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The Influence of Managerial Ownership, Institutional Ownership and Deferred Tax Burden on Earnings Management in Food and Beverage Companies on the Indonesia Stock Exchange 2017 – 2021

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Abstract

This study aims to analyze the Effect of Managerial Ownership, Institutional Ownership and Deferred Tax Burden on Profit Management in Food and Beverage Companies on the Indonesia Stock Exchange 2017 – 2021. This study used a quantitative approach in the form of financial statements of food and beverage companies listed on the Indonesia Stock Exchange from 2017 to 2021. The sampling technique used in this study used a purposive sampling approach, the number of samples used in this study were 90 samples. The results of this study indicate that managerial ownership has no effect on earnings management, institutional ownership has an effect on earnings management, deferred tax expense has an effect on earnings management, simultaneously the variables managerial ownership, institutional ownership and deferred tax expense have an effect on earnings management. The limitations in this study are that the research object only focuses on food and beverage sector companies that are listed on the Indonesia Stock Exchange from 2017 to 2021. This study uses the dependent variable, namely earnings management and independent variables, namely Managerial Ownership, Institutional Ownership and Deferred Tax Expenses As material for consideration in making decisions related to earnings management and can be used as a reference for companies in determining policies related to financial reports regarding earnings management practices. This Paper is Original Research paper.

Keyword:
Deferred Tax Burden, Earnings Management, Institutional Ownership, Managerial Ownership

1. Introduction

The increasingly modern development of business in Indonesia requires companies to compete in maintaining their business and requires company owners/management to make innovations or breakthroughs that are different and attractive to consumers and potential customers. This means that companies are not only required to seek profit or profits, but companies are also required to improve the quality of human resources, improve technology, improve product quality, and encourage higher performance. This performance is an illustration of the company's achievements in its operational activities both from the aspects of finance, marketing, fundraising, technology, and human resources. The performance of the company greatly influences how the company's operational activities can run, whether good or bad. Performance in a company can be seen from the financial statements published by the company. Financial reports are a source of information that is used to assess the financial position and performance of a company which will later be used by information users, such as stakeholders. In accordance with the Statement of Financial Accounting Standards (PSAK) Number 1 (Indonesian Accounting Association, 2018) financial statements are reports that present the financial position and financial performance of a company consisting of statements of financial position, income and comprehensive statements, reports of changes in equity, reports of cash flows cash, and notes to the financial statements for the current financial year period.

Financial statements are a tool used to measure a company's performance, which aims to provide useful information for business decisions. If an investor is going to make a decision to do business, what needs to be considered is analyzing financial statements to analyze financial statements must be done carefully so that there are no mistakes in decision making. Financial reports should also be able to help stakeholders and shareholders evaluate the company's strengths and weaknesses by looking at information about capital, liabilities and assets (Hery, 2015). Information about profits helps companies to predict and see how much profit can be generated for the coming period, the size of profits also describes how management's performance in generating profits to pay investor dividends, creditor interest and government taxes (Hery, 2015). Profit information is often used by

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stakeholders and shareholders as a benchmark for company performance to see whether operating goals have been achieved and also as management accountability and as a basis for making a decision.

The performance of a company can be assessed from the company's ability to generate profits. Profit that can describe the continuation of earnings in the future is a quality profit where the profit is determined by several components of accruals and cash so that it can reflect actual financial performance. If the company is unable to generate the expected profit, this can encourage management to carry out earnings management. Earnings management is an action that involves intervention from management which is carried out intentionally in a process of preparing financial reports by choosing accounting policies and presenting financial reports in order to achieve certain objectives so that they can benefit both external and internal parties. According to Hery, (2015) Earnings management is carried out by managers (agents) or preparers of financial statements because they expect a reward or a benefit from the actions they have taken. Earnings management can provide an overview of agent behavior in reporting business activities that have been carried out in a certain period, with a certain desire or motivation that encourages them to manipulate financial reports. Earnings management like this has a negative impact on earnings quality. According to Scott, (2015), earnings management is management's choice of accounting policies or concrete actions that affect earnings in order to achieve some profit objectives to be reported. There are several factors that can affect earnings management, namely Managerial Ownership, Institutional Ownership and Deferred Tax Expenses.

1.1. Agency Theory

According to Jensen & Meckling, (1976) Agency Theory is a contractual relationship between the principal (company owner) and the agent (company management), where the principal gives authority to the agent to manage the company and make decisions. Agency theory is a perspective that clearly describes the problems that arise with the separation between the ownership function and the management function of the company, namely the existence of a conflict of interest in the company.

1.2. Earnings management

Earnings management is a manager's decision to have certain accounting policies that are considered to be able to achieve the desired goal, be it to increase profits or reduce reported losses Scott, (2015).

1.3. Managerial ownership

Managerial Ownership according to Hanafi & Halim, (2018) explains in Managerial Ownership is the amount of share ownership by management or in other words managers are also shareholders, who actively participate in decision making and directly experience the benefits of decisions taken and bear the risk if there are losses that arise as a consequence of making wrong decisions.

1.4. Institutional Ownership

Jensen & Meckling, (1976), state that institutional ownership has an important role in minimizing agency conflicts that occur between managers and shareholders.

1.5. Deferred Tax Expense

According to Rohman et al., (2022) Deferred tax is regulated in PSAK No. 46 concerning Accounting for Income Tax consisting of current tax expense and deferred tax expense. In principle, deferred tax is the result of future income tax resulting from a temporary (time) comparison between accounting and taxation treatment. The recognition of deferred tax can result in reduced net income if there is recognition of deferred tax expense. It can also result in a reduction in net loss if there is recognition of deferred tax benefits.

1.6. Research Framework

The following will explain the research framework, namely:

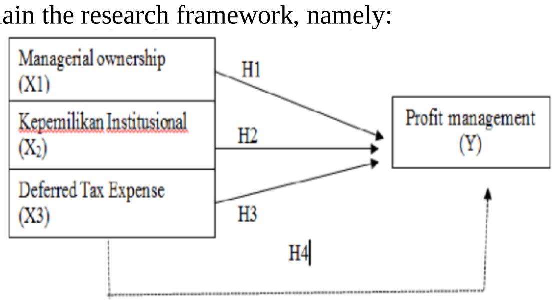

Figure 1: Research Framework

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From the model above, the research hypothesis is arranged as follows:
H1: Managerial ownership affects earnings management
H2: Institutional ownership affects earnings management
H3: Deferred tax expense has an effect on earnings management
H4: Managerial ownership, institutional ownership and deferred tax expense affect earnings management

2. Methodology

2.1. Types of Research

According to Sugiyono, (2017), what is meant by research a method in this thesis research approach is that the existence of this type of research is basically a scientific way to obtain data with specific purposes and uses. The research used in this thesis uses quantitative. Quantitative research methods can be interpreted as one of the research methods that underlies a positive philosophy and aims to test predetermined hypotheses. This study aims to determine the effect of managerial ownership, institutional ownership and deferred tax expense on earnings management in food and beverage sector companies listed on the Indonesia Stock Exchange from 2017 to 2021.

The population is a generalized area consisting of objects or subjects that have certain qualities and characteristics that have been determined by researchers to be studied and then conclusions drawn Sugiyono, (2017). The population used in this research is all food and beverage companies listed on the Indonesia Stock Exchange in the period 2017 – 2021.

The sample is part of the number and characteristics possessed by the population Sugiyono, (2017). The sampling technique in this study was to use purposive sampling. Purposive sampling is a sampling technique with certain considerations. The following sampling criteria used are:

1. Food and beverage companies listed on the Indonesia Stock Exchange during 2017 – 2021
2. Food and beverage companies that publish complete financial reports for 2017 – 2021
3. Food and beverage companies that use Rupiah during 2017 – 2021

2.2. Data Types and Sources

The type of data in this study uses quantitative and data sources in this study use secondary data. Secondary data in this research is data that has been published. Sources of data obtained through the financial reports of food and beverage companies on the IDX for the period 2017 – 2021.

2.3. Variable Operational Definition

The variables in this study consist of independent variables and dependent variables. The variables involved in this study include:

2.3.1. Dependent Variable

2.3.1.1. Earnings management

Earnings management variable is measured by discretionary accruals. Discretionary accruals are a way to reduce reported earnings that are difficult to detect through manipulation of accounting policies related to accruals (Scott, 2015). Discretionary accruals are measured using the Modified Jones Model, the calculation formula is as follows:

1. Calculating total accruals with the following equation:
   $TAit = NIit – CFOit$
2. The Total Accrual (TA) value is estimated by the multiple linear regression equation as follows:
   $TAit / Ait\text{-}1 = a1 (1/Ait\text{-}1) + a2 (\Delta Revit / Ait\text{-}1) + a3 (PPEit / Ait\text{-}1)\ \mathcal{E}it$
3. From the regression equation above, NDA can be calculated by re-entering the coefficients α:
   $NDAit = \alpha1 (1/Ait\text{-}1) + \alpha2 (\Delta Revit / Ait\text{-}1 – \Delta Recit / Ait\text{-}1) + \alpha3 (PPEit / Ait\text{-}1) + \mathcal{E}it$
4. The final stage is calculating DA which is part of the total accruals that cannot be explained by the company's normal activities, resulting in the following equation:
   $DAit = TAit – NDAit$

Information:
TAit: Total accruals of company i in year t
NIit: Net profit of company i in year t
CFOit: Cash from company i operations in year t
Ait-1: Total assets of company i in year t-1
ΔRevit: Revenue of company i in year t minus revenue in year t-1
ΔRecit: Receivables of company i in year t minus receivables in year t-1
PPEit: Fixed assets of company i in year t

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it: Error term of company i in year t

2.3.2. Independent Variable

2.3.2.1. Managerial ownership

According to Hanafi & Halim, (2018) explains in Managerial Ownership is the amount of share ownership by management or in other words the manager is also a shareholder, who actively participates in decision making and directly experiences the benefits of the decisions taken and bears the risk if there is a loss that arise as a consequence of making wrong decisions. This study uses the following formula:

1. Managerial Ownership = Number of shares owned by management
   Total shares outstanding
2. Institutional Ownership

(Sartono, 2016) Institutional Ownership is the amount of share ownership by institutions (government, foreign companies, financial institutions such as insurance, banks, and pension funds) in the company. This study uses the following formula:

3. Institutional Ownership = Number of shares owned by the institution
   Total shares outstanding
4. Deferred Tax Expense

(Waluyo, 2017) deferred tax expense is the amount of deferred tax income tax expense arising from the recognition of deferred tax liabilities or assets. Deferred tax represents an account balance in the balance sheet as a tax benefit, the amount of which is the estimated amount that will be recovered in future periods as a result of temporary differences between financial accounting standards and tax laws and as a result of a balance of losses that can be compensated for in future periods. This study uses the following formula:

$$\text{Deferred Tax Expense} = \frac{\text{Deferred Tax Expense}}{\text{Total Assets}}$$

3. Results and Discussion

3.1. Descriptive statistics

Descriptive statistics can provide an overview or description in a data obtained from the average value (mean), standard deviation, variance, maximum and minimum (Ghozali, 2016).

Table 1: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
KM	90	.0000	.2808	.031629	.0789019
KI	90	.0000	1.0000	.637019	.2395097
BPT	90	.0005	.1547	.028107	.0288985
MANAJEMENLABA	90	-.6124	.6667	-.063950	.1396480
Valid N (listwise)	90				
KM	90	.0000	.2808	.031629	.0789019

Based on the statistical descriptive table, it can be described that managerial ownership obtains a sample size of 90 and obtains the lowest value of 0.00 and the highest value of 0.2808 with an average value of 0.031629 and a standard deviation of 0.0789019.

For the institutional ownership variable, the sample size is 90 and the lowest value is 0.00 and the highest value is 1.00 with an average value of 0.637019 and a standard deviation of 0.2395097.

For the variable size of deferred tax expense, the number of samples is 90 and the lowest value is 0.0005 and the highest value is 0.1547 with an average value of 0.028107 and a standard deviation of 0.0288985.

For the earnings management variable, the number of samples is 90 and the lowest value is -0.6124 and the highest value is 0.6667 with an average value of -0.063950 and a standard deviation of 0.1396480.

3.2. Significant test (F test / Simultaneous test)

The F test (Simultaneous Test) is to test how the independent variables jointly influence the dependent variable. In testing the hypothesis, the first step that must be taken by researchers is to know the basis for making decisions in the F Test (simultaneous). There are methods used in the basis of decision making, namely as follows:

1. If the Significance value (Sig.), < 0,01, 0.05 and 0,10 then there is a joint effect of the independent variable (X) on the dependent variable (Y). Hypothesis accepted.
2. If the Significance value (Sig.), > 0.10 then there is no joint effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

Table 2: Significant test (F test / Simultaneous test)
ANOVA[a]

	Type	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.231	3	.077	4.394	.006b
	Residual	1.505	86	.017		
	Total	1.736	89			

Based on the results of the F test table, it can be seen that the simultaneous test results (Test F) have a significance value of 0.006 so that it is less than 0.01 (1%) (0.000 <0.01) thus indicating that simultaneously managerial ownership, institutional ownership, deferred tax expense effect on earnings management.

3.3. Significant test (T test / Partial test)

According to Astuti, (2017) Partial test (t test) is carried out to find out whether the independent variables partially have an influence on the dependent variable. This test is carried out by determining the significant level (α) which is 1%, 5% and 10%.

Table 3: Multiple Regression Analysis

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
KM	.031	.178	.018	.175	.861	.999	1.001
KI	-.101	.060	-.173	-1.678	.097	.945	1.058
BPT	1.751	.499	.362	3.511	.001	.947	1.056

Based on table 3 the results of the t test on the independent variables can be explained in detail as follows:

3.3.1. Managerial ownership of earnings management

The managerial ownership variable has a significance value of 0.861 so that it is more than 0.05 (5%) (0.861 > 0.05) thus indicating that partially the managerial ownership variable has no effect on earnings management. Because the increase or decrease in the value of managerial ownership does not affect changes in earnings management. In the sample data of this study, managerial ownership still cannot control the company because managerial ownership is very low, as reflected in the average yield on descriptive statistics of 3.1% so that management's share ownership tends to be small and does not affect earnings management. In accordance with research from (Maqfira et al., 2019) and (Pambudi, 2020) which states the results that managerial ownership has no effect on earnings management

3.3.2. Institutional ownership of earnings management

The institutional ownership variable has a significance value of 0.097 so that it is more than 0.10 (10%) (0.097 <0.05) thus indicating that partially the institutional ownership variable has an effect on earnings management. Institutional ownership is the proportion of share ownership owned by someone in a company. Institutional ownership is said to be more capable of finding errors that occur, this happens because institutional investors have more experience than individual investors. These investors control the company using their voting rights for decision making. Therefore, if there is more institutional ownership, the company's performance will also be good and it can minimize earnings management actions. In accordance with research from (Mukti, 2018) which states the results that institutional ownership affects earnings management.

3.3.3. Deferred tax expense on earnings management

The deferred tax expense variable has a significance value of 0.001 so it is less than 0.01 (1%) (0.001 <0.01) thus indicating that partially the deferred tax expense variable has an effect on earnings management. Deferred tax expense is an expense arising from temporary differences between accounting profit and taxable profit. Deferred tax expense is principally the impact of future income tax due to temporary (time) differences between accounting and taxation treatments as well as tax losses that are still compensated for in the future which need to be presented in the financial statements for a certain period. The recognition of deferred tax has an impact on reduced net (net) profit or loss as a result of the possibility of recognizing deferred tax expense or deferred tax benefits. Temporary differences arise from the components of accruals and operating cash flows because of the temporary differences that deferred tax expense has an effect in efforts to detect the effect of accruals engineering to minimize taxes in earnings management. In accordance with research from (Agusto, 2021) which states the results that deferred tax expense has an effect on earnings management.

3.3.4. Managerial ownership, institutional ownership and deferred tax expense on earnings management

The variable managerial ownership, institutional ownership and deferred tax expense have a significance value of 0.000 so that it is less than 0.01 (1%) (0.000 <0.01) thus indicating that simultaneously the variables managerial ownership, institutional ownership and deferred tax expense affect earnings management. According to Hery, (2015) Earnings management is carried out by managers (agents) or preparers of financial statements because they expect a reward or a benefit from the actions they have taken. Earnings management can provide an overview of agent behavior in reporting business activities that have been carried out in a certain period, with a certain desire or motivation that encourages them to manipulate financial reports. Earnings management like this has a negative impact on earnings quality. According to (Scott, 2015), earnings management is management's choice of accounting policies or concrete actions that affect earnings in order to achieve some profit objectives to be reported. There are several factors that can affect earnings management, namely Managerial Ownership, Institutional Ownership and Deferred Tax Expenses. In accordance with research from (Maqfira et al., 2019), (Mukti, 2018) and (Agusto, 2021) which states the results that managerial ownership, institutional ownership and deferred tax expense affect earnings management.

4. Conclusion

1. Managerial ownership has no effect on earnings management. Because the increase or decrease in the value of managerial ownership does not affect changes in earnings management. In the sample data of this study, managerial ownership still cannot control the company because managerial ownership is very low
2. Institutional ownership affects earnings management. The more institutional ownership, the better the company's performance and can minimize earnings management actions.
3. Deferred tax expense affects earnings management. Temporary differences arise from the components of accruals and operating cash flows because of the temporary differences that deferred tax expense has an effect in efforts to detect the effect of engineering accruals to minimize taxes in earnings management
4. Simultaneously the variables of managerial ownership, institutional ownership and deferred tax expense affect earnings management. earnings management is management's choice of accounting policies or concrete actions that affect earnings in order to achieve some profit objectives to be reported. There are several factors that can affect earnings management, namely Managerial Ownership, Institutional Ownership and Deferred Tax Expenses

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The Effect of Financial Performance on Market to Book Value of Equity (MBVE) in LQ45 Companies on the IDX Post Pandemi Covid 19

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Abstract

This study aims to test and prove whether financial performance affects the market to book value of equity (MBVE). The population in this study are all LQ45 companies listed on the IDX for the 2019-2021 period. Sampling was carried out by purposive sampling and 135 companies were selected. The data in this study come from secondary data obtained through documentation techniques. Data analysis with multiple regression partially using SPSS. The results showed that simultaneously there was a significant effect of CR, DER, and ROA on MBVE. Based on partial testing, it is concluded that CR, DER and ROA have a significant effect on MBVE.

Keywords :
Current Ratio (CR), Debt Equity Ratio (DER), Market to Book Value of Equity (MBVE), Return On Asset (ROA)

1. Introduction

With the first discovery of the Covid-19 virus in Wuhan City in December 2019, all countries in the world experienced dire economic developments, especially in 2020. Then the virus developed into a new type of virus called SARS-CoV-2. In general, this type of virus can spread by attacking the respiratory system, so of course this viral outbreak cannot be tolerated because through medical analysis it is stated that this virus can endanger a person's life even though the symptoms it causes are similar to the common cold which affects many ordinary people. Not aware of the dangers of this virus.

The mobilization of people from one country to another as well as intense activity through physical contact within the local scope caused the Covid-19 virus to spread massively from one person to another so that almost the entire world, from the Government to the public, had to face and overcome this virus outbreak by Spry. In Indonesia, through several regulations such as: the prohibition on going home, the prohibition on traveling to public places outside the city, the prohibition on holding KBM in schools and the implementation of WFH (Work Form Home), the Government has appealed to the public so that they reduce gathering activities outside the home by isolating yourself in the house. Of course this has an influence on the level of company performance to the employees. The outbreak of the COVID-19 virus which is external information, can indirectly have an impact on buying shares, especially in LQ45. LQ45 are 45 companies that have high financial conditions, growth prospects and transaction values, but with the COVID-19 outbreak, purchases of LQ45 have also decreased (Putri, 2020).

The LQ45 index is an index that contains 45 stocks. LQ45 issuers are companies that have a high level of liquidity with a large market capitalization, and are supported by good company fundamental performance. Issuers in the LQ45 index also vary, which includes sectors/subsectors, namely construction, coal mining, wholesale trading (durable and non-durable products), metal and mineral mining, automotive and components, banks, chemicals, property and housing, animal feed, production of crude oil and natural gas, retail trade, telecommunications, cigarette production, food and beverages, paper, cement, toll roads, airports, ports and similar products, chemicals, advertising, printing and media, energy, textiles, garments, as well as cosmetics and household needs.Martini et al. (2020) stated that the occurrence of the Covid-19 pandemic in Indonesia had an adverse impact because it caused losses from various interrelated parties. He also found significant differences in the performance of LQ45 shares on the company list on the Indonesia Stock Exchange before and after the Covid-19 pandemic, especially in Indonesia. This can affect stock performance, because major events significantly affect stock returns. The major event in question is a condition that has a global influence or an enormous impact such as the Covid-19 pandemic. From the background above, the following title can be drawn: "The Influence of Financial Performance on the Market to Book Value of Equity (MBVE) in LQ45 Companies on the IDX After the Covid 19 Pandemic"