The Beauty and the Beast of Earning Management in Indonesia

by I Made Narsa

The Beauty and the Beast of Earning Management in Indonesia La bella y la bestia de la gestión de ingresos en Indonesia

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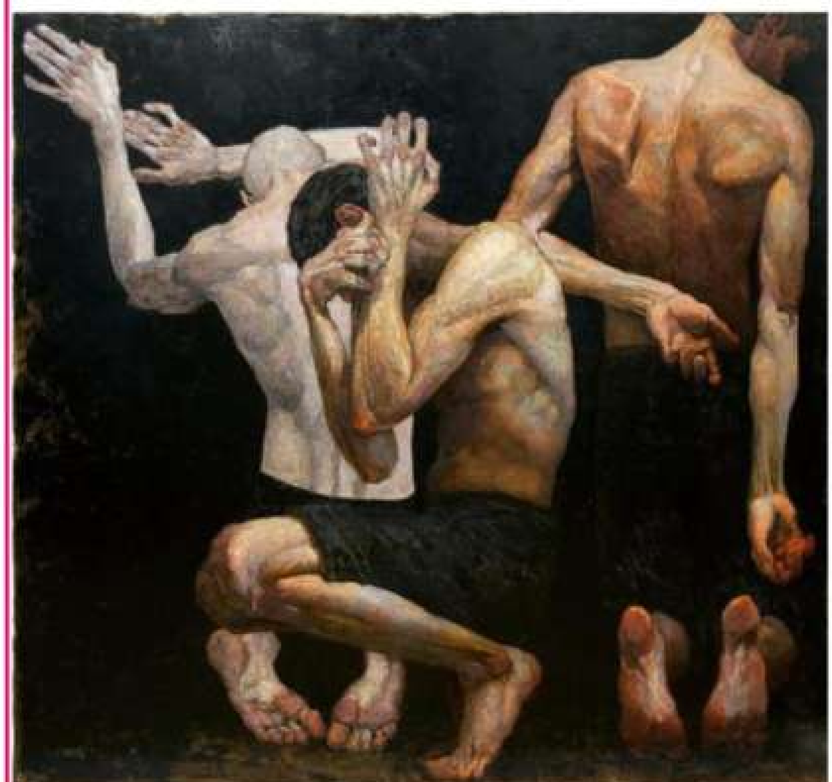

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The Beauty and the Beast of Earning Management in Indonesia

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Abstract

Earnings management is controversial for the business and accounting worlds. Whether an action is accessed to be proper or not can only be done by certain individuals based on the level of understanding they have. This research prioritized the concept of understanding of earnings management patterns carried out by companies in Indonesia for eleven years (2008-2018). This research was conducted using a descriptive quantitative method with 1,023 data analysis of 93 selected company samples from a total of 676 companies on the Indonesia Stock Exchange. This study concludes that three types of ratio scales can be used in interpreting a pattern of earnings management in all companies in Indonesia, as measured by discretionary accruals.

Keywords: Earning Management; Finance Accounting; and Discretionary Accruals.

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La bella y la bestia de la gestión de ingresos en Indonesia

Resumen

La gestión de ingresos es controvertida para el mundo empresarial y contable. El hecho de que una acción sea accedida como adecuada o no solo puede ser realizado por ciertas personas en función del nivel de comprensión que tengan. Esta investigación priorizó el concepto de comprensión de los patrones de gestión de ganancias llevados a cabo por empresas en Indonesia durante once años (2008-2018). Esta investigación se realizó utilizando un método cuantitativo descriptivo con 1,023 análisis de datos de 93 muestras de compañías seleccionadas de un total de 676 compañías en la Bolsa de Indonesia. Este estudio concluye que se pueden usar tres tipos de escalas de proporción para interpretar un patrón de gestión de ganancias en todas las empresas en Indonesia, medido por las acumulaciones discrecionales.

Palabras clave: Gestión de ingresos; Contabilidad financiera; y acumulaciones discrecionales.

1. INTRODUCTION

Earnings management is a unique art of number alteration in a company's financial statement. Most of the managers conducted activities like this to improve his financial performance statements. Behind the stunning financial statement performance, however, lie the underlying problems of a financial report because the report does not reflect the actual conditions of the company. Thus, earnings management is perceivable from two different points of view. A good earnings management practice does not bring any mishap to anyone and has a certain limitation. Earnings management, which will lead to a decline or bankruptcy of a business, is considered the worst earnings management practice.

The practice of earnings management is understandable from Positive Accounting Theory (PAT) and Agency Theory (Jensen and Meckling, 1976; Fama, 1980; Watt and Zimmerman, 1986). Famous PAT hypotheses capable of serving as a base for accepting earnings management are Bonus Plan Hypothesis. The Debt to Equity Hypothesis (Debt Covenant Hypothesis), and the Political Cost Hypothesis (Size Hypothesis) (Watts and Zimmerman, 1986; Healy, 1985; Jones, 1991). Agency Theory applies when each individual (principal and agent) is motivated by their interest, inciting a conflict of interest (Jensen and Mckling, 1976; Fama, 1980).

Practicing earnings management is intended to achieve particular objectives and benefits during external financial reporting (Healy, 1985; Schipper, 1989; Watt and Zimmerman, 1986). Techniques of earnings management are taking a bath, income minimization, income maximization, income smoothing, and Timing Revenue and Expenses Recognition (Healy, 1985; Jones, 1991; Scott, 2003). Some accountants believe that earnings management is a process that interferes with a financial statement with the objective of misleading stakeholders or parties of interest who have a concern about the company's performance and conditions. Thus, this concept addresses earnings management as fraud. However, some people seeing earnings management from another point of view, believing that earnings management practiced by a company manager is not a fraud, because it still operates using accounting methods and procedures that are publicly acceptable and recognized (Dechow and Skinner, 2000; Myers and Skinner, 1999).

Scott (2009) classified earnings management into two, efficient, and opportunistic. Efficient earnings management is carried out to improve profitability and convey private information that is unavailable to the public and intended only for particular parties. Opportunistic earnings management, on the other hand, is conducted by a manager for his interest. Earnings management is practiced in several steps. First, management organizes and estimates accountings data. This step is intended to estimate which post (account) will receive addition or subtraction to adjust to the company's earnings statements. Second, management can perform this by altering the accounting method or shifting the period of financial statement calculation. This process may benefit the company and is not a prohibition, but it may turn the information within the financial statements to be biased and untransparent.

The number of earnings management cases in Indonesia does not seem to drop each year. The following are some cases of earnings management: PT Karina Utama Tbk, established on 20 June 1997, manipulated its 2008 financial statements and also its audited 2009 financial statements. PT Garda Tujuh Buana Tbk (GTBO) was also proven to falsify its 2012 company financial statements which were misleading. In May 2015, Toshiba Company announced that it was investigating an internal accounting scandal and had to revise its earnings for the last three years. A thorough investigation revealed that Toshiba had found it hard to generate profit since 2008 global crisis. This crisis hit Toshiba and led Toshiba to conduct an accounting fraud. Toshiba employed several methods to manipulate profits that did not reflect reality.

An earnings statement manipulation took place in 2016. The actor behind the manipulation was PT. Hanson International Tbk (MYRX). The manipulation came into light due to the investigation of another case, a violation of Financial Accounting Standards no. 44 on Accounting for Real Estate Activities by the same company. PT Bank Bukopin Tbk has revised its 2015, 2016, and 2017 financial statements, led the Financial Services Authority (OJK) to commence an investigation based on an allegation of financial statement manipulations. PT Garuda Indonesia (Persero) Tbk was also found to manipulate its 2018 earnings statement. This case was revealed in 2019 following an examination of its financial statements by The Audit Board of Indonesia (BPK). The same BPK also discovered PT Asuransi Jiwasraya (AJS), in 2006, manipulated its financial statement manipulation through window dressing. Only in early 2020, this case was exposed.

Various incentives for earnings management are available. During a time of crisis, managements manipulate earnings by raising or lowering profit. In a pre-bankruptcy period, most literature works show that earnings manipulations tend to show a drop in profit (Dutzi and Rausch, 2016). Another research by Franceschetti and Koschtial (2013) shows that management tends to lower profits when a company is near bankruptcy. Li et al. (2011) found that earnings management in companies that go bankrupt mostly have low earnings quality and employ opportunistic earnings manipulation, while companies that are nowhere near bankruptcy and have high earnings quality tend to manipulate earnings more efficiently (earnings manipulation is better for companies which are not bankrupt and under pressure). Earnings management is more reliable than the quality of earnings to predict future profitability. Also, non-discretionary earnings predict the company's profit in the future is more effective than future changes in earnings and future cash flow of the company's operations do (Ahmadpour and Shahsavari, 2016).

This research was conducted by finding out the values of earnings management performed by companies in Indonesia for eleven years (2008-2018). Information on earnings management is beneficial for the company's external stakeholders to predict company bankruptcy (Dian, 2020). The earnings management calculation in this study uses Jones (1991)'s modified concept by finding out the company's discretionary accrual (DAC) value. Discretionary accruals are used to predict accrual-based earnings managements that take shapes through managerial influences and policies towards accruals, which are also allowed under applicable accounting standards and regulations (Dian, 2020).

The data on DAC would be descriptively analyzed from the perspective of the beauty and the beast of earnings management. If the value of earnings management (DAC) is greater than zero, it is assumed that the company's management performed earnings management by increasing income. If the value of earnings management (DAC) is lower than 0, it is assumed that the company's management conducted earnings management by decreasing income. However, if the value of earnings management/discretionary accruals (DAC) equals to zero, the management of the company is considered not to apply an opportunistic earnings management. This study, the first of many studies on earnings management in Indonesia, prioritized the understanding of concepts of earnings management patterns practiced by companies in Indonesia for eleven years.

Positive accounting theory is widely applied in several studies on earnings management. This theory came into existence when Auguste Comte (1953) introduced the sciences of sociology and positivism. This positivism was developed through the application of the scientific method in social science as a means of seeking the truth (Comte, 1953). This theory is popularly known in all branches of accounting research that seek to explain and estimate accounting practices in an entity (Fama, 1980; Watt and Zimmerman, 1986). The positive theory tries to understand the phenomena of accounting by empirically observing events. Thus, the conclusions can be used to make future predictions. The concept of this theory is different from that of descriptive theory, which focuses on describing events and normative theories, which regulate everything that has to take place (Popper, 1959; Kuhn, 1970).

This theory states the existence of two (2) parties, namely the principal and the agent, with conflicting interests to cause harm to a particular party. Such a relationship is bound by an agreement called a contract (Jensen and Meckling, 1976). This theory focuses on how to establish the most efficient contract between the principal and agent in terms of human behaviors, such as personal interests, limits of rationality, aversion of risk, conflicts among members in an organization, and information which is considered an essential and valuable commodity (Alchian, and Demsetz, 1972).

Agency theory applies to the operations of an organization, such as provisions of compensation, strategies of acquisition and diversification, relationship in the board of directors, the structure of principality, financing, and innovation (Ang et al., 2000; Barnea et al., 1985; Bergen et al., 1992). Besides, agency theory is also widely employed by researchers in accounting, economics, finance, marketing, political science, organizational behavior, and sociology (Spence, and Zeckhauser, 1971; Demski, and Feltham, 1978; Fama, 1980; Basu et al., 1985; Eisenhard, 1985; White, 1985; Mitnick, 1986). However, there are still controversies regarding this theory. Some researches show that the theory is revolutionary and serves as a foundation for a robust organizational theory and is fitting (Ross, 1973; Barney and Ouchi, 1986). Other literature works state that this theory is still weak (Perrow, 1986).

Earnings management is an old art that deals with modifications or shifting numbers in the accounting of a company's financial statements. Proper earnings management does not inflict loss to parties. It is performed by altering financial transactions in the financial statements; thus, stakeholders are provided information on the company's improving performance without breaking accounting standards applicable in their business environment (Healy and Wahlen, 1999). On the other hand, adverse and ill earnings management meddles a financial statement addressed for external parties to obtain the practitioner's benefits (Schipper, 1989). It takes a deep understanding of the practice of earnings management patterns by a manager because an earnings management practice may have a different meaning if analyzed for accounting.

Many models have been developed to measure earnings management, some of which are Roychowdhury (2006) with Real Earning Management (REM), Healy (1985), DeAngelo (1986), Jones (1991), and Dechow et al. (1995) who use the Accrual Based Earning Management (AEM), model. The focus of this study measures earnings management using Accrual-Based Earning Management (AEM), which is calculated using a modified Jones model. This model was selected because it can provide discretion outcomes more accurately (Jones, 1991); (Dechow et al., 1995). Also, applicable accounting standards and regulations in Indonesia, until this study was conducted, still allowed accrual-based financial reporting (Dian, 2020).

The unique feature of Accrual Earning Management (AEM) lies in its application, which employs accounting methods and estimations on particular accounts (Yun et al., 2019). It makes researches on earnings management attractive. Earnings management is identical to differences in macro phenomena in different countries. In China, evidence shows that earnings management has become a phenomenon and is widely spread (Li et al., 2011; Noronha et al., 2008; Wu, 2004).

Other studies further show that companies listed in China stock exchanges manage earnings by dramatically increasing their profits to get authorizations to issue new shares and avoid being removed from the stock list (unlisted) during an initial public offering (IPO)) (Chen and Yuan, 2004; Jian and Wong, 2004).

Other pieces of literature also reveal that companies which have prospered for an extended period only perform very few earnings management practices (Kim, 2014; Lee & Kim, 2015; Kwon & Park, 2016; Kim, 2016; Kim & Kim, 2018; Kim, 2018; Lee, 2019; Choi, 2018). Based on the theories, concepts, and opinions of some previously conducted literature works, this study developed the hypothesis as follows.

H_1: It is expected that a company that has been in existence in Indonesia for 11 years (2008-2018) practices earnings management.

2. METHODOLOGY

The research belongs to quantitative comparative (casual comparative research) in which this type of research is conducted descriptively to find out answers fundamentally about the factors that cause or trigger the appearance of a particular phenomenon (earnings management: the beauty and the beast). Therefore, this research used hypothesis testing. An extended period of eleven years was spent on the descriptive research of this study. Quantitative methods are methods that try to understand through positivist, a rationalistic inquiry from the outside, and functionalist perspectives (Burrel & Morgan, 1979; Guba & Lincoln, 1982; Guba, 1990).

The population was companies listed on the Indonesia Stock Exchange during 2008-2018. The companies were never unlisted during that period. In this study, there are 676 companies from the Indonesian Stock Exchange administered as the population. The sampling technique used was non-probability sampling, with judgment sampling or purposive sampling. Thus the sample was chosen based on particular conditions and specific characteristics so that it could be assessed based on scientific considerations, such as 1) Samples were public companies listed in the Indonesia Stock Exchange from 2008 through 2018, 2) Sample had data of their 2008-2018 financial statements which served as useful information for this study, 3) Sample was never delisted during 2008-2018.

Discretionary accruals were used in this research to measure the earnings management. The outcome value was obtained by calculating the values of the companies' earnings management practices from 2008 – 2018. The formula is presented in the following (Jones, 1991; Dechow et al., 1995):

1. $\mathbf{TAC_{it} = EXBT_{it} - OCF_{it}}$

<u>Notes</u>:

- TAC_{it} : Total Accruals of a company *i* in period *t*
- $EXBT_{it}$: Earning Before Extraordinary Item of a company *i* in period *t*
- OCF_{it} : Operating Cash Flow company *i* in period *t*

The regression equation above is used to calculate the company's total accruals. NDAC is calculated by applying the coefficients as follows:

2. $$\frac{\mathbf{TAC_{it}}}{\mathbf{TA_{it-1}}} = \alpha 1\left(\frac{1}{\mathbf{TA_{it-1}}}\right) + \alpha 2 \left[\frac{(\alpha \mathbf{REV_{it}} - \alpha \mathbf{REC_{it}})}{\mathbf{TA_{it-1}}}\right] + \alpha 3 \left(\frac{\mathbf{PPE_{it}}}{\mathbf{TA_{it-}}}\right)$$

3. $$\mathbf{NDAC_{it}} = \alpha 1\left(\frac{1}{\mathbf{TA_{it-1}}}\right) + \alpha 2 \left[\frac{(\alpha \mathbf{REV_{it}} - \alpha \mathbf{REC_{it}})}{\mathbf{TA_{it-1}}}\right] + \alpha 3 \left(\frac{\mathbf{PPE_{it}}}{\mathbf{TA_{it-1}}}\right)$$

4. $$\frac{\mathbf{DAC_{it}}}{\mathbf{TA_{it-1}}} = (\mathbf{TAC_{it}}) - \mathbf{NDAC_{it}}$$

Note:

- TA_{it-1} : Total Assets of a company *i* in period *t*
- REV_{it} : Total Revenue of company *i* in period *t*
- REC_{it} : Total Receivable of a company *i* in period *t*
- PPE_{it} : Total Fixed Assets (gross) of a company *i* in period *t*

The value of earnings management obtained would be analyzed based on the company's annual financial statement.

Table 1: Mapping of Research Variable Measurement

No.	Variable	Variable Information	Data Source
1.	TAC_{it}	Total Accruals company (i) in period (t)	Ratio
2.	$EXBT_{it}$	Earnings Before Extraordinary Item company	Osiris

		(i) in period (t)	
3.	OCF_{it}	Operating Cash Flow company (i) in period (t)	Osiris
4.	$NDAC_{it}$	Non-Discretionary Accruals company (i) in period (t)	Ratio
5.	TA_{it-1}	Total Assets of the company (i) in period (t)	Osiris
6.	REV_{it}	Total Revenue company (i) in period (t)	Osiris
7.	REC_{it}	Total Receivable company (i) in period (t)	Osiris
8.	PPE_{it}	Fixed Asset Value of the company (i) in period (t)	Osiris
9.	DAC_{it}	Discretionary Accruals company (i) in period (t)	Ratio

All companies would be observed in terms of their industry, earnings management patterns, and the "momentum" of the earnings management. Thus, the moment and pattern observed would be associated with the hypothesis and also the earnings management's other points of view, no matter whether they were "good" or "bad." The sustainability of the companies, based on their existence in the Indonesia Stock Exchange for eleven years (2008-2018), would also be under observation. It is to strengthen the pattern of earnings management allegedly carried out by companies in Indonesia for the sustainability of the company.

3. RESULTS and DISCUSSION

Data already in had would then be classified based on criteria. The 583 companies out of 676 total companies did not meet the criteria and were removed from the list of research observations. Such non-fulfillment of criteria was mostly due to the difference of various industry criteria, leading to the availability of required data. It inevitably affects the accounting standards widely used by companies. Such finding thus supports the urgent call to all companies of various industries to adopt the same standards applied in all countries, for example, international accounting standards which will prove useful to uniform financial statements. Thus it is understandable why several modern countries try to implement financial statement standardization when they find that particular financial data is beneficial for various parties and economic development between countries.

Table 2: Result of descriptive statistics test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DAC	1023	-54.71652	.29590	-1.4446933	2.99750778
Valid N (listwise)	1023				

Source: IBM SPSS, 2020.

Data processing on earnings management practices of 93 selected companies in Indonesia in eleven years (2008-2018) resulted in 1,023 pieces of data. This descriptive statistics test concluded that the minimum earnings management value obtained was -54.71652. This value becomes an indication that some companies in Indonesia still practiced earnings management. Such earnings management practices took place in 2010, the same year, the global economic recovery cycle occurred. Consequently, domestic economic performance in 2010 continued to improve. Inflation until mid-2010 was also under control. In the second semester of 2010, however, the intensity experienced a supply disruption, especially of food, which brought considerable pressure on inflation, triggering a higher value of inflation than 2010 inflation target. Several companies were affected by this condition, driving them to conduct an earnings management. There is another assumption that stated that most company profits were still in the form of receivables, which in turn caused the operational cash flow drop and pseudo-profit (earnings which are still not classified due to their cash inflows).

The maximum value of earnings management, on the other hand, is 0.29590. This outcome shows that there were still companies in Indonesia that did not resort to earnings management. Thus, these results provide hope and confidence for domestic and foreign investors that the presented company's financial statements are not "always" manipulated through the practice of earnings management. This evidence also encourages foreign investors to cast their doubts over-investing in Indonesia. Although some companies in Indonesia conduct earnings management, there are still many other companies that do not perform it.

For eleven years (2008-2018), this study also classified the values of earnings management based on the types of industries those companies belong to. There are as many as 93 companies divided into eight (8) industry types in this study, namely, i) the telecommunications industry covers three (3) companies; ii) the mining and oil industries: sixteen (16) companies; iii) the paper industry: four (4) companies; iv) the textile industry: two (2) companies; v) property, real estate, and contractor industries: eleven (11) companies; vi) food and beverage manufacturing industry: seven (7) companies; vii) plantation manufacturing industry: five (5) companies, and viii) retail and other manufacturing industries: forty-five (45) companies. The classification and its discussion are presented in the following.

Table 3: Earnings Management (DAC) in Telecommunication Industry Company

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	TLKM	-0.666	-0.663	-0.689	-0.692	-0.693	-0.649	-0.633	-0.617	-0.648	-0.647	-0.635
2	ISAT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	EXCL	-0.339	-0.502	-0.642	-0.587	-0.592	-0.529	-0.370	-0.390	-0.390	-0.407	-0.399

Source: Data Processing Result, 2020.

Table 3 presents three selected telecommunication industry companies that met the data sample criteria. The values of earnings management (discretionary accruals) calculated show that there are two discretionary accruals (DAC) categories, namely DAC = 0 and DAC < 0. DAC value = 0 means that the company does not conduct earnings management, and its financial statements are reliable. The company prepared its financial statements following applicable standards and conditions honestly and openly. DAC value < 0 indicates that investors must be meticulously careful with the minus figures. A value lower than -1 means the company is indicated to employ earnings management by lowering profits. If the value of earnings management (DAC) is only slightly lower than -0, it does not fully indicate that the company practices earnings management. Thus, in general, there is no strong indication that telecommunication companies in Indonesia employ earnings management.

Table 4: Earnings Management (DAC) in the Mining and Oil Industry Company

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	PGAS	-0.501	-0.629	-0.617	-0.632	-0.660	-0.696	-0.572	-0.473	-0.430	-0.437	-0.488
2	ADRO	-0.866	-0.394	-0.562	-0.453	-0.377	-0.397	-0.412	-0.476	-0.418	-0.460	-0.473
3	INDY	-2.12	-2.78	-4.49	-5.11	-6.82	-7.72	-8.58	-12.31	-16.84	-8.652	-8.691

		9	8	7	0	7	3	7	8	9		
4	ANTM	-0.936	-0.876	-0.710	-0.681	-0.530	-0.517	-0.428	-0.347	-0.304	-0.421	-0.758
5	ITMG	-1.345	-1.259	-1.531	-1.509	-1.636	-1.643	-1.483	-1.349	-1.131	-1.244	-1.392
6	AKRA	-1.480	-1.477	-1.032	-1.257	-0.983	-0.766	-0.884	-0.903	-0.888	-1.157	-1.061
7	PTBA	-1.551	-1.109	-1.398	-1.634	-1.703	-1.913	-1.512	-1.170	-0.819	-0.834	-0.975
8	MEDC	-0.650	-0.328	-0.409	-0.442	-0.415	-0.353	-0.282	-0.217	-0.175	-0.191	-0.249
9	GEMS	-0.465	-0.228	-0.898	-0.380	-0.484	-0.572	-0.634	-0.482	-0.407	-0.245	-0.217
10	TBMS	-0.030	-0.027	-0.024	-0.025	-0.025	-0.037	-0.040	-0.054	-0.060	-0.057	-0.055
11	ELSA	-0.767	-0.870	-1.145	-1.075	-1.113	-0.941	-0.992	-0.858	-0.865	-1.027	-1.172
12	ENRG	-0.441	-0.370	-0.586	-0.722	-1.181	-1.589	-1.890	-1.835	-2.557	-4.479	-5.435
13	MYOH	-0.142	-0.104	-0.385	-0.207	-1.154	-0.351	-0.322	-0.207	-0.141	-0.181	-0.221
14	DOID	-0.104	-0.049	-0.047	-0.037	-4.460	-6.771	-9.304	-11.974	-11.389	-11.440	-10.737
15	INCO	-0.491	-0.378	-0.381	-0.361	-0.335	-0.274	-0.322	-0.300	-0.317	-0.427	-0.505
16	KKGI	-4.177	-2.066	-4.678	-4.543	-0.531	-0.833	-0.976	-1.066	-1.426	-6.740	-6.833

Source: Data Processing Result, 2020.

Table 4 shows 16 mining and oil industry companies that met the criteria for the sample data. The values of earnings management (discretionary accruals) obtained show that there appears to be one category of discretionary accruals (DAC), namely DAC < 0. If the DAC value is < 0, then investors must be aware and careful about the minus figure that results from the computation. If the result is than -1, then there is an indication that a particular company performed earnings management by lowering profits. However, if the value of earnings management (DAC) is only slightly above -0, then the score does not sufficiently indicate that the company practiced earnings management. So, in general, there are mining and oil companies in Indonesia that still practice earnings management. These results trigger new allegations about how effective the applicable regulations on earnings management in the mining and oil industry in Indonesia are so far.

Table 5: Earnings Management (DAC) in Paper Industry Company

No.	Stock Code	Year										
		2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
1	INKP	-0.535	-0.555	-0.734	-0.959	-0.829	-0.952	-0.916	-0.799	-0.929	-0.875	-0.687
2	TKIM	-0.293	-0.327	-0.244	-0.263	-0.288	-0.376	-0.319	-0.350	-0.444	-0.587	-0.528
3	FASW	-0.814	-0.745	-0.754	-0.836	-0.716	-0.873	-0.980	-0.712	-0.687	-0.786	-0.909
4	INRU	-9.399	-7.840	-10.318	-13.626	-7.899	-6.567	-7.985	-6.056	-4.613	-4.426	-4.747

Source: Data Processing Result, 2020.

Four paper industry companies that met the data sample criteria are listed in Table 5. Earnings management value (discretionary accruals) resulted from the computation shows that there is one discretionary accruals category (DAC), the one with DAC < 0. If the DAC score is lower than 0, investors need to pay attention to the figures carefully. A figure lower than -1 means that the particular company has a strong indication of practicing earnings management through lowering its profit. An earnings management (DAC) value slightly lower than -0; on the other hand, signals that the company in question is not firmly indicated to have practiced earnings management. Three (3) companies have a 2008-2018 DAC of -0, so it is fair to assume that those companies belonging to the paper industry did not practice earnings management.

Table 6: Earnings Management (DAC) in Textile Industry Companies

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	INAF	-8.832	-9.238	-11.184	-10.636	-12.973	-13.634	-13.666	-13.147	-12.399	-13.424	-14.512
2	CNTX	-0.873	-0.717	-0.792	-1.115	-0.914	-1.005	-0.273	-1.031	-0.833	-0.689	-0.870

Source: Data Processing Result, 2020.

Two companies belonging to the textile industry, as listed in Table 6, were selected as they met the data sample criteria. Earnings management (*discretionary accruals*) values from the calculation show that there is one discretionary accruals category (DAC), which is DAC < 0. If the DAC score is lower than 0, it should be a warning to the investors to observe the minus number that results carefully. A number lower than -1 indicates that particular companies are strongly suspected of having practiced earnings management by lowering their profits. However, if the values of the earnings management (DAC) are slightly lower than -0, there is no strong indication that the particular companies practiced earnings management. The outcomes conclude that there is still uncertainty whether companies belonging to the textile industry practiced earnings management in their 2008-2018 financial statements or not.

Table 7: Earnings Management (DAC) in Property, Real Estate, dan Contractor Industry

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	GMTD	-0.417	-0.432	-0.393	-0.311	-0.197	-0.147	-0.146	-0.171	-0.177	-0.180	-0.200
2	RBMS	-1.618	-1.704	-3.244	-2.629	-1.956	-1.597	-1.593	-1.445	-1.454	-0.425	-0.176
3	INPP	-0.087	-0.027	-0.073	-0.070	-0.087	-0.221	-0.264	-0.120	-0.106	-0.090	-0.111
4	TOTL	-0.838	-0.868	-1.154	-1.582	-1.256	-1.155	-0.673	-0.466	-0.511	-0.638	-0.861
5	CMNP	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6	ASRI	-1.259	-0.899	-0.784	-0.781	-0.385	-0.287	-0.280	-0.224	-0.191	-0.229	-0.193
7	SMRA	-0.922	-0.710	-0.551	-0.480	-0.421	-0.380	-0.355	-0.305	-0.278	-0.290	-0.239
8	BSDE	-0.395	-0.407	-0.174	-0.206	-0.200	-0.186	-0.160	-0.133	-0.136	-0.118	-0.129
9	SMCB	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
10	LPKR	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
11	ADHI	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Source: Data Processing Result, 2020.

A selection based on data sample criteria was used to create a list of seven property, real estate, and construction industry companies presented in Table 7. Earnings management (discretionary accruals) values show that there are two discretionary accruals (DAC) categories, namely DAC < 0 and DAC = 0. If the value of DAC is equal to 0, it means that the company does not conduct earnings management and its financial statements are reliable. The company has prepared financial statements following applicable standards fairly and openly. If the DAC value is lower than 0, investors must be careful and observant about the minus figure that appears. If the figure is lower than -1, the company is indicated to practice earnings management by lowering its profits. However, if the value of earnings management (DAC) is only slightly lower than -0, then it does not serve as a strong indication that the company is involved in earnings management practices. A total of three companies have a DAC value of 0, and six companies had a DAC value of -0 during 2008-2018. Thus it can be concluded that companies belonging to the property, real estate, and contractor industry in Indonesia did not resort to earnings management practices.

Table 8: Earnings Management in Food and Beverage Industry Companies

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	CPIN	-	-	-	-	-	-	-	-	-	-	-

		2.552	2.722	2.314	2.030	1.725	1.632	1.399	1.201	1.581	2.013	1.952
2	JPFA	-2.140	-2.363	-2.000	-1.891	-1.627	-1.436	-1.552	-1.459	-1.406	-1.483	-1.477
3	MYOR	-1.337	-1.472	-1.642	-1.432	-1.266	-1.238	-1.376	-1.307	-1.420	-1.396	-1.368
4	MAIN	-0.004	-0.004	-0.004	-0.004	-0.003	-0.003	-0.003	-0.003	-0.004	-0.004	-0.003
5	AISA	-0.958	-1.580	-0.700	-0.267	-0.260	-0.619	-0.182	-0.152	-0.150	-0.694	-0.810
6	DLTA	-0.595	-0.473	-0.822	-0.935	-1.047	-1.051	-0.902	-0.772	-0.722	-0.607	-0.578
7	TGKA	-0.001	-0.001	-0.001	-0.001	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002

Source: Data Processing Result, 2020.

Table 8 presents seven companies from the food and beverage industry, which were selected as they met the sample data criteria. The calculated values of earnings management (discretionary accruals) show that there is one category of discretionary accruals (DAC), namely DAC < 0. If the DAC value is lower than 0, investors should be careful and attentive to the minus digits that appear. A minus number lower than -1 strongly indicates that the company performed earnings management by lowering its profits. However, if the value of earnings management (DAC) is only slightly lower than -0, the company is still not fully indicated to conduct earnings management. The results obtained concluded that companies in the food and beverage industry are still indicated to conduct earnings management in their financial statements during 2008-2018.

Table 9: Earnings Management in Plantation Manufacturing Industry Companies

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	SMMA	-1.606	-1.391	-1.625	-2.152	-1.695	-1.303	-1.519	-1.513	-1.138	-1.292	-1.276
2	AALI	-1.252	-0.981	-1.007	-1.056	-0.932	-0.848	-0.879	-0.608	-0.584	-0.690	-0.711
3	GZCO	-0.204	-0.205	-0.217	-0.174	-0.127	-0.134	-0.143	-0.099	-0.154	-0.186	-0.194
4	IIKP	-0.066	-0.058	-0.057	-0.052	-0.051	-0.038	-0.041	-0.066	-0.034	-0.051	-0.059
5	FISH	-0.184	-0.092	-0.558	-0.349	-0.381	-0.440	-0.617	-0.418	-0.498	-0.401	-0.341

Source: Data Processing Result, 2020.

In table 9, five (5) selected plantation manufacturing industry companies that met the data sample criteria were presented. The earnings management (discretionary accruals) values obtained from the calculation show that there is one discretionary accrual (DAC) category, namely DAC < 0. If the DAC value is lower than 0, it should warn the investors to be careful and observant over the minus figures that appear. A minus figure lower than -1 strongly indicates that the company conducted earnings management by lowering its profits. However, if the value of earnings management (DAC) is only slightly lower than -0, then the company is still not fully indicated to perform earnings management in its 2008-2018 financial statements.

Table 10: Earnings Management of Companies in Retail Industry and Others

No.	Stock Code	Year										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	ASII	-1.203	-1.108	-1.152	-1.059	-1.032	-0.906	-0.855	-0.751	-0.692	-0.697	-0.694
2	UNTR	-1.222	-1.199	-1.257	-1.186	-1.113	-0.890	-0.881	-0.800	-0.712	-0.785	-0.728
3	HMSP	-2.150	-1.349	-1.309	-1.650	-1.461	-1.625	-1.620	-1.108	-1.244	-1.191	-1.137
4	SMGR	-0.619	-0.509	-0.387	-0.394	-0.369	-0.386	-0.363	-0.357	-0.354	-0.534	-0.609
5	KLBF	-1.381	-1.402	-1.455	-1.319	-1.448	-1.414	-1.397	-1.306	-1.273	-1.215	-1.162
6	EMPT	-2.941	-2.863	-2.985	-2.428	-2.701	-2.826	-2.745	-2.590	-2.672	-2.649	-2.476
7	MAPI	-0.923	-1.217	-1.284	-1.334	-1.267	-1.247	-1.359	-1.354	-1.325	-1.428	-1.498
8	IMAS	-1.470	-1.363	-1.370	-1.232	-1.125	-0.901	-0.829	-0.728	-0.588	-0.491	-0.429
9	GJTL	-0.293	-0.289	-0.301	-0.363	-0.479	-0.434	-0.723	-0.509	-0.563	-0.569	-0.632
10	INTP	-0.706	-0.598	-0.642	-0.653	-0.553	-0.464	-0.453	-0.469	-0.452	-0.490	-0.553
11	HERO	-2.046	-1.692	-1.780	-1.740	-1.421	-1.057	-1.141	-1.185	-1.284	-1.365	-2.064
12	MPPA	-0.002	-0.059	-0.359	-0.457	-0.683	-1.027	-1.359	-1.493	-1.477	-1.848	-2.131
13	ACES	-1.621	-1.401	-1.378	-1.671	-1.681	-1.571	-1.535	-1.452	-1.324	-1.342	-1.362
14	RALS	-1.840	-1.343	-1.370	-1.353	-1.399	-1.370	-1.284	-1.209	-1.260	-1.150	-1.095
15	TURI	-1.636	-3.757	-3.650	-3.517	-3.173	-3.434	-3.219	-3.339	-2.761	-2.385	-2.149
16	SMSM	-0.004	-0.004	-0.004	-0.004	-0.004	-0.004	-0.004	-0.004	-0.004	-0.003	-0.003
17	INTA	-0.405	-0.378	-0.365	-0.307	-0.328	-0.578	-0.485	-0.541	-0.565	-0.575	-0.542
18	TRST	-0.839	-0.818	-0.860	-0.950	-0.890	-0.623	-0.769	-0.732	-0.683	-0.706	-0.614
19	GDYR	-3.767	-2.132	-4.238	-7.377	-8.947	-11.971	-14.327	-17.785	-13.703	-12.151	-17.556
20	BISI	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
21	TOTO	-0.628	-0.707	-0.761	-0.689	-0.731	-0.812	-0.781	-0.530	-0.586	-0.613	-0.681
22	PRAS	-0.740	-0.383	-0.622	-0.686	-0.538	-0.398	-0.347	-0.307	-0.230	-0.226	-0.352
23	MICE	-1.147	-1.169	-1.139	-1.076	-1.193	-0.941	-0.797	-0.729	-0.888	-0.661	-0.687
24	IGAR	-1.963	-1.910	-1.687	-1.747	-1.899	-2.174	-1.980	-1.821	-1.606	-1.456	-1.361
25	SMDR	-0.010	-0.011	-0.020	-0.021	-0.031	-0.047	-0.062	-0.081	-0.085	-0.097	-0.118
26	HEXA	-1.063	-2.307	-2.911	-2.080	-2.646	-2.792	-3.331	-5.419	-7.513	-8.492	-6.821
27	MLIA	0.000	-0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
28	PTSN	-4.150	-3.494	-4.394	-6.624	-5.290	-6.427	-6.868	-4.895	-4.241	-5.285	-1.313

29	ADMG	-0.045	-0.041	-0.045	-0.035	-0.047	-0.062	-0.084	-0.105	-0.123	-0.130	-0.195
30	SCMA	-0.443	-0.566	-0.622	-0.687	-0.713	-0.564	-0.480	-0.581	-0.563	-0.728	-0.663
31	CMPP	-0.304	-0.248	-0.256	-0.163	-0.438	-1.772	-0.636	-0.514	-0.633	-1.235	-1.488
32	MASA	-0.982	-0.918	-0.818	-0.671	-0.560	-0.567	-0.591	-0.498	-0.480	-4.433	-5.318
33	AMFG	-1.121	-0.970	-1.023	-0.965	-0.917	-0.909	-0.931	-0.858	-0.677	-0.620	-0.527
34	ALMI	-1.453	-1.185	-2.008	-2.015	-1.713	-1.044	-1.037	-1.524	-1.145	-1.468	-1.592
35	BMSR	-4.213	-2.327	-3.139	-4.726	-4.461	-3.610	-6.793	-5.668	-5.862	-7.176	-5.378
36	KIJA	-0.211	-0.196	-0.229	-0.184	-0.181	-0.205	-0.255	-0.261	-0.245	-0.251	-0.240
37	PSAB	-0.403	-0.561	-0.444	-0.526	-0.651	-0.626	-0.704	-0.879	-1.217	-0.611	-0.651
38	ARNA	-0.278	-0.347	-0.299	-0.329	-0.323	-0.359	-0.767	-1.580	-1.555	-1.364	-1.335
39	INAF	-0.083	-0.223	-0.604	-0.411	-0.524	-0.743	-0.570	-0.365	-0.873	-1.061	-0.913
40	JSPT	-0.550	-0.433	-0.423	-0.419	-0.349	-0.390	-0.386	-0.442	-0.431	-0.396	-0.316
41	HITS	-0.546	-1.269	-0.862	-0.906	0.296	0.115	-0.730	-0.948	-0.967	-2.703	-2.357
42	GEMA	-1.430	-1.194	-1.290	-1.383	-1.395	-1.741	-1.505	-1.870	-1.384	-1.091	-1.192
43	TMPO	-1.893	-1.728	-1.741	-1.684	-1.311	-1.048	-0.866	-0.733	-0.760	-0.609	-0.681
44	ITTG	-5.312	-6.167	-54.717	-29.996	-2.406	-2.720	-2.056	-2.411	-0.277	-0.027	-0.026
45	JSMR	-0.857	-0.849	-0.892	-0.913	-0.928	-0.915	-2.046	-0.890	-0.629	-0.425	-0.432

Source: Data Processing Result, 2020.

Table 10 presents 45 companies from retail and other industries that were selected as they met data sample criteria. The earnings management (discretionary accruals) values show that there are two discretionary accruals (DAC) categories, namely DAC = 0 and DAC < 0. If the value of DAC equals 0, it means that the company having that score did not conduct earnings management, its financial statements were reliable, and the company prepared financial statements under applicable standards and conditions fairly and openly. However, if the DAC value is lower than 0, investors must be attentive and careful over the minus figure. If the value is lower than -1, the company is indicated to have done earnings management by lowering its profits.

However, if the value of earnings management (DAC) is only slightly lower than -0, the company is still not sufficiently indicated to have conducted earnings management in its financial statements. Based on the table, it can be concluded that the companies belonging to the retail and other industries listed in table 10 are still indicated to employ earnings management in their financial statements for the years 2008-2018 (11 years).

The previous tables presented descriptions and explanations which serve as photographic proof that for eleven years (2008-2018), many companies in Indonesia have still practiced earnings management. Summarily, for eleven years (2008-2018), as many as 44 companies, or about 47.32%, were indicated not to do earnings management. However, as many as 49 other companies, or about 52.68 %, were still indicated to practice earnings management for 11 years (2008-2018). This research was conducted with 93 companies as a sample, while 583 other companies in Indonesia were still under detection. Thus, government and accounting standard policymakers need to start enforcing regulations and sanctions on earnings management. If the importance of financial information is very critical for a country's development, the applicable pertaining regulations must be able to operate and run properly. The old regulations regarding financial reporting will benefit from the addition that demands companies openly declare the values or ratios of their earnings management. This additional regulation will provide necessary protection for investors as well as the government. It raises a need to support and implement an establishment of a standard that applies nationally and internationally by all parties. It can be the government or sectors. Developing a new standard will undoubtedly be costly and put a heavy burden on the company's current operations. However, such a new standard will serve as a capital for the company to attain high trust from its investors. Hopefully, this statement can be understood as an urgent call for immediate regulation reform and the enforcement of applicable regulations for financial statement writing in Indonesia.

The proven data analysis presented previously, aside from reinforcing the assumption on the recent existing practices of earnings management, also serves as a base to understand two main concepts that will be discussed in the following. It is strongly advised to observe neutrality in the understanding of the dualism of the earnings management in this research.

A lot of "make-ups" are applied when practicing earnings management in order to attract and get attention from investors. Besides, earnings managements also require a strategy capable of benefitting from accounting rules and standards to make them look convincing and impressive as the results of altering the figures in the statements. Some people declare that earnings management practice is permissible as long as it is legally carried out and conforms to the regulations of Financial Accounting Standards (Schroeder dan Clark, 1998); (Scott, 2006. The practices of earnings management exist by exploiting the inherent weaknesses of accrual accounting policies and by working in the corridor of generally accepted accounting principles. Earnings manipulation, on the other hand, is a practice of violating the generally accepted accounting principles to produce a company's financial performance, which tends to serve the interests of the manager or company (Schroeder and Clark, 1998). The same parties also argue that as long as earnings management is carried out without breaking financial accounting standards, then earnings management practices are considered legal (Schroeder and Clark, 1998).

Auditing Standard Section 316 (IAI 2001) distinguishes fraud from error. The differentiating factor between fraud and an error is the underlying action, which results in misstatements in the financial statements, by deliberate or unintentional acts. Fraud in financial reporting can take shape in the form of deliberate omission of figures or information in the financial statements to deceive the parties having an interest in the financial statements. However, if there is a modification on the accounting records, including accidental misapplication of accounting principles about the amount, classification, methods of presentation, or disclosure, the blame is not on the company management and accountant, because earnings management by those methods is not a fraud. Earnings management will turn into fraud if there is an intentional act by the manager or accountant, which violates accounting standards, for example, manipulation of data, calculation, and financial reporting.

Earnings management through accrual management only alters figures on earnings on paper by taking advantage of flexible accounting standard rules (Mulford & Comiskey, 2002). Such action is made possible due to existing accounting standards, which offer opportunities for managers to record particular facts in several different ways, as well as opportunities to be subjective in estimating transaction records (Worthy, 1984). The Standards Board and the government so far seem to have detected this flexibility but are still studying its benefits and impacts, in order to have a proper reason for making changes to the old regulation or adding provisions in the old regulation. The government and the standard-setting council are very carefully related to politics. However, we believe that political interest should not be prioritized when it is required to make decisions for the development of a country's economy. Only one goal is to be achieved, which is to nullify the influence of politics in earnings management actions (Friedman, Johnson & Mitton, 2003). Thus, when political interests drive policy, the newly created policy is like a double-edged sword that can endanger both the policymakers and the law-abiding users.

Modifying profit figures in the statement does not, according to Fischer & Rosenzweig (1995), inflict "material loss" to any party. Consequently, earnings management can be both positive and negative. Positive earnings management takes place when its content is informative to stakeholders, and the goal of positive earnings management is to maximize the values of the company, which is the primary goal of a business. Negative earnings management occurs when managers' report profits opportunistically to maximize their interests. This action is very detrimental for people who rely on their decision on the information contained in the financial statements, especially investors who use financial statements in stock analysis and predict earnings prospects for the future. These two characteristics of earnings management are used by investors to make decisions to purchase particular stocks. This understanding (toward the positive earnings management) is what drove the researchers to use the parable of the beauty of earnings management. Thus, the researchers put additional indicators to observe the beautiful side of earnings management:

a) The beauty of earnings management can only result from the work of someone who is academically smart and understand how to avail from all accounting standard regulation systems.

b) Exploiting gaps or opportunities offered by an accounting standard may allow the accentuation of the beauty of the earnings management.

c) Earnings management's beauty may be brought up by using several accounting standard "judgements" to make it look "sexy" and correctly applying "make ups" from the earnings obtained.

d) The beauty of earnings management, although it is produced from manipulations of data, calculation, and financial reports of an entity does not breach any applicable regulations.

e) With the help of the beauty of earnings management, companies and investors should be able to understand the limits (what is allowed and what should not be done) of the new financial reporting standards.

The normative angle of earnings management action views it negatively. Whether an action is wrong or not, such judgment can only be offered by specific individuals based on the level of understanding they have. There exists a statement saying that if the information contained in a financial statement is exceedingly complete and detailed, it will further lower the levels of fraud in the financial information presented to the company's stakeholders (Ingram, 1984; Laswad et al., 2005; Boonlert et al., 2006). Healy and Palepu (1993) also state that although all public companies are required to follow minimum disclosures of information, those different companies have substantially different definitions on the amount of additional information published to the capital market. In addition, this can also lower the risk of information asymmetry. However, if a company performs creative accounting illegally and is proven guilty, this condition is considered an accounting scandal (Gosh, 2010).

The view of whether earnings management is good or bad, still sparks debates and becomes a complicated issue. Judging earnings management as good or evil must also consider the techniques used in performing it as well as the motivation and purpose behind it. Recently, earnings management becomes a common phenomenon that occurs in many companies. Practices conducted to modify earnings figures can occur legally or illegally. The legal practice of earnings management is an attempt to modify figures of earnings without breaking the rules on financial reporting rules in General Acceptable Accounting Principles (PABU), especially those of Accounting Standards. Illegal practice of earnings management (also known as financial fraud) is performed in ways that are not permissible under the General Accepting Accounting Guidelines (PABU), such as reporting non-existing transactions on incomes or expenses by raising or lowering the values of transactions, or by not reporting a number of transactions, so that the report will show profits at a specifically predesigned level.

Earnings management is a controversy in the world of business and accounting. The controversy on earnings management practices begins when earnings management has a negative influence and tends to provide misleading information during financial reporting. It leads to a violation of public trust towards the financial performance of a company that is reported every period. Thus, this adverse earnings management action has broken the business ethics of the management of a company. From the accountant's point of view, the public interest is the main objective. Thus, harmful earnings management practices are also seen by accountants as an ethics-violating act, because an accountant, on one side, is an expert and able to provide opinions and solutions on policies that are based on General Acceptable Accounting principles to management. However, on the other side, an accountant must firmly protect the public interest. In general, almost all researches on financial accounting always consider earnings management as an act that is negative and illegal. So, we, the researchers, do not need to emphasize such a view again.

Descriptively, this research may add up a basic theory on the scale of earnings management ratio. Then, hopefully, the government will start to pay attention to the earnings management ratio by drafting new regulations or even providing necessary additions to the old regulations. This earnings management ratio can also be used as a guideline to determine whether earnings management by corporate managers is driven in a positive or negative direction. Academically, the science of financial accounting very often discusses earnings management. However, so far, those discussions lack an essential point, that is the steps that need to be taught in lowering earnings management. Those steps start with the obligatory existence of honesty as an accountant (Larkin, 2010). The ratio scale used for the classification of earnings management indicators (discretionary accruals) in Indonesia in this research is divided into 3 indicators, namely

This earnings management action is performed by raising the values of profit from the ones in actuality. Based on the research data gathered in Indonesia, such a pattern does not bring up a DAC value > 0. It does not apply to research conducted outside Indonesia as this research did not collect data from foreign countries. Thus, this allows opportunities to other researchers to provide other empirical evidence.

This earnings management pattern means the company does not practice earnings management. The financial statement reflects reality, and its composition follows the applicable accounting norms and standards. Indonesia has only a few companies with a pattern. Thus the government and the standard-making board still need to maintain resolute stances over the recent situation. Old regulations may need to be reviewed or added with provisions regarding the ratio scale of this earnings management.

Having only a slight difference with point 2 is what makes this earnings management pattern unique. The researchers, however, state that when earnings management (discretionary accrual) comes with a value of -0, it means that the earnings management pattern practiced is still in the grayish area, or the company does not entirely resort to earnings management. It comes to a different matter when the value of the earnings management (discretionary accrual) produced is -1 or lower, which indicates that there is a strong suspicion that the company practices earnings management by lowering its profit.

Reasons why a company practices earnings management are numerous. As a critical analyst, it is of utmost importance to perceive such a practice from various points of view. Earnings management is not prohibited, but neither is it obligatory to practice it very frequently.

4. CONCLUSION

Data on financial statements in this research only included an annual financial statement that had been audited by external auditors. It will be interesting to follow up on this research by emphasizing the role of external auditors in lowering earnings management practices in Indonesia or foreign countries. It is difficult to decide whether earnings management practices are legal or not. Creative methods are employing different accounting techniques for financial statement composition, which make financial statements look better and more reasonable. However, this statement seems to adjust the practices of earnings management. Several companies have succeeded in making it appear acceptable through certain conditions, accruals, adjustments that lower the values, revenue recognition, and deferral. On the other hand, the motive of practicing earning management appears only to meet targets on budgets/incentives and market income expectations or income smoothing to show an ever-increasing trend. Thus, it was concluded that earnings management would turn out to be a fraud when the company provides a material misstatement on purpose.

Scholars doing previous researchers are still debating theories on earnings management practice. However, the empirical conclusions from processed data should drive the government and accounting standard board to firmly apply the regulations of the ratio of the earnings management (discretionary accruals), so there is clear guidance on the legal protection for the parties involved. The progress of a country can be analyzed from its economy, which is governed by the number of regulations. When there are too many regulations, and they do not work, the functions of the regulator are questioned.

The researchers also offered some recommendations to the government, standard board, and the next researchers. Financial statement composers are expected not to practice earnings management (discretionary accruals) and provide financial information that genuinely reflects the conditions of the company, thus achieving the qualitative characteristics of the accounting information. Investors and potential investors alike, creditors, government, and other stakeholders should be more cautious and meticulous when analyzing the earning power of the company, and should not solely rely on the earnings indicators in the company's financial statements. The government must start to affirm and regulate the scale of the ratio of earnings management (discretionary accruals) in the composition of financial statements of a company or other business entity in order to increase supervision and narrow gaps for management to stop the managements from practicing earnings management. Academic community and researchers should continue to perform more, which will be more useful in revealing other philosophical aspects related to earnings management.

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