REVIEW OF PROFIT MANAGEMENT IN BASIC MATERIAL COMPANIES IN INDONESIA SEEN FROM THE PERSPECTIVE OF INTELLECTUAL CAPITAL, FINANCIAL STABILITY, FINANCIAL DISTRESS AND FIRM SIZE

Egi Gumala Sari[1] Yusuf Faisal[2] Adila Febrianti[3]
[1]*Departement of Digital Business, School of Economics and Business, Telkom University, Indonesia,*
[2,3]*Departement of Accounting, Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Indonesia*
[1]egigumalasari@telkomuniversity.ac.id, [2]yusuffaisal@stietribhakti.ac.id
[3]adilafe11@gmail.com

Abstract: *This study aims to determine the influence of intellectual capital, financial stability, financial distress and firm size on earning management. This study uses quantitative data, the sample in this study is 31 companies in the basic materials sector listed on the Indonesia Stock Exchange in the period 2012 – 2022. The analysis technique used to test the hypothesis was multiple regression analysis using Eviews 9 software. This study shows that the intellectual capital variable has a negative and statistically insignificant effect on earning management, the financial stability variable has a positive effect and is statistically insignificant on earning management, the financial distress variable has a positive effect on earnings management and the firm size variable has a positive effect and is statistically insignificant on earning management and statistically insignificant towards earning management*

Keywords*: intellectual capital, financial stability, financial distress, firm size, earning management*

INTRODUCTION

In developments in the business world, companies are required to be able to create a competitive advantage that can compete with other competitors. Company resources are utilized in carrying out operations that help companies to be superior in competition in an efficient and effective way. One of the indicators used to assess the company's performance is the amount of profit obtained. An increase in profits from year to year indicates that the company optimally manages resources in obtaining profits. The preparation of financial statements with the principle of accrual, which involves estimation and assessment, provides an opportunity for companies to choose a method that suits the company's situation, as long as it remains in line with the applicable financial accounting standards (SAK) (Rianto & Rina, 2021).

The importance of presenting financial statements for the survival of the company causes managers to be motivated to improve the company's performance so that the company still looks good. This job sometimes makes managers take various actions, one of which is by doing profit management. Profit is one of the accounting information that is important for investors in determining investment decisions. Therefore, profits are often used as a target of management engineering to prioritize their personal interests and this can be detrimental to investors.

Earnings management is an act of intervention carried out in financial statements in accordance with legitimate accounting principles to obtain profits in accordance with external expectations Profit management can be done in ways such as increasing, decreasing, or stabilizing revenue

to affect the value of profits (Steven & Sha, 2022). In the theory of agency (Jensen & Meckling, 1976) it can be explained that profit management is carried out because there is a conflict of interest between the interests of the company owner (principal) which is not in harmony with the management of the company (agent).

(Scott, 2015) explained that if carried out in accordance with the procedures recorded in accounting standards, profit management actions can be considered ethical actions. This is a consideration for leaders when looking at changes in recording methods, accounting, revenue recognition and others. This opinion is supported by several experts. However, there are also those who argue that profit management actions can cause users to use financial statements and create information asymmetry that has the potential to create mismatches between owners and managers. This gap can affect the wrong decision-making process.

The profit management scandal that has occurred in Indonesia, especially in the basic materials company , namely PT Timah (Persero) Tbk (TINS). Where the financial statements of the first semester of 2015 showed positive performance, even though the company suffered an operational loss of Rp59 billion. In addition, PT Timah also experienced a significant decrease in profit and an increase in debt. The company's debt increased by almost 100 percent from Rp263 billion in 2013 to Rp2.3 trillion in 2015. This was done by the company PT. Tin to cover the financial performance of companies that are unable to get out of the losses experienced (Okezone.com, 2016).

Profit management can be influenced by several factors, one of which is intellectual capital. Intellectual capital is a source of competitive excellence, as well as a reliable engine of production that is able to increase the output value of knowledge-based companies, Strong intellectual capital performance can result in an increase in stakeholder wealth to the maximum (Pohan et al., 2018). In research (Andriani & Arsjah, 2022; E. G. Sari & Murtanto, 2023) it was found that intellectual capital has a negative effect, which means that if intellectual capital is managed efficiently, it will reduce profit management practices. In addition, financial stability is also one of the factors in profit management. Financial stability is a state that describes the condition of a company in a stable condition. Financial stability can also put considerable pressure on management to maintain the company's financial stability. Therefore, they take various ways to make financial statements look good, one of which is profit management. This is in line with research (Ferdini et al., 2020) which states that financial stability has a positive effect on profit management.

Financial distress as one of the management factors of financial distress is the company's financial condition that continues to decline before reaching the point of bankruptcy. Failure to carry out the company's operational activities effectively can be the main cause of financial distress (Tannaya & Lasdi, 2021). Unstable financial conditions can trigger managers to carry out various profit management, such as income increasing, income decreasing, income smoothing, and so on. This aims to present more attractive profit financial statements (Santosa & Rasyid, 2022). Previous research from (Krisnando & Damayanti, 2021; Sihombing & Nurul Izzah, 2022) stated that financial distress has a significant positive effect. Firm size is a benchmark that shows the size of a company (Wulan Astriah et al., 2021). Large-scale companies have a wider range of shareholders. So that the policies taken by large companies will have a greater impact on public interest compared to small companies. For investors, the company's

policies will have an impact on the future cash flow outlook. Research (Paramitha & Idayati, 2020) found that company size has a negative effect on profit management, in addition to research (Priharta et al., 2018; Santi & Wardani, 2018; Yanti & Ery Setiawan, 2019) stated that company size has a negative and significant effect on profit management.

This study aims to review, analyze and obtain empirical evidence regarding 1) The influence of intellectual capital on earning management. 2) The influence of financial stability on earning management. 3) The influence of financial distress on earning management. 4) The influence of firm size on earning management.

THEORETICAL FOUNDATIONS

Agency Theory

Jensen & Meckling (1976) defined agency theory as a relationship between one or more principals involving other people (agents) to perform a number of services on their behalf involving delegating some decision-making authority to an agent. The relationship between management and the board of directors often causes conflicts between parties due to differences in interests. One of the responsibilities of management to principals is to provide reliable financial reports. The goal of management is to report the company's results as comprehensively as possible, regardless of the interests of the principal (Siswantoro, 2020).

Signaling Theory

In the labor market, there is always an information imbalance (information asymmetry) so Spence created a signal system to strengthen decision-making in recruiting workers in the company. This signaling system includes education, work experience, race, gender, and personality. The existence of this criterion depends on uncertainty about the productivity ability of employees (Spence, 1973).

Resourche Based View (RBV)

Resourche Based View Theory or called resource-based value theory according to (Barney, 1991) is a business concept that emphasizes the importance of company resources and capabilities to create long-term competitive advantages. A company's unique and uninitiable resources can be a source of competitive advantage and make the company more able to compete.

Earning Management

Profit management is one of the ways that allows management to manage a company's financial statements through the selection of certain accounting policies with the aim of increasing net profit and company value in accordance with management expectations (Paramitha & Idayati, 2020).

Intellectual Capital

Intellectual capital or intellectual capital is a concept to create valuable added value for the company, intellectual capital itself is divided into 3 categories, namely structural capital, human capital and customer capital. In his research (Kalbuana et al., 2020), human capital is defined as employee knowledge, while structural capital is knowledge in terms of units/companies and customer capital related to customers.

Financial Stability

Financial stability is a state of showing the financial situation of a company in a normal and fine situation (Lestari & Nuratama,

2020). According to SAS No. 99, managers are pressured to commit fraud when financial stability is threatened by the economic situation.

Financial Distress

Financial distress or financial difficulties can often be interpreted in a phase close to bankruptcy, where this phase is characterized by uncertainty regarding the company's future profitability. In addition, financial difficulties are also defined as the stage of deterioration of the financial situation before bankruptcy (Nurdiansyah, 2021).

Firm Size

The size of a company refers to the classification of companies into specific categories, such as large or small companies. The size of a company can often reflect the size of the company. Factors that can determine whether a company is large or small include total assets, average sales, and total sales (Irawan, 2019).

Hypothesis Development

The Influence of Intellectual Capital on Earning Management.

Companies with high intellectual capital focus on creating long-term value rather than having to manage short-term profits. This is related to the concept of a resource-based view, where the company will achieve a competitive advantage when the company manages the company's resources, especially intangible, namely intellectual capital well to get optimal results, so that it will have a positive effect on the quality of profits and reduce profit management behavior. This hypothesis is in line with previous research conducted by (Andriani & Arsjah, 2022; Hapsari et al., 2022; E. G. Sari & Murtanto, 2023) which states that intellectual capital has a negative effect on earning management

H1: Intellectual capital has a negative effect on earnings management

Influence Financial Stability Against Earning Management

When financial stability experiences problems, management will try to improve and maintain financial conditions so that they still look good. This condition can put pressure on management to do various ways including profit management. This is supported by research (Ferdini et al., 2020; Rianto & Rina, 2021) who found that financial stability has a positive effect on earning management

H2: Financial stability has a positive effect on revenue management

The Impact of Financial Distress on Earnings Management

Companies that experience financial distress will be very difficult to be able to fulfill their obligations or pay company fees and losses during the company's operational process which will later experience bankruptcy for a long time. The manager will carry out profit management to maintain the company's financial performance so as not to lose investors. The results of the study (Chairunesia et al., 2018; Krisnando & Damayanti, 2021; Mustika et al., 2020; Santosa & Rasyid, 2022; Sihombing & Nurul Izzah, 2022) found that financial distress has a positive effect on earning management

H3: Financial distress has a positive effect on earnings management

The Effect of Firm Size on Earning Management

Large companies will be more noticed by the public, large companies have large investors, so they get pressure to present credible financial reports. The larger the company, the less motivation to do profit

management. This statement is supported by research (Anindya & Yuyetta, 2020; Paramitha & Idayati, 2020; Wulan Astriah et al., 2021)

H4: Firm size has a negative effect on earnings management

METHODOLOGY

Types and Sources of Research Data

The type of data used in this study is secondary data, namely data provided by other parties and does not come from direct sources. The data obtained is in the form of financial statements of basic materials companies published by the Indonesia Stock Exchange (IDX) for 2012 – 2022. The population used in this study is all basic materials companies listed on the Jakarta Stock Exchange (IDX). Sampling was carried out by a random sampling method. The population is 98 and those who meet the criteria are 31 companies.

Research Analysis Methods and Hypotheses

This study uses a panel data regression test. There are 3 (three) possible models used to estimate model parameters with panel data, namely Common effect Model (CEM), Fixed effect Model (FEM-Covariance Model) and Random effect Model (REM). The model selection test is used to determine one best model among three regression models, namely the Common effect Model, the Fixed effect Model and the Random effect Model, the test includes the Chow test, the Hausman test and the Lagrange Multiplier test. To test the hypothesis, the study used the determination coefficient test and the t-test.

Measurement

Intellectual capital (X1)

Measurement of Intellectual Capital is measured using the Pulic formula (1998)

First stage: looking for Value Added (VA)

VA=OUT - IN

Information:

VA : Value Added

OUT : Output (total sales and other revenues)

IN : Input (sales expenses and other expenses other than employee expenses)

Second stage: calculating Value Added Capital Employed (VACA)

VACA=VA/CE

Information:

VACA : Value Added Capital Employed

VA : Value Added

CE : Capital Employed (available funds; equity)

Third stage: calculating Value Added Human capital (VAHU)

VAHU=VA/HC

Information:

VAHU : Value Added Human capital

VA : Value Added

HC : Human capital (employee expenses)

Fourth stage: calculating Structural Capital Value Added (STVA)

STVA=SC/VA

Information:

STVA : Structural Capital Value Added

SC : Structural Capital (VA – HC)

VA : Value Added

Fifth stage: calculate the Value Added Intellectual Coefficient (VAIC)™ from the three coefficients above.

VAIC^TM=VACA + VAHU + STVA

Financial stability (X_2)
Financial Stability measurement is measured using the formula Skousen et al., (2009)

ACHANGE = (total asset.t- total asset.t-1)/(total asset.t-1)

Financial Distress (X_3)
Measurement of financial distress using the Zmijewski formula (1984)
X = -4,3 – 4,5X1 + 5,7X2 –0,004X3
Where:
X1 = Net income/total assest
X2 = Total liabilities/total asset
X3 = Current assets/current liabilities

Firm size (X_4)
SIZE = Ln (Total Asset)

Earning management (Y)
The measurement of earning management was measured using the formula Dechow et al., (1995).
Jones Modified Model:

1. Calculate the total accrual (TAC), which is the net profit in year t minus the operating cash flow in year t, with the following formula:
   TAit = NIit – CFOs
2. Furthermore, the total accrual (TAC) is estimated with the Ordinary Least Square (OLS) to obtain the regression coefficient as follows:
$$\frac{\text{TAit}}{\text{Ait}-1} = \beta 1\left(\frac{1}{\text{Ait}-1}\right) + \beta 2\left(\frac{\Delta\text{Revit}}{\text{Ait}-1}\right) + \beta 3\left(\frac{\text{PPEit}}{\text{Ait}-1}\right) + \varepsilon$$
3. With the regression coefficient in the formula above, the Non-Discretionary Accrual (NDA) is determined by the following formula:
$$\text{NDA it} = \beta 1\left(\frac{1}{\text{Ait}-1}\right) + \beta 2\left(\frac{\Delta\text{Revit}}{\text{Ait}-1} - \frac{\Delta\text{Recit}}{\text{Ait}-1}\right) + \beta 3\left(\frac{\text{PPEit}}{\text{Ait}-1}\right)$$
4. Discretionary Accruals (DA) as a measure of profit management are defined as follows:
$$\text{DAit} = \frac{\text{TAit}}{\text{Ait}-1} - \text{NDAit}$$

Information:
DAit : Discretionary Accruals of the company in the period of year t, NDA-I: Nondiscretionary Accruals of the company in the period of year t, Tait: Total accruals of the company in the period of year t, NI it: Net profit of the company in the period of year t, CFO it: Cash flow of operating activities of the company in the period of t, Ait-1: Total assets company i in the period of year t-1, Rev it : Company income i in year t minus company income i in Year t-1, PPE it : ΔProperty, Factory, and Equipment Company i in year t, Rec itΔ : Company receivables in year t minus company income i in year t-1, : Parameters obtained from the regression equation, β1,β2,β3ε : Error

RESULTS AND DISCUSSION

Tabel 1. Descriptif

	Earning Management	Intellectual Capital	Financial Stability	Financial Distress	Firm Size
Mean	-0.091142	1.707049	0.085661	-1.726249	27.99614
Median	-0.062387	1.989020	0.052011	-1.739089	27.84083
Maximum	0.409237	14.85378	1.234014	15.61173	32.04938
Minimum	-0.946126	-81.74120	-0.559302	-4.783375	24.46290
Std. Dev.	0.220073	5.246448	0.209905	2.098520	1.687005
Observations	338	338	338	338	338

Sumber : Output Eviews9 (2024)

Selection of the Best Panel Data Model

Chow Test

The criteria for making Chow test decisions are as follows:

1. If the probability (Prob) on Cross Section F < 0.05 then a better model is Fixed effect.
2. If the probability (Prob) on Cross Section F > 0.05 then a better model is Common effect

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	28.716434	(30,303)	0.0000
Cross-section Chi-square	455.052200	30	0.0000

Sumber : Output Eviews9 (2024)

Based on the results of the Chow Test using Eviews9, it is stated that the probability value of Cross Section F is 0.00 which is less than the significance level value (α= 0.05). This means that the best model used is the Fixed Effect Model (FEM). Therefore, the Hausman Test is needed in order to choose the best model between the Fixed Effect Model and the Random Effect Model.

Hausman Test

The criteria for making decisions on the Hausman test are as follows:

1. If the Probability (Prob) < 0.05 then a better model is Fixed effect
2. If the Probability (Prob) > 0.05 then a better model is Random effect

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.617486	4	0.3288

Sumber : Output Eviews9 (2023)

Based on the results of the Hausman Test, the probability value is 0.33 where this result is more than the significance level value (α= 0.05). In this case, it means that the best model used is the Random Effect Model (REM). Therefore, a Langrange Multiplier Test is needed in order to choose the best model between the Common Effect Model and the Random Effect Model.

Lagrange Multiplier Test

The decision-making criteria for the Lagrange Multiplier test are as follows:

1. If the Significance on Both < 0.05 then a better model is the Random effect
2. If the Significance on Both > 0.05 then a better model is Common effect

Table 3. Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	813.5041	2.873873	816.3779
	(0.0000)	(0.0900)	(0.0000)

Source : Output Eviews9 (2023)

Based on the results of the Langrange Multiplier Test, the significance value on Both is 0.00 where this result is less than the significance level value (α= 0.05). In this case, it means that the best model used is the Random Effect Model (REM).

Multiple Regression Analysis

Table 4. Regresi Data Panel Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.287898	0.424015	0.678980	0.4976
IC	-0.000575	0.001373	-0.418445	0.6759
FS	0.046779	0.032944	1.419965	0.1566
FD	3.17E-05	0.005073	0.006245	0.9950
SIZE	-0.013741	0.015123	-0.908641	0.3642

The results of panel data regression estimation using the Random Effect Model (REM) show the results of testing with panel data regression, so from these results the following model equation is obtained.

EM = 0,28 – 0,00056*IC + 0,047*FS + 0.0000317*FD – 0,014*Size + ε

Coefficient of Determination Test

Table 8. Coefficient of Determination Test

R-squared	0.007762	Mean dependent var	-0.017107
Adjusted R-squared	-0.004157	S.D. dependent var	0.116817
S.E. of regression	0.117019	Sum squared resid	4.559896
F-statistic	0.651241	Durbin-Watson stat	1.790092
Prob(F-statistic)	0.626362		

R-Squared shows a value of 0.007762 which means that 0.78% of the variables Intellectual capital, Financial stability, Financial distress and Firm size can explain the Earning management variable.

Partial Test (T-Test)

Table 9. Partial Test (T-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.287898	0.424015	0.678980	0.4976
IC	-0.000575	0.001373	-0.418445	0.6759
FS	0.046779	0.032944	1.419965	0.1566
FD	3.17E-05	0.005073	0.006245	0.9950
SIZE	-0.013741	0.015123	-0.908641	0.3642

IC = Intellectual capital, FS = Financial stability, FD = Financial Distress, SIZE = Firm size

Sumber : Output Eviews9 (2023)

The results of the test using the Random Effect Model (REM) can be concluded as follows:

1. Intellectual capital with a probability value of 0.6759/2 = 0.33795 > 0.05, can be interpreted that the Intellectual capital variable has a negative effect and is statistically insignificant on Earning management.
2. Financial stability with a probability value of 0.1566/2 = 0.0783 > 0.05, can be interpreted that the Financial stability variable has a positive effect and is statistically insignificant to Earning management.
3. Financial distress with a probability value of 0.9950/2 = 0.49751 > 0.05, can be interpreted that the Financial distress variable has a positive effect and is statistically insignificant to Earning management.
4. Firm size with a probability value of 0.3642/2 = 0.1821 > 0.05, can be interpreted that the Firm size variable has a negative effect and is statistically insignificant to Earning management.

DISCUSSION

Intellectual capital on earnings management

Based on partial testing (t-test) using the Random Effect Model (REM) test, it shows a coefficient of -0.000575 with a probability of 0.6759 because this study uses the one tail hypothesis , the probability value divided by 2 (two) 0.6759/2 = 0.33795 is greater than the significance level at the level of α = 5% (0.05). From the statistical results, it can be stated that hypothesis one (H1) is accepted and it can be concluded that the Intellectual capital variable has a negative effect and is statistically insignificant to Earning management. Where this explains that the higher the intellectual capital consisting of 3 (three) main components, namely Human Capital, Structural Capital, and Relational Capital owned by the company, the less likely the company is to practice profit management. This finding is contrary to the findings (Kalbuana et al., 2020) which examined transportation companies, and on state-owned companies researched by (Ramadani et al., 2022), as well as research (P. P. Sari & Astika, 2021) which researched non-financial state-owned companies , where from the results of their research they found that Intellectual Capital has a positive effect on Earning management.

While the findings in this study are in line with (Andriani & Arsjah, 2022) which researched manufacturing and banking companies, and also in the research (E. G. Sari & Murtanto, 2023) which researched all banking companies, from the results of their research stated that Intellectual Capital has a negative effect on Earning management.

Financial stability on earnings management

Based on partial testing (t-test) using the Random Effect Model (REM) test, it shows a coefficient of 0.046779 with a probability of 0.1566/2 = 0.0783 greater than the significance level of α = 5% (0.05). From the statistical results, it can be stated that hypothesis two (H2) is accepted and it can be concluded that the variable of financial distress has a positive effect and is statistically insignificant to Earning management.

Total assets that have increased can be caused by increased sales which make revenue also increase, of course it can also make net profit increase. Management efforts in managing receivables well will also have an impact on increasing receivables. Financial stability, which is one of the components of pressure in the fraud triangle, can be explained that because of the pressure to maintain financial stability properly, managers take the risk of practicing profit management on the company's assets so that the company's financial condition looks stable. Financial stability pressures arise for several reasons, including achieving performance targets and maintaining company value.

This research is in line with the findings (Ferdini et al., 2020) which state that financial stability has a positive effect on earning management, where the study examines companies in the consumer-non-cyclical sector with. However, unlike the findings (Rianto & Rina, 2021) that researched mining companies, where they found that financial stability had a negative effect on earnings management.

Financial distress on earning management

Based on partial testing (t-test) using the Random Effect Model (REM) test, it shows a coefficient of 0.0000317 with a probability of 0.9950/2 = 0.49751 greater than the significance level of α = 5% (0.05) From the statistical results, it can be stated that hypothesis three (H3) is accepted and it can be concluded that the financial distress variable has a positive effect and is statistically insignificant on Earning management.

From the coefficient and probability values above, it can be concluded that basic materials companies that experience financial distress or financial difficulties are difficult to be able to fulfill their obligations or pay company costs and losses during the company's operational process which will later experience bankruptcy for a long time. As the party responsible for the continuity of the company, the manager certainly tries to maintain the company's financial performance when experiencing financial difficulties so as not to lose investors, namely by conducting profit management to maintain the trust of shareholders.

These results are in line with the findings (Chairunesia et al., 2018) which examined Indonesian companies included in the ASEAN corporate governance scorecard, (Damayanti & Kawedar, 2018) conducted research on all companies listed on the IDX, (Krisnando & Damayanti, 2021) which researched real estate and property companies listed on the IDX, (Mustika et al.,

2020) which researches mining companies, (Santosa & Rasyid, 2022) which researches manufacturing sector companies in the basic industry and chemicals subsector and (Sihombing & Nurul Izzah, 2022). From the findings they obtained, financial distress has a positive effect on earnings management, where in a situation of financial difficulties, basic materials companies that are unable to pay their debts on time and face the risk of bankruptcy, then the opportunity to practice profit management will be open. In contrast to the findings (Irawan & Apriwenni, 2021; Nurdiansyah, 2021; Tannaya & Lasdi, 2021; Tsaqif & Agustiningsih, 2021) which found that financial distress has a negative effect on earning management.

Firm size on earning management

Based on partial testing (t-test) using the Random Effect Model (REM) test, it shows a coefficient of -0.013741 with a probability of 0.3642/2 = 0.1821 greater than the significance level at the level of α = 5% (0.05). From the statistical results, it can be stated that hypothesis one (H4) is accepted and it can be concluded that the Firm size variable has a negative effect and is statistically insignificant to Earning management.

This happens because the larger the size of a company, the more attention is paid to the public, large companies have large investors so they get pressure to present credible financial statements. The larger the company, the less motivation to do profit management. Because the larger the company, the more profit management is not guaranteed. Strict supervision will limit managers in conducting profit management, because there is a possibility that it is easily detected by the government and outsiders.

This is similar to the findings (Irawan, 2019) which researched manufacturing companies, (Karina & Sutarti, 2021) who researched bank companies, (Priharta et al., 2018) researched companies that participated in the corporate governance perception index (CGPI) program, (Santi & Wardani, 2018) who researched companies in the food and beverage subsector, (Yanti & Ery Setiawan, 2019) who researched manufacturing companies, from the results of the research they conducted, they found that Firm Size had a negative effect on Earning management, but it was contrary to the findings (Citra et al., 2021; Paramitha & Idayati, 2020; Prima Agustia & Suryani, 2018; Wulan Astriah et al., 2021) who stated that firm size has a positive effect on Earning management

CONCLUSION

1. Intellectual capital has a negative and statistically insignificant effect on earning management.
2. Financial stability has a positive and statistically insignificant effect on earnings management.
3. Financial distress has a positive and statistically insignificant effect on earnings management.
4. Firm size has a negative effect and is statistically insignificant to earnings management.

SUGGESTION

1. Researchers can then consider other variables that have the potential to affect profit management such as audit quality, size of the board of directors, debt level and corporate governance.
2. Compare the basic materials sector with other sectors such as the technology or transportation sectors, to find out whether these variables have a negative or positive effect on profit management between these sectors.
3. Researchers can then make moderation variables and mediation variables from the relationship between Intellectual

Capital, Financial Stability, Financial Distress and Firm Size, which has a role as moderation and mediation.

REFERENCES

Andriani, N., & Arsjah, R. J. (2022). Pengaruh Intellectual Capital Dan Esg Terhadap Manajemen Laba Yang Dimoderasi Oleh Profitabilitas. Jurnal Ekonomi Trisakti, 2(2), 595–610. https://doi.org/10.25105/jet.v2i2.14646

Anindya, W., & Yuyetta, E. N. A. (2020). Pengaruh Leverage, Sales Growth, Ukuran Perusahaan dan Profitabilitas Terhadap Manajemen Laba. Diponegoro Journal of Accounting, 9, 1–13. https://ejournal3.undip.ac.id/index.php/accounting/article/view/29136/24632

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17, 99–120.

Chairunesia, W., Sutra, P. R., & Wahyudi, S. M. (2018). Pengaruh Good Corporate Governance Dan Financial Distress Terhadap Manajemen Laba Pada Perusahaan Indonesia Yang Masuk Dalam Asean Corporate Governance Scorecard. Jurnal Profita, 11(2), 232. https://doi.org/10.22441/profita.2018.v11.02.006

Citra, K., Faisal, Y., Wibisono, C., & Sari, G. (2021). Current Advanced Research On Sharia Finance And Economic Worldwide (Cashflow) Volume 1 Issue 1 (2021) Current Advanced Research On Sharia Finance And Economic Worldwide | Cashflow The Effect Of Capital Adequacy, Liquidity And Firm Size On EARNINGS MANAGEM. Transpublika, 1(1), 33–49.

Damayanti, C. R., & Kawedar, W. (2018). Pengaruh Profitabilitas, Mekanisme Pemantauan dan Financial Distress Terhadap Manajemen Laba. Diponegoro Journal of Accounting, 7(4), 1–9. http://ejournal-s1.undip.ac.id/index.php/accounting

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting Earning Management. In The accounting Review (Vol. 70, Issue 20, pp. 193–225). https://www.jstor.org/stable/248303

Ferdini, N., Fito Mela, N., & Nur DP, E. (2020). Manajemen Laba : Pengaruh Stabilitas Keuangan, Mekanisme Pemantauan Eksternal, Perilaku Peluang Dan Pemantauan Yang Tidak Efektif. Jurnal Kajian Akuntansi Dan Bisnis Terkini, 1(1), 89–105.

Hapsari, I., I Inayati, N., & I Hartikasari, A. (2022). Pengaruh Intellectual Capital Terhadap Earnings Management Dengan Profitabilitas Sebagai Variabel Moderasi (Studi Pada Perbankan Indonesia dalam Menghadapi Blueprint Sistem Pembayaran Indonesia 2025). Edunomika, 06(01), 1–13.

Irawan. (2019). Analisis Manajemen Persediaan, Ukuran Perusahaan, dan Leverage Terhadap Manajemen Laba pada Perusahaan Manufaktur di Bursa Efek Indonesia. Jurnal Manajemen Tools, 11(1), 99–115.

Irawan, S., & Apriwenni, P. (2021). Pengaruh Free Cash Flow, Financial Distress, Dan Investment Opportunity Set Terhadap Manajemen Laba. Jurnal Akuntansi Bisnis, 14(1), 24–37. https://doi.org/10.30813/jab.v14i1.2458

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. The Economic Nature of the Firm: A Reader, Third Edition, 283–303. https://doi.org/10.1017/CBO9780511817410.023

Kalbuana, N., R, A. N. B., & Yulistiani, N. (2020). Pengaruh Intellectual Capital, Tata Kelola Perusahaan dan Kualitas Audit Terhadap Manajemen Laba. JABI (Jurnal Akuntansi Berkelanjutan Indonesia), 3(1), 56. https://doi.org/10.32493/JABI.v3i1.y2020.p56-71

Karina, K., & Sutarti, S. (2021). Pengaruh Ukuran Perusahaan Dan Corporate Governance Terhadap Manajemen Laba Di Industri Perbankan Indonesia. Jurnal Ilmiah Akuntansi Kesatuan, 9(1), 111–120. https://doi.org/10.37641/jiakes.v9i1.487

Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. Journal of Corporate Finance, 10(5), 703–728. https://doi.org/10.1016/S0929-1199(03)00046-4

Krisnando, K., & Damayanti, S. (2021). Pengaruh Financial Distress, Komite Audit, dan Ukuran Perusahaan terhadap Manajemen Laba. Jurnal STEI Ekonomi, 30(01), 101–113. https://doi.org/10.36406/jemi.v30i01.431

Lestari, A. A. M., & Nuratama, I. P. (2020). Pengaruh Financial Stability, External Pressure, Nature of Industry, dan Rationalization Terhadap Financial Statement Fraud dalam Sudut Pandang Fraud Triangle pada Perusahaan Sektor Real Estate and Property yang Terdaftar di Bursa Efek Indonesia Tahun 201. Hita Akuntansi Dan Keuangan, 29.

Mustika, M., Ardheta, P. A., & Paembonan, Y. R. (2020). Pengaruh Financial Distress dan Komite Audit Terhadap Manajemen Laba Pada Sektor Pertambangan. Jurnal STEI Ekonomi, 29(01), 71–78. https://doi.org/10.36406/jemi.v29i01.300

Nurdiansyah, A. (2021). Pengaruh Financial Distress Terhadap Manajemen Laba (Studi Pada Perusahaan Sektor Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2015 - 2019). Jurnal Sains Manajemen Dan Akuntansi, 2021.

Paramitha, D. K., & Idayati, F. (2020). Pengaruh Profitabilitas, Likuiditas, Ukuran Perusahaan Terhadap Manajemen Laba. Jurnal Ilmu Dan Riset Akuntansi (JIRA), 9(2), 1–18. http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/2801

Pohan, E. S., Lestari, T., Ramdhani, D., Al-Khairiyah, S., Sultan, U., & Tirtayasa, A. (2018). Pengaruh Intellectual Capital Terhadap Kinerja Keuangan: Studi Empiris Pada Sektor Teknologi Informasi dan Jasa. Jurnal Akuntansi, 6(2), 103–116. https://doi.org/10.24964/ja.v6i2.643

Priharta, A., Rahayu, D. P., & Sutrisno, B. (2018). Pengaruh CGPI, Kualitas Audit, Ukuran Perusahaan dan Laverage terhadap Manajemen Laba. JABE (Journal of Applied Business and Economic), 4(4), 277. https://doi.org/10.30998/jabe.v4i4.2674

Prima Agustia, Y., & Suryani, E. (2018). Pengaruh Ukuran Perusahaan, Umur Perusahaan, Leverage, dan Profitabilitas Terhadap Manajemen Laba (Studi Pada Perusahaan

Pertambangan yang Terdaftar di Bursa Efek Indonesia Periode 2014-2016). Jurnal Akuntansi, 10(2), 63–74. https://doi.org/10.37932/ja.v10i2.437

Pulic, A. (1998). Measuring the performance of intellectual potential in the knowledge economy. The 2nd" World Congress on the Management of Intellectual Capital", 1–20.

Ramadani, R. S., Indra, A. Z., & Putri, W. R. E. (2022). Pengaruh Leverage, Audit Tenure, Dan Intellectual Capital Terhadap Earnings Management (Studi Empiris Pada Perusahaan BUMN Tahun 2015-2019). Accounting Global Journal, 6(1), 28–45. https://jurnal.umk.ac.id/index.php/AccGlobal/article/view/7417%0Ahttps://jurnal.umk.ac.id/index.php/AccGlobal/article/viewFile/7417/3154

Rianto, R., & Rina, R. (2021). Analisis Pengaruh Ukuran Perusahaan, Financial Stability Dan External Pressure Terhadap Earning Management Dengan Financial Targets Sebagai Variabel Moderasi. Akrual : Jurnal Akuntansi Dan Keuangan, 3(1), 58–71.

Santi, D. K., & Wardani, D. K. (2018). Pengaruh Tax Planning, Ukuran Perusahaan, Corporate Social Responsibility (Csr) Terhadap Manajemen Laba. Jurnal Akuntansi, 6(1), 11–24. https://doi.org/10.24964/ja.v6i1.536

Santosa, C., & Rasyid, S. (2022). Pengaruh Asimetri Informasi, Financial Distress, Dan Komite Audit Terhadap Manajemen Laba. Akrual : Jurnal Bisnis Dan Akuntansi Kontemporer, 15(1), 12–22.

Sari, E. G., & Murtanto. (2023). Corporate Governance Moderates The Effect of Efficiency , Intellectual Capital , Liquidity On Banking Earnings Management. IJEBAS (International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration), 3 No. 4, 1298–1312.

Sari, P. P., & Astika, I. B. P. (2021). The Effect of Good Corporate Governance, Debt Contracts, and Intellectual Capital on Earnings Management. American Journal of Humanities and Social …, 4, 101–108. https://www.ajhssr.com/wp-content/uploads/2021/04/O2154101108.pdf

Scott, W. R. (2015). Financial Accounting Theory. Seventh Edition. Pearson Prentice Hall: Toronto. www.pearsoncanada.ca.

Sihombing, T., & Nurul Izzah, A. (2022). Pengaruh Kualitas Audit , Financial Distress dan Ukuran Perusahaan terhadap Manajemen Laba Sebelum dan Pada Situasi Pandemi Covid19. JIMEA : Jurnal Ilmiah MEA (Manajemen, Ekonomi, Akuntansi), 6(2), 274–292.

Siswantoro. (2020). Pengaruh faktor tekanan dan ukuran perusahaan terhadap kecurangan laporan keuangan. Jurnal Akuntansi, Keuangan, Dan Manajemen, 1(4), 287–300. https://doi.org/10.35912/jakman.v1i4.76

Skousen, C. J., Smith, K. R., & Wright, C. J. (2009). Detecting and predicting financial statement fraud: The effectiveness of the fraud triangle and SAS No. 99. Advances in Financial Economics, 13(99), 53–81. https://doi.org/10.1108/S1569-3732(2009)0000013005

Spence, M. (1973). Job Market Signaling. The Quarterly Journal of Economics, 87(4), 355–374. https://doi.org/10.1055/s-2004-820924

Steven, D., & Sha, T. L. (2022). Pengaruh Profitability, Firm Size, Leverage, Dan Managerial Ownership Terhadap Earning Management. Jurnal Paradigma Akuntansi, 4(1), 1. https://doi.org/10.24912/jpa.v4i1.16685

Tannaya, C. I. N., & Lasdi, L. (2021). Pengaruh Financial Distress Terhadap Manajemen Laba dengan Moderasi Corporate Governance. Jurnal Ilmiah Mahasiswa Akuntansi (JIMA), 10(1), 31–40. https://doi.org/10.33508/jima.v10i1.3453

Tsaqif, B. M., & Agustiningsih, W. (2021). Pengaruh Financial Distress dan Ukuran Perusahaan Terhadap Manajemen Laba dengan Kepemilikan Manajerial sebagai Variabel Moderasi. Jurnal Akuntansi Dan Governance, 2(1), 53. https://doi.org/10.24853/jago.2.1.53-65

Wulan Astriah, S., Trinanda Akbar, R., & Apriyanti, E. (2021). Pengaruh Ukuran Perusahaan, Profitabilitas dan Leverage Terhadap Manajemen Laba JURNAL AKUNTANSI, Vol. 10, No. 2, November (2021). Jurnal Akuntansi, 10(2), 387–401.

Yanti, T. R., & Ery Setiawan, P. (2019). Pengaruh Asimetri Informasi, Ukuran Perusahaan, Leverage dan Profitabilitas pada Manajemen Laba. E-Jurnal Akuntansi, 27, 708. https://doi.org/10.24843/eja.2019.v27.i01.p26

Zmijewski. (1984). Methodological Issues Related to the Estimation of Financial Distress Prediction Models. 22(1984), 59–82.