International Journal of Research and Review
Volume 11; Issue: 10; October 2024
Website: www.ijrrjournal.com
Research Paper
E-ISSN: 2349-9788; P-ISSN: 2454-2237

The Effect of Leverage, Audit Committee Meetings Frequency, Audit Committee, Firm Size and Sustainability Report on Earning Management: A Study of Food and Beverage Companies Listed on the Indonesia Stock Exchange From 2017-2022

Chairunnisa Siregar[1], Abdillah Arif Nasution[2], Erlina[3]

[1,2,3]Department of Accounting, Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia

Corresponding Author: Chairunnisa Siregar

DOI: https://doi.org/10.52403/ijrr.20241055

ABSTRACT

This study aims to obtain empirical evidence on the effect of Leverage, Frequency of Audit Committee Meetings, Audit Committee, Firm Size, and Sustainability Report on Earning Management. The research design used is causal associative research with a quantitative approach. The sample of this study was 18 food and beverage companies listed on the Indonesia Stock Exchange in 2017-2022. The data analysis technique used multiple linear regression analysis. The results of this study indicate that partial leverage and frequency of audit committee meetings have a negative effect on earning management. Meanwhile, firm size has a positive impact on earning management. Other results show that the audit committee and sustainability report do not affect earning management in food and beverage companies listed on the Indonesia Stock Exchange.

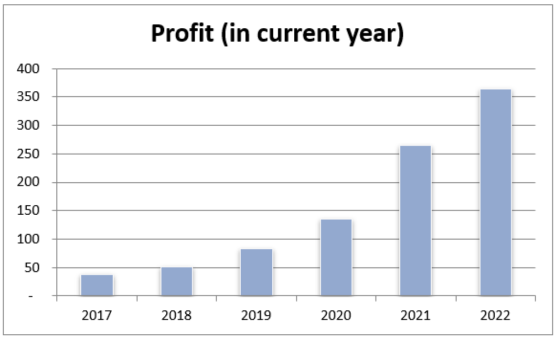
Keywords: *leverage, frequency of audit committee meetings, audit committee, firm size, sustainability report, earning management*

INTRODUCTION

As the party receiving authority from the company owner, the manager has the responsibility to maximize the interests of the company owner. However, the manager also has his interests, namely to prosper himself. Such differences in interests can lead to a conflict of interest that triggers the practice of earnings management in the company, where management tries to intervene in the preparation of the company's financial statements so that it can increase or decrease accounting profits according to its interests. Earnings management can be categorized into manipulation or accrual-based and real-based earnings management (Real Earnings Management), and the method of determining it is based on whether the profit manipulation leads to direct cash flow. Accrual profit manipulation is commonly called profit manipulation, and it involves accounting methods and estimates. Real profit manipulation is the manipulation of the company's operational profits so that it directly affects cash flow. Managers can manipulate income by offering discounts or more flexible credit payments to increase sales, reduce discretionary expenses, or produce more goods to lower the cost of goods sold. Managers usually use three types of manipulation: sales manipulation, reduction in discretionary expenditures, and overproduction.

The freedom given to companies in choosing the accounting method allows management to choose various existing policies freely. This freedom provides a gap for company management to take action to manage profits, which is what is known as earnings management. The management, which in this case acts as an agent, tends to manipulate financial reports to make the financial reports look better in the eyes of stakeholders, who act as principals. This is done by management so that their performance looks good to the principals. The actions taken by management are, of course, incorrect and violate the principles of presenting financial reports, which require transparency, non-misleading, and accountability. In addition, the actions taken by management also deviate from the company's main objectives. These actions are one of the things called earnings management.

Earnings management can be described as a condition where management manipulates the available accounting method options by taking the appropriate option to achieve the desired interests. According to Llukani (2013), large companies are more likely to do earnings management due to several things. First, large companies have good relationships with auditors (clients with good reputations) and can negotiate with them to create audit processes and reports. Second, by exercising their authority, managers can influence the internal audit structure and quickly arrange the results. Third, large companies can process income to reduce risk, and fourth, large companies tend to increase profits to increase external funding.



Source: Data processed by researchers, 2023

Figure 1. The Table of Current Year Profit of Manufacturing Companies 2017-2022

Based on the graph above, it has been shown that the company tends to be relatively stable, which can be seen from 2017-2022, where in 2017, it showed a figure of IDR 38 billion. In 2018, it showed a figure of IDR 52 billion, meaning that the profit of the ADES company from 2017 to 2018 increased by 13.84 per cent. The profit in 2019 showed a figure of IDR 83 billion, meaning that the profit of the ADES company from 2018 to 2019 increased by 15.84 per cent. In 2020, it showed a figure of IDR 135 billion, meaning that the profit of the ADES company from 2019 to 2020 increased by 16.18 per cent. In 2021, it showed a figure of IDR 265 billion, meaning that the profit of the ADES company showed a significant increase of 19.57 per cent. In 2022, it showed a figure of IDR 364 billion, meaning that the profit of the ADES company showed an increase of 13.73 per cent.

From the case above, it can be concluded that profit management practices are not new in developing the world economy. Profit management actions are carried out so that the company's financial statements always look good so that investors do not give a wrong view and will be interested in investing. Therefore, education is needed for investors to understand better what profit management is and the various elements that can influence profit management so that investors do not take the wrong steps in carrying out their investment activities on the stock exchange floor.

In this study, several things that are suspected of being able to influence profit management will be discussed, namely leverage, frequency of audit committee meetings, audit committees, firm size, and sustainability reports. Several previous studies have been carried out on the factors influencing profit management. Partayadnya and Suardikha (2018) showed that leverage positively affects profit management. However, the study's results by Wiyadi et al. (2015) stated that leverage does not affect profit management. Prastiti (2013) showed that the frequency of audit committee meetings did not significantly affect profit management. However, the research results of Marsha and Ghozali (2017) prove the negative influence of the number or frequency of audit committee meetings on earnings management.

A and Sukirno (2017) stated that the audit committee does not reduce the possibility of earnings management practices carried out by company management. This is possible due to the large number of audit committee members who are not independent, so the audit committee cannot ensure the quality of financial reporting presented by management. However, the research results by Raja et al. (2014) found that an audit committee can influence management to be more careful in carrying out its duties because management feels that the audit committee supervises its performance. Amijaya and Prastiwi (2013) explained that large companies are more motivated to equalize profits than small ones. Hence, their research resulted in the firm size variable having a significant positive relationship with its earnings management. Firm size affects the magnitude of the company's earnings management, where if the earnings management is opportunistic, the larger the company, the smaller the earnings management (negatively related), or vice versa. Astuti (2021) stated that sustainability reports significantly affect earnings management.

Meanwhile, the research results by Kinasih et al. (2018) stated that the disclosure of social responsibility measured quantitatively does not affect reducing earnings management. In this study, researchers chose manufacturing companies in the food and beverage sub-sector as the research object. In Indonesia, food and beverage companies are growing; this can be seen from the number of companies listed on the Indonesia Stock Exchange from period to period, which is increasing. The community may need this company to make its prospects profitable now and in the future. The food and beverage sector was chosen because these stocks are the most resistant to monetary or economic crises compared to other industries. After all, in any condition, crisis or not, some food and beverage products are still needed. Because this product is a basic need for people throughout Indonesia. Based on the description above, the researcher is interested in researching: "The Effect of Leverage, Audit Committee Meetings Frequency, Audit Committee, Firm Size, and Sustainability Report On Earning Management: A Study of Food and Beverage Companies Listed On The Indonesia Stock Exchange From 2017-2022 ".

LITERATURE REVIEW

Earnings Management

According to Anggraeni and Basuki (2013), earnings management occurs when management uses certain decisions in financial reporting and preparing transactions that change financial statements. This aims to mislead stakeholders about the company's economic performance conditions and influence contractual income that controls the reported accounting figures. Earnings management takes specific, deliberate steps within the boundaries of generally accepted accounting principles to produce the desired reported earnings.

According to Ulfa (2019), earnings management techniques and patterns can be carried out with three methods, including:

1. Taking advantage of opportunities to make accounting estimates.
   The way management influences profits through judgment (estimates) of accounting estimates includes estimating the level of bad debts, estimating the period of depreciation of fixed assets or amortization of intangible assets, estimating warranty costs, and others.
2. Changing accounting methods.
   Changes in the accounting method used to record a transaction, for

example, changing the depreciation method of fixed assets by calculating and recording depreciation of fixed assets from the year digit depreciation method to the straight-line depreciation method.

3. Shifting the cost or income period.
   Period engineering of costs or income can be exemplified by accelerating or delaying expenditures for research and development until the next accounting period, accelerating or delaying promotional expenses until the next period, accelerating, or delaying.

Leverage

A company's leverage is a debt used to finance its assets to carry out its operational activities. The greater the company's debt, the greater the risk the owner faces, so the owner will ask for a higher level of profit so that the company is not threatened with liquidation. According to Gunawan (2015), "If a company is threatened with liquidation, what can be done is profit management." This situation shows the influence of leverage and profit management.

Based on agency theory, shareholders, as company owners, will want the greatest possible return on the resources they have provided to the company. In this case, managers as company managers will be required to optimize the company's profits as a form of their responsibility to shareholders. If shareholders know the company has a high leverage ratio, it can decrease its ability to generate profits. This will reduce the assessment of the manager's performance as a manager. This encourages managers to manipulate information in their financial statements to avoid losses.

Aryati (2020) said that companies that have a high leverage ratio due to the large amount of debt compared to the assets owned by the company are suspected of carrying out profit management because the company is threatened with default, namely not being able to fulfil its obligation to pay debts on time.

Audit Committee Meeting Frequency

The frequency of audit committee meetings is the number of conferences or meetings the audit committee holds during one year. The audit committee holds regular meetings at least 1 (one) time in 3 (three) months (Financial Services Authority Regulation Number 55 / POJK.04 / 2015 concerning the audit committee). An audit committee that holds meetings more often is expected to be able to prevent indications of obstacles faced by the company, especially in the matter of profit management. An audit committee that holds meetings often will have more time to carry out its role of monitoring the company's reporting process so that efficient results are obtained.

In agency theory, supervision is essential to corporate governance or Good Corporate Governance (GCG). Regular meetings can increase the audit committee's effectiveness in monitoring the company's financial reporting process and internal control. Karamanou and Vafeas (2005) argue that an audit committee that holds meetings often will have more time to monitor the company's reporting process to obtain efficient results. An audit committee that holds meetings often will have more time to efficiently supervise the company's reporting process.

This is supported by research conducted by Widiastuty (2016), which proves that companies with low meeting frequencies have audit committees that tend to produce lower-quality financial reports.

Audit Committee

The audit committee is formed by the board of directors tasked with independent supervision of the financial reporting and external audit process. According to Oktadella and Zulaikha (2010), the audit committee in a company can be one of the efforts to reduce fraud in the presentation of financial statements so that the audit committee is expected to increase supervision of management actions that allows for manipulation of financial statements that affect the integrity of the financial statements.

In addition to being independent, the audit committee must also have expertise and abilities in accounting and finance. Sirait et al. (2014) competence indicates achieving and maintaining a level of understanding and knowledge that allows an audit committee member to carry out their duties properly.

The existence of an audit committee will improve the quality of financial reporting and reduce manipulation so that the accounting process will produce quality reports. According to Prastiti and Meiranto (2013), audit committee members who are independent commissioners and finance experts are influential parties in reducing earnings management.

Abdillah & Purwanto (2016) stated that the audit committee could influence the company's earnings management practice. The existence of an audit committee in a company can reduce the practice of earnings management, which is a result of opportunistic actions taken by managers. An audit committee with expertise in finance and accounting will be able to carry out supervision effectively, thereby reducing the possibility of management reporting fraudulently (Prasetyo, 2014). However, the audit committee's performance becomes more effective if its members have independence in expressing attitudes and opinions (Pamudji & Trihartati, 2010).

Firm Size

Firm size is a scale used to classify the size of a company in various ways, including log size, total assets, sales, and market capitalization (Agustia and Suryani, 2018). According to Moses (1997) and Gunawan et al. (2015), companies with a larger scale have a greater motivation to carry out income smoothing than those with a smaller scale. This is because larger companies are subject to stricter government and general public supervision. Murni's (2017) and Sari's (2017) research show that firm size positively affects earnings management. On the other hand, Firnanti's (2017) and Purnama's (2017) research states that firm size has a negative effect on earnings management. The public more closely monitors large companies, so they will be more careful in reporting their finances and conditions more accurately. The larger the company, the more information is usually available to investors when making decisions regarding investment in the company's shares. Firm size negatively influences earnings management because managers can manage earnings by increasing their profits to get compensation from the company, and the company gets a good rating from investors.

Sustainability Report

The Sustainability Report is evidence that the company has an agreement on its social environment, and the results will be evaluated by those who need the information. Furthermore, the Sustainability Report is one of the tools that can be used by companies, both government and business, in their dialogue with citizens and stakeholders to implement education for sustainable development. Therefore, preparing the Sustainability Report is as essential as the disclosure made in the financial report (Hanindito, 2014). Reporting sustainability reports will improve the good image of the community or investors and realize transparency of all company performance. The better the quality of the sustainability report published by the company, the growth of the company's stock price can also increase. The information contained in the economic dimension of the sustainability report can convince the potential of competitive capital resources with a low level of risk to stakeholders. Earnings management will occur if the company is not committed and responsible to its community. Disclosure of sustainability reports shows the company's commitment to stakeholders and regulations.

Framework

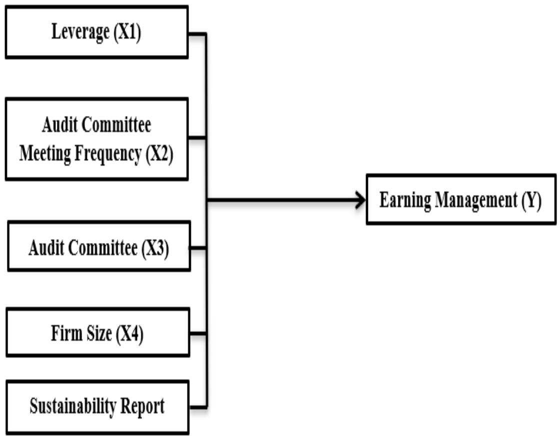


Figure 2. Conceptual Framework

H1: Leverage has a positive effect on earning management
H2: Frequency of Audit Committee Meetings has a negative effect on Earning Management
H3: The Audit Committee has a negative effect on earnings management
H4: Firm size has a negative effect on earning management
H5: Sustainability Report has a negative effect on Earning Management

MATERIALS & METHODS

This research is causal associative. Causal Associative Research is a study that identifies a cause-and-effect relationship between one or more independent variables and the dependent variable. The independent variables used in this study are leverage, the frequency of audit committee meetings, audit committees, and firm size. The dependent variable in research is earning management.
The type of data used in this study is quantitative data. The population in this study was a Food and Beverage sub-sector company listed on the Indonesia Stock Exchange from 2017 to 2022. The method of determining the sample in this study was the Purposive Sampling method. The sample used was a Food and Beverage company listed on the Indonesia Stock Exchange in 2017-2022 and the following criteria:

Table 1. Number of Samples Based on The Sample Determination Criteria

No	Sample Determination Criteria	Total
1	Population: Total Food and Beverage Sub Sector Listed on the Indonesia Stock Exchange	30
2	Food and Beverage Sub Sector Companies that are not registered in the Indonesia Stock Exchange in the 2017-2022 IPO period	(6)
3	Food and Beverage Sub Sector Companies that do not have complete financial statements on the Indonesia Stock Exchange in 2017-2022	(6)
	Number of Samples	18

Source: www.idx.co.id (processed data)

The selection produced the number of companies that met the criteria of 18 companies each issued financial statements in the 2017-2022 period, so the number of samples became 18 x 6 = 108. The data analysis technique used in this study is the EViews 10 program.

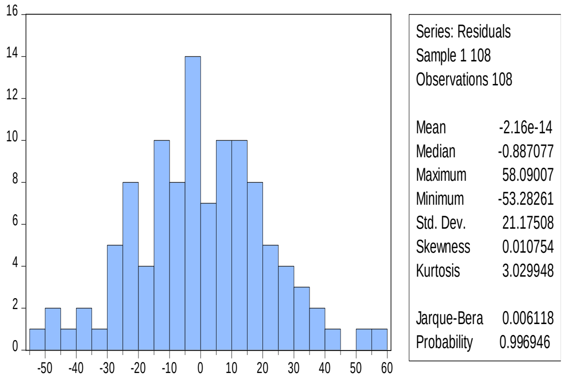
RESULT

A. Classic Assumption Test

1. Normality Test

In this study, the normality test of residuals using the Jarque-Bera (J-B) test was conducted. In this study, the level of significance used $\alpha = 0.05$. The basis of decision-making is to look at the probability rate of J-B statistics with the following conditions.

- If the probability value of $P \geq 0.05$, then the assumption of normality is met.
- If the probability is <0.05, the normality assumption is unmet.



Source: Software EViews ten results

Figure 3. Normality Test with Jarque-Bera Test

The picture above shows that the probability value of J-B statistics is 0.996946. Because the probability value of P, which is 0.996946, is greater than the significance level, which is 0.05. This means that the assumption of normality is met.

2. Multicollinearity Test

In this study, multicollinearity symptoms can be seen from the VIF value. If the VIF value> 10, then this is an indication of multicollinearity. Multicollinearity test results are presented in Table 2.

Table 2. Multicollinearity Test with VIF

Independent Variable	VIF
Leverage	1,192701
Audit Committee Meeting Frequency	1,213096
Audit Committee	1,038584
Firm Size	1,151646
Sustainability Report	1,110292

Source: Software EViews 10 results

The table above shows the results of multicollinearity testing. It can be concluded that there are no symptoms of multicollinearity between independent variables. This is because the VIF value <10.

3. Heteroscedasticity Test

The Breusch-Pagan test can be used to test whether heteroscedasticity occurs. Table 2 presents the results of heteroscedasticity testing using the Breusch-Pagan test.

Table 3. Heteroscedasticity Test with The Breusch-Pagan Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.180106	Prob. F(5,102)	0.9695
Obs*R-squared	0.945159	**Prob. Chi-Square(5)**	**0.9669**

Source: Software EViews ten results

Table 3 above shows the prob value. Chi-square 0.9669> 0.05, which means heteroscedasticity does not occur.

4. Autocorrelation Test

Assumptions regarding residual independence (non-autocorrelation) can be tested using the Durbin-Watson test. The statistical value of the Durbin-Watson test ranges from 0 to 4. The statistical value of the Durbin-Watson test, which is smaller than one or greater than three, indicated autocorrelation occurs.

Table 4.Autocorrelation Test With The Durbin-Watson Test

Log likelihood	-482.4481	Hannan-Quinn criter.	9.105752
F-statistic	5.422517	Durbin-Watson stat	1.803524

Source: Software EViews 10 results

Table 4 above shows that the value of Durbin-Watson statistics is 1,803524. Note that because the statistical value of Durbin-Watson is located between 1 and 3, namely 1 <1,803524 <3, the assumption of non-autocorrelation is fulfilled. In other words, there are no high symptoms of autocorrelation in residuals.

B. Determination of The Estimated Model Between The Common Effect Model (CEM) and Fixed Effect Model (FEM) with The Chow Test

Chow test is used to determine whether the CEM or FEM estimation model in forming a regression model. The hypothesis was tested as follows.

- H_0: The CEM model is better than the FEM model.
- H_1: Fem model is better than the Cem model

Following are the results based on the Chow test using EViews 10.

Table 5. The Chow Test Result

Redundant Fixed Effects Tests
Pool: DATAPANEL
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.222224	(17,85)	0.2656
Cross-section Chi-square	23.618459	17	**0.1302**

Source: Software EViews 10 results

The rules for making decisions on hypotheses are as follows:

- If the probability value of the chi-square cross-section <0.05, then H_0 is rejected, and H_1 is accepted.
- If the probability value of the chi-square cross-section ≥ 0.05, then H_0 is accepted, and H_1 is rejected.

Table 4 shows that the probability value is 0.1302. Because the probability value is 0.1302> 0.05, the estimated model used is the Common Effect Model (FEM) model.

C. Determination of the estimated model between the Fixed Effect Model (FEM) and Random Effect Model (Rem) with the Hausman Test

To determine whether the FEM or brake estimation model in forming a regression model, a thug test is used. Following are the results based on the Hausman test using EViews 10 software.

Table 6. The Results Of The Hausman Test

Correlated Random Effects - Hausman Test
Pool: DATAPANEL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.803720	5	0.7302

Source: Software EViews 10 results

Table 6 above shows that the probability value is 0.7302. Because the probability value is 0.7302> 0.05, the estimated model used is the Random Effect Model (REM).

D. Hypothesis Testing

1. Panel Data Regression Equation and Significance Test of Partial Effect (T-Test).

The analysis technique used in this study is multiple linear regression with panel data to find out leverage, the frequency of audit committee meetings, audit committees, firm size, and sustainability report of Earning Management. The estimation method used in this study was the Random Effect Model (REM). The results of multiple linear regression analysis using the Random Effect Model are as follows.

Table 7. The Results of Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.148002	0.064191	-2.305638	0.0232
X2	-3.460640	1.648843	-2.098829	0.0383
X3	-4.309562	6.689484	-0.644229	0.5209
X4	1.384347	0.372584	3.715528	0.0003
X5	-55.24577	112.4709	-0.491201	0.6243
C	31.53818	23.44941	1.344945	0.1816

Source: Software EViews 10 results

Table 7 above shows the equation of multiple linear regression as follows:

Y = 31,53818 – 0.148002X1 – 3,460640X2 – 4,309562X3 + 1,384347X4 – 55.24577X5

The equation above can be explained as follows:

1) Constant (α) = 31,53818 supports constant results, where the value of all independent variables is equal to the value of the company's integrity variable is equal to 31,53818.
2) Leverage Coefficient = -0.148002, meaning that based on this study, if other variables are fixed and leverage decreases by 1 unit, Earning Management will decrease by 0.148002 (1%). Unstandardized coefficients B value is negative. This shows the negative relationship between leverage and earning management. This means that if leverage increases, earning management will decrease.
3) Frequency coefficient of Audit Committee Meeting = -3.460640. Based on this study, if other variables are fixed and the audit committee meeting

frequency has decreased by 1 unit, the earning management will decrease by 3,460640 (3.46%). The unstandardized coefficient B value is negative. This shows the occurrence of a negative relationship between the meeting of the Audit Committee meeting and Earning Management. This means the earning management will decrease if the audit committee meeting is increased.

4) Audit Committee Coefficient = -4.309562, meaning that based on this study, if other variables are fixed and the audit committee has decreased by 1 unit, Earning Management will decrease by 4,309562 (4.309%). Unstandardized coefficients B value is negative. This shows a negative relationship between the Audit Committee and Earning Management. This means that if the audit committee increases, earning management will decrease.
5) Firm Size Coefficient = 1,384347, meaning that based on this study, if other variables are fixed and Firm Size has increased by 1 unit, Earning Management will increase by 1,384347 (1.384%) Unstandardized Coefficients B value is positive. This shows a positive relationship between firm size and earnings management. This means that earning management will also increase if the firm size increases.
6) Coefficient of Sustainability Report = -55.24577, meaning that based on this study, other variables are fixed, and the sustainability report has decreased by 1 unit, so earning management will decrease by 55,24577 (55.245%). Unstandardized coefficients B value is negative. This shows a relationship between sustainability reports and earning management. This means that if the sustainability report increases, earning management will decrease.
7) Standard Error (E) shows the rationing error rate in this study of 5% (0.05).

Following are the results of the analysis using the Random Effect Model.

Table 8. Random Effect Model Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.150125	0.068582	-2.188995	0.0309
X2	-3.751178	1.867560	-2.008598	0.0472
X3	-4.255733	6.715264	-0.633740	0.5277
X4	1.408365	0.436311	3.227889	0.0017
X5	-44.12760	114.1879	-0.386447	0.7000
C	32.11882	24.62647	1.304240	0.1951

Source: Software EViews 10 results

Y = 32.11882 - 0.150125X1 - 3,751178X2 - 4,255733X3 + 1,4083657X4 - 32.11882X5

The equation above can be explained as follows:

1) Constant (α) = 32,118 shows a constant result, where if the value of all independent variables is equal to zero, then the earning management variable is equal to 32.118.
2) Leverage Coefficient = -0.150125, meaning that based on this study, if other variables are fixed and leverage decreases by 1 unit, Earning Management will decrease by 0.150125 (15%). Unstandardized coefficients B value is negative. This shows the negative relationship between leverage and earning management. This means that if leverage increases, earning management will decrease.
3) Frequency coefficient of Audit Committee Meeting = -3.751178. Based on this study, if other variables are fixed and the Audit Committee meeting frequency has decreased by 1 unit, the earning management will decrease by 3,751178 (3.75%). The unstandardized coefficient B value is negative. This shows the occurrence of a negative relationship between the meeting of the Audit Committee meeting and Earning Management. This means the earning management will decrease if the audit committee meeting is increased.
4) Audit Committee Coefficient = -4.255733, meaning that based on this study, if other variables are fixed and the audit committee has decreased by 1 unit,

the earning management will decrease by 4,255733 (4,255%). Unstandardized coefficients B value is negative. This shows a negative relationship between the Audit Committee and Earning Management. This means that if the audit committee increases, earning management will decrease.

5) Coefficient of firm size = 1,408365, meaning that based on this study, if other variables are fixed and firm size experienced an increase of 1 unit, the earning management will increase by 1,408365 (1,408%) Unstandardized Coefficients B value is positive. This shows a positive relationship between firm size and earnings management. This means that earning management will also increase if the firm size increases.
6) Coefficient of Sustainability Report = -44.12760, meaning that based on this study, other variables are fixed, and sustainability reports have decreased by 1 unit while Earning Management will decrease by 44,12760 (44.127%). Unstandardized coefficients B value is negative. This shows a relationship between sustainability reports and earning management. This means that if the sustainability report increases, earning management will decrease.
7) Standard Error (E) shows the rationing error rate in this study of 5% (0.05).

2. Significance of Simultaneous Effects (Test F)

The F test is used to see the effect of independent variables (leverage, frequency of audit committee meetings, audit committees, firm size, and sustainability report) on independent variables (earning management) simultaneously (together). This influence must be tested to see whether a T (partial) test can follow this regression model. If the results of the F test concluded that all independent variables had a significant effect on the independent variables, this regression model could be continued by conducting the t-test. Conversely, if it does not affect, the t-test (partial test) does not need to be done because all independent variables can be seen in the following table:

Table 9. Simultaneous Significance Test Results

R-squared	0.209992
Adjusted R-squared	0.171266
S.E. of regression	21.68786
Sum squared resid	47977.07
Log likelihood	-482.4481
F-statistic	5.422517
Prob(F-statistic)	0.000183

Source: Software EViews 10 results

Table 9 shows the prob value. (F-Statistics), which is 0,000183 <0.05, it can be concluded that all independent variables, namely Leverage (X1), Frequency of Audit Committee Meeting (X2), Audit Committee (X3), Firm Size (X4), Sustainability (X5) simultaneously, have a significant effect on the Earning Management (Y) variable.

3. T (Partial) Statistical Test

The T statistical test shows how much influence one independent variable has in explaining the independent variable. The hypothesis is formulated as follows:

- H0: xi = 0, meaning that the independent variable has no significant effect
- H1: x1 ≠ 0, meaning that the independent variables are significantly influenced

Reception or rejection of hypotheses in research can be done with the following criteria:

- If the significance value t statistics ≥ 0.05, then H0 is accepted. This means that an independent variable does not influence the dependent variable individually.
- If the significance value of t statistics ≤ 0.05, H1 is rejected. This means that an independent variable individually influences the dependent variable.

Table 10. T (Partial) Statistical Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.148002	0.064191	-2.305638	0.0232
X2	-3.460640	1.648843	-2.098829	0.0383
X3	-4.309562	6.689484	-0.644229	0.5209
X4	1.384347	0.372584	3.715528	0.0003
X5	-55.24577	112.4709	-0.491201	0.6243
C	31.53818	23.44941	1.344945	0.1816

Source: Software EViews 10 results

The T-test results can be seen in Table 10 below:

1) It is known that leverage (X1) has a negative effect on earning management with a coefficient value of -0.014 and significant with a prob value. 0.032 ≤ 0.05
2) It is known that the Audit Committee (X2) meeting has a negative effect on earning management with a coefficient value of -3,460 and significant with the prob value. 0.03 ≤ 0.05.
3) It is known that the Audit Committee (X3) has a negative effect on earning management with a coefficient value of -4.309 and is not significant with the prob value. 0.052 ≤ 0.05.
4) It is known that the firm size (X4) has a positive effect on earning management with a coefficient value of 1,384 and significant with a prob value. 0.0003 ≤ 0.05.
5) It is known that the Sustainability Report (X5) has a negative effect on earning management with a coefficient value of -55.245 and is not significant with a prob value. 0.624.

4. Analysis Of The Coefficient Of Determination

The Determination Coefficient Test (R2) is carried out to measure how far the model's ability explains the dependent variable. The value range is 0 to 1. If R2 is negligible, the independent variables' ability to explain the dependent variable's variables is minimal. Conversely, if R2 is large (close to 1), it means the ability of independent variables to describe the variety of significant dependent variables.

Table 11. Determination Coefficient Test Results

R-squared	0.209992	Mean dependent var	27.16809
Adjusted R-squared	0.171266	S.D. dependent var	23.82370
S.E. of regression	21.68786	Akaike info criterion	9.045335
Sum squared resid	47977.07	Schwarz criterion	9.194343
Log likelihood	-482.4481	Hannan-Quinn criter.	9.105752
F-statistic	5.422517	Durbin-Watson stat	1.803524
Prob(F-statistic)	0.000183		

Source: Software EViews 10 results

Table 11 above shows the coefficient of determination (R-squared) R^2 = 0.2099. This value can be interpreted as leverage (X1), the frequency of the Audit Committee Meeting (X2) meeting, the Audit Committee (X3), Firm Size (X4), and Sustainability (X5) simultaneously or jointly affects Earning Management (Y) of 20.99 %, other factors influence the remaining 79.01%.

CONCLUSION

Based on the results of data analysis and discussion of the results of the research as well as the results of the discussion testing that has been carried out, the conclusions that can be drawn are as follows:

1) Leverage has a negative and significant effect on earning management.
2) The frequency of audit committee meetings negatively and significantly affects earnings management.
3) The audit committee does not affect earning management.
4) Firm Size has a positive and significant effect on earning management.
5) The Sustainability Report does not affect earning management.

RESEARCH LIMITATIONS

Based on research that has been done, the limitations of the study are as follows:

1) This study's limitations were reporting on sustainable reports (sustainability reports), especially in manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange, which is still very minimal. So that researchers find it challenging to get data to be examined.
2) Researchers only examine some variables that might affect earning management, but several variables might

significantly affect the financial performance variables, board capital, and corporate governance.

SUGGESTION

Based on the limitations in the research that has been carried out, the suggestions that can be given are as follows:

1) For manufacturing companies, especially in the food and beverage subsector listed on the Indonesia Stock Exchange, the sustainability report has no significant effect on Earnings management. Therefore, it is suggested that the food and beverage subsector manufacturing company listed on the Indonesia Stock Exchange report the sustainability report from each company every year.
2) For further research, examining variables that have never been discussed is advisable. The variables that can be tested include financial performance, board capital, financial distress, company performance, and company governance.

Declaration by Authors

Acknowledgement: None
Source of Funding: None
Conflict of Interest: The authors declare no conflict of interest.

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How to cite this article: Chairunnisa Siregar, Abdillah Arif Nasution, Erlina. The effect of leverage, audit committee meetings frequency, audit committee, firm size and sustainability report on earning management: a study of food and beverage companies listed on the Indonesia Stock Exchange From 2017-2022. *International Journal of Research and Review*. 2024; 11(10): 593-605. DOI: *10.52403/ijrr.20241055*

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