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Factors Influencing Earnings Management with Audit Quality as a Moderation

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Abstract— *Study This aiming For to obtain proof empirical about factors that influence earnings management with audit quality as moderation. Population in study This is a Food and Beverage Sub-Sector Company listed on the Indonesia Stock Exchange (IDX) in 2017-2022. Variable dependent in study This is earnings management, while variable independent in study This is size company, profitability, leverage, and liquidity furthermore variable moderation in study This is audit quality. In study This use secondary data types. Sample in study This obtained use purposive sampling technique totaling 126 report data finance and fulfill condition as sample research obtained through the official website of the Indonesia Stock Exchange. The data analysis technique used is MRA using software stata. Based on research conducted, then results study This show that size company influential positive and negative significant to earnings managementability and leverage have an effect negative and no significant to earnings management. Liquidity influential negative and significant to earnings management, while audit quality is capable weaken influence positive profitability to earnings management.*
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Keywords— *Size company, profitability, leverage, liquidity, audit quality, earnings management.*

I. INTRODUCTION

Report finance is means used for give information finance from results activity operational and performance a company in order to be able to reported to internal parties or external company. One of the component important in report finances that can used For measure performance a company is Spider will greatly affect operational company and the decisions that will be made made by management. Information profit often become an engineering target through action opportunistic management For maximize satisfaction a number of party although condition company No in accordance with condition actually (Purnama, 2017). Acts of importance interest itself (opportunistic) done with choose policies accountancy certain for profit can set up Good raised or lowered in accordance with desire (Cahyani & Hendra, 2020).

Phenomenon existence manipulation report finance Once happened to the company airline flight namely PT Garuda Indonesia Tbk. It is known in report finance in 2018, PT Garuda Indonesia Tbk manipulate recording profit clean amounting to US$ 809.85 thousand whereas profit clean 2017 recorded make a loss amounting to US$ 216.58 million. Recording profit the make up in arms because of until September 2018 the company Still experience loss amounting to US$ 114.08 million. Chairul Tanjung and Dony Askaria as Commissioner of PT. Garuda Indonesia Tbk reject sign financial statement 2018 due to existence oddity related cooperation provision service wifi or connectivity between PT Garuda Indonesia Tbk with PT. Mahata Aero Teknologi. The cooperation worth reached US$ 239.94 million in nature Still receivables but already acknowledged as income so that the previous company loss become profit. Case manipulation report finances of PT Garuda Indonesia Tbk to obtain reprimand from OJK for improve and serve repeat report finance 2018. After do restatement of above financial statement in 2018, PT Garuda Indonesia Tbk to book make a loss year walk amounting to US$ 1750 million in 2018.

Phenomenon furthermore happened to the company electronic Japan namely PT. Toshiba in 2015. Scandal The PT. Toshiba case began when the security regulator find problem in investigation report finance beginning in 2015, where found existence inflation profit business company of ¥151.8 billion (equivalent to with Rp. 15.85 trillion or US$ 1.22 billion). The results of the investigation the said PT. Toshiba did action inflation profit because of fail achieve profit targets and the existence of global crisis at the moment that. As a result from scandal accountancy the company reported suffer loss up to Rp 17.9 trillion and CEO of PT. Toshiba Hisao Tanaka resigned self and index Toshiba shares removed.

Condition companies that do not can produce profit in accordance with what is desired can show inability management in manage company, because matter that's it management motivated For do deviant act For influence recording the so - called profit as practice earnings management. Earnings management can defined as effort management For influence information report finance with the aim is to be able to deceive party external For know conditions and performance a company (Sulistyanto, 2018). Practice earnings management happen Because existence difference interest between management with party external. At the time management do recording or compile information report finance management can change information big small numbers on components report finance so that earnings management can it is said as game accountancy (Agustia & Suryani, 2018) . Phenomenon earnings management can influence fairness from report finances that result in credibility and reliability report finance the reduce so that can misleading its users (Herlin Tunjung, 2019). Earnings management become interesting topic For investigated Because Still Lots done by management until moment this, the result benefit from report finance become deviate. Techniques and methods implementation earnings management naturally will changed from time to time, because That m earnings management need

noticed and identified factors that can potential influence practice so that it can minimize the occurrence earnings management in Indonesia.

There is Lots triggering factors the occurrence earnings management inside a companies, including there is size company, profitability, leverage, and liquidity. Size company is a comparison used for show big small company through total assets, sales net, and market capitalization (Mahawyahrti & Budiasih, 2017). Investors in to plant the capital will choose companies that have good reputation and capable company show good performance so that the invested capital can profitable for himself (Santi & Wardani, 2018). Relationship between size company with earnings management own different views, namely company small will more easy For do earnings management Because want to show good performance so that can bring in investors to to plant the capital at the company Another view says company with bigger size big tend will more be careful and transparent in serve condition report finance Because is at in more supervision strict so that For company big should can fulfil expectations expected by investors. Research conducted by (Nalarreason et al., 2019) and (Cahyani & Hendra, 2020) show that size company influential positive to earnings management. The more big company so the more big opportunity for manager For do earnings management to be able to fulfil higher investor expectations high. Contrary with research conducted by (Purnama, 2017) Where state that size company influential negative to earnings management.

Factors that influence earnings management that is Profitability. Profitability is ability company get profit through all capabilities, and existing resources (Febria, 2020). Profitability often become the target of managers For do earnings management. If level profitability in a company low will push manager for do action earnings management so that can protect its performance in the eyes owner and show that company own good performance moment led by him (Christiana, 2020). Profit good company tend reduce motivation management in do practice earnings management. Research conducted by (Syaputra, 2022) and (Purnama, 2017) state that profitability influential positive to earnings management. This is show that big small profit earned a company can Motivate manager for do action earnings management. Different with study from (Sari & Susilowati, 2021) who stated that profitability influential negative to earnings management.

Another alternative that companies can use to obtain external funds is through debt related to leverage. Leverage is usually used to describe a condition or ability of a company to use assets or funds that have fixed costs to increase the income level of the company's owners. Leverage is able to measure how much of the company's assets are financed by debt. Managers who hold company shares will be reviewed by the parties involved in the contract for quality financial reporting by shareholders, creditors, and users of financial statements in order to ensure the efficiency of the contracts made. Thus, management will be encouraged to behave opportunistically by choosing accounting practices that avoid violating the agreement (Lazzem & Jilani, 2018). Research conducted by (Mulyana & Saputra, 2017) and (Sari & Susilowati, 2021) states that leverage has a positive effect on earnings management. The higher the level of debt owned by a company, the more it can encourage management to manipulate profits in order to improve the company's image in the eyes of the public and so that investors continue to invest their capital in the company. However, this is different from research (Purnama, 2017) which states that leverage has a negative effect on earnings management.

Another factor that can influence management to carry out earnings management is liquidity. Liquidity is used to measure how capable a company is in financing and meeting all short-term debts. The company's liquidity is indicated by the amount of current assets, namely assets that are easily converted into cash including cash, securities, receivables, inventory, and valuable securities (Mulyaningtyas & Handayani, 2022). Companies with low levels of liquidity will have difficulty paying their short-term debts, which will reduce the trust of suppliers and creditors in the company. A common phenomenon that occurs when a company is unable to meet its short-term debts, management tends to take profit management actions to meet the desired profit target so that the company still looks superior because of its ability to generate profits for investors (Syaputra, 2022). From this liquidity, many perspectives can be obtained regarding the company's financial competence and ability to survive in the midst of problems. Research conducted by (Ani & Hardiyanti, 2022) shows that liquidity has a significant positive effect on profit management. Liquidity has an influence on investor confidence in the company with increasing liquidity of a company, the practice of profit management will also increase. In contrast to research conducted by (Siregar et al., 2022) which states that liquidity does not have a significant effect on profit management.

Study This give contribution with add moderation variable that is audit quality seen from the type of external auditor used company. For produce high audit quality, appointment process, compensation, and supervision on external auditors must implemented with careful and full consideration. As part from function external monitoring, qualified auditors will help task supervision on report finances run by the company. Onuorah et al. (2016) revealed that external audit quality influential positive to management proxied profit with discretionary accruals company. Furthermore, Davidson et al. (2005) stated that No There is connection between the existence of Big 5 auditors with earnings management. It was also found that external audits play role important in monitor management and improve quality reporting financial information (Watts & Zimmerman, 1983). In the same vein, financial information finance more can reliable For Big 4 companies than other companies (Becker et al., 1998). Research results Almaqtari et al. (2020) revealed that audit quality has an effect significant to quality reporting finance.

The company that is the object of this research is a food and beverage sub-sector company (food and beverage). Food sub-sector companies and Beverage is one of the industrial sectors on the Indonesia Stock Exchange (IDX) which has the opportunity to grow rapidly along with the increasing number

of Indonesian people which results in the need for food. and beverage also continues to increase. The tendency of Indonesian people to consume ready-to-eat food has caused the number of food industries and beverages are increasing, especially since entering a prolonged crisis and causing increasingly tight competition conditions in this industry (Rosita & Gantino, 2017). The consumer goods industry has a role in increasing income in a country, either through increased investment, employment absorption, or export value achievements.

The theory that is the basis of this research is agency theory. theory). Agency theory or agency theory is a theory that explains the employment contract relationship between the company owner (principal) and management (agent) (Hadi & Tifani, 2020). The principal is the party who employs the agent to manage his company, by entrusting the management decision-making of the company to the agent. The agent is the management party that manages the company's operational activities. Agency theory proposes that there is a disparity in information and a clash of interests between the principal and the agent. Information asymmetry is a condition where the agent knows more internal information than the principal so that it can encourage the agent to manipulate the presentation of information that is not true to the principal, especially regarding the measurement of agent performance and company finances in order to maximize its prosperity.

Agency theory assumes that each individual will be motivated by personal interests, thus creating a conflict of interest between the two parties (Triyulianto, 2020). The occurrence of this conflict of interest is due to differences in interests with equally strong economic interests from both parties, which will allow agents not to make decisions that are in accordance with the wishes of the capital owner (Budiman et al., 2021).

The existence of conflict of interest and asymmetric information becomes an opportunity for agents to carry out actions or practices of earnings management. The practice of earnings management itself is said to be an opportunistic action carried out by management to benefit itself, this is in line with the assumptions of agency theory. The practice of earnings management can reduce the quality and affect the fairness of the presentation of the company's financial statements so that it can be detrimental to users of the financial statements. Earnings management is not always associated with efforts to manipulate accounting information by influencing the figures in the financial statements alone, but in the selection of accounting methods deliberately chosen by management. Management will use the flexibility allowed by accounting standards to change earnings if the resulting profit does not meet the target using the accrual basis (Herlin Tunjung, 2019).

II. Literature Review And Hypotheses Development

Company size is an effort to assess the size of a company as measured by the total assets owned by the company. Company size is one of the factors that can influence the occurrence of earnings management practices. Companies with large sizes will have their performance seen by the public so that the company will report its financial condition carefully and transparently (Santi & Wardani, 2018). This makes large companies unable to freely practice earnings management considering that if the company experiences losses or is even proven to have committed fraud, it can have a detrimental impact on the company's image both internally and externally (Astuti, 2017). Conversely, if the company is classified as small, the less attention the company gets, so managers can freely practice earnings management.

Based on agency theory which suggests the existence of information asymmetry and conflict of interest between agents and principals who seek to maximize their respective prosperity, therefore the possibility of large companies is less likely to carry out earnings management (Purnama, 2017). Small companies have a tendency to carry out earnings management by reporting high profits to show satisfactory company performance and can attract investors to invest (Santi & Wardani, 2018).

The results of research conducted by (Santi & Wardani, 2018) and (Purnama, 2017) prove that company size has a negative effect on earnings management. Based on this description, the following hypothesis can be formulated:

H_1: Company size has a negative effect on earnings management.

Profitability show ability company in produce profit. Profitability level can influence investors' policies on investment. Good profitability will give impression that company the capable to obtain high profit and have good prospects so that investors are interested For to plant the funds for expand his efforts (Siregar et al., 2022). If level profitability company low so will the more small company get profit.

Based on theory agency or agency theory, agent and principal are involved conflict interests in order to be able to maximize welfare of each (Purnama, 2017). The parties the principal will pushed for do contract with profitability that is always increased, while agent will maximize need economic and psychological like acquisition investment and contracts compensation. Low profitability level Of course will impact on assessment performance management in manage company, therefore That management can do action opportunistic with do practice earnings management (Hasty & Herawaty, 2017). Manager will tend raise reported profit in report its finances. However, the profitability is too tall precisely make manager tend lower reported profit with objective arrange amount of bonus earned manager.

The results of research conducted by (Purnama, 2017) prove that profitability has a positive effect on earnings management. Based on this description, the following hypothesis can be formulated:

H_2: Profitability has a positive effect on earnings management.

Leverage represents a ratio comparing a company's total liabilities to its total assets. Debt may enhance earnings management when the organization seeks to lessen the risk of breaching debt contracts. Companies with high levels of leverage due to the large amount of debt they have will make earnings management because the company is threatened with not being able to fulfill its debt payment obligations on time

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(Mahawyahrti & Budiasih, 2017). The company will try to avoid it by making policies that can increase revenue and profit, thus the company's position will be better in scheduling the company's debts.

Based on agency theory, Leverage has an important role in clarifying the interests of managers with shareholders to reduce agency costs caused by conflicts of interest and information asymmetry (Hanafi, 2020). Companies that possess a significant amount of debt within their capital structure will incur monitoring costs) which are higher. The higher the leverage level, the higher the company's risk in paying its obligations (Agustin & Widiatmoko, 2020). This causes management to attract investors to continue investing in their company by practicing earnings management in the hope that the company's performance will look good in the hope that creditors can trust the company's performance.

The results of research conducted by (Sari & Susilowati, 2021) prove that the leverage ratio has a positive effect on earnings management. Based on this description, the following hypothesis can be formulated:

H_3 : Leverage has a positive effect on earnings management.

Liquidity refers to the capability of a company to fulfill financial obligations in the short term promptly. The company produces profit in the form of dividends distributed and retained earnings, retained earnings the will enter in assets smooth. One of the ratio that can used For measure liquidity is ratio smooth. More and more tall ratio fluent show change high profit so that existence change the can show that company do action earnings management with manipulate ratio fluent company Where company with mark high ratio give impression ability company in pay off debt term in short (Endrawati, 2020).

Based on agency theory, if level liquidity company tall so the more small possibility company do earnings management (Paramitha & Idayati, 2020). With mark high liquidity means company Already try For pay off debts term in short with asset fluent owned, not must do earnings management to get loan from creditors. But mark high liquidity also does not good, company No capable manage assets smooth as much as possible Possible Because there are idle funds or Not yet used in a way maximum. Ratio level low liquidity will push manager as agent do earnings management for the company the rated Good Because can return his liabilities with asset smoothly owned.

The results of research conducted by (Paramitha & Idayati, 2020) prove that liquidity influential negative to earnings management. Based on description said, then can arranged hypothesis as following:

H_4 : Liquidity has a negative effect on earnings management.

The emergence of earnings management practices can be explained by agency theory. Agency theory assumes that agents have more information than principals, because principals cannot continuously observe the activities carried out by agents. There needs to be a third party, namely an auditor as a party who is considered capable of bridging the interests of the principal (shareholder) and the manager (agent) in managing the company's finances. Ardiati (2005) states that a high-quality audit (high-quality auditing) acts as an effective deterrent to earnings management, because management's reputation will be destroyed and the company's value will decrease if this misreporting is detected and revealed. Audit quality in this study was measured by the size of the KAP (KAP The big-4 and KAP Non The big-4) and the auditor's industry specialization. DeAngelo (1981) stated that the quality of audits conducted by public accountants can be seen from the size of the KAP conducting the audit. Big KAP (big - 4 accounting firms) are perceived to carry out higher quality audits compared to small KAPs (non-big-4 accounting firms). firm). This is because large KAPs have more resources and more clients so they do not depend on just one or a few clients, in addition because their reputation is considered good by the public, causing them to conduct audits more carefully. Craswell et al. (1995) showed that Big-6 KAPs provide more human resources for staff. training and development of expertise in certain industrial fields compared to non-Big-6 KAPs. In addition, Big6 KAPs are in a better position to negotiate with clients who intend to adopt aggressive accounting practices compared to non-Big-6 KAPs. Therefore, Big-6 KAPs which are now Big-4 KAPs can reduce earnings management. Meutia (2004), Sanjaya (2008) and Herusetya (2009) discovered that as the audit quality improves through KAP measures (The Big-4 KAPs), the level of earnings management that takes place in the company decreases. In addition to Indonesia, Rusmin's (2010) research on all non-financial companies in Singapore in 2003 and Gerayli's research et al. (2011) across non-financial companies in Iran in 2004 also found that KAP size was negatively related to earnings management.

Quality audit can detect client in do practice earnings management, so that manager will do restrictions to action (Hasty & Herawaty, 2017). Companies with audited by Big Four KAP, can influence desire manager in do action earnings management at the moment condition profit company tall and low, because the Big Four KAPs in conduct a report audit finance company more capable detect mark profit that has been manipulated by the party manager on report finance. Research This reinforced by (Roslita & Daud, 2019a) who stated that audit quality as variable moderation can influence connection profitability to earnings management. High leverage make company depends on the party external in to finance its assets, things the indicates that company experiencing financial distress. So that there is trend in do manipulation Good raise and lower profit in report his finances. Lack of supervision can cause action earnings management For maintain image performance his company (Hasty & Herawaty, 2017). The existence of specialization industry at the Public Accounting Firm (KAP) as an independent auditor, can lower motivation manager in manipulate profits and irregularities in reporting finance company can detected (Mamu & Damayanti, 2018). Research conducted (Sitanggang, 2020) and (Roslita & Daud, 2019a) strengthens results that audit quality as variable moderation can influence leverage relationship to earnings management .

H_5: Audit quality strengthens influence negative size company to earnings management

H_6: Audit quality weakens influence positive profitability to earnings management
H_7: Audit quality weakens influence positive leverage against earnings management
H_8: Audit quality strengthens influence negative liquidity to earnings management

III. METHOD

The location of this research was carried out at a food and beverage sector company (food and beverage) that was listed on the Indonesia Stock Exchange during 2017-2022. The research conducted by the author was conducted at the Indonesia Stock Exchange (IDX) by accessing the official website of the IDX, namely www.idx.co.id.

Population is a generalization area consisting of subjects or objects that have certain quantities and characteristics that are determined by researchers to be studied and then conclusions drawn. (Sugiyono, 2018). Judging from the definition, it shows that the population is not only a device, but also objects and other natural objects. The population is also not just the number of objects or subjects studied, but includes all the characteristics or properties possessed by the object or subject. The population in this study is the food and beverage sub-sector companies listed on the Indonesia Stock Exchange in the period 2017-2022 and has a population of 45 companies.

This study uses a sampling technique using the purposive sampling method. Purposive sampling is a sampling determination technique with certain considerations (Sugiyono, 2018). The research sample used in the study must have the following criteria; is a food and beverage sub-sector company listed on the Indonesia Stock Exchange, a food and beverage sub-sector company publishes audited financial statements consecutively for 6 years, a food and beverage sub-sector company that presents financial statements in rupiah currency, and has a profit for 6 years, namely from 2017 - 2022. In accordance with these criteria, the number of samples used in this study was 21 Food and Beverage Sub-Sector Companies (Food and Beverage). Beverage) listed on the Indonesia Stock Exchange in 2017-2022. Based on the above criteria, the food and beverage companies used in this study were 21 companies with 6 annual financial report publications (2017-2022) so that the number of data used was 126 research samples.

The operational definition of variables is intended as the understanding that underlies the theoretical study of each variable. According to (Agustia & Suryani, 2018), company size can be interpreted as a scale on which the size of a company can be classified in various ways, including expressed in total assets, stock market value, and so on. The company size in this study is proxied using the natural logarithm (Ln) of total assets. said the formula that can be used to measure company size is:

"Size = Ln (Total aktiva)"

According to (Kasmir, 2018:201) profitability is the ability to earn profit is a measure in percentage used to assess the extent to which a company is able to generate profit at an acceptable level. Profitability in this study is proxied by Return On Assets (ROA). Return on Assets are used to see to what extent the investment that has been invested is able to provide a return on profit as expected based on the assets owned. Return analysis on assets measure the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for the costs to fund the assets. put forward a formula that can be used to measure Return On Assets, namely:

"Return On Assets = " "Earning After Tax" /"Total Assets"

According to (Kasmir, 2018:156) Leverage or solvency is the company's ability to pay all its obligations, both short-term and long-term, if the company is liquidated. In this study, leverage is measured by debt to assets ratio. Debt to Assets Ratio is a debt ratio to measure the comparison between total debt and total assets. The formula that can be used is

" Debt to Asset Ratio = " "Total debt" /"Total Assets"

According to (Kasmir, 2018:135) the liquidity ratio is a ratio used to measure a company's ability to meet maturing obligations. In this study, liquidity is measured by the current ratio (current ratio). Current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that will fall due when billed. states the formula used to find current ratio is

"Current Ratio = " "Current Assets" /"Current Liabilities"

Frequent indicators used For evaluate audit quality is size of Public Accounting Firm because Name Good from the KAP become an important picture (Isnugrahardi and Kusuma, 2009). Anisa and Kurniasih (2012) revealed that level fraud report finance companies audited by the Big Four KAPs are more low from companies audited by non-Big Four KAP. According to (Rahmawati, 2016) research This use measurement audit quality using dummy variable with explanation as following: Companies audited by the Big Four KAPs (PWC, Deloitte, KPMG, Ernst and Young), are given score = 1, and companies audited by non-Big Four KAPs are given score = 0

According to (Abbas et al., 2019) earnings management is an act of engineering financial reports, especially to manage company profits using certain methods to suit what is desired. In this study, earnings management was measured using the Modified Jones Model with discretionary accruals modified by Dechow et al. (1995) in (Suyono, 2017), :

Calculating total accruals, namely net profit in year t minus operating cash flow in year t using the following formula:

〖"TAC" 〗_"it" " =" 〖"NI" 〗_"it" "- " 〖"CFO" 〗_"it"

Next, the total accrual will be estimated using Ordinary Least Square :

〖"TAC" 〗_"it" /"A" _"it-1" " = " "β" _"1" ("1" /"A" _"it-1")" + " "β" _"2" (〖ΔREV〗_it/A_(it-1))" +" 〖" β" 〗_"3" "(" 〖"PPE" 〗_"it" /"A" _"it-1" ")+e"

With the regression coefficient as in the formula above, then nondiscretionary accruals (NDA) are determined using the following formula:

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〖NDA〗_t = 〖 β〗_1 (1/A_(it-1)) + β_2 (〖ΔREV〗_it/A_(it-1) - 〖ΔREC〗_it/A_(it-1)) + β_3 (〖PPE〗_it/A_(it-1))

Discretionary accruals (DA) as a measure of earnings management is determined by the following formula:

〖"DAC" 〗_"it" "=" "(" 〖TAC〗_it/A_(it-1) ") - " 〖"NDA" 〗_"it"

Information :

〖"DAC" 〗_"it" = Discretionary Accruals of company i in period year t

〖"NDA" 〗_"it" = Nondiscretionary Accruals of company i in period year t

TAC_it= Total accruals of company i in period year t

NI_it= Net profit of company i in period year t

CFO_it= Cash from operating activities of company i in period year t

A_(it-1)= Total assets of company i in the period year t-1

〖ΔREV〗_it= Company i's income in year t minus company i's income in year t-1

PPE_it= Property, plant, and equipment of company i in year period t

〖ΔREC〗_it= Company i's receivables in year t minus company i's receivables in year t-1

e = error

Data analysis method is one of the processes of compiling and processing data in research that is useful for interpreting the data that has been collected. Because in this study there are intervening variables, to produce accurate data analysis, the Stata computer statistics program version 1.7 is used.

Statistics Descriptive is a analysis that provides description regarding the data but No For test hypothesis research formulated. Descriptive analysis own objective For analyze data and calculate various characteristics of the data studied. Statistics descriptive show amount sample, minimum value, value maximum, average, and standard values deviation (Ghozali, 2011). The minimum value used For evaluate mark the smallest from the data. Maximum value used For know mark the biggest from the data. The average value is mark For find out the average of the data being studied. While standard deviation For know variations of the data studied.

Moderated regression analysis used to test the moderating effect where the equation contains elements of interaction (multiplication of two or more independent variables). The MRA Equation Model in this study is:

DA = ß 0 - ß 1 LNTA + ß 2 ROA + ß 3 DAR – ß 4 CR + ß 5 LNTA*KAP - ß 6 ROA*KAP - ß 7 DAR*KAP + ß 8 CR*KAP + Ɛ 1 ………… ……………….........................(1)

Determining the best model between Common Effect, Fixed Effect, and Random Effect use two technique model estimation. Two technique This used in panel data regression for get the right model in estimate panel data regression. Two tests are used, the first Chow test used For choose between the Common Effect models or Fixed Effect. Second, Hausman test used For choose between Fixed Effect models or the best random effect in estimate panel data regression. Use second testing the in best model selection panel data regression.

IV. Results And Discussion

Result

Descriptive statistics aim to find out the description of the research sample through the minimum, maximum, average, and standard deviation values. Descriptive statistics in Table 1 show the average earnings management is 0.004. The average size company namely 29.01, the average profitability which is 0.101, average leverage is 0.365, average liquidity which is 3.028, and the average audit quality is 0.476.

TABLE 1. Statistics Descriptive

Variables	N	Minimum	Maximum	Average	Standard Deviation
DA	126	-27,055	2,121	0.004	2,438
LNTA	126	26,954	32.82	29.01	1,509
ROA	126	0.0001	0.527	0.101	0.007
DAR	126	0.0979	0.681	0.365	0.151
CR	126	0.7320	15.82	3,028	2,728
HOOD	126	0.0000	1,000	0.476	0.501

Source: Processed data, 202 4

Table 1 also informed that the earnings management the smallest (minimum is -27.055, namely in the DLTA company and the largest (maximum) is 2.121 in the GOOD company. The average earnings management of 0.004. The standard deviation signifies the extent of the variation in the observation of quality data. report finances against the expected value or average value, the standard deviation value is 2.438, which is greater than the average, meaning that the data distribution varies.

Parameter estimation of panel data regression models using three types of models namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Determination estimation model appropriate for each hypothesis using the Chow test, Hausman test and Langrange Multiplier test. Testing the research model described in Table 2, which shows the best model for each hypothesis.

TABLE 2. Model Testing Results

Model	Model Testing			Model Best
	Chow test	*Houseman test*	*LM test*	
1	*F statistic* = 0.88 Prob . = 0.698	*Chi square* = 5.46 Prob . = 0.7070	*Chi square* = 1.42 Prob . = 0.1164	CE

Source: Processed data, 202 4

Chow's results the test obtained a probability value of 0.88 which is greater than the significance level of 0.05, meaning common effect model is the best model. Furthermore, the LM test is carried out to determine between random effect or common effect as the best model, and the result obtained is a probability value of 0.1164 which is greater than the significance level of 0.05, meaning common effect model is an appropriate model used to predict factors that influence earnings management with audit quality as a moderator.

Two - tailed ED test test in a one-way hypothesis with a significance level of 0.05 causes the output significance value to be divided by two to determine the testing criteria. Hypothesis testing results presented in the section Next. The test results are summarized in Table 3.

TABLE 3. Hypothesis Testing Results

Dependent Variable = Management Profit (DA)				
Variables	Coefficient Value		Statistical Value t	Probability Value
LNTA	β1	0.201	0.96	0.337
ROA	β2	-17.76	-2.74	0.007*
DAR	β3	-4,219	-1.28	0.204
CR	β4	-0.250	-2.13	0.035*
LNTA*KAP	β5	-0.140	-1.47	0.143
ROA*KAP	β6	-18.13	-2.39	0.018*
DAR*KAP	β7	4,808	1.02	0.311
CR*KAP	β8	0.287	0.85	0.394
Constants	α	-1,937	0.35	0.724
R2 = 0.489 Prob > F = 0.00				

Note: the * sign indicates significance at the α = 5% level (two-tailed)
Source: Processed data, 202 4

Common equation model The effect for the Model is obtained as follows.

DA=-1.937+0.201LNTA-17.76ROA-4.219DAR-0.250CR-0.140LNTA*KAP-18.13ROA*KAP+4.808DAR*KAP+0.287CR*KAP

Test results size company to earnings management shows p value more big from the alpha value ($0.337 > \alpha = 0.05$) which means the size company No have a significant impact on earnings management. Regression coefficient of the influence of size company to earnings management positive sign (□1 = 0.201) indicates a unidirectional influence. This result shows that Hypothesis 1 is rejected.

Test results profitability to earnings management shows p value more small from the alpha value ($0.007 < \alpha = 0.05$) which means profitability have a significant impact on earnings management. Regression coefficient of profitability influence to earnings management negative sign (□2 = -17.76) indicates an opposite influence direction. These results indicate that Hypothesis 2 rejected.

Leverage test results on earnings management shows p value more big from the alpha value ($0.204 > \alpha = 0.05$) which means that leverage does not have a significant impact on earnings management. Regression coefficient of leverage influence on earnings management negative sign (□1 = -4.219) indicates an opposite effect direction. These results indicate that Hypothesis 3 rejected.

Leverage test results on earnings management shows p value more big from the alpha value ($0.035 < \alpha = 0.05$) which means that leverage has a significant effect on earnings management. Regression coefficient of the influence of size company to earnings management negative sign (□1 = -0.250) indicates an opposite effect direction. These results indicate that Hypothesis 4 accepted.

audit quality testing on earnings management moderated size company shows a larger p value from the alpha value ($0.143 > \alpha = 0.05$) which means that the audit quality is not to moderate influence size company to earnings management. The negative regression coefficient (□1 = - 0.140) indicates an opposite effect. direction. These results indicate that Hypothesis 5 rejected.

audit quality testing on earnings management moderated profitability shows a smaller p value from the alpha value ($0.018 < \alpha = 0.05$) which means that audit quality moderates influence profitability to earnings management. The negative regression coefficient (□1 = -18.13) indicates an opposite effect direction. These results indicate that Hypothesis 6 accepted.

audit quality testing on earnings management moderated leverage shows a larger p value from the alpha value ($0.311 > \alpha = 0.05$) which means that the audit quality is not to moderate the influence of leverage on earnings management. The regression coefficient is positive (□1 = 4.808) indicating a unidirectional influence. This result shows that Hypothesis 7 rejected.

audit quality testing on earnings management moderated liquidity shows a larger p value from the alpha value ($0.394 > \alpha = 0.05$) which means the quality audit no to moderate the influence of leverage on earnings management. The regression coefficient is positive. (□1 = 0.287) indicates a unidirectional influence. This result shows that Hypothesis 8 rejected.

Discussion

Hypothesis 1 (H1) states size company influential negative to earnings management. Analysis results show mark coefficient regression of 0.201 and the value significance of 0.337, p. This show that size company influential positive and negative significant to earnings management. Increase or decline size company No will influence in a way significant to tall or low earnings managements that occur in the company. So that can concluded that results study This No in accordance with H 1 and theory agency. Size company No influential to earnings management due to Because earnings management done by people or management company, not based on influence from how much big size company (Paramitha & Idayati, 2020). Size big company and small No will influence connection contractual between owner or holder share with party manager or manager Because No will cause conflict between second split party. Size company No become factor trigger action manager in do action earnings management, so that report finances presented by the parties manager tend describe the actual situation (Sari & Susilowati, 2021). In addition that, strict supervision from government, analysts, and investors who participated operate company cause manager companies that are large in size big and small No brave For do practice earnings management Because will can damage image and credibility management company (Agustia & Suryani, 2018). Theory agency hinting existence asymmetry information and conflict interest between agents and principals who undertake For maximize their respective prosperity, then from That possibility company with big size more A little For do earnings management (Purnama, 2017). Companies with size small have level trend For do earnings management with method report high profit For show performance a satisfactory and reliable company bring in investors to investing capital (Santi & Wardani, 2018). Influence between size company with earnings management in a way empirical can seen based on research data description with compare average sizes company from 2017-2022 with an average earnings management from 2017-2022.

I Gusti Ayu Ratih Permata Dewi and Cok Istri Ratna Sari Dewi, “Factors Influencing Earnings Management with Audit Quality as a Moderation,” *International Journal of Multidisciplinary Research and Publications (IJMRAP)*, Volume 7, Issue 6, pp. 127-137, 2024.

The data description describes that moment company Keep going experience improvement size company, value earnings management experience fluctuating where in 2017-2022. Therefore that, thing This show that improvement size company No influential to action earnings management made by management company. Research result This No support research conducted by Santi & Wardani (2018) and Purnama (2017) which stated that size company influential negative to earnings management. However, the results study This support research conducted by Astuti, et al. (2017), Paramitha & Idayati (2020), and Sari & Susilowati (2021) which stated that size company influential positive and negative significant to earnings management.

Hypothesis 2 (H2) states profitability influential positive to earnings management. Analysis results show mark coefficient regression of - 17.76 and the value significance of 0.007, p. This show that profitability influential negative and significant to earnings management. Investors want company have stable profit, because If profit company stable risk his investment low. If his investment company tall or Keep going increases, then the risk will also be high (high-risk and high return). So that if you take the wrong one action so Can cause company will plummeted. The result of logic that has ever used in research previously that is research (Herni & Susanto, 2008) and (Aprina & Khairunnisa, 2015). Research (Aprina & Khairunnisa, 2015) shows that when profitability low management worry will existence changeover management, because considered performance less than optimal management. So that practice earnings management is also done so that performance management will rated good by the community and stakeholders. With thus can it is said that profitability influential negative to earnings management.

Hypothesis 3 (H3) states that leverage has an effect positive to earnings management. Analysis results show mark coefficient regression of - 4,219 and the value significance as big as 0.204, p This show that leverage has an effect negative and no significant to earnings management. The significance value is not significant cause improvement or leverage reduction does not will influence in a way significant to tall or low earnings managements that occur in the company, so that can concluded that results study This No in accordance with H 3 and theory agency. Leverage is not influential to earnings management due to Because company sometimes No depends on the debt in to finance asset company, so that No influence to decision management company in arrangement amount the profit that will be reported if happen changes in debt levels (Purnama, 2017). Management that believes his company capable pay debt used For to finance asset company No interested or No motivated For do practice earnings management (Anindya & Yuyetta, 2020). In addition, that, the leverage that is owned the company is monitored by the debtholder, so that cause management company No brave For do practice earnings management Because will can damage debtholder trust in company (Kusumawardana & Haryanto, 2019). Theory agency explain that leverage has role important in align interest manager with holder share For reduce cost agency caused by conflict interests and asymmetry information (Hanafi, 2020). Companies that have proportion high debt in structure capitalization will have cost more supervision (cost monitoring). big. The more tall leverage level then the more tall risk company in pay his obligations (Agustin & Widiatmoko, 2020). This cause management will attract investors so that still to plant shares in his company with do practice earnings management For show that performance company seen good and investors can trust performance company said. The influence between leverage and earnings management in a way empirical can seen based on research data description with compare the average leverage of 2017-2022 with an average earnings management from 2017-2022. Data description describes that when leverage is valuable fixed, value earnings management experience changes. Therefore that, thing This show that action earnings management made by management company No due to the leverage ratio owned company. Research results No support research conducted by Sari & Susilowati (2021) which states that leverage has an effect positive to earnings management. However, the results study support research conducted by Purnama (2017), Anindya & Yuyetta (2020), and Felicia & Natalylova (2022) who stated that leverage has an effect negative and no significant to earnings management.

Hypothesis 4 (H4) states liquidity influential negative to earnings management. Analysis results show mark coefficient regression as big as -0.250 and the value significance of 0.035, p. This show that liquidity influential negative and significant to earnings management. 100 percent increase from liquidity will cause earnings managements that occur in the company decrease by 3.3 percent, and vice versa moment happen decline liquidity by 100 percent will cause earnings managements that occur in the company increase by 3.3 percent. So that can concluded that results study This in accordance with H4 and theory agency. The more tall liquidity company so the more high ability company in pay off debt term in short. If the ratio liquidity company low so manager will do manipulation assets fluent owned company (Paramitha & Idayati, 2020). High level of liquidity can reduce behavior earnings management, because with height mark liquidity meaningful company Already try For do long term debt settlement short use asset smoothly, so that management company not need carry out earnings management so that to obtain loan from creditors (Habibie & Parasetya, 2022). Jensen & Meckling (1976) explained that theory agency is theory that explains about existence separation interest between owner company and management company. The company that separates function management and ownership will prone to to conflict agency conflict caused because each party have mutual interests contradictory For maximize their respective advantages (Siregar, et al. 2022). In fulfil desire holder stock, manager company will utilise asymmetric information owned For raise mark company and maintain ratio liquidity company. Management company will apply practice earnings management with raise assets fluent or lower debt smoothly done No in a way together in report finance (Prastiani, 2018). Theory agency state that If level liquidity company tall so the more small possibility company do earnings management (Paramitha & Idayati, 2020).

Influence negative between liquidity with earnings management in a way empirical can seen based on research data description with compare average liquidity from 2017-2021 with an average earnings management from 2017-2021. Data description describes that moment company experience improvement liquidity, value earnings management experience decline and vice versa. Therefore that, condition This show that liquidity influential negative to earnings management. Research result This support research conducted by Paramitha & Idayati (2020) and Habibie & Parasetya (2022) which stated that liquidity influential negative and significant to earnings management.

Hypothesis 6 (H6) states audit quality weakens influence positive profitability to earnings management. Analysis results show mark coefficient regression as big as -18.13 and the value significance of 0.018, p. This show that audit quality weakens influence positive profitability to earnings management. Quality audit can detect client in do practice earnings management, so that manager will do restrictions to action (Hasty & Herawaty, 2017). Companies with audited by Big Four KAP, can influence desire manager in do action earnings management at the moment condition profit company tall and low, because the Big Four KAPs in conduct a report audit finance company more capable detect mark profit that has been manipulated by the party manager on report finance. Research This reinforced by (Roslita & Daud, 2019a) who stated that audit quality as variable moderation can influence connection profitability to earnings management

V. Conclusion, Implication And Limitation

Study This aiming for test in a way empirical factors that influence earnings management with audit quality as a moderator. The decision sample in study This use purposive sampling method and technique data analysis used in technique analysis Moderated Regression Analysis. Based on results research, then obtained conclusion as following; Size company influential positive and not significant to earnings management, so it can be concluded that the results of this study are not in accordance with H1. The size of the company, whether large or small, will not affect the contractual relationship between the owner and the manager because it will not cause conflict between the two parties. Company size is not a triggering factor for managers to take earnings management actions, so that the financial reports presented by the manager tend to describe the real situation. Profitability influential negative and significant on earnings management, so it can be concluded that the results of this study are not in accordance with H2. When profitability is low, management is worried about management changes, because it is considered that management performance is less than optimal. So that earnings management practices are carried out so that management performance will be considered good by the community and stakeholders. Thus, it can be said that profitability has a negative effect to earnings management. Leverage has an effect negative and insignificant on earnings management, so it can be concluded that the results of this study are not in accordance with H3. Companies sometimes do not depend on debt to finance company assets, so they do not affect the company's management decisions in setting the amount of profit to be reported if there is a change in the debt level. Management who believes that their company is able to pay the debt used to finance company assets is not interested or motivated to do practice earnings management. Liquidity influential negative and significant on earnings management, so it can be concluded that the results of this study are in accordance with H4. A high level of liquidity can reduce earnings management behavior, because with a high liquidity value, it means that the company has tried to pay off short-term debt using its current assets, so that company management does not need to carry out earnings management in order to obtain loans from creditors. Audit quality is able weaken influence positive profitability to earnings management. A quality audit can detect clients in carrying out earnings management practices, so that managers will limit these actions (Hasty & Herawaty, 2017). Companies audited by Big Four KAPs can influence managers' desire to carry out earnings management actions when the company's profit conditions are high or low, because Big Four KAPs in auditing the company's financial statements are better able to detect the profit value that has been manipulated by managers in the financial statements. This study is strengthened by (Roslita & Daud, 2019a) which states that audit quality as a moderating variable can affect the relationship between profitability and earnings management

Based on results research that has been obtained, then to the Indonesia Stock Exchange (BEI) it is suggested For more increase supervision to report finance company. BEI must can ensure report financial statements presented by the company nature orderly, fair, efficient and open so that No harm other parties involved in transaction trade share company. BEI needs to do supervision to ratio liquidity company, because decline ratio liquidity will can cause increasing earnings management made company.

Based on results research that has been obtained, then to investors or potential investors at the moment do decision investment recommended For notice mark liquidity from company. A company that has liquidity tall indicates that company own percentage asset more fluent big compared to with its current liabilities. Companies that have mark high liquidity describe that company capable pay off long term debt in short in a way appropriate time, so that manager No will do earnings management in increase image company. Therefore that, the report presented by the company that has ratio high liquidity will more with integrity, so that investors or potential investors can with safe for invest in a company Meanwhile, for variable size company, profitability, and leverage are not significant influence earnings management. Therefore that, investors or potential investors can put aside third variable the moment evaluate There is whether or not earnings management in the company.

Based on results research that has been obtained, then the suggestions that can be given For researcher next, namely as following: 1) Researchers furthermore recommended For add variable independent others, such as ownership managerial and ownership institutional so that results study will give a

better picture wide in explain factors that cause the occurrence earnings management in the company. Ownership managerial recommended as variable independent Because existence ownership shares by party management will cause the emergence of a sense of belonging in self the manager who then will impact on the decline action earnings management made party Manager. Ownership institutional recommended as variable independent Because with existence ownership shares by party institution will supervise behavior opportunistic manager, so that will minimize behavior manager for do earnings management; 2) Researcher furthermore recommended For use company manufacturing engaged in sub - sectors others, such as sub- sectors industry basics and chemistry or sub sector various industry. Besides that, research furthermore can also use company sector besides manufacturing, such as sector mining, sector automotive, sector banking, or sector transportation. This is possibility can give results different research Because companies in every sector sometimes own different characteristics.

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