

The Effect of Deferred Tax Expenses, Sales Growth and Company Size on Profit Management (Study on Food and Beverage Companies on the Indonesia Stock Exchange)

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ABSTRACT

This study aims to analyze the influence of deferred tax expenses, sales growth, and company size on profit management in food and beverage sector companies listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative approach with secondary data in the form of the company's annual financial statements obtained through the official website of the Indonesia Stock Exchange. The research period used is 2020–2024. The results of the study show that the deferred tax burden has no effect on profit management and the size of the company also does not have a significant effect on profit management. These findings suggest that companies with high sales growth rates tend to have a greater incentive to engage in profit management practices in an effort to display good financial performance to external parties.

INTRODUCTION

Financial statements are the basis for performance evaluation and economic decision-making for internal and external parties of the company. Profit is the main component because it reflects operational results and is used in performance appraisal, compensation, bonus distribution, and tax determination (Karina & Sutandi, 2019). The flexibility of accounting policies opens up opportunities for management to carry out profit management, which is an effort to regulate profit reporting to look stable or increase even though it does not fully reflect the company's economic conditions. This practice can be explained through agency theory, where conflicts of interest between principals and agents encourage opportunistic behavior in financial reporting (Alexander et al., 2017).

The phenomenon of profit management is reflected in the case of PT Tiga Pilar Sejahtera Food Tbk which was proven to manipulate the 2017 financial statements with losses of more than Rp5 trillion. The case shows that profit management practices are still a serious issue, especially in the food and beverage sector. In the 2020–2024 period, the sector faces global economic uncertainty and the impact of the COVID-19 pandemic that has caused fluctuations in demand, increasing pressure for management to maintain an image of performance and investor confidence.

One of the factors that affect profit management is the deferred tax burden, which arises due to the temporary difference between accounting profit and fiscal profit as stipulated in PSAK 46 concerning Income Tax which has been amended to PSAK 212 (2024). The difference in the time of revenue recognition and expenses can be used by management to shift the tax burden between periods (Suandy, 2011). Another factor is sales growth that reflects the company's ability to maintain performance and is often an impetus for management to display stable profits to attract investors and creditors (Anindya et al., 2020; Putra, 2020). In addition, the size of the company also influences profit management practices because large companies have broader policy flexibility but are under stricter public scrutiny and regulators (Wulan Astriah et al., 2021).

The results of previous research show inconsistent findings regarding the influence of deferred tax burden and sales growth on profit management (Agung et al., 2023; Dhea & Winata,

2023; Hilal Hamdi & Utami, 2024). Therefore, this study adds a variable of company size and uses the latest observation period of 2020–2024 on food and beverage sub-sector companies listed on the Indonesia Stock Exchange. This research is expected to provide new perspectives and strengthen empirical evidence regarding the factors that influence profit management.

THEORETICAL REVIEW

Agency Theory

Agency theory describes the relationship between the principal and the management (agent) who is authorized to manage the company (Jensen & Meckling, 1976). Differences in interests and the existence of information asymmetry cause managers to have opportunities to act opportunistically, one of which is through profit management practices. Profit management is done to

meet the expectations of owners, maintain an image of performance, or gain personal profit. Therefore, agency theory is the basis for explaining profit management behavior in financial reporting.

The Effect of Deferred Tax Burden on Profit Management

Deferred tax expenses arise due to the temporary difference between accounting profit and fiscal profit (Zain, 2018). These differences can be used by management to regulate the time of profit recognition and tax burden so that profits look more stable. Previous studies have shown inconsistent results, where some studies have found the effect of deferred tax burdens on profit management, while others have not found them (Agung et al., 2023; Dhea & Winata, 2023; Hilal Hamdi & Utami, 2024; Cristin, 2024). Based on this description, the research hypothesis is formulated as follows:

H1: Deferred tax burden affects profit management.

The Effect of Sales Growth on Profit Management

Sales growth reflects the company's ability to improve performance over time (Widarjo, 2009). The high growth rate encourages management to maintain such performance to remain attractive to investors and creditors, thus potentially sparking profit management practices. The results of previous studies showed that there were differences in findings related to the influence of sales growth on profit management (Putra, 2020; Anggreani & Arfianti, 2024; Simanjuntak, 2022; Marseille David, 2023). Therefore, the hypothesis proposed is:

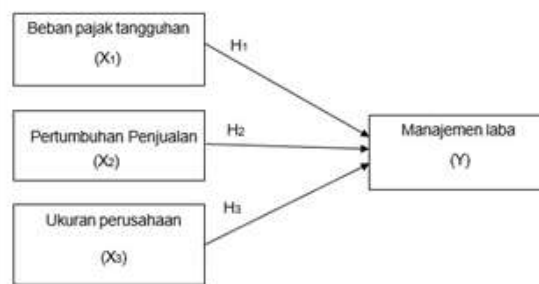
H2: Sales growth affects profit management.

The Influence of Company Size on Profit Management

The size of the company indicates the size of the company that can be measured through total assets or sales. Large companies have greater resources and flexibility, but they are also under strict public scrutiny. This condition encourages management to manage profits so that the company's performance looks stable. Previous research has shown mixed results regarding the influence of company size on profit management (Edeline et al., 2024; Resti & Achmad, 2025; Kiki & Mt, 2023; Simanjuntak, 2022; Astriah et al., 2021) Based on this description, the research hypothesis is formulated as follows:

H3: The size of the company affects profit management

Frame of Mind



Gambar 1 Kerangka Pikir

Figure. 1 Frame of Mind

METHODOLOGY

The object of this research is a food and beverage sector company listed on the Indonesia Stock Exchange. The research uses secondary data in the form of annual financial statements for the period 2020 - 2024, with a sample of 18 companies selected using *the purposive sampling* method. Financial statements are used as a data source to obtain information on deferred tax expenses, sales growth, company size, and profit management.

Variables

1. Dependent Variable

The dependent variable used is profit management. The definition of profit management is the practice in which a company's management attempts to engineer figures in its financial statements that are submitted to external parties. In this study, profit management can be measured using profit changes as stated by Philips et.al (2003). With the following formula:

$$\Delta E = \frac{E_{it} - E_{it-1}}{MVE_{it-1}}$$

$$BP = \frac{\text{Beban Pajak Tangguhan } t}{\text{Total aset } t-1}$$

Description :

ΔE = Change in profit

E_{it} = Company Profit I in year t

E_{it-1} = Company Profit I in year t-1

MVE_{it} = The share price multiplied by the number of shares outstanding in year t-1

2. Independent Variables

Deferred tax burden. The definition of deferred tax expense is a burden incurred due to a temporary difference between accounting profit and fiscal profit. Based on the research of Marsella & David (2023), the burden of deferred taxes can be formulated as follows:

$$BP = \frac{\text{Beban Pajak Tangguhan } t}{\text{Total aset } t - 1}$$

Description :

BP t = Company deferred tax burden i in year t

Total assets t-1 = Total assets of the company in year t-1

Sales growth The definition of an increase in sales volume from year to year or over time. Sales changes show the company's ability to increase revenue from key activities. Based on research by Vemtya & Rizka (2024) Sales growth can be formulated as follows:

$$\text{Sales Growth} = \frac{\text{Sales year } t - \text{Sales } t - 1}{\text{Sales } t - 1}$$

Description :

Sales year t – Sales t – 1

Sales t – 1

Year sales t = net sales in the current year

Sales year t-1 = net sales in the previous year

The size of the company. The definition of a large size of a company that can affect the level of profitability of the company. Based on research by Marsella & David (2023), company size can be formulated as follows:

$$\text{SIZE} = \text{Ln (total assets)}$$

Description :

Ln = Natural Logarithm

Data Analysis Techniques

The data analysis in this study was carried out using multiple linear regression method with the help of SPSS software. Before hypothesis testing, the data were tested using a classical assumption test which included a normality test, a multicollinearity test, a heteroscedasticity test and an autocorrelation test. Hypothesis testing was carried out using simultaneous tests (F Test) and partial tests (t Tests) to determine the influence of each independent variable on profit management. In addition, the determination coefficient is used to measure the ability of independent variables to explain the variation of dependent variables.

RESULTS AND DISCUSSION

Descriptive statistical test

This analysis aims to provide an overview of the variables studied by looking at the mean values, standard deviation, maximum and minimum.

Table. 1 Descriptive statistical test

	N	Minimum	Maximum	Red	Std. Deviation
Tax burden	90	-.01	.01	-.0008	.00422
Suspension					
Growth	90	-.78	.52	.0788	.18594
Sales					
Company size	90	25.83	32.94	29.2030	1.15792
Profit management	90	-.06	.14	.0060	.02585

The mean value of deferred tax expense of -0.0008 indicates that companies in the sample are more likely to experience deferred tax benefits than deferred tax burdens. Meanwhile, the standard deviation value of 0.00422 indicates that the spread of deferred tax burden data is relatively small and tends to cluster around the average value, so the level of variation between companies is relatively low and stable.

The average value (mean) of sales growth of 0.0788 shows that in general the companies in the sample experienced sales growth of around 7.88% per year. The standard deviation value of 0.18594 indicates that the sales growth in the study sample has a fairly high degree of variation.

The average value of 29.2030 shows that the companies sampled are in the medium to large company category. The standard deviation value of 1.15792 indicates that the variation in company size is quite high.

The average value of profit management (mean) of 0.0060 indicates that the change in profit in general is relatively small. The standard deviation value of 0.02585 indicates that the variation in profit changes between companies is relatively small.

Classical Assumption Test

Normality Test

The normality test is used to test whether the data being studied is normally distributed or not. The test used in this study is the Kolmogorov Smirnov statistical test.

Table. 2 Normality Test

		Unstandardized Residual
N		90
Normal Parate ^b	Red	.0000000
	Std. Deviation	.58202415
Most Extreme Differences	Absolute	.088
	Positive	.087
	Negative	-.088

Test Statistic		.088
Asymp. Sig. (2-tailed)		.083

Based on the data in the table above, the asymp value. Sig. (2-tailed) of 0.083 > 0.05 then It can be concluded that the sample data is normally distributed

Multicollinearity Test

The multicollinearity test is used to test whether in this regression there is a correlation between independent variables.

Table. 3 Multicollinearity Test

Models		Collinearity Statistics	
		Tolerance	VIF
1	Deferred tax burden	.857	1.167
	Sales growth	.909	1.100
	Company size	.876	1.142

Based on the results of the table above, the Tolerance value of all variables is greater from 0.10 and the VIF value of all variables has a value lower than 10 which means there is no high correlation

Heteroscedasticity Test

The heteroscedasticity test was used to test whether the residual variance (error rate) between observation periods remained constant or there was a change, in this study using the Glejser Test.

Table. 4 Heteroscedasticity Test

Models		Sig
1	Deferred tax burden	.716
	Sales growth	.210
	Company size	.564

Based on the results of the table above, it shows that all variables show a value significance > 0.05 then do not experience symptoms of heteroscedasticity.

Autocorrelation Test

The Autocorrelation test is used to find out if there is a relationship between the residual values in one period and another.

Table. 5 Autocorrelation Test

Models	R	R Square	Adjusted R square	Std. Error of the estimate	Durbin Watson
1	.479a	.230	.203	.57011	2.188

Based on the results of the SPSS output above, the values of Durbin Watson (2,188), dL (1,589), dU (1,726), 4-dL (2,412), 4-dU (2,274) which is $1,726 < 2,188 < 2,274$, it can be concluded that this regression model does not have autocorrelation.

Multiple linear regression analysis

Multiple linear regression analysis is used to test and analyze the influence between independent variables on dependent variables.

Table. 6 Multiple linear regression analysis

Models	Unstandardized Coefficients	
	B	Std. Error
(Constant)	4.618E-16	.060
Tax Burden		
Suspension	-.044	.060
Growth		
Sales	.292	.058
Size		
Company	-.053	.059

Based on the table above, the results of multiple linear regression can be concluded as follows:

- a. The value (a) of 4,618E-16 or close to zero is a constant or basic condition of the profit management variable before being influenced by independent variables, namely deferred tax expenses, sales growth and company size. If independent variables do not exist, then profit management does not change.
- b. The value of the deferred tax burden coefficient with a negative value of -0.044 indicates that the variable of deferred tax burden has no effect on profit management, where an increase in the deferred tax burden by one unit, will decrease profit management by -0.044 and vice versa, assuming that other variables are constant.
- c. The value of the sales growth coefficient with a positive value of 0.292 indicates that the sales growth variable has a positive and significant effect on profit management, where an increase in sales growth by one unit will increase profit management by 0.292 and vice versa, assuming that other variables are constant.

- d. The value of the company size coefficient with a negative value of -0.053 indicates that the company size variable has no effect on management. Where every increase in the size of the company by one unit will reduce profit management by -0.053 and vice versa, assuming the other variables are constant.

F Test

The f test is used to find out whether independent variables together have an effect on the value of the company.

Table. 7 F Test

Models		Sum of squares	df	Red square	F	Sig
1	Regression	8.338	3	2.779	8.522	.001b
	Residual	27.952	86	.325		
	Total	36.290	89			

Based on the table above, the significance value of $0.001 < 0.05$ indicates that the tax burden Resilience, sales growth and company size simultaneously affect profit management.

Coefficient Determination Test

The determination coefficient test is used to test the proportion of variation of independent variables that are able to explain the variation of dependent variables.

Table. 8 Coefficient Determination Test

Models	R	R Square	Adjusted R Square	Std. Error Of The Estimate
1	.479a	.230	.203	.57011

Based on the table above, the value of the Adjusted R Square (determination coefficient) is 0.203 It showed that independent variables in the regression model were able to explain the variation of dependent variables by 20.3%, while 79.7% were explained by other factors outside the study model.

T Test

The t-test is used to test the significance of the influence of each independent variable on the dependent variable formulated in the model.

Table. 9 T Test

Model s	t	Sig	Conclusion
Deferred Tax Burden	-.737	.463	H ₁ Rejected

Sales growth	5.042	.001	H2 Daccepted
Company size	-.892	.375	H3 DReject

Based on the table above, the following results are obtained:

- a. Deferred tax expense (X1)
The variable of deferred tax burden has a significance value of $0.463 > 0.05$, then H1 is rejected, this shows that the deferred tax burden has no effect on profit management.
- b. Sales growth (X2)
The sales growth variable has a significance value of $0.001 < 0.05$, H2 is accepted, this shows that sales growth has a positive and significant effect on profit management.
- c. Company size (X3)
The company size variable has a significance value of $0.375 > 0.05$, then H3 is rejected, this shows that the company size has no effect on profit management.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the hypothesis research that has been carried out, the results of the research can be concluded as follows:

1. Deferred tax burden has no effect on profit management. These results show that the deferred tax burden does not affect management's decision to regulate profits.
2. Sales growth has a positive effect on profit management. This shows that the higher the sales growth, the greater the chances of the company performing profit management practices.
3. The size of the company has no effect on profit management. These results show that the size of the company does not influence management to carry out profit management practices because it can damage the company's reputation.

Based on the research that has been conducted for subsequent researchers who research similar topics, it is recommended to extend the research period so that the results can reflect the condition of the company in a longer period of time. In addition, researchers can then increase the number of samples, expand the research sector, add other variables that affect profit management, and use different profit management calculation models to strengthen the research results.

FURTHER STUDY

Future research is expected to expand the sample size, include additional variables such as corporate governance and leverage, and examine longer observation periods to obtain more comprehensive results on earnings management.

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