

# The Effect of IFRS Adoption, Information Asymmetry and Deferred Tax Assets on Earning Management

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**DOI:** 10.36348/SJEF.2019.v03i09.010

**| Received:** 10.09.2019 **| Accepted:** 17.09.2019 **| Published:** 30.09.2019

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## Abstract

This research aims to effect of ifrs adoption, Information Asymmetry and Deferred Tax Assets to Earnings Management. The measurement of earnings management used in this research with an approach discretionary accruals modified model jones [1]. This research is included in descriptive research. The population of this research is various industrial manufacturing companies listed on the Stock Exchange in 2013-2017. The sample obtained was 120 sample using purposive sampling technique. In analyzing the data used a quantitative approach through Software Eviews 8. The simultaneous IFRS Adoption, Information Asymmetry and Deferred Tax Assets have a significant effect on Earnings Management. Partially, IFRS Adoption has no significant effect on Earnings Management, Information Asymmetry has a significant effect on earnings management, and Deferred Tax assets have a significant effect on Earnings Management

**Keyword:** Earnings management, IFRS adoption, Information Asymmetry, Deferred tax assets.

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## INTRODUCTION

One form of management accountability for the company's stakeholders is reflected in the financial statements [2]. The purpose of financial statements is to provide information about financial position, financial performance, and entity cash flows that benefit most users of financial statements in making economic decisions.

One of the most important information is profit information. Scott [2] states that profits are important and needed by users in a broad scope as a summary of measuring company performance such as compensation programs, debt agreements, companies that will go public, investors and creditors. In financial statements, profit is information that becomes a benchmark for the company's operational performance, therefore management does various ways, one of which is to implement earnings management. Phenomena that often occur in relation to earnings management usually arise due to the form of errors and omissions from the subject of financial management itself which are directly or indirectly influenced by various factors, both internal and external. For example, one of the recent cases of earnings management is an accounting scandal by Toshiba. According to an independent committee, the company inflated very high operating profits.

The formulation of the problem in this study is whether ifrs adoption, information asymmetry and deferred tax assets affect earnings management.

## DESIGN AND METHOD

This research belongs to descriptive research. The population of this study is various industrial manufacturing companies listed on the Indonesia Stock Exchange which published financial statements for 2013-2017. The sample in this study used a purposive sampling method. This research method uses quantitative methods.

Data processing using Eviews version 8. The analysis methods in this study include:

- Test- t (Partial Test)
- Test-F (Simultaneous Test)
- Determination Coefficient Test (  $R^2$  )

Regression analysis was performed using a panel data regression analysis method with the following equation model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

$$Y = -0,009 + 0,120 + 0,002 - 0,048 + \varepsilon$$

$$\text{Sig} = (0,3768) (0,0313) (0,0010)$$

$$\text{Test-F} = 0,001450$$

$$\text{Adj R Square} = 0,101778 @ R = 10.1778\%$$

$$\alpha = 0,05$$

★ = significant

n = 120 sampling

Y = Earnings management

X<sub>1</sub> = IFRS adoption

X<sub>2</sub> = Information asymmetry

X<sub>3</sub> = Deferred tax assets

β<sub>0</sub> = Constant

β<sub>1</sub>β<sub>2</sub>β<sub>3</sub> = Coefficient

ε = Error Term (89.8222%)

## RESULTS AND DISCUSSION

### Test- t (Partial Test)

Based on the results of the equation above, the results are obtained that partially IFRS adoption has no significant effect on earnings management while the information asymmetry and deferred tax assets have a significant effect on earnings management in each of the sample companies in 2013-2017.

### Test-F (Simultaneous Test)

Based on the results of the equation above, the estimation results produce Prob (F Statistics) of 0.001450. Value Using  $\alpha = 0.05$  indicates that IFRS Adoption, Information Asymmetry, and Deferred Tax Assets simultaneously or jointly have a significant effect on Earnings Management ( $0.001450 < 0.05$ ). Based on the hypothesis proposed reject H<sub>0</sub>, which means statistically IFRS Adoption, Information Asymmetry, and Deferred Tax Assets simultaneously or jointly significantly influence the Profit Management ( $\alpha = 0.05$ ).

### Determination Coefficient Test (R<sup>2</sup>)

Based on the results of the equation above, the results of the coefficient of determination that is equal to 0.101778 or equal to 10.1778%. This means that the contribution of IFRS Adoption, Information Asymmetry and Deferred Tax Assets contribution to earnings management is 10.1778%. While the remaining 89.8222% is contributed by other variables not discussed in this study.

Hypothesis testing has been carried out, it can be put forward some discussion below:

### IFRS adoption has no significant effect on earnings management

The results of this study are consistent with the results of previous studies conducted by Manzano and Conesa [3], that the results do not provide evidence for the effect of IFRS adaptation in reducing earnings management.

### Information asymmetry has a significant effect on earnings management

The results of this study are consistent with the results of previous studies conducted by Yustiningarti and Asyk [4], namely information asymmetry has a significant positive effect on earnings management.

### Deferred tax assets have a significant effect on earnings management

The results of this study are consistent with the results of previous studies conducted by Timuriana and Muhamad [5], namely deferred tax assets have an influence on earnings management

## CONCLUSIONS AND SUGGESTIONS

### CONCLUSIONS

Based on the results of research with panel data regression analysis, the conclusions of this study are:

- The adoption of IFRS has no significant effect on earnings management. IFRS is not necessarily fully compatible if implemented in countries with different characteristics. Differences in the characteristics of a company or country in general can also make the adoption of IFRS not effective. The state of the form of the company, the shape of the country, economic conditions and market developments can be other considerations.
- Information asymmetry has a significant effect on earnings management. When information asymmetry occurs, shareholders do not have sufficient resources or access to relevant information to monitor the actions of managers, which will provide managers with opportunities to manage earnings.
- Deferred tax assets have a significant effect on earnings management. When deferred tax assets are increasingly high, it indicates that the company will increase earnings management actions.

### SUGGESTIONS

In this study there are still some deficiency, and I suggest:

- For further research, earnings management in this study uses discretionary accruals modified Jones model [1]. The researcher can then use alternative models and add other variables with different sectors and a greater amount of data to provide better results.
- For stakeholders, before investing in a company, investors must be careful in seeing the accrual information presented in the company's financial statements related to earnings management practices in order to reduce the risk of loss that will be borne by investors.
- For companies, the Company is obliged to publish financial statements regularly to provide information needed for users of financial statements, financial statements that are published

and are expected to continue to run within the limits of generally accepted accounting standards and do not take earnings management actions.

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