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Effect of Tax Deferred Charges, Leverage and Size of Management Company Earnings (Empirical Study at Company Jakarta Islamic Index (JII) Listed in Indonesia Stock Exchange Period 2012-2015)

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Abstract
This research aims to know the influence of deferred tax expense, leverage and size of the company profit management in a proxy with discretionary accruals. The object of this research firm The Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange for the period 2012-2015. Samples in this study as many as 17 companies. The sampling is done by using purposive sampling method. As for the statistical analysis method used is multiple linear regression. The results of this study indicate that the deferred tax a significant effect on earnings management, while the leverage variable has no significant effect on earnings management. And simultaneously deferred tax expense, leverage and firm size influence earnings management.
Keywords: deferred tax expense, leverage, firm size, earnings management

I. Introduction

A. Background Research

Currently, the company is not only required to produce quality products for consumers, but the company is also required to be able to manage its finances properly in order to guarantee the sustainability of the company's business (Ulfah, 2013). One source of information used to assess the company's financial position and performance is the company's financial statements. In the process of preparing financial statements, policies and decisions will affect the assessment of financial performance (Barus and Setiawati, 2015).

In general, a company's profit information is important for both external and internal parties, as it is used as a basis for business decision making (Perwita, Astuti and Nurmansyah, 2015). This causes management to choose a specific accounting policy to manage earnings for the company's performance looks good financially (Barus and Setiawati, 2015). According to Scoot (2003), the choice made by managers to determine accounting policies to achieve certain goals is called earnings management.

Profit management arises as a result of agency conflict that is the existence of information asymmetry. Where management has full information than shareholders (Barus and Setiawati, 2015). In addition, earnings management arises because there is flexibility in preparing financial statements. This is set out in PSAK No. 1 for the preparation of accrual-based financial statements *(accrual basic).* Where IAS provides flexibility to the management to choose the procedures and methods of accounting and management can use *judgment* in preparing the estimate (Fahmi, 2014).

The Indonesian Institute of Accountants (IAI) issued PSAK No. 46 governing the accounting of income taxes that are required to apply for reporting. PSAK No. 46 which gives freedom to management in determining the choice of accounting policy in determining the amount of the provision of tax expense or deferred income tax. So management can take advantage of the flexibility of the regulation to make earnings management.

Viewed from the standpoint of the rules of SFAS which provides flexibility in selecting procedures and accounting methods, the definition of earnings management by Sulistyanto (2014) that the behavior of the manager to tinker with the components of accruals *discretionary* to determine the size of income, this is because the accounting standards provide a variety of alternative methods And procedures that can be utilized. Based on the accounting rules and theories according to Sulistyanto, earnings management is allowed while still using accounting methods and standards appropriate to their needs and disclosed in the financial statements (Sulistyanto, 2014).

One of the motivations of managers to do earnings management is the motivation of taxation. Where the government tends to wish to levy taxes in accordance with taxation regulations while the taxpayer wants to pay the smallest possible taxes normally to reduce earnings to reduce the tax burden, managers usually make use of differences in commercial financial reporting and fiscal financial reporting (Wijayanti, 2016).

One of the factors as a predictor of earnings management is the deferred tax burden. Deferred tax expense will result in deferred tax liabilities. Deferred tax liabilities occur when the time difference causes a negative correction resulting in tax burden according to the accounting or commercial regulations greater than the tax burden according to the tax regulations (Waluyo, 2012). The high deferred tax expense causes the profit

rate to decrease so as to reduce the amount of tax paid. The greater the deferred tax burden the greater the company performs earnings management (Wijayanti, 2015).

Another factor as a predictor of earnings management is leverage. The leverage ratio shows the company's ability to meet all its financial obligations, both long-term and short-term liabilities. The leverage ratio is calculated by debt ratio, where this ratio is to measure the ratio of total debt to total assets. The higher the debt ratio the greater the likelihood that the company can not pay off its liabilities (Hery, 2016). This causes the company to make earnings management in order to display good performance in order to provide trust to the creditor of the company's ability to pay its obligations (Barus and Setiawan, 2015).

In addition to deferred tax liability and leverage, company size is also another factor as a profit management predictor. Company size can be expressed in total assets, sales and market capitalization. The greater the asset, the more capital invested, the more sales the more the velocity of money and the greater the market capitalization, the greater is known in society (Sudarmadji and Sularto, 2007). Companies with medium and large size tend to report strong earnings allegedly strongly done by medium and large companies, this is done for various reasons such as maintaining business competition, grabbing funds from investors and more face pressure to make their performance in accordance with the Expected by the market and analysts (Ulfah, 2013).

B. **Formulation of the problem**

The formulation of the problem in this research can be formulated as follows:

1. Does deferred tax burden affect management?
2. Do *leverage* effect on earnings management?
3. Does the size affect the earnings management?

C. **Research purposes**

The purpose of this study can be formulated as follows:

1. To analyze the effect of the tax burden ta ngguhan to earnings management.
2. To analyze the effect of *leverage* on earnings management.
3. To analyze the effect of firm size on earnings management.

II. REVIEW OF LITERATURE, FRAMEWORK FOR THINKING AND HYPOTHESES

Theory Agency *(Agency Theory)*

Agency theory *(agency theory)* is an agency relationship as a contract in which one or more parties *(principal)* gave the task to the other party *(the agent)* to perform the services and delegation of authority in the decision (Jensen and Meckling, 1976).

Agency theory is an agency relationship as a contract in which one or more principals assign tasks to agents to execute services and delegation of authority in decision making (Jensen and Meckling, 1976).

The agency theory has the assumption that each individual is solely motivated by his or her own interests, causing a conflict of interest between principal and agent. Motivated principal parties contract to prosper themselves with ever increasing profitability. Agent is motivated to maximize the fulfillment of economic and psychological needs, such as obtaining investment, loan, and compensation contract (Widyaningdyah, 2001). The assumption exists that individuals act to maximize themselves, causing agents to utilize the asymmetry of information it has to hide some information that the principal does not know. Information asymmetry and conflict of interest between principal and agent encourage agents to present non-actual information to the principal, especially if the information relates to performance measurement of agents (Mohamad, Bokiu and Yusuf, 2015).

Profit Management (Earnings Management)

Sulistyanto (2014) earnings management is the behavior of the manager to tinker with *discretionary acrual* components to determine the size of income, this is because the accounting standards provide a variety of alternative methods and procedures that can be utilized. According to Schipper (1989), earnings management is interfering in the process of preparing external financial reporting, with the aim of gaining personal gain.

Earnings management is done by playing with the accrual components in the financial statements, because accrual is an easy component to be played in accordance with the wishes of the person recording the transaction and preparing the financial statements. This is because the accrual component is a component that does not require physical proof of cash so that efforts to play the big part of the accrual component should not be accompanied by cash received or issued by the company (Sulistyanto, 2014).

According Sulistyanto (2014) the two main accrual components, namely:

1. *Discretionary accruals* are modified accrual managerial component by utilizing the freedom and keluasaan in accounting estimates and standard usage.
2. *Nondiscretionary accruals* accrual component is obtained naturally from the accrual-basis following the accounting standards generally accepted, eg depreciation methods and determination of selected supplies

must follow a recognized method in accounting principles.

Deferred Tax Expense *(Deferred Tax Expense)*

Deferred tax expense occurs when the time difference causes negative correction resulting in tax expense according to commercial accounting greater than the tax expense according to the tax regulations (Waluyo, 2012).

Differences in time there is a difference in recognition of the amount of time in commercial accounting compared with fiscal. The difference between the recognition difference between commercial accounting profit and fiscal accounting that will result in correction in the form of positive correction and negative correction. A positive correction will result in a deferred tax asset while a negative correction will result in a deferred tax liability. Deferred tax liability is not recognized if the deferred tax liability resulted from initial recognition of goodwill because it may result in a decrease in the value of the deferred tax liability (PSAK No.46, 2017).

Leverage

Leverage is a debt used by a company to finance its assets in order to carry out its operational activities. The greater the company's debt the greater the risk faced by the owner, so the owner will ask for higher profit levels so that the company is not threatened in liquidation (Gunawan, Darmawan and Purnawati, 2015).

Company Size *(Size)*

Company size describes the size of a company that can be seen from total assets, total sales, average total sales and market capitalization. The greater the asset, the more capital invested, the more sales the more the velocity of money and the greater the market capitalization the greater is known in the society.

Sales volume as a company's business activity is considered to reflect more of the size of the real company. The larger the size of the company is usually the higher the level of sales that contribute to the profit so that the greater the company to practice earnings management. Large size firms have large incentives to practice earnings management compared to small firms, therefore large firms will avoid drastic increases in profits to avoid cost increases by government (Ulya & Khairunnisa, 2010).

The Influence Of Deferred Tax Expense On Earnings Management

Deferred tax expense results in lower earnings gain so as to reduce the amount of tax paid. The greater the deferred tax burden the greater the company performs earnings management (Wijayanti, 2015). If the rate of profit obtained decreases then it will have a greater chance of earning greater profits in the future and reducing the amount of tax paid (Ifada and Wulandari, 2015).

H_1 : Deferred tax expense significantly affects earnings management.

Effect of *Leverage* to Profit Management

Companies with high leverage ratios are due to the large amount of debt by the company, allegedly earning management as its default threatened the company can not meet debt obligations on time (Widyaningdyah, 2001). This will trigger the management to manage earnings that the company's performance is looking good even if the company is in state of default threatened (Mahawyahrti and Budiasih, 2016).

H_2 : *Leverage* significantly influence management.

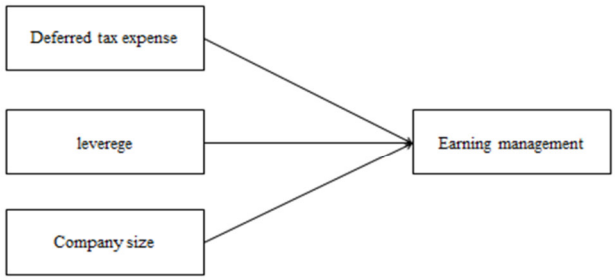
The Effect of Company Size on Profit Management

Large size firms have large incentives for earnings management practices compared to small firms, therefore large firms will avoid drastic increases in profits to avoid cost increases by government (Ulya and Khairunnisa, 2010). In addition, according to Ulfah (2013), the tendency to report positive earnings allegedly often done by companies to maintain business competition and grab funds from investors of medium and large size.

Thought Framework

The thought framework of this research are:

Figure 2.1
Framework



III. RESEARCH METHODS

A. Definition and Operationalization of Variables

Deferred Tax Expense *(Deferred Tax expense)*

The calculation of deferred tax expense is calculated by using the weighted tax deferred income indicator with total assets or total assets. This is done to weight the deferred tax expense with total assets or total assets in the period t-1 to obtain the value calculated proportionally (Perwita, Astuti and Nurmansyah, 2015).

$$DTE_{it} = \frac{\text{Deffered Tax Expense}}{\text{Total Asset t} - 1}$$

Leverage

The *leverage* ratio is calculated by *the debt ratio,* where the ratio is to measure the ratio between total debt to total assets (Hery, 2016).

$$\textit{Debt ratio} = \frac{\textit{Total Debt}}{\textit{Total Asset}}$$

Company Size *(Size)*

Company size according to Nuryaman (2008) seen from total sales which can be formulated as follows:

Company Size = Ln (Total sales)

Management Profit *(Earnings Management)*

Determination of the accrual of disresioner with Modified Jones Model according to Sulistiawan, Januarsi and Alvia (2011), namely the stages as follows:63

1. Determine the total value of accrual (TA) with the formulation:

TAit = NIit - CFOit

2. Determine the parameter values α1, α2 and α3 with the formulation:

TAit = α1 + α2 ΔRevit + α3 PPEit + εit

Then, to scale the data, all variables are divided by the previous year's assets (Ait-1) so that the formulation changes to:

TAit / Ait-1 = α1 (1 / Ait-1) + α2 (ΔRevit / Ait-1) + α3 (PPEt / Ait-1) + εit

3. Calculating the value of accrual of nondisresioner with formulation:

NDAit = α1 (1 / Ait-1) + α2 (ΔRevit / Ait-1 - (ΔRecit / Ait-1) + α3 (PPEt / Ait-1)

4. Determining the value of discretionary accruals which is an indicator of accrual profit management, that is by:

DAit = TAit – NDAit

ΔR ecit = Changes in receivables
PPE it = Property, plant and equipment
α 1, α 2, α 3 = parameter obtained from Regression equation.
ε it = Error Term

B. Population and Sample

The population in this research is *the Jakarta Islamic Index* (JII) listed on the Indonesia Stock Exchange, the period used in this study is the year 2012-2015. The sampling method used was *purposive sampling. Purposive sampling* method is the determination of the samples taken by certain criteria that have been formulated in advance by the researchers of the study sample (Santoso and Wedari, 2007).

The criteria used in determining the sample in this study are as follows:

1. Companies *Jakarta Islamic Index* (JII) listed on Indonesia Stock Exchange (IDX) period 2012 - 2015.

2. Companies that conduct IPO between 2012 - 2015.
3. Companies that have deferred tax expense in the financial statements during the study period 2012-2015.
4. Financial statements that do not use the dollar.

Table 3.2
Population and Sample

Criteria	amount Company
Jakarta Islamic Index companies listed in Indonesia Stock Exchange for the period 2012-2015.	30
Companies that do not conduct an IPO between the period of 2012 - 2015.	(2)
Firms that do not have deferred tax expense in the financial statements during the study period 2012-2015.	(7)
Financial reports that use the dollar	(4)
Number of Samples	**17**
Research data (4 years x 17)	**68**

C. **Analysis Method**

Hypothesis testing in this research is done by multiple regression analysis (multiple regression analysis). The regression model in this study are as follows:

$$EM = \alpha + \beta 1\ DTEit + \beta 2\ LEV + \beta 3\ SIZE +$$

Information:
DTEit = Deferred tax expense of the company
In year t divided by total
Assets at the end of year t-1.
LEV = Leverage is the total debt divided
With total assets
SIZE = Company size ie with
Summing up the logarithm values
Natural from total sales.
E = Residual error

IV. RESULTS AND DISCUSSION

I. Descriptive Statistics Test

Tabel 4.2

Hasil Uji Statistik Deskriptif

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DTE	68	.00003	.05206	.011235	.012374
LEVERAGE	68	.13641	.69311	.44654	.17045
SIZE	68	28.40362	32.93780	30.47746	1.14871
DA	68	-.11553	.28222	.0417726	.07173
Valid N (listwise)	68				

Sumber: Data sekunder yang diolah SPSS 20

Based on the above table note that:

a. N = 68, indicating that the data processed in this study were 68 samples.
b. Deferred Tax Expense, has a minimum value in deferred tax burden variable of 0.00003 owned by PT. London Sumatra Indonesia Tbk in 2015 and the maximum value of 0.05206 is owned by PT. United Tractors Tbk in 2013. While the average value (mean) of 0.0112350 and standard deviation of 0.12374.
c. Leverage, has a minimum value in leverage variable of 0.13641 is owned by PT. Indocement Tunggal Prakarsa Tbk in 2013 and the maximum value of 0.69311 is owned by PT. Unilever Indonesia Tbk in 2015. While the average value (mean) of 0.44654 and standard deviation of 0.17251.
d. Company size, has minimum value in variable size of company equal to 28,40362 or equal to Rp. 2,046 trillion is owned by PT. Pakuwon Jati Tbk in 2012 and the maximum value of 32,9378 or Rp. 201,701 trillion is owned by PT. Astra International Tbk in 2014. While the average value (mean) of 30.47746 and

standard deviation of 1.148711.

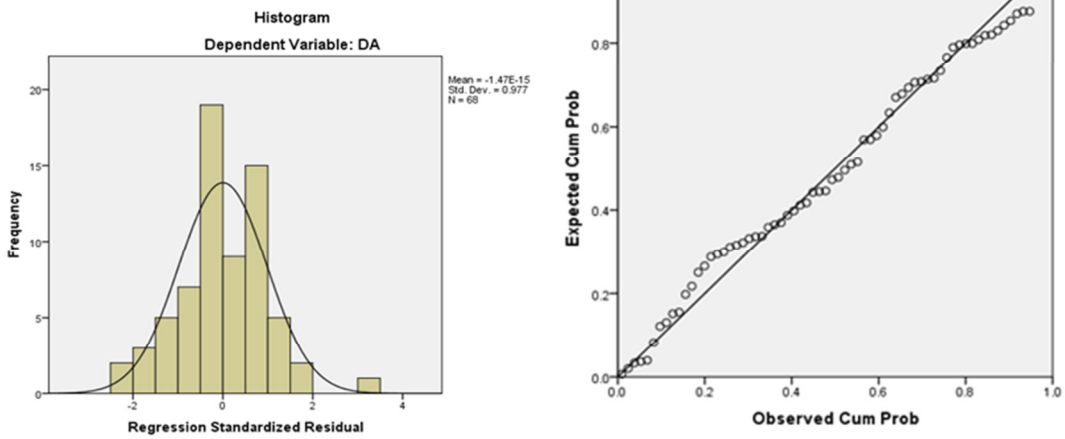
e. Profit Management, has a minimum value in profit management variables of -0.11553 is owned by PT. United Tractors Tbk in 2015 and the maximum value of 0.28222 is owned by PT. AKR Corporindo Tbk in 2013. While the average value (mean) of 0.04177 and standard deviation of 0.07173.

II. **Classic assumption test**

a. **Normality test**

Gambar 4.1

Uji Normalitas P-P Plot



Based on the histogram graphic view and the normal plot graph above, it can be concluded that the histogram graph gives normal distribution, as well as on the normal graph plot seen spots spread around the diagonal line and follow the diagonal line. This proves that this regression model meets the assumption of normality thus it can be said that both models have been normally distributed and valid.

Tabel 4.3

One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		68
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	.06632046
Most Extreme Differences	Absolute	.077
	Positive	.075
	Negative	-.077
Kolmogorov-Smirnov Z		.634
Asymp. Sig. (2-tailed)		.816

a. Test distribution is Normal.

b. Calculated from data.

From the results of statistical tests *One-sample Kolmogorov-Smirnov* in the table above shows that the value of *the Kolmogorov-Smirnov test* was significant at 0.634 and 0.816 where significant value is greater than 0.05. This means that the residual data values are normally distributed or qualify for the normality test.

b. **Test Multicolonierity**

Tabel 4.4

Hasil Uji Multikolonieritas

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.608	.265		-2.295	.025		
	DTE	-2.462	.809	-.425	-3.044	.003	.686	1.458
	LEVERAGE	-.023	.049	-.055	-.470	.640	.989	1.011
	SIZE	.023	.009	.361	2.579	.012	.680	1.471

a. Dependent Variable: DA

Sumber: Data sekunder yang diolah SPSS 20

The multicollonierity test results presented in the table above show that all variables have tolerance values above 0.10 and Varian Inflation Factor (VIF) values below 10. So it can be concluded that there is no multicolonierity among independent variables in the regression model.

c. **Autocorolation Test**

Tabel 4.5

Hasil Uji Autokorelasi

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.381[a]	.145	.105	.0678570429335	2.285

a. Predictors: (Constant), SIZE, LEVERAGE, DTE

b. Dependent Variable: DA

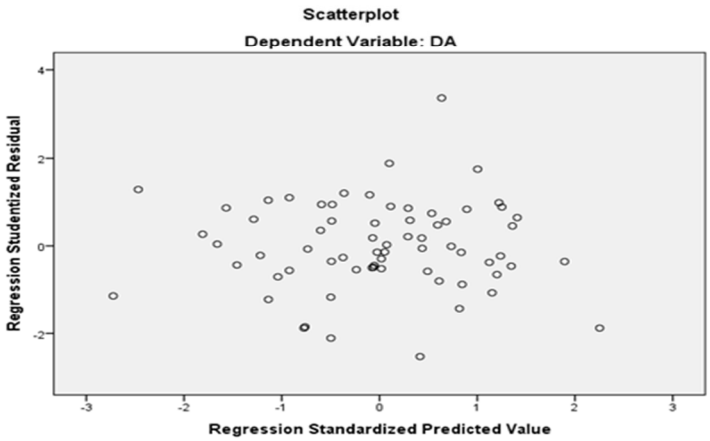
Sumber: Data sekunder yang diolah SPSS 20

Durbin Watson value of 2,285. With the value of the table using the significance value of 5% with the number of samples (n) 68 and the number of independent variables 3 (k = 3), the upper limit (du) is 1.7001 and the lower limit (dl) is 1.5164. Decision-making in the absence of autogeneration according to Ghozali, 2016 is du <d <4 - du, so if this equation is used in this study that is 1,7001 <2,285 <2,2999 (4 - 1,7001). So it can be concluded that the regression model does not have autokolerasi.

d. **Heteroscedasticity Test**

Gambar 4.2

Uji Heteroskedastisitas



From the picture above, random spots appear, do not form a certain pattern, and spread either above or below the number 0 (zero) on the Y axis. This means there is no heteroskedastisitas on the regression model, so

that the regression model is appropriate to be used for Earnings management (Y) with independent variables ie deferred tax expense, leverage and firm size.

Tabel 4.6

Hasil Uji Glejser

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.164		.017	.986
	DTE	-.352	.501	-.103	-.702	.485
	LEVERAGE	.049	.030	.200	1.632	.108
	SIZE	.001	.005	.027	.181	.857

a. Dependent Variable: ABS_HETEROS

Based on the results of the above table that the significant value of the variable deferred tax expense (X1) of 0.485 greater than 0.05 which means it does not happen heteroskedastisitas, while the value of the variable *leverage* significant (X2) 0.108 greater than 0.05 which means it does not happen heteroskedastisitas , And firm size variables (X3) has a significant value of 0.857 greater than 0.05 which means no heteroscedasticity.

III. Hypothesis testing

Regression equation in this research are:

$$EM = \alpha + \beta_1 DTE + \beta_2 + \beta_3 LEV\ SIZE + \varepsilon$$

$$EM = -0.608 + -2{,}462\ DTE + -0.023\ LEV + 0{,}023\ SIZE + \varepsilon$$

Based on the regression equation above, it can be seen that:

a. The constant value of -0.608 means that if the deferred tax expense, leverage and firm size is equal to 0 and will reduce earnings management of -0.608. Where the negative sign indicates earnings management is done by lowering the profit.
b. The regression coefficient of deferred tax expense is equal to -2,462 meaning that any change of deferred tax burden will be followed by a decrease in the amount of earnings management by -2.462 with the assumption that other independent variables are constant or constant.
c. *Leverage* variable regression coefficient
is equal to -0.023 means that any changes of the amount of *leverage,* it will be followed by a decline in earnings management by -0.023 assuming other variables b ebas constant or fixed.
d. The regression coefficient of firm size variable is equal to 0,023 meaning that any changes of the number of company size, it will be followed by earnings management se penimgkatan large number 0,023.

1. Coefficient determination test ($R^{2)}$

Tabel 4.8

Hasil Uji Koefisien Determinasi (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381[a]	.145	.105	.0678570429335

a. Predictors: (Constant), SIZE, LEVERAGE, DTE

Sumber: Data sekunder yang diolah SPSS 20

The amount of adjusted R^2 was 0.105, meaning 10.5% of earnings management variable variation can be explained by variations in all three independent variables, the deferred tax expense, *leverage* and firm size. While the rest of 89.5% influenced by other variables outside the independent variables used in this study.

2. **Simultaneous Significance Test (Test Statistic F)**

Tabel 4.9

Hasil Uji Statistik F

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.050	3	.017	3.622	.018[b]
	Residual	.295	64	.005		
	Total	.345	67			

a. Dependent Variable: DA

b. Predictors: (Constant), SIZE, LEVERAGE, DTE

Sumber: Data sekunder yang diolah SPSS 20

From the ANOVA test or F test obtained value of F count equal to 3,622 with probability 0,018, because the probability value less than 0.05 or 0.018 probability p value <0.05, this means that the deferred tax expense, *leverage* and firm size together significant effect on earnings management in *Jakarta Islamic Index* companies listed in Indonesia Stock Exchange.

3. **Individual Parameter Significance Test (Test Statistic t)**

Tabel 4.10

Hasil Uji Statistik t

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.608	.265		-2.295	.025
	DTE	-2.462	.809	-.425	-3.044	.003
	LEVERAGE	-.023	.049	-.055	-.470	.640
	SIZE	.023	.009	.361	2.579	.012

a. Dependent Variable: DA

Sumber: Data sekunder yang diolah SPSS 20

Based on the results of t test in the above table, it can be concluded as follows:

1. Partial test between variable deferred tax expense with earnings management figures show the significance of 0,003 where significant value is smaller than 0, 05 or 0.003 <0.05.Due to the significance value is less than 0, 05, it can be concluded that H_a 1 is received, meaning that the variable deferred tax burden significantly affect earnings management practices.
2. Partial test between variable *leverage* with management earnings figures showed a significance of 0.640 which is greater than 0.05 or 0.640> 0.05. Because the significance value greater than 0, 05, it can be concluded that H_a 2 rejected, meaning that the variable *leverage* does not significantly affect the earnings management practices.
3. Partial test between the variables of firm size and earnings management figures show a significance of 0.012 which is smaller than 0, 05 or 0.012 <0.05. Due to the significance value is less than 0, 05, it can be concluded that H_a 3 accepted meaning variables company size significantly affect earnings management practices.

IV. Discussion

a. The Effect of Deferred Tax Expense on Earnings Management

The result of the hypothesis test shows that the deferred tax expense has a significant effect on the profit management that is proxied by the discretionary accrual in order to avoid loss. This means that management makes use of temporary differences such as the selection of depreciation and other methods that may result in an

accounting tax expense greater than the tax burden on the fiscal basis, so that the tax expense paid in that year becomes smaller.

The results of this test are consistent with the results of tests conducted by Ifada and Wulandari (2015) who found evidence that deferred tax expense has a significant effect as a profit management predictor. Deferred tax expense results in lower earnings gain thus having a greater chance of earning more profits in the future and reducing the amount of tax paid.

b. **Effect of *Leverage* to Profit Management**

Hypothesis test results show that *leverage* no significant effect on earnings management proxy for discretionary accruals. The relatively high usage of debt leads to a fixed cost of interest expense. This debt interest must be paid by the company regardless of the profit it receives. The more companies use debt, the greater the interest on the debt that must be paid. This means that the level of financial leverage is higher (Anasta, 2013).

The Company does not undertake earnings management, for companies with high *leverage* level for the amount of total debt to total assets will face a high default risk, so that the company can not meet its obligations. *Leverage* also can not be used as a mechanism to avoid *a default,* because if earnings management practices do not attract sufficient response to investors and creditors, the company still has to meet its obligations (Widiatmoko & Barry, 2016). The results of this study are consistent with the results of research conducted by Anasta (2013) and Widiatmoko & Barry (2016) that *leverage* does not significantly affect the earnings management.

c. **The Effect of Company Size on Profit Management**

The result of hypothesis test shows that firm size has significant influence to earnings management which is proxy with discretionary accrual. This is because companies of medium and large size are more likely to report positive earnings to maintain business competition and obtain funds from investors (Widiatmoko & Wulandari, 2016). The results of this study are consistent with the results of research conducted by Widiatmoko & Mayangsari (2016), as well as research conducted by Ulfa (2013) that firm size has a significant effect, this is because large or moderate companies tend to report positive earnings because more face pressure for performance They are as expected by the market and the analysts.

V. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on the results of research, data analysis and interpretation then in this study can be drawn conclusions, as follows:

Based on the results of research, data analysis and interpretation then in this study can be drawn conclusion, as follows:

1. Deferred tax expense, leverage and company size simultaneously or simultaneously have a significant effect on earnings management at the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange for the period 2012-2015.
2. Partially or individually can be concluded that is:
   a. Deferred tax expense significantly affects earnings management at the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange for the period 2012-2015.
   b. Leverage does not significantly affect earnings management at the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange for the period 2012-2015.
   c. The size of the company significantly affects earnings management at the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange for the period 2012-2015.

B. Suggestion

1. Future studies are expected to expand the research by adding the number of samples by not only focusing on *the Jakarta Islamic Index* companies listed in Indonesia Stock Exchange, so that results can be obtained more extensive research.
2. Further research is expected to add other variables that have contributed the most to earnings management in addition to the variables used in this study in order to maximize results and find out what variety of variables that affect company earning management.
3. Future studies are expected to expand year or period of research and using different research methods to get better results.

VI. BIBLIOGRAPHY

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