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ANALYSIS OF THE EFFECT OF TAX PLANNING AND LEVERAGE ON EARNINGS MANAGEMENT WITH COMPANY SIZE AS A MODERATING VARIABLE

Izziyah Fikriyah
Mercu Buana University Jakarta, Indonesia

Yudhi Herliansyah
Mercu Buana University, Jakarta, Indonesia

ABSTRACT

This study aims to analyze the effect of tax planning and leverage on earnings management with firm size as a moderating variable. This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange during 2015 to 2017. The types of data used in this study are secondary data in the form of annual financial report on December 31 for 2015, 2016 and 2017. The total number of companies made as a sample there were 29 companies for a period of 3 years (2015-2017) so there are 87 samples. Analysis data method that used for this research is SPSS version 24, with a value of significance was set at 5%.

The results of this study concluded that tax planning has a positive relationship and significant influence on earnings management while the leverage variable has a negative relationship but does not have a significant effect on earnings management. This study also results that the size of the company can moderate the relationship of tax planning with earnings management but the size of the company cannot moderate the relationship of leverage with earnings management.

KEYWORDS: *Tax Planning, Leverage, Company Size, Earnings Management*

INTRODUCTION

One indicator of the assessment of corporate financial performance is the achievement of corporate profits reflected in financial statements. profit component is the center of attention as a basis for decision making for company owners in assessing company performance for the continuity of their business. According to Harahap (2015) profit is an important number in financial statements because profit is the basis of tax calculations, guidelines in determining investment policies and decision making, as well as the basis for profit forecasting and other economic events in the future.

In general, management wants a good profit achievement to improve the company's financial performance. Richardson (1998) states that managers as agents know more about internal information about companies than stakeholders (principals), so managers must provide information about the condition of the company to the owner. Information conveyed by managers is sometimes not in accordance with the actual conditions of the company because managers tend to report something that maximizes its utility. This situation is known as information asymmetry that can provide opportunities for managers to practice earnings management. Earnings management is a process that is deliberately carried out within the limits of generally accepted accounting principles to lead to the level of reported earnings (Assih and Gudono, 2000). Earnings management is carried out by managers by using certain valuations in financial reporting and compiling transactions to change financial statements to mislead stakeholders regarding the economic performance that occurs

(Healy and Wahlen, 1999). Furthermore, Belkaoui (2007) said that the essence of earnings management is the ability to "manipulate" available choices and make the right choices to achieve the expected level of profit. This shows that earnings management actions are aimed more at the interests of management themselves by utilizing information asymmetry conditions to improve the quality of earnings information contained in financial statements in order to create a positive impression from stakeholders on the company's financial performance.

The act of cheating financial statements by practicing earnings management has led to several cases of fraud against accounting reporting that are widely known to the public as in the case of PT. BUMI Resources. Audit investigation conducted on PT. BUMI Resources and PT. Berau Coal Energy stated that there were financial deviations of up to US $ 500 million from loans and investments over the past decade. Lia Mariana (2013) in her research results concluded that PT BUMI Resources and PT Berau Coal Energy were indicated to have manipulated financial statements in 2009-2011.

In addition, based on the research conducted by Herma and Ahmar (2014), it was suggested that the majority of manufacturing companies in Indonesia listed on the Indonesia Stock Exchange were indicated to practice earnings management.

No.	Klasifi-kasi	Status	Tahun				Total
			2008	2009	2010	2011	
1	<0,075	Terindikasi MLA	43	50	38	33	164
	-0,075 s.d	Tidak Terindikasi					
2	0,075	MLA	15	13	9	12	49
3	>0,075	Terindikasi MLA	19	14	30	32	95
		Total	77	77	77	77	308

Source : Herma dan Ahmar (2014)

Based on the table above, it can be seen that the number of companies that are the object of research is 77 companies. The table shows the existence of companies that indicated earnings management in 2008 as many as 62 companies out of a total of 77 companies. Then for the year 2009 indicated 65 earnings management companies and for 2010 as many as 68 companies. And for 2011 there were 64 companies that indicated accrual earnings management. The percentage of earnings management indications during 2008-2011 was 84.42%.

In addition to Indonesia, earnings management also occurs in foreign countries. One of them is in the United States of America. Here are a number of companies indicated to do earnings management that researchers took from U.S Securities and Exchange Commission:

1. General cable Corporation, GCC records overstated inventories of $ 46.7 million and overestimates the net income available to general shareholders at 21.6%, 11.3% and 29.8 % for the annual periods ended December 31, 2011, 2010 and 2009, and 8.8% and 13.8% for the three-month period ending June 30 and March 31, 2012.

2. Orthofix International N.V, Recognizes overstated revenue of $ 1.7 million in 2012. Especially in the third quarter of the 2012 fiscal year, which was around $ 1.4 million. This is due to a sales discount (They call it a commission for distributors) which is recognized as expenditure rather than as a reduction in income

3. Maxwell Techonologies, Maxwell recognized revenue of $ 3.7 million improperly on the Ex Works base (which means revenue was recognized when the goods left Maxwell's warehouse) for sale to German Distributors on December 22 and December 31, 2011. Also during in the first three quarters of 2012, Maxwell converted losses to profit and recognized an additional $ 10.3 million in revenue that was not properly recognized from the sale of the final quarter contingent to German Distributors. This made the company's revenue growth in the 4th quarter of 2011 to the third quarter of 2012 a significant increase.

Scott (2015) said that one of the motivations of companies to do earnings management is taxation motivation. taxation is one of the motivations why companies reduce reported profits with the aim of minimizing the amount of tax to be paid. Based on the results of research Fitriany (2016) shows that tax planning has a significant influence on earnings management. the better the tax planning, the greater the company does earnings management. The results of these studies are not in line with the results of previous studies conducted by Setyawan and Harnovinsah (2015) which show that tax planning does not have a significant effect on earnings management.

In addition to Tax planning, the leverage variable is also thought to influence the practice of earnings management. Based on the research results of Rosena, Mulyani and Prayogo (2016) show that Leverage has a significant negative effect on earnings management. This shows that a high level of leverage prevents management from manipulating earnings. Whereas according to the results of research by Christopher and Arfianti (2017) Leverage does not significantly influence Earnings Management.

Based on previous research there are inconsistent results for the effect of Tax Planning and Leverage on earnings management. For this reason, the writer will re-examine the influence of these two variables (Tax Planning and Leverage) on earnings management. Where the authors suspect that there are other variables that can also affect the relationship.

Therefore, in this study, the authors include company size variables as elements that influence the relationship of tax planning and leverage to earnings management. Company size can also be associated with earnings management. Moses (1987) explains that large-scale companies have a greater incentive to do income smoothing compared to small-scale companies because they have higher political costs. The emergence of political costs is due to the interest of the media and consumers to the company's high profitability.

LITERATURE REVIEW

Agency Theory

Agency Theory describes a contractual relationship between a company owner (Principal) and management (Agent) within a company. Scott (2015) states that "Agency theory is a branch of game theory that studies the design of the contract to motivate the rational agent on the principal when the agent will not conflict with those of the principal".

While Jensen and Mecklin (1976) define Agency theory "agency relationship as contract under which one or more persons (the principal (s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. "

The agency relationship between the owner and manager of the company should result in a mutualism symbiotic relationship that benefits all parties, especially if both parties can carry out every right and obligation properly. However, in practice agency problems often occur (Agency Problems) between owners and managers or company management.

This agency problem occurs because of a conflict of interest between the owner and the manager. According to Kim, Nofsinger, and Mohr (2010) agency problems are conflicts that occur between shareholders and management because of differences in objectives or lack of trust between the two parties. Jensen and Mecklin (1976) further stated "If both parties are the utility maximizers, there is a good reason to believe that the agent will not always act in the best interests of the principal.

Conflict of interest is increasing especially because the principal cannot monitor the CEO's activities on a daily basis to ensure that the CEO works in accordance with the wishes of the shareholders. The Principal does not have enough information about the performance of the agent. Agents have more information about the company as a whole. This has resulted in an imbalance of information held by principals and agents (Nasution and Doddy, 2007) in (Amaliah, 2015). This information imbalance is called information asymmetry. The assumption that individuals act to maximize themselves causes the agent to take advantage of the information asymmetry he has to hide some information unknown to the principal.

Positive Accounting Theory

According to Belkaoui (2007) positive accounting theory is an accounting theory consisting of a broader set of principles or concepts that explain or provide answers to applicable accounting practices and predict or predict fenomena - a phenomenon that occurs where accounting is applied for the preparation of construction and verification of theory.

Positive Accounting Theory is based on the proposition that managers, shareholders, and regulators (politicians) are rational and they try to maximize their utility, which is directly related to their compensation and prosperity. The choice of accounting depends on the variables that represent management incentives to choose accounting methods with bonus plans, debt contracts, and politician processes.

Watts and Zimmerman (1986) explain three hypotheses that are applied to make predictions in positive accounting theory regarding the motivation of management to manage earnings. The three hypotheses described are as follows:

1. The bonus plan hypothesis (bonus plan hypothesis) is related to management's actions in choosing accounting methods to maximize profits to get high bonuses.
2. The debt covenant hypothesis, in making a debt agreement, the company is required to fulfill several requirements proposed by the debtor in order to be able to apply for a loan. Some of these requirements are requirements for certain conditions regarding company finances.
3. The political cost hypothesis, this hypothesis explains the political consequences of the selection of accounting policies carried out by management.

RESEARCH HYPOTHESES

The Relationship between Tax Planning and Earnings Management

Every company always tries to reduce tax payments to a minimum. This is based on the characteristics of management who want to achieve maximum profit at the minimum cost. For this reason, the company conducts tax planning in order to minimize its tax obligations.

Companies that carry out tax planning well will have an impact on decreasing profits which will later minimize the company's tax

burden. Tax planning conducted by this company opens opportunities for management to conduct earnings management. Furthermore, Sulistyanto (2014) argues that managers will try to make the company's profits always look lower than actual profits. This effort is done to minimize the value of taxes that must be paid by the company. This can be done because managers know which information must be disclosed and which information must be hidden, postponed disclosure and altered to regulate company profits. Managers have the opportunity to manage company profits so that the taxes paid by the company each period can be lower than the actual tax obligations.

In positive accounting theory in the third hypothesis, namely The Political Cost Hypothesis (Scott, 2015) explains that companies that are faced with political costs, tend to make a decrease in profit with the aim of minimizing the political costs they must bear. Political costs include all costs that must be borne by the company related to government regulations, one of which is the tax burden. The company conducts tax planning as effectively as possible, not only to obtain fiscal benefits, but actually the company also benefits 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 gone public. In order for the value of the company's shares to increase, management is motivated to provide the best possible company performance information. Therefore, the tax which is a profit deduction available to share with investors or invested by the company, will be sought by management to be minimized to optimize the amount of the company's net income.

This is in line with the results of a study conducted by Shiwei Wang, Siyu Chen (2012) that there is a positive correlation between Tax Avoidance and Earnings Management. Where in the study showed a significant tax avoidance motivation in earnings management.

Previous research that discussed the effect of tax planning on the practice of earnings management included research conducted by Endang (2017). The results of the study state that tax planning has a positive influence on earnings management practices. In addition, research conducted by Putri, Abdul and Anis (2016) provides the results of research that tax avoidance has a positive effect on earnings management. Based on the description, the hypothesis can be formulated as follows:

H1: Influential Tax Planning Against Earnings Management

Relationship between Leverage and Earnings Management

Companies that have a high degree of leverage means that they have a high dependence on debts from outside parties to finance their assets, while companies with low leverage will finance their assets more with their own capital. The higher the debt or equity of the company, the closer it will be to the limits in the debt agreement and the more likely the costs of technical failure will be and the more likely the manager will manipulate financial statements using accounting methods that can increase profits. On the other hand, companies with high leverage will face higher risks so investors will also expect greater returns (Christopher & Arfianti: 2017).

Watts and Zimmerman (1986) state that in Debt Covenant Hypothesis, companies that have a ratio between debt and equity are more likely to choose and use accounting methods with higher earnings reports and tend to violate debt agreements if there are certain benefits and benefits that can obtained. In the context of debt agreements, managers will manage and regulate profits so that the debt obligations that should be completed in a given year can be postponed for the following year This is the manager's efforts to manage and regulate the amount of profit which is an indicator of the company's ability to settle its debt obligations. (Sulistyanto; 2014). Research which states that there is a positive influence between leverage and earnings management includes research conducted by Veliandina and Marsono (2013), Wijesinghe M.R.P, Kavinda D.DC (2017) and Selvani, Indra Widjaja (2017).

In the results of other studies stated that leverage has a negative influence on earnings management. The research included research conducted by Arvitha, Susi, and Bambang (2016). When a company uses debt to finance operations, leverage will limit non-optimal expenditure and place the company under the supervision of a larger lender. Creditors will also ask for more reliable financial statements, increase tighter supervision and put pressure on managers. so that managers do not have the opportunity to do earnings management. Alsharairi and Salama (2011) state that a high level of leverage prevents management from manipulating earnings. Zamria, Rahman and Isa (2013) in their study also found a negative effect of leverage on earnings management. The results of these studies are supported by Jensen's (1986) study which suggested the existence of "Hypothesis Control" in debt creation. Where managers use their own wisdom to control the company's cash flow. But the role of debt control begins when managers have the obligation to pay interest and principal payments. This implies that high leverage can limit a manager's ability to manipulate profits.

Based on the description, the hypothesis can be formulated as follows:

H_2: Influential Leverage on Earnings Management

Company Size Moderates the Effect of Relationship between Tax Planning on Earnings Management

One of the characteristics of large companies is having a considerable asset value and also achieving high profits. A high profit value will make the company have a high tax liability. Therefore, large companies tend to do tax planning as well as possible to minimize the tax costs that must be paid by the company.

Moses (1987) explains that large-scale companies have a greater incentive to do income smoothing compared to small-scale companies because they have higher political costs. The emergence of political costs is due to the interest of the media and consumers to the company's high profitability. Furthermore Siegfried (1972) explained that there was a negative relationship between the size of the company and the act of minimizing taxes. The bigger the company, the lower the CETR it has, this is because large companies are better able to use their resources to make a good tax plan (political power theory).

Research conducted by Dewi and Ulupui (2014) suggests that the positive relationship between company size and earnings management in his study illustrates that the greater the size of the company, the management will be more motivated to make earnings management from its business activities. In addition, this is also done to cover the amount of political costs that must be borne by the company if the company is classified into a large company. One way to reduce political costs is to do income smoothing.

Research conducted by Marlisa and Fuadati (2016) shows that the size of the company has a significant influence on earnings management. This shows that the size of the company, both large companies and small companies can influence earnings management in the company. The same results were also stated by Selviani and Indra (2017) and Dwi Lusi (2013) which showed that the size of the company had an effect on earnings management. Based on the description, the hypothesis can be formulated as follows:

H_3: Company Size Can Moderate the Effect of Tax Planning on Earnings Management

Company Size Moderates the Effect of Leverage Relationships on Earnings Management

The leverage hypothesis predicts that, compared to managers of companies that have a low debt to equity ratio, managers of companies with high debt to equity will be more opposed to new policies that limit their freedom of managing profits, Scott (2015).

Marlisa and Fuadati (2016) explain that company size is expected to influence the amount of corporate earnings management, where if earnings management is opportunistic, the larger the company the smaller earnings management (negatively related) but if the earnings management is efficient then the size of the company will be higher (positively related). This is in line with the research conducted by Lisboa and Kacharava (2018) which explains that the size and debt of the company also affects earnings management. The impact of the size of the company is different from Portugal and Britain. In Portugal large-sized companies are more involved in earnings management because they have more accounting techniques to do so. While in the UK, large size companies pay more attention to reputation, and thus focus more on the quality of information. Finally, more companies tend not to make profit management, because these companies are controlled by creditors, making it difficult to satisfy the manager's own interests.

Llukani, Teuta (2013) explained that several big companies react to earnings management practices. First, the financial statements of large companies (which meet the criteria for audit financial statements) are audited by licensed external experts or large audit companies. This process can prevent earnings management initiatives that cause distortion of financial results. Second, large companies may have a better reputation in the market than smaller companies, so they must take into account the cost of losing a greater reputation compared to smaller companies. This is the reason the company is not involved in earnings management initiatives. On the other hand, it can be considered otherwise. First, large-sized companies have good relations with auditors (clients with good reputation) and can negotiate with them, making audit processes and reports more flexible. Second, managers (owners) using their authority can influence the structure of internal audits and can easily manage results. Third, large companies can manage income to reduce political risk. That way, large-sized companies tend to increase fiscal profits to increase external funding. Trilestari and Yulimar (2012) in their research also concluded that company size has a significant influence on earnings management practices. Based on the description, the hypothesis can be formulated as follows:

H_4: Company Size Can Moderate the Effect of Leverage on Earnings Management

RESEARCH METHODS

This type of research is causal research. Causal research is research that aims to examine the effect of one or several variables (independent variables) on other variables (Dependent Variables). Where in this study, researchers examined the effect of variable tax planning and leverage on earnings management with firm size as a moderating variable.

The population of this research is manufacturing companies listed on the Indonesia

Stock Exchange (IDX) for the period 2015 - 2017. The sampling technique was based on purposive sampling. The consideration of criteria in selecting research samples:

1. Manufacturing companies in Indonesia and have been listed on the Indonesia Stock Exchange during the period 2015-2017 consistently.
2. Companies that publish audited financial statements by independent auditors as of December 31, 2015, December 31, 2016 and December 31, 2017 and are consistently accessible to researchers.
3. Companies that present their financial statements in rupiah (IDR).
4. The company did not experience losses during the period 2015-2017.
5. Financial reports have complete data needed.

Variable Operationalization
Independent Variables

Tax Planning

Tax planning is measured using the tax retention rate formula, which analyzes a measure of tax management effectiveness in the company's financial statements for the current year (Wild et al., 2004). . The tax retention rate formula is (Wild et al., 2004):

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

Leverage

To measure the level of leverage in this study, researchers used the value of the ratio of Debt Ratio to Equity or Debt-to-Equity Ratio (DER), which is the sum of loan values for each equity investment (Stice et al, 2009).

$$\text{Debt to Equity ratio} = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$$

Dependent Variable

Earnings Management

Earnings management is a management action that can affect the value of reported company profits. Earnings management in this study was measured by the Stubben (2010) model, namely the Conditional Revenue Model.

The formula for the conditional revenue model as used in this study is as follows:

Information :

ARIT: Accounts Receivable company i in year t

$$\Delta ARit = \alpha + \beta 1 \Delta Rit + \beta 2 \Delta Rit \times SIZEit + \beta 3\ \Delta Rit \times AGEit + \beta 4\ \Delta Rit \times AGE_SQit + \beta 5\ \Delta Rit \times GRR_Pit + \beta 6\ \Delta Rit \times GRR_Nit + \beta 7\ \Delta Rit \times GRMit + \beta 8\ \Delta Rit \times GRM_SQit + eit$$

Rit: Revenue of company i in year

SIZEit: natural log of total assets at the end of the year

AGEit: natural log Company age (in years)

GRR_Pit: industrymedian- adjusted revenue growth (= 0 if negative)

GRR_Nit: industry-median-adjusted revenue growth (= 0 if positive)

GRM: industry-median-adjusted gross margin at end of fiscal year;

_SQ: square of variable

Δ: annual change (annual change)

eit: the error term.

Moderating Variabel

Company Size

The variable size of the company in this study is seen from the total number of company assets (Ln TA) in the period concerned (year t). These measurements can be written as follows:

Firm size = Ln Total Asset

RESULTS AND DISCUSSION

Descriptive statistics

Descriptive Statistics Analysis is used to view the description or description of a data seen from the minimum, maximum, average, and standard deviations of each variable contained in this study. The results of descriptive statistical analysis can be seen in table 4.1 below.

Table 4.1

Descriptive Statistics Test

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Management	87	-0,09990	0,143440	-0,00210	0,035914
Leverage	87	0,100581	4,546886	0,800733	0,790539
Tax Planning	87	0,078008	6,548388	0,795366	0,699624
Company Size	87	23,77173	31,03722	27,6695	1,377672

Source : Data Processed by SPSS 24

Normality test

The normality test used in this study is to use one sample kolmogorov smirnov which can be seen in significance, if the value of sig> 0.05 then the data is said to be normally distributed. The following are the results of the normality test based on the Kolmogorov Test.

Table 4.2

Normality Test Kolmogrov – Smirnov (K-S) Residual

		Information
Asymp. Sig. (2-tailed)	0,020	Data is not normally distributed

Source : Data Processed by SPSS 24

Based on the results of the normality test using the Kolmogrov-Smirnov test (K-S) in Table 4.2, it can be seen that the Asymp Sig (2-tailed) is 0.02 which indicates that the value is smaller than 0.05. This means that the data is not normally distributed. To treat research that violates this classic assumption test, the regression model is transformed into the form of Square Root Transformation (Root). The following are the results of the normality test after transformation:

Table 4.3

Normality Test Uji Kolmogrov – Smirnov (K-S) Residual After Transformation

		Information
Asymp. Sig. (2-tailed)	0,200	Data is normally distributed

Source : Data Processed by SPSS 24

Multicollinearity Test

To detect a multiko problem, it can be done by looking at the value of Tolerance and Variance Inflation Factor (VIF) and the magnitude of the correlation between independent variables. The following are the results of the Multicollinearity Test for this study :

Table 4.4

Multicollinearity Test

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
Leverage (LEV)	0,001	1879,318	Multicollinearity occurs
Tax Planning (PP)	0,000	2283,017	Multicollinearity occurs
Company Size (UP)	0,183	5,462	multicollinearity does not occur
Moderation 1 (LEV*UP)	0,001	1904,654	Multicollinearity occurs
Moderation 2 (PP*UP)	0,000	2305,378	Multicollinearity occurs

Source : Data Processed by SPSS 24

Heteroscedasticity Test

Heteroscedasticity testing is done to test whether in a regression model, there is an inequality of variance from residuals from one observat ion to another. Based on the result of the scatterplot graph shows that the data is spread above and below the number 0 (zero) on the Y axis and there is no clear pattern in the spread of the data. This means that the model used in this research is fit where all independent variables consisting of leverage, tax planning, company size, moderation Leverage and moderation of tax planning have a simultaneous influence on the dependent variable namely earnings management

Autocorrelation Test

From the statistical data obtained Durbin-Watson (D-W) = 0.380, where the value is between -2 and 2 so that the results can be concluded that there is no autocorrelation in the regression model. So this regression model is said to be good because the regression is free from autocorrelation.

Coefficient Determination Test

The Adjusted R Square value is 0.101 or 10.1%. This shows that the independent variables consisting of Leverage, Tax Planning, Company Size, Moderation Leverage and moderation of Tax Planning can affect Earnings Management by 10.1%, while the remaining 89.9% is the

contribution of other independent variables not tested in the model this research.

Simultaneous Significance Test (Test Statistic F)

Table 4.7

Simultaneous Significance Test (Test Statistic F)

Model	Sum Of Squares	Df	Mean Square	F	Sig.
Regression	0,017	5	0,003	2,927	0,018b
Residual	0,094	81	0,001		
Total	0,111	86			

Source : Data Processed by SPSS 24

Result test of Simultaneous Significance in this table follows :

Based on the F test results indicated on the results of the F value of 2.927 with a significance level of 0.018 or smaller than the probability value of 0.05. So that it can be concluded that the independent variable consisting of leverage, tax planning, company size, moderation Leverage and moderation of tax planning have a simultaneous influence on the dependent variable, namely earnings management.

Individual Parameter Significance Test (T Statistical Test)

Result test of Individual Parameter Significance in this table follows :

Table 4.8

Individual Parameter Significance Test (T Statistical Test)

Variable	B	Sig.	Information
(Constant)	-,376		
Leverage	-,241	,207	Not significant
Tax Planning	,667	,008	Significant
Company Size	,014	,025	Significant
*Leverage**Company Size	,009	,186	Not significant
Tax Planning*Company Size	-,025	,007	Significant

Source : Data Processed by SPSS 24

Based on the results of the t test and the significant results of the testing of each independent variable on dependence, it can be concluded that partially the tax planning variable, company size and company size moderation on the relationship of tax planning with earnings management have a temporary significant effect on leverage and moderation of firm size variables. leverage relationship with earnings management does not have a significant effect.

Moderated Regression Analysis (MRA)

Test of MRA Tax Planning (PP)

Table 4.9

Test of MRA Tax Planning (PP)

Variable	B	Sig.	Information
Tax Planning	,480	,036	Significant
Company Size	,015	,016	Significant
Tax Planning*Company Size	-,018	,034	Significant

Source : Data Processed by SPSS 24

This MRA test is to test whether the variable size of the company is a moderating variable between tax planning and earnings management. The following are the results of the Tax Planning MRA test.

Test of MRA *Leverage* (LEV)

Table 5.0

Test of MRA *Leverage* (LEV)

Variable	B	Sig.	Information
Leverage	-,024	,894	Not Significant
Company Size	,002	,673	Not Significant
Leverage*Company Size	,001	,852	Not Significant

Source : Data Processed by SPSS 24

This MRA test is to test whether the variable size of the company is a moderating variable between leverage and earnings management. The following are the MRA Leverage test results:

Test of MRA Tax Planning and *Leverage*

Table 5.1

Test of MRA Tax Planning and *Leverage*

Variable	B	Sig.	Information
(Constant)	-,376		
Leverage	-,241	,207	Not Significant
Tax Planning	,667	,008	Significant
Company Size	,014	,025	Significant
*Leverage**Company Size	,009	,186	Not Significant
Tax Planning*Company Size	-,025	,007	Significant

Source : Data Processed by SPSS 24

This MRA test is to test whether the variable size of the company is a moderating variable between tax planning, leverage and earnings management. The following are the results of the MRA test for the two independent variables:

Discussion of Research Results

Effect of Tax Planning on Earnings Management

The tax planning variable has a regression coefficient of 0.667 with a significance value of 0.008. This means that the hypothesis which states that tax planning has an effect on earnings management can be accepted, in other words this study concludes that tax planning has an effect on earnings management. The tax planning variable has a regression coefficient of 0.667 and has a positive value, it can be concluded that tax planning has a positive and significant relationship with earnings management, which means that the better tax planning carried out by the company will further improve earnings management practices.

The tendency of companies to reduce tax costs to a minimum can be realized through tax planning. Where one form of tax planning is to regulate how much profit will be reported to the tax authorities to then obtain the desired amount of tax costs. So that good tax planning will create effectiveness of corporate tax costs which will later have an impact on the company's net income.

The results of this study are in accordance with the research conducted by Lucy (2016), Negara, Suputra (2017) and Endang (2017) who managed to prove the influence of tax planning on earnings management. However, the results of this study contradict the results of research conducted by Aditama, Purwaningsin (2014) and Harnovinsah, Budi (2015) which states that tax planning has no effect on earnings management.

Effect of Leverage on Profit Management

Leverage variables have a regression coefficient of -0.0241 with a significance value of 0.207. This means that the hypothesis which states that leverage affects earnings management is rejected. The leverage variable has a regression coefficient -0.0241 and has a negative value, it can be concluded that leverage has a negative and not significant relationship with earnings management which means that the leverage variable has a negative relationship with earnings management but does not have a significant effect.

Based on agency theory revealed by Jensen and Meckling (1976), companies with a high proportion of debt in their capital structure will have greater monitoring costs. This monitoring cost arises because of the owner's interest in the company to oversee management's actions in managing the funds and facilities provided by the owner to run the company. In other words, the greater the debt held by the company, the more stringent supervision carried out by creditors will limit management flexibility in conducting earnings management.

A high level of leverage will also bring the company closer to the level of risk of default (default), which is not able to fulfill its debt repayment obligations on time. However, earnings management cannot be used to overcome or reduce the risk of default, because fulfillment of obligations must be carried out and cannot be avoided by earnings management or without being influenced by the size of the company's profits.

The existence of strict supervision by creditors as well as default risk that cannot be avoided through earnings management is something that is thought to cause leverage not to have a significant influence on earnings management in this study.

The results of this study are in line with the research conducted by Elfira (2014), I Gusti, Nyoman, et al (2015), Christopher, Edwin & Arfianti, R.I. (2017), Ariyani, Kamil (2017), Annisa, Hapsoro (2017). This study does not support some of the findings of previous studies conducted by Marsono (2013), Rosena, Mulyani, et al (2016), Wijesinghe, Kavinda (2017) and Selviani, Widjaja (2017) which state that leverage has an influence on earnings management

Effect of Tax Planning on Profit Management with Moderate Company Size

Based on the results of hypothesis testing, company size as a predictor influences earnings management as a criterion with a significance level of 0.016 <0.05, while firm size as a moderating variable (interaction) also has significant results with a significance level of 0.034 <0.05. By looking at these results where the size of the company as a predictor variable and as a moderating variable has a significant value, the moderation model can be said as a Quasi Moderator model (Pseudo Moderation) according to Ghozali's explanation (2016) which means that company size variables are moderating relationships between the variable tax planning with earnings management variables which simultaneously become independent variables.

The coefficient for the PP * UP interaction variable has a negative value of -0.018 which means that the size of the company weakens the relationship between tax planning and earnings management. Where large companies will be more careful in carrying out financial reporting and tend to report financial conditions accurately because they are more concerned by the public. so that the company will report its financial condition more informative and more transparent. Therefore, large

companies are less likely to practice earnings management.

This is in line with the results of research conducted by Kacharava, Lisboa (2018) which says that large companies have a tighter control system and will make it difficult for managers to be involved in earnings management. In addition, large companies tend to prioritize their reputation in the public so that they will focus more on the quality of financial information.

Effect of Leverage on Profit Management with Moderate Company Size

Based on the results of hypothesis testing, the size of the company as a predictor does not affect earnings management as a criterion with a significance level of 0.673> 0.05, while the size of the company as a moderating variable (interaction) also does not have significant results with a significance level of 0.852> 0.05. By looking at these results where the size of the company as a predictor variable and as a moderating variable has insignificant value, this moderation model can be said as a potential moderation model (homologiser moderation), meaning that the size of the company that is considered a moderator has the potential to be a moderating variable.

The coefficient for the LEV * UP interaction variable has a positive value of 0.001. Then it can be concluded that leverage * firm size has a positive relationship but not significant with earnings management. In other words, the size of the company cannot moderate (strengthen or weaken) the leverage relationship with earnings management.

This is in line with the research conducted by Christopher, Edwin & Arfianti, R.I. (2017) which states that leverage does not have a significant effect on earnings management. In this study leverage cannot influence earnings management significantly, therefore firm size does not moderate the relationship between leverage and earnings management. Where when a company has an obligation to a third party, the fulfillment of these obligations must still be fulfilled both the company is a large company and a small company and without being influenced by the size of the profit.

CONCLUSION

Based on the results of research and discussion, as explained there are several conclusions of the study as follows:

1. Tax Planning has a positive relationship and a significant effect on Earnings Management. This means that the better tax planning carried out by the company will further improve the practice of earnings management. This is represented in the results of descriptive analysis which also states that the average company that is the sample of this study is a company that has a fairly effective tax planning.
2. Leverage has a negative relationship but does not have a significant effect on Earnings Management. This shows that the size of the level of leverage in a company does not affect management to take profit management practices. If it is associated with the characteristics of the leverage variable in this study, it shows that the average company that becomes the sample in this study has a leverage value below 100% which means that the company uses its own capital in funding its business so that the leverage variable has less role in explaining its relationship with earnings management .
3. Company Size strengthens the negative influence of Tax Planning on Profit Management. This shows that company size can be used as a moderating variable in the relationship between tax planning and earnings management. Where the greater the size of the company, the public will be increasingly watched or monitored so that management will be more careful in presenting financial statements and more likely to report financial information transparently. Therefore large companies do less in earnings management.
4. Company size does not moderate the influence of leverage on earnings management. This shows that the size of a company does not affect the leverage relationship with earnings management. Fulfillment of obligations for each company, both large, medium or small companies, are things that must still be fulfilled without being influenced by the scale of the company

SUGGESTION

Based on the discussion of the results of the research and conclusions above, the suggestions that can be given to the next researcher are as follows:

1. It is expected that further researchers can expand and deepen research related to earnings management by adding other independent variables that are thought to have a strong influence in detecting earnings management.
2. It is expected that the next researcher can extend the year interval of the study in order to obtain research results that are more accurate in adding samples such as non-manufacturing companies found on the Indonesia Stock Exchange so that they are not only researching in manufacturing companies.
3. In this study researchers used the Stubben model (2010) to measure earnings management. It is hoped that the next researcher can use the earnings management

measurement model besides Stubben such as Jones, Dechow, and Healy to see more empirical results from several measures of earnings management.

4. It is expected that the results of this study can be used as a reference for tax field practitioners to be able to make tax planning in accordance with tax rules so as to minimize earnings management practices.

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