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The effect of tax planning and deferred tax expense on earnings management with good corporate governance as a moderating variable

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Abstract
This study aims to examine the effect of tax planning and deferred tax expense on earnings management with Good Corporate Governance (GCG) as a moderating variable. This study uses earnings management as dependent variable, tax planning and deferred tax expense as independent variable. While GCG as moderating variable that was measured by the factor value of institutional ownership, independent commissioner, and audit committee.
The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for period 2017-2019. The number of samples used as objects in this study as much as 109 observations, which are obtained through the purposive sampling method. The hypothesis was tested by multiple linear regression with moderated regression analysis. Based on the analysis that has been done, the results of this study show that the tax planning has no significant effect on earnings management, while the deferred tax expense has a significant effect on earnings management. The results of this study also show that GCG cannot moderate the effects of both tax planning and deferred tax expense on earnings management.

Keywords: Tax planning, deferred tax expense, good corporate governance (GCG), earnings management

Introduction

A corporation needs to have competitive advantages in order to survive and win competition in the global market, where this can be obtained from the quality and quantity of the products it offers, as well as determination in its financial management. Companies with good financial management show good performance too from that company, where this is reflected in the financial reports through the earnings earned (Negara & Suputra, 2017) [16]. Reports regarding the earnings become an essential information for a corporation because they can be used by both internal and external parties to assess the company and estimate profits in the coming period (Lestari & Murtanto, 2018) [12]. For this reason, companies are required to present their financial information in accordance with actual conditions. However, management often intervenes in financial reporting for its own interests, namely earnings management.

One of the big cases related to earnings management in the world is Enron Corporation with its public accounting firm (Arthur Andersen) which was proven to have committed fraud in their financial reporting by inflating its annual income. After examining the reports for the last 5 years, it was founded that there was a loss of IDR 586 million (Yuhao, 2010) [27]. The WorldCom company experienced a misstatement of its profits of US$3,8 billion as a result of classifying funds into capital items when these funds should have been included in expense items (Beresford et al., 2003). Apart from that, in Indonesia itself there was also a case of earnings management by PT Garuda Indonesia (Persero) which inflated its net profit up to US$809,85 thousand as a result of recognizing receivables as other income amounting to US$239,94 million (CNBC Indonesia, 2021). The Hanson International Tbk company was also proven to have overstated its revenue account amounting to IDR 613 billion. This was due to the revenue from "kasiba" (kavling siap bangun) sales being recognized in full accrual method (CNN Indonesia, 2019).

Earnings management actions also occur as a result of several parties in the company having different interests. Management as agent wants a minimum amount of tax payments, meanwhile the government as principal wants high revenue from tax collection (Aditama & Purwaningsih, 2014) [2]. Therefore, management will try to reduce the tax expense by making the amount of tax that must be paid to a minimum level through tax planning activities (Suandy, 2008) [23]. Besides that, earnings management actions can also be taken by taking advantage of the opportunity to choose accounting policies that suit the company's goals. Based on financial accounting standards, management is allowed to choose the accounting estimates used. While based on tax regulations, the methods regulated are more limited (Trijovianto, 2020) [25]. As a result, there are two profits, namely commercial profit based on accounting standards and fiscal profit which is based on tax regulations. Differences originating temporarily give rise to deferred tax expense (Yulianti, 2005) [28].

Several previous studies have examined tax planning, deferred tax expense, and earnings management. Using manufacturing companies that was listed during 2014 to 2016 as the object of research, tax planning was unable to influence earnings management practices due to this planning activities was of interest to external parties. Meanwhile, deferred tax expenses are able to influence earnings management with a negative relationship (Mulyani et al., 2018) [14]. Trijovianto (2020) [25] stated that there is a negative influence of tax planning on earnings management, but there is no influence on the relationship between deferred tax expense and earnings management. Based on the background of the problem, the researcher added Good Corporate Governance (GCG) as a moderating variable, where according to Hart (in Sebrina et al., 2019) corporate governance can monitor the relationship between principals and agents to reduce earnings management practices. The existence of corporate governance is expected to convince investors and creditors that the funds invested in the

company will be able to obtain a return (Naftalia & Marsono, 2013) [15]. From the research gap between previous studies, the topic which want to discuss is related to the influence of tax planning and deferred tax expense on earnings management which is moderated by Good Corporate Governance (GCG).

Theoritical framework and hypothesis formulation

Agency Theory

Agency theory explains that in the agency relationship between shareholders (principal) and company management (agent), there is a contract which involves the delegation of authority in decision making by the principal to the agent to carry out activities on his behalf (Jensen & Meckling, 1976). Delegation of authority can increase company value when management acts in accordance with the interests of the principal. However, when one of the parties acts morally hazardous, namely wanting to maximize their own party at the expense of the other party, this will result in an agency conflict. This is caused by information asymmetry, namely certain parties (agents) have more and more comprehensive information regarding the condition of the company than other parties (principles) (Sulistyanto, 2008) [24].

Positive Accounting Theory

According to Acott & O'Brien (2003) [21], positive accounting theory is a theory that explains what factors influence management's selection of accounting procedures for companies. Based on this theory, the company will determine accounting procedures that are in accordance with its objectives, namely minimizing costs and maximizing value. To achieve this goal, companies are given the freedom to choose the alternatives used, resulting in management having a tendency to take opportunistic actions.

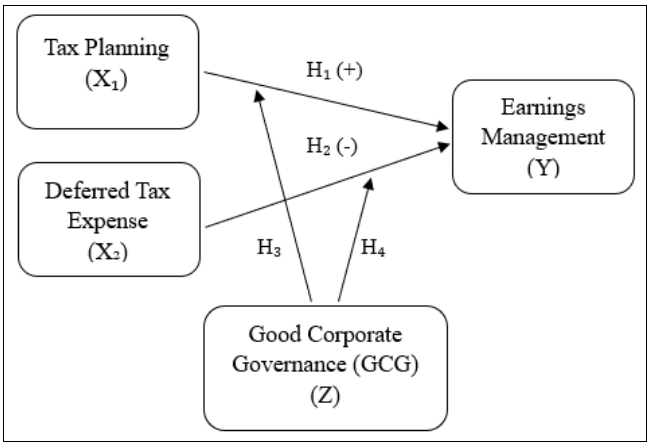

Fig 1: Research Thinking Framework

The Effect of Tax Planning on Earnings Management

Agency theory explains that the principal and agent have a conflict of interest regarding taxes. The government as the principal requires high income from tax payments to finance state interests, while companies as agents want to reduce their expenditure burden by paying taxes at a low level through tax planning. Tax planning as measured by the tax retention rate shows that the higher the tax retention rate, the lower the difference between net income and earnings before income tax, which is indicating an increasing profit. Negara & Suputra (2017) [16], revealed in their research results that tax planning can positively influence earnings management with manufacturing entities as the research object. The results of Febriayanti's (2020) [7] study also prove that tax planning can affect earnings management with a positive relationship on it. Based on the theory and the results of previous researches, the first hypothesis is written as follows:

H_1: Tax planning has a positive effect on earnings management.

The Effect of Deferred Tax Expense on Earnings Management

Based on positive accounting theory, management is given a freedom to choose the accounting methods, standards and policies used, especially the accounting recognition for deferred tax expense. This results in management's discretionary actions regarding the selection of accounting policies. According to the political cost hypothesis in this theory, companies will postpone or save taxes paid (deferred tax) by reducing reported profits, thus indicating a decrease in profits.

Mulyani et al., (2018) [14], through their research shows that deferred tax expense influence earnings management in a negative direction. Apart from that, Putra & Kurnia (2019) [18], also prove that with the food and beverage sector listed on the IDX as the object, deferred tax expense is able to influence earnings management in a negative direction. Based on theory and previous research results, the second hypothesis can be stated as

H_2: Deferred tax expense has a negative effect on earnings management.

The Moderating Effect of Good Corporate Governance in the Relationship between Tax Planning and Earnings Management

Conflicts of interest between principals and agents result in management having the opportunity to intervene in financial reporting, one of which is through taxes, where they will save on taxes so that the tax burden paid is minimal. Meanwhile, for the purposes of Good Corporate Governance (GCG), companies are required to present financial reports with profits that reflect the company's true position. With good corporate governance implemented, companies can present information transparently and with quality. Institutional ownership can increase supervision of management performance (Wening in Sasmita, 2018), and an independent audit committee can improve the quality of reported information (Dahayani et al., 2017) [5]. GCG, represented by institutional ownership, independent commissioners and audit committees, is thought to influence the relationship between tax planning and earnings management. If corporate governance has been implemented well, the relationship between these two variables can be weakened. Based on this description, the third hypothesis can be stated as follows

H_3: Good Corporate Governance (GCG) can moderate the influence of tax planning on earnings management.

The Moderating Effect of Good Corporate Governance in the Relationship between Deferred Tax Expense and Earnings Management

Earnings management actions are carried out to regulate profits according to the wishes of certain parties, namely

company management (Fahmi, 2013) [6]. As a result, the information disclosed is not the same as the actual conditions. One of these actions is done through deferred tax expense. Agency theory explains that supervision through Good Corporate Governance (GCG) is able to minimize earnings management practices (Herawaty, 2008) [8]. However, the existence of GCG is able to increase company value and investor confidence in the company through the presentation of reliable information. Therefore, the fourth hypothesis can be stated as follows:

H_4: Good Corporate Governance is able to moderate the influence of deferred tax expense on earnings management.

Research methods

Research Variables

Variables and Its Measurement

Variable	Measurement
Earnings Management	This variable is measured by the Modified Jones Model which is proxied by Discretionary Accruals (DA). DA with a positive value means *income maximization*, DA with a zero value means *income smoothing*, DA with a negative value means *income minimization*.
Tax Planning	This variable is measured by *Tax Retention Rate* (TRR) which the calculation is by dividing net income with earnings before income tax
Deferred Tax Expense	This variable is calculated by dividing deferred tax expense in a period with total assets of the previous period.
Good Corporate Governance:	This variable is proxied by factor value of institutional ownership, independent commissioner, and independent audit committee. Each of these variables is measured by:
Institutional Ownership	Percentage of the number of institutional ownership shares to the total number of outstanding shares.
Independent Commissioner	Percentage of the number of independent commissioners to the total number of commissioners.
Independent Audit Committee	Percentage of the number of independent audit committee to the total number of audit committee.

Population and Sample

Population in this research is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019, so the research object is secondary data in the form of annual reports. Research data are collected using the documentation method, which is already available or created by another party. The sample selection is carried out using a purposive sampling method by first determining several criteria that are appropriate to the research objectives. Some of the selection criteria used include:

1. Manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2019 period.
2. Companies that did not experience share delisting from Indonesia Stock Exchange (IDXI during the 2017-2019 period.
3. Companies that did not experience mergers, acquisitions, or changes in business group in the 2017-2019 period.
4. Companies that report and publish fully audited annual reports during the 2017-2019 period.
5. Companies whose financial reports are presented in rupiah currency (IDR) during the 2017-2019 period.
6. Companies that made a profit in their financial reports during the 2017-2019 period.
7. Companies with sufficient data required for research, namely during 2017-2019 period.

Analysis Method

The data analysis method used in this research is Multiple Linear Regression. This testing tool aims to find out how likely it is that the dependent variable can be predicted by independent variable. Apart from that, Moderating Regression Analysis (MRA) is also used to test whether the moderating variable in the regression equation of the model two is able to influence the relationship between independent and dependent variable. Principal Component Analysis (PCA) is also used to obtain a factor value that represents the Good Corporate Governance (GCG) variable. The equation models used in this research are:

Model 1

$$DA = \alpha + \beta_1 TRR + \beta_2 DTE + \varepsilon$$

Model 2

$$DA = \alpha + \beta_1 TRR + \beta_2 DTE + \beta_3 GCG + \beta_4 TRR.GCG + \beta_5 DTE.GCG + \varepsilon$$

Explanation

DA:	Earnings Management
A:	Constant
β_1 - β_5:	Regression Coefficient
TRR:	Tax Planning
DTE:	Deferred Tax Expense
GCG:	Good Corporate Governance
TRR.GCG:	Interaction between TRR and GCG
DTE.GCG:	Interaction between DTE and GCG
ε:	Error Term

Research results and discussion

Research Results

Description of the Research Object

Based on the purposive sampling technique, the number of samples obtained is 39 companies with a total of 117 data observations. The final sample size obtained is 109 data (after deducting 8 data which are outliers).

Descriptive Statistical Analysis

The earnings management variable (DA) has a minimum value of -0.28 which is at PT Kirana Megatara Tbk (KMTR) in 2017. The maximum value is at PT Waskita Beton z and 0,09132 respectively. The mean value measured by Tax Retention Rate (TRR) shows that the difference between net income with earnings before income tax is not too large, thus indicating the effectiveness of tax planning activities. In addition, a mean value that is greater than the standard deviation indicates that the data is distributed evenly so that there is no data deviation.

The deferred tax expense variable with a minimum value of -0,0106 is at PT Charoen Pokphand Indonesia Tbk (CPIN) in 2019, while the maximum value is 0,0230 at PT Kirana Megatara Tbk (KMTR) in 2017. The mean and standard deviation values for this variable are 0,00236 and 0,0046373. This mean value indicates that the average of manufacture industry during research period reported a small amount of deferred tax expense. In addition, the mean value which is less than the standard deviation shows a large data spread.

The Good Corporate Governance (GCG) variable with a minimum value of -2,94 is at PT Kimia Farma Tbk (KAEF)

in 2017, while the maximum value is 2,90 at PT Kalbe Farma Tbk (KLBF) in 2019. For the mean and standard deviation values are 0,011 and 0,99389 respectively. The standard deviation value that is greater than the mean indicates a large spread of data.

Principal Component Analysis (PCA)

The Good Corporate Governance (GCG) variable in this research is measured with a factor value formed by factoring test on institutional ownership, independent commissioner, and independent audit committee. This factor becomes a new variable that represents Good Corporate Governance.

Table 1: Communalities Value of GCG

	Initial	Extraction
KIns	1,000	0,648
KI	1,000	0,552
KAI	1,000	0,205

Source: secondary data processed by SPSS 23, 2023

A variable is considered capable of explaining its factor when its communalities value is greater than 0,5. According to table 1, independent audit committee (KAI) variable with its communalities value of 0,205 must be removed from the analysis and then factor analysis is carried out again with the remaining variable.

Table 2: KMO dan *Bartlett Test* Value of GCG

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,500
Bartlett's Test of Sphericity	Approx. Chi-Square	13,744
	Df	1
	Sig.	0,000

Source: secondary data processed by SPSS 23, 2023

According to table 2, the KMO value is 0,500 so that the factor analysis is feasible. In addition, the Bartlett's Test value of 0,000 indicates that the variables used are correlated with each other.

Table 3: Anti-Image Matrices Value of GCG

		KIns	KI
Anti-image Covariance	KIns	0,887	-0,298
	KI	-0,298	0,887
Anti-image Covariance	KIns	0,500[a]	-0,336
	KI	-0,336	0,500[a]

Source: secondary data processed by SPSS 23, 2023

Table 3 shows that the two variables (institutional ownership and independent commissioner) have the same MSA value which is 0,5. Therefore there is no variable eliminated from the factor analysis.

Table 4: Communalities Value of GCG

	Initial	Extraction
KIns	1,000	0,668
KI	1,000	0,668

Source: secondary data processed by SPSS 23, 2023

According to table 4, the communality value obtained from both variables is 0,668 (which is greater than 0,5). Therefore, there is no variable eliminated from the factor analysis.

Table 5: Total Variance Explained Value of GCG

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance
1	1,336	66,816	1,336	66,816
2	0,664	33,184		

Source: secondary data processed by SPSS 23, 2023

According to table 5, the number of factors that can be formed is one factor namely component 1. This is because only this component has an eigenvalue that exceed 1, namely 1,336. The variance value of 66,816 indicates that component 1 is able to explain 66,816% of the total communalities.

Table 6: Component Matrix Value of GCG

	Component
	1
KIns	0,817
KI	0,817

Source: secondary data processed by SPSS 23, 2023

According to table 6, it can be inferred that there is only one component that can be formed by both variables. That component is component one. Each variable with a value of 0,817 shows that the two variables are strongly correlated with the factors formed.

Classical Assumption Test

Normality test using the *Kolmogorov-Smirnov* analysis is carried out to determine whether the variables in the regression model had a normal distribution.

Table 7: Normality Test Result

	Unstandardized Residual
N	109
Kolmogorov-Smirnov Z	0,075
Asymp. Sig. (2-tailed)	0,159

Source: secondary data processed by SPSS 23, 2023

Table 7 shows a significance value of 0,19 in the Kolmogorov-Smirnov test. This significance level that exceeds 0,05 proves that the data is normally distributed, so that the regression model meets the assumptions of normality.

The multicollinearity test is carried out to find out whether between the variables in a model regression have a correlation. This analysis is depended on the VIF and tolerance values of each variable.

Table 8: Multicollinearity Test Result

Variable	*Tolerance*	VIF	Explanation
TRR	0,923	1,083	There is no multicollinearity
DTE	0,935	1,069	There is no multicollinearity
GCG	0,975	1,025	There is no multicollinearity

Source: secondary data processed by SPSS 23, 2023

Table 8 shows the tolerance value for each variable that exceeds 0,1. In addition, the VIF value of each variable is less than 10. This means that there is no multicollinearity in the regression model formed.

The heteroscedasticity test is carried out to find out whether there is an inequality in the variance of the residuals in a regression equation. This analysis is done by using a Glejser test.

Table 9: Heteroscedasticity Test Result

Variable	Sig.	Explanation
TRR	0,582	Heteroscedasticity does not occur
DTE	0,439	Heteroscedasticity does not occur
GCG	0,559	Heteroscedasticity does not occur

Source: secondary data processed by SPSS 23, 2023

Table 9 shows the significance value of the *Glejser* test for each variable which is greater than 0,05. These values show that the multiple regression model in this study experiences homoscedasticity.

The autocorrelation test is carried out to find out whether the residuals from a period and the previous period in a regression model have a correlation. This analysis is done by using Durbin-Watson test.

Table 10: Autocorrelation Test Result

Model	Durbin-Watson	Explanation
1	1,899	Does not experience autocorrelation

Source: secondary data processed by SPSS 23, 2023

Table 10 shows the DW value from Durbin-Watson test of 1,899. The lower bound and upper bound values are 1,6317 and 1,7446 respectively. Because the DW value lies between dU and 4-dU (1,7446 < 1,899 < 2,2554), the regression model in this study is free from autocorrelation problems.

Hypothesis Test

Multiple linear regression with moderating regression analysis is used to test the hypothesis in this research.

Table 11: Analysis Regression Result of Model I

Variable	Coefficient	T	Sig.
Constant	-0,077	-1,313	0,192
TRR	0,099	1,262	0,210
DTE	-3,269	-2,125	0,036
Adjusted R^2	0,051		
F-statistic	3,918		
Sig. F	0,023		

Source: secondary data processed by SPSS 23, 2023

Tabel 12: Analysis Regression Result of Model II

Variable	Coefficient	T	Sig.
Constant	-0,099	-1,659	0,100
TRR	0,130	1,619	0,109
DTE	-3,461	-2,200	0,030
GCG	-0,052	-0,763	0,447
TRR*GCG	0,083	0,909	0,366
DTE*GCG	-2,492	-1,352	0,179
Adjusted R^2	0,068		
F-statistic	2,569		
Sig. F	0,031		

Source: secondary data processed by SPSS 23, 2023

Table 11 shows the significance value from the F-test of 0,023 and F-count of 3,918. The significance value is less than 0,05 and F-calculation is greater than the F-table (3,8) indicating there is a simultaneous effect from tax planning and deferred tax expense on earnings management. Thus, the conclusion is that the first model is a fit model. Apart from that, table 12 also shows that simultaneously all the independent variables in this research are able to influence the dependent variable. This is shown through the significance value and F-count which are 0,031 and 2,569 (F-table is 2,30) respectively. Therefore, the second model in this study is also a fit model.

For testing the coefficient of determination, table 11 shows an adjusted R^2 value of 0,051, which means the variance in the dependent variable that can be explained by the two independent variables (tax planning and deferred tax expense) is only 5,1%. Then, the adjusted R^2 value from table 15 shows that the variation in the dependent variable that can be explained by the independent variables in the second model is 6,8%.

According to table 11, it can be inferred that the regression equation for model I is:

$DA = -0,077 + 0,099TRR – 3,269DTE + Ɛ$

According to table 15, it also can be inferred that the regression equation for model II is:

$DA = -0,099 + 0,13TRR – 3,461DTE – 0,052GCG + 0,083TRR*GCG – 2,492DTE*GCG + Ɛ$

Based on the regression equations from the two models above, the results that can be obtained are:

1. The first hypothesis is stated as tax planning has a positive effect on earnings management. The test results in table 14 show coefficient and significance values of 0,099 and 0,210. The coefficient value shows a positive relationship between tax planning and earnings management, while significance greater than 0,05 means that tax planning has no effect on earnings management so that H_1 is rejected.
2. The second hypothesis is stated as deferred tax expense has a negative effect on earnings management. The test results in table 14 show coefficient and significance values of -3,269 and 0,036. A significance value smaller than 0,05 shows that there is an influence of the independent variable on dependent variable and a negative coefficient indicates a negative influence on the relationship between these two variables so that H_2 is accepted.
3. The third hypothesis is stated as good corporate governance is able to moderate the influence of tax planning on earnings management. The test results in table 15 show that the coefficient and significance values of the interaction between TRR and GCG are -3,269 and 0,036. A significance value greater than 0,05 proves that there is no influence of GCG as a moderating variable in the relationship between tax planning and earnings management so that H_3 is rejected.
4. The fourth hypothesis is stated as good corporate governance is able to moderate the influence of deferred tax expense on earnings management. The test results in table 15 show that the coefficient and significance values of the interaction between DTE and GCG are 2,492 and 0,179. This negative coefficient means that GCG is able to weaken the influence of the independent variable on the dependent variable, while a significance greater than 0,05 indicates that there is no influence of GCG as a moderating variable in the relationship between deferred tax expense and earnings management. Therefore, H_4 is rejected.

Discussion

The Effect of Tax Planning on Earnings Management

The first hypothesis in the research is that tax planning has a positive effect on earnings management. Based on the test results, tax planning is proven to unable to influence earnings management. This is caused by the manufacturing industry which has several departments or divisions with each management within them. Each management tends to prioritize its own interests by showing good performance to obtain bonuses or rewards, so that earnings management actions are carried out because of management's self-interest (Wardani & Santi, 2018) [26]. The results of this study are in line with research conducted by Mulyani et al., (2018) [14], Achyani & Lestari (2019) [1] and Prihatiningsih (2019) [17], which shows that there is no significant influence of tax planning on earnings management in the manufacturing industry.

The Effect of Deferred Tax Expense on Earnings Management

The second hypothesis in the research is that deferred tax expense has a negative effect on earnings management. Based on the test results, deferred tax expense is proven to be able to influence earnings management in the manufacturing industry on the IDX in 2017-2019 with a negative relationship. An increase in the amount of deferred tax expense can increase the company's tax burden which can then result in a decrease of company's profits. The results of this study support the research of Kusumawati (2020) [11] and Putra & Kurnia (2019) [18], which prove that deferred tax expense can negatively influence earnings management.

The Moderating Effect of Good Corporate Governance as a Moderating Variable in the Relationship between Tax Planning and Earnings Management

The third hypothesis in this research is that good corporate governance can moderate the influence of tax planning on earnings management. Based on the test results, GCG, which is represented by institutional ownership and independent commissioner as proxies, cannot influence the relationship between tax planning and earnings management. This is because the factor values obtained from variable reduction using principal component analysis result in the loss of some important information contained in the original variables. These results support research by Linawati & Marini (2021) [13], in the manufacturing sector on the IDX in 2015-2019 which states that the positive relationship between tax planning and earnings management cannot be strengthened by good corporate governance. Febriayanti (2020) [7], also proves that there is no moderating influence of GCG in the relationship between tax planning and earnings management.

The Moderating Effect of Good Corporate Governance as a Moderating Variable in the Relationship between Deferred Tax Expense and Earnings Management

The fourth hypothesis in this research is that good corporate governance can moderate the relationship between deferred tax expense and earnings management. Based on the test results, GCG as measured by the factor values of institutional ownership and independent commissioner cannot influence the relationship between deferred tax expense and earnings management. Meanwhile, testing with institutional ownership, independent commissioners and independent audit committees as moderating variables shows that institutional ownership is able to moderate the effect of deferred tax expense on earnings management. Therefore, reducing data into a new variable using principal component analysis may result in the loss of some important information contained in the original variables. The results of this study support research by Budiantoro et al., (2022) [4] and Linawati & Marini (2021) [13], which states that GCG is unable to moderate the effect of deferred tax expense on earnings management.

Conclusion

This research is carried out to find out the influence of tax planning and deferred tax expense on earnings management, as well as whether the existence of good corporate governance is able to moderate the relationship between the two independent variables and the dependent variable. The research objects are manufacturing companies listed on the Indonesian Stock Exchange (IDX) in 2017-2019. Analysis of the data using multiple linear regression. From the results of data processing, conclusions that can be obtained include:

1. Tax planning is unable to influence earnings management.
2. Deferred tax expense has a negative effect on earnings management.
3. Good Corporate Governance (GCG) is unable to moderate the influence of tax planning on earnings management.
4. Good Corporate Governance (GCG) is unable to moderate the influence of deferred tax expense on earnings management.

Limitations

Limitations in the study that has been caried out are that the research objects are only limited to the manufacturing sector on the IDX, and the research periods are only during three years. In addition, a very small adjusted R^2 value indicates that there is a limited ability of the independent variables to explain variations in the dependent variable.

Suggestions

Based on the limitations of the research that has been carried out, suggestions for future research are that the samples analyzed can be expanded and the research period interval can be extended so that the samples obtained are more numerous and varied. Then, other independent variables that might influence earnings management can be added so that the adjusted R^2 value can increase. Apart from that, other methods can be used to measure earnings management and good corporate governance.

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