

## THE MAVERICK ACCOUNTANT: HOW OWNERSHIP STRUCTURE AND AUDIT COMMITTEE SHAPE THE CREATIVE ACCOUNTING TYPE IN INDONESIA

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### ABSTRACT

Empirically demonstrate the moderating influence of the audit committee and ownership structure on the type of creative accounting that non-financial companies in Indonesia engage in. A sample of non-financial companies listed on the IDX was subjected to a multiple regression analysis. Data from 2017 to 2020 was included in the analysis. The utmost year that can be analysed is 2020, as the measurement of future profitability necessitates data for future years. The nature of creative accounting in Indonesia is opportunistic. It is fortified by the information asymmetry between owners and managers, which is attributable to the moderate proportion of managerial and family ownership. The results of this study elucidate the mechanism by which agency theory explains creative accounting from both a positive and negative perspective. This influences the shareholder's approach to regulating his relationship with the manager. The theme of the general form of creative accounting in Indonesia, which is moderated by ownership structure, has not yet been extensively explored

**Keywords:** Type of creative accounting; Opportunistic creative accounting; Efficient creative accounting; Ownership structure; Audit Committee

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### INTRODUCTION

Creative accounting is minimizing or maximizing a company's profits, which is carried out to meet performance targets, maintain the company's reputation, and provide bonuses to managers (Lewis, 1968). It is a controversial practice because it can make information in financial statements less reliable (Sulistyanto, 2018). Efficient and opportunistic are the two kinds of inventive accounting, as per Siregar and Utama (2008). Narsa et al. (2023) said that creative accounting is an action that intersects with profit manipulation, which can be identified as fraud.

The agency of theory is the leading theory underlies this research because crea-

tive accounting needs agency and a principles environment. The principal will try to encourage the agent to work harder through various incentives to maximize company value and generate profits for the principal. Thus, agency theory is an essential basis for this research to understand how ownership structure and audit committees influence the type of creative accounting carried out by non-financial companies in Indonesia.

Creative accounting is a decision made by the company's stakeholders (Purnama, 2017). It is usual for a company to have various types of shareholders, including shareholders who come from families, management, and institutions. The audit committee's function is essential in the

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financial reporting procedure of a company (Wanda et al., 2022). The audit committee is also accountable for the company's control as an intermediary between the company's board and external auditors, as per Dwiyantri and Astriena (2018). Creative accounting is still relevant to be discussed because information from profit is crucial for users of financial statements from the past until now (Supriyono, 2018).

The novelty of this study is being developed from previous research regarding the accounting creative type that most of them using a stable period for their sample (Siregar & Utama (2008); Jiraporn et al. (2008); O'Callaghan et al. (2018); Alfadhael & Jarraya (2021); Türeğün (2018); Zaher (2019)). Their finding cannot be implied in abnormal conditions like war or natural disasters, such as COVID-19. This is due to the different distress and needs in such turbulent times, which will reduce most idealism and ethics in the normal period (Kumar & Vij, 2017; Lizińska & Czapiewski, 2023). This emphasizes the urgency of determining whether Indonesia's creative accounting type will change during COVID-19 (2020).

Many previous studies prove that ownership structures such as educational background, concentration, origin, and gender are strengthening the creative accounting practice's motives (Akter et al., 2024; Alghemary et al., 2024; Bui & Le, 2024; M. Chen & Ye, 2024; Ezeani et al., 2024; Gürünlü, 2024; Xi et al., 2024). This is because different owners bring different mindsets, so the business environment also has a different perspective in dealing with earnings management issues. However, to prevent conflicts of interest and limit the power of owners, well monitoring is required (Alkebeşe et al., 2022; Ezeani et al., 2024; Hassan et al., 2022; Komal et al., 2023; Mohammad, 2022; Shahroor & Ismail, 2022). A good audit committee is one way to make sure the monitoring went well. This research is valuable because besides accommodating the crisis period regarding the type of creative accounting, it also looks at how ownership structure and audit committee moderate this influence.

The objective of this investigation is to identify empirical evidence regarding the management practices of non-financial companies that are listed on the Indonesia

Stock Exchange between 2017 and 2020. In order to enhance its effectiveness, we evaluate the proportion of ownership structure and the number of audit committees that moderate the relationship between creative accounting and the category of creative accounting. These variables are used as the moderating variables since they have a strong relationship with accounting creative (Bui & Le (2024); Al-Shouha et al. (2024); Al-Shouha et al. (2024); Rosia et al. (2023); Liu et al. (2023); Semsomboon et al. (2024)). Thus, by doing this research, we try to fill the lack of generalization results from previous research by using more varied data and examining the influence of ownership identity and audit committee variables.

**METHODS**

This research analyses the non-financial sectors that are publicly traded on the Indonesia Stock Exchange for the period of 2017-2020. The purposive sampling principle is employed to select companies based on specific criteria. These criteria include being listed on the IDX (Indonesia Stock Exchange) in 2017, excluding financial sec-

Table 1. Determining the 2017-2021 Reporting Sample

No.	Sample Criteria	Amount
1	Number of companies registered on the IDX as of 31 December 2017	549
2	Number of financial sector companies	(91)
3	Companies with incomplete data related to the variables used in the test	(2)
4	The selected companies become the sample	456
The amount of data used as observation		1742
<i>Source: Data processing results, 2023</i>		

tor companies, and ensuring that companies

consistently and comprehensively publish their financial statements and possess the necessary data pertaining to the variables to be examined from 2017 to 2020. The newest period is limited until 2020 because we need to calculate future profitability to measure the creative accounting type. Future profitability includes the 2-year profit of an entity. Thus, the 2020 data will include the data from 2021 and 2022. By the time this research is done (early 2023), 2020 is the most recent year we can provide to calculate the future profitability. The final amount of the sample is 1742 observations, as stated in Table 1.

We employed two moderating variables proven in the previous research as variables influencing the incentives and motives for earnings management practice. The first moderating variable is the ownership structures, represented by the managerial, family, and institutional ownership variables. These variables are chosen to represent the internal agent (managerial ownership), internal principle (family ownership), and external principle (institutional ownership). The second moderating variable is the audit

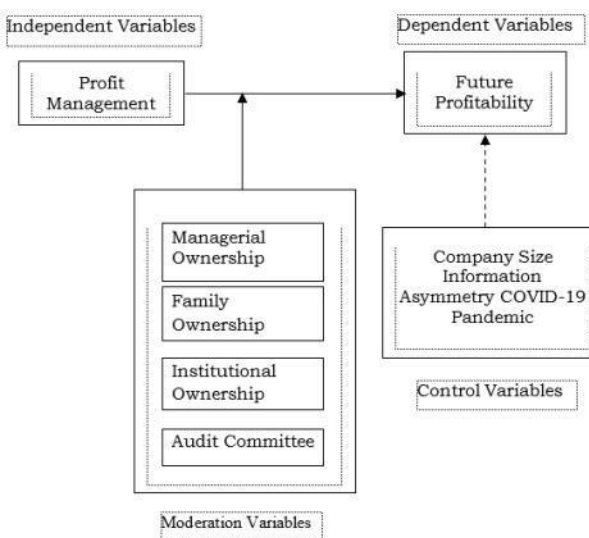


Figure 1. Research Framework

committee, the monitoring agent limiting the owner's power. The research framework is pictured in Figure 1.

Based on Figure 1, the equation of this research is:

$$Y_{it} = \alpha + \beta_1 CFO_{it} + \beta_2 NDAC_{it} + \beta_3 DAC_{it} + \beta_4 DAC * MAN_{it} + \beta_5 DAC * FAM_{it} + \beta_6 DAC * INS_{it} + \beta_7 DAC * AC_t + \beta_8 AI_{it} + \beta_9 SZ_{it} + \beta_{10} COV_{it} + \varepsilon$$

Based on the figure and equation, the dependent variable used is the type of creative accounting that is proxied with future profitability represented through 3 measurements, namely “cash flow from operations ( $CFO_{t+1}$ ), non-discretionary net income” ( $NDNI_{t+1}$ ), and net profit difference ( $\Delta EARN_{t+1}$ ) (Subramanyam, 1996). Then the independent variable, namely creative accounting, is also decomposed into 3 measurements, namely the company's operating cash flow (CFO), non-discretionary accrual (NDAC), and discretionary accrual (DAC). According to Siregar & Utama (2008).

Then for variable ownership structure consists of managerial, family ownership, and institutional ownership. Managerial ownership refers to the complete ownership of all common shares in a corporation by the management (Tatar & Sujana, 2020). According to Arthawan & Wirasedana (2018), management ownership is one mechanism that aims to reduce the gap or separation between agent and principal. Management ownership has access to pre-disclosure information about the company, so in this case, managers have the flexibility to make some decisions. This is what is used as a loophole to carry out creative accounting. Whether for personal advantages or the interests of the firm and shareholders, the motive of managers will influence the direction of creative accounting conducted (Pricilia & Susanto, 2017). According to Saona et al. (2020) creative accounting can tend to be opportunistic if the management owner has the motivation to enrich himself, while if the management owner carries out creative accounting to enrich information on future profits and profitability, and reduce the burden on the company, it can be said that creative accounting leads to an efficient type. According to Brigham & Houston (2019) define management ownership as the proportion of ownership held by the board of directors and commissioners of a corporation divided by the number outstanding shares, multiplied by 100%..

As to Kumala & Siregar (2020), family ownership is the second most prevalent ownership structure. Over two-thirds of Indonesian firms are family businesses, making Indonesia one of the biggest in East Asia in terms of the number of such enter-

prises. Savitri (2020) proposes that family ownership can effectively reconcile the interests of agents and principals. This is because family owners often assume the role of active managers, facilitating subsequent supervision and control. Consequently, there is improved flexibility in accessing information and making changes to company activities and decisions. Family enterprises often strategically control their earnings to preserve their reputation by recruiting investors, bolstering creditor trust, and preserving the company's positive image in the public. This approach guides the use of innovative accounting practices towards efficiency (Razzaque et al., 2016). However, in cases where the family firm exhibits opportunistic behaviour, the family employs creative accounting as a means to ensure the ongoing operation of the business and to benefit themselves. Consequently, the ownership of the family might influence the inclination towards certain types of creative accounting (Franzoi et al., 2020). Wanda et al. (2022) define family ownership as the ratio of family ownership shares to the absolute number of outstanding shares, multiplied by 100%.

The next factor is institutional ownership, variable ownership by the institution is added as a representative of the external owner. According to Aryanti et al. (2017), shared ownership by institutions can reduce the separation or gap between agents and principals. This is because the institution has the authority to supervise and control the company based on the experience gained from managing the original institution. Therefore, the supervision and control carried out by institutional owners can affect how the direction and characteristics of creative accounting (Yanthi et al., 2020). Unlike the two previous ownerships, companies that have control from institutions do not have much motivation to take over minority shareholders so if creative accounting practices are carried out, it will lead to an efficient perspective (Siregar & Utama, 2008). Companies with low institutional ownership usually do not have such strict supervision and monitoring mechanisms, so gaps in creative accounting will arise, and managers will take advantage of the opportunity opportunistically (Lily & Dermawan, 2020). Riska Ananda & Ningsih (2016) This metric quantifies institutional owner-

ship by calculating the ratio of institutional ownership shares to the total outstanding shares, multiplied by 100%.

The number of audit committees is an additional variable that is present in addition to the ownership structure variable. In the financial reporting procedure, the audit committee's function is crucial (Wanda et al., 2022). The audit committee is accountable for the company's oversight, in addition to serving as an intermediary between the company's board and external auditors, as per Dwiyantri & Astriena (2018). The audit committee is the vanguard in corporate governance, as it is required to be independent and possess expertise in accounting, finance, and supervision (Yanthi et al., 2021). Aryanti et al. (2017) define the audit committee's independence as an attribute that is incapable of being contested or influenced by other parties, as the committee works in the public interest. The supervision and control of the financial reporting process will be impacted by the high number of audit committees in a company, as per the research conducted by Mishra & Malhotra (2016). The number of audit committees in a company will decrease the use of inventive accounting practices, as the profits it publishes have a lower level of discretionary profit in comparison to companies with very few or no audit committees. In accordance with Santosa et al. (2022). The number of audit committee members in the company can be used to evaluate the audit committee.

The control variables employed are information asymmetry, company scale, and the COVID-19 pandemic, as these three variables are among the numerous factors that influence and direct the company in determining the type of management. Information asymmetry is a phenomenon in which management provides shareholders with information that differs from the actual situation. This is due to the fact that management has the ability to access more detailed information, whereas shareholders typically only have access to the outline of information. The bid-ask spread, which is the difference between the selling price (ask) and the purchase price (bid) of company shares for one year, is a commonly used metric to measure information asymmetry, as per Santosa et al. (2022). The total number of assets is the metric used to determine

the magnitude of a company (Marpaung, 2019). As per Riska Ananda & Ningsih (2016), the company's magnitude can be determined by the total assets, which are logarithmic in nature. The COVID-19 pandemic is a phenomenon in which the coronavirus disease has abruptly and significantly increased. As a result, the government has implemented PPKM (Enforcement of Community Activity Restrictions), which has had an impact on various aspects of life (Suryana, 2020). Public companies are undoubtedly impacted by the COVID-19 pandemic, and they will endeavour to mitigate the situation in order to maintain operations (Revinka, 2020). In this scenario, the company modifies its policies and accounting methods to ensure its survival by implementing inventive accounting. The COVID-19 pandemic variable employs a fictitious variable, represented by the numbers zero

(0) for the pandemic event that has not yet entered Indonesia and one (1) for the pandemic event that has entered Indonesia, as per Susila et al. (2022).

### RESULT AND DISCUSSION

Here are the regression test results:

\*: Significant at the level of 1%, \*\*: Significant at the level of 5%, \*\*\*: Significant at the level of 10%

The equation of test results can be written as follows:

$$Y_{it} = -0.044488 - 0.195873 + 0.001003 - 0.020198 + 6.68E-06 + 3.96E-05 - 0.000740 + 0.006136 + 1.38E-07 + 0.001880 + 0.002098 + \epsilon_{it} \quad (2)$$

The discretionary accrual variable

Table 2 Regression test results

Variable	CFO <sub>t+1</sub>		NDNI <sub>t+1</sub>		ΔEARN <sub>t+1</sub>	
	Coefficient	p value	Coefficient	p value	Coefficient	p value
<b>C</b>	-0.044488	0.1087	0.175687	0.0003	0.105113	0.0194
<b>CFO</b>	-0.195873	0.0000***	0.036649	0.0530*	-0.104869	0.0137**
<b>NDAC</b>	0.001003	0.0674*	0.001331	0.0715*	-0.000310	0.8870
<b>DAC</b>	-0.020198	0.0744*	-0.006130	0.0508*	-0.025929	0.0708*
<b>DAC*MAN</b>	<b>6.68E-06</b>	<b>0.0611*</b>	<b>0.000237</b>	<b>0.0585*</b>	<b>3.12E-05</b>	<b>0.0286**</b>
<b>DAC*FAM</b>	<b>3.96E-05</b>	<b>0.0800*</b>	<b>1.89E-05</b>	<b>0.0542*</b>	<b>2.74E-05</b>	<b>0.0994*</b>
<b>DAC*INS</b>	<b>-0.000740</b>	<b>0.1088</b>	<b>0.001217</b>	<b>0.0251**</b>	<b>-0.003213</b>	<b>0.5699</b>
<b>DAC*AC</b>	<b>0.006136</b>	<b>0.3373</b>	<b>-0.002531</b>	<b>0.7685</b>	<b>-0.007107</b>	<b>0.3722</b>
<b>AI</b>	1.38E-07	0.0134**	1.09E-07	0.0958*	-8.47E-07	0.0127**
<b>SZ</b>	0.001880	0.0677*	-0.006022	0.0004***	-0.003618	0.0211**
<b>COV</b>	0.002098	0.0023**	0.001376	0.0686*	0.004289	0.0000***

Source: Data processing results, 2023

(DAC) in Table 2 is the benchmark for examining the relationship between creative accounting and the three future profitability variables. The DAC has a significant probability value for all three. When CFO<sub>t+1</sub> and NDNI<sub>t+1</sub> are used as dependent variables, the discretionary accrual value is significant at a significance level of 10% with probability values of 0.0819 and 0.0971, respectively. When ΔEARN<sub>t+1</sub> is used as the dependent variable, the DAC is significant at a level of 5% with a probability value of 0.0253. The company's profitability can be influenced by the company's future cash flow, which is influenced by strong non-discretionary operating cash flow and accruals (Neti, 2020). Operating cash flow is a reflection of the amount of money generated from sustainable and healthy business operations.

Due to a lack of corporate transparency and accountability and a lack of focus on the company's long-term objectives, owners, managers, and families have a substantial negative impact on future profitability in the context of ownership structure variables and audit committees (Ha & Ngo, 2022). Future profitability is not substantially affected by institutional ownership

the variable of information asymmetry have a substantial positive impact on future profitability. Information asymmetry that results from conflicts will induce companies to adopt innovative accounting practices in order to appear more appealing to investors, subsequently resulting in an increase in the company's future profitability (Abad et al., 2018). The COVID-19 pandemic has the potential to expedite digital transformation and enhance operational efficiency (McLaughlin, 2022). The future profitability of the company is significantly impacted by its variable size. This is due to the fact that the larger the company, the more challenging it is to maintain consistent growth, which in turn can reduce the company's ability to achieve sustainable profitability (Magdalena Chandra & Arifin Djashan, 2018).

The initial equation is intended to ascertain the correlation between the company's prospective profitability and discretionary accruals. On the basis of Table 2, the regression test results indicate that all three proxies of future profitability have negative coefficient values. The results of this study indicate that the sample companies in this study favour opportunistic crea-

Table 3 Regression test results

Variable	CFO <sub>t+1</sub>		NDNI <sub>t+1</sub>		ΔEARN <sub>t+1</sub>	
	Coefficient	p value	Coefficient	p value	Coefficient	p value
C	-0.042003	0.1129	0.030429	0.0001***	0.184242	0.0390**
CFO	0.873099	0.0000***	0.577585	0.0015***	-0.006954	0.0564*
NDAC	0.001252	0.0553*	0.004959	0.0600*	0.001607	0.0828*
DAC	<b>-0.002005</b>	<b>0.0819*</b>	<b>-0.000840</b>	<b>0.0971*</b>	<b>-0.000970</b>	<b>0.0253**</b>
MAN	-6.81E-06	0.0028***	6.14E-05	0.0601*	-0.000321	0.0086***
FAM	-9.25E-06	0.1241	3.36E-05	0.0929*	-1.23E-05	0.0923*
INS	-1.86E-06	0.0904*	0.006675	0.8043	0.000573	0.0595*
AC	-0.000795	0.3289	-0.000490	0.0748*	0.001616	0.6228
AI	1.24E-07	0.0791*	3.29E-07	0.0891*	-8.83E-07	0.0546*
SZ	0.001628	0.0681*	-0.001277	0.0002***	-0.006536	0.0352**
COV	-0.000233	0.0071*	0.000971	0.0354**	0.004849	0.0000***

Source: Data processing results, 2023

and audit committees. This is due to the fact that the supervision and control activities conducted by institutional proprietors and audit committees are not effective and do not account for future profitability (Yanthi et al., 2021). The Covid-19 pandemic and

tive accounting over efficient creative accounting, suggesting a correlation between discretionary accruals and future profitability.

Moardi et al. (2020); Simamora (2019); Azizah (2017); Ghazali et al. (2015)

have all conducted research that supports the widespread belief that creative accounting is both opportunistic and detrimental. The company's level of inventive accounting is inversely proportional to its future profitability, as indicated by the study's findings. The allocation of resources and the perception of potential investors on future profitability are not taken into account by company management, who employ access to detailed company information to conduct inventive accounting with the motivation to maximise personal profit. In other words, discretionary accruals are structured in a manner that benefits the management, rather than the company as a whole, when creative accounting is implemented. Ultimately, this innovative accounting practice will erode the quality of information in financial statements, erode the confidence of investors and creditors, and, at some point, may elevate the company's bankruptcy risk. Therefore, it can be inferred that the form of inventive accounting employed by non-financial companies listed on the IDX (Indonesia Stock Exchange) between 2017 and 2020 is opportunistic.

### **The Effect of Managerial Ownership on the Type of Creative accounting**

The second equation is to determine the effect of moderation of managerial ownership and the effect of creative accounting on future profitability. Based on Table 3, the regression test results show positive coefficient values in all three dependent variable proxies. Then if  $CFO_{t+1}$  and  $NDNI_{t+1}$  are used as dependent variables, then the probability value can be accepted at a significant level of 10% and if using  $\Delta EARN_{t+1}$ , the probability value can be accepted at a significance level of 5%. Thus, managerial ownership variables have a positive and significant influence on the effect of creative accounting on future profitability. Initially, an increase in managerial ownership can align the manager's incentives with that of shareholders, at the same time discretionary accruals decrease along with an increase in ownership by the manager. However, at some point, the discretionary accrual rate will increase as the number of managerial owners increases. This happens because owners who act as company management will have access to detailed information on the company com-

pared to owners who do not act as company managers (Pricilia & Susanto, 2017).

The results of this study are consistent with the findings of Larastomo et al. (2016), Pricilia & Susanto (2017), O'Callaghan et al. (2018), and Saona et al. (2020). Tatar and Sujana (2020) assert that managerial ownership has a substantial positive impact on creative accounting. When the level of managerial ownership exceeds a certain threshold, managers may become a camp, which can result in an increase in discretionary accruals as they are no longer compelled to engage in non-value-maximizing behaviour (O'Callaghan et al., 2018). However, the results of this investigation are also indicative of type 2 agency issues in agency theory, specifically conflicts between minority shareholders and majority shareholders. The dilution of control and ownership of the company can result in manager proprietors acting in accordance with their interests. This can ultimately lead to more active creative accounting in order to enhance profit-based compensation, relieve contractual constraints, or avoid debt agreements (Saona et al. 2020).

In practice, some companies issue policies in which contracts and management compensation depend on reported profits. Therefore, management owners will utilize access to company information and manage discretionary accruals to achieve specified profit targets, so that managers will get maximum bonuses and contracts according to their wishes opportunistically (Tatar & Sujana, 2020). There are several impacts of opportunistic creative accounting such as a decrease in economic value, loss of investment opportunities, and greater economic costs, suggesting that creative accounting can reduce future profits (Jiraporn et al., 2008). Simamora (2019) states that opportunistic creative accounting can destroy economic value by making troubled companies look healthy, which will later reduce the chances of achieving profitability in the future.

PT Barito Pacific Tbk. is one of the companies with fairly dominant managerial ownership, with a total ownership by managers of 72.4%. The average discretionary accrual for the past four years is -2,310, which is a significant difference from the average discretionary accrual of the entire company of -0.053. This information is

based on the data collected in this study. This demonstrates that the inventive accounting of a company with the BRPT stock code increased as the ownership by managers increased. Consequently, the company's net profit decreased in 2019 and 2022. The decline in net profit value occurred due to revenue which fell 21.8% in 2019 (Sukirno, 2020), then in 2022 it was only able to score a net profit of 1.76 million US dollars which decreased significantly compared to the previous period of 109.12 million US dollars (Rully, 2023). Therefore, the case of declining profits can support research findings, that the increasing proportion of company ownership by managers will strengthen the influence of creative accounting on future profitability.

### **The Effect of Family Ownership on the Type of Creative accounting**

Based on Table 3, the regression test results show positive coefficient values in the three dependent variable proxies. Then if  $CFO_{t+1}$ ,  $NDNI_{t+1}$ , and  $\Delta EARN_{t+1}$  are used as dependent variables, the probability value can be accepted at a significant level of 10%. Thus, the variable of family ownership has a positive and significant influence on the effect of creative accounting on future profitability. At first, type 1 agency issues can be solved through family ownership. However, over time, ownership by the family can lead to type 2 agency problems (Claessens et al., 2000). This happens because the family owner usually has a significant amount of shareholding and has control over the board of directors, so the family owner will position himself as the controller and begin to use his ability to explore resources within the company and perform creative accounting to take over minority shareholders (Chi et al., 2015).

Family owners try to control minority shareholders so that they can hide the activities they do such as utilizing existing resources in the company, then family owners manage discretionary accruals to maintain their family's position in the company so that they can hold the board key up to the second or third generation and so on (Kumala & Siregar, 2020). Majority family ownership affects the creation of agency fees, this is due to excessive control rights and conflicts between family and business goals. Lack of external governance from large shareholders and high financing costs.

So in an effort to minimize agency costs, the company chose to do creative accounting.

The results of this study are consistent with the research of Razzaque et al. (2016), Franzoi et al. (2020), Kumala & Siregar (2020), Savitri (2020), and Sari & Fanani (2022), which all assert that family ownership has a positive and significant impact on creative accounting. The rise in the number of family proprietors will result in an increase in information asymmetry, which will subsequently lead to the implementation of innovative accounting practices, such as inflating the company's stock price to create the illusion of a positive reputation in the community (Savitri, 2020). When family businesses manage their income, they typically reduce profits to obtain subsidies and specific government facilities, as well as to mitigate the tax burden associated with low profits (Razzaque et al., 2016). This approach offers numerous benefits. Family companies can establish a positive reputation and be perceived as dependable business partners by presenting consistent profits, despite the fact that they are not (Ha & Ngo, 2022). The implementation of opportunistic creative accounting by family companies will result in a decrease in transparency in financial reporting, which will make it challenging for investors and other stakeholders to accurately evaluate the company's financial health. Additionally, the company's reputation may be damaged by legal and regulatory repercussions if the practice is disclosed (Chi et al., 2015). The family's ownership percentage is higher, but the company's future profitability is lower. This suggests that the family owner is managing profits opportunistically for personal gain, without regard for the company's future profitability.

Creative accounting cases involving family companies occurred in 2018 in companies incorporated in the Lippo Group, referring to the financial statements published in 2018, Lippo Karawaci posted a profit of Rp1.15 trillion. This figure increased by 135.15% compared to 2017 Rp487.35 billion. The source of profit comes from the profit of recording investments in associated entities with fair value, which is an interesting thing from this financial statement. In this post, Lippo Karawaci recorded a profit of IDR 2.36 trillion.



The post in question is the difference between the investment value in the subsidiary before the loss of control and the portion of the investment measured at fair value at the time of loss of control at PT Mahkota Sentosa Utama which is the developer of the Meikarta project and also has a parent relationship with Lippo Cikarang Tbk. Meanwhile, broadly speaking, Lippo Karawaci's business is experiencing a trend. Although net revenue was recorded at IDR 5.49 trillion, which had a percentage increase of 13.66% from the previous period, behind it all these issuers are facing a large burden that endangers the company's condition in the future. This case can be supported by data on the level of family ownership owned by Lippo Group, which is 70.85%, which supports research findings that the increasing proportion of family ownership will strengthen the influence of creative accounting on future profitability.

**The Effect of Institutional Ownership on the Type of Creative accounting**

Based on the results of regression testing show that H<sub>3</sub> can only be supported at a significance level of 5% by using CFO<sub>t+1</sub> as the dependent variable. The other two proxies show inconclusive and insignificant results, so they cannot prove that the proportion of ownership can strengthen the relationship between creative accounting and the company's future profitability.

The non-influence of institutional ownership on creative accounting can indicate that creative accounting actions are not

determined by the size or size of ownership by institutions. In carrying out their responsibilities, institutional owners only act as owners who prioritize company profits, therefore the existence of institutional ownership cannot always strengthen supervision effectively and eliminate indications of creative accounting practices. In addition, these institutions also have different interests that encourage them to make different decisions (Fitri et al., 2018). Then that can later lead to conflicts of interest with company managers, such as the desire to obtain high dividends or increase stock prices continuously, while company managers may be more interested in developing long-term businesses (Reyna, 2018). Therefore, institutional ownership makes it difficult to exercise maximum supervision. The results of this study are consistent with the research conducted by Aryanti et al. (2017), Saftiana et al. (2017), Saona et al. (2020), and Yanthi et al. (2020), which assert that institutional ownership does not influence creative accounting. Consequently, it can be concluded that this investigation has not been able to demonstrate the impact of innovative accounting on future profitability by examining the proportion of institutional ownership in companies.

**The Effect of the Audit Committee on the Type of Creative accounting**

The regression testing results in table 3 indicate a negative correlation between creative accounting and future profitability.

**Table 1.**  
Descriptive Statistics

Variables	N.	Mean	Std	Min	25%	50%	75%	Max
UNDERPRICING	312	0.2658	0.3196	-0.8596	0.0917	0.2993	0.4542	18.348
PD TRUST	312	0.0188	0.5762	-16.624	-0.402	0.0172	0.4582	16.301
IC TRUT	312	-0.0002	0.5845	-16.236	-0.358	0.031	0.3885	18.223
PD AGE	312	48.875	10.573	24	41	48	56	78
FIRM AGE	312	6.146	4.573	329	2.681	4.853	8.553	23.564
PERCENTAGE	312	0.2196	0.0852	0.0047	0.1655	0.2	0.2597	0.52
FUND SIZE	312	25.578	13.535	228.435	245.29	25.341	262.54	307.175
SIZE	312	268.063	17.985	191.734	255.30	266.40	279.54	326.227
ROA	312	0.0537	0.0867	-0.3185	0.0139	0.0385	0.0856	0.5855
LEVERAGE	312	0.9007	37.558	-522.74	0.329	0.7202	1.488	106.901

However, the probability value generated by the future profitability proxy exceeds the three levels of significance, which indicate inconclusive and insignificant results. Consequently, the data in this analysis have not been able to substantiate H4. The number of audit committees in this study suggests that the audit committee's role has not been effective in detecting discretionary accruals in profits. Consequently, the supervision and control of the audit committee have not been effective in reducing creative accounting practices in the company. This discovery may be the result of the company's constitution of an audit committee, which is appointed solely to comply with regulations. Consequently, the committee's oversight of the company's financial reporting process is negligible, as indicated by Vervaat et al. (2016). Consequently, the audit committee's bulk may not be an effective mechanism for monitoring the company.

These results are consistent with the research conducted by Yanthi et al. (2021), Wan Mohammad & Wasiuzzaman (2020), Fitri et al. (2018), and Saftiana et al. (2017). However, the assertion that the audit committee level does not influence creative accounting has not been proven. This is due to the fact that audit committee members may lack a qualified competence in financial reporting supervision and an academic background in accounting or finance. Therefore, the influence is not convincing enough to draw a conclusion. This can occur as a result of other factors that can impact inventive accounting practices, such as the pressure to meet specific financial goals or the existence of feeble regulatory systems. While the audit committee's independence and strength are critical in the prevention of creative accounting practices, additional measures are required, such as enhanced regulatory oversight and enhanced oversight, to reduce the impact of these practic-

**Table 2.**  
Classification Analysis for Categorical Variables

Category	Uncertainty dummy	Underwriter Status	Big4 Status	Listing Board	Family Company
1	149	85	27	72	212
0	163	227	285	240	100
N	312	312	312	312	312
	1 = IPO during 2018-2020 0 = Otherwise	1 = Top 20 underwriters based on corresponding year transaction value 0 = Otherwise	1 = IPO firms audited by Big 4 audit firms 0 = Otherwise	1 = Main board index 0 = Otherwise	1 = Family co. 0 = Non family co.

**Table 3.**  
Correlation Table

	PD AGE	FIRM AGE	FLOAT %	FUND SIZE	PD TRUST	IC TRUST	SIZE	ROA	LEV	UNDER PRICING
PD AGE	1.00***									
FIRM AGE	0.36***	1.00** *								
FLOAT %	-0.16***	0.11**	1.00***							
FUND SIZE	0.11**	0.04	-0.26***	1.00***						
PD TRUST	0.01	0.02	-0.04	0.06	1.00***					
IC TRUST	0.10*	-0.01	-0.16***	0.16***	0.03	1.00***				
SIZE	0.23***	0.22** *	-0.45***	0.75***	0.01	0.12	1.00***			
ROA	0.12**	0.03	-0.16***	-0.05	0.01	0.08	-0.01	1.00**		
LEVERAGE	0.10*	0.03	0.10*	-0.01	0.09	-0.04	0.04	-0.01	1.00** *	
UNDERPRICING	-0.13***	-0.04	0.26***	- 0.27***	- 0.16***	- 0.21***	-0.13**	- 0.15**	0.03	1.00***

\*\*\* significant at 0.01 \*\* significant at 0.05 \* significant at 0.1

es on the company (Fitri et al., 2018). Consequently, it can be concluded that the impact of inventive accounting on future profitability has not been demonstrated by this study in terms of the number and existence of the company's audit committee.

**The Effect of Control Variables on the Type of Creative accounting**

The regression testing results in Table 3 indicate that information asymmetry variables have a substantial positive correlation with opportunistic forms of inventive accounting. In the event that the information held by company management is not comparable to that held by external parties, such as investors or creditors, management will implement innovative accounting strategies to manage public perceptions of their company's performance and enhance their profits (Abad et al., 2018). Management will employ regulated accounting methods, including profit levelling, aggressive revenue

recognition, and deferred costs, to inflate profits and elevate stock prices (Mahawyahrti & Budiasih, 2017). Opportunistic creative accounting thrives in an environment of information asymmetry, as managers who possess intimate knowledge can capitalise on information gaps to their advantage. For instance, the financial director of PT Hanson International Tbk employs asymmetric information in combination with the MYRX stock code to implement creative accounting. PT Hanson International Tbk's information asymmetry is 0.9125, which is 2.36% greater than the average information asymmetry of the company's sample. This is supported by the data in this study.

The negative relationship between company size and creative accounting suggests that larger companies tend to have fewer creative accounting practices than smaller firms. It is more challenging for large companies to engage in opportunistic creative

**Table 4.**  
Main Model Regression Result

	Dependent Variable: Underpricing	
	OLS	RLS
PD_TRUST	-0.0769*** (0.0093)	-0.0636*** (0.0098)
IC_TRUST	-0.0644** (0.0474)	-0.0414* (0.0929)
FAMILY_COMPANY	0.0047 (0.8841)	0.0101 (0.7411)
PD_AGE	-0.0017 (0.3458)	-0.0019 (0.2031)
FIRM_AGE	0.0000 (0.2756)	0.0000 (0.4716)
FLOAT_PERCENTAGE	0.9943*** (0.0000)	1.1155*** (0.0000)
FUND_SIZE	-0.0758*** (0.0002)	-0.0791*** (0.0000)
UNDERWRITER_STATUS	-0.0432 (0.3667)	-0.0234 (0.4808)
BIG_4_STATUS	-0.2115** (0.0155)	-0.1695*** (0.0017)
LISTING_BOARD	-0.0180 (0.6729)	-0.0327 (0.3813)
SIZE	0.0797*** (0.0001)	0.0823*** (0.0000)
ROA	-0.3332** (0.0404)	-0.3272** (0.0471)
LEVERAGE	0.0005 (0.7899)	-0.0007 (0.8644)
N	312	312
Adj R-Square	0.1830	0.1691
F-statistic	27.0585	39.8566
Prob.	0.0000	0.0000

\*\*\* significant at 0.01 \*\* significant at 0.05 \* significant at 0.1

accounting without exposure, as they are more closely monitored and scrutinised by investors, regulators, and other stakeholders. Furthermore, the establishment of large companies and the necessity of safeguarding their reputations may serve as impediments to their participation in such activities (Panjaitan & Muslih, 2019). On the other hand, smaller companies may be more involved in opportunistic creative accounting because they have lower visibility and may be less closely monitored. Small companies also have weaker organizational controls and governance structures, making it easier to engage in such activities (Arthawan & Wirasedana, 2018).

Subsequently, the data collected in this study revealed that PT Astra International Tbk (ASII), a large company, had an average 4-year discretionary accrual rate of 0.0082206. This rate is significantly lower than that of PT Dosni Roha Indonesia Tbk

(ZBRA), a small company, which has an average 4-year discretionary accrual value of -4.554436378. The COVID-19 pandemic has a substantial positive correlation with opportunistic types of creative accounting. This is due to the fact that the pandemic provides companies with an incentive to implement opportunistic creative accounting in response to the financial constraints that result from the pandemic (Šušak, 2020). Management employs covid-19-related events as a pretext to commit accounting errors or create irregularities, such as misclassifying costs or misrepresenting revenue, as per da Silva Flores et al. (2023). Subsequently, the data collected in this study suggests that companies in the infrastructure, health, and transportation and logistics sectors have a high average discretionary accrual rate during the COVID-19 pandemic, which suggests that they are employing inventive accounting. This is

**Table 5.**  
Interaction Model Regression Result

	Dependent Variable: Underpricing	
	OLS	RLS
PD_TRUST	-0.0658 (0.1690)	-0.0566 (0.1359)
IC_TRUST	-0.0826 (0.1008)	-0.0548 (0.1326)
PD_TRUST*DUMMY_FUND_SIZE	-0.1241** (0.0174)	-0.1117* (0.0571)
IC_TRUST*DUMMY_FUND_SIZE	-0.0588 (0.4548)	-0.0711 (0.2339)
FAMILY_COMPANY	0.0024 (0.9410)	0.0049 (0.8727)
PD_AGE	-0.0016 (0.3637)	-0.0019 (0.1840)
FIRM_AGE	0.0000 (0.3077)	0.0000 (0.5220)
FLOAT_PERCENTAGE	1.0220*** (0.0000)	1.1867*** (0.0000)
FUND_SIZE	-0.0762*** (0.0002)	-0.0824*** (0.0000)
UNDERWRITER_STATUS	-0.0467 (0.3143)	-0.0283 (0.4007)
BIG_4_STATUS	-0.2009** (0.0177)	-0.1682*** (0.0020)
LISTING_BOARD	-0.0091 (0.8351)	-0.0222 (0.5505)
SIZE	0.0797*** (0.0001)	0.0851*** (0.0000)
ROA	-0.3718** (0.0202)	-0.3564** (0.0302)
LEVERAGE	-0.0004 (0.8206)	-0.0015 (0.6880)
N	312	312
Adj R-Square	0,1857	0.1734
F-statistic	26.0893	33.9104
Prob.	0.0000	0.0000

\*\*\* significant at 0.01 \*\* significant at 0.05 \* significant at 0.1

demonstrated by the financial statements of PT Garuda Indonesia Tbk, a company in the transportation sector, which reported a net profit of Rp 11.33 billion, which is equivalent to US \$809.85 thousand. A cooperation agreement with PT Mahata Aero Teknologi was the source of one of the profits. Although the cooperation fund, which is valued at approximately US \$239.94 million or Rp 2.98 trillion, remains receivable, Garuda Indonesia has classified it as income.

## CONCLUSIONS

The purpose of this investigation is to ascertain empirical evidence regarding the efficiency or opportunism of the inventive accounting practices of non-financial companies in Indonesia, as well as the influence of audit committees and ownership structure on these organisations. The regression model's feasibility was evaluated using descriptive statistical analysis and multiple regression analysis with classical assumption test analysis in this study. This study's sample comprises non-financial companies that were listed on the Indonesia Stock Exchange (IDX) between 2017 and 2020.

According to the findings of hypothesis testing, researchers can infer that the creative accounting practices of non-financial companies on the IDX 2017-2020 are opportunistic. This is supported by the negative correlation between proxied creative accounting and discretionary accruals and the company's future profitability. Consequently, managerial and family ownership can exacerbate the relationship between creative accounting and future profitability, while ownership plays a role. Institutional and audit committees have been unable to substantiate the impact of creative accounting on future profitability. Additionally, analytical testing revealed that opportunistic creative accounting was significantly positively correlated with information asymmetry and the COVID-19 pandemic, while it was significantly negatively correlated with company size.

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