www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)
Budapest Institute

The Effect of Differences in Company Life Cycle and Earning Power on Earnings Management

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Abstract

This study aims to examine the effect of various stages of the company's life cycle and earnings power on earnings management. This research is motivated by the occurrence of earnings management phenomena that are still carried out on the financial statements of companies in the world, especially in Indonesia which can have a negative impact because this practice can lead to misinformation received by investors. The population of this study are non-financial companies indexed by Indonesian sharia shares (IHS) listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period. The final sample in this study were 130 companies using purposive sampling method and using path analysis techniques. The research data was processed with the help of SPPS and LISREL. The results of the analysis show that company's life cycle and earning power are correlated, the company's life cycle directly and indirectly has a negative effect on earnings management, earnings power has a positive direct effect on earnings management, but indirectly through the company's life cycle. have a negative effect on earnings management. Suggestions for further research can be to conduct broader research by using a different approach on each variable and adding other variables such as company size.

Keywords
corporate life cycle; earning power; earning management

I. Introduction

The COVID-19 pandemic has caused many changes and serious impacts in various fields. Not only in the health sector but also in the economic field. In early 2020 when the COVID-19 virus was first discovered in Indonesia, the JCI trend declined. This decline is influenced by the attitude of investors who think that the Indonesian government has not been maximal in dealing with the pandemic. This assumption makes investors prefer to withdraw their funds from the capital market. However, after the decline, the development of investors in the Indonesian capital market increased again due to several policies implemented by the Indonesia Stock Exchange (IDX) in collaboration with the Financial Services Authority (OJK) and Self Regulatory Organization (SRO) such as policies on short selling, auto rejection asimetris, trading halt, and other policies. The outbreak of this virus has an impact of a nation and Globally (Ningrum et al, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020).

CNBC Indonesia noted that as of September 2021 there was an increase in investors by 65.74% or to 6,431,444 from the position in December 2020. This increase in investors was dominated by the millennial generation or investors aged 30 years and under, this created an investment trend, especially among youth. This trend of increasing investment

DOI: https://doi.org/10.33258/birci.v5i4.7271

among young people needs to be monitored. Beginner investors need knowledge and literacy levels in making investment choices. One thing that is important is that investors must conduct research and make judgments by assessing the company's performance, track record or portfolio, state of economic risk, evaluation and explanation of finances and economic conditions published in the media. This can be done by investors by studying and analyzing the company's financial statements.

Financial statements present various financial instrument information. In financial statements, especially in the company's income statement, profit information becomes potential information contained in the financial statements. Profit is something that attracts investors' attention when considering their decision to invest in a company. However, management sometimes does not convey information that is in accordance with actual conditions. This causes an information gap between management and owners. This information gap can be called information asymmetry which provides an opportunity for management to practice earnings management.

Earnings management is defined as the manager's effort to influence the information in the financial statements and seek to determine the performance and condition of the company (Sulistyanto, 2008: 6). In addition, according to Healy and Wahlen (1999), earnings management occurs when managers change financial statement information so as to mislead interested parties in viewing company performance information or also to influence information related to the numbers contained in the financial statements.,Furthermore, according to Scott (2015: 445) earnings management is a deliberate practice by management by utilizing accounting policies or accounting principles limits to obtain the desired level of profit.

Problems regarding earnings management occur in many companies in the world, especially in Indonesia. In Indonesia, the issue of earnings management is also in the spotlight for the public because of the involvement of public companies in it. From 2016 to 2020, it was revealed that several companies were known to carry out earnings management, namely PT. Hanson International Tbk in 2016, PT. Tiga Pilar Sejahtera Food, Tbk in 2017, PT. Garuda Indonesia (GIAA) in 2018, PT. Envy Tehnologies Indonesia Tbk in 2019 and the disclosure of the earnings management of PT. Asuransi Jiwasraya (Persero) in 2020.

Deschow & Skinner (2000) show the difference between accounting manipulations and fraudulent accounting. Fraudulent accounting practices deviate from accounting rules and standards, while accounting manipulation is still on the threshold of tolerance of accounting rules. However, until now there are still some controversies for practitioners and academics which basically question whether earnings management is categorized as fraud or not.

Earnings management schemes can lead to earnings manipulation. Earnings manipulation is an effort by management to violate accounting regulations that aim to boost the company's financial performance (Beneish, 1999). This scheme is carried out in the presence of intentional misstatements (Magrath and Weld, 2002). As stated by Healy and Wahlen (1999), earnings management is an act of misleading and obscuring the facts for shareholders caused by asymmetric information that occurs. Hery (2016) also states that earnings management is a trick in accounting which utilizes the flexibility space in preparing financial statements in order to achieve certain profit and profit goals.

Earnings management is carried out by a company and utilized by management in certain conditions within the company, one of which is because of the different company life cycles that the company goes through. The company life cycle theory explains that a

company goes through a number of predictable stages of development. In addition, its structure, resource capabilities and strategies vary significantly during different phases of a firm's life cycle ((Gray and Ariss 1985; Miller and Friesen 1984). This theory can also provide management with insight and assistance with various fundamental guidelines, being a tool for diagnostics and parameters to assess the company's transition from one stage to another (Hasan et al. 2015).

The company life cycle theory argues that companies do not follow the same or static pattern throughout the company's life, on the contrary, companies formulate and use various strategies to maximize the efficiency available in each stage of the company's life cycle. (Jenkins et al 2004) In addition, in the firm's life cycle profitability, earnings persistence, cash flow volatility, idiosyncratic volatility and cost of capital also vary across stages of the firm's life cycle.

In addition to the factors of different stages in the company's life cycle, earning power is also a factor that can influence managers in conducting earnings management. Earning power shows how a company has the ability to generate profits from the assets used. (Bambang Riyanto, 2017) explains that high earning power is the ability of the company to determine its efficiency by reviewing the size of the profit generated. For investors, high and low earning power will have an impact on investment development and provide large profits, the company must be able to show good performance (Surya et al., 2016). Earning power as a measure of profitability that can help investors to assess the company's performance in earning a profit and help investors to make decisions in investing. The importance of the assessment of earning power by investors will influence managers to engage in earnings management practices that aim to show good performance and earning power to investors. Based on this background, the researcher will examine how the correlation between the company's life cycle and earning power is, how the direct and indirect effects of the company's life cycle on earnings management and how the direct and indirect effects of earning power on earnings management. The importance of the assessment of earning power by investors will influence managers to engage in earnings management practices that aim to show good performance and earning power to investors. Based on this background, the researcher will examine how the correlation between the company's life cycle and earning power is, how the direct and indirect effects of the company's life cycle on earnings management and how the direct and indirect effects of earning power on earnings management.

II. Review of Literature

2.1 Agency Theory

Jensen & Meckling (1976) defines agency relationship as an agreement and contract between the manager (agent) and the shareholders (principal). In addition, Scott (2000) explains that agency theory is a form of agreement formulation to unite the interests between the principal and the agent in the event of a conflict of interest. The agent and the principal are interrelated in a contract in which the rights and obligations of both parties are stated in the agreement and contract.

Govindarajan (2009) also explains an important element of agency theory, namely that between the principal and the agent have different preferences and their respective goals. Panda and Leepsa (2017) mention that agency problems that arise within entities have certain causes, as described by Chowdhury (2004). Some of them are the separation of ownership and control, risk preference between agent and principal, short duration of

agent involvement in the entity, unsatisfactory agent incentives, and information asymmetry.

2.2 Corporate Life Cycle

The company's life cycle has 5 stages, namely the introduction stage, the growth stage, the maturity stage, the renewal stage or the shake-out stage and the decline stage. One example of the tendency for earnings management to occur is revealed by (Krishnan et al (2018) which shows that in the introduction phase the amount of accruals in the company will be high, the company at the introduction stage or when it first becomes a public company on the stock exchange will of course display financial statements that are good so that it can attract investors to invest in the company.(Surya, 2012) in his research stated that before the IPO management carried out earnings management to attract new investors by increasing the company's profits. After the IPO, the earnings management carried out by the company was carried out by increasing the dividend presentation so as to attract investors to continue investing in the next period. This is also supported by research by Saiful (2004), Khoirudin (2007), Joni and Jogiyanto (2009) which states that earnings management tends to occur in companies at the IPO stage or at the introduction stage.

At each stage of the life cycle, companies usually think about planning and strategic changes that will have an impact on the company's strategic decisions. These strategic decisions include the company's investment policies, the funding process to finance both operations and investments to dividend distribution policies for shareholders. Hubbard (1998) in his research explains that companies that are at the stage of the introduction and growth life cycle have investment policies with a tendency to invest on a large scale. While on the other hand, at the mature stage, companies tend to invest in assets worth the company's assets. Strategies carried out during the adult phase take advantage of growth opportunities and investment strategies that tend to stagnate. In research conducted by (Faff, Kwok, Podolski & Wong, 2016) explains that financing policies and cash management policies tend to follow patterns at the stages of the company's life cycle. Investment policies and equity issuance policies also tend to decline during the growth, maturity and decline stages. In the cash policy, the company tends to have a large amount of cash at the introductory stage and at the adult stage so that when it reaches the adult stage, the cash ratio position decreases. In terms of funding policy, the relationship between the company's life cycle and the company's funding policy can change. The funding policy of a company is based on the economic regulations of each country.

La, Tiziana, & Rocca (2011) in their research explain that funding and debt are the main things when the company is in the introduction stage. Meanwhile, companies that are in the mature stage are more focused on replacing sources of funding to maintain a balanced capital structure. Dickinson (2011) in his research developed a measurement with a cash flow pattern approach that can analyze and has explanatory power and time series from the company's life cycle to the level of profitability. The cash flow pattern approach can be an approach that can be applied to the process of analysis, forecasting, valuation, and as a controlling variable. In this approach, the combination of cash flow patterns can show the allocation of each company's resources and operations so that it has the ability in accordance with the chosen strategy. The classification of the life cycle stages of each cash flow component according to Dickinson (2011) can be seen in table 2.1 below:

Table 1. Company Life Cycle Stage

Company Life Cycle Stage (Dickinson, 2011)					
Cash Flow Activities	*Introduction* (Introduction Stage)	*Growth* (Growth Stage)	*Maturity* (Maturity Stage)	Decline (Decrease Stage)	Shake - Out (Assimilation Stage)
Operating	-	+	+	-	Other combinations besides the previous combination
Investing	-	-	-	+	
Financing	+	+	-	- or +	

Sumber: (Dickinson, 2011)

2.3 Earning Power

Earning power defined as the ability of a company to perform its efficiency by reviewing the size of the profit generated (Riyanto, 2008). Earning power will show the ability of how well a company generates profits from the use of assets or invested capital to generate profits. If the earning power of a company has increased, then the company is considered to be able to increase efficiency in generating profits. In addition (Munawarah, 2017) explains that earning power is a company's ability to earn profits by using assets that are often used as benchmarks for companies.

According to Brigham and Houston (2010) earning power can be calculated by dividing the amount of profit before flowersaand taxes (EBIT) in total assets. So, it can be formulated using the following formula:

$$EP = \frac{\textbf{EBIT}}{Total\ Asset} \textbf{ X 100\%}$$

In this study, the measurement of earning power is used by dividing EBIT by total assets. Measurement of earning power using this formula was also carried out in previous studies by Melda (2020), Irawan (2021), Achmad (2012), Kurnia (2022) the selection of measurements with this model because using the EBIT approach will allow a more accurate comparison of companies.

2.4 Earning management

Healy and Wahlen (1999), earnings management is carried out when management makes assessments in the preparation of transactions and valuations in financial reporting with the aim of providing a different presentation of the financial statements so as to give rise to different interpretations from interested parties regarding the company's economic performance or to influence the results. contracts related to the results of the financial statements. Earnings management also occurs when managers use judgment in financial reporting and manage transactions to modify financial statements to resolve stakeholders' concerns about the company's economic performance or to influence contractual outcomes that depend on reported accounting numbers.

There are several ways that are usually done to carry out earnings management, according to Subramanyam (2014) there are three types of strategies carried out by managers. These three strategies can be used by doing a combination of 3 strategies at one time. The three strategies include increase income, income smoothing and big bath.

Sulistyato (2008) explains that there are two points of view that can explain why earnings management activities are carried outabyacompany management. This point of view can be seen from an informational and opportunistic perspective.

The information perspective is a view that earnings management activities are a policy carried out by managers_for express the wishes of manager regarding company cash flow in future. While the opportunistic perspective is a view that earnings management practices are carried out using asymmetry information among internal side and external parties within the company that are useful in maximizing compensation contracts, contracts debt and regulation.

In detecting the existence of earnings management, a score manipulation model (M-Score Model) was developed. Beneish M Score is one of the score manipulation models that has been carried out in various studies in several countries and has been tested for reliability. According to Beneish (1999) the model using company financial data can be a measuring tool in detecting earnings management activities, the model is the Beneish M-Score Model. This model has also been used by several previous studies in several countries such as Indonesia (Panjaitan and Muslih, 2019) and (Herawati, 2015), Malaysia (Ezrien and Kamal, 2016), Nigeria (Onuora, 2013), Italy (Koschtial , 2013) and India (Kaur, 2014). In the Beneish M-Score model, eight measurement variables are used, where seven of the eight variables are data from the fiscal year that is:

1. DSRI - Days' Sales in Receivable Index
2. GMI - Gross Margin Index
3. AQI - Asset Quality Index
4. SGI - Sales Growth Index
5. DEPI - Depreciation Index
6. SGAI - Sales, General and Administrative Expenses Index
7. LVGI – Leverage Index
8. TATA - Total Accruals to Total Assets

The Beneish M-Score value is obtained from the composition of the mathematical model of the eight index numbers, to determine the cut off value that is useful in ensuring that a company is included in the manipulator or non-manipulator category. If the score is greater than -2.22, it is possible that earnings management will be carried out, otherwise if it is less than -2.22, it is possible for the company not to carry out earnings management. The Beneish M Score formula is:

$$\text{M-score} = -4.84 + 0.92 \times DSRI + 0.528 \times GMI + 0.404 \times AQI + 0.892 \times SGI + 0.115 \times DEPI - 0.172 \times SGAI + 4.679 \times TATA - 0.327 \times LVGI$$

III. Research Method

The population used in this study includes non-financial companies indexed by Indonesian sharia shares (SSI) listed on the Indonesia Stock Exchange from 2017 to 2021. The initial sample consisted of 207 companies that publish financial reports regularly. The sampling method in this study used purposive sampling. One of the criteria used is the company that provides all the data for the measurement of research variables. Based on these criteria, the number of selected samples was 130 companies with a span of 5 years of research data so that 650 data were obtained. The data used in this study is secondary data based on the annual financial statements on the website www.idx.co.id and websites of each company. Data analysis using SPSS (Statistical Product and Service Solutions)

version 25 and Lisrel. The variables of this study are the company's life cycle and earning power as exogenous variables and earnings management as endogenous variables.

In this study, analytical techniques are used to test several tests such as descriptive statistical tests that provide information about the minimum, maximum, mean, standard deviation. Then the normality test is carried out to determine whether a data distribution is normal or not. Data using path analysis to examine the direct and indirect effects of exogenous variables, namely the company's life cycle and earning power on endogenous variables, namely earnings management. In this analysis, testing is carried out with the path coefficient test and the path coefficient significance test. Path analysis has several stages that must be carried out, namely:

1. Compile / create a path diagram or path diagram.
2. Decompose correlations into effects or effects.
3. Estimation of path and correlation coefficients and calculation of effects.

In this study the path diagram is in accordance with the hypothesis developed in the study. Then the path analysis model can be described as follows:

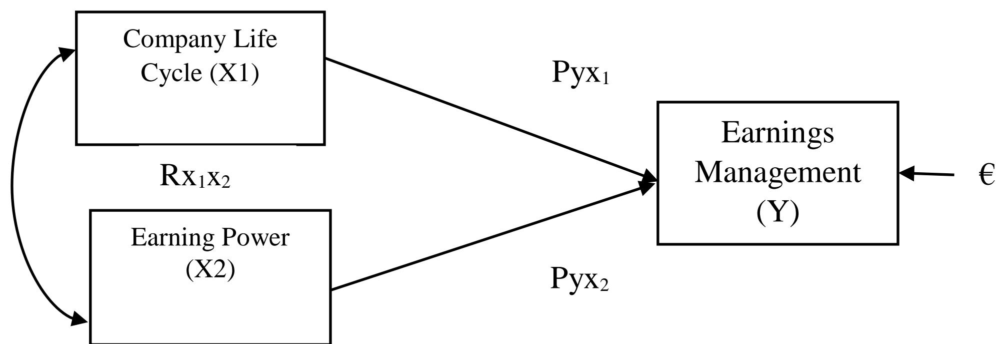

Figure 1. *Path Diagram Concept*

Where:

Pyx1 = Company life cycle path coefficient on earnings management
Pyx2 = Earning power path coefficient on earnings management
Rx1x2 = Correlation between company life cycle and earning power
€ = Other factors that affect earnings management

Based on the path diagram above, it can be formulated in the form of a structural equation as follows:

$$Y = \rho_{YX1}X_1 + \rho_{YX2}X_2 + \varepsilon$$

Information:

Y = Earning management
X1 = Company Life Cycle
X2 = Earning power
ρ = Path coefficient between effect variable and cause variable
ε = Residual variable

4. Calculating Path Coefficient with formula
   The standardized path coefficient is used to explain the magnitude of the influence (not predict) of exogenous variables on other variables that are treated as endogenous variables.

IV. Result and Discussion

4.1 Results

The results of the calculation of the normality test in this study are presented in Table 4.1 as follows:

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		650
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,46168766
Most Extreme Differences	Absolute	,032
	Positive	,027
	Negative	-,032
Test Statistic		,032
Asymp. Sig. (2-tailed)		,168[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

From the results of normality testing with One Sample Kolmogorov-Smirnov based on Table 4.1, it can be concluded that the residual data are normally distributed.

The following are descriptive statistical values for company life cycle data, earning power and earnings management presented in Table 4.2

Table 3. Company Life Cycle Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CLC	650	1,00	5,00	4,1262	1,28140
EP	650	-,22	,69	,0830	,09785
EM	650	-4,02	-0,93	-2,5066	0,49292
Valid N (listwise)	650				

Source: Data Processing (2022)

Next to Beneish M-Score Model Earnings Management variable (Y) is the result of the calculation of the 8 indices presented in Table 4.3 as follows:

Table 4. Calculation Results of Beneish M-Score Model onIndonesian Sharia Stock Indexed Non-Financial Companies (SSI) Listed on the Indonesia Stock Exchange 2017-2021

No.	Information	Year					
		2021	**2020**	**2019**	**2018**	**2017**	**Average 2017-2021**
	Manipulator Company (M-Score >-2.22)	33	21	24	46	47	**34,2**
	Percentage of Manipulator Companies	**25,38%**	**16,15%**	**18,46%**	**35,38%**	**36,15%**	**26,31%**

No.	Information	Year					
		2021	2020	2019	2018	2017	Average 2017-2021
	Non Manipulator Company	97	109	106	84	83	95,8
	Number of Companies Go Public	130	130	130	130	130	130
	Beneish M-Score Index Model:	*Min*		*Max*		*Mean*	
1	*DSRI (Day's Sale in Receivables Index)*	0,10		2,50		1,01	
2	*GMI (Gross Margin Index)*	-0,20		4,28		1,05	
3	*AQI (Asset Quality Index)*	0,08		4,52		1,08	
4	*SGI (Sales Growth Index)*	0,30		2,13		1,07	
5	*DEPI (Depreciation Index)*	0,00		10,23		1,07	
6	*SGAI (Sales, General and Administrative)*	0,00		2,44		1,00	
7	*LVGI (Leverage Index)*	0,05		3,19		1,04	
8	*TATA (Total Accruals to Total Assets)*	-0,27		0,30		-0,03	
	Beneish M-Score	**-4,02**		**-0,93**		**-2,51**	

Of the eight Benesih M-Score Model index values, it can be seen that the highest average index score is the Asset Quality Index (AQI) which is 1.08 which shows that the company has a large proportion of assets and tends to avoid increasing burdens to maintain its profitability. The high AQI has an impact on the average height of the Depreciation Index (DEPI) of 1.07 which indicates a decrease in the proportion of depreciation expense compared to fixed assets owned to increase income. The average value of GMI and DEPI in this research data is also slightly higher than the AQI value. This can indicate the existence of earnings management practices with income manipulation schemes through asset ownership and by reducing the burden that must be incurred, so that the company's profitability can be maintained. However, the level of earnings management in this study is small because the difference in the average value is not too far away. This supports previous research by Beneish (1999) and Benesih, Lee and Nicols (2013).

Based on the results of data processing, the correlation coefficient between Corporate Life Cycle (X1) and Earning Power (X2) which can be seen in table 5 below:

Table 5. Correlation Coefficient between Life Cycle (X1) and Earning Power (X2)

Variable	Correlation coefficient	Strong Relationship	*p-value*
X1↔X2	0.326	Low	0.000

Source: SPSS Output Appendix

From Table 5 above, the correlation coefficient between Company Life Cycle with Earning Power as big as 0.326. This value indicates that there is a low relationship between Company Life Cycle with Earning Power. The direction of the relationship is positive which indicates a unidirectional relationship pattern, which means that when there is an increase inThe company's life cycle will be followed by an increase in earning power, and vice versa.

Based on the results of calculations and data processing using SPSS 25.0 obtained the path coefficients shown in the table below.

Table 6. Company Life Cycle Path Coefficient (X1) and Earning Power (X2)toEarnings Management (Y)

Variable	Path Coefficient	T_{count}	*p-value*	R-Square	1- R-Square
$X_1 \rightarrow Y$	-0,370	-9,508	0.000	0.123	0,877
$X_2 \rightarrow Y$	-0,131	3,372	0.001		

Source: SPSS Output Appendix

From Table 6 shows that the total effect of the Company Life Cycle and Earning Power on Earnings Management is 0.123 or 12.3%, while the remaining 87.7% is the influence of other factors outside the two independent variables.

The amount of direct influence, indirect effect and total effect of each independent variable on the dependent variable, can be seen in Table 7 as follows:

Table 7. Test the Direct and Indirect Effect of Life Cycle (X1) and Earning Power (X2) on Earnings Management (Y)

Variable	Path Coefficient	Direct Influence	Indirect influence through:		Indirect Influence	Total Influence
			X_1	X_2		
X_1	-0,370	13,71	-	-1,59	-1,59	12,1
X_2	0,131	1,72	-1,59	-	-1,59	0,2
Total Influence						**12,3**

Source: Data Processing (2022)

Based on Table 7 above, it can be seen that the variable Life Cycle (X1) with a path coefficient value of -0.370 Then the value of direct effect is 13.71% and indirect effect is -1.59%. Furthermore, the total effect company life cycle (X1) to earnings management (Y) as big as 12.1%. Variable earning power (X2) has a path coefficient value of 0.131. Then obtained a direct effect value of 1.72%. and the indirect effect is -1.59%. Furthermore, the total effect earning power(X2) to earnings management (Y) is as big as 0.2%.

Through the values contained in Figure 4.1, the influence of each variable can be calculated Company Life Cycle (X1) and Earning Power (X2) to Earnings Management (Y).

$$\mathbf{Y = -0.370*X_1 - 0.131*X_2 + 0.877}$$

The image path diagram of the calculation results are as follows:

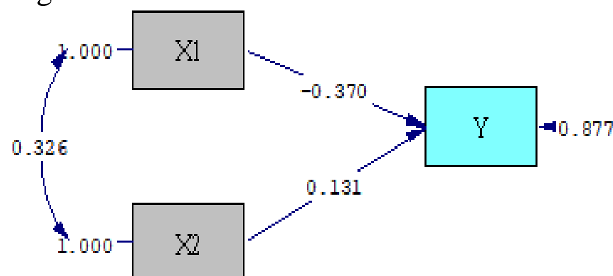

Figure 2. *Influence Path ChartLife Cycle (X1) and Earning Power (X2)toEarnings Management (Y)*

Based on the results of calculations and data processing, the path coefficients of the company's life cycle are obtained which are shown in the table below.

Table 8. Results of Testing the Effect of the Company Life Cycle (X1) to Earnings Management (Y)

Path Coefficient	**t_{count}**	**t_{table}(db:647)**	***p-value***	**H0**	**H1**
-0.370	-9.508	1.960	0.000	Rejected	Accepted

Source: SPSS Output Appendix

Based on the results of calculations and data processing obtained path coefficients from the company's life cycle as shown in the table below.

Table 9. Results of Testing the Effect of Earning Power (X2) on Earnings Management (Y)

Path Coefficient	**t_{count}**	**t_{table}(db:647)**	***p-value***	**H0**	**H1**
0.131	3.372	1.960	0.001	Rejected	Accepted

Source: SPSS Output Appendix

4.2 Discussion

The results of hypothesis testing that have been carried out regarding the correlation between the Management Life Cycle and Earning Power show that the Company Life Cycle and Earning Power have a low correlation. The test results produce a positive direction of the relationship which shows a unidirectional relationship pattern, which means that when there is an increase in the Company's Life Cycle, it will be followed by an increase in Earning Power, and vice versa.

The results of hypothesis testing related to the effect of the Company's Life Cycle on Earnings Management which shows that the Company's Life Cycle has a significant negative effect on Earnings Management.The path coefficient value is -0.370, a negative path coefficient value indicates that the higher the Company Life Cycle (X1), the lower the Earnings Management (Y). In addition to the value t_{count} the company's life cycle variable (X1) is -9.508 and the p-value is 0.000. Because the value of t_{count} is -9,508 < table-1960 dan p-value (0.000) < 0.05 then Hypothesis 1 is accepted.

Corporate Life Cycle (X1) with a path coefficient value of -0.370, a negative path coefficient value indicates that the higher the company's life cycle (X1), the lower earnings management (Y). Then the value of direct effect is 13.71% and indirect effect is -1.59%. Furthermore, the total effect company life cycle (X1) to earnings management (Y) as big as 12.3%. Variable earning power (X2) has a path coefficient value of 0.131, a positive path coefficient value indicates that the higher earning power will further improve earnings management (Y). Then obtained a direct influence value of 1.72%. and the indirect effect is-1.59%. Furthermore, the total effect earning power (X2) toearnings management (Y) is as big as 0.2%.

Total influence among company life cycle (X1) and earning power (X2) to earnings management (Y) obtained R2 value of 12.1% + 0.2% = 12.3%. while the rest (ε) or other variables not examined that affect Earnings Management (Y) is 87.7%.

V. Conclusion

Based on the results of the research in the previous chapter regarding the Effect of Different Company Life Cycles and Earning Power on Earnings Management in Non-Financial Companies Indexed Indonesian Sharia Stocks (SSI) Listed on the Indonesia Stock Exchange in 2017-2021, it can be concluded that the Company Life Cycle is proven to be correlated. Furthermore, The Company's Life Cycle is proven to have a direct negative influence on Earnings Management so that the higher or higher the stage of the Company's Life Cycle, the lower the level of Earnings Management in the company. Earning Power proven to have a direct positive influence on Earnings Management so that the increasing value of Earning Power will further improve Earnings Management in the company. The Company Life Cycle is proven to have a negative indirect effect on Earnings Managementso tha tthe higher or increasing the stage of the Company's Life Cycle by increasing the Earning Power, the lower the level of Earnings Management in the company.Earning Power negative indirect effect on Earnings Management through the Company Life Cycle so that the higher or increasing the value of Earning Power by increasing the stages of the Company's Life Cycle, the lower the level of Earnings Management in the company.

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