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COMPANY SIZE MODERATES SALES GROWTH AND PROFITABILITY ON EARNINGS MANAGEMENT

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Abstract: This study aims to analyze the effect of sales growth, profitability, and company size on earnings management empirical study of manufacturing companies in the goods & consumer industry sector listed on the Indonesia Stock Exchange for the period 2020 - 2023. The researcher used a quantitative method with secondary data sources. The method used is purposive sampling. The population in this study was 119 companies and 34 companies were selected as research samples with the amount of data to be used for 4 years being 136 data. This study uses descriptive analysis techniques, classical assumption tests, model feasibility tests, and multiple linear analysis tests with the help of SPSS data processing applications. The results of the study show that sales growth has an effect on earnings management, but profitability has no effect on earnings management. Company size weakens the relationship between sales growth and profitability on earnings management.

Keywords: *sales growth, profitability, company size and earning management.*

INTRODUCTION

Financial reports play an important role for entities to demonstrate the entity's accountability to stakeholders at the end of a certain period. Financial reports provide valuable information to stakeholders to evaluate the company's performance and make the right decisions to maximize profitability in the future (Rini & Amelia, 2022). The income statement is one of the outputs of financial reports that contains important information in the financial statements that will play a role in supporting understanding for external and internal parties of the company (Umah & Sunarto, 2022). Profit is the result of the difference between the income realized in a certain period and the costs incurred in that period (Ambarita et al., 2023). Meanwhile, earnings management refers to deliberate actions by management with the aim of maximizing the company's welfare (Sihombing et al., 2020). Earnings management has a significant relationship to the achievement of company profits because the success of a manager is considered in line with the achievement of expected profits (Ambarita et al., 2020).

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However, earnings management actions are not always associated with negative efforts that are detrimental when related to data manipulation efforts. However, it is more associated with the use of accounting methods or models that are deliberately chosen by management with certain goals (Prasetyo & Riana, 2019). The good side of earnings management can be seen from the perspective of efficient contracts and financial reporting. From the perspective of efficient contracts in Positive Accounting Theory, the level of earnings management can be said to be good because it is able to increase contract efficiency, not as a form of opportunistic management behavior (Priantinah, 2016). The importance of earnings management for companies is that it can be used as a tool to improve the relationship between managers and creditors and can be used to attract investors to invest in the company (Sufiyati, 2019). The concept of earnings management is related to the selection of strategic accounting methods for certain transactions or the implementation of economic decisions that have the potential to affect the company's cash flow, investment, or output. Both of these initiatives aim to increase profitability as reflected in the financial statements and, ultimately, stakeholder perceptions of accounting figures (El Diri, 2018). Earnings management as the deliberate manipulation of financial statements to present a certain level of profit, with the aim of meeting shareholder expectations or achieving organizational goals Asim and Ismail (2019). Managers use their discretionary authority over accounting information and manipulate earnings to achieve the desired goals (Mangala and Dhanda, 2019).

For this action, the Panel of Judges at the South Jakarta District Court sentenced two former directors of PT. Tiga Pilar Sejahtera Food Tbk to four years in prison each and a fine of IDR 2 billion each, subsidiary to three months in prison. From this case, the profit management action was carried out solely to impress the financial report by increasing the company's sales so that the company's fundamentals appeared to be growing well (nasional.kontan.co.id, 2021).

This affiliated company of Tiga Pilar amounted to 87.5% of the actual Rp 200 billion to Rp 1.6 trillion recorded as a third party. As a result of this action, the Panel of Judges at the South Jakarta District Court sentenced two former directors of PT. Tiga Pilar Sejahtera Food Tbk to four years in prison each and a fine of Rp 2 billion each, subsidiary to three months in prison. From this case, the profit management action was carried out solely to impress the financial report by increasing the company's sales so that the company's fundamentals appeared to be growing well (nasional.kontan.co.id, 2021).

Sales Growth is one of the factors that influence earnings management. Sincerre et al. (2016) revealed that companies with higher debt ratios,

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profitability, and sales growth showed greater earnings management. Companies that experience higher growth are encouraged to maintain high valuations and maintain positive trends in profits and sales Edison and Nugroho (2020),

Another factor that influences earnings management is profitability. Profitability is a figure or value of net profit that has been successfully obtained by a company, because in relation to earnings management, profitability has an influence on managers to carry out earnings management practices. Because if the profitability obtained is low, a manager will do his best to increase the profitability figure again in order to save their performance in the eyes of the company's shareholders (Nugraheni et al., 2023).

In addition to sales growth and profitability, company size has an influence on management to carry out earnings management actions. In this study, company size is a moderating variable. Company size is a scale to determine the size of a company based on sales value, equity value, number of employees and total asset value (Bahri & Arrosyid, 2021). Based on agency theory, companies that have a larger company size will also incur much greater agency costs (Anindya et al., 2020). A high level of profitability correlates with a larger company size. Larger entities will find it easier to obtain loans compared to small entities. Therefore, this can allow large entities to have a higher level of earnings management compared to small entities (Rahayu, 2018).

Feibi Go & Estralita Trisnawati (2024) regarding the effect of leverage, sales growth, free cash flow, and profitability on real earnings management. The results of the study indicate that leverage has a significant positive effect on real earnings management. Sales growth, free cash flow, and profitability do not affect real earnings management. Research from Habibie & Parasetya, (2022) regarding the effect of profitability, leverage, liquidity, and company size on earnings management. It can be concluded from the study that the profitability variable shows positive but insignificant results on earnings management. Pratika & Nurhayati, (2022) conducted a study aimed at explaining the effect of managerial ownership, institutional ownership, profitability, leverage and audit quality on earnings management. the results of this study indicate that the profitability variable has a positive effect on earnings management. Halim & Muhammad, (2022) conducted a study entitled the effect of profitability, leverage and tax avoidance on earnings management in consumer goods industry companies in the study that the profitability variable does not have a level of influence on earnings management but simultaneously influences earnings management. Research from Sitanggang & Purba (2022) regarding the influence of asymmetric information, leverage and company size on

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earnings management in this study can be concluded that the company size variable has a positive influence on earnings management. Research from Astriah et al, (2021) entitled the influence of company size, profitability and leverage on earnings management. Partially from the study, company size has no effect on earnings management and the profitability variable has a positive effect on earnings management. Meanwhile, simultaneously the company size and profitability variables affect earnings management.

Based on the state of the art above, there is still inconsistency in the results of the influence of tax growth and profitability on earnings management so that researchers want to re-investigate by making company size a moderating variable so that there is novelty in this study.

LITERATURE REVIEW

The agency theory

Based on this theory, there is a separation between the owner (principal) and the company manager (agent) which causes an agency problem. Furthermore, the separation of the owner and manager also causes information asymmetry, which is a situation where the agent has access to information that is not owned by the principle. The imbalance of information held by the owner and manager of the company causes information asymmetry. Based on the assumption of basic human nature, every human being has a tendency to act by prioritizing their personal interests (Jensen and Meckling, 1976).

Management is motivated by opportunistic and signaling behavior. Opportunistic motivation is related to the compensation received by management; while signaling motivation is related to the lack of prosperity of shareholders (principals). In signaling motivation, management tends to present income statements that contain profit persistence so that profits are more informative.

The agency relationship between shareholders (principals) and managers (agents) is the basis for earnings management (Nalarreason et al., 2019). Depending on the manager's motivation, the impact of earnings management practices can be positive or negative. This can be detrimental if earnings management is used to satisfy personal interests. However, it can be positive if used efficiently and responsibly (Abbas, 2018). Companies engage in earnings management for a variety of reasons (Kjærland et al., 2020), including bonus and debt covenant motivations (Marantika et al., 2021), industry and government regulations (Jiang, 2020), for better security prices (Strakova, 2021), and to meet the expectations of financial analysts, management, investors, and social and political pressures (Li et al., 2019).

The Effect of Sales Growth on Earnings Management

Increasing sales growth will affect the increase in profits. Financing with debt and certain fixed charges can increase shareholder income if sales and

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profits increase every year. This encourages managers to carry out earnings management that increases the sales growth of a company. Managers carry out earnings management to ensure that the company's profits are at a minimum value or appear lower than actual profits. Companies experiencing high growth may be more likely to engage in earnings management due to increased pressure to meet analyst expectations and secure financing (Collin et al., 2016). Companies experiencing higher sales growth tend to show higher accruals and lower cash flows. As a result, these companies may be motivated to engage in real earnings management practices to artificially increase their cash flows (Potharla and Shette, 2022).
H1 : Sales growth has a significant impact on earnings management

The Effect of Profitability on Earnings Management
Profitability aims to measure how much profit a company can earn. Profitability affects earnings management considering that a high level of profit obtained by a company does not prevent the company from carrying out earnings management. Companies with low Return on Assets have a greater tendency to carry out Earnings Management. With the assumption that profit fluctuations will have an impact on lowering or decreasing profitability, it will encourage managers to carry out Earnings Management practices so that the company looks healthy in the eyes of investors (Halim & Muhammad, 2022) Profitability is related to earnings management, namely it can influence managers in the company to carry out earnings management practices in order to increase the profits obtained by the company, managers will carry out these practices if the profitability figures obtained by the company are low, then managers will carry out these practices with the intention of maintaining their performance in the eyes of the principal (Maslihah Ainaul, 2019).
H2 : Profitability has a significant impact on earnings management

Company Size moderates Sales Growth to Earnings Management
Large companies tend to have more flexibility in engaging in earnings management because they may have more resources and networks that allow them to do so. Large companies have resources, complexity, oversight and reputation that can influence earnings management decisions. Large companies have more resources, so they can more easily manage sales well. In addition, larger companies have less motivation to practice earnings management because large companies tend to have more investors and other external parties who are more critical than small companies so that the pressure on large companies is stronger to report reliable financial statements.
H3 : Company size can moderates the effect of sales growth to earning management

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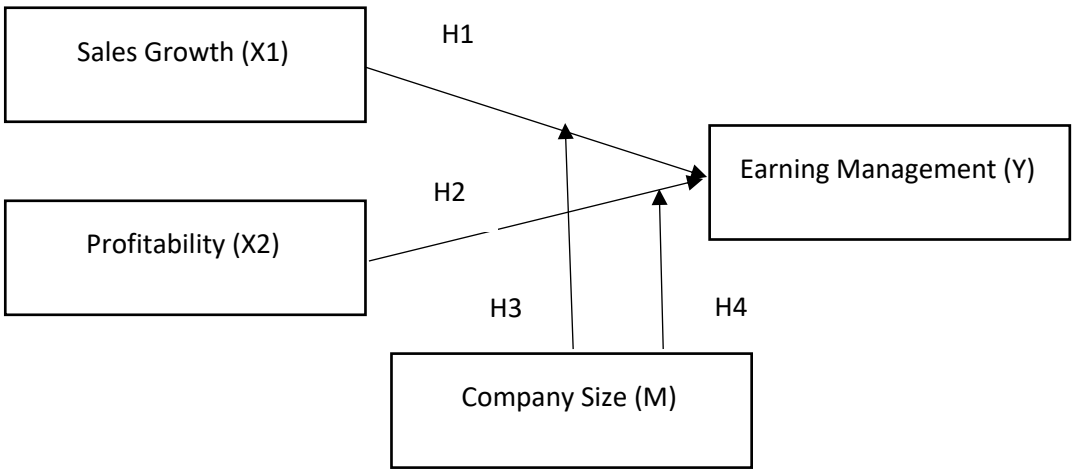
Company Size moderates Profitability to Earnings Management
Larger companies will generally receive more attention from external parties, such as investors, analysts and the government. Therefore, companies will avoid drastic increases in profits, this will create additional obligations such as taxes. Large companies will tend to try to report stable profits every year. (Pratika & Nurhayati, 2022). Large companies with high ROA have the ability to manage assets effectively, so they tend not to do earnings management. Large companies have greater financial flexibility to manage earnings and increase ROA. Large companies with high ROA can attract investors, so they may have an incentive to maintain or improve financial performance without having to do earnings management.
H4 : Company size can moderates the effect of profitability to earning management



Source: Theoretical review and previous research findings
Figure 1.
Conceptual Framework

METHODS
This study uses a quantitative approach. The method used in this study is the explanatory research method where information data is collected from the population, the results are collected and then analyzed with the aim of measuring the influence of one variable on another variable. This method explains the causal relationship between variables through hypothesis testing.

Population and Sampling
This study uses a quantitative approach. The method used in this study is the explanatory research method where information data is collected from

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the population, the results are collected and then analyzed with the aim of measuring the influence of one variable on another variable. This method explains the causal relationship between variables through hypothesis testing.

The population that is the object of this study is companies that have been listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. Data is taken from the annual report. The research method in sampling uses the purposive sampling method with the following criteria: (1)Manufacturing Companies in the Goods and Consumer Goods Industry Sector listed on the Indonesia Stock Exchange (IDX) in 2020-2023, (2) Manufacturing Companies in the Goods and Consumer Industry Sector listed on the Indonesia Stock Exchange (IDX) that did not fully report their 2020-2023 financial statements, (3) Manufacturing Companies in the Goods and Consumer Goods Industry Sector listed on the Indonesia Stock Exchange (IDX) experienced losses during 2020-2023.

In this study, 33 companies were found to meet the sampling criteria. So that the sample data in this study were 132 samples. Data processing in this study used the IBM SPSS Statistics version 25 application. The analysis techniques used in this study include descriptive statistics, classical assumption tests (normality test, heteroscedasticity test, multicollinearity test, autocorrelation test, hypothesis test) (Ghozali, 2021).

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Descriptive statistical analysis provides a description of data seen from the minimum value, maximum value, average value (mean), and standard deviation of the data.

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1_PP	132	.5348	10.6515	1.170029	.8508652
X2_PROFIT	132	.0013	.3489	.097715	.0668986
Y_ML	132	-.0155	.0189	.000603	.0041376
Valid N (listwise)	132				

Source: SPSS data processed (2025)

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The output of the Descriptive Statistics display shows the number of respondents (N) as many as 132. Profit Management is a minimum of -1.55% and a maximum of 1.89%, where the average is 0.06%. Sales Growth is a minimum of 53.48% and a maximum of 1065.15%, where the average is 117.00%. Profitability with ROA proxy is a minimum of 0.13% and a maximum of 34.89%, where the average is 9.96%.

Classical Assumption Test

To obtain other test results, the data needed in this study should be tested first so as not to violate the existing assumptions and criteria. It can be said that the hypothesis testing carried out can be accounted for firmly and clearly in the classical assumption testing carried out in this study

Normality Test

The normality test is used to test whether in a regression model, the dependent variable, the independent variable or both have a normal distribution or not. A good regression model is data that is distributed normally or close to normal. Normality testing is carried out through the Kolmogorov-Smirnov Asymptotic Significance test.

Table 2

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		132
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.00408074
Most Extreme Differences	Absolute	.158
	Positive	.158
	Negative	-.146
Test Statistic		.158
Asymp. Sig. (2-tailed)		.000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS data processed (2025)

The results of the normality test show that the Kolmogorov Smirnov test value is known that the Asymp. Sig (2-tailed) value is 0.000 which means ≤ 5% so that the test results are not normally distributed. To overcome the data not normally distributed in this study using outliers, namely by removing 35 sample data. So that the sample data used in this study was 97 data.

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Table 3

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		97
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.00146550
Most Extreme Differences	Absolute	.082
	Positive	.082
	Negative	-.072
Test Statistic		.082
Asymp. Sig. (2-tailed)		.104[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS data processed (2025)

After removing outliers from the sample data, the results of the data normality test with the Kolmogorov-Smirnov test showed a Significant Asymp. Sig. (2-tailed) value of 0.104 which is higher than 0.05. So it can be concluded that the data is normally distributed. Thus, the regression mode used in this study meets the normality assumption.

Multicollinearity Test

Multicollinearity testing is carried out through the detection of tolerance values and VIF (variance inflation factor) that multicollinearity does not occur if the tolerance value is > 0.10 and VIF < 10. Based on the data processing, the results of multicollinearity are in the table below:

Table 4

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1_PP	.915	1.093
	X2_PROFIT	.915	1.093

a. Dependent Variable: Y_ML

Source: SPSS data processed (2025)

The results of the multicollinearity test presented in the Coefficients table above show that the Tax Planning and Profitability variables with ROA proxies have a tolerance value above 0.10 and with a VIF value below 10, it can be concluded that there is no multicollinearity between variables in this regression model.

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Autocorrelation Test

The autocorrelation test is used to determine whether in a linear regression model there is a correlation between the error in the t period and the error in the t-1 period (previously). A good regression model is a regression that is free from autocorrelation. To test for the presence or absence of autocorrelation, the Durbin-Watson Test (DW test) can be used.

Table 5

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.286[a]	.082	.062	.0014810	1.968

a. Predictors: (Constant), X2_PROFIT, X1_PP

b. Dependent Variable: Y_ML

Source: SPSS data processed (2025)

The DW value of 1.968 will be compared with the Durbin-Watson table value. The number of samples (N) is 97 and the number of independent variables is 2 (k = 2), then the DL value = 1.627 and DU = 1.712 are obtained. Because the DW value of 1.968 is greater than the upper limit (DU) of 1.712 and less than 4–DU, namely 4 – 1.712 = 2.2884, so that the result is 1.712 <1.968 <2.288 and is in accordance with the requirements of DU <DW <4–DU, it can be concluded that there is no autocorrelation in this regression model.

Heteroscedasticity Test

A good regression model is one that does not have heteroscedasticity. To test the presence or absence of heteroscedasticity, the Glejser Test can be used. If the significance value is above 0.05, then the data does not have a heteroscedasticity problem. However, if the significance value is below 0.05, the data is said to have a heteroscedasticity problem.

From the Coefficients table, it can be seen that the significance value of the parameter coefficient on each variable is more than 0.05, so it is concluded that this study does not have a heteroscedasticity problem.

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Table 6

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.334E-5	.001		.014	.989		
	X1_PP	.001	.001	.121	1.130	.261	.915	1.093
	X2_PROFIT	.000	.002	-.015	-.140	.889	.915	1.093

a. Dependent Variable: ABSRES1

Source: SPSS data processed (2025)

Model Feasibility Test

Coefficient of Determination Test (R2)

The coefficient of determination test (R2) aims to determine the level of influence given by the independent variables simultaneously on the dependent variable which can be seen from the value of the coefficient of determination (adjusted R - square). The value of the coefficient of determination or R Square ranges between 0 and 1. If the R Square value is closer to 1, then the influence of the independent variable on the dependent will be stronger. Likewise, if it is negative, then the influence will be weaker. The following are the results of the Coefficient of Determination Test (R2):

Table 7

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.286[a]	.082	.062	.0014810

a. Predictors: (Constant), X2_PROFIT, X1_PP

Source: SPSS data processed (2025)

The Adjusted R Square (R2) value in the model summary table is 0.082 or 8.2%. This shows that the Earnings Management variable is influenced by 8.2% by the Sales Growth and Profitability variables. While the remaining 91.8% is influenced by other factors outside the research model.

Simultaneous Significance Test (F Test)

The F test is used to test whether the independent variables simultaneously affect the dependent variable with a significance level of 0.05. The results of the F test can be seen in the table below

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Table 8

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	2	.000	4.187	.018[b]
	Residual	.000	94	.000		
	Total	.000	96			

a. Dependent Variable: Y_ML

b. Predictors: (Constant), X2_PROFIT, X1_PP

Source: SPSS data processed (2025)

Based on Anova, it can be seen that the results of the ANOVA test or F test on model 1 can be seen from the calculated F value of 4,187 with a probability of 0.018 <0.05, so it can be concluded that the regression model on the independent variables of tax planning and profitability on the dependent variable of earnings management is feasible to continue.

Hypothesis Test

Hypothesis Test (T Test)

The T test is conducted to test whether the independent variables partially affect the dependent variable. The significance value used is 0.05. The results of the t test can be seen in the table below.

Table 9

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.003	.001		-2.513	.014
	X1_PP	.003	.001	.275	2.657	.009
	X2_PROFIT	.001	.003	.033	.321	.749

a. Dependent Variable: Y_ML

Source: SPSS data processed (2025)

The table of Coefficients above can be concluded that:

a. The significance value of Sales Growth on Profit Management is 0.009 or less than 0.05. From this significance value, it can be concluded that the H1 hypothesis is accepted and the sales growth variable has an effect on Profit Management.
b. The significance value of Profitability on Profit Management is 0.749 or more than 0.05. From this significance value, it can be concluded

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that the H2 hypothesis is rejected and the Profitability variable does not have a significant effect on Profit Management.

Multiple Linear Regression Analysis

Multiple regression analysis is an analysis that connects two or more independent variables with the dependent variable. The purpose of multiple regression analysis is to measure the intensity of the

relationship between two or more variables. An example of a multiple regression application using data used for classical assumption analysis. Research with the aim of determining the effect of tax planning and profitability on profit management. The following is the output of the SPSS statistical calculation results.
Based on the output of the calculation results of SPSS Statistics in table 5.8, the following moderation regression equation is obtained:
Y = a + b1OA + b2UP + e
Y = 0.03 + 0.003 sales growth + 0.001 profitability + e

Model 1
The following are the results of the moderation regression analysis of equation (1) with SPSS 25 presented in the following table:

MRA Test Results (1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.286[a]	.082	.062	.0014810

a. Predictors: (Constant), X2_PROFIT, X1_PP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.003	.001		-2.513	.014
	X1_PP	.003	.001	.275	2.657	.009
	X2_PROFIT	.001	.003	.033	.321	.749

a. Dependent Variable: Y_ML

Interpretation

a. Equation Model
   Based on table 5.9, the equation model is as follows:
   Y = 0.003 + 0.003PP + 0.001PROFIT + e
b. Determination Coefficient

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The Adjusted R Square (R2) value of 0.082 means that 8.2% of earnings management can be explained by the independent variables of audit opinion and company size. The remaining 91.8% is influenced by other variables outside the model.

Model 2

The following are the results of the moderation regression analysis of equation (2) with SPSS 25 presented in the following table:

MRA Test Results (2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335[a]	.112	.063	.0014803

a. Predictors: (Constant), X2M, X1M, M_UKPER, X1_PP, X2_PROFIT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.037	.029		-1.297	.198
	X1_PP	.027	.026	2.150	1.021	.310
	X2_PROFIT	.096	.071	3.023	1.357	.178
	M_UKPER	.001	.001	1.151	1.187	.238
	X1M	-.001	.001	-2.020	-.902	.370
	X2M	-.003	.002	-2.935	-1.351	.180

a. Dependent Variable: Y_ML

Interpretation

a. Equation Model
   Based on table 5.10, the equation model is as follows:
   Y = -0.037 + 0.277PP + 0.096PROFIT + 0.001UKPER - 0.001X1*M – 0.03X2*M + e
b. Determination Coefficient
   The Adjusted R Square (R2) value of 0.112 means that 11.2% of the dependent variable of earnings management can be explained by the independent variables of tax planning and profitability and the moderating variable of company size. The remaining 88.8% is influenced by other variables outside the model.

1. Significance of moderation variable (X1*M) 0.370 > 0.05. This result shows that company size as a moderating variable between sales

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growth and earnings management has no sensitivity or in other words, company size as a moderating variable has no effect or weakens the effect on sales growth and earnings management.

2. Significance of moderation variable (X2*M) 0.180 > 0.05. This result shows that company size as a moderating variable between profitability and earnings management has no sensitivity or in other words, company size as a moderating variable has an effect on profitability and earnings management or weakens the effect of profitability on earnings management.
3. The R Square (R2) value in the first regression is 0.082 or 8.2%, while after the second equation the R2 value increases insignificantly to 0.112 or 11.2%.

Discussion

his study is further described as follows:

The Effect of Sales Growth on Earnings Management.

Sales growth affects Earnings Management. Sales growth is used as one of the benchmarks for the success of an entity, the greater the company's income coupled with significant growth makes the production costs incurred also greater and affects profits, this motivates managers to carry out earnings management with certain goals. Increasing sales growth will affect increasing profits. Companies that experience high growth may be more likely to engage in earnings management due to increased pressure to meet analyst expectations and secure financing (26). Companies that experience higher sales growth tend to show greater accruals and lower cash flows. As a result, these companies may be motivated to engage in real earnings management practices to artificially increase their cash flow (27). The results of this study are in line with Leony (2020), sales growth has a positive effect on earnings management, which can be interpreted that the greater the sales growth will affect the increase in earnings management, but this study is not in line with Go and Trisnawati (2024) which shows that sales growth has no effect on real earnings management.

The Effect of Profitability on Earnings Management

Profitability has no effect on Earnings Management. High or low levels of profit in a company do not directly encourage managers to carry out earnings management. Research shows that increasing profitability often indicates good company performance, so managers have no incentive to manipulate earnings. Increasing profitability indicates good company performance and shareholders will receive increasing profits because managers also make profits so they cannot carry out earnings management actions. The results of this study are in line with those conducted by Halim & Muhammad, (2022) which prove that profitability has no effect on

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earnings management, but are not in line with research conducted by Pratika & Nurhayati (32) and Astriah et al, (15) where the results of their research explain that profitability has an effect on earnings management.

The Effect of Sales Growth on Earnings Management Moderated by Company Size

Company size weakens the effect of sales growth on earnings management. Large companies have resources, complexity, oversight and reputation that can influence earnings management decisions. Large companies have more resources, so they can more easily manage sales well without having to do earnings management. In addition, larger companies have less motivation to practice earnings management because large companies tend to have more investors and other critical external parties than small companies so that the pressure on large companies is stronger to report reliable financial statements. Therefore, large companies will be more restrictive in the practice of earnings management than small companies. The results of this study are in line with the results of research conducted by Sihombing et al. (2020).

The Effect of Profitability on Earnings Management Moderated by Company Size

Company size weakens the effect of profitability on earnings management. Large companies tend to be more careful in carrying out earnings management, this is because large companies will pay more attention to applicable regulations. This results in the possibility of earnings management practices being less likely to occur in large companies. Likewise, small companies tend to be more careful in presenting financial reports, because small companies are often considered to practice earnings management, therefore managers will be more effective in reporting financial statements in order to attract investors and maintain investor confidence in the information provided by the Company (Syarif et.al, 2023). Large companies with high ROA have the ability to manage assets effectively, so they tend not to do earnings management. Large companies have greater financial flexibility to manage profits and increase ROA. Large companies with high ROA can attract investors, so they may have an incentive to maintain or improve financial performance without having to do earnings management. The results of this study are in line with the results of research conducted by Syarif et.al, (2023). However, this is not in line with Lili (2018) which states that company size strengthens the influence of profitability on earnings management.

CONCLUSION

Based on the results of the research and discussion used according to the objectives of the hypothesis, which is carried out with MRA analysis in

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equation 1 before there is a moderating variable and MRA analysis in equation 2 after there is a moderating variable, the following conclusions are Sales growth affects earnings management, Profitability does not affect earnings management. Based on the MRA test, it can be concluded that Company Size is not able to strengthen the influence of sales growth and profitability on earnings management. For investors who want to invest in companies in the consumer goods industry sector, they are expected to always review first every time they want to make a decision to invest by looking at the extent of a company's performance. Suggestions are given to the government to continue to supervise companies in accordance with current government regulations and continue to review existing regulations.

SUGGESTIONS

Further research can use different research objects so that it can enrich the research results from various research objects. Further research is suggested to change or add other independent variables that are suspected to be able to influence earnings management where in this study R Square is 11.2%. While the remaining 88.8% is influenced by other factors not discussed in this study.

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