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Determinant Earning Management: Sales Growth, Tax Planning, Firm Size and Profitability

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ABSTRACT

Purpose: This study tries to identify "the influence of sales growth, tax planning, firm size and profitability on earnings management (case study of consumer goods sector companies listed on IDX in 2017-2021)"

Design/methodology/approach: This analysis comprises all consumer products sector enterprises listed on the Indonesian Stock Exchange (BEI) between 2017 and 2021. Purposive sampling was utilized. This survey included 45 businesses for food and beverage companies listed on the Indonesia Stock Exchange from 2018 to 2021.

Findings: Earnings management is somewhat affected by the following elements, which are listed below: when it comes to earnings management, sales growth and profitability have a partial impact; nevertheless, tax planning and firm size do not have a partial impact on earnings management.

Practical implications: By concentrating on increasing sales and making strategic tax preparations, businesses can improve their ability to control their profits. Additionally, the size of the company and its profitability are important considerations when it comes to maximizing earnings management.

Paper type: Research paper

Keyword: *Sales Growth, Tax Planning, Firm Size, Profitability and Earnings Management*

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I. INTRODUCTION

The earnings management is of the utmost importance for businesses that are aiming to sustain and improve their financial performance in markets that are extremely competitive. This is because the aforementioned markets are incredibly competitive. The potential to strengthen their earnings management systems is available to organizations that are experiencing considerable growth in their income. These organizations have the opportunity to capitalize on this growth. On the other side, careful tax planning can help reduce the amount of taxes that are owed and maximize the amount of net income that is earned. Generally speaking, larger companies are able to more readily execute more complex methods of earnings management since they have access to a greater number of resources and capabilities. Furthermore, increased profitability makes it possible to reinvest in the company, which not only encourages future expansion but also boosts operational efficiency. This is a win-win situation for everyone involved. In order for firms to accomplish optimal earnings management in this environment, they need to recognize the interplay between the following factors: the development of sales, the planning of taxes, the size of the organization, and profitability. The successful implementation of plans in these areas not only assures financial stability but also imposes a competitive edge, which helps businesses to adapt and prosper in the face of continuously shifting economic landscapes. This is because the competitive edge confers a competitive advantage.

It is possible to gain a thorough view of a company's financial state through the use of financial reports, which are also a great tool for supplying vital accounting information. They contribute to the process of making the appropriate decisions in order to enhance the existing performance and financial position of the organization. The economic position and the financial forecast of an organization are both significantly influenced by the

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financial reports that are produced by the business. It is within the purview of the internal stakeholders to reveal information contained within the report (Widyasari, 2019). When it comes to financial reports, the income statement is an essential component since it gives shareholders and creditors information about the financial performance of a firm, particularly those that are primarily concerned with earnings. The obligation to provide users of financial reports with financial reports falls on the shoulders of the company's internal parties inside the organization. With the ability to deliver information to the market, effective financial reports present information that is true and pertinent, free of any distortion or embellishment, and they also have the ability to present information. Productivity is the primary financial statistic that is utilized in the evaluation of the performance of management. The return on investment that external stakeholders, such as investors and other parties, receive from their investments in the firm can be measured by the profit that the company generates. Earnings management methods are encouraged to be used by management as a result of the bias that is displayed by external parties in their focus on earnings information.

Earnings management is a strategy that managers employ in order to enhance the performance of the firm and its financial state, with the ultimate goal of increasing the satisfaction of shareholders. The management of a company has a significant impact on the trustworthiness of the financial reports that the company produces. In order to create the image of strong performance and successes, it is not commonplace for management to modify the figures in these reports. This is done even when the company is actually in a poor position. The quality of profits that will be displayed in the financial statements of the company will be affected by the utilization of earnings management strategies when they are implemented. Managers take deliberate actions to manage financial reporting and transaction processing in order to facilitate stakeholders' understanding of the company's economic performance and to influence employment contracts by focusing on the numerical data presented in accounting financial reports (Healy and Wahlen, in Widyasari, 2019). Earnings management is a term that refers to the actions that managers take in order to manage financial reporting and transaction processing.

The achievement of outstanding managerial performance in a company is the primary objective of stakeholders, which includes shareholders, governments, banks, and investors. A direct connection exists between the ability of each management in each department, including the finance department, to create the company's financial reports in a consistent manner throughout each reporting period and the evaluations that are made regarding the performance of each manager in each department. Using financial reports, businesses are able to effectively communicate the information they have regarding their performance, which in turn assists users in making the appropriate decisions regarding their finances (IAI, 2009). When it comes to the company's economic and financial success, the financial reports need to appropriately portray the situation.

On the other hand, while taking into account the current circumstances, users of financial reports frequently just concentrate on profit figures, without paying attention to the manner in which gains are obtained. Executives of corporations are offered incentives in this section to encourage them to participate in revenue management. The term "earnings management" refers to the deliberate intervention of management in the process of creating financial reports for external parties with the purpose of managing and controlling profits, with the intention of lowering, equalizing, or even raising them (Febriyanti, 2020). Managers are said to engage in earnings management by making specific evaluations in financial reporting and managing transactions in order to manipulate financial reports with the intention of misleading stakeholders about a company's economic success, as stated by (Destiana et al., 2020). The conflict of interest that exists between owners or shareholders (as proprietors) and managers (as agents) is the root cause of earnings management behavior.

According to Hanlon and Heitzman (2010), this conflict, which is also known as agency conflict, arises when both parties attempt to achieve the amount of financial success that corresponds to their goals. In the year 2004, PT Indofarma Tbk employed earnings management strategies in order to artificially enhance the company's profits by IDR 28.78 billion. As a consequence, the company's cost of goods sold that year was significantly higher than it should have been (Putra et al.,). An audit that was carried out by Bapepam (Capital Market Supervisory Agency) in 2007 indicated that PT Agis Tbk had not appropriately reported its profits during that year. Despite the fact that the total income that was reported was 800 billion IDR, it should have been 466.8 billion IDR. According to Putra et al.'s research from 2020, the purpose of this deceptive information is to generate a favorable view among external stakeholders that the financial reports of PT Agis Tbk are robust and healthy. The year 2001 marked the year that PT Kimia Farma Tbk made the discovery of inconsistencies in sales paperwork as well as irregularities in the evaluation of completed goods inventory. According to Putra et al.'s calculations from 2020, this variance led to an increase in net profit of IDR 32.7 billion.

According to the findings of Putra et al.'s 2020 study, PT Elnusa Tbk did not make use of its financial reserves amounting to 111 billion IDR in the year 2011. The false activities that are being taken provide the impression that the corporation is capable of generating pretty big profits, despite the fact that the company is actually in a precarious state. When it comes down to it, "earnings management" is nothing more than management's attempt to deceive investors and other interested parties into believing that the company's financial performance is better than it actually is. Earnings management is defined as a process in which managers make

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strategic judgments about which accounting procedures would most effectively achieve their goals, such as raising profits or minimizing reported losses, according to Wardhana et al. (2022), which is cited in (Scott, William, 2009). Earnings management strategies can be affected by a variety of factors, such as the increase of revenue, the preparation of taxes, the size of the organization, and profitability. The term "sales growth" refers to the annual increase in merchandise sales. The practice of earnings management involves managers intentionally reporting profits that are lower than the real profits that the company has made. When there is a rise in a company's sales, lenders are more willing to make loans or extend credit to support the company. Businesses that experience a quick development in their customer base may have a sense of pressure to use earnings management methods in order to maintain or even enhance their present levels of sales and profitability. It is possible that earnings management is the answer for a firm that is experiencing difficulties in maintaining its profit and sales patterns, or if the company's sales are rising at a quick rate. According to the findings of (Destiana et al., 2020), the management of profitability is significantly impacted by the growth of overall sales. On the other hand, Nayiroh stated in 2013 in (Febriyanti, 2020) that earnings management is not affected by the growth of sales. As stated by Lubis and Suryani (2018), tax planning is an additional facet of tax administration that holds significant importance. With the use of legal tactics like tax preparation, we have a good possibility of successfully lowering the amount of income taxes that we are required to pay.

Tax planning is the process of managing tax liabilities in such a way that they do not exceed the financial commitments of the firm. This is in contrast to the practice of seeking to avoid paying taxes. When it comes to tax planning, having a solid understanding of the various significant tax rules and regulations is absolutely necessary in order to prevent tax evasion and other illegal behavior that violates the applicable tax regulations. the purpose of which is to ensure that the company will not face any further financial challenges in the future. It has been determined by Achyani and Lestari (2019) that tax planning, deferred tax assets, deferred tax expenses, and managerial ownership do not have any impact on earnings management. Although investors anticipate that tax preparation will result in a reduction in expenses and an increase in earnings, the preparation of taxes is not a top priority for the management of small businesses. According to the findings of this study, earnings management strategies are taken into consideration when free cash flow is considered. Despite this, management has the ability to decide whether or not to restrict earnings through free cash flow. One of the objectives of the management team is to generate a significant amount of free cash flow in order to highlight their great performance.

According to Achyani and Lestari (2019), managers have the ability to harness the power of free cash flow to their benefit. When dealing with revenue, the size of the company is an important consideration. People have the misconception that small organizations are more likely to implement earnings management tactics. For the purpose of attracting investors, small businesses frequently strive to maintain a high level of performance. When it comes to reporting their financial information, large corporations are more careful than small ones because of the heightened scrutiny from the public. In accordance with this concept, businesses of any size are free to engage in earnings management if they so want. It is possible for management to ruin the company's financial status in order to attract investors if they are just concerned with improving their personal profits. Specifically, Dewi and Rahmi (2022). When attempting to estimate the size of a corporation, the natural logarithm of its assets is a useful approximation. According to Dewi and Rahmi (2022), the reason for this is that total assets tend to be a more trustworthy and consistent measurement of the size of a corporation.

According to Jensen, MC, and Meckling (1976), when businesses have a lot of surplus capital on hand, they have a tendency to invest it in businesses that do not generate a lot of revenue. Taking a look at a company's profitability is one method that may be used to evaluate how successful it is. The profitability ratio of a firm is one method that may be utilized to evaluate the overall effectiveness of a business. This ratio is calculated by contrasting the revenue of the company with its sales and costs (Fahmi, 2011). Many individuals consider the profits of a corporation to be a measure of the success of the company. If all goes according to plan, the company will be able to generate a respectable profit. The income, on the other hand, will be on the lower end if something goes wrong. According to Baik (Luhgiatno & Novius, 2019), the use of profit smoothing strategies is significantly impacted by the profitability of a corporation. Earnings management does not have any impact on profitability, as stated by the research conducted by Destaniana et al. in 2020. It is possible for management to be motivated to participate in earnings management by having profits increase. According to study (Fitriani, 2018), earnings management and return on assets (ROA) are two aspects that are closely related to one another. It has been found that growing sales has a large and favorable influence on earnings management, as stated by (Febriyanti, 2020). As a result, scholars are interested in investigating the elements that influence the management of earnings by companies.

A. Literature Review and Hypothesis Development

1. Earnings management

Earnings management refers to the deliberate actions taken by a manager to manage and control a company's financial statements in order to achieve the level of reported profits. Within the scope of this research, earnings

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management assessment is carried out by examining discretionary accruals and using the modified Jones Model. As for research conducted by (Dewi & Rahmi, 2022) , the method used to calculate Total Accruals is as follows:

1. Determine Total Accruals (TAC) by subtracting net income for year t from total operating cash flow for year t.
   TAC = Nit – CFOit
2. To calculate the regression coefficient, the second step is to estimate Total Accruals (TAC) using the Ordinary Least Squares (OLS) method. A formula can be written as follows:
   TACit/Ait−1= β1(1/ Ait−1)+ β2(Δ Revt/Ait−1)+ β3(PPEt/Ait−1)+e
3. After obtaining the regression coefficient, the next step is to calculate non-discretionary accrual (NDA) using the formula as below:
   NDAit= β1(1/ Ait−1)+ β2(Δ Revt/Ait−1− Δ Rect/Ait−1)+ β3(PPEt/Ait−1)
4. To determine the level of earnings management, the final step is to calculate discretionary accruals, also known as DA.
   DA $_{it}$ = TAC it / Ait – The NDA

2. Sales Growth (*Sales Growth*)

One definition of sales growth is the increase in the total amount of sales experienced by a company from one year to the next. There is a tendency for a company to be encouraged to increase its assets when it is in the process of experiencing a period of increased sales growth. By using the formula below (Destiana et al., 2020) , we can determine the level of sales increase:

$$sales\ growth = \frac{(sales\ t\ - sales\ t-1)}{sales\ t-1}$$

3. Tax Planning (*Tax Planning)*

One legitimate thing that taxpayers can do is carry out tax planning. The only way to save on taxes is to take advantage of things that are not regulated, so this part is fine. According to the TRR formula (Lubis & Suryani, 2018) , businesses that pay the most taxes are identified by looking at their tax retention rate:

$$TRR\ = \frac{Net\ Income}{earning\ before\ tax\ t}$$

4. Firm size

The size of a company can be defined as the sum of all its assets, which are measured in relation to the total value of all the products and services it produces. The following is the formula for business size according to (Dewi & Rahmi, 2022) :

$$Firm\ size = Log\ n\ (Total\ Assets)$$

5. Profitability (ROA)

This research measures profitability using Return on Assets Analysis (ROA), which is a metric that assesses a company's capacity to generate profits in the past. In Indonesian it is often called economic profitability. Calculation of Return on Assets (ROA) as stated by (Destiana et al., 2020) :

$$Return\ On\ Assets = Earning\ after\ tax/Total\ Asset\ x\ 100\%$$

6. Hypothesis

Increasing sales from one year to the next is what is meant by the term "sales growth." In an effort to exert control over the outcomes, managers purposefully present earnings for the company that are lower than the actual profits realized. The increase of the company's sales will supply creditors with the information they need to determine whether or not it is appropriate to extend credit or lend money to the business. Earnings management is another strategy that may be appealing to businesses that are experiencing strong sales growth since it allows them to maintain increasing sales and retain increased profits. According to the findings of a study (Febriyanti, 2020), there is a considerable association between effective management of profits and increased sales. In accordance with the findings of (Destiana et al., 2020), which highlight the fact that an increase in sales has a significant and favorable impact on the management of profitability. Many times, companies that experience considerable gains in sales are able to manage their earnings. The ability of businesses to make profits is hindered when they are unable to maintain the patterns of their sales and profits. The first hypothesis is stated as follows, taking into consideration the description that came before it:

H1: It is suspected that there is an influence between sales growth related to earnings management.

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The author of the book "Tax Planning" (Suandy, 2014) underlines that the first stage in tax management is the process of tax planning. During this stage, tax rules are gathered and analyzed in order to ascertain the most suitable method for reducing one's tax responsibility. It is the primary objective of tax planning to lessen the amount of tax obligations. According to the findings of Achyani and Susi's research, earnings management is not significantly affected by tax planning, deferred tax liabilities, deferred tax assets, or managerial ownership. Tax planning is a strategy that investors look to in order to reduce the expenses of small businesses and raise their earnings, despite the fact that management does not emphasize this objective. Additionally, the outcomes of the research indicate that earnings management strategies are impacted by free cash flow situations.

Since this is the case, management is in a position to effectively control earnings by making use of free cash flow. A high free cash flow is something that management looks for in order to demonstrate that the firm is performing well. In addition to that, managers have the ability to use free cash flow for their own personal interests (Achyani & Lestari, 2019). According to (Febriyanti, 2020), empirical research is utilized in the process of investigating the influence of earnings management in relation to tax preparation procedures. It has been demonstrated through empirical research that tax planning exerts a significant amount of influence on earnings management. According to the findings of this study, the equity view theory, which asserts that deferred taxes do not have an impact on value since cash flows cannot be forecast, is supported by the findings.

Taking everything into consideration, the results of this study indicate that tax planning has an effect on the amount of current accruals that are flexible. Taking into consideration the description that was presented earlier, the second hypothesis might be stated as follows:

H2: It is suspected that there is an influence between tax planning and earnings management.

A significant amount of importance is placed on the size of the organization when it comes to the management of a company's income. Most people are aware of the fact that small businesses are responsible for a greater number of earnings management activities than major corporations. For the purpose of attracting investors, small businesses frequently have to exert a great deal of effort in order to demonstrate that they are operating efficiently on a consistent basis. Due to the fact that they are subject to a greater level of public scrutiny, large corporations typically report their financial information with greater care than smaller companies. The authors of the study (Astuti et al., 2017) highlight the significance of the connection between earnings management and the sizes of businesses. Compared to smaller businesses, large corporations typically have less influence over the earnings they generate.

This is due, in part, to the fact that large firms have less of an incentive to produce inaccurate financial reports, and because external stakeholders and shareholders pay more attention to the matter. In their 2018 study, Lubis and Suryani made the observation that the size of a corporation increases its potential to control profitability. One of the primary motivating factors for large corporations to engage in earnings management is the imperative to fulfill the anticipations of their shareholders and prospective investors. It is generally accepted that small businesses engage in a greater amount of earnings management than large corporations do. This is mostly owing to the fact that small businesses have a greater tendency to continually display favorable corporate performance and that they are subject to greater public scrutiny. Taking into consideration the information presented above, the third hypothesis can be put up as follows:

H3: It is suspected that there is an influence between firm size regarding earnings management.

A company's profitability is a measurement of how well it is able to make profits for its shareholders. In accordance with the findings of Anam et al. (2023), profitability ratios are metrics that provide an examination of the overall efficiency of an organization by describing the degree to which a corporation is profitable in relation to its investments and sales. The performance of a company is frequently evaluated based on the amount of profit it generates. It is possible for individuals to believe that a company's revenue is high even if the company's performance is satisfactory, and vice versa. When it comes to revenue management, companies that have a low return on assets are more susceptible to damage. It is anticipated that fluctuations in reported earnings will result in a decrease in profitability, which is what motivates management to put earnings management techniques into action.

It is highly likely that a firm will be forced to enhance its earnings in order to deceive investors into believing that the company is in a healthy financial position if it reduces the changes in earnings. It has been demonstrated through research carried out by Luhgiatno and Novius (2019) and Fitriani (2018) that the level of profitability of a company has a significant impact on the income smoothing activities that it engages in. In light of the information presented above, the following is the fourth theory that has been proposed:

H4: It is suspected that there is an influence between profitability related to earnings management.

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II. METHODS

According to Sugiono (2019), the expressions "population" and "sample" relate to distinct categories within the realm of statistics. The research population consists of all consumer products businesses that were officially listed on the Indonesia Stock Exchange (BEI) during the years 2017 and 2021. There are 95 distinct companies that are a part of this organisation. The method that is utilized in sample operations is known as purposeful sampling. A total of forty-five different businesses were questioned for this investigation. The year 2023 (Anam et al.) The process of conducting a literature review, which includes searching for relevant books, journals, and websites within the subject matter, is one way of information collection. The foundation of this research is comprised of quantitative data, which is presented in the form of numerical statistics that describe the variables under investigation (Ghozali., 2018). The secondary data that was utilized in this investigation was obtained from the financial records of a publicly traded manufacturing business, which were available for download on the company's website. The data sources can be accessed by going to http://www.idx.co.id/. The approach of Multiple Linear Analysis was utilized in order to analyze the data from this investigation. Researchers utilized multiple regression analysis in order to ascertain the partial and cumulative influence that independent factors have on the variable that was being studied (the dependent variable).

III. RESULTS AND DISCUSSION

A. Results

1. Descriptive Statistical Test

Table 1 Descriptive Test

	N	*Minimum*	*Maximum*	*Means*	*Std. Deviation*
Sales growth	*225*	*-1.00*	*1.92*	*,0578*	*,33062*
Tax planning	*225*	*-50.37*	*3.10*	*,5175*	*4.24509*
Firm size	*225*	*13.62*	*30.88*	*24.1029*	*5.34422*
Profitability	*225*	*-1.37*	*.89*	*,0755*	*,24259*
Earnings management	*225*	*-2.14*	*.10*	*-,0345*	*,22602*
Valid N (list)	*225*				

Source: SPSS Data Processing

Sales growth during the research period ranged from -1.00 to 1.92 with an average value of 0.0578 as seen in Table 4.1. By the way, the standard deviation is 0.33062. During the study, the tax plan value fluctuated between -50.37 and 3.10. A total of 24,102.29 is the average value of the tax plan. At the same time, 4.24509 is the standard deviation. During the study, firm size varied between 13.62 and 30.88 with an average of 24.1029. This data also has a standard deviation of 5.3442. During the research period, the ROA value varied between -1.37 to 0.89 with an average of 0.755. The value of 0.24259 is the standard deviation. The Earnings Management variable has an average value of -0.345 during the research period, with values ranging from -2.14 to 0.10. The standard deviation at the same time is 0.22602.

2. Classic Assumption Test

a. Normality test

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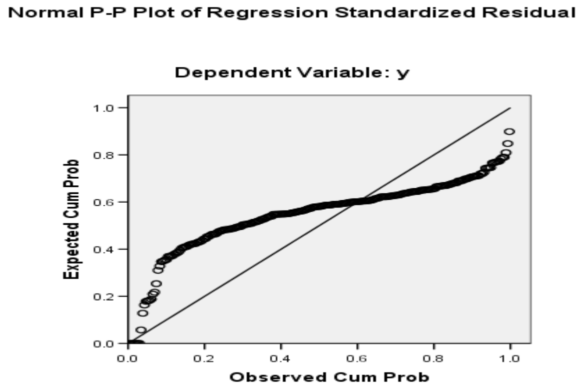

Figure 1 Normality Test Results

SPSS data processing findings show that the PP Plot depicts a normal distribution pattern. More specifically, it can be seen that the points created are spread along the diagonal line in the image above.

b. Heteroscedasticity Test

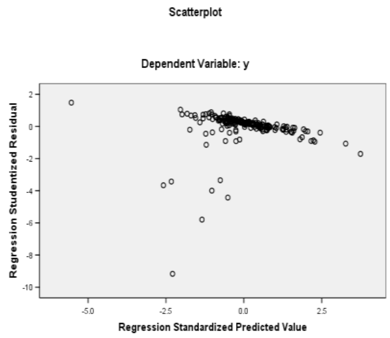

Figure 2 Heteroscedasticity Test Results

We can conclude that the regression model does not show signs of heteroscedasticity because, as seen in the figure above, the residual plot is not symmetrical regarding zero or does not show a U-shaped or inverted U-shaped pattern.

c. Autocorrelation Test

Table 2 Autocorrelation Test Results

Model	*R*	*R square*	*Adjusted R Square*	*Std. Estimation Error*	*Durbin-Watson*
1	*.283(a)*	*,080*	*,063*	*,21874*	*1,838*

a Predictor: (Constant), x1, x3, x2, x4
b Dependent Variable: y

The du value in the dw table is determined by the number of independent variables, which is the same as the number of samples. In this section n = (nk), where n = 225-4 = 221, and the resulting du value is 1.806.

Based on regression findings, the Durbin-Watson (DW) statistical value of 1.838 is in the range 1.806 to 2.164. Therefore, it can be concluded that the multiple linear regression model does not show signs of autocorrelation.

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d. Multicollinearity Test

Table 3 Multicollinearity Test Results

Model		*Correlation*			*Collinearity Statistics*	
		Zero sequence	*Part*	*Partial*	*Tolerance*	*VIF*
1	*(Constant)*					
	Sales growth	*,205*	*,202*	*,198*	*,954*	*1,048*
	Tax planning	*-,024*	*-,116*	*-,112*	*,691*	*1,448*
	Firm size	*-,106*	*-,073*	*-,071*	*,814*	*1,228*
	Profitability	*,154*	*,139*	*,135*	*,586*	*1,705*

Dependent: Earnings management

Considering that the VIF of all independent variables including Sales Growth, Tax Planning, Firm size and Profitability has a value of less than 10, the regression model given in this research does not show signs of multicollinearity. This conclusion can be drawn from the table given previously.

3. Multiple Linear Regression Test

Table 4 Multiple Linear Regression Test Results

Model		*Unstandardized Coefficients*		*Standardized Coefficient*	*T test*	*Sign..*
		B	*Std. Error*	*Beta*		
1	*(Constant)*	*,028*	*,076*		*,373*	*,709*
	Sales growth	*,139*	*,045*	*,203*	*3,066*	*,002*
	Tax planning	*-,007*	*,004*	*-,134*	*-1,728*	*,085*
	Firm size	*-,003*	*,003*	*-,078*	*-1,090*	*,277*
	Profitability	*,164*	*,079*	*,176*	*2,083*	*,038*

Dependent: earnings management

Mathematically, the results of multiple linear regression analysis can be written as follows:
$Y = 0{,}028 + 0{,}139X1 – 0{,}007\ X2 – 0{,}003X3 + 0{,}164X4$
The regression equation shows the following:

a. Constant (βo coefficient).

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A constant value of 0.028 shows that when the variables Sales Growth, Tax Planning, Firm size and Profitability have a value of zero or have no independent influence regarding Earnings management , then the magnitude of Earnings management is 0.028.

b. Sales growth coefficient (X1).
The Sales Growth regression coefficient is 0.139. The positive regression coefficient shows that there is a one-way relationship between the Sales Growth and Earnings management factors. This section shows that there is a direct relationship between increased sales growth and the extent of implementation of Earnings management.

c. Tax Planning Coefficient (X2)
The Tax Planning regression coefficient value is -0.007. A negative regression coefficient shows that the Tax Planning and Earnings management variables are inversely correlated. This section shows that the amount of tax preparation is negatively correlated with the level of earnings management. Earnings management tends to decline as tax planning develops.

d. Firm size Coefficient (X3)
The regression coefficient of -0.003 shows that there is a negative relationship between firm size (X3) and earnings management. The existence of this inverse relationship shows that there is a negative relationship between firm size and Earnings management. Earnings Management suffers as the size of the company grows.

e. Profitability coefficient (X4)
Profitability and earnings management have a positive relationship, with a regression coefficient of 0.164. This positive correlation means that profitability and earnings management have a one-way relationship. Increasing profitability leads to improved earnings management.

4. Hypothesis Test (t Test)

The following is an explanation of the influence of each independent variable regarding the dependent variable based on the table above:

1. Earnings management is influenced by the sales growth variable. At a significance level of 0.05, the predicted t value of the Sales Growth variable is 3.066 greater than the critical t value of 1.652. Thus we can conclude that the Sales Growth variable has no influence regarding profitability management. This section describes how the company's earnings management plan will be implemented based on the size of sales growth. As a result, hypothesis 1, which states a partial relationship between earnings management and sales growth, can be accepted.
2. Factors related to tax planning may impact earnings management. The tax planning variable value of -1.728 is smaller than the critical t value of 1.652 and 0.085 above the significance level of 0.05. Therefore, it can be concluded that tax planning variables have a small influence on earnings management. This section proves that the importance of tax planning has little influence on the implementation of company earnings management. As a result, hypothesis 2 which states that there is a partial relationship between earnings management and tax planning is refuted.
3. Variations in firm size are one of the factors that influence earnings management practices. The firm size variable is not statistically significant at the 0.05 level because its value -1.090 is smaller than the critical t value of 1.652 or 0.277. Thus, it can be concluded that there is no clear relationship between business size and earnings management. This section shows that the implementation of company earnings management does not depend on firm size. According to Hypothesis 3, to a certain extent, firm size can influence the way earnings are handled. This section shows that there is no way to accept or reject the idea.
4. Earnings management practices are influenced by profitability variables. At a significance level of 5%, the estimated t value of the profitability variable is 2.083 which is greater than the critical t value of 1.652 or 0.038. However, it can be said that the profitability variable does not have much influence regarding earnings management. This section describes how the success of a business influences how earnings management is used. Thus, it can be concluded that hypothesis 4 which states that earnings management influences profitability to a certain extent is correct.

B. Discussion

Sales growth is one aspect that influences earnings management practices. The estimated t value for the Sales Growth variable is 3.066, exceeding the key t value of 1.673, or 0.002, which is less than the 0.05 threshold. Consequently, the Sales Growth variable appears to have little influence regarding earnings management. Projected revenue growth impacts how companies pay for operational and administrative costs. Managers are urged to change results to demonstrate to investors that the company is running effectively and is worth their investment. Therefore, managers are more likely to influence profitability. In an effort to achieve profitability, rapidly growing organizations tend to turn to earnings management, especially if they are having difficulty maintaining sales and profit trends. According to (Febriyanti, 2020) , increasing sales has a positive influence regarding profit control. However , company earnings management and sales growth have a significant negative relationship, this part is in accordance with the results of research (Destiana et al., 2020) .

Earnings management is influenced by factors related to taxes. The tax planning variable has a value of -1.728 which is smaller than the important t value of 1.673 and 0.085 above the significance level of 0.05. Therefore, flexible tax planning can be said to have no partial influence on income management. A study by (Rioni & Junawan, 2021) states that delayed tax costs are one part of tax planning that can be changed to make it more possible for earnings management to occur so that profits do not fall. The zero profit change point theory which states that tax planning can be used to predict income management is supported by these results. However, hypothesis analysis shows that tax planning is not a good way to find cases of earnings management in consumer goods companies traded on the Indonesia Stock Exchange from 2017 to 2021. The findings of this research are in line with research (Rioni & Junawan, 2021) . Based on the results of data studies, tax planning appears to be detrimental to earnings management in non-manufacturing companies traded on the IDX. The author says that the rejection of Ha in this research is related to differences in the way other research views non-manufacturing company earnings management.

Earnings management is influenced by firm size. The calculated t value of -1.090 for the firm size variable is below the critical t value of 1.673 or 0.277. This section means that the observation results do not have statistical significance at the 0.05 level. Thus, it can be concluded that the firm size variable has a small influence on earnings management. Research findings show that there is an inverse relationship between the extent of earnings management and the total assets of a company. Sales and the amount of cash a company spends have a very high correlation. This passage results in an increase in money circulation and greater market value. This situation will increase public awareness regarding companies, making it easier for companies to meet investment expectations more effectively, especially in large companies. It is important to note that much larger companies consider factors beyond the aggregate value of an organization's assets when determining the size of those assets. The way a business handles its revenue is not affected by its scale. This section shows that the size of a company does not always reduce the possibility of earnings management. This part is because large companies have a larger number of assets, thereby increasing the possibility of mismanagement of these assets. As a result, the likelihood of errors increases when stating the aggregate assets of an organization. This result is in accordance with the findings of (Astuti et al., 2017) who found that firm size did not have a significant impact on the way profits are controlled or managed in banking companies listed on the Indonesia Stock Exchange (BEI) between 2013 and 2015.

The next factor that influences earnings management is the profitability variable. The t-count value of the profitability variable is 2.083 greater than the crucial t-count value of 1.673 at a significance level of 0.05. As a result, we can draw the conclusion that profitability statistics influence earnings management to a certain extent. In line with the conclusions of (Luhgiatno & Novius, 2019) and (Fitriani, 2018) , this research shows that the profitability of an organization has a large influence on whether or not to use earnings management techniques. The findings of this research provide support for incentive plan theory, which states that managers have an obligation to take responsibility for their actions both as actors and managers. As a result, executives are motivated to participate in earnings management with the ultimate goal of producing profitable results for shareholders, especially by achieving high levels of profitability.

IV. CONCLUSION

Based on the research and discussion presented in the previous chapter, this research concludes that Sales Growth has a partial influence on Earnings management in companies operating in the consumer products sector whose shares are traded on the Indonesia Stock Exchange between 2017 and 2021. There is no evidence that this is true. Tax planning has any influence regarding earnings management in companies operating in the consumer products industry listed on the Indonesia Stock Exchange between 2017 and 2021. For companies in the consumer goods industry listed on the Indonesia Stock Exchange between 2017 and 2021, the size The company does not have a big influence regarding earnings management. Furthermore, Earnings management is influenced by profitability in food and beverage companies traded on the Indonesian stock market between 2018 and 2021, the results are quite small. Therefore, some suggestions that can be offered are as follows: Business actors should strive to be more open in information disclosure in order to increase the level of transparency in the process of conveying company performance to investors and investors. reducing the possibility of actions that could damage the trust of investors and other stakeholders. The aim of implementing this strategy is to increase the level of public trust and certainty regarding the company, including investors and other stakeholders. Considering that this choice will have an impact on the company's performance, it is hoped that company management will also review it before making a decision regarding the earnings management plan.

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Increasing research coverage by including consumer product industry companies listed on the IDX is recommended in order to improve research. In addition, combining independent variables such as leverage, audit quality and good corporate governance can provide insight into the influence of these factors on earnings management. In addition, other formulas such as profitability measured by ROE and earnings management evaluated by Excel index can be used for the purpose of conducting additional research.

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