is known as effective tax planning if a taxpayer seeks to obtain tax savings through a systematic tax avoidance procedure that is consistent with the provisions of tax laws.

Deferred Tax Burden

Deferred tax is in principle the impact of income tax (PPh) in the future arising from the temporary difference (time) between accounting profit and taxable profit according to tax, as well as fiscal losses that can still be compensated in the future for a certain period in the financial statements. If the future tax impact is not presented in the statement of financial position and the comprehensive income statement, then the financial statements may mislead the reader.

Income tax calculated based on taxable income (PKP) paid to the government is referred to as income tax owed, while income tax calculated based on profit (income) before tax is called income tax expenditure. Some differences that occur due to the difference between the income tax owed and the tax burden in question, as long as the difference is temporary, must be recorded and reflected in the commercial financial statements in the deferred tax account.

Earnings Management

In general, earnings management is defined as the attempt of company executives to intervene or influence the information in financial statements for misleading stakeholders who want to know the performance and condition of the company. Earnings management in the narrow sense is defined as the behavior of managers to "play" with discretionary accruals in determining the magnitude of profit. Whereas in a broad sense, earnings management is the manager's action to increase or decrease the currently reported profit.

Earnings management occurs when managers use certain decisions in financial statements and change financial statement transactions to mislead stakeholders who want to know the economic performance achieved by the company**.** The forms of earnings management proposed by Scott (2003) are taking a bath, income minimization, income maximization, and income smoothing.

Hypothesis Development

Tax Planning on Earnings management

One form of tax planning is by regulating how much profit is reported. To avoid reporting profits that are too large, the company will do earnings management so that the profit reported to the fiscal is lower so that it will reduce the tax burden it will bear Scott (2003).

Research conducted by Mulatsih *et al.* (2019) which tested the effect of tax planning on manufacturing companies listed on the Indonesia Stock Exchange with a research period 2013-2017 proved that tax planning has a positive effect on earnings management. This is due to the company's motivation not to want to pay too much tax, which encourages the company to do earnings management through tax planning. This is in line with research conducted by (Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021)(Paramita & Kinasih, 2021). Research conducted by Paramita and Kinasih (2021) explains that the positive influence of tax planning on earnings management is consistent with the perspective of the political cost hypothesis and positive accounting theory where companies tend to minimize political costs that must be borne by companies where one way is to engineer reported profit figures. Based on this explanation, the hypothesis that is built is:

H_1: Tax planning has a positive effect on earnings management.

Deferred Tax Burden on Earnings management

Earnings management is an opportunity for management to engineering the size of the deferred tax burden to increase and decrease its profit rate. The deferred tax burden results in a decreased level of profit earned thus having a greater chance of obtaining greater profits in the future and reducing the amount of tax paid.

Research conducted by Perwita et al. (2021) which tested the effect of the deferred tax burden on earnings management in manufacturing companies listed on the Indonesia Stock Exchange during 2009-2013 and using logistic regression succeeded in proving that deferred tax burden affects earnings management. The results of this study are in line with Yulianti (2005) which proves that the deferred tax burden is positively related to earnings management. This is because companies tend to do earnings management to avoid losses. Based on this explanation, the hypothesis that is built is:

H_2: Deferred tax burden positively affects earnings management.

Tax Assets Deferred to Earnings management

Deferred tax assets are the amount of income tax (PPh) that can be recovered in the future period as a result of the accumulation of uncompensated fiscal losses, temporary differences that may be deducted, and the accumulation of untapped tax credits if tax regulations permit. With this definition, the concept of recovery in the future is formed. Therefore, there are two possibilities faced by companies, namely the company pays fewer taxes at this time but the company also has the potential to have a larger tax debt in the future, or in contrast the company pays more taxes at this time but the company also has the potential to have smaller tax debts in the future.

Burgstahler *et al.*, (2002) examined the effect of deferred tax assets on earnings management during 1993-1998 on 482 companies. The results showed that deferred tax assets have a significant influence on earnings management. Based on this explanation, the hypothesis that is built is:

H_3: Deferred tax assets have a positive effect on earnings management.

RESEARCH METHODS

Population and Sampling

This type of research is quantitative research. The population in this study is manufacturing companies listed on the IDX in 2015-2020. In this study, the authors performed purposive sampling techniques. The purposive sampling technique is a technique whose sampling is based on specific considerations or criteria (Sugiyono, 2013). The sample criteria used in this study were:

1. Manufacturing Companies that issue annual financial statements that are audited and published on the Indonesia Stock Exchange (IDX) during 2014-2020.
2. The company was already listed on the IDX before January 1, 2014, and was not delisted or exited the IDX during the research period.
3. The Company has information on research variables consecutively during 2014-2020.
4. Companies that report financial statements in Rupiah (IDR) currency.

Operational Definition and Measurement

Earnings management in this study was measured using a profit distribution approach Philips et al. (2003), are as follows:

$$\Delta Et = \frac{Eit - Eit-1}{MVEt-1}$$

Description:

ΔEt = Earnings management.

E_{it} = Company profit i year t.
E_{t-1} = Company profit i year t-1.
MVE_{t-1} = Market Value of Equity Company I in the year T-1.

Tax planning is measured using the tax retention rate formula, which analyzes a measure of the effectiveness of tax management on the company's current year financial statements (Wild et al., 2005). The measure of tax management effectiveness referred to in this study is a measure of the effectiveness of tax planning. The tax retention rate formula is:

$$TRRt = \frac{\text{Net Income}_{it}}{\text{Pretax Income }(\text{EBIT}_{it})}$$

TRRit = Tax Retention Rate of Company i in year t.
Net $Income_{it}$ = Net profit of the company i in year t.
EBITit = Earnings before interest and tax i in year t.

The calculation of deferred tax burden is calculated using the indicator of weighting the deferred tax burden with the total assets in the t-1 period to obtain the calculated value proportionally.

$$BPTit = \frac{\text{Deferred Tax Burden}_t}{\text{Total Assets } t-1}$$

Information:
BPTit = Deferred tax burden on the company i year t.
BPT t = Deferred tax burden in year t.
Total assets t-1 = Total assets in year t-1.

In this study, the deferred tax asset reserve (CAPT) is a free variable measured by the change in the value of the deferred tax asset at the end of the period t with t-1 divided by the value of the deferred tax asset at the end of the period t-1.

$$CAPTit = \frac{\text{Deferred Tax Assets}_{t} - \text{Deferred Tax Assets}_{t-1}}{\text{Deferred Tax Assets}_{t-1}}$$

Information:
CAPT it = Corporate deferred tax asset reserves.

Analysis Methods

To analyze the effect of tax planning, deferred tax burden, and deferred tax assets on earnings management, a multiple linear regression analysis was carried out using the help of a computer program, namely SPSS.

Descriptive Statistics

Descriptive statistics in research is a process of transforming research data in the form of tabulations so that it is easy to understand and interpret. Descriptive statistical analysis in this study includes mean, size of spread (standard deviation), and form of distribution (minimum value and maximum value).

Test Classical Assumptions

The classical assumption tests carried out in this study are the data normality test, the data multicollinearity test, the autocorrelation test, and the heteroskedasticity test.

Hypothesis Test

Hypothesis testing using multiple linear regression. Hypothesis testing is carried out by looking at the significance of individual parameters. If the significant value of $t < 0.05$, then it means that the independent variable affects the dependent, and vice versa (Ghozali, 2013). In addition, a direction test is also carried out by looking at the signs of the variable coefficient (β). The feasibility test of the model was carried out by looking at the significant value of F with a significant level used was 0.05 (Ghozali, 2013).

RESULTS OF RESEARCH AND DISCUSSION

Descriptive Statistics

Descriptive statistics are used to describe all variables used in the study. The variables in this study include dependent variables, namely earnings management and independent variables in this study include Tax Planning (TRR), Deferred Tax Burden (CPM), and Deferred Tax Assets.

Table 1. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
ΔE	185	-1.724	1.959	-0.016	0.334
TRR_t	185	-18.56	6.259	0.477	1.697
BPT_{it}	185	0.0000020	0.151	0.006	0.015
$CAPT_{it}$	185	-0.835	24.37	0.372	2.481

Source: Secondary Data Processed, 2022

Descriptive statistical results for the earnings management variable (ΔE) show a maximum value of 1.959 which means the company performs the highest earnings management compared to other companies sampled in this study. The minimum value of the earnings management variable (ΔE) is -1.724 which describes the company as doing the lowest earnings management compared to other companies that are used as samples in this study. A negative average (*mean*) of earnings management (ΔE) of -0.016, indicates that manufacturing companies in 2014-2020 conducted earnings management practices intending to avoid reporting losses (income minimization). A positive tax retention rate (TRR) average of 0.477, indicates that the average manufacturing company in 2015-2020 carried out tax planning actions by increasing the profit figure where the net profit reported by the company is only 47.7% of the profit before tax.

The average (mean) of positive deferred tax asset (BPT_{it}) variables of 0.372, indicating that the average manufacturing company in 2015-2020 reported deferred tax assets greater than the year before. The average value of the deferred tax burden was 0.006 where on average the companies sampled in this study reported a deferred tax burden of 0.662 percent of the previous year's total assets. The standard deviation value of the deferred tax burden is 0.015 and when compared with its average value illustrates that there is a considerable variation of the load deferred taxes from companies sampled in this study.

Data Analysis and Hypothesis Testing

Test Classical Assumptions

Table 2. Data Normality Test Results

Variable	Test statistics	Asym sig	Ket
Unstandardized Residual	0.305	0.000	Abnormal data

Source: Secondary Data Processed, 2022

The unstandardized residual in this study had an Asymp Sig value of 0.000 which is smaller than 0.05, so the data used in this study were abnormally distributed. After efforts to normalize the data, the results still show an Asymp Sig value of 0.000, which means that the data is abnormally distributed. This study uses the assumption of the central limit theorem. The Central Limit Theorem is a very important center in inferential statistics because this central it allows us to interpret the population parameter of the sample without having to know the form of population distribution.

Autocorrelation Test Results

To find out the existence of autocorrelation problems, this study used the Durbin-Watson test (DW test). The results of the autocorrelation test are presented in the table below:

Table 3. Data Autocorrelation Test Results

N value	*Before data repair*		Information
	DW	**Criterion**	
239	1.469	0 < d < dl	negative autocorrelation occurs
N value	*After data repair*		**Information**
	DW	**Criterion**	
238	2.034	two < d < 4 – two	Autocorrelation-free

Source: Secondary Data Processed, 2022

From the results of the test, it turned out that there was a negative autocorrelation problem. To solve the problem of the classical assumption of autocorrelation, the *Cochrane-Orcutt* method was used where the improvement results showed a Durbin-Watson value of 2,034 which means that the regression model is free from autocorrelation problems.

Multicollinearity Test Results

The multicollinearity test can be seen from the Tolerance Value and Variance Inflation (VIF). Based on the explanation of the table below, it is concluded that the tolerance value of all research variables > 0.10 and the VIF value < 10 which means that there are no symptoms of multicollinearity in the regression equation model.

Table 4. Data Multicollinearity Test Results

Variable	*Collinearity Statistics*		Information
	Tolerance	**Bright**	
TRR	0.990	1.010	Multicollinearity Free
BPT	0.987	1.013	Multicollinearity Free
CAPT	0.996	1.004	Multicollinearity Free

Source: Secondary Data Processed, 2022

Heteroskedasticity Test Results

Based on Table 5 below, it is known that the probability value (*Asymp Sig*) of the Tax Planning variable (TRR1) is exposed to the heteroskedasticity problem while the other variable is free from the heteroskedasticity problem.

Table 5. Data Heteroskedasticity Test Results

Where	Itself	Information
TRR1	**0.000**	Affected by Heteroskedasticity
BPT1	0.360	Heteroskedasticity Free
CAPT1	0.628	Heteroskedasticity Free

To solve the heteroskedasticity problem of the regression equation, this study used data transformations for all variables and the test results showed the regression model was not free from the problem of heteroskedasticity. For this reason, in hypothesis testing, the regression used to test hypotheses is by using the *weight least square* (WLS) method in hypothesis testing**.**

Test of Goodness of Fit Model

Table 6. The goodness of Fit Model Test Results

Value F	Significance	Information
5.314	0.002	Fit Regression Model

Source: Secondary Data Processed, 2022

Based on the regression results in Table 6 above, it can be seen that the statistical value of F in the model is 5.314 with a significance value of 0.002. A probability value of 0.002 less than 0.050 indicates that the model used in the study is feasible to use.

Coefficient of Determination Test (R^2)

Table 7. Coefficient of Determination (R^2) Test Results

Model	R^2	Adjusted R^2
1	0.075	0.061

Source: Secondary Data Processed, 2022

Based on Table 7 above, it can be seen that the Adj R Square value of the regression model of 0.0 61 which shows that 6.1% of the variation in changes in the dependent variable, namely earnings management (ΔE) can be explained by independent variables, namely tax planning (TRR), tax burden deferred (CPM) and tax assets (CAPT), while the remaining 93.9% are explained by other variations or changes not contained in this equation.

Hypothesis Test

Table 8. Hypothesis Test Results

Variable	Factor	t	Itself	Ket
Konstanta	0.021	1.561	0.120	
TRR	**0.112**	**2.728**	**0.007**	Supported by the data
BPT	**4.413**	**2.075**	**0.039**	Supported by the data
CAPT	-0.019	-1.525	0.129	Not Supported by the data

Source: Secondary Data Processed, 2022

The first hypothesis, stating that the tax planning variable has a positive effect on earnings management, gives the calculation of the coefficient value of 0.021 with a significant calculation of 0.007 < 0.05. This shows that tax planning has a positive effect on earnings management. Thus, hypothesis 1 in the study is Supported by the data.

The second hypothesis, stating that the variable deferred tax burden has a positive effect on earnings management, shows the result of calculating the coefficient value of 4.413 with a significant calculation of 0.03 9 < 0.05. This shows that the deferred tax burden has a positive effect on earnings management. Thus, hypothesis 2 in the study was Supported by the data.

The third hypothesis, stating that the variable of deferred tax assets has a positive effect on earnings management, shows the result of calculating the coefficient value of -0.019 with a significant calculation of 0.1 29 > 0.05. This shows that deferred tax assets do not affect earnings management. Thus, hypothesis 3 in this study is Not Supported by the data.

Tax Planning Positively Affects Earnings Management

The acceptance of this first hypothesis where tax planning has a positive effect on earnings management can be explained by agency theory and positive accounting theory. In agency theory, tax planning arises because of the difference in interests between companies and governments. This difference in interests lies in companies trying to pay the minimum possible tax, while the government relies on tax payments from corporations to fund state spending. This is also explained by the theory of positive accounting, namely *the political cost hypothesis*. Companies dealing with political costs tend to engineer profit reductions to minimize the political costs that must be borne by the company including the tax burden

As stated by Aditama and Purwaningsih (2014), the company carries out tax planning as effectively as possible, not only to obtain profits from a fiscal point of view, but the company also gains profits in obtaining additional capital from investors through the sale of company shares. The status of companies that have gone public generally tends to be high profile than companies that have not yet gone public. For the value of the company's shares to increase, the management is motivated to provide the best possible information on the company's performance. Therefore, taxes, which are profit-deductible elements available to be shared with investors or invested by the company, will be sought by management to be minimized to optimize the amount of the company's net profit. This research is also consistent with the research of Mulatsih *et al.*,(2019).

Deferred Tax Expense Positively Affects Earnings Management

Deferred tax expense arises due to the temporary difference between accounting profit and fiscal profit. The difference between accounting and fiscal financial statements is that in the preparation of financial statements, accounting standards provide more flexibility for managers to determine methods and estimates than those allowed according to taxes. This makes managers take advantage of loopholes to manipulate the amount of deferred tax burden they have (Yulianti, 2005). The amount of deferred tax burden reduces the company's profits, thereby reducing the amount of tax that must be paid. The results of this study are consistent with research conducted by, and Perwita *et al.* (2021) which provide results that the deferred tax burden has a positive effect on earnings management carried out by the company.

Deferred Tax Assets and Earnings Management

The test results prove that deferred tax assets do not affect earnings management. As stated the effect of tax assets on earnings management is due to the company not utilizing deferred tax assets to engineer profits, one of which is a close relationship between deferred tax assets and tax provisions. If a company utilizes deferred tax assets as an effort to carry out earnings management will have an impact on its fiscal financial statements because the deferred tax assets reported on commercial finance in the long term must be readjusted financial statements based on fiscal so that engineered deferred tax assets do not cause large tax payments and will harm the company.

CONCLUSION

Tax planning variables have a positive effect on earnings management. This shows that the greater the tax planning carried out by the company, the greater the company's motivation to do earnings management. The variable deferred tax burden affects earnings management. This shows that the greater the deferred tax burden of a company, the greater the earnings management practices carried out by the company. The variable of deferred tax assets does not affect earnings management. This shows that the larger or smaller the deferred tax asset will not affect the company's motivation for earnings management.

Research Implications

The implications of the results of this study are expected to be helpful:

1. For theory, this research provides additional evidence in explaining agency theory related to tax planning, deferred tax burden, and deferred tax assets to earnings management carried out by manufacturing companies on the Indonesia Stock Exchange.
2. For Manufacturing companies listed on the Indonesia Stock Exchange, the results of this study are expected to have implications in consideration of companies carrying out tax planning and deferred tax burdens, which are a consequence of differences in accounting methods that are allowed according to accounting standards and those allowed according to tax laws.
3. For investors, it can provide additional information about how the company carries out earnings management practices caused by the company's efforts to carry out tax planning, the existence of a deferred tax burden and deferred tax assets so that it will be a consideration for investors in making investment decisions made in the capital market, especially in manufacture companies listed on the Indonesia Stock Exchange (IDX).

Research Limitations

The limitations contained in this study are as follows:

1. This study was only able to explain the motivation for earnings management through tax planning, deferred tax burden and tax assets of 6.1%. The rest was explained by other variables not included in the research model.
2. This research cannot prove that deferred tax assets affect earnings management, where deferred tax assets are estimates arising from accumulated corporate tax losses that cannot be compensated and untapped accumulated tax credits following applicable tax provisions and regulations.

Recommendations

As for the advice that can be given for further research:

1 Researchers are further advised to use other proxies for earnings management variables, such as the Jones modified model.
2 Researchers are further advised to expand the research sample more broadly in addition to manufacturing companies so that they will get more samples which can later help maximize the results of subsequent research.
3 Subsequent research can separate and group companies that report profits or losses to detect the effect of deferred tax assets expected to affect earnings management.

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