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THE EFFECT OF MANAGERIAL OWNERSHIP, BONUS COMPENSATION, FIRM SIZE, AND PROFITABILITY ON EARNING MANAGEMENT

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Abstract: This study intends to determine the effect of Managerial Ownership, Bonus Compensation, Firm Size, and Profitability on Earning Management for manufacturing sector companies that are listed on the Indonesia Stock Exchange in 2020-2022. The population in this study is manufacturing sector companies listed on Indonesia Stock Exchange in 2020-2022. The technique of sampling in this study is purposive sampling. The total number of companies as samples is 45 and the total number of data samples for 3-year observation is 135. The analysis technique used in this study is multiple linear analysis with an SPSS application. The result of this study is Managerial Ownership, Bonus Compensation, Firm Size, and Profitability simultaneously affect Earning Management. Partially, Managerial Ownership affects Earning Management in the negative direction, Bonus Compensation affects Earning Management in the negative direction, Firm Size does not affect Earning Management, and Profitability does not affect Earning Management.

Keywords: Managerial Ownership, Bonus Compensation, Firm Size, Profitability, and Earning Management

1. Introduction

Profit is a measurement of the company's performance summary based on accrual-based accounting (Agustia & Suryani, 2018). For this reason, the value of profit is important for stakeholders. This is because logically, the company's stakeholders want the company to have good performance. With good performance, the expectation is that the company will have high revenues and can develop the company, which will ultimately benefit stakeholders. Examples are suppliers of companies that benefit from larger supply orders if the company grows, owners or investors of companies that get high returns on investment or according to expectations from high company performance, and so on. However, in reality, companies can experience performance that is not in accordance with the expectations of owners or investors. This is reflected in the level of profit that is low or not in line with expectations.

When the company gets low profits, then in this situation there will be a conflict of interest between the owner and the management (agency theory). The owner of the company will try to take decisions aimed at improving the company's performance. An example of such a decision is to replace company managers who are considered less competent and are the cause of not

achieving the expected profit by the company, but on the other hand, management tends to be interested in maintaining their jobs. This is one example of a conflict of interest that can occur between the owner and the management that can bring up the potential of management to carry out earning management. The potential for earning management also often arises due to differences in the information received between management and owners (Panjaitan & Muslih, 2019). Earning management is the manager's action to increase or decrease the current period profit of a company he manages without causing an increase (decrease) in the long-term economic profits of the company (Lubis &; Suryani, 2018).

Several cases of earning management have occurred in Indonesia. Examples are the case of PT KAI (Persero) in 2006 and the case of PT Kimia Farma Tbk in 2001. Quoted from: www.cnbcindonesia.com dated July 27, 2021, concerning "A Row of Financial Statement Scandals in the Indonesian Stock Market, Indofarma-Hanson!" it is stated that in the company's financial statements, PT KAI earned a profit of IDR 6.9 billion even though the company should have lost IDR 63 billion, and the profit in the new financial statements (PT Kimia Farma Tbk) after a re-audit was lower by IDR 32.6 billion or a decrease of 24.7% from the initial reported profit. Both cases are examples of earning management cases that can certainly harm company stakeholders.From the brief discussion above, it can be seen the importance of analyzing earning management problems, where one way is to analyze the factors that allegedly affect earning management. In this study, researchers will discuss 4 factors that are thought to affect the occurrence of earning management. The four factors are managerial ownership, bonus compensation, firm size, and profitability.

Profit management occurs due to a conflict of interest between company owners or investors and management (agency theory). However, management can also own shares or become investors in the company where they work. The amount of share ownership owned by the management is called managerial ownership (Panjaitan & Muslih, 2019). With this managerial ownership, it will be able to minimize the difference in interests between owners or investors and management, and for that, it will affect the potential for profit management. According to Ayem & Ongirwalu (2020) and Dimarcia & Krisnadewi (2016), managerial ownership has a significant negative effect on earning management. This means, the higher the managerial ownership in a company, the less likely earning management will occur. However, another thing was said by Launa & Respati (2017) and Panjaitan & Muslih (2019). They concluded that managerial ownership did not have a significant effect on the occurrence of earning management.

Company owners certainly want satisfactory management performance. This is because the owner of the company wants the assets invested in the company to be managed efficiently. To improve the performance of the management, some companies provide bonuses to the management if the company's performance reaches a certain level that has been targeted by the owner. One of the reflections of a company's performance is the value of its profits. This can bring up the motive of the management to do earning management to get the bonus. According to Panjaitan & Muslih (2019), bonus compensation has a significant effect on the positive direction of earning management. This means, the higher the bonus compensation, the higher the likelihood of earning management. However, on the other hand, Dwi Ermayanti (2016) concluded that bonus compensation did not have a significant effect on earning management.

Judging from the number of assets, each company has a different value. The amount of these assets can reflect the quantity and complexity of accounting that the company does. In Indonesia, accounting rules for limited liability companies (PT) are different from accounting for Micro, Small, and Medium Enterprises (UMKM). Accounting applied by businesses categorized as Micro, Small, and Medium Enterprises is relatively simpler than accounting applied by businesses categorized as Limited Liability Companies. The quantity and complexity of accounting for a company can create room to manipulate data to do earning management. Thus, firm size can affect the potential emergence of profit management. According to Lubis & Suryani (2018), firm size has a significant positive effect on earning management. This means, the larger the firm size, the greater the possibility of earning management. This is contrary to the results of Panjaitan & Muslih's (2019) research, which concluded that the larger the firm size, the smaller the likelihood of earning management. The results of other studies are those that conclude that firm size does not have a significant effect on earning management. Those who conclude like that are Agustia & Suryani (2018) and Launa & Respati (2017).

The main goal of a profit-oriented company is to get maximum profit at reasonable sacrifice. To determine whether the company is successfully achieving these goals, measurements that show the company's ability to generate profits are very important. The measurement that can show this is the measurement of profitability. As a ratio that shows the company's ability to seek profits, the high value of profitability is the main responsibility of management. For this reason, the management wants a high profitability value. And since one of the elements for calculating the level of profitability of a company is profit, profitability can affect the potential emergence of earning management. According to Bangun (2019), profitability has a significant positive effect on profit management. This means, the higher the profitability value, the higher the likelihood of profit management. This is contrary to the results of Agustia & Suryani's (2018) research, which concluded that profitability does not have a significant effect on earning management.

2. Literature Review

2.1 Agency Theory

Panjaitan & Muslih (2019) argue that agency theory is a contract between the manager (agent) and the owner (principal). For this contractual relationship to work smoothly, the owner will delegate decision-making authority to the manager. An agency relationship is a contract in which one or several people (employer or principal) hire another person (agent) to perform some services by delegating decision-making authority to the agent. In the context of earning management, agency relationships exist between the owner and management.

Ideally, the owners and management want the company to keep going and growing. However, in reality, the performance of a company can be at a level (low) that is not expected by the owner. In such a situation, there will be a conflict of interest. The interest of the owner is to maintain the level of progress and development of the company as expected. One way to achieve this, the owner of the company can dismiss and replace the management with someone else who is considered more competent. Meanwhile, the interest of the management is to maintain the work and trust of the owner in him. To maintain its interests, management can carry out earning management.

2.2 Earning Management

Panjaitan & Muslih 2019 state that earning management is an act of engineering financial statements, especially to engineer company profits to match what is desired. And, according to Lubis & Suryani (2018), profit management is the manager's action to increase or decrease the current period profit of a company he manages without causing an increase (decrease) in long-term economic profits of the company. Profit management actions occur when managers make decisions according to their personal needs in reporting and preparing company financial statements that have the effect of misleading stakeholders in the use of these reports (Panjaitan &; Muslih, 2019). Schipper in Butar (2014) defines profit management as management's intervention in the process of determining profits to obtain personal benefits. From some of the opinions above, researchers conclude that earning management is the act of engineering financial statements by management so that financial statements will show incorrect profit values to mislead stakeholders in order to obtain personal benefits.

2.3 Managerial Ownership

Ayem & Ongirwalu (2020) stated that managerial ownership is defined as the total shares owned by management in the company. And according to Panjaitan &; Muslih (2019), managerial ownership is the number of shares owned by managers compared to all outstanding share capital. From the various opinions above, researchers concluded that managerial ownership is the number of shares owned by the company's management against all outstanding shares.

Share ownership is obtained from investments or bonuses given by the owner (principal) in the form of shares. In agency theory, it is stated that conflicts of interest can occur between the owner and the company's management under certain conditions. And this conflict of interest raises the potential for earning management. However, with the existence of managerial ownership, it will minimize existing conflicts of interest. This is because the management is part of the owner who makes the alignment of interests high. Therefore, the higher the managerial ownership, the less likely earning management will occur. This is supported by the results of research by Ayem & Ongirwalu (2020) and Dimarcia & Krisnadewi (2016), which state that managerial ownership negatively affects earning management.

H1: Managerial ownership negatively affects earning management

2.4 Bonus Compensation

Panjaitan &; Muslih (2019) argue that bonus compensation is a company policy to provide bonuses to managers based on their work results to achieve company goals. Dwi Ermayanti (2016) states that bonus compensation is a reward received by managers or employees for what they have done for the company. From the various opinions above, researchers concluded that bonus compensation is an award given by company owners to management for their performance.

The achievement of goals and the assessment of the level of performance of a company will be directly related to the profits generated by the company. The more company goals that are achieved and the higher the performance, the company can provide greater bonus compensation to the management as a form of appreciation. This can encourage opportunistic traits to get

compensation for these bonuses by doing earning management. Therefore, the greater the bonus compensation, the greater the likelihood of earning management. This is supported by the results of Panjaitan & Muslih's (2019) research which concluded that bonus compensation affects profit management significantly in a positive direction.
H2: Bonus compensation positively affects earning management

2.5 Firm Size

Lubis &; Suryani (2018) firm size is classified into 4 categories, namely micro, small, medium, and large enterprises. The classification of the firm size is based on the total assets owned and the total annual sales of the company. According to Launa & Respati (2017), firm size is a value that shows the size of the company measured using the logarithm of total assets. From the various opinions above, researchers concluded that the firm size is the size of the total company assets.

Firm sizes are classified into 4 categories, namely micro, small, medium, and large enterprises. The larger the company, the greater the company's stakeholders and ultimately the greater the responsibility of the management. This can put great pressure on management to be able to maintain the company's good performance and ultimately can encourage managers to do earning management. The larger the size of the company will also increase the complexity of the company's accounting calculations (both quantity and calculation method), and this can make it easier for management to carry out profit management. So, the larger the size of the company, the greater the likelihood of profit management. This opinion is supported by the results of Lubis & Suryani's (2018) research, which states that the larger the size of the company, the higher the possibility to carry out profit management practices.
H3: Firm size positively affects earning management

2.6 Profitablity

Agustia & Suryani (2018), profitability is a ratio to assess the company's ability to seek profit and provide a measure of the level of effectiveness of the company's management as shown by profits generated from sales and investment income. And according to Bangun (2019), profitability is a ratio used to measure a company's ability to generate profits in a certain period. From the definitions above, it can be concluded that profitability is a ratio that shows the company's ability to generate profits in a certain period which can be used as a measure of the level of effectiveness and efficiency of management.

Profitability is a ratio used to measure a company's ability to generate profits in a certain period. The greater the profitability of the company, the higher the level of efficiency and effectiveness of the management. With the high level of efficiency and effectiveness of management, management can get appreciation from the owner and other benefits that may be obtained by the management both in material and immaterial forms. The higher the profitability of the company, the higher it allows management to get higher material or immaterial appreciation as well. And ultimately this can drive earning management actions.

The high level of profitability can also make it easier for management to find funding sources for the company. This is because profitability can be one of the considerations of potential investors to invest and profitability can also determine the limit on the amount of debt

that a company can receive from creditors. So, the higher the level of profitability, the greater the likelihood of profit management. This opinion is supported by the results of Bangun's (2019) research, which states that the independent variable of profitability affects significantly and has a positive direction toward earning management.
H4: Profitability positively affects on earning management

3. Research Method

This research uses a quantitative approach with secondary data or data obtained by researchers indirectly through intermediary media (in the form of annual financial statements) sourced from the website of the Indonesia Stock Exchange (https://www.idx.co.id/). The population in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2020 – 2022. Sample selection in this study, based on the purposive sampling method based on considerations with the following criteria: (1) Manufacturing sector companies that are consistently listed on the IDX during the 2020-2022 research period (2) Manufacturing sector companies that consistently provide information on managerial ownership, bonus compensation, company size, and profitability during the 2020-2022 research period. (3) Manufacturing sector companies that earned profits during the 2020-2022 research period. The technical data analysis used in this study is to use multiple linear regression with SPSS

Operational Variables

Earning Management

Earning management is measured using the Modified Jones Model which consists of 4 stages, namely calculating Total Accrual (TAC), Estimating Total Accrual (TAC) with Ordinary Least Square (OLS) to obtain regression coefficients, calculating Nondiscretionary Accrual (NDA), and Calculating Discretionary Accrual (DA) where the value of Discretionary Accrual (DA) is a proxy for the value of corporate earning management.
Total Accrual (TACit) is obtained by subtracting the value of the company i's net profit by cash flow from the company i's operating activities in period t.

$$TAC = NIit - CFOit \quad (1)$$

rual Value (TACit) is estimated by multiple regression equations. In this multiple regression equation, information is needed about the value of Ait-1 or the total assets of the company i in period t-1, ΔREVit or the reduction of the company i revenue in year t with year t-1, d, and PPEit or total fixed assets of the company i in year t. Then linear regression analysis was carried out on SPSS to obtain β1, β2, and β3 values. The multiple linear regression equation is as follows:

$$\frac{TA_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta Rev_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\mathrm{PPE}_{it}}{A_{it-1}}\right) + \varepsilon \quad (2)$$

The NDAit or Non-Discretionary Accruals value of company i in year t is obtained with the value information already in the previous step, plus information ΔRECit or reduction of receivables i in year t with year t-1. The formula for finding the NDAit value is as follows:

$$NDA_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{\mathrm{PPE}_{it}}{A_{it-1}}\right) \quad (3)$$

The final step is to find the DAit value or Discretionary Accruals of the company i in year t as a proxy for the value of profit management. The formula for finding the DAit value is as follows:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it} \quad (4)$$

Managerial Ownership

Ayem &; Ongirwalu (2020) argue that managerial ownership is measured by the percentage of ownership of the number of shares owned by management against the number of outstanding shares and then made into a percentage. The managerial ownership measurement formula is as follows:

(Number of shares of management / Number of outstanding shares) x 100% (5)

Bonus Compensation

Bonus compensation is an award by the company owner to the management who manages the company for achieving good results and exceeding predetermined achievements (Aprina & Khairunnisa in Panjaitan & Muslih, 2019). This bonus compensation can be given in the form of salaries, goods, benefits, and incentives. This amount of compensation will then be transformed into the form of a natural logarithm (Ln). The formula for measuring bonus compensation is as follows:

Ln Compensation (6)

Firm Size

Agustia & Suryani (2018). argues that the size of the company is obtained by finding the total value of the company's assets. The total amount of assets obtained is then transformed into a natural logarithm. The formula for finding the size of the company is as follows:

Ln Firm Size (7)

Profitability

Agustia & Suryani (2018) argue that profitability is measured using Return on Asset (ROA) value. The ROA value can be found by dividing the value of net income by total assets. The ROA value is then made into a percentage. The formula for finding profitability with ROA is as follows:

(Net Profit / Total Assets) x 100% (8)

4. Results and Discussion

4.1 Descriptive Analysis

Descriptive analysis is carried out to explain descriptively the variables in the study, such as minimum, maximum, mean, or average values and standard deviations. The descriptive analysis in this study, which consists of variables of Managerial Ownership (KM), Bonus Compensation (KB), Company Size (UP), Profitability (P), and Profit Management (Man_Laba) can be seen in the following table:

Table 1. Descriptive Statistics of Research Variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
KM	135	,000011	,726142	,13805916	,194395860
KB	135	20,09	27,62	23,5852	1,41254
UP	135	25,08	32,83	28,8677	1,68049
P	135	,000046	,225509	,06249510	,049842940
DA	135	,05	,18	,1102	,02398
Valid N (listwise)	135				

Table 2. Overall Test Results

Uji Normalitas	Sebelum Outlier	Skewness	-0,2245	Setelah Outlier	Skewness	0,909
		Kurtosis	3,3051		Kurtosis	1,384
Uji Autokorelasi	DW		2,106			
Uji F	F hitung		4,504	Sig		0,002
Uji R	Adj R Square		0,095			
Variabel	**Heterokedastisitas**		**Multikolinearitas**		**Uji t**	
	Sig		Tolerance	VIF	Beta	Sig
KM	0,609		0,982	1,018	KM	0,033
KB	0,892		0,346	2,891	KB	0,014
UP	0,923		0,353	2,829	UP	0,647
P	0,995		0,920	1,087	P	0,387

4.2 Normality Test

The Normality Test aims to determine whether the residual values of the research data are normally distributed or not. Determining whether or not the distribution of residual values is normal can be done in several ways. In this study, the normality test to be used is the Skewness-Kurtosis normality test.

Researchers face obstacles in this normality test, namely the results of the normality test state that the distribution of residual values of data is not normally distributed. To overcome this problem, researchers eliminated data outliers. In determining outlier data, it is necessary to find the standardized value by looking at the average, standard deviation, and nominal values of each variable, then the value is converted into absolute standardize (Ghozali, 2018). The number of companies categorized as outlier data and eliminated amounted to 6 companies or 18 observational data (3-year term research).

The Skewness-Kurtosis normality test uses two ratio values, namely the Skewness ratio and the Kurtosis ratio If both ratio values are between -2 to 2, then the residual value of the data is normally distributed. The results of the Skewness-Kurtosis normality test of this study can be seen in Table 2.

The results of testing the normality of residual data with the Skewness-Kurtosis test before eliminating outlier data, show that the residual value of the data is not normally distributed. From Table 2 it can be seen the value of the Skewness ratio of -0.044 / 0.196 or -0.2245. And the Kurtosis ratio value is 1.289 / 0.390 or 3.305. The results of testing the normality of the residual value of the data with the Skewness-Kurtosis test after eliminating the outlier data showed that the residual value of the research data was distributed normally. From Table 2 above, it can be seen that the value of the Skewness ratio is 0.19 / 0.209 or 0.909. And the value of the Kurtosis ratio is 0.573 / 0.414 or 1.384.

4.3 Classical Assumption Test

Multicolliniality Test

The multicollinearity test is part of the classical assumption test which aims to determine whether, in the regression model, there is a correlation between independent variables. A good regression model is a regression model in which there is no correlation between independent variables or there are no symptoms of multicollinearity. The multicollinearity test in this study uses the Tolerance and VIF methods whose results can be seen in Table 2.

The results of this study's multicollinearity test based on the table above show that there is no correlation between independent variables or there is no multicollinearity problem. This can be seen from the values of Tolerance and VIF (Variance Inflation Factor) and compare them with the limit values according to. All Tolerance values of independent variables that can be seen in Table 2 are above 0.1. This indicates that there are no symptoms of multicollinearity. Likewise, all VIF (Variance Inflation Factor) values are below 10. It also indicates that there are no symptoms of multicollinearity. So, it can be concluded that there is no correlation between independent variables or there is no multicolliniality problem in the regression model.

Heteroscedasticity Test

The heteroscedasticity test is part of the classical assumption test conducted to determine whether, in the regression model, there is an inequality of variance from the residual of one observer to another or whether heteroscedasticity symptoms occur. The heteroscedasticity test in this study uses the Glejser test whose results can be seen in Table 2.

The results of the heteroscedasticity test of this study based on Table 2 above show that there is no inequality of variance from residual one observer to another or no symptoms of heteroscedasticity. This can be seen from all significance values above the limit of values that define the absence of heteroscedasticity symptoms, which is 0.05.

Autocorrelation Test

Autocorrelation tests are performed to assess whether, in linear regression models, there is a correlation between confounding errors in period t with confounding errors in period t-1 or assess the presence or absence of autocorrelation symptoms. In the autocorrelation test in this study, the technique used is Durbin Watson with the test results can be seen in Table 2.

The results of the autocorrelation test show that there are no autocorrelation symptoms in the regression model. This can be known by looking at the relevant values in the table against the decision basis of Durbin Watson's autocorrelation test theory which states that there are no

autocorrelation symptoms in regression models. The basis for the decision stating this is if dU < d < 4-dU. The dU value can be known from Durbin Watson's table, which is 1.7802. The value in the column k=4 is used because the number of independent variables of the study is 4. The value of d can be seen in Table 2, which is 2.106. And the value of 4-dU can be calculated from already-known values. The value of 4-dU or 4-1.7802 is 2.2198. Thus, the equation based on the basic value of the decision becomes 1.7802 < 2.106 < 2.2198 which is true or means that there are no symptoms of autocorrelation.

4.4 Regression Test

The results of the research regression test can be seen in Table 2 above. The description of the regression test results in Table 2 is as follows:

1. A constant of 0.224 means that if the values of KM (X1), KB (X2), UP (X3), and P (X4) are zero, then profit management (Y) is 0.224.
2. KM regression coefficient of -0.022 means that if other variables remain and managerial ownership increases by one unit, then profit management will decrease by 0.022.
3. The KB regression coefficient of -0.006 means that if the other variables remain and the bonus compensation increases by one unit, then profit management will decrease by 0.006.
4. UP's regression coefficient of 0.001 means that if other variables remain and the size of the company increases by one unit, then profit management will increase by 0.001.
5. The regression coefficient P of 0.36 means that if the other variables remain and the company's profitability increases by one unit, then profit management will increase by 0.36.

Based on the explanation above, a regression equation can be formulated that explains the influence of the relationship between the independent variables of the study, namely managerial ownership, bonus compensation, firm size, and profitability on the dependent variable of the study, namely earning management in manufacturing companies in 2020-2022. The regression equation is:

DA = 0,224 - 0,022 KM - 0,006 KB + 0,001 UP + 0,036P + e

Information:

DA : Discretionary Accrual
KM : Managerial Ownership
KB : Bonus Compensation
UP : Firm Size
P :Profitability

4.5 Model Test

F-Test

The F test is performed to determine whether the independent variable affects its dependent variable simultaneously. To determine this, we need to find the significance value, F count, and F table. Table 2 will provide the values required in performing the F test. The results of test F based on distribution table F and Table 2 above state that the independent variables of the study, namely managerial ownership, bonus compensation, firm size, and profitability affect the

dependent variables together. This can be seen from the significance value in Table 2 of 0.002 which is smaller than the limit value in the basis of decision making which is 0.05 or the F count which is 4.504 greater than the F table which is 2.44.

Coefficient of Determination Test

The coefficient of determination serves to provide the magnitude of the value of influence given by the independent variable simultaneously on the dependent variable. The magnitude of the value of this influence can be seen in Table 2. The Adjusted R Square value of 0.095 in the table above means that the ability of the independent variables namely managerial ownership, bonus compensation, firm size, and profitability in explaining the dependent variable in the form of earning management is 9.5% and the remaining 90.5% is explained by other variables outside the model.

4.6 t-Test

The t-test shows whether or not there is a partial influence of the independent variable on the dependent variable. The results of the t-test can be seen in Table 2, with the following explanation:

Managerial Ownership

The significance value of managerial ownership is in Table 2 is 0.033, where this value is less than 0.05. This can be interpreted that Managerial Ownership as an independent variable (X1) has a partial effect on Earning Management as a dependent variable (Y). And a negative coefficient value of -0.022 indicates a negative relationship direction. This can be interpreted that if managerial ownership increases, then the possibility of earning management will decrease. So, it can be concluded that hypothesis one (H1) of research stating that managerial ownership negatively affects earning management is accepted.

Bonus Compensation

The significance value of bonus compensation is in Table 2 is 0.014, where this value is less than 0.05. This can be interpreted that Bonus Compensation as an independent variable (X2) has a partial effect on Earning Management as a dependent variable (Y). And a negative coefficient value of -0.006 indicates a negative relationship direction. This can be interpreted that if the bonus compatibility given to key management increases, then the possibility of earning management will decrease. So, it can be concluded that hypothesis two (H2) of the study stating that bonus compensation positively affects earning management is rejected.

Firm Size

The significance value of the company size is in Table 2 of 0.647 where this value is greater than 0.05. This can be interpreted that Firm Size as an independent variable (X3) does not have a partial effect on Earning Management as a dependent variable (Y). So, it can be concluded that hypothesis three (H3) of research stating that firm size positively affects earning management is rejected.

Profitability

The significance value of company profitability in Table 2 has a value of 0.387 where this value is greater than 0.05. This can be interpreted that Profitability as an independent variable (X4) has no partial effect on Earning Management (Y). So it can be concluded that hypothesis four (H4) research that states that profitability positively affects earning management is **rejected**.

4.7 Discussion

The Effect of Manjerial Ownership on Earning Management

Based on the results of this study, the first hypothesis (H1) is accepted, meaning that higher managerial ownership, the less likely possibility of earning management that can be carried out by management. The results of this study are in line with the results of research by Ayem & Ongirwalu (2020) and Dimarcia & Krisnadewi (2016) which concluded that managerial ownership has a significant effect on a negative direction on earning management. However, contrary to the results of research by Panjaitan & Muslih (2019) and Launa & Respati (2017) which concluded that managerial ownership does not have a significant impact on earning management.

Effects of Bonus Compensation on Earning Management

Based on the results of this study, the second hypothesis (H2) was rejected, where the results showed that the higher the bonus compensation, the less likely possibility of earning management that can be carried out by management. The results of this study are contrary to the results of Ermayanti's (2016) research which states that bonus compensation does not have a significant effect on earning management. And Panjaitan & Muslih (2019) concluded that bonus compensation has a significant effect but in a positive direction.

The Effect of Firm Size on Earning Management

Based on the results of this study, the third hypothesis (H3) was rejected, where the results of this study showed that firm size does not affect the possibility of earning management. The results of this study are in line with the results of research by Agustina & Suryani (2018) and Launa & Respati (2017) which concluded that firm size does not have a significant effect on earning management. However, the results of the study are contrary to the results of Panjaitan & Muslih's (2019) research which argues that firm size has a significant effect in a negative direction. And Lubis & Suryani's (2018) research concludes that firm size has a significant effect in a positive direction.

The Effect of Profitability on Earning Management

Based on the results of this study, the fourth hypothesis (H4) is rejected, where the results of this study show that the high or low level of profitability of the company, does not affect the possibility of Earning management. The results of this study are in line with the results of Agustia & Suryani's (2018) research which states that profitability does not have a significant effect on Earning management. However, contrary to the results of Bangun's research (2019) which states that profitability has a significant effect in a positive direction.

5. Conclusion

The results of this study concluded that managerial ownership negatively affects earning management. This means that the higher the company's share ownership held by the company's managerial ranks, the smaller the possibility of earning management. Bonus compensation negatively affects earning management. This means that the higher the bonus compensation given by the company to the management, the less likely earning management will occur. Firm size does not affect earning management. This means that firm size which is reflected in the total assets owned does not affect the possibility of earning management. Profitability does not affect earning management. This means that the high or low level of profitability achieved by the management does not affect the possibility of earning management.

This research is expected to be a reference for future studies related to profit management practices measured by the Modified Jones model. Further researchers are also expected to develop this research by adding independent variables or by changing measurements or operational definitions of related variables.

The researcher's advice to investors and potential investors is to be more careful in making investment decisions. Where don't just make decisions from the value of company profits. This is because there is a possibility of profit management in a company. For this reason, potential investors need to add other considerations besides the value of profit in making their investment decisions.

The researcher's suggestion to issuers is to utilize managerial ownership and a bonus compensation system as a way to exercise internal control related to profit management. This is because based on the results of this study, these two variables affect the possibility of profit management practices.

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