THE EFFECT OF DEFERRED TAX ASSETS, DEFERRED TAX EXPENSES AND SALES GROWTH ON EARNING MANAGEMENT (CASE STUDY: FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE)

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ABSTRACT

This study aims to determine and analyze the effect of deferred tax assets, deferred tax expenses and sales growth on earnings management in food and beverage companies listed on the Indonesia Stock Exchange in 2018-2022. The population in this study were 35 food and beverage companies, while the sample was obtained using purposive sampling method based on the specified criteria, so that a sample of 9 food and beverage companies was obtained. The dependent variable in this study is earnings management, while the independent variables are deferred tax assets, deferred tax expenses and sales growth. The data analysis method using multiple linear regression analysis, f test, t test, and the coefficient of money determination is tested using the classical assumption test. The results of this study indicate that deferred tax assets affect earnings management while deferred tax expense and sales growth have no effect on earnings management.

Keywords: *Earnings Management; deferred tax assets; deferred tax expenses; sales growth;*

1. INTRODUCTION

Profit information contained in financial reports is management's responsibility because profit is used to measure management's performance or accountability. So that it allows management to act in accordance with its interests or known as Putra earnings management, (Y. M., & Kurnia, K., 2019) The concept of earnings management can be explained using an agency theory approach, namely a theory which states that earnings management practices are influenced by a conflict of interest between the interested party (principal) and management as the party carrying out the interests (agent). This conflict arises when each party tries to achieve the desired level of prosperity (Devi, 2018). Management often takes advantage of opportunities to play with profit figures in order to influence the final results of various decisions, one example of which is management trying to minimize the taxes they should pay, by increasing accruals to make profit figures lower (Astutik, 2016).

Taxes borne by the company are a cost element that can reduce profits, because the higher the tax borne by the company, the smaller the profits earned by the company. So there is a tendency for management to minimize their tax payments. Efforts to minimize taxes are often called tax planning (Suandy, 2011). Therefore, company management can use earnings management techniques to achieve profit targets. This condition also applies to deferred tax asset accounts. Deferred tax assets are one of the common factors causing earnings management actions, this is because there are temporary differences which result in the recovery of the tax amount in the future period. The company makes adjustments to the company's fiscal profit due to differences in concepts and methods used to measure income and costs, which will cause a difference between the amount of accounting profit and the amount of fiscal profit (Jiwanggono, 2014).

Deferred tax expenses are expenses that arise due to temporary differences between accounting profit and fiscal profit. Meanwhile, the meaning of temporary differences is differences caused by differences in the timing and methods of recognizing certain income and expenses based on accounting standards and tax regulations (Suandy, 2011). According to researcher Agustia (2014), deferred tax expenses have a significant relationship with companies that have profitability carrying out earnings management to avoid losses. Meanwhile, deferred tax expenses explain that a deferred tax burden can influence a company to carry out earnings management because deferred tax expenses can reduce the level of profits in the company.

Meanwhile, according to Anindya et al (2020) sales growth is a benchmark that shows the percentage of sales levels from year to year. Increased sales growth may give managers an idea of how revenues are also growing so they can develop a mindset about methods to improve performance. There is a lot of research that has been carried out to reveal the factors that influence earnings management practices. However, the results of previous research are inconsistent (Ridang, 2017), Agung, Delvianti and Bustari (2023), Dhea & Suryadi (2023), Lucky (2016). Based on previous research which had different results, researchers are interested in conducting research again to prove what factors influence earnings management.

The sample selection in this company used food and beverage companies for the 2018-2022 period. Food and beverage companies generally sell basic human needs to support human life. The reason food and beverage companies were chosen as research objects is that they are a stable business sector. This research aims to test whether the factors deferred tax assets, deferred tax expenses and sales growth influence earnings management in food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022.

2. LITERATURE REVIEW

Agency Theory

Agency theory states that there are differences in interests between the shareholder (principal) and the company manager (agent) as the party running the business. This agency problem arises because each party will try to maximize their respective utility functions. Managers will want large compensation for their performance. Meanwhile, shareholders prefer immediate returns from the investments they have made (Jensen and Mecking, 1976). The existence of information asymmetry causes managers (agents) to be the ones who know more information about the company than principals (company owners, investors and creditors), so this is what causes managers to have the opportunity to carry out profit management (Mustikawati & Cahyonowati, 2015). So the relationship between agency theory and this research is to look at the incongruity between principals and agents who must be in line in studying conflicts of interest that arise and trying to reduce conflicts of interest that exist between agents and principals.

Earning Management

Scott (2015) defines earnings management as actions carried out through accounting policy choices to achieve certain goals, for example to fulfill their own interests or increase the market value of their company. Earnings management is interference in the external financial reporting process with the aim of benefiting oneself. Earnings management arises when managers use certain decisions in financial reporting and change transactions to change financial reports to mislead stakeholders who want to know the economic performance obtained by the company or to influence the results of contacts using accounting numbers (Herdawati, 2014).

Deferred tax assets

Deferred tax assets are assets that arise when time differences cause positive corrections which result in the tax burden according to commercial accounting being smaller than the tax burden according to tax law (Wahyu, 2017). Deferred tax assets are due to the amount of income tax recoverable in future periods as a result of deductible temporary differences and residual loss compensation. The amount of deferred tax assets is recorded if it is possible that tax benefits will be realized in the future. Therefore, judgment is needed to estimate how likely it is that the deferred tax assets can be realized.

Deferred Tax Expenses

Deferred tax expense is an expense that arises as a result of temporary differences between accounting profits (profits in financial statements for the benefit of external parties). Meanwhile, the meaning of temporary differences is differences caused by differences in the timing and methods of recognizing certain income and expenses based on accounting standards and applicable tax regulations (Suandy, 2011). Meanwhile, according to (Kusmawati, 2020) deferred tax expense occurs because there is a gap between reported income and expenses and when tax effects are recognized, taxable profit exceeds accounting profit.

Sales Growth

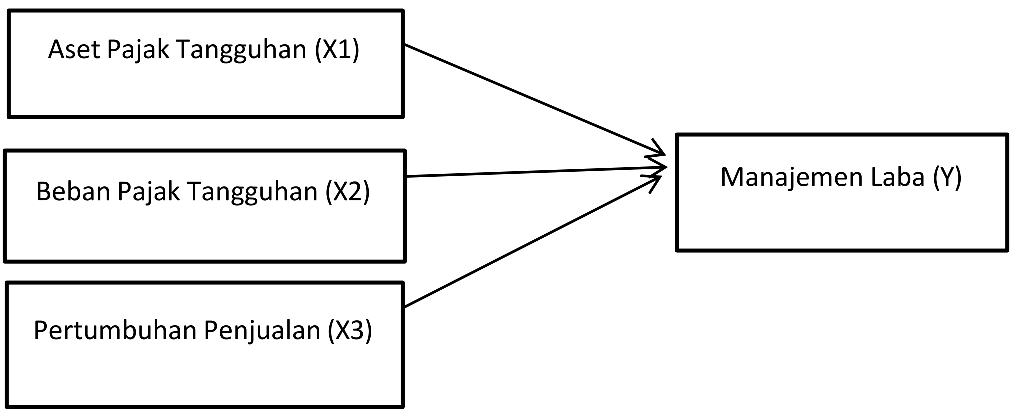
Sales growth is an increase in the number of sales from year to year or from time to time (Salempang et al, 2016). Sales growth is an indicator to see the Company's past achievements, where sales growth is used to predict the Company's future achievements (Pantow et al, 2015). The growth rate of a company will influence its ability to maintain profits in marking future opportunities.

Conceptual framework

A thinking framework is a conceptual model of theory related to various important problem factors in research. Therefore, before carrying out something, researchers must have a frame of mind. So the framework of thinking can be described as follows:

Figure 1

conceptual framework



Gambar 1

Kerangka Konseptual

3. DATA AND RESEARCH TECHNIQUE ANALIS

The sample is part of the population that is the source of data in this research and part of the number of characteristics possessed by the population. In this research, a purposive sampling method was used, namely a sampling method based on certain criteria. Criteria for sampling include:

Table 1

Research Sample

No	Keterangan	Jumlah
1	Perusahaan Makanan dan Minuman yang terdaftar di BEI selama tahun 2018-2022	35
2	Perusahaan Makanan dan Minuman yang data laporan keuangannya tidak bisa diakses tahun2018-2022	(15)
3	Perusahaan Makanan dan Minuman yang mengalami kerugian tahun 2018-2022	(11)
Jumlah Sampel		9
Jumlah Observasi (13 x 5 tahun)		45

Sumber: data diolah (2024)

In this research, data was obtained from the Indonesian Stock Exchange website via the site www.idx.co.id, data which includes financial reports on food and beverage companies that have been listed on the Indonesian Stock Exchange for 2018-2022. The data analysis technique in this research uses statistical analysis, namely the data obtained is then processed using regression tests, descriptive statistics, classical assumption tests and hypothesis tests and data processing will use tools, namely the Statistical Package for Social Sciences (SPSS) program.

In this research, earnings management is measured using the earnings distribution approach (Philips et al, 2003), as follows:

$$\Delta E=(Eit-Eit-1)/(MVEt-1)$$

Information:

ΔE= profit distribution, where if the ΔE value is zero or positive, then the company avoids a decrease in profits. If the ΔE value is negative, then the company avoids reporting losses

Eit= company I's profit in year t

Eit-1= company I's profit in year t-1

MVEit = Market value of Equity of company I in year t-1.

The independent variable in this research is deferred tax assets which are measured by changes in the value of deferred tax assets at the end of period t with t-1 divided by the value of deferred tax assets at the end of period t. And it can be formulated as follows (Waluyo, 2012:217):

$$\text{AP it} = \frac{\Delta \text{ Aset pajak tangguhan it}}{\text{Aset pajak tangguhan t} - 1}$$

Information:

AP = Deferred tax assets

AP it = Deferred tax assets of company I in year t

ΔAP it = Company I's deferred tax assets in year T minus (-) Company I's deferred tax assets in the previous year

The calculation of deferred tax expense is calculated using the indicator of weighing deferred tax expense by total assets or total assets. This is done to weight the deferred tax expense with total assets in period t-1 to obtain a proportional calculated value. Deferred tax expense can be formulated as follows (Philips, Pincus & Rego, 2002):

$$\text{BP it} \frac{\text{Beban Pajak Tangguhan t}}{\text{Total Asset t} - 1}$$

Information:

BP it = Deferred tax expense

BP t = Deferred tax expense of company i in year t

Total Assets t-1 = Total Assets of the company in year t-1

Sales growth is measured by comparing sales in the current period after deducting sales in the previous period divided by sales in the previous period. According to Kasmir (2016:107) sales growth can be formulated as follows:

$$\text{pertumbuhan penjualan} = \frac{\text{penjualan thn t} - \text{penjualan t} - 1}{\text{penjualan thn t} - 1}$$

4. RESULT AND DISCUSSION

Based on the results of the table above, the Hypothesis Test used in this research is as follows:

1. The variable Deferred Tax Assets (X1) obtained a significant value of 0.001 < 0.05, which means that Deferred Tax Assets have an effect on Profit Management. Because the resulting value is smaller than 0.05, it can be concluded that Deferred Tax Assets have an effect on Profit Management. (H1 is accepted). According to Putra, Y. M., & Kurnia, K. (2019), one of the

reasons why management carries out earnings management by regulating the amount of deferred tax assets is the motivation for giving bonuses, political burdens, and minimizing tax payments so as not to harm the company. The deferred tax asset variable which influences earnings management reflects that the research sample companies exploit loopholes in the existing policy in PSAK No. 46 which states that managers will increase tax assets to carry out earnings management actions in order to obtain bonuses and good performance appraisals from the principal. This research is supported by research conducted by Putra, Y. M., & Kurnia, K. (2019) which states that deferred tax assets have an effect on earnings management. However, the results of this research are not in line with research conducted by Faqih and Sulistyowati (2021) which states that Deferred Tax Assets have no effect on earnings management. The differences in research results are due to the different objects and years of the companies studied.

2. The variable Deferred Tax Expense obtained a significant value of 0.293 > 0.05, which means that Deferred Tax Expense has no effect on Profit Management. Because the resulting value is greater than 0.05, it can be concluded that Deferred Tax Expenses have no effect on Profit Management. (H2 is rejected). Deferred tax expense has no effect on earnings management because deferred tax expense cannot detect companies carrying out earnings management. This is because the company has a stable level of tax burden which is always paid by the company on time. The results of this research are in line with research conducted by Syarah (2018) which states that deferred tax expenses have no effect on earnings management. However, this research is not in line with research conducted by Aeni, N. N. (2022) which states that deferred tax expenses have an effect on earnings management.
3. The Sales Growth variable (X3) obtained a significant value of 0.860 > 0.05, which means that Sales Growth has no effect on Profit Management. Because the resulting value is greater than 0.05, it can be concluded that Sales Growth has no effect on Profit Management. (H3 is rejected). High or low sales growth does not influence management to carry out earnings management practices. This is possible because management must be able to maintain sales trends every year, so that changes in sales growth do not have any influence on the company's profit management actions. The results of this research are in line with research conducted by Yola & Halkadri (2021) which states that sales growth has no effect on earnings management. However, this research is not in line with research conducted by Zakia et al 2019 & Turot (2019) which shows that the sales growth variable has an effect on earnings management.

Coefficient of Determination Test (R2)

The coefficient of determination test aims to measure the size of the independent variable in resolving the related variable. The following are the results of the adjusted R square (R2) test with SPSS 25:

Table 3

Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.540a	.291	.239	8880130.98728
a. Predictors: (Constant), Pertumbuhan Penjualan, BP it, AP it				

Based on the coefficient of determination test (R2) in the table above, it can be concluded that the Adjusted R Square value (coefficient of determination) is 0.239, which means that 23.9% of the influence of the independent variables are Deferred Tax Assets, Deferred Tax Expenses and Sales Growth and the remaining 76.1 % influenced by other variables not tested in this study.

5. CONCLUSION

Based on the results of hypothesis testing, it was found that the deferred tax asset variable had an effect on Profit Management in food and beverage companies for the 2018-2022 period. This shows that as the company's deferred tax assets increase, the level of earnings management carried out by the company increases.

Meanwhile, based on the results of hypothesis testing, it was found that the deferred tax expense and sales growth variables had no effect on Profit Management in food and beverage companies for the 2018-2022 period. Deferred Tax Expenses have no effect on Profit Management because deferred tax expenses cannot detect companies carrying out earnings management. This also proves that the level of sales growth does not influence managers to carry out profit management practices when managers are faced with maintaining sales trends and profit trends.

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