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## THE INFLUENCE OF TAX PLANNING, PROFITABILITY, AUDIT COMMITTEE AND MANAGERIAL OWNERSHIP ON PROFIT MANAGEMENT

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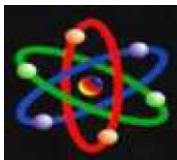
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### Abstract

The aim of this research is to examine the role of earnings management in the success or failure of manufacturing industry trading on the Indonesia Stock Exchange (IDX) in various industry classifications. Fifty five businesses make up the population of this study. Purposive sampling was used to collect information about 39 businesses, of which 13 were selected as samples. Earnings management is the dependent variable, while tax planning, profitability, existence of an audit committee, and managerial ownership are independent variables. The data used in this research comes from the annual financial reports of producers registered through the Indonesia Stock Exchange in several industries from 2019 to 2021. The quantitative analysis approach used here tests conventional assumptions. Referring to the findings, profit management is not too affected by tax planning , audit committee membership, or managerial ownership. Earnings management is greatly affected by profitability. Profit Management of Manufacturing Companies Registered through the Indonesia Stock Exchange Year 2019-2021 Highly Affected by Tax Planning, Profitability, Audit Committee, and Managerial Ownership.

Keywords : Tax Planning, Profitability, Audit Committee, Managerial Ownership, Profit Management



## INTRODUCTION

As the industry is growing rapidly and the competition is getting tighter nowadays, companies are required to have good value and quality in order to survive and be eyed by potential investors. Companies are required to have components that are different from other companies, namely components that can describe the good and bad of the company. One of the components referred to is the financial statements which are the main focus of the company's attention by users of financial statements. Users of financial statements often pay attention to the income statement. Profit and loss reports are an easy way to evaluate the effectiveness of employees and the business as a whole. Information about profits can be used as a measure of company profitability and as an indication of investment risk, income and dividend distribution. Profitable financial reports will attract investors and boost the company's share price, and shareholders will enjoy a greater return on investment. Profit information is very important because it determines the company's growth path and the resulting performance, as a result management can also carry out various ways to get an accurate assessment. well, because it's not surprising that some industries make profit information a target for fraudulent financial statements by manipulating these reports for the benefit of irresponsible parties, which can be detrimental to many parties. The following chart shows the acquisition of revenue management values for the manufacturing industry in various industrial sectors.

Year	Category	Amount	Information
2019	Perform manipulation	13	There are 13 listed companies

2020	Perform manipulation	4	carrying out earnings manipulation and engaging in earnings management There are 4 listed companies carrying out earnings manipulation and engaging in earnings management
2021	Perform manipulation	13	There are 13 listed companies carrying out earnings manipulation and engaging in earnings management

Table 1. Profit Management for Multi-Industry Manufacturing Companies Year 2019-2021

Table above shows that the different types of manufacturing organizations are involved in earnings management, proving that this issue is worth investigating. Two companies, namely PT Ricky Putra Globalindo Tbk and PT Voksel Electric Tbk, have implemented earnings management for the next three years (2019-2021).

## RESEARCH METHODS

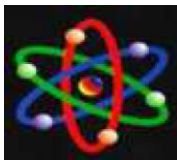
### Types of research

This research uses quantitative research methods. Information is obtained secondary from the official IDX website which can be viewed at [www.idx.co.id](http://www.idx.co.id).

### Population and Sample

In this research, researchers examine a population of 55 businesses from various industries, all of which are registered through the Indonesia Stock Exchange between 2019 and 2021. Sampling is





purposive, where the sample is selected depending on whether they meet certain predetermined criteria. to collect data for this research.

Criteria	Amount
<b>Research Population:</b> Manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period.	55
<b>Criteria:</b>	
1. Manufacturing companies in the various industrial sectors that have not been listed through the Indonesia Stock Exchange for the 2019-2021 period	(4)
2. Manufacturing companies in the various industrial sectors that do not publish complete and consecutive annual financial reports from 2019-2021.	(8)
3. Manufacturing companies in the various industrial sectors suffered losses during the study period	(30)
<b>Number of Samples</b>	<b>13</b>
<b>Number of Observations = 13 x 3</b>	<b>39</b>

Table 2. Sample Research Criteria

### Data Collection Techniques

Documentation is the data collection method used in this research. Secondary data, or published data, is used for this analysis. Financial records of Indonesian manufacturing businesses registered through the Indonesia Stock Exchange mined for 2019 and 2021 information.

### Identification and Definition of Operational Variables

VARIABLE	UNDERSTANDING	INDICATOR	SCALE
Profit management	Management can be involved in earnings management if they use certain accounting processes, expedite expenditure or income transactions, or use a number of other techniques with the intention of influencing short-term profits (Yahaya et al., 2020).	TAC = Net Income - Cash Flows From Operations Source: (RRS Ratna Devia 2019)	Ratio

Tax Planning	Tax planning, often known as tax preparation, is the process by which the operations of taxpayers are controlled so as to minimize their tax liability (including income tax and other taxes) without violating any laws or regulations. (Chairil Anwar Pohan 2018:371).	TRR = Net Income : Pretax Income (EBIT) Source: Son (2019:10)	Ratio
Profitability	Based on the definition given by Ramadhani Sutarno et al. (2021), profitability is "the skill of a company to create profits during a certain period at a certain level of sales, assets, and share capital."	ROA = Net Profit: Total Assets Source : (Kasmir, 2018)	Ratio
Audit Committee	Financial Services Authority Regulation No. 55/PJOK.04/2015 determines the parameters that must be met by the audit committee. In order to assist the Board of Commissioners in carrying out its responsibilities, an Audit Committee has been established which reports directly to the Board of Commissioners. The Board of Commissioners ranks the committee members and can dismiss them at will. Independent Commissioners and parties from outside the Issuer or Public Company are at least three members of the audit committee (Hernawati, 2018).	Independence, competence, size and frequency of audit committee meetings are indicators of committee effectiveness. Source: (Pertiwi, 2017)	Dummy
Managerial ownership	When management members own a large number of shares in a company, this is known as	KM = Number of Management Shares : Total Outstanding	Ratio





managerial ownership (Yahaya et al., 2019).	Shares x 100% Source: (Sonita, 2019)
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Table 3. Identification and Definition of Operational Variables

## RESULTS AND DISCUSSION

### Descriptive Statistics

In order to check whether the residual data values follow a normal distribution, we apply a normality test.

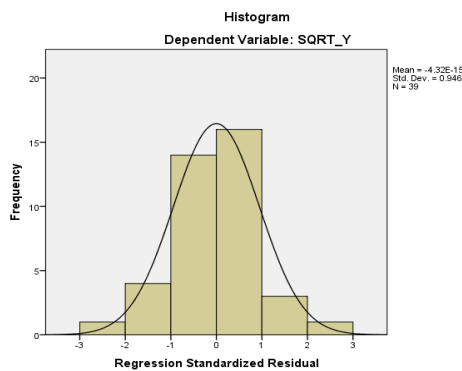


Figure 1 Normality Test Results with Histograms

The bell-shaped curve in the middle of the histogram without slope to the left or right shows that the data is regularly distributed. Probability plots are often displayed with the dots scattered around and following the diagonal line. The following shows that the data model follows a fair distribution.

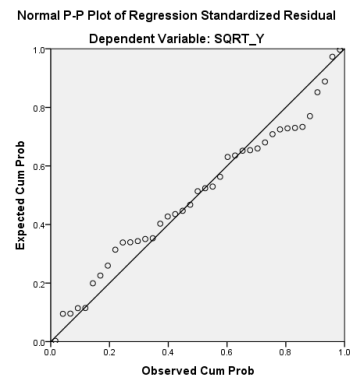


Figure 2. Normality Test Results with the One-Sample Kolmogorov-Smirnov Test

The data in the chart above displays namely Asymp. Because the Sig (2-tailed) two-tailed significance level is 0.557, we can conclude that the regression model is normally distributed.

### Multicollinearity Test

In order to understand whether the independent variables in the modeling model have a correlation or not, a multicollinearity test is carried out. Decision-making tolerance and Coefficient of Inflation of Variance (VIF) values were tested in this research to test multicollinearity.

- If the VIF (Variance Inflation Factors) > 10 and the Tolerance value < 0.10, it means that the conclusion is that there is multicollinearity in the regression model.

- If the VIF (Variance Inflation Factors) < 10 and the Tolerance value > 0.10, it means that the conclusion is that there is no multicollinearity in the regression model.



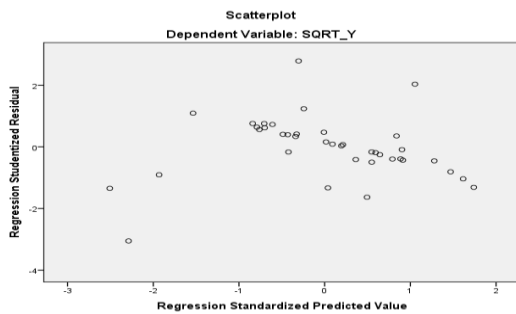


Figure 3. Multicollinearity Test Results

The multicollinearity test results shown in the previous chart show that the tolerance exceeds 0.10 and the VIF is less than 10. Thus, it can be said that multicollinearity does not exist in the regression model. Because the points are spread above and below 0 on the Y axis and do not create a different pattern, we can conclude that the regression model does not show heteroscedasticity or the regression model is homogeneous. The chart above is used to compare the findings of the significant test with the Glejser test, where a significance level of 0.05 is considered the standard for the data set. In addition, statistical significance was found using these four factors, namely > 0.05 . If the data is examined, there appears to be no heteroscedasticity. namely:

1. Constant = 12.670
2. Tax planning (X1) = 63.022
3. Profitability (X2) = 1262.566
4. Audit Committee (X3) = 519,941
5. Managerial Ownership = 16.476

The following multiple linear regression analysis is obtained from the data in the previous chart

$$Y = 12.670 + 63.022 (X1) - 1262.566 (X2) + 519.941 (X3) + 16.476 (X4)$$

How much influence an independent variable (independent variable) has on a dependent variable (dependent variable) can be calculated using the Coefficient of Determination Test (R<sup>2</sup>). In order to carry out this check, we examine the determinant coefficient.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error			
(Constant)	127263.7	555,018		2,293	.028
1 SQRT_X	-245,573	259,324	-.152	-9,947	.350
2 SQRT_X	391,638	206,265	.307	1,899	.066
3 SQRT_X	-555,447	286,894	-.332	1,936	.061
4 SQRT_X	-5,543	9,621	-.098	-.576	.568

Table 4. Test of the Coefficient of Determination (R<sup>2</sup>)

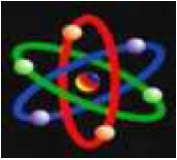
We can conclude that Tax Planning, Profitability, Audit Committee and Manager Ownership each have an impact of 31% each on Earnings management (R Square = 0.310, or 31% of the total). Other factors account for the remaining 69% of the total, or 100% minus

### Statistical Test F

Whether or not the dependent variable Estimates by the regression model are tested using the F statistic. The simultaneous effect of the independent variables on the dependent variable is shown if the Fcount exceeds the Fchart and the significance level is less than 0.05.

Table 6. Statistical Test F





Partial hypothesis testing in SPSS creates a sig score.  $0.881 > 0.05$ , which shows that tax planning has no significant impact on earnings management for producers across industries in the 2019–2021 forecast period. In this analysis, corporate tax rates increase as profits increase. And vice versa, the smaller the profit of a company, the lower the tax that must be paid.

### **The Effect of Profitability on Earnings Management**

Testing the hypothesis by means of a partial using SPSS creates a significance value of  $0.001 \pm 0.05$  which shows that profitability has a major influence on profit management in the manufacturing industry across industries for the 2019-2021 forecast period.

### **Influence of the Committee Audit of Profit Management**

Using the SPSS partial hypothesis testing functionality, we found that there is no statistically significant relationship between Audit Committee and Earnings Management in the manufacturing industry across all industries from 2019 to 2021 ( $p \text{ value} = 0.270 > 0.05$ ).

### **The Effect of Managerial Ownership on Earnings Management**

sig score. as much as  $0.296 > 0.05$  by testing the SPSS partial hypothesis showing that managerial ownership does not affect earnings management in the cross-industrial manufacturing industry from 2019 to 2021. Referring to the findings of this research, how far industrial management owns its shares should not be a determining factor for investors. This is due to the low ownership of managers in companies traded on the Indonesia Stock

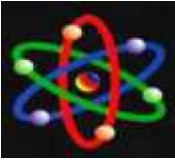
Exchange (IDX), resulting in a small chance for managers to take steps to improve earnings management.

### **CONCLUSION**

The aim of this research is to examine the effect of tax strategy, profitability, audit committee, and managerial ownership on earnings management in 55 different manufacturing industries that are registered through the Indonesia Stock Exchange (IDX). Thirteen businesses were selected using a purposive selection strategy for the 2019-2021 study period, with a total of 39 observations. The following conclusions can be drawn from the previous debates and observations:

1. The Tax Planning Variable (X1) does not significantly affect profit management.
2. Profitability variable (X2) has a significant impact on earnings management.
3. The Audit Committee variable (X3) does not significantly affect profit management.
4. Managerial Ownership Variable (X4) does not significantly affect profit management.
5. The variables of Tax Planning, Profitability, Audit Committee and Managerial Ownership simultaneously influence Profit management.
6. The *Adjusted R Square* value or the coefficient of determination is 0.229 which means that 22.9% of the variation in the quality of earnings management can be explained by four independent variables, namely Tax planning, Profitability, Audit Committee and Ownership managerial. While the remaining 77.1 % is explained by other variables.

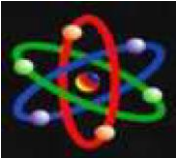




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