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Accounting Information On Earnings Management Practices As Investment Decisions

Informasi Akuntansi Tentang Praktik Manajemen Laba Sebagai Keputusan Investasi

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ABSTRACT
This study aims to determine the effect of accounting information in the form of earnings management on investment decisions. The type of research used is quantitative research using secondary data. The population used is manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) 2019-2023 as many as 110 samples. With the data used in this study are financial statements and company stock prices. The results showed that earnings management has an effect on stock prices. Thus, this research can be used by investors as one of the information for making investment decisions.
Keyword: Earnings management, Stock price, Investment decisions.

ABSTRAK
Penelitian ini bertujuan untuk mengetahui pengaruh informasi akuntansi berupa manajemen laba terhadap keputusan investasi. Jenis penelitian yang digunakan adalah penelitian kuantitatif dengan menggunakan data sekunder. Populasi yang digunakan adalah perusahaan manufaktur sektor barang konsumsi yang terdaftar di Bursa Efek Indonesia (BEI) 2019-2023 sebanyak 110 sampel. Dengan data yang digunakan dalam penelitian ini adalah laporan keuangan dan harga saham perusahaan. Hasil penelitian menunjukkan bahwa manajemen laba berpengaruh terhadap harga saham. Dengan demikian, penelitian ini dapat digunakan investor sebagai salah satu informasi untuk pengambilan keputusan investasi.
Kata Kunci: Manajemen laba, Harga saham, Keputusan investasi.

1. Introduction

In making investment decisions, prospective investors need accounting information related to the company as a consideration for investing. Public companies are required to publish annual financial reports as a form of responsibility to investors and prospective investors, where these financial reports provide important information to evaluate the condition of the company. Financial reports themselves are an important instrument in facing the challenges of an increasingly dynamic business world. Based on the Statement of Kieso et al., (2020), financial reports are the process of recording transactions that cover all of a company's financial activities during a period.

Financial reports are prepared with the aim of providing information about the company's financial position, performance, and cash flow which are the basis for making investment decisions. Therefore, financial reports must be prepared based on accounting standards, in order to produce information that is accurate and understandable to all parties. Because financial reports will affect stock prices. Stock price is the value per share that applies in the capital market and is an important factor that investors must consider in investing, because it reflects. the issuer's performance. Investors often assess the return on investment through the company's net profit. The higher the company's profit, the greater the opportunity for prospective investors to invest their capital, because high profits reflect the company's success in achieving its operational goals (Atin & Pujiono, 2022)

The company's financial performance is often directly related to the stock price. The better the company's performance in generating profits, the higher the demand for shares, which will ultimately increase the stock price. However, stock prices in the capital market tend to fluctuate, because they are influenced by supply and demand factors, which reflect the high risk in stock investment. In this context, earnings management practices are often used to provide positive signals to the market and influence investor decisions. However, in reality, many companies manipulate the preparation of financial statements by managing profits.

The income statement is one of the important aspects of the financial statements, because it is often the main indicator of the company's performance. However, the income statement is often the target of manipulation by management. Management can choose accounting policies to achieve certain targets known as earnings management. According to Scott (2009), earnings management is a manager's decision to choose certain accounting policies within the limits of applicable accounting principles, with the aim of producing the desired financial statements. This practice is carried out both to increase profits and reduce reported losses.

The phenomenon of earnings management is still common in various sectors, including the manufacturing industry. An interesting example is PT. Delta, where the company inflates revenue and delays recognition of operating expenses to hide losses (Fitrianingsih, 2024). Another case occurred at PT. Garuda Indonesia, where the 2018 financial report showed a net profit of USD 809 thousand, even though the previous year recorded a significant loss (Karen et al., 2022). These cases show that earnings management practices not only affect public trust but also have an impact on investor decisions.

Several studies have revealed mixed results regarding the influence of earnings management on investment decisions. Research by (Alik Katur Rofiah & Pujiono, 2022) concluded that earnings management does not have a significant influence on company value because this action does not reflect the actual financial condition, is difficult for investors to understand, and does not provide a positive signal in making investment decisions. In contrast, research by (Sihanta & Pujiono, 2024) shows that earnings management can affect company value, especially if investors consider it a strategy to improve the image of the company's performance. These differences in results indicate that the influence of earnings management is influenced by investor perceptions, understanding of accounting information, and certain sector and time conditions. In the context of consumer goods manufacturing companies listed on the IDX for the 2019-2023 period, further analysis is needed to see whether investors in this sector respond to earnings management practices, especially in the economic situation impacted by the COVID-19 pandemic, or whether these practices still do not have a significant impact.

This inconsistency indicates a research gap that needs to be studied further, especially in the consumer goods manufacturing sector. This creates a gap for further research that can be found by focusing on an in-depth analysis of the influence of earnings management. The phenomenon of earnings management is an interesting issue to study. The diverse research results encourage researchers to re-examine the influence of earnings management through discretionary accruals on the stock prices of companies on the Indonesia Stock Exchange, especially in consumer goods manufacturing companies. This study aims to test one earnings management technique, namely accrual earnings management. In addition, this study also aims to test whether there is an influence on investment decisions for investors.

2. Literature Review

Agency Theory

Agency Theory according to Jensen & Meckling,(1976) is rooted in the problems that arise when company management is separated from ownership. Companies provide opportunities for various parties to contribute, either in the form of labor, expertise, or capital with the aim of maximizing the company's long-term profits. The party that contributes through capital is called the owner (principal), while the other party that contributes in the form of expertise and labor is called an agent.

This theory explains the relationship between the owner (principal) and manager (agent) in a company, where conflicts of interest can affect company management, including decision-making that affects stock prices. The relationship between agency theory and stock prices lies in how managers as agents manage company resources and convey information to investors. Good and transparent management can increase market confidence and stock value, while agency conflicts can lower stock prices due to decreased investor confidence

Positive Accounting Theory

Based on the positive accounting theory first developed by Watts & Zimmerman (1990), which focuses on understanding how accounting policies are chosen by managers by considering the influence of external and internal factors. In this theory, the accounting procedures used by a company do not have to be the same as others, but the company is given the freedom to choose one of the procedures that can minimize contract costs or maximize company value.

Earnings Management

Earnings management is a management action in the process of preparing financial statements to influence the level of profit displayed. The problem of earnings management is an agency problem that is often triggered by the separation of roles or differences in interests between the owners (shareholders) and the managers (management) of the company (Rahmawati et al., 2020).

Discretionary Accruals

Earnings management is done by playing with the accrual components in the financial statements, because accrual is a component that is easy to play with according to the wishes of the person who records transactions and prepares financial statements. Total accruals are separated into two, namely discretionary accruals and non-discretionary accruals which are used as a tool to determine whether there are earnings management practices that occur.

Stock Price

The important thing that investors must pay attention to in the stock market is the stock price. The definition of the stock price itself is the price set by a company or issuer for the stock ownership certificate in their company. The stock price is something that affects the IHSG or Composite Stock Price Index. In addition, the definition of the stock market price is the price written on the market, the price used is the closing price. The closing price is used as the basis for calculating a company's stock index, and can be used as a reference for investors in buying shares by comparing the closing price of shares in the previous period.

The Impact of Earnings Management on Stock Price

Based on agency theory, earnings management variables are impacts caused by conditions that occur in a company. In addition to agency theory, this study also uses positive accounting theory, this theory is related to earnings management practices, because it is a theory that explains the factors causing earnings management practices in companies. The focus of this study is to measure the extent of earnings management patterns carried out by consumer goods manufacturing companies listed on the IDX through the calculation of the modified Jones Model.

H_1 : Earnings management affects stock prices.

3. Research Methods

types of research

The type of research used in this study is quantitative research. Quantitative research methods are one type of systematic research and focus on numerical data processed using statistical methods to test predetermined hypotheses and produce a conclusion. With a quantitative approach, the significance of the relationship between the variables studied will be known (Sugiyono, 2019).

Research Variables and Operational Definitions

Independent Variable (X)

Earnings management

Earnings management is defined as management intervention in the preparation of reports to increase, decrease, or stabilize profits according to company policy to achieve its goals. earnings management measurement using discretionary accrual (DAC) calculated using the modified Jones model. Dechow et al. (1995). There are several stages used to determine the value of discretionary accruals, including:

1. Total Accruals

Total accruals is the difference between net income and operational cash flow.

$$\mathrm{TA_{it}} = \mathrm{NI_{it}} - \mathrm{CFO}$$

2. Parameters 1, 2, and 3

Using the data scale divided by the previous assets with the formula:

$$\frac{TA_{it}}{A_{it-1}} = \alpha\left(\frac{1}{\mathrm{A_{it-1}}}\right) + \alpha_2\left(\frac{\Delta REV_{it}}{\mathrm{A_{it-1}}}\right) + \alpha_3\left(\frac{PPE_{it}}{\mathrm{A_{it-1}}}\right) \varepsilon it$$

3. *Non discretionary Accruals*

$$\mathrm{NDA_{it}} = \alpha\left(\frac{1}{\mathrm{A_{it-1}}}\right) + \alpha_2\left(\frac{\Delta REV_{it}}{\mathrm{A_{it-1}}} - \frac{\Delta REC_{it}}{\mathrm{A_{it-1}}}\right) + \alpha_3\left(\frac{PPE_{it}}{\mathrm{A_{it-1}}}\right) \varepsilon it$$

4. Discretionary Accruals

To calculate the value of discretionary accruals, you can subtract total accruals from non-discretionary accruals.

$$\mathrm{DA_{it}} = \frac{TA_{it}}{A_{it-1}} - \mathrm{NDA_{it}}$$

Description:

$\mathrm{TA_{it}}$ = Total accrual of company i in year t

$\mathrm{NI_{it}}$ = Net profit of company i in year t

CFO = Operating cash flow of company i in year t

$\mathrm{REV_{it}}$ = Income of company i in year t

$\mathrm{REC_{it}}$ = Net receivables of company i in year t

$\mathrm{PPE_{it}}$ = Fixed assets of company i in year t

$\mathrm{A_{it-1}}$ = Total assets of company i in year t

$\mathrm{NDA_{it}}$ = Non discretionary accrual of company i in year t

$\mathrm{DA_{it}}$ = Discretionary accrual of company i in year t

$\alpha, \alpha_2, \alpha_3$ = Parameters obtained from the regression equation

εit = Error term of company i in year t

Data Collection Techniques

The data collection technique used in this study is documentation. Documentation according to Sugiyono (2018: 137) is a technique for obtaining data from historical events in the form of notes or writing, images, and other media. The documentation technique in this study was carried out by collecting and classifying information from financial reports and then studying the information to solve the problem. The data collected in this study are related to earnings management and stock prices.

Data Analysis Techniques

1. Descriptive Statistical Analysis

According to (Ghozali, 2018) descriptive statistics refers to statistical methods used to examine data by providing an explanation of the frequency distribution of research variables.

2. Classical Assumption Test

a. Normality Test
The normality test is conducted to determine whether the distribution between independent variables, dependent variables, or both in a regression model is normally distributed or not(Ghozali, 2018).

b. Heteroscedasticity Test
The heteroscedasticity test is a test that aims to evaluate the differences in variation of residual values between observations in a regression model (Ghozali, 2018).

c. Autocorrelation Test
Autocorrelation test is used to see whether there is a relationship/correlation between a period t and the previous period (t-1). A good regression model is a regression that does not have positive or negative autocorrelation. Autocorrelation testing can be analyzed using the Durbin-Watson (DW) Test(Ghozali, 2018)

3. Panel Data Regression Analysis

Panel data regression is a regression technique that combines cross-section data and time-series data, so it will require more data observations compared to cross-section data and time-series data alone..

4. Simultaneous Test (F-Test)

The F-Test aims to find out whether the independent variables simultaneously influence the dependent variable (Ghozali, 2018).

5. Hypothesis Testing (t-test)

Hypothesis testing (t-test) is a regression analysis tool to test the significance of the relationship between independent and dependent variables, whether the independent variable really affects the dependent variable separately or partially (Ghozali, 2018).

6. Determination Coefficient (R2)

The determination coefficient indicates the level of success of the research model in explaining the variation of the dependent variable. The range of determination coefficient values is between zero and one (Ghozali, 2018).

4. Results and Discussions

Descriptive Statistics

Table 1. Descriptive Statistics

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
X	110	,24	3,64	,7811	,63221	,400
Y	110	7,07	97,47	33,6531	17,80310	316,950
Valid N (listwise)	110					

Source: Data processed by the author, 2025

Based on the results of descriptive statistical tests of 110 data with the earnings management variable (X) having a minimum value of 0.24, a maximum value of 3.64, and a mean value of 0.7811 and a standard deviation value of .63221. Meanwhile, the stock price variable (Y) with a minimum value of 7.07, a maximum value of 97.47, a mean value of 33.6531, and a standard deviation of 17.80310.

Classic Assumption Test Result

Normality Test

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		110
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	17,73819424
Most Extreme Differences	Absolute	,070
	Positive	,069
	Negative	-,070
Test Statistic		,070
Asymp. Sig. (2-tailed)		,200[c,d]

Source: Data processed by the author, 2025

Based on the results of the Kolomogrov-Smirnov test in table 2, it can be seen that the significance value is 0.200 > 0.05, so H0 is accepted. It is concluded that the data used is normally distributed, so it can be said to meet the requirements of the normality test.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	13,367	1,770		7,552	,000
	X	-,004	1,765	,000	-,002	,998

Source: Data processed by the author, 2025

This study applies heteroscedasticity test using the Glesjer test method. The results of the Glesjer test indicate that there are no symptoms of heteroscedasticity as indicated by the significant value of the independent variable, namely earnings management, of 0.998, which is greater than 0.05. It is concluded that the regression model used does not have symptoms of heteroscedasticity.

Autocorrelation Test

Table 4. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,006[a]	,000	-,009	5474,47068	2,085

Source: Data processed by the author, 2025

Autocorrelation testing with the Durbin-Watson method resulted in the finding that there was no autocorrelation in the study. With the results of the autocorrelation test, the Durbin-Watson value was 2.085. With a lower limit (du) of 1.7074 and an upper limit (dL) of 1.6708, so that du <d <4 - du of 1.7074 <2.085 <2.2926, it can be concluded that there is no positive or negative autocorrelation in the research data.

F-Test

Table 5. F-Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5603,506	5	1120,701	282,132	,000[b]
	Residual	413,115	104	3,972		
	Total	6016,621	109			

Source: Data processed by the author, 2025

Based on the test results, it shows that the significance value is 0.000 which is smaller than 0.05. It is concluded that the earnings management variable has an influence on the stock price variable.

T-Test

Table 6. T-Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	34,010	,425		79,938	,000
	X1	-,683	,018	-,964	-37,501	,000
	2019	,268	,601	,014	,446	,657
	2020	,460	,601	,025	,765	,446
	2021	,155	,601	,008	,258	,797
	2023	,003	,601	,000	,006	,996

Source: Data processed by the author, 2025

The following t-test results shown in table 4.6 above show that earnings management has a t-value of -37.501 which is statistically significant with a significance level of 0.000. This shows that the significance value is less than 0.05, so H_a is accepted which states that the earnings management variable has an influence on the stock price variable in consumer goods manufacturing.

Discussion

According to the results of the analysis of this research data, the earnings management variable has a positive effect on stock prices. This is evidenced by the significant value obtained, which is 0.000, which is less than 0.05, meaning that Ha is accepted, and it can be concluded that earnings management has an effect on stock prices in consumer goods manufacturing companies. These results are consistent with research conducted by (Meita, 2019) and (Sihanta & Pujiono, 2024), which shows that earnings management can have a positive impact on stock prices, because this step creates a better perception of company performance. When earnings management succeeds in displaying higher profits in financial reports, it can increase investor confidence and encourage interest in buying company shares. Managers are obliged to provide transparent and accurate information to investors in order to build their trust. Thus, earnings management has been shown to influence investors' investment decisions. While the year does not affect investors in making investment decisions. This is shown by the results of the t-test in table 4.6 dummy variables 2019 to 2023 which have a significance level greater than 0.05. Earnings management has the potential to affect the level of investor confidence, which ultimately impacts stock returns and stock price fluctuations in the capital market. Therefore, managers often try to prepare the best possible financial reports to attract investor interest. In the process, they often apply various earnings management patterns such as taking a bath, income minimization, income maximization, and income smoothing. These practices also influence how investors interpret financial signals, and influence investment decision-making. Agency theory and positive accounting theory are essential to understanding the dynamics of earnings management and its impact on stock. prices and investment decisions. This agency theory explains the relationship between owners (principals) and managers (agents) in a company, where conflicts of interest can affect company management, including decision-making that affects stock prices. The relationship between agency theory and stock prices lies in how managers as agents manage company resources and convey information to investors. Good and transparent management can increase market confidence and stock value, while agency conflicts can lower stock prices due to decreased investor confidence. However, positive accounting theory specifically focuses on understanding how accounting policies are chosen by managers in choosing accounting policies including earnings management practices, which are rational responses to prevailing economic incentives and contracts, such as debt contracts, bonus plans, or political pressures.

5. Conclusion

Based on the results of data analysis and discussion that have been conducted, it can be concluded that earnings management has an effect on stock prices in consumer goods manufacturing companies, indicating that earnings management practices are able to form positive investor perceptions of company performance, which ultimately drives an increase in stock prices. This practice has been proven to be able to increase investor confidence, which then has an impact on stock purchase decisions. This is in line with the basic concept of relevant accounting which emphasizes that accounting information must be useful in decision making for investors. And the advice that can be given is Can conduct research using a longer sample period and can use other sectors, and can add other independent variables to describe the influence on the dependent variable, with the hope of producing more useful information for potential investors in making investment decisions.

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