Accounting and Finance Review

GATR JOURNALS

Journal homepage: www.gatrenterprise.com/GATRJournals/index.html

Acc. Fin. Review 2 (2) 64 – 72 (2017)

Earnings Management: An Advantage or Disadvantage?

Paulina Sutrisno*

Trisakti School of Management, Jl. Kyai Tapa No.20, 11440, Jakarta, Indonesia

ABSTRACT

Objective – The purpose of this research is to examine the consequences of accrual based earnings management and real earnings management on future operating performance. The firms studied engage in accrual-based earnings management with discretionary accrual measures using the modified Jones model and some of the following real earnings management activities: (1) Sales manipulation that accelerates the timing of sales through increased price discounts or cutting prices to boost sales in the current period; and/or (2) cutting of discretionary expenditures to increase income in the current period. Furthermore, the study examines the extent to which discretionary accrual and real earnings management affects subsequent operating performance (as measured by both return on assets and operating cash flows).
Methodology/Technique – The sample manufacturing firms that engage in financial statement were listed on the Indonesian Stock Exchange between 2012 and 2014. The hypothesis testing method used in this research is multiple regression linear.
Findings – The results suggest that accrual-based earnings management, with discretionary accrual measures, and real earnings management through sales manipulation and discretionary expenditures are positively associated with return on assets after one and two years. Meanwhile, accrual-based earnings management and real earnings management through sales manipulation enhances subsequent operating cash flows. However, real earnings management through discretionary expenditures does not influence operating cash flows.
Novelty – This research contributes to the existing literature on the subsequent impact of accrual-based earnings management and real earnings management
Type of Paper: Empirical

Keywords: Discretionary Accrual; Sales Manipulation; Discretionary Expenditure; Return on Assets; Operating Cash Flows
JEL Classification: M21, M41.

1. Introduction

The purpose of this research is to examine the impact of accrual based earnings management and real earnings management on future operating performance as measured based on a return on assets and cash flows. Although earnings management has been widely documented, it's effect on subsequent company performance is largely unclear. Several previous studies reveal different result when analysing whether earnings management has subsequent consequences (increase or decrease) on operating performance (Gunny, 2005; Tabassum et al., 2013; Akram et al., 2015). On one hand, earnings management looks like cosmetic accounting to enhance the financial

* Paper Info: Received: November 7, 2016
Accepted: April 21, 2017
* Corresponding author:
E-mail: paulina@stietrisakti.ac.id
Affiliation: Department of Accounting, Trisakti School of Management, Indonesia

reporting and acts as a signal for financial users. On the other hand, earnings management does not explain the actual financial condition of a company. Unfortunately, the financial users do not fully capture the effect of earnings management in long term periods. Therefore, this study aims to examine the consequences of accrual and real earnings management on return on assets and operating cash flows after one and two years using Indonesian samples. This research aims to explain whether the earnings management has any advantages such as enhancing a firm's value or disadvantages such as a presenting a source of risk for the company.

Accounting numbers have an effect on financial users such as managers, creditors, shareholders and the government. Accounting information, such as earnings, are often regarded as the main parameters for managing performance, and as one of the criterions for credit consideration and investment decisions of investors. For these reasons, earnings are highly important and necessary information to various users for a variety of reasons. Earnings management in general involves a variety of ways to manipulate earnings to reach certain earnings targets or expected profits, although it's existence often falls short of offending the accounting principles or accounting standards (Burgstahler & Dichev, 1997). However, earnings management can result in earnings that do not reflect the company's true financial condition, which has the potential to mislead users of that information.

The literature on earnings management show several alternatives for creating an accounting number. Earnings management relates to the use of discretionary accrual (Jones, 1991; Dechow, 1995; Kasznik, 1999; Kothari, 2005) and real earnings management, which have a direct impact on cash flow (Graham et al., 2005; Roychowdhury, 2006; Cohen et al., 2008). Zang (2007) shows that managers use accrual and real earnings manipulation as substitutes to accounting numbers. However, Graham et al. (2005) shows that real earnings management is more likely to be selected by management to increase their earnings target. This is concerning because real earnings management will have an impact on the company's performance in the future as opposed to accrual earnings management (Graham et al., 2005; Gunny, 2005; Kim & Sohn, 2008).

Recently, managers have preferred using real earnings management over accrual earnings management for several reasons. Firstly, accrual earnings management is more easily detected by financial users as compared with real earnings management (Kim & Sohn, 2008). Secondly, the manager may have limited flexibility to manage accruals (Gunny, 2010). Real earnings management uses budget cuts of discretionary expenditures such as research and development, advertising, employee training and education which are included in the marketing, general and administrative expenses of a company. A cut of discretionary expenditure is driven by the pressure on management to increase short-term earnings. Pressure on short-term earnings will encourage management to behave opportunistically so that managers will focus excessively on things that affect earnings and consequently, they will be less focused on the company's long-term planning (Osma, 2008).

Management often cuts discretionary expenditure in order to achieve certain earnings targets. According to accounting standards, discretionary expenditure is regarded as the expenses of the period when it is incurred. A budget cut on discretionary expenditures such as research and development, advertising, employee education and training, will decrease expenses that are incurred in a certain period, so that it will increase operating cash flow and earnings, in order to reach a target. This approach is preferred by management. These techniques are more costly and harder to detect when compared with accrual earnings management (Kim & Sohn, 2008).

Gunny (2005), Tabassum et al. (2013) shows that a cut on discretionary expenditures will have a negative impact on long-term performance of the company (decrease on cash flow and earnings in the coming period). The results of this study, therefore aims to contribute to the current debate on the consequences of accrual and real earnings management on the subsequent operating performance of a company. While the result shows a negative effect of accrual and real earnings management, an assessment of earnings management is required. This evidence forms an important consideration in the debate on the advantages or disadvantages of earnings management.

2. Literature Review

2.1 Agency Theory

Agency theory (Jensen and Meckling, 1976) shows that there is a connection between the agent (manager) and principal (shareholder) in the company. Agent and principal are individuals who will strive to maximize their own interests. This causes a conflict of interest between them. The agency problem is an effect of the asymmetry of information between agent and principal. Agency problems arise as a result of opportunistic management behaviors that are motivated by the information asymmetry between management and shareholder. Information asymmetry is a condition that indicates that management has access to more information about the company's affairs as compared to an outsider. Asymmetry of information therefore encourages management to engage in earnings management practices, to achieve certain earnings targets.

2.2 Accrual Based Earnings Management

Accrual based earnings management involves manipulating income to maximize wealth for the person in management. This decreases the quality of earnings. Accrual based earnings management is not usually considered to offend the accounting rules or principles because the manager has the discretion to decide the accounting methods and procedures to be used to prepare a financial statement (Jooste, 2011). Many managers believe that some types of earnings management are acceptable or even desirable (Grasso et al., 2009). This is the main reason why managers have the opportunity to create accounting numbers in financial statements. Accrual based earnings management is measured with discretionary accruals. Discretionary accruals involve manipulation through accrual accounting policies. Examples include: to determine the estimation of a useful life, residual value, or determining accounting methods. A manager can use accrual principles like a timing period to adjust revenue or expense recognition (Sufitrayati, 2015).

2.3 Real Earnings Management

Real earnings management is a management behavior that sacrifices the value or potential of the long-term value of a company (Mizik and Jacobson, 2007). Based on prior studies, this research uses two proxies for real earnings management. As in Roychowdhury (2006), this research considers abnormal cash flow from operations (sales manipulation) and discretionary expenditures (research and development expenditures, advertising expenses, employee education and training expenditures, selling, general and administration expenses). Management, in investing in discretionary expenditures, faces a trade-off condition. That is, the expenses are incurred in the current period but the benefits of cutting expenditure occur in future periods (Osma 2008). A survey and interview of more than 400 financial managers in the USA conducted by Graham et al. (2005) shows that managers believe that discretionary expenditures can be decreased in an effort to achieve current period earnings targets. 80% of the managers surveyed also agreed on the action to decrease discretionary expenditures in order to achieve earnings target. It is noted that detecting real earnings management is particularly difficult, when compared to accrual based earnings management (Kim and Sohn, 2008). The risk of real earnings management is the reduction in value of the company into the future (earnings and cash flows). Gunny (2005) shows empirical evidence which suggests that real earnings management has a negative impact on cash flow and return on assets in the financial periods following the implementation of real earnings management techniques.

2.4 Hypothesis Development

There are several advantages when managers manipulate earnings information such as: (1) to achieve their earnings targets and thereby increase their financial bonus; (2) increase the company's value; (3) to meet earnings forecasting or benchmarking; and (4) to improve earnings information (Graham et al., 2005; Tucker and Zarowin, 2006; Gunny, 2010). The disadvantages of earnings management include decreased operational performance such

as a lower return on assets, lower return on equity, lower lower cash flows, earnings per share, and a lower price to earnings ratio (Gunny, 2005; Tabassum et al., 2013). In this research, the focus is on operational performance, i.e. the return on assets and cash flow as these measures can be generalised to describe the overall operational performance of the company.

Return on assets is the return received from the operating assets of the company (Diaz dan Jufrizen 2014). Return on assets can be calculated by dividing net income by the total assets of the company within a certain period. According to Yuliana and Trisnawati (2015), operating cash flow is the determining factor of the company's available cash for funding its operating expenses, paying short-term debt, and maintaining the operational capabilities of the company. Operating cash flow is derived from dividing the cash flow by the total value of the assets.

The logical reasoning behind why earnings management has a negative impact on the return on assets and cash flow is due to the fact that, the manager can cut the budget of discretionary expenditures, hence the firm reducing the firm's reported expenses, whilst increasing the earnings in the same period. Discretionary expenditures (advertising, research and development, employee trainings) are an investment into the company's future. So, in the next period, the company will face a reduction in competitive advantages (return on investments, etc). Likewise, if the managers increase sales by offering price discounts or credit term, this will increase the risk in subsequent operational performance. Increased sales in the current period as a result of the discounts would lead to a decline in sales when the company re-instated the old prices (Roychowdhury, 2006).

Accrual earnings management has an indirect impact on the subsequent operational performance of a company. Accrual earnings management remains largely undetected because manipulation of the accounting numbers only uses accrual accounting such as manipulated accounting policies, timing period, estimation and accounting method changes. It therefore does not have any cash flow consequences. Whilst accrual earnings management can increase the return on assets in the same period, accrual earnings management makes the manager too focused on short-term goals in ignorance of long-term goals. Based on the analysis above, the hypothesis in this research is as follows:

H_1: Accrual based earnings management has a negative impact on subsequent operating performance (both return on assets and operating cash flows).

H_2: Real earnings management has a negative impact on subsequent operating performance (both return on assets and operating cash flows).

3. Methodology

3.1 Data and Sample Selection

The sample in this research consists of manufacturing companies that produce financial statements and were listed on the Indonesian Stock Exchange. The sample includes annual data covering the period from 2012 until 2014. The sampling technique uses purposive sampling, with the following criteria:

- The manufacturing firm is listed on the Indonesian Stock Exchange from 2011 until 2014;
- The firm published financial statements ending on December 31; and
- The firm uses Rupiah as a currency in its' financial statements reports.

The financial data was analysed using multiple regression linear to uncover the advantages and disadvantages of earnings management.

3.2 Description of Variables

3.2.1 Accrual based Earnings Management

The accrual based earnings management is estimated using the modified Jones model to obtain discretionary accrual (Dechow et al., 1995):

$$DACC_t = (TACC_t/TA_{t-1})-[\beta_1(1/TA_{t-1})+\beta_2(\Delta REV_t-\Delta REC_t)/TA_{t-1}+\beta_3 PPE_t/TA_{t-1}] \quad (1)$$

Where:

$DACC_t$= discretionary accrual
TACC = net income reduced operating cash flow
TA_{t-1} = previous total assets
ΔREV = sales changes with the previous year
ΔREC = account receivable changes with the previous year
PPE_t = gross property, plant and equiptment

Based on documented literature (Roychowdhury, 2006; Cohen et al., 2008; Gunny, 2005; Tabassum, 2013), there are several alternatives for measuring real earnings management. They are as follows; (1) Manipulation of research and development expenditure; (2) Manipulation of sales, general and administrative expenses; (3) Manipulation of advertising expenses; (4) Sales manipulation – acceleration of timing of sales through increased price discounts or more lenient credit terms; and (5) Overproduction – increasing production to report lower costs of goods sold. This research only uses two alternatives to measure real earnings management. They are as follows:

3.2.2 Real Earnings Management – Sales Manipulation

The real earnings management with sales manipulation is estimated using the following model from the literature (Roychowdhury, 2006; Cohen et al., 2008; Gunny, 2005; Tabassum, 2013):

$$CFO_t /A_{t-1} = \alpha_1 (1/A_{t-1}) + \beta_1 (S_t /A_{t-1}) + \beta_2 (\Delta S_t /A_{t-1}) + \varepsilon_t \quad (2)$$

Where:

CFO_t = operating cash flows during period $_t$, lag to total assets $_{t-1}$
S_t = sales period $_t$
ΔS_t = S_t - S_{t-1}
ε_t = residual

3.3.3 Real Earnings Management – Discretionary Expenditure

The real earnings management with discretionary expenditure is estimated using the following model from the literature (Roychowdhury, 2006; Cohen et al., 2008; Gunny, 2005; Tabassum, 2013):

$$DIEXP_t /A_{t-1} = \alpha_1 (1/A_{t-1}) + \beta_1 (S_{t-1}/A_{t-1}) + \varepsilon_t \quad (3)$$

Where:

$DIEXP_t$ = discretionary expenditure period $_t$, lag total assets $_{t-1}$
S_t = sales period $_{t-1}$
ε_t = residual

3.3.4 Return on Assets

Return on Assets (ROA) is defined as earnings before extraordinary items, divided by the total value of assets. ROA is used to capture the operating performance of the firms. This refers to the effectiveness of the assets owned by the company in generating profit. This measure is commonly used in the accounting literature. ROA is measured using the following:

ROA= Net Income / Total asset (4)

3.3.5 Operating Cash Flows

Similar to ROA, cash flow from operation is used to measure the operating performance of the firms. Operating cash flows is the receipt or expenditure related to the company's operation. Operating cash flow is an indicator of the company's operational performance and ability to generate cash flow (i.e. to repay short-term liabilities, operating costs and to maintain the company's operational capability) (Juliana and Trisnawati 2015). The operating cash flow is measured using the following:

OCF = Operating cash flows / Total asset (5)

4. Results

Table 1 reports the descriptive statistics in this research. The data consist of 97 manufacturing firms from the period 2012 until 2014. The data reveals that discretionary accrual has a mean of 0.00000031, standard deviation is 0.16630024, minimum value is -0.47307 and maximum value is 0.91903. The mean of abnormal cash flow is 0.000000206, standard deviation is 0.117402678, minimum value is -0.34016 and maximum value is 0.37322. Abnormal discretionary expenditure has a mean of -0.00000072, standard deviation is 0.39717164, minimum value is -0.27258 and maximum value is 3.4745. The data show an average of the manufacturing firms of the Indonesian samples which have a positive sign (for discretionary accrual and abnormal sales) and negative sign (for abnormal discretionary expenditure). This show that almost all manufacturing firms in Indonesia tend to increase their income. The data also shows the amount of earnings management techniques that have a small abnormal accrual discretioner, abnormal sales and abnormal discretionary expenditure.

The mean of ROAt is 0.11241804, minimum sample is -0.17225 and maximum value is 1.22493. The mean of ROAt+1 is 0.08381, minimum value is -0.22787 and maximum value is 1.06367. The mean of ROAt+2 is 0.07375835, minimum value is -0.246827 and maximum value is 1.037518. This data depicts that on average, ROA is decreased in the future. The minus sign represents the minimum and ROAt, ROAt+1, ROAt+2 because some of the sample companies suffered losses in the selected period of analysis. The mean CFOt of 0.082347, minimum value is -0.22271, maximum value is 0.495276. The mean of CFOt+1 is .076646, minimum value is -0.379337, maximum value is 0.52079. The mean of CFOt+2 is 0.053379, minimum value is -1.081632, maximum value is 1.037518. This data also depicts that on average, CFO is decreased in the subsequent periods.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ACC	97	-0.473070000	0.9190300000	0.000000309278	0.166300249
REMOCF	97	-0.340160000	0.3732200000	0.000000206186	0.117402679
REMSGC	97	-0.272580000	3.4745000000	-0.000000721649	0.397171650
ROA_{t1}	97	-0.227872216	1.0636733710	0.083810002165	0.185880688
ROA_{t}	97	-0.246827778	1.0375185800	0.073758353175	0.167616324
CFO_{t1}	97	-0.379337473	0.5207918180	0.076646018814	0.144615277
CFO_{t2}	97	-1.081632531	0.4841647420	0.053379927006	0.177570855
ROA_{t}	97	-0.172257547	1.2249333970	0.112418041825	0.190417977
CFO_{t}	97	-0.222711851	0.4952768050	0.082347205454	0.126384938

The operating performance of firms is tested separately for accrual based earnings management, abnormal cash flows and discretionary expenditures at the current period, after one and two years. Two measures are used to calculate operating performance, return on assets and cash flows. The hypothesis predicts that earnings management will negatively affect subsequent operating performance. Table 2 present the regression analysis. In year t, and in the subsequent periods (t+1 and t+2), the discretionary accrual is significantly positive on ROAt+1

and ROAt+2 with p value 0.000 and is also significantly positive on CFOt+1 and CFOt+2 with p value 0.002 and 0.022. However, these results also show a decrease in the magnitude of ROAt+1, ROAt+2.

Real earnings management that was measured with abnormal cash flow shows a positive impact on return on assets and cash flow in the current period as well as in subsequent periods. The impact of abnormal cash flows on ROAt+1, ROAt+2, CFOt+1, CFOt+2 is significant at 5 percent, with p value 0.000. Meanwhile, the abnormal discretionary expenditures have a significantly positive effect on return on assets in the current period (ROAt+1) with p value is 0.031 (less than 5 percent) and subsequent period (ROAt+2) with p value 0.098 (less than 10 percent). Conversely, abnormal discretionary expenditures do not have a significant impacts on cash flow in the current period or subsequent periods (CFOt+1, CFOt+2) with p value 0.282 and 0.513 (greater than 0.05). This evidence is not consistent with Gunny (2005), Tabassum (2013) which shows that abnormal cash flow has a significantly negative impact on return on assets and cash flow in subsequent years.

Table 2. Regression Analysis

Variable	**ROA_t**	**ROA_{t1}**	**ROA_{t2}**	**CFO_t**	**CFO_{t1}**	**CFO_{t2}**
Intercept	0.000	0.000	0.000	0.000	0.000	0.002
	0.112	0.084	0.074	0.082	0.077	0.053
ACC	0.000*	0.000*	0.000*	0.005*	0.002*	0.022*
	1.004	0.907	0.847	0.099	0.277	0.287
REMOCF	0.000*	0.000*	0.000*	0.000*	0.000*	0.000*
	0.959	0.968	0.853	1.043	0.831	0.682
REMSGC	0.000*	0.031*	0.098**	0.687	0.282	0.513
	0.061	0.050	0.034	-0.006	-0.038	-0.033
Adj R2	0.942	0.835	0.838	0.872	0.377	0.158
F	523.635 0.000	163.274 0.000	166.281 0.000	219.893 0.000	20.389 0.000	7.024 0.000

*Sig 5%, **Sig 10%

5. Discussion

The results suggest that accrual-based earnings management, with discretionary accrual measures, and real earnings management through sales manipulation and discretionary expenditures are positively associated with return on assets after one and two years. Meanwhile, accrual-based earnings management and real earnings management through sales manipulation enhance subsequent operating cash flows. However, real earnings management through discretionary expenditures does not impact operating cash flows after one or two years.

Some limitation of the research include the small sample size which was limited to manufacturing firms on the Indonesian Stock Exchange. The calculation of real earnings management only used two proxies: abnormal operating cash flows and abnormal discretionary expenditures. Future research may wish to examine karger sample such as non-financial companies for analysis. Further research could also include the other proxies of real earnings management, such as abnormal production, and add various company performances such as financial performance and market performance.

6. Conclusion

This research contributes to the existing literature on the subsequent impact of accrual-based earnings management and real earnings management. Firstly, this study develops empirical methods to detect real earnings management in Indonesian samples. Previous studies on accrual-based earnings management and real earnings management using Indonesian samples are limited to only examining the operating performances of the current period. Secondly, the research results uncover the reason why firms continue to use earnings management regardless of the negative consequences for the future of the company's performance.

This study shows that, using empirical measures to identify earnings management, the effect on the future operational performance through return on assets and cash flows is positive, but reduction in the company's future operating performance becomes a matter that cannot be avoided. On one side of the argument, earnings management can bring advantages for the current period but earnings management can also cause several negative impacts on the operational performance of the company in the future.

References

Akram, M.A., A.I. Hunjra, S. Butt, I. I. (2015). Earnings Management and Organizational Performance: Pakistan VS India. *Basic Research Jounal of Business Management and Accounts 4*(9), 211-220.

Burgstahler, D., & Dichev, I. (1997). Earnings management to avoid earnings decreases and losses. *Journal of accounting and economics*, *24*(1), 99-126.

Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre-and post-Sarbanes-Oxley periods. *The accounting review*, *83*(3), 757-787.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting Earnings Management. *The Accounting Review*, *70*(2), 193-225.

Diaz, R. & Jufrizen. (2014). Pengaruh Return On Assets (ROA) dan Return On Equity (ROE) Terhadap Earnings Per Share (EPS) Pada Perusahaan Asuransi Yang Terdaftar Di Bursa Efek Indonesia [Against Earnings Per Share (EPS) In Insurance Companies Listed In Indonesia Stock Exchange]. *Jurnal Manajemen dan Bisnis*, *14*(2), 127-134.

Graham, J. R., Campbell R. H., and Shivaram R. (2005). The Economic Implications of Corporate Financial Reporting. *Journal of Accounting and Economics 40*, 3-73.

Grasso, L. P., Tilley, P. A., & White, R. A. (2009). The Ethics of Earnings Management: Perceptions after Sarbanes-Oxley. Management Accounting Quarterly *11*(1), 45-69.

Gunny, K. (2005). What are the Consequences of Real Earnings Management? *Working Paper*. SSRN.

Gunny, K. (2010). The Relation Between Earnings Management Using Real Activities Manipulation and Future Performance: Evidence from Meeting Earnings Benchmark. *Contemporary Accounting Research 27*(3), 855-888.

Jensen, M. C. & W. H. Meckling. (1976). The Theory of the Firm: Managerial Behavior, Agency Cost ad Ownership Structure. *Journal of Financial Economics 3*(4) 305-360.

Jones, J.J. (1991). Earnings Management During Import Relief Investigations. *Journal of Accounting Research*, *29*(2), 193-228.

Jooste, L. (2011). A Comparison of Ethical Perceptions of Earnings-Management Practices. South African Journal of Economic and Management Sciences *14*(4), 422-435.

Kasznik, Ron. (1999). On the Association between Voluntary Disclosure and Earnings Management. *Journal of Accounting Research*, *37*(1), 57-81.

Kim, J.B & Sohn, B. C. (2008). Real versus Acrual-based Earnings Management and Implied Costs of Equity Capital. *Working Paper*. SSRN.

Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance Matched Discretionary Accrual Measures. *Journal of Accounting and Economics*, *39*(1), 163–197.

Mizik, N. & Robert J. (2007). The Cost of Myopic Management. *Harvard Business Review* (July-August): 22-24.

Osma, B.G. (2008). Board Independence and Real Earnings Management: The Case of R&D Expenditure. *Corporate Governance: An International Review*, *16*(2), 116-131.

Roychowdhury, S. (2006). Earnings Management through Real Activities Manipulation. *Journal of Accounting and Economics 42*, 335-370.

Sufitrayati. (2015). Pengaruh Konsentrasi Kepemilikan Institusional, Ukuran Perusahaan Dan Komposisi Dewan Komisaris Terhadap Manajemen Laba [Influence of Institutional Ownership Concentration, Size of Company and Composition of Board of Commissioners on Profit Management]. *Jurnal Ekonomi Manajemen dan Akuntansi 1(1), 36-44.*

Sulistyanto, H. S. (2008). Manajemen Laba (Teori & Model Empiris). Jakarta: PT. Gramedia Widiasarana Indonesia.

Tabassum, N., A. Kaleem., M.S., Nazir. (2013). Impact of Real Earnings Management on Subsequent Financial Performance. *Middle-East Journal of Scientific Research*, 17 (4), 551-560.

Tucker, J.W., & Zarowin, P.A. (2006). Does Income Smoothing Improve Earnings Informativeness? The Accounting Review *81*(1), 251-270.

Yuliana, A., & Trisnawati, I. (2015). Pengaruh Auditor Dan Rasio Keuangan Terhadap Managemen Laba [The Influence Of Auditor And Financial Ratios on Profit Management]. *Jurnal Bisnis dan Akuntansi*, *17*(1), 33-45.

Zang, A.Y. (2012). Evidence on the Trade-Off between Real Activities Manipulation and Accrual-Based Earnings Management. *The Accounting Review*, *87*(2), 675-703.