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The Board of Commissioners Moderates Cash Holding and Profitability on Earnings Management

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ABSTRACT

One of the parameters that is used as a reference for investors and shareholders in making financial decisions is profit information in the company's financial reports. The assumption that companies with stable profits reflect optimal performance and have low investment risk encourages managers to make efforts to provide a good picture of performance, one of which is by carrying out earnings management. Deviant earnings management practices are carried out when information asymmetry occurs which arises from moral hazard and encourages management to behave opportunistically, resulting in poor earnings management, which is carried out in an inadequate manner. Earnings management is influenced by several factors, including cash holding, profitability and the board of commissioners. This research aims to examine the influence of cash holding and profitability through the interaction of the board of commissioners which is proportional to the proportion of independent board of commissioners as an internal mechanism for Good Corporate Governance within the company. The population used is all manufacturing companies listed on the Indonesia Stock Exchange, using purposive sampling to obtain 50 selected companies in the 2020-2023 observation period, with a total data sample of 200. Moderated Regression Analysis (MRA) is used as a technique to test the relationship between variables. The test results show that partially cash holding, profitability and the board of commissioners have a significant effect on earnings management. The test results also show that the independent board of commissioners is able to moderate cash holding and profitability on earnings management.

Keywords: Cash holding, Board of commissioners, Earnings management, Profitability.

1. INTRODUCTION

Tight competition in the era of the modern economy which continues to grow requires large companies in Indonesia to maintain the continuity of their business and show their best performance in the eyes of investors, one of which is through performance reported in financial reports. Conceptually, financial reports are the main communication tool between managers and investors or shareholders, where managers use financial reports to account for their performance in managing the company. On the other hand, shareholders use financial reports to assess and hold accountable and take action for what managers do in managing the company. One of the parameters that shareholders use as a reference in making decisions is profit information in the company's financial reports. In assessing a company's profit and loss report, shareholders apparently focus not only on the amount of profit, but also on the fluctuations (rise and fall) of profits in each period. There is a tendency to assume that companies with stable profits reflect good performance and have low investment risk, encouraging managers to make efforts to display good performance in various ways, one of which is through earnings management actions.

Basically, earnings management can be defined as an effort by company managers to intervene and influence the information presented in financial reports by taking advantage of the freedom to choose and use accounting methods and determine accounting estimates with the aim of providing a good picture of performance to shareholders who want to know performance and company conditions (Sulistyanto, 2018). In this case, earnings management is the impact of managers' freedom to choose and use various accounting methods and procedures that are recognized and accepted in generally accepted accounting principles, so that as long as the accounting methods and procedures used are still within the scope of accounting, then earnings management is considered a reasonable action. However, until now there is still a lot of controversy between practitioners and academics who question whether earnings management can be categorized as fraud or not. Deviant earnings management practices are carried out when there is information asymmetry arising from moral hazard which can encourage management to behave opportunistically, resulting in poor earnings management, which is carried out in an inadequate manner.

Regardless of the differences in opinion regarding earnings management from various practical and academic perspectives, earnings management seems to be a corporate culture practiced by all companies in the world, even in countries where the business system is well organized, such as America. Earnings management practices carried out by companies that deviate from accounting principles and standards have proven to have led to the destruction of the global network of the renowned Public Accounting Firm (KAP) Arthur Andersson & Co and all its affiliates in the world, because it was proven to legalize and hide fraud committed by its client (Enron). Deviant earnings management practices cause the resulting earnings information to be inadequate and can be considered misleading information and have a material error impact on shareholders' assessments of the company's financial condition which also results in errors in decision making.

Fraud scandal cases related to earnings management practices have also occurred in Indonesia and involved several large companies, including PT Tiga Pilar Sejahtera Food Tbk (AISA), where the results of PT Ernst & Young Indonesia's investigation into AISA's 2017 financial report stated that there were allegations of inflated accounting posts. worth IDR 4 trillion in accounts receivable, inventory and fixed assets. The 2017 financial report was restated in 2020, including the 2018 and 2019 financial reports which had not been reported and it was stated that the company posted a net loss of IDR 5.23 trillion during the 2017 period, IDR 4.68 trillion greater than the previous version of the financial report which recorded the loss was only IDR 551.9 billion. This proves PT Ernst & Young Indonesia's suspicion that there are earnings management practices by AISA management, by increasing actual profits (reducing losses) so that the value of the company's losses appears smaller. The earnings management carried out aims to maintain the company's value so that it does not fall in the eyes of shareholders, but the company actually experienced a significant decline in company value and the IDX suspended AISA shares at a price of Rp. 168 on July 6 2018 as a policy to protect investors from losses. bigger. (https://www.cnbcindonesia.com/). In 2019, cases of manipulation of financial reports also occurred at the state-owned state-owned airline, namely PT. Garuda Indonesia Tbk (GIAA). In the 2018 financial report, Garuda Indonesia Group posted a net profit of 809.85 thousand US Dollars. This figure increased sharply compared to 2017 when it suffered a loss of 216.5 million US Dollars. Two Garuda Indonesia commissioners were reluctant to sign the 2018 financial report because they considered that the 2018 financial report was not in accordance with the Statement of Financial Accounting Standards (PSAK), regarding revenue recognition for cooperation agreement transactions providing connectivity services between PT. Mahata Aero Technology and PT. Citilink Indonesia. GIAA management was proven to have recognized income from Mahata of 239.94 million US Dollars, even though this figure was still in the form of receivables. As a result, Garuda management was subject to a fine of up to IDR 1.25 billion. These fines are also imposed on directors and commissioners (https://www.cnbcindonesia.com/, accessed 3 August 2024) In line with the earnings management scandals carried out by these companies, the empirical findings of a meta-analysis of a decade of earnings management research in Indonesia (Eny, 2019) , shows that in Indonesia large companies carry out more earnings management than small companies. Strengthening these findings, the results of research conducted by (Leuz et al., 2003), shows that Indonesia is at the middle level, ranking 15th out of a sample of 31 countries with weak investor protection. This research shows that Indonesia is the country with the highest level of earnings management compared to other samples of ASEAN countries such as Malaysia, the Philippines and Thailand. This encourages the need to study the factors that cause earnings management practices in large companies in Indonesia.

Theoretically, earnings management is carried out by adjusting several accrual components in financial reports, because accruals are components that are easy to manipulate in preparing financial reports, because they do not require physical evidence of cash. Conceptually, accrual-based accounting uses cash and accrual components in financial reports, because there are two types of transactions that companies generally carry out in their business processes, namely cash (cash) and non-cash (non-cash) transactions. The cash component is a component that is difficult to engineer, because it must be accompanied by evidence in the form of money or the equivalent of money in the same amount, which physically exists. Meanwhile, to identify earnings management, you need to remove the cash component to calculate and determine the amount of the accrual component obtained by the company. Thus cash holding can also be associated with earnings management actions. Cash holding in this research is cash owned by the

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company and used for company activities. If it is related to the concept of earnings management, the more optimal the cash holding value, the lower the opportunity for managers to take earnings management actions.

Several researchers have previously examined the effect of cash holding on earnings management actions, including research conducted (Manuela et al., 2022) concluded that cash holding is one of the factors that influences earnings management, in line with the findings of this research (Maria Saniamisha et al, 2019) concludes that the variables cash holding, profitability have a positive effect on earnings management practices, research results (Helina et al. 2017) concludes that cash holding has a negative effect on earnings management, while profitability and financial distress have a positive effect on earnings management. Research results with different conclusions are also presented (Atmamiki et al., 2023), namely cash holding and leverage have no effect on earnings management, while company size and audit quality have a negative effect on earnings management.

Apart from cash holding, profitability is a financial variable that is often associated with earnings management practices, because profitability shows the company's ability to generate profits during a certain period. The higher the profitability of a company, the company's performance and ability to generate profits will also increase (Suryani, 2018).In previous research (Purnama, 2017) and (Apriadi et al., 2022) , where profitability is proxied by ROA (Return On Assets) giving the conclusion that profitability has a positive effect on earnings management, meaning that the higher the level of profitability, the more likely it is that earnings management will occur. Different conclusions are stated in the research and (Eva Trisma et al. 2020) And (Devanka et al. 2022) namely profitability has no effect on earnings management. In this research, to measure the level of company profitability, researchers will use ROA (Return On Assets) as an indicator of company performance that is interesting for shareholders to see, because ROA is an important element in knowing the extent to which a business is able to manage its assets optimally. If the ROA calculation is greater, then the company's performance will be good in the eyes of shareholders, because the business has proven to be able to make the best use of the company's assets. In relation to earnings management, profitability can influence managers to carry out earnings management because if the company's profitability is low, generally managers will take earnings management actions to save its performance in the eyes of investors. This is closely related to the manager's efforts to display the best performance of the company he leads.

Cash holding and profitability in terms of the financial dimension can be linked as factors that play a role in earnings management practices, on the other hand, the existence of good corporate governance is closely related to earnings management practices. Good Corporate Governance is a concept that is developing to represent non-financial dimensions, in line with the demands of users of financial information who want to create a healthy, clean and responsible business. Good Corporate Governance (GCG) is a set of rules with the aim of increasing corporate value through a series of processes that are transparent, accountable and responsible. (Arie Fatmi et al., 2023) . In this research, the role of Good Corporate Governance is proxied through the proportion of independent board of commissioners in the company, whose existence is needed to carry out the mission of realizing a healthy, clean and responsible business, including ensuring transparency and openness of the company's financial reports without any manipulation by the company's management. Referring to research results (Sumanto et al., 2014) It was concluded that institutional ownership variables and the size of the independent board of commissioners had a negative effect on earnings management, in line with the findings of this research (Nabila. Afifa et al., 2013) resulted in the conclusion that the proportion of independent board of commissioners was proven to have a negative effect on earnings management, however, in research (Pricilia, 2017) it is concluded that there is no significant influence between the independent board of commissioners and earnings management. Study (Dewi, 2017) positioning the board of commissioners as a moderating variable results in the conclusion that the board of commissioners is able to moderate profitability and company size, meaning that the board of commissioners is able to strengthen the relationship between profitability and earnings management, but research (Ayu et al., 2023) in his research concluded that the independent board of commissioners was unable to moderate the influence of profitability and leverage on earnings management.

Based on the scandalous phenomenon of earnings management practices in large companies in Indonesia, supported by research results which state the weakness of investor protection in Indonesia, as well as research results which provide different conclusions (inconsistencies) on the cash holding, profitability and board of commissioners variables, the author is encouraged to re-examine the influence of these variables on earnings management practices. In this study the author tries to place the components of the board of commissioners which are proxied through the proportion of the independent board of commissioners as a moderating variable to test its influence on the cash

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holding and profitability variables on earnings management practices. The independent board of commissioners is chosen as the moderating variable because the independent board of commissioners is a party that has an important role in supporting the availability of reliable financial reports, and in general having a better supervisory function for managers, so that it is possible to reduce the possibility of managers carrying out manipulation in financial information related to cash holding and profitability which then influences earnings management practices.

This research aims to examine: (1) the influence of cash holding on earnings management actions, (2) the influence of profitability on earnings management, (3) the influence of the board of commissioners on earnings management (4) the influence of the board of commissioners in moderating cash holding on earnings management actions, (5) the influence of the board of commissioners in moderating profitability on earnings management actions.

2. LITERATURE REVIEW

2.1. Agency Theory

This research will use agency theory as a basis for explaining the relationship between variables in the research with the assumption that to make a decision in a company, differences in interests often arise between management and company owners. Agency theory emerged as a concept that explains the contractual relationship within a company between the agent (management) and the principal (shareholders), where the principal gives orders to the agent to perform services on behalf of the principal and also gives duties or authority to the agent in making decisions. (Jensen et al., 2012) . The authority given by the principal to the agent to act and make the best decisions for himself often triggers a conflict of interest between the agent and the principal. Agents will tend to act opportunistically to maximize their level of welfare in various ways so that the performance entrusted to them looks very good for the purpose of getting a bonus from the principal. On the other hand, the principal as the party who entrusts his capital to be managed by the agent is motivated to maximize his welfare through increasing the expected profitability of the agent's performance. (Arie Fatmi et al., 2023). In line with this, principals often use financial reports or accounting information as a reference in measuring performance and providing managerial rewards, thus causing the emergence of dysfunctional behavior (behavior that is not what is generally or should be) carried out by managers through earnings management practices so that financial reports can appear more visible. both from real (actual) conditions. The relationship between principal and agent is often determined by accounting numbers, thereby spurring agents to think about how accounting numbers can be used as a means of maximizing their interests (Sumani et al., 2021).

There are several factors that cause agency conflict, including managerial risk avoidance, time horizon issues and moral hazard (Mccolgan, 2001), which often occurs in large companies that allow managers to take actions that shareholders are not aware of. As company managers, agents know more about the company's future prospects and internal information than company owners and it is possible for management to carry out deviant actions/moral hazards, one of which is earnings management practices that are not in accordance with accounting principles and standards. Based on the explanation of agency theory, the author believes that agency theory can be a bridge to explain the influence of cash holding and profitability with Good Corporate Governance which is proxied by the board of commissioners on earnings management, especially on the relevance of agency theory to the background of the problems in this research which examines aspects monitoring involving Good Corporate Governance which is proxied through the existence of an independent board of commissioners which is expected to be able to reduce potential clashes and conflicts of interest between agents and principals. The board of commissioners as part of the corporate governance mechanism is believed to be able to reduce opportunities for abuse of authority by agents. This is supported by research (Bertand Arya et al., 2023), which concludes that good corporate governance is able to moderate or reduce the influence of cash holding on income smoothing. The monitoring aspect through the existence of an independent board of commissioners is expected to be able to suppress the occurrence of deviant earnings management practices in company management.

2.2. Earnings Management

In his research literature review (Sulistyanto, 2018) mentions several expert explanations regarding the definition of earnings management as follows: Davidson, Stickney, and Well, earnings management is the process of taking certain deliberate steps within the limits of generally accepted accounting principles to produce the desired level of profit from reported profits. Schipper, earnings management is interference in the process of preparing external

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financial reporting, with the intention of gaining personal gain, and is a strategic maneuver used by management to obtain bonus payments in return for influencing the preparation of financial reports.

Accrual-based accounting is carried out using accrual, defferal, allocation procedures whose aim is to link income, costs, profits (gains) and losses (losses) to describe the company's performance during the current period, even though cash has not been received or disbursed. In other words, recognition of income, costs, profits and losses as well as increases and decreases in assets and liabilities, including profits (matching of costs and revenues), allocations and amortization, is the essence of using accrual accounting to measure the performance of a company. Therefore, it is easy to understand that the accrual policy in this case can be used to carry out earnings management.

This research uses the modified Jones Model formula (Modified Jones) to calculate the Earnings Management ratio with the following formula:

1. Calculate total accruals (TAC), namely net profit for year t minus operating cash flow for year t using the following formula:

   $$TAC = NI_{it} - CFO_{it}$$

   Next, total accrual (TA) is estimated using Ordinary Least Square as follows:

   $$\frac{TA_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta REv_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\Delta PPE_{it}}{A_{it-1}}\right) + \varepsilon$$

2. With the regression coefficient as in the formula above, non-discretionary accruals (NDA) are determined using the following formula:

   $$NDA_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta REv_{it}}{A_{it-1}} - \frac{\Delta REc_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\Delta PPE_{it}}{A_{it-1}}\right)$$

3. Finally, discretionary accruals (DA) as a measure of earnings management are determined using the following formula:

   $$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

   Information:

   DA_{it} = Discretionary Accruals of company i in year period t
   NDA_{it} = Nondiscretionary Accruals of company i in year period t
   TA_{it} = Total accrual of company i in the period year t
   NI_{it} = Net profit of company i in year period t
   CFO_{it} = Cash flow from operating activities of company i in year period t
   A_{it-1} = Total assets of company i in the period year t-1
   ΔREv_{it} = Company i's income in year t minus revenue company I in year t-1
   PPE_{it} = Property, plant and equipment of company i in the period year t
   ΔREc_{it} = Company I's trade receivables in year t minus revenue company I in year t-1.
   ε = Error

2.3. Cash Holding

According to Kieso et al. (2014, 296), cash consists of cash balances (cash on hand) and cash equivalent checking accounts. As a current asset, cash is the most liquid asset, as a means of payment which is the basis for measuring and as a report for all other items. Meanwhile, cash equivalent is an investment that is very liquid, short term, and which can quickly be turned into cash in a certain amount without facing the risk of significant changes in value. Meanwhile, cash holding is cash available in the company which is useful for carrying out various company operational activities. Based on The General Theory of Employment, Interest & Money, Keynes in (Sari et al, 2021) states that there are three reasons or motives for possessing cash, namely transaction motives, precautionary motives, and speculative motives. The transaction motive is that cash is used to pay for goods and services/daily transactions. The precautionary motive is that cash is used for investment (for example, in the form of shares/bonds) because investments are considered safe because they rarely lose their value. Meanwhile, the motive for speculation is that investors expect the maximum rate of return from their investment.

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2.4. Profitability

Profitability is a financial measure used by companies to assess the overall effectiveness of management in generating profits from earnings related to sales, assets and company equity. Profitability is measured using ratios, where the profitability ratio is a measuring tool used to measure the level of effectiveness and efficiency of a company in generating profits. The better the profitability ratio, the better the company's profit-making ability

The profitability ratio is a ratio used by a company to assess its ability to make a profit or profit. Profitability ratios can also provide a measure of the level of effectiveness of company management, this is shown in the profits obtained from sales and investment income. In other words, the use of this profitability ratio will show the efficiency of the company. Profitability ratio analysis provides important information regarding the financial health and management effectiveness of a company. Investors, creditors and other interested parties use this information to compare company performance each period, assess the company's ability to generate profits from sales, assets and equity, analyze operating efficiency and management effectiveness in using company resources, and make appropriate financial investment decisions.

2.5. board of Commissioners

According to (Nurani et al., 2021), Good corporate governance is a system, rules or structure used to regulate a company which aims to add value for investors, while also paying attention to the rights and obligations of investors. According to (Pratami et al., 2024), the relationship between good corporate governance and agency theory is that managers are agents who have the authority to regulate the running of the company. With this authority, the agent will prioritize his own interests above the interests of the company or principal. Therefore, agents have interests that are inversely proportional to those of the principal or company. The function of the board of commissioners variable in the research is as a moderator, namely the existence of an independent board of commissioners as part of good governance in a company is expected to reduce earnings management practices in the company.

In this research, the Good Corporate Governance variable is represented by the existence of an independent board of commissioners. The independent board of commissioners are commissioners from outside groups who are elected at the GMS (General Meeting of Shareholders). In the legal position, independent commissioners on the board of commissioners are commissioners who have an independent group. The board of commissioners consists of a board of commissioners who come from within the company and a board of commissioners from outside the company who have no family or business relationships with the company, who are usually referred to as independent commissioners whose number is in accordance with IDX regulations, namely the same as the percentage of the number of minority shareholders. or at least 30% of the total board of commissioners. Information regarding the proportion of independent commissioners is obtained from the annual reports of each company (Junaedi et al., 2017).

2.6. Conceptual Framework

Referring to the theoretical basis that has been explained and the background of the problem that has been explained, a framework of thinking can be drawn which aims to facilitate analysis with a conceptual model. This research uses cash holding and profitability variables as independent variables, earnings management as the dependent variable while the board of commissioners represents Good Corporate Governance as a moderating variable. The conceptual model in this research can be seen in Figure 1 below:

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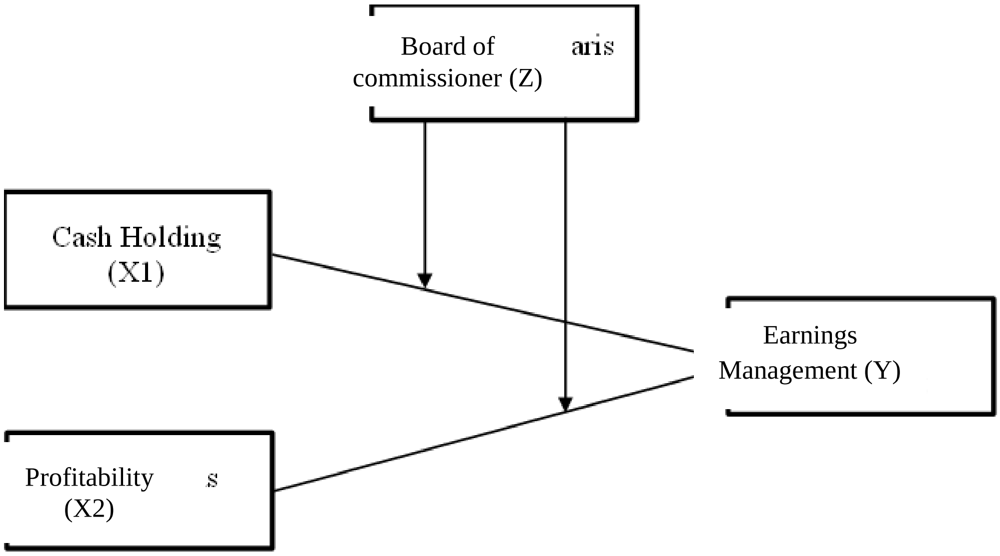

Figure 1. Research Conceptual Model

Cash holding has an effect on earnings management on the basis of the premise that the existence of financial report information regarding cash in the company allows investors to assess the manager's performance based on his ability to keep the increase in cash in the company stable and optimal. If related to agency theory, to fulfill the aim of providing a good picture of performance, management utilizes accrual components which are related to cash to carry out earnings management actions. Thus cash holding can also be linked as a factor that can influence earnings management actions.

Furthermore, profitability is a ratio used by companies to measure overall management effectiveness which is aimed at the size of the level of profit obtained in relation to sales and investment. The better the profitability ratio, the better the company's profit-making ability. (Dwi Hasty et al., 2017) . ROA (Return On Assets), which in this case is a proxy for profitability, is one of the main factors that shows the credibility of a business in managing its assets. A low level of Return on Assets is a sign that the company is unable to generate profits by managing assets as well as possible according to the principal's expectations. This can be a factor that influences managers to carry out earnings management practices to maintain good performance in the eyes of the principal.

The Board of Commissioners is one component of Good Corporate Governance which acts independently in carrying out its duties and responsibilities to function to supervise and provide advice to the directors. The board of commissioners' monitoring of the directors is useful for ensuring that the directors have followed up on all audit findings and recommendations from the Internal Audit Work Unit (SKAI), external auditors, as well as the results of supervision by other authorities, so that it is hoped that they can moderate the influence of cash holding and profitability on earnings management.

2.7. Hypothesis Development

2.7.1 Cash Holding Influences Earnings Management Practices

Cash holding and earnings management have a significant relationship, considering that in general companies that carry out earnings management tend to have low cash holdings because managers want investors to be interested in investing their capital by giving the impression that managers use cash optimally in their operational activities. This is in line with the conclusions Saniamisha and Jin (2019) namely, cash holding has a negative effect on earnings management. The background to this research explains that theoretically, to fulfill managers' objectives, earnings management is carried out by arranging several accrual components in financial reports, because accruals are components that are easy to manipulate in preparing financial reports, because they do not require physical evidence of cash. Conceptually, accrual-based accounting uses cash and accrual components in financial reports, relating to cash (cash) and non-cash (non-cash) transactions. The cash component is a component that is difficult to engineer, because it must be accompanied by evidence in the form of money or the equivalent of money in the same amount, which physically exists. Meanwhile, to identify earnings management, you need to remove the cash component to calculate and determine the amount of the accrual component obtained by the company, where the greater the cash

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value, the smaller the accrual component that managers can play in earnings management practices. Thus cash holding can also be linked to earnings management actions because the higher the cash holding, the lower the opportunity for managers to take earnings management actions. This is confirmed by research (Maya Meidias, 2022) which provides the conclusion that cash holding has a negative effect on earnings management.

H1: Cash Holding has a negative influence on earnings management practices.

2.7.2 Profitability influences Earnings Management Practices

Profitability is an indicator of a company's financial ratios which is often used as a reference by investors when investing in a company. Profitability (associated with agency theory) is something that is often looked at to describe the profits generated from company assets. Managers are required to be able to meet the targets set by the company as a result of giving authority from shareholders to management, where shareholders will give responsibility to management to maximize profit achievements. Because of this responsibility, management takes various methods, one of which is by carrying out earnings management to meet shareholder expectations and show good performance. Good company performance can be reflected in high profitability through ROA (Return on Assets), in other words companies with a high level of ROA will have a greater tendency to carry out earnings management compared to companies with a lower level of ROA, because, the company has the ability to obtain profits in the future so that managers are able to make plans to delay or accelerate profits which makes investors interested in investing their capital in the company. This statement is strengthened by the results of the research conducted Lestari et al., (2018) as well as (Rosiana et al., 2024) that profitability has a positive effect on earnings management practices.

H2: Profitability has a positive effect on earnings management practices.

2.7.3 The Board of Commissioners influences Earnings Management Practices

In this case, the Board of Commissioners is proxied by the existence of an independent board of commissioners, which is one component of Good Corporate Governance which acts independently in carrying out its duties and responsibilities to supervise and provide advice to management. The board of directors is one of the corporate governance mechanisms designed to reduce earnings manipulation and its characteristics play a role as the main determinant for detecting tendencies to earnings manipulation. The proportion of board independence is also an important part of reducing the tendency of earnings manipulation because of their ability to withstand pressure from the company to manipulate earnings and be able to better monitor the earnings process. Therefore, to reduce earnings manipulation activities, it is believed that the amount of board independence in companies should be increased (Busirin et al., 2015). In conclusion, the research results found that board independence has a negative and significant relationship to earnings manipulation. This study is consistent with research by (Marra et al., 2011) who found that earnings manipulation was reduced when there were more independent commissioners in the company. The independent board of commissioners' monitoring of the directors is useful for ensuring that management has followed up on all audit findings and recommendations from the Internal Audit Work Unit (SKAI), external auditors, as well as the results of supervision by other authorities, so that it is hoped that it can influence earnings management. This is in line with the research resultsPratomo et al., (2020) namely the number of independent commissioners, has a significant influence on earnings management practices, the greater the proportion of independent commissioners, the lower the opportunity for earnings management action.

H3: The Board of Commissioners has a negative influence on earnings management.

2.7.4 The Board of Commissioners Moderates the Influence of Cash Holding on Earnings Management Practices

The existence of an independent Board of Commissioners as part of the implementation of Good Corporate Governance (corporate governance) in terms of monitoring plays an important role and contributes to ensuring that management runs and develops the company in a clean, law-abiding manner and cares about environmental sustainability based on social and cultural values. tall. The implementation of Good Corporate Governance through the role of an independent board of commissioners is believed to be a guide for companies to carry out quality monitoring. The higher the quality of supervision carried out through an independent board of commissioners, it is predicted that the optimization of cash holding and its impact on earnings management actions can be treated effectively in

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accordance with applicable regulations. In this case, the board of commissioners is also a party that has an important role in providing reliable financial reports and all of its components show the true picture. Research result (Shah et al., 2021) stated that the interaction between Corporate Governance and changes in cash is positive and significant, which shows that the optimization of cash holdings has increased significantly because it is supported by efficient Corporate Governance. This is supported by the results of research on the topic of income smoothing Bertand et al, (2023) concluded that Good corporate governance is able to moderate the influence of cash holding on income smoothing.
H5: The Board of Commissioners Moderates Cash Holding on Earnings Management.

2.7.5 The Board of Commissioners Moderates the Influence of Profitability on Earnings Management Practices

ROA (Return On Assets), which in this case is a proxy for profitability, is one of the main factors that shows the credibility of a business in managing its assets. A low level of Return on Assets is a sign that the company is unable to generate profits by managing assets as well as possible according to the principal's expectations. This encourages managers to carry out earnings management practices to maintain good performance in the eyes of the principal. The independent board of commissioners is one of the components of Good Corporate Governance which is expected to be able to act independently in carrying out its duties and responsibilities to function as a supervisor and provide advice to management, so that it is hoped that it can reduce the influence of profitability on earnings management.The greater the proportion of the board of commissioners is able to reduce the influence of profitability on earnings management actions, in line with the research results (Dewi, 2017) which states that the influence of profitability and company size can be moderated by the board of commissioners.
H5: The Board of Commissioners moderates Profitability on Earnings Management.

3. METHODOLOGY AND DATA

3.1 Types of research

This research uses a quantitative approach which is characterized by the existence of measurable variables with a type of causality research which aims to test hypotheses regarding the influence of one variable on other variables, namely the influence of cash holding and profitability on earnings management moderated by the board of commissioners. In this research, research data is secondary data accessed via the Indonesian Stock Exchange website. Secondary data used in this research includes annual reports and financial reports of manufacturing companies from 2020-2023 from www.idx.co.id.

3.2 Population and Sample

The population in quantitative research is a research subject that meets the requirements for research. (Suryani et al., 2023) states that the population is all research objects and subjects that have certain characteristics to be studied and the results are used to draw conclusions. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (BEI) during 2020-2023, namely 163 companies, which are members of three industrial sectors, namely the Basic Industry and Chemicals sector, the Consumer Goods Industry sector (Consumer Good Industry) and the Miscellaneous Industry sector, each industrial sector consisting of a number of subsectors. The reason for choosing manufacturing companies as research objects is because the largest number of manufacturing companies are listed on the IDX and are often considered the most strategic land for getting high profits in investing, so they attract the attention of many investors and potential investors. The more rapid population growth and economic development in Indonesia, the more rapid the growth and number of manufacturing companies in Indonesia. The large number of manufacturing companies indirectly creates intense competition and makes this sector more easily affected by global economic turmoil. Manufacturing companies tend to have high sensitivity to internal and external events of the company (Fatmi & Amin, 2023). This is an interesting reason to make manufacturing companies the object of research to be linked to management actions as an effort to maintain the company's existence in the eyes of shareholders.
This research uses a purposive sampling technique to determine the sample with the following criteria:
1) Manufacturing companies whose financial reports can be accessed on the Indonesia Stock Exchange (BEI) via the company's official website during the 2020-2023 period.

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2) Manufacturing companies whose financial reports are recorded in Rupiah exchange rates during the observation year 2020-2023
3) Manufacturing companies whose financial reports generate profits during the observation year 2020-2023

3.3 Variables, Operations, and Measurement

The dependent (dependent) variable in this research is Earnings Management (Y) which is measured using the Modified Jones Discretionary Accrual proxy. Meanwhile, the independent variables in this research are Cash holding (X1), Profitability which is proxied by the ROA value (X2) and Good Corporate Governance which is proxied by the size of the Board of Commissioners (Z) as a moderating variable. Table 1 below will represent the variables used in the research along with the operational definition and measurement of each variable.

Table 1. Variables, Operational Definitions and Measurements

Variable	Operational Definition	Measurement Indicator
A. DEPENDENT VARIABLES		
(Y) Earnings Management	Earnings management is a deliberate process, within the limits of financial accounting standards to direct or regulate earnings reporting at a certain level. In management research, earnings are calculated using the discretionary accrual value.	$\mathbf{DA=TAC_{i\square} / A_{i\square-1} - NDA}$ (Fiqriansyah et al, 2024)
B. INDEPENDENT VARIABLES		
(X1) Cash Holding	Cash Holding is free cash flow available in a company that managers can use to carry out various company operational activities.	$\textbf{Cash Holding} = \frac{\textbf{Cash+Cash Equivalents}}{\textbf{Total Aset}}$ (Sari et al., 2021)
(X2) Profitability	Profitability is a ratio to assess a company's ability to make a profit, in this case proxied by ROA (Return On Assets).	$\textbf{ROA} = \frac{\textbf{Net Profit}}{\textbf{Total Aset}}$ (Putri et al, 2018)
C. MODERATION VARIABLES		
(Z) Board of Commissioners	The board of commissioners is a group of individuals elected by shareholders to oversee company policies and management performance. In this research, it is proxied through the ratio of independent commissioners.	$\textbf{DKI} = \frac{\sum \textbf{independent board of commissioners}}{\sum \textbf{board of commissioners}}$ (Amelya Dwi, 2019)

3.4 Data Analysis Methods

3.5.1 Descriptive Statistical Analysis

This research was designed with a quantitative approach using quantitative data analysis methods which were processed using SPSS tools. The data analysis method used in this research includes descriptive statistics which are expected to provide an overview of the maximum value, minimum value, average value and standard deviation of the variables in this research.

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3.5.2 Moderating Regression Analysis/MRA

The data analysis method in this research uses multiple linear regression analysis techniques with moderation (Moderating Regression Analysis/MRA). This method is a special application of linear multiple regression where the regression equation contains elements of multiplicative interaction of two or more independent variables. (Liana, 2009).

The feasibility of the regression model was tested using Hosmer and Lemeshow's Goodness of Fit Test. The coefficient of determination value in multiple linear regression is shown by the Nagelkerke R Square value. Next, the classic assumption test is carried out, hypothesis testing. The multiple linear regression equation in quantitative research can be stated as follows (Ghozali, 2011) :

$$\mathbf{Y = \alpha + \beta 1X1 + \beta 2X2 + e}$$
$$\mathbf{Y = \alpha\beta 1X1 + \beta 2X2 + \beta 3Z + e}$$
$$\mathbf{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3Z + \beta 4X1{*}Z + \beta 5X2{*}Z + e}$$

Information:

Y = Earnings Management
α = Constant
β = Regression Coefficient
X1 = Cash Holding
X2 = Profitability
Z = Board of Commissioners
X1*Z = Interaction between Cash Holding and the Board of Commissioners
X2*Z = Interaction between Profitability and the Board of Commissioners
e = error or remainder (residual)

4. RESEARCH RESULTS AND DISCUSSION

4.1 Descriptive Analysis

Descriptive analysis provides an overview of the values of all variables, both dependent variables and independent variables. The dependent variable (Y) in this research is earnings management, while the independent variable (X) is cash holding (X1) and profitability (X2) and the moderating variable is the board of commissioners (Z). Table 2 below is the test results using descriptive analysis:

Table 2. Description of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Cash Holding	200	.0008	.9304	.155567	.1572466
Profitability (ROA)	200	.0013	.8623	.106214	.1083392
board of Commissioners	200	.2000	.8333	.423264	.1060493
Earnings Management	200	-.2468	1.4488	.490752	.2532313
Valid N (listwise)	200				

Source: secondary data processed using SPSS 26.0 software, 2024

Descriptive statistical tests aim to find out a general description of the variables studied based on the average value (mean) and standard deviation. The table represents measurements of variables that have an N of 200 in the period 2020 – 2023 regarding descriptive statistics using SPSS Version 26 with the following explanation:

a. The calculation results for the Earnings Management (Y) variable based on the table above show a mean of.490752 and a standard deviation of.2532313. This means that the average value (mean) is greater than the standard deviation because.2532313<.490752 and this indicates that the data studied is homogeneous or the data does not vary. The company with the highest Discretionary Accrual value is PT. Indofood CBP Sukses Makmur, namely 1.8764547303 in 2020, while the lowest value was at PT. Alaska Industrindo is worth -0.2468314957 in

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2022. The range of lowest and highest values which are not significant in this data is in line with the variable test results, namely that the data is homogeneous or does not vary.

b. The test results for the Cash holding variable (X1) have an average value (mean).155567and the standard deviation is.1572466. This shows that the average value is smaller than the standard deviation value because.155567< 1572466, which indicates that the data studied is heterogeneous or varied. The company with the largest total value of cash and cash equivalents is PT. Astra International Tbk, which is worth IDR 63,947,000,000,000 in 2021 and the lowest value at PT. Pastisindo's Core Synergy is IDR 1,373,809,411 in 2021. If you look at the difference between the highest and lowest values in the data, this can be evidence in line with the variable test results which state that the cash holding variable data is heterogeneous or varied.
c. The test results for the Profitability variable (X2) have an average value (mean) of 106214 and a standard deviation of.1083392. This shows that the average value is smaller than the standard deviation value because,106214 <.1083392, which indicates that the data studied is heterogeneous or varied. The company with the largest total net profit value is PT. Astra International Tbk, which is worth IDR 44,501,000,000,000 in 2023 and the lowest value at PT. Pastisindo's Core Synergy is IDR 611,433,199 in 2021. If you look at the difference between the highest and lowest values in the data, this can be evidence that is in line with the variable test results which state that the profitability variable data is heterogeneous or varied.
d. The calculation results for the variable Board of Commissioners (Z) based on the table above show a mean of.423264 and a standard deviation of.1060493. This means that the average value (mean) is greater than the standard deviation because 1060493 <.423264 and this indicates that the data studied is homogeneous or the data does not vary. The company with the largest number of independent commissioners is PT. Unilever Indonesia, namely 5 (five) people in 2023, while the lowest number was found in more than 20 companies, namely 1 (one) independent commissioner in each year of data collection. This can support variable test results, namely, that the data is homogeneous or does not vary.

4.2 Classical Assumption Test

The classical assumption test is a step that must be carried out before calculating the regression to determine the effect of the independent variable on the dependent variable. This test will be carried out through normality tests, multicollinearity tests, autocorrelation tests and heteroscedasticity tests.

4.2.1 Test for Outliers

According to Ghozali (2018) "Outliers are cases or data that have unique characteristics that appear very different from other observations and appear in the form of extreme values for either a single variable or a combination of variables." According to Ghozali (2018), "there are four causes of outlier data: 1. Errors in data entry 2. Failure to specify missing values in the computer program. 3. Outliers are not members of the population that we take as a sample. 4. Outliers come from the population that we took as a sample, but the distribution of the variables in that population has extreme values and is not normally distributed." Outlier testing can be done by adding data, transforming data, or by reducing extreme data.

Based on the results of the outlier test carried out on 204 sample data for this research, the results showed that there were 4 data that were not normally distributed so they had to be eliminated and leaving sample data of 200. So the total number of companies that were the research sample became 50 companies.

4.2.2 Normality Test

This normality test is intended to test whether in the regression model, the dependent variable and independent variables have a normal or close to normal distribution and in this study the normality test uses the Kolmogrov Smirnov Test. The test results are presented in table 3 below:

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Table 3. Normality Test Results

		Unstandardized Residuals
N		200
Normal Parameters, b	Mean	-.0202916
	Std. Deviation	.22521745
Most Extreme Differences	Absolute	.060
	Positive	.060
	Negative	-.052
Kolmogorov-Smirnov-Z		.060
Asymp. Sig. (2-tailed)		.082c
a. Test distribution is Normal.		
b. Calculated from data.		

Source: secondary data processed using SPSS 26.0 software, 2024

The results of the normality test show that the data in table 3 is declared normal with a significant value for the unstandardized residual variable, which is equal to,082or 8% > 0.05, which means the data is normally distributed. The test result profile is depicted in the PP Plot diagram as follows:

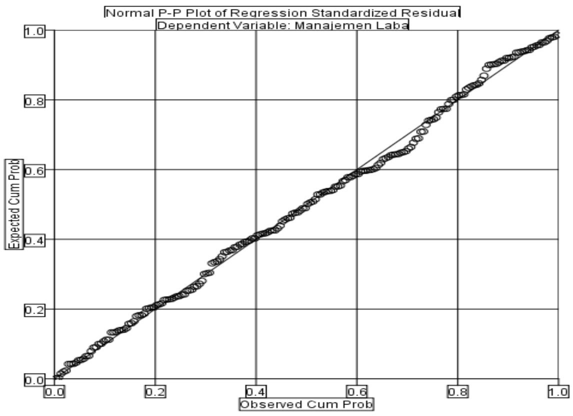

Figure 2. Normality Test Results

Source: secondary data processed using SPSS 26.0 software, 2024

4.2.3 Multicollinearity Test

Multicollinearity test was carried out to test whether in the regression model a correlation was found between the independent variables. This test is carried out by looking at the Variance Inflation Factors (VIF) value and tolerance value, that is, if it is known that the VIF value is > 10 and the tolerance value is < 0.10, symptoms of multicollinearity will occur. The results of the multicollinearity test are presented in table 4 below:

Table 4. Multicollinearity Test Results

Coefficientsa

Model		Collinearity Statistics Tolerance	VIF
1	Cash Holding	.991	1.009
	Profitability (ROA)	.978	1.022
	board of Commissioners	.979	1.021
	CH*DK	.994	1.006
	ROA*DK	.996	1.004

a. Dependent Variable: Earnings Management

Source: secondary data processed using SPSS 26.0 Software, 2024

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Based on table 4 above, it can be seen that the tolerance value for each variable is > 0.1 while the VIF value is < 10, so it can be concluded that there are no symptoms of multicollinearity and furthermore the data in this study meets the requirements for use in research.

4.2.4 Heteroscedasticity Test

The Heteroscedasticity Test is intended to find out whether in the regression model there is an inequality in the variance of the residuals for all observations or in other words the test is used to find out whether there is a deviation from the requirements of the classical assumptions in linear regression because in the regression model the condition of no heteroscedasticity must be met. Heteroscedasticity detection in this research was carried out using the Glejser Test by looking at the significance value, if the significant value is > 0.05 then heteroscedasticity does not occur.

Table 5. Heteroscedasticity Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.071	.069		1.037	.301
	Cash Holding	.479	.287	.542	1.672	.096
	Profitability (ROA)	.304	.521	.237	.583	.560
	board of Commissioners	.195	.156	.148	1.250	.213
	CH*DK	-1.154	.668	-.588	-1.729	.085
	ROA*DK	-.110	1.026	-.045	-.107	.915

a. Dependent Variable: absresid

Source: secondary data processed using SPSS 26.0 software, 2024.

Based on this table, it can be seen that the significant variable results for Cash Holding (X1) show value,096, Profitability variable (X2) with value,560and the variable Board of Commissioners with value,213. These three variables produce significant values > 0.05. In line with the results of the Glejser Test, in Figure 4.2 the Scatterplot diagram below shows that the pattern points are scattered and do not form a special pattern, so it can be concluded that there are no symptoms of heteroscedasticity and the data is suitable for use.

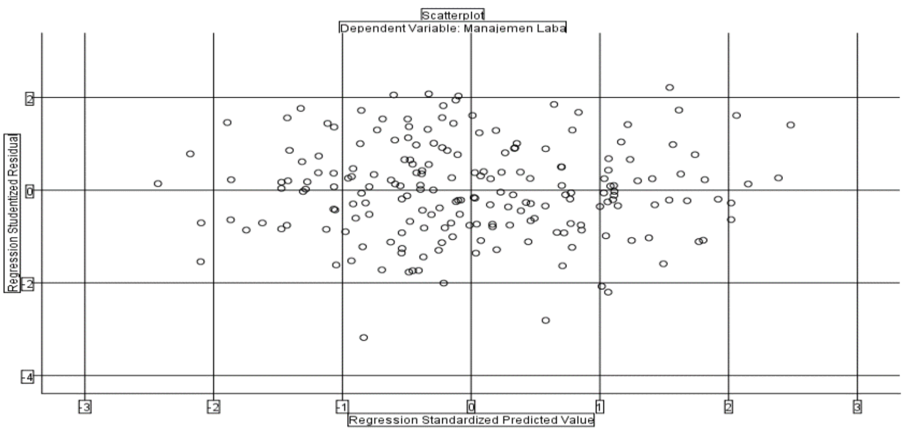

Figure 3. Heteroscedasticity Test Results

Source: secondary data processed using SPSS 26.0 software, 2024

4.2.5 Autocorrelation Test

The autocorrelation test is intended to detect whether or not there is a correlation between confounding errors in period t and confounding errors in period t – 1 (previously). If there is a correlation, it is called an autocorrelation problem. In this research, the test results show the results as shown in table 6 below:

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Table 6. Autocorrelation Test Results

Model Summary b

Model	Durbin-Watson
1	1.869a

a. Predictors: (Constant), ROA*DK, Profitability (ROA), CH*DK, Cash Holding, Board of Commissioners

b. Dependent Variable: Earnings Management

Source: secondary data processed using SPSS 26.0 software, 2024

Based on the test results in the table above, it is known that the Durbin-Watson (DW) value is1,869. If compared with the DW table for a sample of 200 with 2 independent variables and 1 moderating variable, the interval of Lower Durbin (dL) is 1.75844 and Upper Durbin (DU) is 1.77852, which means the value of dL < DW > dU because 1.75844 <1,869> 1.77852 so it can be concluded that the empirical data is free from symptoms of positive autocorrelation. The table above shows the results of the autocorrelation test for variables X1Z and X2Z.

4.3 Model and Hypothesis Testing

4.3.1 Goodness Of Fit (F Test) Model Test

The F test is intended to detect the accuracy of the sample regression function in estimating statistical actual values where the test is carried out when in a research model there are two or more independent variables. The test criteria use a significance value of 0.05, if the resulting Pvalue is <0.05 then the model is considered capable of explaining the relationship between the independent variable and the dependent variable and vice versa. In this study the results of the F Test are shown in table 7 below:

Table 7. F Test Results for Variables X1, X2 and Z

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.720	3	.907	17.701	.000b
	Residual	10.041	196	.051		
	Total	12.761	199			

a. Dependent Variable: Earnings Management

b. Predictors: (Constant), Board of Commissioners, Cash Holding, Profitability (ROA)

Source: secondary data processed using SPSS 26.0 software, 2024

The table above shows the test using variables XI,12,761. Based on the test results using SPSS V.26 software, a significance value was obtained,000which means this value is smaller than the criterion value, namely 0.05, so it can be concluded that the regression model in this research has a simultaneous influence between the variables Cash Holding (X1), Profitability (X2) and Board of Commissioners (Z) with the dependent variable, namely Earnings Management (Y). Furthermore, if we look at the Board of Commissioners variable as a moderating variable, we can also see the results of the F test in table 8 below:

Table 8. F Test Results for Variables X1Z and X2Z

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.131	5	.626	12.614	.000b
	Residual	9.630	194	.050		
	Total	12.761	199			

a. Dependent Variable: Earnings Management

b. Predictors: (Constant), ROA*DK, CH*DK

Source: secondary data processed using SPSS 26.0 software, 2024

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The F test results for variables X1Z and The test results in tables 7 and 8 with sig.000 < 0.05 are also a guide to using the coefficient of determination value to see the contribution of the independent variable's effect to the dependent variable, which will be further explained in point 4.3.2. regarding the coefficient of determination test.

4.3.2 Coefficient of Determination Test

The Coefficient of Determination Test is intended to measure the magnitude of the effect of the independent variable on variations in the dependent variable, where the greater the value of the coefficient of determination (R2), the greater the effect of each variable. The results of testing the variables in this research can be observed in the following table:

Table 9. Coefficient of Determination Test Results on X1, X2 and Z

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.462a	.213	.201	.2263365

a. Predictors: (Constant), Board of Commissioners, Cash Holding, Profitability (ROA)

Source: secondary data processed using SPSS 26.0 software, 2024

The calculation results (R2) in the table above show a value of,213which means that the contribution of the variables Cash Holding (X1), Profitability (X2) and the Board of Commissioners as moderator (Z) is only 21.3% of Earnings Management actions (Y) while the remaining 78.7% is influenced by other variables which are not The focus in this research is, for example, company size, free cash flow, leverage, bonus mechanisms, exchange, tax minimization, managerial ownership, audit quality and so on. Furthermore, testing the coefficient of determination was also carried out on variables X1Z and X2Z which are presented in table 10 below:

Table 10. Coefficient of Determination Test Results on X1Z and X2Z

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.495a	.245	.226	.2228022

a. Predictors: (Constant), ROA*DK, Cash Holding, Board of Commissioners, CH*DK, Profitability (ROA)

Source: secondary data processed using SPSS 26.0 software, 2024

The results of the coefficient of determination test for variables X1Z and24.5% while 76.5% is influenced by other variables which are not the focus of this research, for example company size, free cash flow, leverage, bonus mechanisms, exchange, tax minimization, managerial ownership, audit quality and so on.

4.4 Hypothesis Test (t Test)

Hypothesis testing (t test) is a test intended to test the research hypothesis, namely regarding the influence of the independent variable partially in explaining variations in the dependent variable. This test is done by comparing the t statistical value with the t-table. The significance level used is 0.05. The results of hypothesis testing in this research are obtained from the t-count in the table below which is then compared with the t-table value in df, where df = (nk-1), where n is the number of observations, k is the number of independent variables. In this study, it is known that the value of df = 200 – 3 – 1 = 196, so it can be seen that the t table value (0.05; 186) is 1.65267. Table 3 below shows the results of the t count:

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Table 11. Hypothesis Test Results (t Test) on Variavel X1. X2 and Z

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.747	.068		11.040	.000
	Cash Holding	-.664	.117	-.412	-5.676	.000
	Profitability (ROA)	1.067	.176	.457	6.055	.000
	board of Commissioners	-.629	.158	-.263	-3.985	.000

a. Dependent Variable: Earnings Management

Source: secondary data processed using SPSS 26.0 software, 2024

Table 11. can be presented as follows:

a. Cash Holding (X1) has a calculated t value-5,676, this value is smaller than the t table value, namely 1.65267. The calculation results for the significant level are 0.000, while the criteria for the significant level are 0.05 so that for
b. Profitability (X2) has t count6,055and this value is greater than the t table, namely 1.65267. The calculation results for a significant level of 0.000, the criteria for a significant level is 0.05 so that for
c. The Board of Commissioners (Z) has a calculated t value-3,985, this value is smaller than the t table value, namely 1.65267. Calculation results for significant levels,000while the criteria for the significant level is 0.05 so that for

The t test was also carried out on X1Z and X2Z to test whether H4 and H5 were accepted or rejected. The calculation results are presented in the following table:

Table 12. Hypothesis Test Results (t Test) on Variavel X1. X2 and Z

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.720	.111		6.485	.000
	Cash Holding	-1.700	.464	-1.056	-3.664	.000
	Profitability (ROA)	2.549	.844	1.091	3.020	.003
	board of Commissioners	-.573	.252	-.240	-2.273	.024
	CH*DK	2.395	1.081	.670	2.216	.028
	ROA*DK	-3.180	1.662	-.722	-1.914	.057

a. Dependent Variable: Earnings Management

Source: secondary data processed using SPSS 26.0 software, 2024.

Table 12 above represents the number of observations (n) = 200 and the number of variables (k) = 2. The value of df = nk-1 = 197, so it can be seen that the t table value for (0.05, 197) is 1.65263. Exposure to t test results can be explained as follows: a. Cash Holding (X1) with the Board of Commissioners (Z) as moderator, has a calculated t value of 2.216, this value is greater than the t table value, namely 1.65263. The calculation results for the significant level are 0.028, while the criteria for the significant level are 0.05 so that for b. Profitability (X2) with the Board of Commissioners (Z) as moderator, has a calculated t value of -1.914, this value is smaller than the t table value, namely1.65263. The calculation results show a significant level of 0.057, so to draw conclusions from the results of the 5th hypothesis test, researchers use a confidence level of 90% and use a significance level of 0.10 for moderates profitability (X2) on earnings management even though the effect is not significant, then H5 is accepted.

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4.5 Multiple Linear Regression Analysis

Based on table 11 and table 12, the following equation is obtained:

a. Regression equation/model with two independent variables, namely Cash Holding (X1) and Profitability (X2) without moderating variables:

ML =.747 + (-.664) CH + 1.067PF + e

b. Regression equation/model with two independent variables, namely Cash Holding (X1) and Profitability (X2) with the Board of Commissioners as a moderating variable but without an interaction model:

ML = 747 + (-.664) CH + 1.067PF + (-.629) DK + e

c. Regression equation/model with two independent variables, namely Cash Holding (X1) and Profitability (X2) with the Board of Commissioners as a moderating variable with an interaction model:

ML =.720 + (-.664) CH + 1.067PF + (-.629) DK + 2.395CHDK + (-3.180) PFDK + e

Based on the results of the equation above, it can be concluded that all the variables used in this research show an influence on earnings management as the dependent variable, which means that all research hypotheses are accepted.

4.6 Discussion

4.4.1 The Influence of Cash Holding on Earnings Management actions

Referring to the results of the hypothesis test for the independent variable cash holding (X1), which is presented in table 11, Cash Holding has a calculated t value < t table value, namely-5,676< 1.65267 with a significance level of.000 < 0.05 which means H1 is accepted. Cash holding has a negative effect on earnings management actions in manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2020-2023.

The results of the hypothesis test in table 12 for cash holding have a significance level of 0.000, which is smaller than the recommended significance value of 0.05, namely 0.000 < 0.05, which means H1 is accepted. Cash holding has a negative effect on earnings management actions in manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2020-2023.

The test results in tables 11 and 12 show that the 1st hypothesis is accepted, where cash holding has a negative effect on earnings management actions on the basis of the premise that the greater the cash the company has, the greater the opportunity for earnings management to occur and conversely the smaller the value of the cash the company has., the greater the earnings management action. This research, which took a sample of manufacturing companies listed on the Indonesia Stock Exchange in the 2020-2023 period, provided results that support that in general companies that carry out earnings management tend to have low cash holdings because managers want investors to be interested in investing their capital by giving the impression that managers use cash optimally in its operational activities. Theoretically, earnings management is carried out by adjusting several accrual components in financial reports, because accruals are components that are easy to manipulate in preparing financial reports, because they do not require physical evidence of cash. Conceptually, accrual-based accounting uses cash and accrual components in financial reports, because there are two types of transactions that companies generally carry out in their business processes, namely cash (cash) and non-cash (non-cash) transactions. The cash component is a component that is difficult to engineer, because it must be accompanied by evidence in the form of money or the equivalent of money in the same amount, which physically exists. Meanwhile, to identify earnings management, you need to remove the cash component to calculate and determine the amount of the accrual component obtained by the company. Thus, cash holding can be linked to earnings management actions, that is, the more optimal the cash holding value, the lower the opportunity for managers to take earnings management actions Furthermore, if it is related to the relevance of agency theory, managers will receive pressure as well as authority from company owners to manage cash optimally with the aim of generating profits according to targets, so that to fulfill their goals, management often utilizes accrual components that are related to cash to carry out appropriate earnings management actions. bad and beyond reasonable limits. The findings of this study are in line with the research results (Helina et al. 2017) and (Maya Meidias, 2022) which provides the conclusion that cash holding has a negative effect on earnings management.

4.4.2 The Influence of Profitability on Earnings Management actions

The results of the hypothesis testing for the profitability variable (X2) in tables 11 and 12 respectively show a significance level of 0.000 and 0.003, respectively, which is smaller than the recommended significance level of 0.05,

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and has a calculated t of 0.000 and 0.003 respectively.6,055and 3.020 where this value is greater than the t table, namely 1.65267, which means H2 is accepted. Profitability has a positive effect on earnings management actions in manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2020-2023. The test results in this research support the conclusions obtained from previous studies which conclude that profitability has a positive effect on earnings management (Maria Saniamisha et al., 2019; Rosiana et al., 2024; Full Moon. Dendi, 2017;Takbir Aljana et al., 2017) . This research uses the ROA proxy to measure the level of profitability of manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2020-2023. Return on Assets is an indicator of a company's financial ratios which is often used as a reference when investing in a company. Return On Assets, if related to the relevance of agency theory, is something that is often looked at to describe the profits generated from company assets, so that managers are required to be able to meet the target ratio set by the company as a result of giving authority from shareholders to management, where shareholders will provide responsibility. to management to maximize profit achievements. Because of this responsibility, management takes various methods, one of which is by carrying out earnings management to meet shareholder expectations and show good performance. Good company performance can be reflected in high profitability through ROA (Return on Assets), in other words companies with a high level of ROA will have a greater tendency to carry out earnings management compared to companies with a lower level of ROA, because, the company has the ability to obtain profits in the future so that managers are able to make plans to delay or accelerate profits which makes investors interested in investing their capital in the company.

4.4.3 The influence of the Board of Commissioners on Earnings Management actions

The results of hypothesis testing on the board of commissioners variables presented in table 11 show that the board of commissioners has a calculated t value < t table value, namely -3.985 < 1.65267, a significance level of 0.000 or less than 0.05, which means H3 is accepted, which means the board of commissioners has a negative effect on earnings management actions in manufacturing companies listed on the Indonesia Stock Exchange with an observation period of 2020-2023. The results of testing the board of commissioners variable with the interaction (X1Z) in table 12 give a significance value of 0.028 which is smaller than the expected significance value of 0.05, while the results of testing the board of commissioners variable with the X2Z interaction in table 12 give a significance value of 0.057 which is greater than the level significance 0.05. By considering this significance value, the researcher lowered the confidence level to 90% and used a significance level of 0.10 to conclude the test results, which means that the board of commissioners variable directly influences earnings management actions, and can provide influence through an interaction model with the X2 variable on actions. earnings management. These results show support for previous research, among others (Pratomo et al, 2020) And (Sumanto et al., 2014) which states that the board of commissioners has a negative influence on earnings management actions. Meanwhile, the test results with the X2Z interaction model are in line with the findings (Dewi, 2017) which provides the conclusion that the board of commissioners is able to moderate the role of profitability and company size on earnings management.

In this research, the board of commissioners as part of Good Corporate Governance is proxied by the proportion of independent board of commissioners in the company which is regulated in official regulations. Financial Services Authority Regulation Number 33/PJOK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies which requires companies registered on the stock exchange to have a board of commissioners who can monitor the company so as to create Good Corporate Governance in Indonesia. According to this rule, the Board of Commissioners consists of more than 2 (two) members of the Board of Commissioners, the number of Independent Commissioners must be at least 30% (thirty percent) of the total number of members of the Board of Commissioners. An independent board of commissioners must be able to supervise and fulfill the interests of all shareholders based on the principle of equality, direct and monitor and evaluate the implementation of the company's strategic policies.

The results of the coefficient of determination test on the independent board of commissioners variable as a moderator show an R2 percentage figure of 24.5%, which means that there is a positive influence of the board of commissioners on earnings management of 24.5%. Even though the percentage is relatively small, it still contributes to earnings management actions. The existence of a high proportion of independent board of commissioners is a sign that the company has implemented good governance which will be able to reduce opportunities for conflict or

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conflicts of interest that arise when owners delegate authority to managers to manage the company's operational activities. The manager in this case is the party who is considered to know the most about the information contained in the company because the function of managing the company lies in the hands of management so it does not rule out the possibility of management (agent) taking advantage of information asymmetry by blocking access to some valuable information that should be conveyed to the owner as principal, especially information related to the results of measuring agent performance, for example actions taken by management by utilizing cash holdings to carry out bad and beyond reasonable earnings management actions, with the aim of displaying agent performance so that it looks good. This behavior can be minimized by implementing good corporate governance one of which is the existence of an independent board of commissioners. The greater the proportion of independent commissioners on the board, the smaller the room for managers to carry out poor earnings management.

4.4.4 The influence of the Board of Commissioners in moderating Cash Holding on Earnings Management actions

Table 12 is the result of testing the interaction of the Cash Holding variable on earnings management with the board of commissioners variable as the moderating factor, where the table shows a significance result of 0.028 which is smaller than the required significance value of 0.05. The results of this test empirically prove that Good Corporate Governance, which is proxied by the proportion of independent board of commissioners, is able to moderate the influence of cash holding on earnings management. Research in the realm of profit (Bertand et al, 2023) stated that good corporate governance is able to moderate or reduce the influence of cash holding on income smoothing, but researchers have not found research that tests the cash holding variable with the interaction model of the board of commissioners as a moderating variable on earnings management.

The implementation of this research uses the parameters of the number of independent board of commissioners that a company must have with proportions based on Financial Services Authority Regulation Number 33/PJOK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies which states that in the case of a Board of Commissioners consisting of more than 2 (two) members of the Board of Commissioners, the number of Independent Commissioners must be at least 30% (thirty percent) of the total number of members of the Board of Commissioners." Referring to these regulations, the board of commissioners is tasked with supervising and is responsible for supervising management policies, the course of management in general, both regarding issuers or public companies, and providing advice to the board of directors. If it is related to the implementation of regulations and the relevance of agency theory, the existence of an independent board of commissioners is expected to contribute to supervision and control so that the greater the proportion of independent board of commissioners in the company, the more it will have a positive influence in optimizing the use of company assets, especially in relation to optimizing the value of cash holdings and reducing opportunities for information asymmetry thereby reducing bad earnings management actions, which are carried out inadequately and beyond reasonable limits. The greater the proportion of the board of independent commissioners, the greater the impact on optimizing the cash holding value and will minimize the risk of poor earnings management actions or exceeding reasonable limits.

4.4.5 The influence of the Board of Commissioners in moderating Profitability on Earnings Management actions

The calculation results show a significant level of 0.057, so to draw conclusions from the results of the 5th hypothesis test, researchers use a confidence level of 90% and use a significance level of 0.10 for moderates profitability (X2) on earnings management, so H5 is accepted.

The results of this test provide evidence that empirically the Good Corporate Governance variable, which is proxied through the existence of an independent board of commissioners, is able to moderate the influence of profitability on earnings management actions. ROA (Return On Assets), which in this case is a proxy for profitability, is one of the main factors that shows the credibility of a business in managing its assets. If related to the relevance of agency theory, a low level of Return on Assets is a sign that the company is unable to generate profits by managing assets as well as possible according to the principal's expectations. This encourages managers to carry out earnings management practices to maintain good performance in the eyes of the principal with various One way is by earnings management. The existence of an independent board of commissioners as a component of Good Corporate

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Governance is expected to be able to act independently in carrying out its duties and responsibilities to function as a supervisor and provide advice to management, so that it is hoped that it can reduce the influence of profitability on poor earnings management. The implementation of Good Corporate Governance through the existence of an independent board of commissioners can play a role in reducing profitability related to earnings management actions that deviate from fairness. This is in line with the research results (Dewi, 2017) which states that the influence of profitability and company size on earnings management can be moderated by the board of commissioners. The greater the proportion of an independent board of commissioners, the more it reduces the potential for bad earnings management actions and deviating from reasonable limits related to the company's profitability.

5. CONCLUSION

Based on the research objectives and test results, it can be concluded that cash holding has a negative effect on earnings management. profitability has a positive effect on earnings management and the board of commissioners has a negative effect on earnings management. Furthermore, placing the board of commissioners as a moderator resulted in the finding that the board of commissioners was able to moderate the influence of cash holding on earnings management actions.The greater the proportion of independent board of commissioners, the greater the impact on optimizing the cash holding value and will minimize the risk of bad earnings management actions, so that controlled management actions make management/agents more reputable which is expected to reduce monitoring agency costs through increasing the degree of reliability and validity of reporting. financial and other financial information which in the process is under the monitoring of the board of commissioners. The next finding places the board of commissioners as a moderator capable of moderating the influence of profitability on earnings management actions. The implementation of Good Corporate Governance through the existence of an independent board of commissioners is able to play a role in reducing profitability related to earnings management actions that deviate from reasonable limits. The moderating influence of the board of commissioners on cash holding and profitability on earnings management actions is proven by the R2 value in the coefficient of determination test on X1, X2 and Z were 0.213, after being tested with the board of commissioners' moderation interaction model, it increased to.245, which means that the contribution of the cash holding and profitability variables to lab management increased from 21.3% to 24.5%.

It is hoped that the results of this research can provide an appropriate theoretical contribution to the principles underlying the relationship between principals, agents and stakeholders through the urgency of the role of the independent board of commissioners as part of the internal mechanism of Corporate Governance and the supporting organ of the audit committee which carries out the function of monitoring the quality of financial reports, and ensuring the quality of the company's internal control. This research has limited access to references and reputable journals from supporting research results, so researchers have not been able to relate it to theory and phenomena to draw sharp conclusions and the results of the coefficient of determination (R2) test for all variables are still less than 25%, which means the cash holding variable, profitability and the board of commissioners used in the research, although able to influence the dependent variable (Earnings Management), are still at a moderate level. It is recommended that future researchers add other independent variables, for example bonus mechanisms, leverage, bonus mechanism, exchange, tax minimization, managerial ownership, audit quality and/or adding audit quality variables as moderating variables.

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