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The Effect of Deferred Tax Assets and Company Size on Profit Management With Operating Cash Flow As A Moderating Variable

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This study aims to provide empirical evidence of the effect of deferred tax assets and company size on profit management with operating cash flow as a moderation variable. This study used a quantitative approach using secondary data. The analysis method used in this study is regression analysis of panel data using Eviews. The sample of this study is an Industrial company listed on the Indonesia Stock Exchange (IDX) from 2017 – 2022 with a purposive sampling method with a total of 54 observational data processed in this study. The results show that profit management can be affected simultaneously by deferred tax assets and company size. Deferred tax assets also partially affect profit management, while company size has no effect. Operating cash flow provides evidence that it can moderate the effect of company size on profit management, but operating cash flow cannot moderate the effect of deferred tax assets on profit management.

Keywords: Company Size, Deferred Tax Assets, Operating Cash Flow, Profit Management

Introduction

According to Obigbemi et al. (2016), profit management is the practice of taking full advantage of legal loopholes related to financial reporting for the benefit of oneself, group, or organization. This practice has the potential to influence decisions and negatively impact others. According to Jaya et al. (2017), profit management can also prevent losses in its financial statements, so as to protect its reputation which may have a negative impact on the capital market. To maximize profits for businesses and individual employees, large companies often practice profit management (Achyani &; Lestari, 2019).

Due to the many profit management practices applied by various companies, users of financial statements become less trusting of the information presented by the company in its financial statements. Temporary discrepancies that lead to the recovery of tax amounts in subsequent periods, as well as deferred tax assets, are factors affecting profit management practices. In addition, the size of the company, which reflects the total assets of the company, also plays a role in profit management. Operating cash flow also has an impact on profit management practices as it relates to transactions that affect net income in the income statement (Martani, 2012). The following table shows the average development of profit management, deferred tax assets, company size, and operating cash flow in the industrial sector:

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Table 1. Average Development of Industrial Enterprise Ratio During Year 2017 – 2021

Information	2017	2018	2019	2020	2021	2022
Profit Management	-0.02289	-0.01962	-0.01019	0.00581	-0.02199	-0.02289
Deferred Tax Assets	0.01023	0.00982	0.01088	0.01049	0.00989	0.00930
Company Size	29.4357	29.5222	29.5557	29.5158	29.6331	29.7929
Operating Cash Flow	0.002722	-0.02665	0.03973	0.03406	0.00956	-0.04182

The average development of the ratio of industrial *sub-sector* companies for 6 (six) years can be seen that profit management is measured by *discretionary accrual proxies*. Profit Management shows a declining trend from 2017-2019 until it experiences stable development starting in 2021. The average profit management in industrial sector manufacturing companies in 2017 decreased by 0.022, while in 2018 &2019 it increased by 0.01, the average profit management of industrial companies increased again by 0.005, while in 2021 &2022 it returned to a decrease of 0.02, this proves that the average profit management in industrial companies has fluctuated, The largest increase occurred in 2020, it is likely that profit management practices were carried out due to the Covid-19 pandemic, where during the pandemic, profit management strategies were implemented to maintain company operations and build a positive image.

Deferred Tax Assets, as measured by dividing the proxies of deferred tax assets by total assets, show a fluctuating trend. Table 1 above illustrates these fluctuations. Based on the table, the average development of deferred tax assets in manufacturing companies in the industrial sector. The average development of deferred tax assets in 2017 was 0.01, in 2018 it decreased to 0.009 while the highest in 2019 was 0.018. Meanwhile, from 2020 to 2022, it continued to decline from 0.010 to 0.009.

The size of the company measured by the natural logarithm proxy of total assets to see the company's growth performance shows that the average movement of company size in industrial companies every year tends to be the same number, where using the proxy *The average size* of the company is around 29%. Large companies whose stocks are more volatile will most likely be more likely to invest in new stocks to meet their needs and drive sales growth, compared to smaller companies(Yanti & Hartono, 2019). The size of this company affects profit management practices because the company must be able to meet the expectations of larger shareholders or investors.

The change in the operating cash flow of industrial companies at the end of period t is divided by the total assets in year t-1 to calculate the operating cash flow. As seen in Table 1 above, the operating cash flow grew by 0.002 in 2017, decreased by 0.026 in 2018, significantly increased by 0.039 in 2019, remained stable at 0.034 in 2020, and declined to 0.009 in 2021. Operating cash flow of industrial companies will reach its lowest point in 2022, which is -0.041. Because of this decline, companies may be more inclined to control their earnings in an effort to boost investor confidence by improving their financial performance.

Previous research on profit management by Achyani & Lestari (2019) concluded that deferred tax assets have no effect on profit management practices. However, findings by Aminah & Zulaikha in 2019 show that deferred tax assets have a significant and positive influence on profit management. According to Prasetya et al. (2015: 533), company size has a negative influence on profit management practices. Several other studies have found that the relationship between company size and profit management is not significant overall, but partially significant (Agustia and Suryani, 2018). However, research by Lubis and Suryani (2018) found that company size has a positive effect on profit management capabilities. Research conducted by Sibarani, Hidayat, and Surtikanti (2015) found that operating cash flow has a significant influence on profit management practices. In addition, Wati and Juliesty (2021) found that operating cash flow has a significant negative effect on profit management practices, indicating that company management tends to take actions related to profit management when operating cash flow is low.

Based on the phenomenon and findings of previous studies, this study aims to examine the effect of deferred tax assets and company size on profit management practices, with operating cash flow as a moderating variable. This research focuses on industrial companies listed on the Indonesia Stock Exchange in the 2017-2022 research period. This is an empirical study that attempts to examine the role of operating cash flow as a moderation, which sets it apart from previous studies.

Agency Theory and Profit Management

The agency theory approach is used to explain the concept of profit management. This theory states that conflicts of interest between owners (principals) and management (agents) arise because both parties seek to achieve or maintain their own interests, and these conflicts affect profit management practices. Managers and shareholders have different goals, and both strive to achieve their own goals.

Management deliberately chooses accounting procedures to report profits—a practice known as profit management. Profit is often considered an important indicator of a company's performance, and is often used as a basis for determining the amount of tax payable. In addition, profit is also used in the analysis of financial statements, both for internal and external purposes, as a basis for decision making, such as paying salaries and giving bonuses to managers.

The practice of profit management is concerned with agency theory (Jansen &; Meckling, 1974; Jatiningrum et al., 2016). This theory explains the form of agency relationships between managers and shareholders (Marantika et al, 2020). Agency problems occur when the principal does not have access to make decisions so that the principal does not know whether the decisions taken by the agent will determine the sustainability of the company in the future for the benefit of the company (Sochib, 2016; Jatiningrum &; Marantika, 2021). Profit management benefits from deferred tax assets because a company's capacity to implement profit management increases along with the level of deferred tax assets. According to research by Arthawan and Wirasedana (2018), profit management is influenced by the size of the organization. This implies that the likelihood of a company doing profit management decreases with the size of the company. Considering that interested parties and shareholders will be more careful than small businesses.

Deferred Tax Assets due to transitory differences minus the remaining compensation for losses, which are related to the recovery of the income tax amount in the next quarter. If there is a possibility of future tax payable, deferred tax assets can be recorded; Therefore, caution must be exercised when estimating the realization of deferred tax assets (Jiwanggono, 2014). increase the amount of deferred tax. The value of assets derived from deferred tax will increase in proportion to the total assets derived from deferred tax recorded by the company, indicating that profit management practices are taking place. This means that there is a greater opportunity to take action to implement profit management (Sutadipraja, Ningsih, Mardiana, 2019).

There are several methods for assessing the scale of an enterprise. Factors such as total assets, revenue, market capitalization, number of employees, and other factors can be used to determine the size or scale of a business (Karjono &; Sumadiya, 2021). Simply put, companies are divided into three categories based on their size: large, medium and small. Fitriyana (2020) states that to determine the "scale of the company", or how big or small a company is, all its assets are used. The value of these items increases with the size of the company.

The company's ability to defer expenses for accounting purposes or record income sooner will have an impact on the value of taxable assets, so One way to find out how big a company is is to look at how big or small it is. Large companies tend to provide broader information because they have a large ownership base, higher complexity, and lower information costs (Aryengki et al., 2016). Management will be encouraged to disseminate the information they have to attract investors. As a result, the information imbalance between management and investors can be reduced.

H1: Simultaneously, deferred tax assets and company size affect profit management.

H2: The effect of deferred tax assets on profit management.
H3: The size of the company has an impact on profit management.

Operating cash flow is the net difference between cash receipts and expenditures during one financial year of operation. Therefore, management is advised to manage cash flow and perform profit management in financial reporting to improve business performance. Cash flows of operating activities include cash securities from income-generating transactions and expenses, which are then incorporated into the calculation of net income. This source of cash is considered the best measure of a company's ability to obtain sufficient funds to operate. The cash flow of operating activities affects the way the company's management controls profits. Deferred tax assets can be recognized if they originate from the initial recognition of liabilities in transactions that do not involve a business combination. It also occurs when the transaction does not affect accounting profit or taxable profit. Therefore, valuation is necessary to determine the amount of deferred assets that can be realized.
H4: Operating cash flow can affect the effect of deferred tax assets on profit management.

To improve company performance, management is advised to carry out profit management in financial statements and manage cash flow. This is because operating cash flow is the net difference between cash receipts and cash expenditures, as well as cash equivalents generated from operating activities during a financial year (Hastuti et al., 2018). In terms of profitability, the size of an enterprise affects the amount of management information that must be reported in financial statements.
H5: Operating cash flow has the potential to moderate the effect of company size on profit management practices.

Framework

The following figure shows the framework of this study, based on the theoretical foundation previously described:

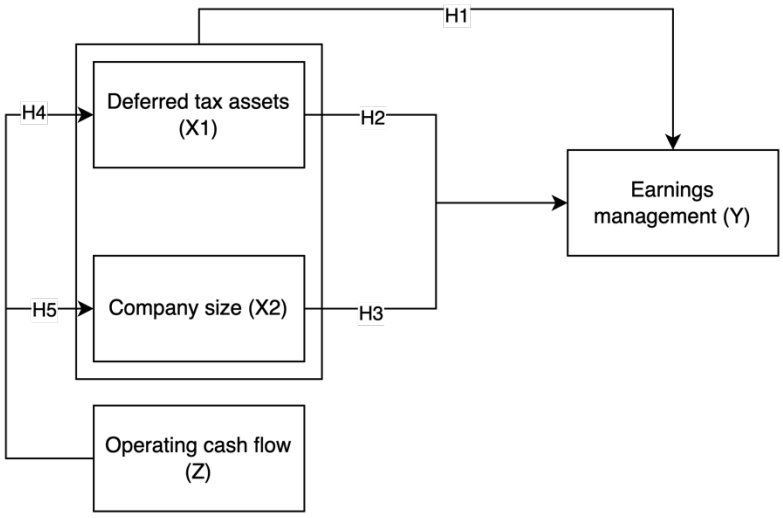

Figure 1. Framework

Methods

Data Types and Sources

This research is a causality study that aims to explore the relationship between two or more variables using a quantitative approach. Secondary data from the annual reports of industrial manufacturing companies listed on the Indonesia Stock Exchange during the period 2017–2022 were used as data sources in this study.

Population and Sample

The population in this study consists of 55 industrial manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2022. The sampling method used is purposive sampling, where samples are selected based on predetermined criteria:

Table 2. Sample Criteria

No.	Criterion	Violation of Criteria	Company
1	Industrial companies listed on the Indonesia Stock Exchange		55
2	Industrial companies listed on the Indonesia Stock Exchange and consistently report financial statements	(22)	33
3	Industrial companies listed on the Indonesia Stock Exchange and recorded profits	(22)	11
Total sample of the company		11	
Outlier Company		(2)	
Final Company Sample		9	
Research Period (2017-2022)		6 Years	

After the sampling process ended, 11 companies were selected. Here is the final list of sample companies to be researched:

Table 3. Company Sample List

No	Code	Company Name
1	APII	Arita Prima Indonesia Tbk.
2	ASIA	Astra International Tbk.
3	BY	Arwana Citramulia Tbk.
4	ASGR	Astra Graphia Tbk.
5	BHIT	MNC Asia Holding Tbk.
6	HEXA	Hexindo Adiperkasa Tbk.
7	IMPC	Impack Pratama Industri Tbk.
8	JTPE	Jasuindo Tiga Perkasa Tbk.
9	MLIA	Mulia Industrindo Tbk
10	SCCO	Supreme Cable Manufacturing
11	UNTR	United Tractors Tbk.

Data Analysis Techniques

1. Descriptive Statistical Analysis
   Classical Assumption Test: Normality Test; Multicollinearity Test; heteroscedasticity test; Autocorrelation Test
2. Panel Data Regression Analysis
3. Uji Hipotesis: Uji F (Simultan), Uji t (Parsial), Uji Moderated Regression Analysis (MRA)
4. Coefficient Determination

Results

Descriptive Statistical Analysis

To provide an overview of the research data, descriptive statistics use the mean value, maximum value, minimum value, and standard deviation. Here are the results of the descriptive analysis:

Table 4. Descriptive Statistical Analysis

	Profit Management	Deferred Tax Assets	Company Size	Operating Cash Flow
Mean	-0.016688	0.010105	29.57593	0.002600
Median	-0.017981	0.009994	28.96364	0.013360
Maximum	0.060354	0.024262	33.65519	0.277062
Minimum	-0.071096	0.000229	26.77107	-0.311371
Std. Dev.	0.020749	0.006908	1.968959	0.110335
Skewness	0.369763	0.263089	0.755325	-0.690391
Kurtosis	5.705615	1.924384	2.374641	5.143766
Jarque-Bera	21.63494	3.942984	7.351133	17.88131
Probability	0.000020	0.139249	0.025335	0.000131
Sum	-1.101377	0.666937	1952.012	0.171589
Summa Sq. Dev.	0.027983	0.003102	251.9920	0.791297
Observations	66	66	66	66

1. Variable profit management at PT. Hexindo Adiperkasa Tbk has the lowest value of -0.071096 in 2021 and the highest value of 0.060354 in 2020. The mean of this variable is -0.016688 with a standard deviation of 0.020749. Due to irregularities and uneven distribution in the data, it is likely that the data is heterogeneous. The average value is lower than the standard deviation, indicating data abnormalities that can cause bias.
2. PT. Supreme Cable Manufacturing Tbk has the lowest value of 0.000229 in 2022 for variable deferred tax assets, while PT. MNC Asia Holding Tbk has the highest value of 0.024262 in 2019. The average value is 0.010105, and the standard deviation is 0.006908. It shows quite good results due to the good distribution of data, and the standard deviation value is less than the average value. This shows that the data is homogeneous and gives normal results without any bias.
3. Variable size of the company at PT. Arita Prima Indonesia Tbk had the lowest value of 26.77107 in 2017 and the highest value of 33.65519 in 2022. However, with a standard deviation of 1.968959, the average value is 29.57593. This shows satisfactory results because the data has a good spread, produces more consistent results, and the standard deviation value is smaller than the average value. It also indicates that the data is homogeneous and produces normal results without bias.
4. The value of operating cash flow of PT. Hexindo Adiperkasa Tbk had the lowest low of -0.311371 in 2018, while PT. Astra Graphia Tbk was the highest at 0.277062 in 2017. However, the average is 0.002600, and the standard deviation is 0.110335. Due to the variation and uneven distribution of data, it is possible that the data is heterogeneous. With an average value lower than the standard deviation value, this indicates an underwhelming result and may result in bias.

Classical Assumption Test

Normality Test

The results of the Common Effect Model normality test with graphs and Jarque-Bera (JB) are:

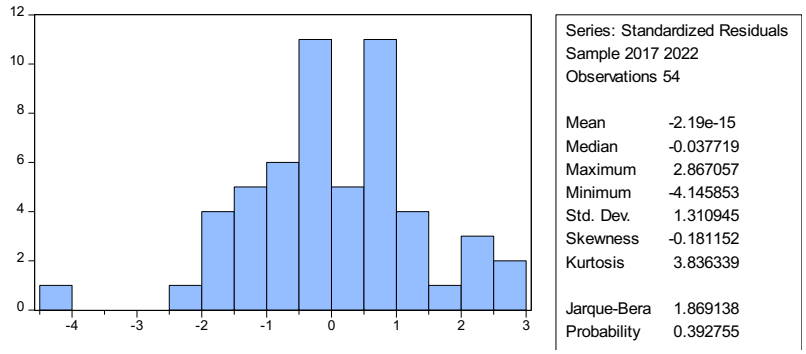

Figure 1. Normality Test

The Jarque-Bera value is less than 2, which is 1.869138, and the probability value of JB is 0.392755, which is higher than the significance value of 0.05, indicating that the Common Effect Model research data has a normal distribution.

Multicollinearity Test

Table 5. Multicollinearity Test

	Deferred Tax Assets	Company Size
Deferred Tax Assets	1.000000	0.508944
Company Size	0.508944	1.000000

The results of the multicollinearity test show that no correlation coefficient value exceeds 0.90 for each independent variable. Therefore, this indicates that the data do not indicate the presence of multicollinearity.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test

Heteroskedasticity Test: ARCH

F-statistic	0.818738	Prob. F(1,51)	0.3698
Obs*R-squared	0.837402	Prob. Chi-Square(1)	0.3601

There is no heteroscedasticity problem, with an Obs*R-squared probability of 0.3601 or greater than a significant value of 0.05.

Autocorrelation Test

Table 6. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.148654	Prob. F(2,49)	0.8623
Obs*R-squared	0.325669	Prob. Chi-Square(2)	0.8497

The probability value of the Breusch-Godfrey Serial Correlation LM Test is 0.8497, which is greater than the significance level of 0.05. This suggests that the classical assumptions of this test were met in this study. Therefore, the regression used does not indicate any autocorrelation problems.

Panel Data Regression Analysis

Table.7 Panel Data Regression Analyst

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.748463	4.725602	-1.216451	0.2294
X1	-65.18177	30.91024	-2.108744	0.0399
X2	-0.059981	0.168368	-0.356253	0.7231

The following formula can be used to find a simple linear regression equation:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

So, the results of multiple regression analysis are obtained from the previous table, namely:

MLIT = -5,748463 plus (-65,18177)APT plus (-0.059981up) plus ££

The regression equation of panel data used in this study can be described as follows:

1. If the variables deferred tax asset (X1) and company size (X2) are considered constant or zero, then the value of the constant (α) is -5.748463.
2. The variable deferred tax asset (X1) has a negative coefficient of 65.18177, which means that if the deferred tax asset (X1) decreases, the value of profit management (Y) will fall. Assuming the other independent variables do not change, the company's profit management value (Y) will decrease by 65.18177.
3. The profit management value (Y) of the company will decrease by 0.059981 if the size of the company (X2) decreases, because the coefficient of the size variable (X2) is negative and means that the value of profit management (Y) of the company will decrease by 0.059981 if the other independent variables do not change.

F Test (Simultaneous)

Table 8. F Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.748463	4.725602	-1.216451	0.2294
X1	-65.18177	30.91024	-2.108744	0.0399
X2	-0.059981	0.168368	-0.356253	0.7231
R-squared	0.123780	Mean dependent var		8.053000
Adjusted R-squared	0.089418	S.D. dependent var		1.400483
S.E. of regression	1.336403	Akaike Info Criterion		3.471793
Sum squared resid	91.08458	Black criterion		3.582292
Log likelihood	-90.73840	Hannan-Quinn criter.		3.514408
F-statistic	3.602278	Durbin-Watson stat		1.898080
Prob(F-statistic)	0.034406			

With a significance level of 0.05 and degrees of freedom 1 (number of variables - 1) = 2 and degrees of freedom 2 (n-k) or 54-4 = 50 (n is the number of independent variables and k is the number of variables), the statistical test F (simultaneous) showed a value of 3.602278 in this study as a result of the decision to use the common effect model (CEM). Therefore, H1 is accepted. This suggests that company size and tax-deferred assets affect profit management.

T Test

Table 9. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.748463	4.725602	-1.216451	0.2294
X1	-65.18177	30.91024	-2.108744	0.0399
X2	-0.059981	0.168368	-0.356253	0.7231
R-squared	0.123780	Mean dependent var		-8.053000
Adjusted R-squared	0.089418	S.D. dependent var		1.400483
S.E. of regression	1.336403	Akaike Info Criterion		3.471793
Sum squared resid	91.08458	Black criterion		3.582292
Log likelihood	-90.73840	Hannan-Quinn criter.		3.514408
F-statistic	3.602278	Durbin-Watson stat		1.898080
Prob(F-statistic)	0.034406			

1) The Effect of Deferred Tax Assets on Profit Management
   According to the previous explanation of the deferred tax asset variable (X1), found in point b, H0 is rejected and Ha is accepted. This is because -2.108744 < -2.00856 (tcount < ttable), or -2.108744 > 2.00856 (tcount > ttable). Deferred tax assets (X1) significantly affect profit management (Y).
2) The Effect of Company Size on Profit Management
   Based on the description of the company size variable (X2) included in point a, H0 is accepted and Ha is rejected if - tcalculate > - ttable or - tcalculate < ttable (-0.356253 > -2.00856), or if - tcalculate < ttable (0.356253 < 2.00856), then the hypothesis H0 is accepted, which means that there is no effect of significance value 0.7231 from 0.05. Thus, it can be concluded that profit management (Y) is not significantly affected by the size of the company (X2).

Moderated Regression Analysis (MRA)

Table 10. Moderated Resgression Analysis (MRA) I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.458904	0.285611	-26.11558	0.0000
X1	-67.79583	25.63370	-2.644793	0.0109
With	-1.822570	2.382565	-0.764961	0.4479
X1*Z	-260.9758	344.1851	-0.758243	0.4519

So, from the table, the results of multiple regression analysis are obtained, namely:

MLIT = -7,458904 Plus (-67,79583) Plus (-1,822570) Plus (-260,9758) Plus ££

1. If operating cash flow and variable deferred tax assets are equal to 0, then the amount of profit management is 7.458904, based on constant value (α) of -7.458904.
2. The deferred tax asset variable (X1) has a negative coefficient of 67.79583, which indicates that the company's profit management value (Y) will decrease if the deferred tax asset (X1) decreases. Assuming that the other independent variables do not change, the company's profit management value (Y) will decrease by 67.79583.
3. The variable coefficient of operating cash flow (Z) is 1.822570 and is negative, which means that if the operating cash flow (Z) falls, the value of profit management (Y) will fall. As long as other variables do not change, the company's profit management value (Y) will decrease by 1.822570.
4. The variable coefficient of interaction between deferred tax assets and operating cash flows (X1*Z) is -260.9758 and is negative. This indicates that if the interaction between deferred tax assets and operating cash flow (X1*Z) decreases, then the company's profit management value (Y) will decrease by 260.9758, assuming the other variables remain.

Table 11. Moderated Resgression Analysis (MRA) II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.281446	3.841060	-0.593962	0.5552
X2	-0.202381	0.133014	-1.521503	0.1344
With	268.6638	83.05043	3.234948	0.0022
X2*Z	-9.410352	2.871461	-3.277200	0.0019

So, from the table, the results of multiple regression analysis are obtained, namely:

MLIT = -2,281446 plus (-0,202381) plus 268,6638 plus (-9,410352) plus £

1) The constant value (α) is -2.281446, which indicates that if the variables of company size and operating cash flow are equal to 0, then the magnitude of profit management is 2.281446.
2) The size of the company has (X2), which has a negative coefficient of 0.202381, which indicates that the value of profit management (Y) will decrease if the size of the company (X2) decreases. Assuming the other independent variables do not change, the company's profit management value (Y) will decrease by 0.202381.
3) The operating cash flow variable (Z) has a coefficient of 268.6638 and is positive, which indicates that the company's profit management value (Y) will increase along with the increase in operating cash flow (Z). Assuming that the other variables are constant, the value of profit management (Y) in the company will increase by 268.6638.
4) The variable interaction coefficient of company size and operating cash flow (X2*Z) is 9.410352 and is negative, which indicates that if the interaction of company size and operating cash flow (X2*Z) decreases, then the value of profit management (Y) in the company will decrease by 9.410352. if other variables are constant.

Table 10 and 11 above show the results of hypothesis tests for the variables of interaction of the independent variable and moderation of the dependent variable. Table 9 shows the values - tcalculate > - ttabel or tcalculate < ttable. The results show that H0 is accepted and Ha is rejected (-0.758243 > -2.00856), or tcount < ttable (0.758243 < 2.00856). The probability value of interaction between deferred tax assets and operating cash flows is 0.4519 or (0.4519 > 0.05), which indicates that there is no significant relationship between the two. *Then H4 is rejected.*

Table 11 shows the results of the test of the effect of company size with moderated operating cash flow on profit management. The value -tcalculate < -ttabel or tcalculate > ttable, so it is rejected and Ha is accepted (-3.277200 < -2.00856), so the hypothesis H0 is rejected. This shows that the probability value of interaction of company size with operating cash flow is 0.0019 or (0.0019 > 0.05), which indicates that the operating cash flow variable interacts with the variable of deferred tax assets and does not have a significant correlation with profit management. *Then H5 is accepted.*

Coefficient of Determination Test

Table 12. Coefficient of Determination

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.748463	4.725602	-1.216451	0.2294
X1	-65.18177	30.91024	-2.108744	0.0399
X2	-0.059981	0.168368	-0.356253	0.7231
R-squared	0.123780	Mean dependent var		-8.053000
Adjusted R-squared	0.089418	S.D. dependent var		1.400483
S.E. of regression	1.336403	Akaike Info Criterion		3.471793
Sum squared resid	91.08458	Black criterion		3.582292
Log likelihood	-90.73840	Hannan-Quinn criter.		3.514408
F-statistic	3.602278	Durbin-Watson stat		1.898080
Prob(F-statistic)	0.034406			

The results of the coefficient of determination test show that the coefficient of determination of the regression model between the independent variable and the dependent variable is 0.089418 in Adjusted R-squared. This indicates that company size and deferred tax assets account for the variation in profit management by 8.94%, or 0.089418 times 100%. Other variables outside the scope of the study, such as company growth, GCG, or political connections, contributed to the remainder (100% - 8.94%) or 91.06%.

Table 13. Moderation I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.458904	0.285611	-26.11558	0.0000
X1	-67.79583	25.63370	-2.644793	0.0109
With	-1.822570	2.382565	-0.764961	0.4479
X1*Z	-260.9758	344.1851	-0.758243	0.4519
R-squared	0.207055	Mean dependent var		-8.053000
Adjusted R-squared	0.159478	S.D. dependent var		1.400483
S.E. of regression	1.283963	Akaike Info Criterion		3.408966
Sum squared resid	82.42801	Black criterion		3.556299
Log likelihood	-88.04209	Hannan-Quinn criter.		3.465787
F-statistic	4.352021	Durbin-Watson stat		1.797807
Prob(F-statistic)	0.008434			

Table 14. Moderation II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.281446	3.841060	-0.593962	0.5552
X2	-0.202381	0.133014	-1.521503	0.1344
With	268.6638	83.05043	3.234948	0.0022
X2*Z	-9.410352	2.871461	-3.277200	0.0019
R-squared	0.287849	Mean dependent var		-8.053000
Adjusted R-squared	0.245120	S.D. dependent var		1.400483
S.E. of regression	1.216793	Akaike Info Criterion		3.301502
Sum squared resid	74.02931	Black criterion		3.448834
Log likelihood	85.14056	Hannan-Quinn criter.		3.358323
F-statistic	6.736611	Durbin-Watson stat		1.775893
Prob(F-statistic)	0.000662			

The values of the coefficients of determination in the Common Effect Model (Moderation I and II) are 0.159478 and 0.245120, respectively. This suggests that the coefficient value of previous determinations for profit management can be increased by adding the operating cash flow variable as a moderation variable.

Discussion

The Effect of Deferred Tax Assets and Company Size Simultaneously on Profit Management

A statistical table with a significance level of 0.05 and degrees of freedom (df) 1 (number of variables - 1) = 2 and df 2 (n-k) or 54–3 = 51 (n is the number of data and k is the number of independent variables) shows a value of 3.602278 in the first hypothesis (H1) regarding the effect of deferred tax assets (X1) and company size (X2) on profit management (Y). This indicates that company size and deferred tax assets may simultaneously affect profit management.

The Effect of Deferred Tax Assets on Profit Management

The second hypothesis (H2) regarding the effect of deferred tax assets (X1) on profit management (Y) was examined using the results of the statistical test t in table 8. From the information provided about the deferred tax asset variable (X1) as mentioned in point b, it can be concluded that tcalculate (-2.108744) is smaller than ttable (-2.00856), or tcalculate (-2.108744) is greater than ttable (2.00856). Therefore, H0 is rejected and Ha is accepted. With a significance value of 0.0399 that is less than 0.05, it can be concluded that profit management (Y) is significantly affected by deferred tax assets (X1). Thus, H2 is acceptable. Deferred tax assets recorded higher

on the balance sheet indicate possible future use, as an increase in the amount of deferred tax assets strengthens a company's ability to implement profit management.

The Effect of Company Size on Profit Management

The third hypothesis (H3) regarding the effect of firm size (X2) on profit management (Y) was examined using the results of the statistical test t in table 8. The results of the analysis showed that tcount (-0.356253) is greater than ttable (-2.00856), or tcount (0.356253) is smaller than ttable (2.00856). Therefore, H0 is accepted and Ha is rejected. Acceptance of H0 indicates that the independent variable has no significant influence on the dependent variable. With a significance value of 0.7231 greater than 0.05, it can be concluded that profit management (Y) is not significantly affected by the size of the company (X2). As a result, H3 is rejected.

The Effect of Deferred Tax Assets Moderated Operating Cash Flow on Profit Management

Table 9 shows that the value of tcount is greater than the negative value of ttable (-0.758243 > -2.00856) or less than the positive value of ttable (0.758243 < 2.00856). Therefore, the null hypothesis (H0) is accepted, which indicates that there is no significant effect. The probability value for the interaction between deferred tax assets and operating cash flow is 0.4519 (0.4519 > 0.05). This suggests that the operating cash flow variable does not interact with the tax-deferred asset variable and does not have a significant relationship with profit management. As a result, H4 is rejected. The results of this study were included in the Predictor of Moderation. The research found that company managers will seek to use profit management practices to improve their financial performance if their operating cash flow is low, and vice versa. A company's financial performance reflects management's performance, as operating cash flow and profit can be thought of as measures of how well management manages resources. Low operating cash flow indicates that the company's financial performance is also low.

The Effect of Company Size With Moderated Operating Cash Flow on Profit Management

Table 10 shows the value of - tcalculate < - table or tcalculate > ttable, then rejected and Ha is accepted (-3.277200 < -2.00856), or tcalculate > ttable (3.277200 < 2.00856), then the hypothesis H0 is rejected meaning that there is an influence, The probability value of interaction of company size with operating cash flow is 0.0019 or (0.0019 > 0.05). This means the operating cash flow variable interacts with the tax-deferred asset variable but does not have a significant relationship with profit management. Therefore, H5 is accepted. The results of this study fall into the category of Quasi Moderator, or Pseudo Moderator, because operating cash flow (Z) affects profit management (Y), and the interaction between company size and operating cash flow (X1*Z) also affects profit management (Y).

Conclusion

This study aims to explore the effect of Deferred Tax and Company Size on Profit Management, with Operating Cash Flow acting as a moderate. Different from previous studies, this study tried to examine the role of Operating Cash Flow as a moderation variable. This study is an empirical analysis of Industrial Companies listed on the Indonesia Stock Exchange in the 2017-2022 research period. The test results show that simultaneously, deferred tax assets and company size affect profit management. However, partially, only tax-deferred assets have a significant effect on Profit Management, while Company Size has no significant effect. The main test shows that Operating Cash Flow does not significantly moderate the relationship between Deferred Tax Assets and Profit Management, indicating that Operating Cash Flow does not weaken or moderate the relationship. However, in the case of Company Size, Operating Cash Flow significantly moderates

its relationship with Profit Management, suggesting that Operating Cash Flow strengthens the relationship between Company Size and Profit Management.

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