CHAPTER V

CONCLUSIONS AND IMPLICATIONS

A. Conclusions

Based on the results of the discussion and testing that has been carried out, the following conclusions can be drawn:

1. Company size has a negative effect on earnings management. The results of this study prove that the larger company size, the less likely it is that earnings management practices will occur.
2. Leverage has a positive effect on earnings management. This shows that high leverage encourages company management to carry out earnings management.
3. Company age has no effect on earnings management. This shows that companies that have a longer lifespan or are newly established, do not guarantee that they will carry out earnings management.
4. Bonus compensation has a negative effect on earnings management. This shows that the greater the bonus compensation of a company on performance, the smaller the possibility of earnings management in the company.

B. Implications

Based on the results of a series of analyses that have been carried out, there are several implications that can be drawn from this research, including the following:

The results showed that there are still earnings management practices that have an effect, although not all factors. Then the regulator must evaluate every policy that is implemented and pay more attention to various experiences each year to minimize earnings management practices. Through this research, it is hoped that it can be part of the development of knowledge related to earnings management as well as for similar researchers as well as for other academics.

Based on the research results, leverage has a positive effect on earnings management, while compensation bonuses have a negative effect on earnings management. However, company size and company age have no effect on earnings management.

The results of research on company size has a negative effect on earnings management. Large companies have a large enough level of sensitivity and cost, the more likely the company manager is to choose accounting procedures that defer current year's earnings to next year's earnings. The results of research on leverage prove that this variable has a significant positive effect on earnings management. High leverage can indicate a manager's intention to practice earnings management to pay the company's debt burden that must be paid so that the company is not threatened with default.

Another thing that needs to be known in this study is the bonus compensation variable, which has a negative effect on earnings management. Bonus compensation given to management makes the intention of a manager to practice earnings management smaller. This is because a manager is satisfied with the compensation that has been determined. Meanwhile, company age have no significant effect on earnings management.

C. **Research Limitation**

The researcher experienced a number of limitations that could be used as a reference for more attention for future research in order to obtain better research results. Limitations and suggestions from this research include:

1. The sample companies that meet the criteria in this study are only 12 companies out of 45 total companies. The small number of samples used affects the research results obtained. Further research is expected to add other sectors so that the number of samples used grows. It is hoped that further research can update the year of research so that it is more recent to assess earnings management practices.
2. The study only uses 4 independent variables, namely company size, leverage, company age, and bonus compensation, with an adjusted R square of 29.3%, meaning that there are other variables that can explain the determinants of earnings management in addition to the dependent variable.

D. Suggestion

Based on the description of the conclusions, the following suggestions can be submitted:

1. Further research can re-test with different time periods and add other independent variables such as managerial ownership, institutional ownership, public ownership, and profitability that can affect earnings management to enrich the research results.
2. This study only uses research locations in the food and beverage industry sector listed on the IDX for the period 2018-2020. For further research, it is expected to increase the period of observation and use other companies listed on the IDX so that the results can be more comprehensive.