

Practice Management Analysis of Profit before and After Application of Income Tax Law No. 36 Of 2008

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Abstract

This study aims to analyze whether the companies listed on the Stock Exchange conduct earnings management before and after the enactment of corporate income tax in 2008 in response to a change in corporate income tax rates into a single tax rate of 28% in 2009 and 25% in 2010. The sample was 62 companies listed in Indonesia Stock Exchange, which has published its financial statements from the years 2007-2010. The method of analysis in this study using descriptive statistics and statistical t test was used to test the value of discretionary accruals before and after reduction in the corporate income tax rate in 2008.

The results of the study prior to the enactment of corporate income tax in 2008 (2007 and 2008) show that discretionary accruals significantly negative, meaning there is an indication of income decreasing earnings management. The test results provide empirical evidence that the company lowered earnings in the year prior to the effective Income Tax Act 2008, to conduct earnings management with the goal of minimizing the tax burden. The results of the study after the enactment of corporate income tax in 2008 (2009 and 2010) show that discretionary accruals significantly negative, meaning no proven indications income increasing earnings management. The test results provide empirical evidence that the company did not raise earnings in the year after the enactment of corporate income tax in 2008 (2009 and 2010) to perform earnings management by transferring profits to which the corporate income tax rate effective in 2008 with the aim to benefit from a tax reduction.

Keywords: discretionary accrual, earning management, corporate income tax in 2008, income decreasing earning management, income increasing earning management.

1. Introduction

Tax is one important source of state revenues in order to finance the construction. One type of sector obtained the greatest tax is income tax state (Wijaya and Martani, 2011). Income tax is a tax levied on the type of tax subject to income received or accrued in a tax year (the Income Tax Act, 2008). In connection with the source of state revenue, the government through the Directorate General of Taxation Act reforming the current income tax in Indonesia is marked by the issuance of Law No. 36 of 2008. One of the most fundamental change is the change in the rate used in calculating the tax for the company, which was originally using progressive rates to a single rate, namely: (1) the tax rate to 28% in 2009, and will be 25% in 2010; and (2) tax rate 5% lower than the tariff number (1) for companies that go public and at least 40% of the fully paid shares are traded on the Indonesia Stock Exchange (IDX).

Changes in corporate tax rates affect earnings management in 2008, due to significant tariff reduction, which is 28% effective in 2009 and 25% effective in 2010 and the change in tax rates is one factor in the tax motivation. Earlier in the Law no. 17 of 2000 Taxable Income (PFM) and the charge is divided into three layers, namely PFM up to fifty million dollars by 10%, the taxable income from fifty million to one hundred million by 15%, and over a hundred million PFM by 30%. In the company's 30 percent hit rate will decrease tax rates for 2008.

Table 1. Difference Rates of Corporate Income Tax Act, 1983, 1994, 2000, 2008

| Law No. 7 / 1983 PKP and Rates | Law No.10/1994 PKP and Rates | Law No.17/2000 PKP and Rates | Law No. 36 / 2008 PKP and Rates |
|--------------------------------------------|--------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PKP s.d. 10.000.000 = 15% | PKP s.d. 25.000.000 = 10% | PKP s.d. 50.000.000 = 10% | Rate Taxpayer and the permanent establishment is 28% (effected in 2009) and 25% effected in 2010) can be decreased by 5% to Taxpayer Liability Company Open that at least 40% of the total paid-up shares, traded on the IDX and or more of the total outstanding shares and shares owned by at least 300 parties |
| PKP 10.000.000 s.d. 50.000.000 = 25% | PKP 25.000.000 s.d. 50.000.000 = 15% | PKP 50.000.000 s.d. 100.000.000 = 15% | |
| PKP above 50.000.000 = 35% | PKP above 50.000.000 = 30% | PKP above 100.000.000 = 30% | |

Sources: Ministry of Finance Regulation Tax Law of 2008 (www.pajak.go.id)

With the provision of incentives to the corporate tax rate reduction as described above, the amount of tax to be paid by companies has decreased, but the decrease is whether it will have an impact for the company to not perform earnings management? It can be studied further because basically all the company expects profits and optimal financial statements look good.

This study only highlights the change in tax rates in Indonesia Bureau course, because of the publication of this Law Firm tax rate changes significantly. This study aims to examine whether the company will make earnings management in response to corporate tax rate changes in Indonesia before and after the enactment of Law No. Taxation 36 Year 2008 on Income Tax. This study focused on the detection of whether the prior application of income tax law no. 36 of 2008 occurred income decreasing earnings management through accruals discretionary conducted by management; whether after the application of income tax law no. 36 of 2008 in 2009 and 2010 occurred income increasing earnings management through accruals discretionary made by management. Activity is detected presence or absence of income decreasing earnings management activity or income increasing earnings management through accrual discretionary and not through real activities earnings management. Used to calculate the accrual discretionary Jones Model (1991) modified Dechow et al (1995).

2. Literature and Hypotheses Development

Study Linkage Financial Statements with Management Earnings

Earnings management can occur because of the freedom of the use of accounting methods and estimates (Bartov, 1993). Management has the flexibility to choose the alternative in recording transactions while selecting the options that exist within the same accounting treatment (Belkoui et al, 2007). This flexibility allows management to be able to adapt to various economic situations and describe the actual economic consequences of the transaction, but it can also be used to influence the level of earnings at a certain time in order to provide benefits for management and stakeholders, is what is the essence of management profit.

In detecting earnings management practices, frequently used variables are accruals. However Roychowdhury (2006) stated that earnings management can also be done through variable real aktivas company (as was done by Enis and Ke (2003) that analyzes the amount of the payment to the shareholders of the company). Therefore, in analyzing the earnings management practices by the company, can be used in two ways: an analysis of the value of corporate accruals and real activity assessment company.

Barton and Simko (2002) reveal that earnings management activities related to the net income in the statement of profit and loss will also affect the valuation of assets in the balance sheet. When activity in the form of income increasing earnings management, it will automatically increase the value of existing assets in the balance sheet (overstated). Conversely, if the income decreasing earnings management is done, it will lower the value of the asset on the balance sheet (understated). When increasing activity income or income decreasing earnings management conducted on an ongoing basis, then one day overstated or understated the value of accumulated

assets in the balance sheet is no longer possible in-overstated or understated longer-income activities thereby increasing or decreasing income do not allow again, except if it is done after the earnings management as opposed to earlier. Based on this thinking, then Barton and Simko (2002) stated that the balance sheet is a constraint on earnings management activity.

Positive Accounting Theory

Positive accounting theory (positive accounting theory) explained that accounting is a means of monitoring the implementation of the contract between the parties bound management company. These contracts use accounting numbers. Accounting provides information that became the basis of decisions in resource allocation, compensation management, and supervision of the debt agreement. Research Watts and Zimmerman (1978) empirically proved that the relationship of principal and agent are often determined by the accounting numbers. This spurred an agent to consider how accounting numbers can be used as a means to maximize its interests. One form of action the agent is earnings management. Management tried to influence the results of this decision through the choice of accounting methods, accounting estimates, shifting costs and revenue recognition period (Setiawati and Naim, 2000), and shifting costs and revenues among companies (Beneish, 1997).

Researchers can see the relationship of positive accounting theory (positive accounting theory) with this study. Political cost hypotheses examine the role of accounting policy choices in the political process. The political process raises costs for companies or industries that are believed to benefit from the public or very high profit. Very high profit companies under pressure to lead to lower prices or government regulate prices. Managers have an incentive in the choice of accounting methods and the use of discretion to lower earnings and political risk, one of which related to a change in corporate income tax rate in 2008. Changes in the rates used in calculating the tax for the company, which was originally using progressive rates to a single rate which is the motivation of management in order to anticipate various government regulations to manipulate earnings by lowering reported earnings so that the taxes it pays to be small.

Accrual Based Accounting

Definition of accrual can be interpreted as opposed to cash basis of recognition of income and expenses. The concept of accruals used to meet the basic accounting concepts of cost with revenue matching (matching between income and expenses). According to the basic concept of matching costs with revenue, expense or revenue recognition in accordance with the Certificate of rights must be measured in a single accounting period does not consider the absence of cash receipts in cash because the basic concept of cash can't meet the criteria for equivalence between income and expenses or the matching of costs with revenues. Therefore, the recognition of revenues and expenses in accordance with accounting standards generally accepted use of the concept of accrual. In the process of this accrual concept allows the behavior to perform engineering manager profits or earnings management in order to raise or lower portion of the accrual rate in the income statement.

Accrual accounting consists of discretionary accruals and non-discretionary accruals (NDA). Discretionary Accruals is defined accrual management (management determined). Managers can select the policy in terms of methods and accounting estimates. Non-Discretionary Accruals are determined on the accrual of economic conditions (economically determined) (Xiong, 2006).

Before the Corporate Income Tax Rate Decrease in 2008

Scholes et al. (1992), Guenther (1994), Maydew (1997), states that companies often try to set accounting accruals to take advantage of a change in tax rates. In terms of revenue recognition of high and low loads, both would raise corporate profits and corporate tax debt amount. Therefore, there will be the tax planning for financial reporting.

The desire to regulate accounting accruals is to use the change in income tax rate is 28% tariff went into effect in fiscal year 2009 and will be 25% went into effect in fiscal year 2010. With the reduction in the tax rate will be reduced as well as taxes to be paid. Tax liability will increase profits down. Therefore, the manager tried to take advantage of tax incentives to obtain higher profits by manipulating earnings or profits shrink so that the tax will be lower, most likely management will conduct earnings management in the year prior to the enactment of the tax rate, namely in 2008 and in 2009 . Thus, the following hypothesis was developed:

H1 : Prior to the application of income tax law no. 36 of 2008 occurred income decreasing earnings management through accruals discretionary conducted by management

The decline after 2008 Corporate Income Tax Rate

Research conducted by Yin and Cheng (2004) used as a proxy measure of tax planning tax incentives. Although

many overseas research that examines the earnings management behavior associated with changes in tax rates (Scholes et al, 1992; Guenther, 1994; Maydew, 1997), only the study of Yin and Cheng (2004) who incorporate elements of tax incentives in research. Yin and Cheng (2004) argues that attempts to minimize the company's tax payments are limited by their tax planning.

Of thought above, with the change in taxable income coating on corporate taxpayers would provide an incentive for taxpayers to defer recognition of income of the period prior to the effective increase in taxes to the next layer and charge the deferred earnings into the financial statements and the tariff validity period earnings layer new taxable with the aim to reduce the amount of income tax to be paid. Thus, the following hypothesis was developed:

H2a: After the application of income tax law no. 36 of 2008 in the year 2009 there was income increasing earnings management through accruals discretionary conducted by management

H2b: After the application of income tax law no. 36 of 2008 in the year 2010 occurred income increasing earnings management through accruals discretionary conducted by management

3. Methods

Population and Research Sample

The study population in this study are all the companies in the manufacturing sector that have gone public and its shares have been listed on the Indonesia Stock Exchange (BEI) from 2007 until the end of 2010. To date there are 455 companies listed on the Stock Exchange and about 32% (IDX, 2012) are among manufacturing companies. So the company manufacturing plays an important role in the Indonesian economy. The use of a limited company in manufacturing companies to avoid the influence of differences in the characteristics of industrial and manufacturing companies are also susceptible profit engineering. Decision relating to the sample in this study was conducted using a purposive sampling method that aims to obtain samples in accordance with the purpose of research. This sampling is one type of non-probability sampling. Criteria for sample collection are as follows:

1. Manufacturing companies listed in Indonesia Stock Exchange (IDX) in 2007 to 2010.
2. Manufacturing companies publish annual financial statements have been audited during the period 2007-2010. Selection of time range aims to study only focuses on the years about changes in the Income Tax Act of 2008 so that the results obtained would be maximal.
3. Manufacturing companies reported profits derived from the annual financial statements were audited during the observation period 2007-2010. The company must make a profit because the profit is engineered by management constitute taxable income. While companies that lose their tax credits to subsequent years. In addition the company is not subject to tax compensation due to loss the previous year earnings in the relevant cover.
4. Manufacturing firms have complete data related to the variables used in the study of the annual financial statements that have been audited during the observation period 2007-2010.

Table 2. Sampling Procedure

| Information | Number of Firms | Percentage |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|
| Companies listed on the Stock Exchange during the the period 2007-2010. | 145 | 100% |
| Companies listed on the Stock Exchange are experiencing loss and loss compensation for the affected tax payments until the period of observation | 32 | 22% |
| Companies listed on the Stock Exchange during the period of observation of new listings | 1 | 1% |
| Companies listed on the Stock Exchange which was restructured during the period of observation | 2 | 1% |
| Companies whose data is incomplete and not audited during the period of observation | 38 | 26% |
| Financial reporting currency is not Rupiah (IDR) | 10 | 7% |
| Number | 62 | 43% |
| Observation years 2007-2010 (62 companies x 4 years) | 4 tahun | |
| Total financial statements are used as a sample | 248 | |

Researchers did not include the company's financial and banking sector in this study, because there are differences in the characteristics of financial statements between financial and non-financial companies. Of the total number of companies listed in Indonesia Stock Exchange during 2007-2010, there were 62 companies in each year who meet the established criteria in the selection of the sample so that the number of observations (n) in this study was $4 \times 62 = 248$ companies listed on the Indonesia Stock Exchange.

This study used a sample of manufacturing firms that before the change in legislation using a tax rate of 30% so the tax rate decreased by 28% and 25% after the change in tax laws. Model of Jones (1991) as modified by Dechow et al. (1995) to calculate total accruals in the analysis of this model requires components of the financial statements that include a balance sheet total of the component assets, receivables, and fixed assets. In addition, the income statement that includes the components of net income and sales revenue, while the cash flow statement is required to determine the amount of net cash from operating activities of the company.

Measurement of Earnings Management by Discretionary Accrual Approach

Earnings management is defined as the behavior of the manager to play with discretionary accruals component in determining the profits (sugiri, 1998). Earnings management can be measured with a model of Discretionary Accrual. This model explains that the manager has the discretion to use accrual accounting as a tool of earnings management (Jones, 1991). Jones model (1991) assumes that the change in revenue and gross fixed assets is accrued arising from economic transactions are firm and can't be managed (unmanaged); in this case, changes in revenues and gross fixed assets reflects changes in working capital and depreciation costs. Model of Jones (1991) regress total accruals as a function of changes in income and assets. Regression coefficients were used to estimate the Non Discretionary Accrual. Regression residuals are considered as a Discretionary Accrual.

Researchers using the Jones model (1991) modified by Dechow et al (1995) which is designed to reduce the likelihood of error model of Jones (1991), when applied to the income of discretionary accruals. Changes in income adjusted for changes in accounts receivable, because the revenue from sales is certainly none from credit sales. A reduction in the value of the receivables to show that the income received is really a net income (Dechow et.al, 1995).

In this research, earnings management is measured by using a proxy Discretionary Accrual (DA). Discretionary accruals (DA) is the accrual component within the policy manager, meaning intervention in the process of reporting the accounting manager. The calculation of discretionary accruals using the Jones model (1991) which has been modified by Dechow et al. (1995), as follows:

- a. Calculate total accruals using the cash flow approach (cash flow approach)

$$TA_{it} = N_{it} - CFO_{it} \dots \dots \dots (1)$$

description:

- TA_{it} : Total accruals for firm i in year t
- N_{it} : The total net income for firm i in year t
- CFO_{it} : Cash flow from operating activities of firm i in year t

Total accruals can be used as a calculation to find the discretionary accrual proxy which is a measure of earnings management.

Total accruals (TA_{it}) itself is also a summation of nondiscretionary accruals with discretionary accrual with the following equation:

$$TA_{it} = NDA_{it} + DA_{it} \dots \dots \dots (2)$$

description:

- TA_{it} : Total accruals for firm i in year t
- NDA_{it} : Nondiscretionary accruals for firm i in year t
- DA_{it} : Discretionary accruals on firm i in year t

b. Calculating the coefficients of the regression of accruals

Total accrual of a company can be separated into a non-discretionary accruals and discretionary accruals. Model of Jones (1991) separates the discretionary accrual rate and non-discretionary. In his research, Jones uses fixed assets and change in revenue for the control of non-discretionary accrual changes due to changes in conditions. Income is used as a control against the corporate environment because income is an objective measure of the company's operations manager before manipulation (Jones, 1991). Fixed assets used for depreciation expense related to non-discretionary. Jones later by the model divided by total assets of the previous year (A_{it-1}) with the aim to eliminate the influence of heteroscedasticity.

This study uses a model of Jones (1991) which has been modified by Dechow et al (1995), namely that the change in earnings adjusted for changes in accounts receivable due to revenue from sales there is certainly derived from credit sales. A reduction in the value of the receivables to show that the income received is really a net income. Modified Jones model (1991) which has been modified by Dechow et al (1995) to estimate the accruals are as follows:

$$TA_{it}/A_{it-1} = \alpha_1 (1/A_{it-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) + \varepsilon_{it} \dots \dots \dots (3)$$

description:

- TA_{it} : Total accruals for firm i in year t
- A_{it-1} : Total assets of firm i in year t-1
- ΔREV_{it} : Revenue of firm i in year t minus earnings in year t-1
- ΔREC_{it} : Accounts receivable of firm i in year t minus earnings in year t-1
- PPE_{it} : fixed assets of firm i in year t
- ε_{it} : error term for firm i in year t

c. Calculate nondiscretionary accrual

Regression is done in (3) produces the coefficients α_1 , β_1 , β_2 and β_3 . The coefficient α_1 , β_1 , β_2 and β_3 . Are then used to predict the value of nondiscretionary accruals through the following equation:

$$NDA_{it} = \alpha_1 (1/A_{it-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) + \varepsilon_{it} \dots \dots \dots (4)$$

description:

- NDA_{it} : nondiscretionary accruals on firm i in year t
- ε_{it} : error

d. Calculate discretionary accrual

Therefore, when seen from equation (2) and (4) the estimated discretionary accrual is ε_{it} (error term). So the discretionary accrual proxy is:

$$DA_{it} = (TA_{it}/A_{it-1}) - \{ \alpha_1 (1/A_{it-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) \} \dots \dots (5)$$

description:

- DA_{it} : Discretionary accruals of firm i in year t

Method of Analysis

The following are the stages of statistical tests to be performed in this study to determine whether the hypothesis can be put forward that is acceptable or not estimate the value of non-discretionary accruals. The test is performed by using a regression model which will be divided into 2 stages:

1. regression in the period before the change in the Income Tax Act 2008
2. perform regression in the period after the change of the Income Tax Act 2008

The second phase was conducted to estimate the value of non-discretionary accruals. Furthermore, the value of discretionary accruals for each period can be obtained from the total accruals less estimated descriptionary non-accrual.

In the management of data, the researcher uses tools such as statistical software known as SPSS. Analytical techniques used include: descriptive statistics test, test parameters individually significant (t statistic test).

4. Results And Discussion

Results of Data Analysis

In this research to process and analyze the data used descriptive statistics and statistical tests t. The data have been dkumpulkan then be processed using the methods and procedures as follows:

1. Specifies the time period remedy testing, ie the period of time in 2007 - 2010, a period of 2 years prior to the application of tax law changes in 2008 income.
2. Specifies the time period of data collection that will be used to calculate the regression coefficients to calculate total accruals, ie 2007-2010.
3. Choosing a business entity that will be sampled according to criteria that have been determined. Doing business entity data collection was selected as the samples needed are: data on total assets, total liabilities, accounts receivable, property, plant and equipment, sales, net income, and cash flow from operations in 2007-2010. All data is processed with Microsoft Excel and is made in the form of tabulation-tabulation.
4. The study was conducted in the period 2007-2010 with the sample is a manufacturing company. The data were taken by the annual report that is the end of the data of every company that became the study sample.

Regression Results Existence Period Before and After Changes in Law on Corporate Income Tax Rate Tax

Before you can find the value of discretionary accruals, first calculate the value of total accruals that would be the dependent variable. Regression was then performed to find the value of the estimated nondiscretionary accruals. Estimates of non-discretionary accruals using the Jones model (1991) which has been modified by Dechow et al (1995).

From the results of the regression, the coefficients obtained are used to find the value of non-discretionary accruals that will be used to find the value of discretionary accruals. Jones model (1991) which has been modified by Dechow et al (1995) estimate normal accruals before and after the reduction in corporate tax rates is as follows:

Table 3. Estimation of Non-Discretionary Accrual Before and After with a Modified Jones Model by Dechow et al

| | 2007 | | | 2008 | | | 2009 | | | 2010 | | |
|-----------------------------------------------------|-------|--------|------|-------|--------|------|-------|--------|------|-------|--------|------|
| | B | t | Sig | B | t | Sig | B | t | Sig | B | t | Sig |
| (Constant) | ,019 | ,534 | ,595 | ,092 | 1,604 | ,114 | -,017 | -,738 | ,463 | ,040 | 1,394 | ,169 |
| (Δ REVit /Ait-1n)-(Δ RECit /Ait-1n) | ,049 | ,954 | ,344 | -,001 | -,020 | ,984 | ,014 | ,442 | ,660 | -,108 | -2,459 | ,017 |
| PPEit/Ait-1n | -,095 | -1,493 | ,141 | -,219 | -2,197 | ,032 | -,063 | -1,116 | ,269 | -,046 | -,754 | ,454 |

*) Significant at confidence level 5%

The results of the above equation is non-discretionary accrual value, then the value of total accruals less the value of the non-discretionary accruals in order to obtain the value of discretionary accruals at the time before and after the reduction in corporate tax rates.

Hypothesis Test Results

Descriptive Statistics Analysis

After performing regression to determine the estimated value of non-discretionary accruals, it will obtain the value of discretionary accruals that will be used as a measure of earnings management. Now we know the value of discretionary accruals in 2007, 2008, 2009, and 2010, it can be seen the range, the minimum value, maximum value, mean, and standard deviation of each year of the 39 companies in the descriptive statistical analysis. The following table presents the descriptive statistics for the discretionary accruals in 2007, 2008, 2009, and 2010.

Table 4. Test Results Descriptive Statistics for Discretionary Accrual

| | N | Range | Minimum | Maximum | Mean | Std. Deviation |
|--------|----|---------|----------|---------|-----------|----------------|
| DA2007 | 62 | 2,61295 | -2,30413 | ,30882 | -,7204010 | ,39382331 |
| DA2008 | 62 | 2,16380 | -2,04171 | ,12210 | -,7784696 | ,39278274 |
| DA2009 | 62 | 1,78368 | -1,02285 | ,76083 | -,3775529 | ,40716815 |
| DA2010 | 62 | 2,66937 | -1,68676 | ,98261 | -,5599711 | ,41107945 |

From the descriptive statistics table above it can be seen that the variable DA has a minimum value for the year 2007 of -2.30413, -2.04171 2008 amounted, in 2009 amounted to -1.02285, -1.68676 and in 2010 amounted to, while the value maximum for the year 2007 of 0.30882, 0.12210 2008 amounted, in 2009 amounted to 0.76083, and in 2010 was 0.98261. The resulting range of maximum and minimum values obtained indicate that the range of 2007 of 2.61295, 2.16380 for the year 2008 range, the range in 2009 was 1.78368, and the range in 2010 was 2.66937. The mean values for DA in 2007 -0.7204010 with a standard deviation of 0.39382331, mean DA in 2008, amounting -0.7784696 with a standard deviation of 0, 39,278,274, the average DA in 2009, amounting to a deviation -0.3775529 standard 0.40716815, mean DA in 2010, amounting -0.5599711 with a standard deviation of 0.41107945.

Value of discretionary accruals are positive and negative discretionary accruals indicate that there is increase profits (income increasing) and lower income (income decreasing). Table. 4. shows that the average value of discretionary accruals tend to be negative. However, the average value will be examined further whether significant negative significance test use the one-sample t test (for normally distributed value of discretionary accruals). Descriptive statistical analysis of the mean discretionary accrual in 2007 and 2008, there are differences in the mean discretionary accrual lower than a year afterward. It shows no effort savings in 2007 and 2008 that will be transferred in 2009 in which a lower tax rate of 28%. However, the average discretionary accrual in 2009 showed a higher value than in 2010. This suggests that there is no decrease in business profits in 2009 which tax rates of 28% and earnings move in 2010 the tax rate by 25%.

T Test Results Discretionary Accruals

To test the hypothesis, t test was used for discretionary accrual proxy for observations in 2007 - 2010, and was conducted to determine whether the discretionary accrual completely different from zero. If the company delayed reporting of income before the new tax rates that apply in 2007 and 2008, and the profit shifting to the new tariff validity period, namely in 2009 and 2010, the value of t discretionary accruals in 2007, 2008, 2009 and 2010 will be significant. Furthermore, based on indicators of discretionary accruals in 2007, 2008, 2009 and 2010 will be determined whether there is any indication of earnings management: income decreasing or increasing income. The results of the t test to predict income decreasing or increasing income for 2007, 2008, 2009 and 2010 are presented on:

Table 5. T Test Results for Discretionary Accruals Proxy

| | T | df | Sig. (2-tailed) |
|--------|---------|----|-----------------|
| DA2007 | -14,404 | 61 | ,000 |
| DA2008 | -15,606 | 61 | ,000 |
| DA2009 | -7,301 | 61 | ,000 |
| DA2010 | -10,726 | 61 | ,000 |

Sig $\alpha=5\%$

T Test Results In Period Before the existence of the Income Tax Act Amendment 36 of 2008

Of Table 5. note that the value of t for discretionary accrual in 2007 is -14.404 with a significance level of 5% can be seen that the results of the analysis indicate that the Sig. (2-tailed) 0.000, which is smaller than 5% and the results are predictive of significant accruals discretionary. Since the p-value is less than 5%, then this shows empirical data supporting the hypothesis proposed models, namely the existence of discretionary accruals in the year 2007 to analyze earnings management.

While the value of t in 2008 indicated that the discretionary accrual in 2008 is -15.606 with a significance level Sig. (2-tailed) 0.000, this means that the value of t is significant at the 5% level, since the p-value is smaller than the 5% significance level set. Thus it can be said that the empirical data supports the hypothesis proposed models. It is interpreted that the presence of discretionary accruals in 2008 to analyze earnings management.

T Test Results In Existence Period After 36 Years Changes in the Income Tax Act 2008

Of Table 5. note that the value of t for discretionary accrual in 2009 is -7.301 with a significance level of 5% can be seen that the results of the analysis indicate that the Sig. (2-tailed) 0.000, which is smaller than 5% and the results are predictive of significant accruals discretionary. Since the p-value is less than 5%, then this shows empirical data supporting the hypothesis proposed models, namely the existence of discretionary accruals in 2009 to analyze earnings management.

While the value of t in 2010 indicated that the discretionary accrual in 2010 is -10.726 with a significance level Sig. (2-tailed) 0.000, this means that the value of t is significant at the 5% level, since the p-value is smaller than the 5% significance level set. Thus it can be said that the empirical data supports the hypothesis proposed models. It is interpreted that the presence of discretionary accruals in 2010 to analyze earnings management.

Discussion

This study used a statistical test t (Ghozali, 2005: 84) to obtain a statistical output analysis. Variables tested in this study is discretionary accruals years before changes in tax rates (2007 and 2008) with the year after the change in tax rates (2009 and 2010) which can be seen in Table 4. Test Results Descriptive Statistics for Discretionary Accrual. Descriptive statistics of test results and test-test samplet one can conclude, that the empirical data supports the hypothesis proposed models. It is interpreted that the presence of discretionary accruals in the year 2007 - 2010 to analyze earnings management. However, the results further conclusions related to the hypothesis of the Income Increasing or Decreasing income can be explained as follows:

Table 6. Hypothesis Analysis Results

| Generated Hypotheses | Hypothesis Testing Results |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| H1 = Prior to the application of income tax law no. 36 of 2008 occurred income decreasing earnings management through accruals discretionary conducted by management | Acceptable |
| H2 _a = After the application of income tax law no. 36 of 2008 in the year 2009 there was income increasing earnings management through accruals discretionary conducted by management | Unacceptable |
| H2 _b = After the application of income tax law no. 36 of 2008 in the year 2010 occurred income increasing earnings management through accruals discretionary conducted by management | Unacceptable |

Alternative Hypothesis 1 (H1) stating prior to the application of income tax law no. 36 of 2008 occurred income

decreasing earnings management through accruals discretionary conducted by management is acceptable. Results of empirical data to support the alternative hypothesis (H1) is proposed, because discretionary accruals in 2007 and 2008 showed a significant negative, meaning the population showed indications of income decreasing earnings management. The test results provide empirical evidence that the company lowered earnings years before the Income Tax Act of 2008 effectively, to perform earnings management with the goal of minimizing the tax burden, thus it can be stated that the empirical data supports the alternative hypothesis (H1).

Alternative Hypothesis 2a (H2a) that states after the application of income tax law no. 36 of 2008 in the year 2009 there was income increasing earnings management through accruals discretionary made by management is unacceptable. Results of empirical data can't support the alternative hypothesis (H2a) is proposed, because discretionary accruals in 2009 showed a significant negative, meaning the population showed no indication of increasing income earning management. The test results provide empirical evidence that the company did not raise earnings in 2009 to perform earnings management with the aim to benefit from the tax rate reduction, thus it can be stated that the empirical data do not support the alternative hypothesis (H2a).

Alternative Hypothesis 2b (H2b) which states after the application of income tax law no. 36 of 2008 in the year 2010 occurred income increasing earnings management through accruals discretionary made by management is unacceptable. Results of empirical data can't support the alternative hypothesis (H2b) proposed, because discretionary accruals in the year 2010 showed a significant negative, meaning the population showed no indication of increasing income earning management. The test results provide empirical evidence that the company did not raise earnings in 2010 to perform earnings management with the aim to benefit from the tax rate reduction, thus it can be stated that the empirical data do not support the alternative hypothesis (H2b).

Results of research which reported an income decreasing earnings management through discretionary accrual in the period of one year before the validity period change in the Income Tax Law No. 36 of 2008 is consistent with research conducted by Guenther (1994). Guenther (1994) find empirical evidence that negative discretionary accruals in the current year prior to the enactment of tariff reduction. It shows the company made profits by deferring earnings management in the period before the tariff reduction diefektifkannya.

Results of the same study also demonstrated by Yamashita and Otogawa (2007) on the Tax Rate Reduction in the Late 1990s publication that examines the influence of changes in the Law on Corporate Income Tax of Japanese companies. In his research and Otogawa Yamashita (2007) find that discretionary accruals are significantly negative in mid-year before the reduction of tax rates shows that Japanese companies organize their accounting earnings to minimize tax burden. This proves that the manager of the company defer income in response to changes in the taxation laws are used to minimize the cost of corporate income tax

These results differ from a study conducted by Wulandari et. al. (2004) who tried to find empirical evidence of the existence of the practical management of the company profits ahead of the tax laws in 2000. The hypothesis is discretionary accruals after the change in tax laws is higher than before the change in tax laws. Wulandari et al (2004) succeeded in proving that the reduction in corporate tax rate is an incentive for management to perform engineering accounting profit. The results of these studies indicate that discretionary accruals prior tax law changes is lower than after the tax law change.

However, the value of earnings management indicators generated from the study both before and after the change in the income tax law no. 36 in 2008 showed that there was an indication of income decreasing earnings through discretionary accruals management in manufacturing enterprises listed on both the Indonesia Stock Exchange in 2007, 2008, 2009 and 2010, which shows a significant negative value of discretionary accruals. It gives an overall picture of the behavior management in saving the tax burden is not only influenced by government incentives such as tax reduction, but due to the tendency of the management company to perform management (manipulation) to reduce income tax burden borne by the company regardless of the existence of tariff reduction or not.

5. Conclusions

This study found that the results of empirical data to support the alternative hypothesis (H1) is proposed, because discretionary accruals in 2007 and 2008 showed a significant negative, meaning the population showed indications of income decreasing earnings management. The test results provide empirical evidence that the company lowered earnings years before the Income Tax Act of 2008 effectively, to perform earnings management with the goal of minimizing the tax burden. While the results of empirical data can't support the alternative hypothesis (H2a) and (H2b) proposed, because discretionary accruals in 2009 and 2010 showed a significant negative, meaning the population showed no indication of increasing income earning management. The test results provide empirical evidence that the company did not raise earnings in 2009 and 2010 to conduct

earnings management with the aim to benefit from a tax reduction.

The studies can be concluded at this thoroughly is the result of research shows that the behavior of management in saving the tax burden is not only influenced by government incentives such as tax reduction, but the tendency of management conduct earnings management to minimize the tax burden borne by the company regardless of the existence of tariff reduction or not, it is shown there are indications management income decreasing earnings through discretionary accruals in the study which showed a significant negative value of discretionary accruals

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