

The Effect of Profit Management on Companies Listed in BEI Food and Beverage Sub-Sector

Nadjib*, Hendra Saputra, Roro Colia Agustina

Universitas Sumatera Utara, North Sumatera, Indonesia

Email: nadjib@dosen.pancabudi.ac.id*, hendrasaputra@dosen.pancabudi.ac.id, rorocolia@yahoo.com

Article Information

Received: February 19, 2023
Revised: February 28, 2023
Approved: March 20, 2023
Online: March 24, 2023

ABSTRACT

This study aims to determine the effect of audit quality and audit committee on profit management in food and beverage sub-secretary companies listed on the IDX in 2015-2020. This study uses quantitative research with the aim of determining the degree of relationship and pattern / form of influence between audit quality variables and audit committees on the company's profit management of the object of research. The results of this study can be explained that the quality of the audit has no effect on profit management of $-1,402 < 2,034$. Meanwhile, the audit committee affects profit management in food and beverage subsector companies listed on the IDX in 2015-2020, where the audit committee variable is $3,593 > 2,034$. The quality of the audit and the audit committee simultaneously affects profit management where in the simultaneous test (Test F) it is known that the value of the F table is 3.28 with a significant value of 5% (0.05). F count $7.378 > F$ table 3.28 then H_0 is accepted which means the quality of the audit, the audit committee simultaneously has a significant effect on profit management with a significance level of $0.002 < 0.05$. Furthermore, in the coefficient of determination test, it is known that the value of the coefficient of determination (R-Square) is 0.267. This value can be interpreted as variables X1 and X2 able to affect Y by 26.7%, the remaining 73.3% is explained by variables or other factors.

Keywords

Audit Quality; Audit Committee; Earnings Management

INTRODUCTION

Earnings management is the process of taking precautionary measures within generally accepted accounting principles, both within and outside of the applicable accounting principles (Utami, 2006). Earnings management as the ability to freely increase or decrease reported net income (Goddess & Son, 2016). This means that earnings management includes the administrator's efforts to maximize or minimize profits, including income smoothing, as requested by the administrator. Earnings management can increase shareholder trust in managers. Earnings management is closely related to the level of profit earned or business performance of an organization, this is because the level of profit or profit is associated with management performance and also the size of the bonus that will be received by the manager.

From a micro perspective, the national economy, that earnings management results in companies that do it are like keeping "coals in husks" (Sutanto, 2000). That is, even though earnings management can be hidden in the short term, in the long term the company concerned will experience financial difficulties, collapse, and even bankruptcy. This is because earnings management is not possible for the company in the long run. The reasons are, first, the company is no longer able to continue the managerial engineering activity because once it does, the company is forced to cover it up with other engineering activities, and so on until the company loses the ability to continue it again. Second, this managerial engineering activity became known to the public

when the public accountant conducted a financial audit and refused to give an opinion on the company's financial statements (Manic, 2021). Therefore, it is not surprising that companies that previously had good performance and were declared healthy for several periods suddenly experienced financial difficulties, collapsed or even went bankrupt.

The case of earnings management that occurs in Indonesia is earnings management at PT. Tiga Pilar Sejahtera Food Tbk. The management of PT. Tiga Pilar Sejahtera Food Tbk made a profit mark up in the 2017 annual financial statements of IDR 1.1 trillion. Based on the OJK investigation, it was stated that there were indications of violations by the auditors of PT. Tiga Pilar Sejahtera Food Tbk (AISA) which during this period was held by Didik Wahyudianto, a partner at RSM Indonesia (Rini et al., 2021).

Another case occurred in 2017, namely the disclosure of an accounting scandal that occurred at British Telecom in its line of business located in Italy, which caused 2 British Telecoms to reduce GBP (Great British Pound Sterling) 530 Million and cut cash flow projections for 2017 by GBP 500 million to pay hidden (unreported) debts (Ulina et al., 2018). Moreover, the purpose of study are; (1) to prove empirically whether audit quality has an effect on earnings management in food and beverage sub-sector companies listed on the IDX in 2015-2020, (2) to prove empirically whether the audit committee has an effect on earnings management in food and beverage sub-sector companies listed on the IDX in 2015-2020, (3) to prove whether audit quality and audit committees have a simultaneous effect on earnings management in food and beverage subsector companies listed on the IDX in 2015-2020.

METHODS

The type of research used in this research is associative or quantitative (Creswell & Creswell, 2017). Associative research is research that aims to determine the degree of relationship and pattern or form of influence between two or more variables, where with this research a theory will be built that functions to explain, predict and control a symptom (Russiadi & Hidayat, 2016). The population in this study were all food and beverage sub-sector companies listed on the IDX, totaling 30 companies.

Table 1. Population

No	Company Name
1	Akasha Wira International Tbk
2	Tiga Pilar Sejahtera Food Tbk
3	Tri Banyan Tirta Tbk
4	Bumi Teknokultura Unggul Tbk
5	Budi Starch & Sweetener Tbk
6	Campina Ice Cream Industry Tbk
7	Wilmar Cahaya Indonesia Tbk
8	Sariguna Primatirta Tbk
9	Delta Djakarta Tbk
10	Diamond Food Indonesia Tbk
11	Sentra Food Indonesia Tbk
12	Garuda Food Putra Putri Jaya Tbk
13	Buyung Poetra Sembada Tbk
14	Indofood CBP Sukses Makmur Tbk
15	Inti Agri Resources Tbk
16	Era Mandiri Cemerlang Tbk
17	Indofood Sukses Makmur Tbk
18	Mulia Boga Raya Tbk
19	Magna Investama Mandiri Tbk
20	Multi Bintang Indonesia Tbk
21	Mayora Indah Tbk
22	Pratama Abadi Nusantara Tbk
23	Prima Cakrawala Abadi Tbk
24	Prasidha Aneka Niaga Tbk
25	Nippon Indosari Corpindo Tbk
26	Sekar Bumi Tbk
27	Sekar Laut Tbk
28	Siantar Top Tbk
29	Tunas Baru Lampung Tbk
30	Ultra Jaya Milk Industri & Trading company Tbk

Source: <https://www.idx.co.id/> (2022)

If the population is large, it is unlikely that researchers will be able to study the entire population in that population, some of the obstacles they will face include limited funds, manpower and time, in this case they need to use samples taken from the population. Furthermore, what is learned from the sample will lead to conclusions which will then be applied to the population. The sampling technique in this study was carried out by purposive sampling method. Sampling using purposive sampling method is done by taking samples from the population based on certain criteria. The criteria used can be based on certain certain considerations. The criteria set by the author are as follows: (1) food and beverage sub-sector companies listed on the IDX (2015-2020), and (2) companies in the food and beverage subsector listed on the IDX that issued audited financial reports during the observation period (2015-2020). Based on these criteria, the samples in this study based on the observations of researchers are:

Table 2. Sample

No	Company Name	Criteria		Sample
		1	2	
1	Akasha Wira International Tbk	√	X	
2	Tiga Pilar Sejahtera Food Tbk	√	X	
3	Tri Banyan Tirta Tbk	√	√	1
4	Bumi Teknokultura Unggul Tbk	√	X	
5	Budi Starch & Sweetener Tbk	√	X	
6	Campina Ice Cream Industry Tbk	√	X	
7	Wilmar Cahaya Indonesia Tbk	√	√	2
8	Sariguna Primatirta Tbk	√	X	
9	Delta Djakarta Tbk	√	√	3
10	Diamond Food Indonesia Tbk	√	X	
11	Sentra Food Indonesia Tbk	√	X	
12	Garuda Food Putra Putri Jaya Tbk	√	X	
13	Buyung Poetra Sembada Tbk	√	X	
14	Indofood CBP Sukses Makmur Tbk	√	√	4
15	Inti Agri Resources Tbk	√	X	
16	Era Mandiri Cemerlang Tbk	√	X	
17	Indofood Sukses Makmur Tbk	√	X	
18	Mulia Boga Raya Tbk	√	X	
19	Magna Investama Mandiri Tbk	√	X	
20	Multi Bintang Indonesia Tbk	√	X	
21	Mayora Indah Tbk	√	√	5
22	Pratama Abadi Nusantara Tbk	√	X	
23	Prima Cakrawala Abadi Tbk	√	X	
24	Prasidha Aneka Niaga Tbk	√	√	6
25	Nippon Indosari Corpindo Tbk	√	X	
26	Sekar Bumi Tbk	√	X	
27	Sekar Laut Tbk	√	X	
28	Siantar Top Tbk	√	X	
29	Tunas Baru Lampung Tbk	√	X	
30	Ultra Jaya Milk Industri & Trading company Tbk	√	X	

Source: <https://www.idx.co.id> (2022)

Based on the criteria above, there are 6 companies that can be sampled in this study according to the criteria specified above.

Research Variables and Operational Definitions

Research variable

Research variables include what variables will be examined. This study uses 2 (two) independent variables. The independent variables are audit quality (X1) and audit committee (X2), and one dependent variable is earnings management (Y).

Operational definition

The operational definition is an indication of how a variable is measured operationally in the field. The definition of a variable provides and guides the direction of research on how to measure a variable.

Table 3. Research Variables and Indicators

Variable	Description	Indicator	Scale
X 1 Audit Quality	Audit quality is the possibility that the auditor will find and report material misstatements in the client's financial statements (Herawati & Selfia, 2019).	Use variables dummy (0 if KAP is non big four and 1 if KAP is big four)	Ratio
X 2 Audit Committee	A committee formed by the board of commissioners For Work in a manner Direct with auditors and with independent and internal representatives in accounting activities related to other activities (Sari & Helmayunita, 2019).	The number of audit committees other than independent commissioners divided by the total number of audit committees	Ratio
Y Management Profit	Technique Which planned for improve earnings reporting (Akbar et al., 2018).	Profit management : $\frac{\text{Accrual of working capital (t)}}{\text{Revenue (sales period t)}}$	Ratio

Data collection technique

The technique used in this study is the documentation technique, namely by collecting supporting data in the form of reference books that aim to get sketches about issues being researched, journals, and reports published by companies in the food and beverage sector that are listed on the IDX in 2015-2020. The indicators of this study are:

Descriptive Statistics Techniques

This data analysis technique uses SPSS 23. Descriptive statistics are used to describe data in the form of mean, median, standard deviation, minimum, and maximum

RESULTS

After all the data has been obtained, and analysis and evaluation have been carried out, the next step is to test the hypotheses that have been set. Test the hypothesis in this study using three kinds of tests.

Partial test (t test)

Partial test (t test) shows how far the independent variables (audit quality and audit committee) are on the dependent variable (earnings management). In order to find out whether the proposed hypothesis is accepted or not, a t test is carried out, with the following hypothesis formulation: The hypothesis to be tested is as follows:

- 1) $H_0: b_1, b_2, = 0$ means that audit quality and audit committee have no partially significant effect on earnings management.
- 2) $H_a : b_1, b_2, \neq 0$ means audit quality and audit committee, partially significant effect on earnings management.

The hypothesis for partial testing is: Sig > a 5%, meaning that H_0 is accepted, and H_a is rejected Sig < a 5%, meaning that H_a is accepted, H_0 is rejected. The test results can be seen in the following table:

**Table 4. Partial Test (t)
Coefficients^a**

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	-.080	.078		-1,028	.311
	Audit Quality	-.074	.053	-.203	-1,402	.170
	Audit Committee	.398	.111	.520	3,593	.001

a. Dependent Variable: Earnings Management

Source: SPSS 26

Based on the data in table 4.6 above, the following equation can be obtained: $t_{table} = t(\alpha/2; nk-1) = t(0.05/2; 36-2-1) = t(0.025; 33) = 2.034$

Testing the first hypothesis (H1)

It is known that the significant value for the influence of Audit Quality (X1) on Earnings Management (Y) is $0.170 > 0.05$ and the t-count value $-1.402 < t_{table} 2.034$ so it can be concluded that H1 is rejected which means that partially there is no effect of Audit Quality (X1) on Earnings Management (Y).

Testing the second hypothesis (H2)

It is known that the significant value for the influence of the Audit Committee (X2) on Earnings Management (Y) is $0.001 < 0.05$ and the t-count value is $3,593 > t_{table} 2.034$ so it can be concluded that H2 is accepted which means that partially there is the influence of the Audit Committee (X2) on Earnings Management (Y).

Simultaneous test (F test)

The test was conducted to determine whether the influence of audit quality and audit committee simultaneously has a significant effect on earnings management at the level of confidence (Confidence Interval) or the 5% hypothesis testing level with the F test. This can be shown as follows;

- 1) $H_0: b_1, b_2, = 0$, meaning that audit quality and audit committee have no significant effect simultaneously on earnings management.
- 2) $H_a: b_1, b_2, = 0$, meaning that audit quality and audit committee have a significant effect simultaneously on earnings management.

The hypothesis for simultaneous testing is: $Sig > \alpha 5\%$, meaning that H_a is accepted, H_0 is rejected if $Sig < \alpha 5\%$. The test results can be seen in the following table:

Table 5 Simultaneous Test (Test F)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.349	2	.174	7,378	.002b
	residual	.780	33	.024		
	Total	1,129	35			

a. Dependent Variable: Earnings Management

b. Predictors: (Constant), Audit Committee, Audit Quality

Source: SPSS 26

Based on the output above, it is known that the significance value for the influence of Audit Quality (X1) and Audit Committee (X2) simultaneously on Earnings Management (Y) is $0.002 < 0.05$ and F count is 7.378

> f table 3.28 so it can be concluded that H3 is accepted which means there is an effect of Audit Quality (X1) and Audit Committee (X2) on Earnings Management (Y).

Determination coefficient Test

The coefficient of determination measures how far the model's ability to explain the variation of the independent variables. If the value of R² (coefficient of determination) of a regression is close to one, the better the regression. Conversely, the closer to zero, the independent variable as a whole cannot explain the dependent variable. The coefficient of determination (R²) is a value (proportion value) that measures the ability of the independent variables used in the regression equation to explain the variation of the dependent variable. The results of the test for the coefficient of determination can be explained by the researcher as follows.

**Table 6. Determination Coefficient Test (R²)
Summary models**

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.556a	.309	.267	.15378

a. Predictors: (Constant), Audit Committee, Audit Quality

Based on the output results above, the adjusted R square value or the coefficient of determination is 0.267, which means that the independent variable influences, namely Audit Quality and Audit Committee (X) on the dependent variable, namely Earnings Management (Y) of 26.7%. While the remaining 73.3% is influenced by other factors not mentioned in this study.

DISCUSSION

Effect of Audit Quality on Earnings Management

The research results show t count (-1.402) > t table (2.034) and the significance level is 0.170 > 0.05 which states that Audit Quality has a negative and partially significant effect on Earnings Management.

This is also confirmed by research conducted by Christiani et al. (2014) which shows the results of the study that Audit Quality has no effect on Earnings Management. It is possible that earnings management can occur because companies want the company's financial performance to look good where potential investors are, but ignore the existence of Big Four auditors (Prasetyo et al., 2019).

The Influence of the Audit Committee on Earnings Management

The results of this study show t count (3.593) > t table (2.034) and a significance level of 0.001 < 0.05 which states that the Audit Committee has a positive and partially significant effect on Earnings Management.

This study contradicts research conducted by Ulina, et al. (2018) which states that the audit committee has no significant influence on earnings management, which means that the audit committee cannot reduce earnings management actions by company managers. But this research is in line with research conducted by Mughni and Cahyonowati (2015) which states that there is a significant effect of the competence of the audit committee on earnings management because the financial expertise possessed by the audit committee influences its supervisory performance to management.

The Influence of Audit Quality and Audit Committee on Earnings Management

Together the Audit Quality has no influence while the Audit Committee has Together the Audit Quality has no influence while the Audit Committee has a significant influence on Earnings Management. This indicates that the better the audit committee in a company, the lower the level of earnings management that can occur in that company. The audit committee is an important committee that must exist in a company to achieve good corporate governance (Amaliyah & Herwiyanti, 2019). A good and reliable audit committee can certainly minimize fraud, especially earnings management in a company (Ramadan, 2016). Audit quality is an auditor's way of finding and reporting violations that occur in his client's accounting system, while earnings management is the behavior or actions of managers to increase or decrease profits with the aim of benefiting themselves.

That is, earnings management is carried out to attract the trust of potential investors to want to invest their capital in the company.

CONCLUSION

Audit quality has an effect on earnings management in food and beverage sub-sector companies listed on the IDX in 2015-2020, where audit quality has an effect on earnings management with a t-value of the audit quality variable of $-1,402 < 2.034$, then t count of the audit quality variable is more smaller than the t-table value of -1.402 states that H_0 is rejected and the significance value is $0.170 > 0.05$, then the t-count significance value of 0.170 is greater than the t-table significance value of 0.05 . This suggests that the audit quality variable has no effect on earnings management.

The audit committee has an effect on earnings management in food and beverage sub-sector companies listed on the IDX in 2015-2020, where the audit committee variable (X2) has an effect on earnings management, where the t-value of the audit committee variable is $3,593 > 2.034$, then the t count of the audit committee variable is greater than the t table value of 3.593 stating that H_0 is rejected and the significance value is $0.029 < 0.05$, then the t count significance value of 0.029 is smaller than the table significance value of 0.05 stating that the variable the audit committee has a significant effect on earnings management.

Audit quality and audit committees simultaneously affect earnings management in food and beverage subsector companies listed on the IDX in 2015-2020, where in the simultaneous test (Test F) it is known that the F table value is 3.28 with a significant value of 5% ($0,05$). F count $7.378 > F$ table 3.28 then H_0 is accepted which means audit quality, audit committee simultaneously has a significant effect on earnings management with a significance level of $0.002 < 0.05$. Furthermore, in the coefficient of determination test it is known that the coefficient of determination (R-Square) is 0.267 . This value can be interpreted that the variables X1 and X2 are able to influence Y by 26.7% , the remaining 73.3% is explained by other variables or factors.

REFERENCES

- Akbar, L., Anwar, S., & Afiah, N. A. (2018). *Analisis Pengendalian Biaya Produksi Dalam Meningkatkan Perolehan Laba pada PT. Semen Bosowa Maros*. Universitas Negeri Makassar.
- Amaliyah, F., & Herwiyanti, E. (2019). Pengaruh kepemilikan institusional, dewan komisaris independen, dan komite audit terhadap nilai perusahaan sektor pertambangan. *Jurnal Akuntansi*, *9*(3), 187–200.
- Christiani, I., & Nugrahanti, Y. W. (2014). Pengaruh kualitas audit terhadap manajemen laba. *Jurnal Akuntansi Dan Keuangan*, *16*(1), 52–62.
- Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
- Dewi, N., & Putra, I. (2016). Pengaruh Mekanisme Corporate Governance Pada Integritas Laporan Keuangan. *E-Jurnal Akuntansi*, *15*(3), 2269–2296.
- Herawati, T., & Selfia, S. S. (2019). Tinjauan indikator kualitas audit. *Prosiding FRIMA (Festival Riset Ilmiah Manajemen Dan Akuntansi)*, *2*, 122–126.
- Manik, P. B. (2021). *Pengaruh ROA, ROE dan Konservatisme Akuntansi terhadap Manajemen Laba dengan Kepemilikan Manajerial sebagai Variabel Moderasi (Studi: Perusahaan Peraih Good Corporate Governance (GCG) Award yang Terdaftar di BEI)*. Akuntansi.
- Mughni, R. H., & Cahyonowati, N. (2015). Pengaruh Karakteristik Komite Audit dan Kualitas Audit Terhadap Manajemen Laba (Studi Kasus pada Perusahaan IPO di Indonesia Tahun 2011-2013). *Diponegoro Journal of Accounting*, 247–261.
- Prasetyo, N. C., Riana, R., & Masitoh, E. (2019). Pengaruh Perencanaan Pajak, Beban Pajak Tangguhan dan Kualitas Audit terhadap Manajemen Laba. *Modus*, *31*(2), 156–171.
- Ramadhan, R. (2016). *Pengaruh Manajemen Laba, Kepemilikan Institusional, Kepemilikan Manajerial, Komisaris Independen, dan Kualitas Audit terhadap Peringkat Obligasi (Studi Kasus pada Perusahaan*

- Non Keuangan yang Terdaftar di Bursa Efek Indonesia*). Universitas Islam Negeri Alauddin Makassar.
- Rini, E. P., Kom, M., Saputra, D. I. S., & Kom, M. (2021). *Sistem Informasi Manajemen Di Era Revolusi Industri 4.0* (Vol. 1). Zahira Media Publisher.
- Rusiadi, N. S., & Hidayat, R. (2016). Metode Penelitian Manajemen Akuntansi dan Ekonomi Pembangunan Konsep Kasus dari Aplikasi SPSS. *Eviews Amos Lisensi. Medan: USU*.
- Sari, M. S., & Helmayunita, N. (2019). Pengaruh good corporate governance terhadap pengungkapan Islamic social reporting. *Jurnal Eksplorasi Akuntansi, 1*(2), 751–768.
- Sutanto, I. I. (2000). *Indikasi Manajemen Laba Menjelang IPO oleh Perusahaan-perusahaan yang Terdaftar di Bursa Efek Jakarta*. Universitas Gadjah Mada.
- Ulina, R., Mulyadi, R., & Tjahjono, M. E. S. (2018). Pengaruh Kualitas Audit Dan Komite Audit Terhadap Manajemen Laba Pada Perusahaan Manufaktur Yang Tercatat Di Bursa Efek Indonesia. *Tirtayasa Ekonomika, 13*(1), 1–26.
- Utami, W. (2006). Pengaruh manajemen laba terhadap biaya modal ekuitas (studi pada perusahaan publik sektor manufaktur). *The Indonesian Journal of Accounting Research, 9*(2).