CHAPTER V

CONCLUSIONS AND IMPLICATIONS

A. Conclusions

Based on the results of this research, which examined the effect of IFRS 15 adoption on earnings management and the moderating roles of audit experience and audit report lag in real estate companies in Indonesia during the 2020 - 2024 period using Moderated Regression Analysis (MRA) with the Ordinary Least Squares (OLS) method through interaction terms in SPSS, the following conclusions can be drawn:

1. The study concludes that IFRS 15 does not have a significant effect on earnings management among real estate companies during the research period. The implementation of the standard has not resulted in noticeable changes in managerial reporting practices, indicating that the adoption of IFRS 15 alone is not sufficient to reduce earnings manipulation. Accordingly, the hypothesis proposing an effect of IFRS 15 on earnings management is not supported.
2. The findings also show that audit experience does not moderate the relationship between IFRS 15 and earnings management. Although experienced auditors generally contribute to higher audit quality, their experience does not strengthen the influence of IFRS 15 in limiting earnings manipulation. As such, the hypothesis regarding audit experience as a moderating factor is not supported.

3. Furthermore, audit report lag is found not to moderate the relationship between IFRS 15 and earnings management. Variations in the duration of audit completion do not alter the extent to which IFRS 15 affects managers' discretionary reporting behavior. Therefore, the hypothesis proposing audit report lag as a moderating variable is not supported.

In summary, all three hypotheses (H_1, H_{2a}, and H_{2b}) are not supported. The findings indicate that IFRS 15 alone is insufficient to reduce earnings management without strong governance structures, consistent understanding of the standard, and adequate auditor capability. The unique characteristics of the real estate industry and the transitional stage of PSAK 72 implementation also help explain the divergence between this study and prior international research. Overall, the results demonstrate that the effectiveness of IFRS-based reporting depends not only on the standard itself but also on institutional readiness, audit competence, and industry-specific conditions.

B. Implications

1. Theoritical implications

a. Implication for theory on IFRS 15 and managerial discretion

The findings of this study provide a refined theoretical understanding of how IFRS 15 operates within an emerging market setting. Although IFRS 15 is theoretically expected to reduce earnings management by limiting managerial discretion, the results show that this expected effect does not materialize in the early adoption period. This indicates that the theoretical assumptions embedded in principle-based standards depend heavily on institutional readiness, consistency of interpretation, and the maturity of regulatory environments.

b. Implication for audit quality theory related to moderating variables

The examination of audit experience and audit report lag contributes to audit quality theory by showing that commonly used proxies do not always function as effective moderating mechanisms. The findings reveal that audit experience influences reporting quality independently but does not enhance the effectiveness of IFRS 15 in constraining earnings management. Meanwhile, audit report lag does not capture meaningful differences in audit quality in contexts where administrative or operational factors dominate audit timelines. This adds nuance to theoretical discussions by demonstrating that traditional audit quality measures may have limited relevance in emerging markets.

c. Implication for the application of agency theory in emerging markets

By applying agency theory to the Indonesian real estate sector, this study highlights the need to contextualize theoretical expectations when operating in developing institutional environments. The results show that external monitoring mechanisms such as accounting standards and audit processes do not function as strongly as predicted in settings where governance structures, auditor competencies, and enforcement mechanisms are still evolving. This contributes theoretically by emphasizing that agency theory must incorporate institutional and contextual factors to more accurately explain financial reporting behavior in emerging economies.

2. Practical implications

a. Implications for regulators (IAI and OJK)

The results indicate that local controls should be tightened on the monitoring and enforcement of the PSAK 72. Specific and more precise instructions are particularly necessary to real estate companies, as their agreements and cash flows are usually complex. OJK, IAI, and IPI should also be better coordinated so that the application of the principles of the IFRS 15 is applicable throughout the industry.

b. Implications for auditors and public accounting firms

To the auditors, the findings reveal the necessity to have a greater technical insight to revenue recognition under IFRS 15. It is essential especially in situations where one is handling a long-term project or one that is multi-faceted. Regular training and enhanced internal audit practices might assist the auditors in making judgments that are more reliable and enhance the quality of their judgments.

c. Implications for real estate companies

Real estate companies are also advised to take into consideration the content of the IFRS 15 instead of formal requirements. This includes enhancing contract-related documentation, strengthening internal controls that concern revenue recognition, and resolving that operations practices are consistent with accounting treatment. Training of the staff is also important in order to limit the subjective judgment that may result into earnings manipulation

d. Implications for investors

This study offers investors a more realistic understanding of earnings quality in real estate companies during the early implementation of PSAK 72. Since IFRS 15 has not yet shown strong effectiveness in limiting earnings management, investors should interpret reported profits with caution. They are encouraged to consider factors such as the level of IFRS 15 disclosure, auditor competence, and audit timeliness when assessing a company's financial reliability. By doing so, investors can make more prudent and informed investment decisions.

C. Research Limitations and Suggestions

There are a number of limitations to this research that we need to be aware of in order to give a more appropriate interpretation of the results and to inform the future direction the research is going to take:

1. The research covers only the period 2020 - 2024, which represents the early adoption stage of PSAK 72. As a result, the impact of IFRS 15 may not yet be fully observable, since both companies and auditors were still adapting to the new standard. This limited dataset may also contribute to the rejection of the proposed hypotheses, as a longer observation window

or larger sample size could potentially reveal relationships that were not detectable within the initial years of implementation.

2. The sample covers the real estate companies only, and the industry where the contracts are intricate, and the projects have long development periods. These features render the sector very dissimilar to other ones thus the findings might not be applicable to the industry with less complex revenue recognition dynamics.
3. The moderating variables such as the experience in the audits and lag in the audit report do not entirely represent the broader concept of audit quality. Lag in the audit report, especially, is usually affected by the delays in the administration or large workloads meaning that it may not be accurate at all in capturing how comprehensive the audit was.
4. The research is purely based on the secondary data of published financial statements. The measurement inconsistencies arising as a result of differences in the disclosure quality and reporting practices may have an impact on the accuracy of the variables like discretionary accruals or audit indicators.
5. The model excludes governance related variables like board effectiveness, audit committee strength, ownership structure and internal control quality. According to the previous studies, these factors are major in the earnings management and their omission can restrict the capacity of the model to explain the moderating effects as witnessed.