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The Influence of Profitability, Leverage, Company Size, Audit Quality, Tax Avoidance to the Profit Management

Hidanti Karina[1] and Muhyarsyah[2]
[1]Student of Master of Accounting Study Program Mercubuana University
[2]Lecturer of Master of Accounting Study Program Mercubuana University

Abstract:- This research aims to analyze and prove empirically the Influence of Profitability, Leverage, Company Size, Audit Quality, Tax Avoidance to the Profit Management (Empirical Study on Consumer Goods Industry Company in the Stock Exchange 2014 – 2018 Period). This research used secondary data, obtained from the annual reports of the companies. The companies used in this research are 29 out of 31 companies, where in the sampling selection using a purposive sampling. Whereas the data analysis method used is panel regression analysis method processed by using the help of microsoft excel and eviews 10 softwares.

The research results by using the random effect model panel data regression test showed that: 1) Profitability (ROA) has an influence to the profit management, 2) Leverage (DER) has an influence to the profit management, 3) Company size has no infuence to the profit management, 4) Audit quality has no infuence to the profit management, 5) Tax avoidance has an influence to the profit management.

Keywords:- *Profitability, Leverage, Company Size, Audit Quality, Tax Avoidance, Profit Management.*

I. INTRODUCTION

Profit management can occur due to several factors, either internally or externally. The presence of management interests or other things can make it possible. And it can happen to every company either small or big companies.

There are some companies that experienced sizeable profit management cases that happened in Toshiba on May 2015. And for Indonesia itself is the SNP Finance case, where SNP finance showed a good company condition, and also strengthen with the audit result done by Deloitte, however the fact is that SNP finance is not on a good condition.

Based on that case we know how important is the financial statements for companies. The financial statements are expected to become a good information for the internal and external party in seeing the financial performance and current company condition. The manager also used financial statement as a tool to see the effectiveness and efficiency in running the company.

According to Scott (2015) profit is one of the accounting informations used in terms of satisfying the public needs especially investor as consideration in the investation decision making. Profit is used to help evaluate the profitability, predict the profit in the future, asseess the risk of investing and in providing loans to companies.

According to Rahman, et al (2013) one of the reasons why companies do profits management is because compamies want to minimize the paid taxes. This is also supported by Scott (2015) which stated that one of the companies' motivations in doing profit management is taxation motivation. Tax according to the companies is a burden, therefore companies want to minimize the tax. The save way carried out by the companies is by avoiding tax legally, by doing tax avoidance.

It is not only tax avoidance that is a factor that caused a profit management. Audit quality also a factor that caused a profit management. The audit quality in question is the Public Accounting Firm (PAF) that considered has a credibility in auditing. Such as big four PAF that considered will do an audit independently and transparently in revealing the error in recording and profit management practice that maybe done by the company (Husain, 2017).

There is a view regarding the company size to the profit management. For big companies they are very careful in doing profit management, because big companies are very much attention by the society, therefore the financial statements of big companies are considered more accurate in reporting their condition (Nasution and Setiawan, 2007).

According to Imas Danar Wibisana and Dewi Ratnaningsih (2014) in relation to profit management, companies that have a high debt ratio tend to do the profit management in an upward direction. This aims to show the companies' ability in producing high profit and can pay off debts. There is also profitability that can influence the profit management. Profitability is used to measure the company performance.

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This research tries to investigate the consumer goods industry. This is because the industry began to strengthen in the III quarter of 2018. At first, this industry did not show its strength, however in the III quarter of 2018 the financial performance of five emitents with the highest capitalization value in the consumer goods sector the average is much more increased compared to last year.

Based on the background above, therefore the problem formulation in this research is : Do profitability, leverage, company size, audit quality, and tax avoidance influence the profit management. The purpose of this research is to know, prove, and analyze the influence of profitability, leverage, company size, audit quality, and tax avoidance to the profit management.

II. LITERATURE REVIEW

➢ *Agency Theory*

Agency theory is a separation between owners and managements. Agency theory is considered as a basic in business practice to date. This comes from the synergy of economic theory, decision theory, sociology, and organization theory. The principle in this theory is the presence of work relationship between the party that gives the authority (investor) and the party that receives the authority (manager).

Agency theory is a theory that emerged due to the accounting research development where the financial accounting model development that hsa been modified by adding the human behavior as an aspect in the economic model. In this theory it is explained that the relationship between owner and manager essentially difficult to create because there are conflicting interests between each party.

➢ *Profit Management*

The definition of profit management according to Scoot (2014) is as a way to choose the accounting policy conducted by the manager. There are two ways to understand the profit management. First, as an opportunistic behavior of management to maximize the utilization in facing the compensation contract, loan contract, and political cost. Second, to see the profit management from the efficient contract perspective, where profit management gives managers a flexibility to protect themselves and companies in anticipating the unexpected events for the benefits of the parties involved in the contract.

According to Watt and Zimmerman (1986), in the positive accounting theory it is stated that the profit management carried out by a manager while deciding certain options in the selection of accounting policy for the company. This is based on the contracting process or agency relationship between manager and other groups such as investor, creditor, auditor, the party that manage the capital market and government institution.

According to Scoot (2015) there are motivations for profit management such as ; bonus purpose, political motivations, taxation motivations, CEO turnover, Intial Public Offering (IPO), the importance of providing information to investors. The profit management patterns according to Scott (2015) ; taking a bath, income minimation, income maximation, income smoothing.

➢ *Company Size*

According to Oktoriza (2018) company size basically divided into three categories namely ; big companies, medium companies, small companies. Smaller risk is considered on the big companies. This is related with the bigger the companies, the more informations provided for the investor for the decision making associated with the investation. Therefore, big companies tend to avoid the drastic fluctuations in profit, because it will make the companies burdened with large taxes.

➢ *Audit Quality*

According to De Angelo (1981) explained audit quality as a possibility where an auditor found and reported a violation in the client's accounting system. In his research showed that a big PAF will try to provide a bigger audit quality than the small one. This is because a big PAF has to protect its reputation, not only the reputation but also the trust lost from the client.

➢ *Tax Avoidance*

According to Law No. 27 in 2007, Tax is a mandatory contribution to the country owed by individuals or coercive bodies based on the law by not getting rewarded directly and used for the country needs for the greatest prosperity of the people.

According to Reza (2018) tax avoidance is one of the efforts done by the taxpayers by minimizing the tax burden borne in the framework of the applicable tax regulations, In Indonesia, tax avoidance is considered legal, however government also fix the exist regulations so that the tax avoidance practice can be restricted.

➢ *Leverage (DER)*

According to Madli (2014) in Wiyadi et al (2015) leverage ratio is used to measure the extent to which the company funds its business by comparing between private funds that have been deposited with the total of loans from the creditors. According to Horne (2007) in Wiyadi et al (2015) there are two types of leverage in the financial statement namely operating leverage and financial leverage. Operating leverage is used to increase the change influence in the sales of changes in operating profit. Financial leverage is used to enlarge the change influence produced by the operating profit for changes in EPS (earning per share).

One of the ratios in leverage is Debt Equity Ratio (DER). DER is a comparison that showed total of debts with equity or net capital owned by the company after paying all of its obligations. If the DER owned by the company is high, therefore company will try to increase profit in order for the company to be considered able to pay off the debts.

➢ *Profitability (ROA)*

According to Prihadi (2013:138) profitability is an ability to make profit. The definition of profit can vary, depends on the needs of the profit measurement. There are several ways to look at profitability. Generally, the profitability calculation can be divided into three groups, namely : return on sales (ROS), return on assetss (ROA), return on equity (ROE). According to Hery (2012) Return on assetss (ROA) is a financial ratio often used to assess the overall company's profitability. Return on assetss is calculated by dividing the net profit with total assets. Company bought assets to use them in producing profit. ROA is the ability of company to measure the level of profit outcome where the resources worked inside.

➢ *Framework Theory*

ROA is a way to know how the company is able to generate profit by utilizing the assets used in the operational activities. With this, ROA is also used by the investors or users of the financial statements to see how is the company's prospect in the future, if the profitability is getting better therefore the company's value will also get better.

The research about ROA to the profit management also conducted by Oktariza (2018) with the same result where ROA has a positive influence to the profit management. This explains that the company that has a higher ROA will also has higher level of profit management use practice.

According to Harahap (2009) DER is a ratio to measure how the company is funded by the liability or outsiders by the ability of the company pictured by the equity. The greater the company's debts, the greater the risk faced by the company and will consequently encouraging company to do a profit management practice.

In the research conducted by Dang, Ngoc Hung et al (2017) DER is an indicator that reflected the financial structure and can be measured by ratio. The result obtained is that DER has a negative relationship with profit management. The research about DER to the profit management is also conducted by Oktariza (2018) with the result where DER has no influence to the profit smoothing practice. This explains that DER company has no significant influence to the profit smoothing, because the entity that has a high or low DER also do the profit management.

According to Agustia (2013) the funding structure of a company will be influenced by the company size. Big companies will tend to need greater funds compared to the small companies. Therefore, the companies need additional funds that can be obtained by issuing new shares or adding the debts. With this condition motivate companies to do the profit management practice, therefore with the high profit reporting the potential investors and creditors will be interested to invest their funds.

The research about the company size to the profit management is also conducted by Oktariza (2018) with the result where the company size has a positive influence to the profit smoothing. Where big companies will try to make more stable company profits to avoid tax increase. This explains that the greater the company size, the higher the profit management practice.

According to Husain (2017) auditor is demanded to has independence, competence, and professional consideration in evaluating the company's profit management not regardless of the effectiveness of an auditor / PAF quality. According to Christina and Yeterina (2014) that investigated about the influence of audit quality to the profit management, the result obtained is that the audit quality has no influence to the profit management. This is because the company used auditor services not to reduce the profit management, but to increase the credibility of the financial statement by reducing the disturbances in the financial statement, so that the financial statement can be more reliable to be used.

Tax avoidance is one of the motives carried out by the companies to manipulate the profit. This is so that the tax paid by the company will be smaller. The research about tax avoidance is also conducted by Putri and Wida (2017), in their research showed that tax avoidance has an influence to the profit management. The same research result also conducted by Larastomo et al (2016) which stated that tax avoidance has a positive influence to the profit management.

Based on the description previously explained regarding to the influence of profitability, leverage, audit quality, tax avoidance, and company size to the profit management, therefore the framekwork theory in this research can be described as below.

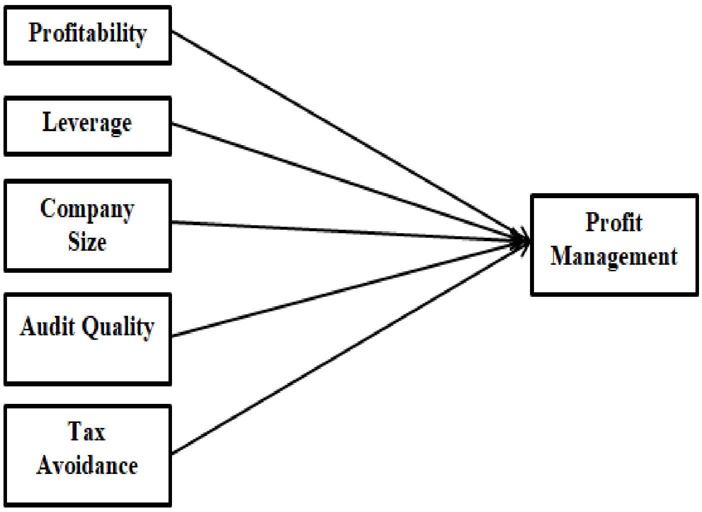

Fig 1:- Framework Theory

➢ *Hypothesis*

Based on the theoretical basis, previous research and framework theory that have been described, therefore the proposed hypothesis are as follows :

- Profitability has an influence to the profit management
- Leverage has an influence to the profit management
- Company size has an influence to the profit management
- Audit quality has an influence to the profit management
- Tax avoidance has an influence to the profit management

III. RESEARCH METHOD

➢ *Research Type*

The type of research used in this research is a causal research aims to test the hypothesis, that developed based on the existing theories and then tested based on the obtained data. The data used in this research used a secondary data derived from the Indonesia Stock Exchange. The data used is a quantitative data.

➢ *Variables Operational Definition*

- *Profit Management*

The following is the discretionary accrual calculation model Modified Jones according to Dechow, Sloan, Sweeney (1995):

$$TACCit = Nit - CFOit$$

Where:
TACit = Total of i company's accrual in t year
Niit = Net income of i company in t year
CFOit = Operating cash flow of i company in t year

To know the value of nondiscretionary accrual, it is necessary to calculate the coefficient of the known accrual regression by conducting regression as follows:

$$TACCit/Tait\text{-}1 = \alpha(1/Tait\text{-}1) + \beta1[(\Delta SALit - \Delta RECit)/ Tait\text{-}1) + \beta2(PPEit/Tait\text{-}1) + \varepsilon it$$

Where:
TACCit = Total of i company's accrual in t year
Tait -1 = Total of i company's assets in t-1 year
ΔSALit = Change in i company's net sales between t year and t-1 year
ΔRECit = Change in i company's accounts receivable between t year and t-1 year
PPEit = Value of fixed assets of i company in t year
Eit = Error term

The equation of total accruals above is estimated by using the Ordinary Least Square (OLS) method. The α, β1, β2 estimations are obtained from the OLS regression and used to calculate the Non Discretionary Accrual as follows:

$$NDACCit = \alpha(1/Tait\text{ -}1) + \beta1[(\Delta SALit - \Delta RECit/Tait\text{-}1] + \beta2(PPEit/Tait\text{-}1) + \varepsilon it$$

After conducting the regression based on the model above, the Discretionary Accrual can be calculated with the equation:

$$DACCit = (TACCit/TAit\text{-}1) - NDACCit$$

- *Profitability*

Profitability in this research used Return on Asset (ROA). ROA is used to measure the overall management ability in gaining profit. According to Kasmir (2011) Return on Asset (ROA).

$$ROA = \frac{\text{Net income after tax}}{\text{Total asset}}$$

- *Leverage*

Leverage is a ratio that showed the debt's quantity or obligation of the company to the total asset (Solihin, 2009). According to Wild and Subramanyam (2009) the debt to equity ratio formulation is as follows:

$$DER = (\text{Total debts})/(\text{Total equities})$$

- *Company Size*

Company size is a scale to determine the size of the company calculated by using natural logarithm of the total assets, therefore it can be formulated as follows (Budiasih, 2009) measured by using the formula:

$$\text{Firm Size} = \text{Ln Total Asset}$$

- *Audit Quality*

According to De Angelo (1981) audit quality is a profitability where auditor found and reported about a violation in the client's accounting system. The audit quality used in this research used a dummy variable, where the PAF affiliated with big 4 will be assigned the number 1, and 0 for the non big 4 PAF.

- *Tax Avoidance*

Tax avoidance can be measured through CETR (Cash Effective Tax Rate) of the company which is the cash tax paid divided by pretax income (Dyreng, et al (2010) in Handayani (2015)).

$$CETR = (\text{Cash Tax Paid})/(\text{Pretax Income})$$

➢ *Population, Sample, and Analysis Method*

The population used in this research is the consumer goods industry companies listed in the Indonesia Stock Exchange in 2014-2018. The sample used in this research is the consumer goods industry companies listed in the Indonesia Stock Exchange in 2014-2018. The sampling collection technique in this research used a purposive sampling technique. The analysis method used Eviews 10 software with several stages, such as: 1) descriptive statistics analysis ; 2) panel data analysis ; 3) classic assumption test; 4) hypotesis tests: f-statistic test and t-statistic test.

IV. RESULT AND DISCUSSION

➢ *Descriptive Statistics Analysis*

	X1	X2	X3	X4	X5	Y
Mean	0.107182	0.794829	14.86827	0.482759	0.229473	-0.011370
Median	0.079259	0.616809	14.54889	0.000000	0.253434	-0.006872
Maximum	0.526704	3.028644	18.38545	1.000000	0.842589	0.423273
Minimum	-0.176124	0.070878	11.98020	0.000000	-2.555868	-0.582456
Std. Dev.	0.113778	0.578407	1.586081	0.501435	0.293081	0.128984
Observations	145	145	145	145	145	145

Table 1:- Descriptive Statistics
Source: Eviews Output

From the table it can be seen that the total data is 145 observations. From the table we can see the Central Tendency scores in forms of mean and median, maximum and minimum and the distribution form of each variable. All mean (average) scores of the variables are positive, except the Y score (Profit Management) which is negative, -0.011370, showed that the profit management value is low.

➢ *Panel Data Regression Estimation Model*

There are three approaches of the panel data regression model, namely common effect Model (CEM), fixed effect Model (FEM), and random effect Model (REM). The CEM model can be seen on table 2, FEM model can be seen on table 3, and REM model on table 4.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054971	0.109697	0.501118	0.6171
X1	0.085284	0.110903	0.769000	0.4432
X2	-0.041645	0.018832	-2.211428	0.0286
X3	-0.001397	0.007744	-0.180437	0.8571
X4	-0.030439	0.026474	-1.149738	0.2522
X5	-0.030116	0.039252	-0.767242	0.4442
R-squared	0.043664	Mean dependent var		-0.011370
Adjusted R-squared	0.009264	S.D. dependent var		0.128984
S.E. of regression	0.128385	Akaike info criterion		-1.227061
Sum squared resid	2.291112	Schwarz criterion		-1.103886
Log likelihood	94.96191	Hannan-Quinn criter.		-1.177011
F-statistic	1.269294	Durbin-Watson stat		2.081620
Prob(F-statistic)	0.280618			

Table 2:- Common Effect Model (CEM)
Source: Eviews Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.852907	0.703161	-1.212962	0.2277
X1	0.819926	0.322485	2.542520	0.0124
X2	-0.039012	0.044327	-0.880107	0.3807
X3	0.053309	0.046218	1.153443	0.2512
X5	-0.034669	0.054844	-0.632137	0.5286
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.145856	Mean dependent var		-0.011370
Adjusted R-squared	-0.098185	S.D. dependent var		0.128984
S.E. of regression	0.135168	Akaike info criterion		-0.967656
Sum squared resid	2.046290	Schwarz criterion		-0.290193
Log likelihood	103.1551	Hannan-Quinn criter.		-0.692380
F-statistic	0.597670	Durbin-Watson stat		2.091786
Prob(F-statistic)	0.952324			

Table 3:- Fixed Effect Model (FEM)
Source: Eviews Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054971	0.115492	0.475972	0.6348
X1	0.085284	0.116762	0.730412	0.4664
X2	-0.041645	0.019826	-2.100458	0.0375
X3	-0.001397	0.008153	-0.171382	0.8642
X4	-0.030439	0.027873	-1.092044	0.2767
X5	-0.030116	0.041326	-0.728741	0.4674
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			0.135168	1.0000
Weighted Statistics				
R-squared	0.043664	Mean dependent var		-0.011370
Adjusted R-squared	0.009264	S.D. dependent var		0.128984
S.E. of regression	0.128385	Sum squared resid		2.291112
F-statistic	1.269294	Durbin-Watson stat		2.081620
Prob(F-statistic)	0.280618			
	Unweighted Statistics			
R-squared	0.043664	Mean dependent var		-0.011370
Sum squared resid	2.291112	Durbin-Watson stat		2.081620

Table 4:- Random Effect Model (REM)
Source: Eviews Output

➢ *Panel Data Regression Model Selection*

There are threee tests that need to be odne in the selection of panel data model, namely Chow Test, Hausman Test, and Lagrange Multiplier.

- *Chow Test*

Chow test is conducted to choose the estimation model between CEM and FEM, with the hypothesis as follows:
H0: Common Effect Model
H1: Fixed Effect Model

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.521160	(28,112)	0.9755
Cross-section Chi-square	17.758761	28	0.9321

Table 5:- Chow Test

From the Chow Test it can be seen that the Probability Cross-section Chi-square score is 0.9321 (higher than the significant score 0,05) therefore the Ho is accepted and the Common Effect Model is more suitable to be used in the panel data analysis.

- *Hausman Test*

Hausman test is conducted to choose the estimation model between REM and FEM, with the hypothesis as follows:
H0: Random Effect Model
H1: Fixed Effect Model

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
7.1315 93	4	0.1291	7.131593
Cross-section random	7.131593	4	0.1291

Table 6:- Hausman Test

From the Hausman Test it can be seen that the Probability Cross-section Chi-square score is 0.1291 (higher than the significant score 0,05) therefore the Ho is accepted and the Random Effect Model is more suitable to be used in the panel data analysis

- *Lagrange Multiplier Test.*

This test is conducted to choose the estimation model between REM and CEM, with the hypothesis as follows:
H0: Common effect model
H1: Random effect model

Null (no rand. effect) Alternative	Cross-section	Time	Both
Breusch-Pagan	9.038465 (0.0026)	144.0581 (0.0000)	153.0966 (0.0000)

Table 7:- Lagrange Multiplier Test

From the Lagrange Multiplier Test, the Prob BP obtained is ,0026< Sig Value 0,05, therefore the Ho is rejected, so the conclusion is that the accepted model is Random Effect Model. Therefore, the selected model for the panel data analysis is Random Effect Model.

- *Classic Assumption Test*

✓ *Normality Test*

From the Eviews output, the Probability Jarque – Bera score obtained is 0,872683 (>0,05) therefore it can be said that the regression is already distributed normally.

✓ *Multicollinearity Test*

Regression model will be considered good if the independent variables supposed to be not correlated with one another. From the Correlation Matrix among the independent variables it can be seen that the overall score is below 0,8, therefore it can be concluded that it is free from the multicollinearity problems.

✓ *Heteroscedasticity Test*

Heteroscedasticity test aims to test whether there is a variance inequality in the regression model from the residual of one observation to another. In this research used a white test to detect whether there is a heteroscedasticity. From the research it is obtained that the score of Prob. Chi-Square(19) is 0.0171(<0,05). From this white test, the model has a heteroscedasticity problem.

✓ *Autocorrelation Test*

The DW score of the Random Effect Model is 2.081620. To read the Durbin Watson Table the information about total observations 129 and total independent variables is 5. From the DW table it is obtained that dL = 1.6329 anf dU = 1.7937. DW score = 2.081620, the amount is between the dU and 4-dU scores, therefore there is no autocorrelation identified in the REM Model score. In other words it can be said that there is no correlation between comfounding variable (t) in certain period with the comfounding variable (t-1) in the previous period.

- *Hypothesis Test*

✓ *t-statistic Test*

t-count score of return on assets (ROA) in REM model is 0,0399 which means that there is an influence of ROA to the profit management.

t-count score of debt equity ratio (DER) in REM model is 0,0404 which means that there is an influence of DER to the profit management.

t-count score of company size in REM model is 0,833 which means that there is no influence of company size to the profit management.

t-count score of tax avoidance in REM model is 0,0161 which means that there is an influence of tax avoidance to the profit management.

t-count score of audit quality in REM model is 0,1441 which means that there is no influence of audit quality to the profit management.

✓ *f-statistic Test*

The F-count score obtained from the random effect model regression result is 0,026424 which means that simultaenously and significantly can described the movements of profit management.

❖ *Discussion*

➢ *The influence of profitability ratio to the profit management*

Profitability that is calculated by ROA has a significantly positive influence to the profit management. This research result is in line with the research about ROA to the management used by Dendy (2017), in this research explained that ROA has a positive influence to the profit mangement. This indicates that companies tend to used the profit management. Oktariza (2018) also do the same with the same result where ROA has a positive influence the profit management. This explains that companies that have high ROA level will also have higher level of profit management use practice.

- *The influence of leverage ratio to the profit management*

Leverage that is calculated by DER has a significantly positive influence to the profit management. This research result is different from the research about DER to the management used by Dang, Ngoc Hung et al (2017). DER is an indicator that reflects the financial structure and can be measured by ratio. The obtained result is that DER has a negative influence with profit management.

- *The influence of company size to the profit management*

Company size has no influence to the profit management. This is not consistent with the research conducted by Dendy (2017), in this research explained that company size has a negative influence to the profit management. This indicates that the bigger the company size, the smaller the profit manipulation conducted by the companies. Therefore, the information provided will be more transparent and complete.

- *The influence of audit quality to the profit management*

Audit quality has an insignificantly negative influence to the profit management. This research is in line with Christina and Yeterina (2014) that investigated about the influence of audit quality to the profit management. This is because the companies used auditor services not to reduce the profit management, but to increase the credibility of the financial statement by reducing the obstacles in the financial statement, therefore the financial statement can be more reliable to be used.

- *The influence of tax avoidance to the profit management*

Tax avoidance has a negative and significant influence to the profit management. This research is different with the research conducted by Husain (2017) about the influence of tax avoidance to the profit management, it is known that the tax avoidance has no influence to the profit managemeent, however tax avoidance is also conducted by Putri and Wida (2017) in their research showed that the tax avoidance has an influence to the profit management. However, the results of different research conducted by Larastomo et al (2016) which stated that the tax avoidance has a positive influence to the profit management.

V. CONCLUSION & RECOMMENDATION

A. Conclusion

From the result and discussion that have been done, several conclusions are obtained as follows:

1. Profitability which is measured by ROA has an influence to the profit management.
2. Leverage which is measured by DER has an influence to the profit management.
3. Company size has no influence to the profit management.
4. Audit quality has no influence to the profit management.
5. Tax avoidance has an influence to the profit management.

B. Recommendation

From the research result that has been done, explained that the profitability, leverage and tax avoidance have a significant influence to the profit management, whereas for the company size and audit quality have no significant influence to the profit management. Based on those results, therefore several reccomendations can be given as follows:

1. To deepen the analysis regarding to the profitability, leverage, and tax avoidance to the profit management.
2. To extend the research time in order to get a better result.
3. Can become a consideration for the investor in seeing profit management conducted by the company, to reduce the risk of loss that will be borne by the investor.

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