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The Effect of Deferred Tax Expenses on Earnings Management

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Abstract---*This study is entitled "The Effect of Deferred Tax Expenses on Earnings Management". Companies always look for loopholes to prevent small tax profits from being paid and increase profits to attract investors. This can be used as information in financial statements to look good. This study aims to analyze the effect of Deferred Tax Expenses on Earnings Management (Study on Automotive Sub Sector Manufacturing Companies listed on the Stock Exchange for the period 2014-2018). The data used in this study comes from audited financial statements at 7 companies listed on the Indonesia Stock Exchange for the period 2014-2018. The research method used in this study is a descriptive research method with a quantitative approach. The sampling technique used is nonprobability sampling, samples are taken by purposive sampling technique.*

Keywords---*Deferred tax expenses, Earning management*

I. INTRODUCTION

The company is faced with intense competition to be able to exist in the global market, especially for the manufacturing industry in Indonesia. In order to compete strongly, companies are required to have competitive advantages from other companies. The company is not only required to produce quality products for its consumers, but is able to manage finances well, meaning that financial management policies must guarantee the continuity of the company's business. Company management is responsible for managing finances in accordance with the principles of accountability. The preparation of financial statements by management aims to convey information about the financial and economic conditions of the company for a certain period. Company management sometimes gives a positive signal to the market about the condition of the company it manages. Therefore, company managers then want to increase profits reported to shareholders and other external users.

Companies in Indonesia in preparing financial reports are guided by the Statement of Financial Accounting Standards (PSAK) and Tax Regulations. Commercial accounting generally refers to the standard rules set out in the PSAK, however, to carry out budgetary and regular tax functions, the government (in this case the Directorate General of Taxes) sets out some special rules that are different from the accounting rules in PSAK. Company profits are still very calculated as important information for investors and creditors and company owners. Investors, creditors and company owners can estimate the strength of profits to measure risks in investment and credit. On the other hand, corporate profits are an engineering target for management to maximize satisfaction. By choosing a particular policy, management as the executor and the operational manager of the company can increase and decrease the company's profits according to his wishes (Budi Setyawan and Harnovinsah, 2014).

The management action of financial information manipulation by reporting increased profits indicates the existence of earnings management practices by the company (Saudi, 2018). Subramayam and John (2010) earnings management is the most problematic accrual accounting results, because it can damage the credibility of accounting

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information, thereby reducing the reliability of financial statements that have an impact on users of financial statements. Management as an internal party has an interest in making efforts to improve the quality of earnings. Wiryandari and Yulianti (2009) state that quality earnings are profits that can reflect the continuation of sustainable earnings in the future, which is determined by accrual and cash components and can reflect the company's true financial performance. The more quality the company profits, the more interested investors become one of the company's shareholders. Efforts to carry out earnings management can be done through accrual accounting and deferred tax position, but it is believed that through tax motivation shows a stronger consideration. (Scott, 2003) states that taxation motivation encourages management to influence the amount of tax that must be paid by companies by reducing profits to reduce the tax burden that must be paid. Boatsman et al. (2002) revealed that the issue of tax policy which is controversial and often debated is "justice" in determining the total tax burden. Public interest groups, for example, Citizens for Tax Justice (CTJ) 1985; often citing the example of several large and well-known companies that pay taxes with little or no amount at all as evidence that many companies do not pay appropriate taxes (Christina Ranty Sumomba, 2014).

Deferred tax expense can be used to predict earnings management practices by management with two objectives, namely to avoid losses (Philip et al, 2003). Deferred tax expense has a significant positive relationship with the profitability of the company to conduct earnings management to avoid corporate losses. However, the fact is that accruals have weaknesses (Yulianti 2005). The relationship between deferred tax expense and accruals is very close in detecting the behavior of earnings management, namely to maximize the bonus they get by manipulating accrual numbers and trying to minimize the tax they have to pay, by increasing accruals to make lower profit figures (Yulianti, 2005) . Recognition of deferred tax can result in increased and reduced net income due to recognition of deferred tax expense or deferred tax benefits. Recognition of deferred assets and taxes is based on the fact that there is a possibility of paying taxes in the coming period to be bigger or smaller. This becomes a gap for management to manipulate the amount of net income so that it can reduce the amount of tax that must be paid (Djamaluddin, 2008).

Some phenomenon regarding earnings management occur in several large companies. An example of the phenomenon of the practice of earnings management has happened recently. Profit Japanese auto giant Toyota dropped for the first time in five years. In fact, Toyota sold more cars in the first quarter of 2017 compared to the same period in 2016. Quoting the BBC, Thursday (05/11/2017), Toyota acknowledged that the drop in profits was caused by high costs and fluctuations in exchange rates. Toyota's profit in the first quarter of 2017 was recorded at 1.83 trillion yen or 16.1 billion US dollars. This figure fell 21 percent compared to profits in the first quarter of 2016. Toyota management has also warned that profits in the upcoming 2018 will be lower. This is due to the strengthening of the Japanese yen exchange rate. Toyota's prediction is based on projections that the yen exchange rate will be around the level of 105 per US dollar until March 2018. This level weakened compared to 108 in the past financial year. Toyota has lost its status as the highest-selling car manufacturer. This status is now carried by a German car manufacturer, Volkswagen. Toyota sold 10.25 million units of cars in the first quarter of 2017, higher than 10.19 million units in the same period the previous year. However, revenue from car sales in the first quarter of 2017 actually dropped to 27.6 trillion yen. Toyota is in the struggle to maintain its business in the United States, its biggest market. Sales plummeted in North America because Toyota struggled to meet the demand for larger cars, such as sport utility vehicles (SUVs) which became cheaper to drive because of the cheaper price of fuel oil (Abdul Hadi et al., 2019).

The warmest phenomenon is that the automotive sector is predicted to be flat in 2018. Amid the issue of flagging public purchasing power in the automotive sector, the realization of car sales throughout the year is still stable. However, national motorcycle sales entered a downward trend. Analysts project growth in the automotive sector to move horizontally. Based on sales data from the Indonesian Automotive Industries Association (Gaikindo) in October 2017, national car sales amounted to 94,352 units, up 7.5% from the previous month's 87,699 units. While year-on-year it grew by around 2.5%. Overall, domestic sales until October have reached 898,163 units. Meanwhile, based on data from the Indonesian Motorcycle Association (AISI), domestic sales in October 2017 were 579,552 units. This number rose 6% from the previous month with 546,607 units. However, total sales in the last 10 months were only 4.91 million units, a slight decline of 0.05% from the same period last year of 4.92 units. BNI Securities Thennesia analyst Debora assesses that the outlook for the automotive sector tends to be neutral for the end of this year until 2018. He is worried that in 2018, the automotive sector, especially motorcycles, will be increasingly depressed due to potential oversupply. "Production continues to increase in the automotive sector, but the purchasing power of people in this sector tends to decline, as seen from national sales data, especially on motorcycles," Thenesia said on Friday (12/8). The excess supply is likely to occur because domestic sales are still

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far below the production level. This is what makes the issue of oversupply can suppress the automotive sector next year. According to Thenesia, the potential for supply flooding is likely to occur on motor vehicles rather than cars, because national car sales are still better than motorcycles.Thenesia said, motorcycle sales fell because now people tend to switch from motorcycles to Low Cost Green Car (LCGC) cars which have low prices around Rp. 100 million to Rp. 200 million. "The desire of the people began to switch from motorbikes to cars. Furthermore, Thenesia projects sales of motorcycles and cars nationwide in 2018 tend to move flat. According to him, positive sentiment is still minimal for the automotive sector. Plus, competition in the automotive sector is getting tighter because of the emergence of new players such as, Wuling. "Later business competition will be increasingly tight, the impact is from the consumer side that it has a lot of choices, but in terms of automotive manufacturers it can reduce margins, including marketing costs and so on," said Thenesia. However, in the midst of insignificant growth in car and motorcycle sales, the automotive sector issuers, namely PT Astra International Tbk (ASII), became the leading issuers. Thenesia's reason, Astra's car sales growth is higher than the national car sales growth. Pincus and Rego (2003) found that deferred tax expense and accruals can significantly detect earnings management carried out by 19 companies with the aim of avoiding losses and decreasing profits. In Indonesia, Yulianti (2005) examined companies listed on the IDX and found that deferred tax expense and accruals could significantly detect earnings management by companies with the aim of avoiding losses.

Furthermore, research conducted by Ulfa (2013) shows that the burden of dependent tax has a positive effect on earnings management. Research conducted by Budiman (2013) shows that deferred tax expense influences the existence of indications of earnings management practices, accruals influence the existence of indications of earnings management practices. Tax is one of the important sources of state revenue for financing the country's development. One of the largest sectors of tax obtained by the state is income tax. Starting in the 2009 tax year, the Corporate Income Tax rate applies a single or single tax tariff system that is 28% and has become 25% in 2010 and continues to the present. So whatever the taxable income, the tariff charged is one, namely 25%. In addition, companies that go on the market (go public) are given a tariff reduction of 5% of the normal tariff with other terms. Thus, in the 2009 tax year the rates of companies that go public are 23% and in the 2010 tax year are 20%. Changes in corporate income tax rates can affect company behavior in managing their financial statements. Changes in corporate income tax rates into single rates and the reduction of corporate income tax rates to 28% in 2009 and 25% starting in 2010, can provide incentives for companies to conduct earnings management by minimizing taxable income, so that the company's tax burden getting smaller (Wijaya and Martani, 2011). Based on the explanation above and the differences in variables, places and sampling in this study with previous studies, this research is important to do. Thus, the researcher chose the title "The Effect of Deferred Tax Expenses on Earning Management (Case Study of Automotive Sub Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period)".

II. LITERATURE REVIEW

II.I. Deferred Tax Expenses

According to Harnanto (2011: 115) the notion of deferred tax expense is as follows: "Expenses arising from temporary differences between accounting earnings (in the financial statements for external parties) and taxable profits (profits used as the basis for calculating taxes)." According to PSAK No. 46 in Waluyo (2012: 272) tax burden, namely: "Tax expense is the aggregate amount of current tax and deferred tax which is calculated in the calculation of accounting income or in the current period as an expense or income." According to Waluyo (2012: 273) deferred tax, namely: "Deferred tax is the amount of income tax recovered in the coming period as a result of temporary differences which may be deducted from the remaining losses that can be compensated. Deferred tax recognition results in reduced net income or loss as a result of the possibility of recognizing deferred tax expense or deferred tax benefits. "According to Harnanto (2013: 115), deferred tax expense can be interpreted: "Deferred tax expense is an expense arising from temporary differences between accounting earnings (earnings in the financial statements for external parties) and taxable profits (profits used as the basis for calculating taxes)".

According to Scott in Yulianti (2004) Deferred Tax Expenses are: "Deferred Tax Expenses are expenses incurred due to temporary differences between accounting profits (i.e. earnings in financial statements for external parties) with taxable profits (profit used as the basis for tax calculation." Sukrisno Agoes and Estralita Trisnawati (2010: 219) state that if in the future there will be greater payments, then based on Financial Accounting Standards (SAK) it must be recognized as an obligation. For example, if the depreciation expense of a fixed asset recognized in fiscal terms is greater than the depreciation expense of a fixed asset that is commercially recognized as a result of differences in the method of depreciating a fixed asset, then the difference will result in the recognition of a larger

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tax burden commercially which will come. Thus the difference will result in deferred tax liabilities. This deferred tax liability occurs when fiscal reconciliation is a negative correction, where income according to commercial accounting is greater than fiscal accounting and expenditure according to commercial accounting is smaller than fiscal accounting.

Based on the definition of deferred tax expense above, it can be concluded that the deferred tax expense is a burden arising from temporary differences between accounting earnings and fiscal profits where income according to commercial accounting is greater than fiscal accounting and expenditure according to commercial accounting is smaller than fiscal accounting.

II.II. Calculation of Deferred Tax Expenses

According to Harnanto (2013: 115), the difference between financial statements, accounting and fiscal standards is caused in the preparation of financial statements, accounting standards provide more flexibility for management in determining principles and assumptions than those obtained according to taxes.

The calculation of the deferred tax expense is calculated using an indicator weighting the deferred tax expense with total assets or total assets. This is done to weight the deferred tax expense with total assets in period t-1 to obtain a calculated value proportionally. Based on references from research conducted by Phillips et al. (2003) in Yulianti (2004) stated that the formulation of the deferred tax expense amount stated with the amount of deferred tax expense is as follows:

BBPTit =

$$\mathbf{BBPT_{it}} = \frac{DTE\ it}{TAi\ t-1}$$

Information:

BBPTit = Amount of Deferred Tax Cost of company i in year t DTE it = Deferred tax expense of company i in year t

TA t-1 = Total company assets i in year t-1

The use of total assets is due to the deferred tax expense due to temporary differences so that the costs and income of the new year were recognized this year. The indicators that can be used in calculating deferred tax expense, namely by using the value of deferred tax expense that is in the company's financial statements of profit and loss.

II.III. Profit Management

Profit is one of the information contained in financial statements and is important for internal and external parties of the company (Saudi, 2018). Earnings information as part of financial statements is often the target of engineering through management opportunist actions to maximize satisfaction, but can harm shareholders or investors. Opportunistic actions are carried out by choosing certain accounting policies, so that the company's profits can be adjusted according to their wishes, management's behavior to regulate earnings in accordance with the wishes is known as earnings management. The practice of earnings management can be viewed as two different perspectives, namely as a wrong (negative) action and the action that should be taken by management (positive). Earnings management is said to be negative if seen as manager's opportunistic behavior to maximize its utility in the face of compensation contracts, debt contracts and political costs, while earnings management is called positive if viewed from the perspective of efficient earnings management where earnings management gives managers a flexibility to protect themselves them and the company in anticipating unexpected events for the benefit of the parties involved in the contract.

According to Scott (2006: 344) earnings management is as follows:

"Given that it is natural to expect policies that will maximize their own utility and / or the market value of the firm," he said. 2008: 6), earnings management is defined as follows:

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"The effort of company managers to intervene or influence information in financial statements with the aim of deceiving stakeholders who want to know the performance and conditions of the company". According to Islahuzzaman (2012: 257) the notion of earnings management is as follows:

"The process of preparing financial statements for external parties so that they can flatten, increase and decrease earnings reports, where management can use the leeway to use the accounting method."

According to Sri Sulistyanto (2012: 49), earnings management is defined as follows:

"Earnings management is interfering in the process of preparing external financial reporting, with the aim of gaining personal benefits (those who disagree say that this is just an effort to facilitate the impartial operation of a process)." According to Irham Fahmi (2013: 279) earnings management is as follows:

"Earnings management (earnings management) is an action that regulates earnings in accordance with what is desired by certain parties or especially by company management (company management). Actions of earnings management are actually based on various objectives and purposes contained therein."

Based on some of the meanings of previous experts, it can be concluded that earnings management is done intentionally, within limits to lead to a desired level of profit. This action is an act of managers to level, increase and reduce reported profits in accordance with the desired management of the company in a responsible manner, without causing an increase and decrease in the long-term economic profitability of the unit. This is certainly detrimental to stakeholders as a basis for decision making because the profit information generated does not state the actual condition of the company.

II.IV. Earning Management Techniques

According to Sri Sulistyanto (2008: 33-36), there are several ways that companies use to play with the size of profits, namely:

1) recognizing and recording income faster than one period or more, this effort is carried out by the manager by recognizing and recording income that cannot be determined exactly when it can be realized as current revenue. This results in the current period's income being greater than the actual profit.
2) Recognizing income more than one period or more, this effort is carried out recognizing current period income to be the income of the previous period. Current income is smaller than the actual income period. The smaller the income will make the profit for the period will also be smaller than the actual period. As a result, the company's performance for the current period seems worse or smaller when compared to actual performance. This kind of effort is made by investors to sell their shares (management layout), minimize taxes to be paid to the government, and avoid debt obligations.
3) Record fake income, this effort is carried out by the manager by recording income from a transaction that actually never happened so that this income will never be realized at any time. This increase in income makes the profit for the period also greater than actual profit. This kind of effort was made by the company to influence investors to buy their shares, to raise the company's position to a better level.
4) Acknowledging and recording costs more quickly, this effort can be made by the manager to recognize and record the costs of future periods as current lost costs. This kind of effort makes the cost of the current period to be greater than the actual. Such efforts are carried out by companies to influence investors to sell their shares (bayout management), minimize taxes to be paid to the government, and avoid debt obligations.
5) Recognizing and recording slower costs, this effort can be done by recognizing the current period costs to be the costs of the previous period. Until the current period costs are smaller than they really are. This effort was made to influence investors to buy their shares, raise the company's position to a better level.
6) Not expressing all obligations, this effort can be carried out by the company by hiding all or part of its obligations so that the current period liability becomes smaller than the actual obligation. This effort is carried out by the company to influence investors to buy shares offered, avoid multi-board policies, etc.

II.V. Motivation of Earning Management

According to Sri Sulistyanto (2008: 63), several motivations in management profit that can trigger managers to do earnings management among them as follows:

1) Hypothesis Scheme Bonus. Compensation (Bonus) based on the amount of profit reported will motivate management to choose accounting procedures that increase reported profits to maximize their bonuses. The minimum bonus will only be shared if the profit reaches a certain minimum profit target and the maximum bonus is shared if the profit reaches a certain value or greater.
2) Contracting Incentive. This motivation arises when companies make debt loans that contain agreements to

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protect creditors from the actions of managers who are not in accordance with the interests of creditors, such as excessive dividends, additional loans, or allowing working capital, or equity reports below the set level, all of which can increase risk for creditors, because breach of agreement can result in high costs so that company managers hope to avoid it. So earnings management can emerge as a tool to reduce the possibility of breach of agreement in a debt contract.

3) Political Motivation. Earnings management is used to reduce profits reported to public companies. Companies tend to reduce reported profits due to public pressure which has resulted in the government setting stricter regulations.
4) Motivation Taxation. Taxation is a motivation for taxation, the most obvious motivation for earnings management. Management seeks to regulate profits so that tax payments are lower than they should be so that tax savings can be obtained.
5) Incentive Chief Executive Officer (CEO). CEOs who are approaching retirement will tend to raise income to increase their bonuses. And if the company's performance is bad, they will maximize revenue so that it is not terminated.
6) Initial Public Offering (IPO). Companies that will go public do not have market value, and cause managers of companies that will go public to do earnings management in their prospectus in the hope of increasing the company's stock price.

II.VI. Earning Management Models

According to Sri Sulistyanto (2008: 117), there are several forms of management profit is as follows:

1) Taking a bath. In the form if management must report a loss, management will report in large amounts. With this action, management hopes to increase future profits and loss of corporate receivables can be transferred to old management, if there is a change in manager.
2) Income minimization. (reduce profits) The company's efforts to regulate the profit of the current period to be lower than actual profits. This effort is made by playing with the current period's income to be lower than the actual income and or the current period costs to be greater than the actual costs.
3) Income maximization. (increase profits) Performed when profits decrease by moving the burden to the future. The action on income maximization aims to report a high net income for the purpose of a larger bonus. This pattern is carried out by companies that violate debt agreements.
4) Income smoothing. Companies do by way of leveling reported earnings so as to reduce the fluctuations in earnings that are too large because investors generally prefer relatively stable profits.

II.VII. Factors That Cause Companies Conducting Earning Management

In accounting there are several factors that cause a company dare to do earnings management. According to Ilham Fahmi (2013: 279) there is several factors that cause a company to dare to make earnings management (earnings management), namely: Financial accounting standards (SAK) provide flexibility to management to choose accounting procedures and methods to record certain facts in different ways, such as using LIFO and FIFO methods in determining the cost of inventory, methods of depreciating fixed assets and so on. SAK provides flexibility for management to use judgment in compiling estimates. The company management has the opportunity to manipulate transactions by shifting the measurement of costs and income. Another factor arising from earnings management is a relationship that is of a nature a symmetrical information which was initially based on a conflict of interest between agent and partial. Agents are company management (internal) and partial are company commissioners (external). Partial parties here are not only company commissioners but also include creditors, government and others.

II.VIII. Method of Earning Management Approach

According to Sri Sulistiyanto (2008: 211) in general there are three approaches that has been produced by researchers to detect earnings management, namely: the aggregate accruals-based model is a model used to detect engineering activities using discretiona accruals as a proxy for earnings management. This model was first developed by Healy, DeAngelo, and Jones. Furthermore Dechow, Sloan and Sweeney developed the Jones model into a modified Jones model. These models use total accruals and regression models to calculate the expected accruals. The Specific Accruals based model is a specific accruals model, which is an approach that calculates accruals as a proxy for earnings management by using items or components of certain financial statements from a particular industry, such as uncollectible receivables from certain industrial sectors or losses from industry insurance. This model was developed by McNicholos and Wilson, Pettroni, Beaver and Engel, Beaver and Mcnichols. Models based on Distribution of after Earnings Management were developed by Burgtahler and Dichev, Degeorge, Patel and Zeckhauser and Myers and Skinner. This approach was developed by conducting statistical

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tests of the components of earnings to detect factors that influence earnings movements. This model focuses on the movement of earnings around the benchmark used ".

III. THEORETICAL FRAMEWORK

Dewi Kusuma Wardani & Desifa Kurnia Santi (2018). Effect of Tax Planning, Company Size, Corporate Social Responsibility (Csr) on Earning Management. a) Tax planning has no influence on earnings management. b) Company size has a negative effect on earnings management. c) Corporate social responsibility (CSR) has a positive influence on earnings management. Kresnan Rahmanto (2017). Effect of Deferred Tax Expenses, leverage, on Earning Management. Deferred Tax Expense, leverage, shows that deferred variables and taxes have a significant but not significant effect on earnings management through manipulation of real activities. Felicia & Meiriska (2015). Analysis of the effect of current tax, deferred tax expense, and accrual basis on earnings management. The study shows that the tough tax burden has no effect on earnings management. This is in line with Rahmi (2013) research which draws the conclusion that deferred tax expense does not have a significant effect in detecting earnings management.

Explanation of the concept of earnings management uses the agency theory approach which states that between management and owners have different interests. Different interests often cause conflicts of interest between shareholders/owners (principals) with management (agents), this is because management sometimes misuses the trust of the owner to take advantage of himself, which encourages management to conduct earnings management (Jensen and Meckling, 1976 in Arif, 2015). The thinking framework in this study shows the effect of independent variables, namely the deferred tax burden on the dependent variable, namely earnings management to avoid earnings decline reporting and earnings management to avoid taxes that must be paid in high amounts and avoid reporting losses that can reduce investor interest.

III.I. Effect of Deferred Tax Expenses on Earning Management

Deferred tax expense is an expense arising from temporary differences between commercial profit and fiscal profit. Temporary differences that can increase the amount of tax in the coming period will be recognized as deferred tax expense and the company must recognize deferred tax expense. This means that the increase in deferred tax expense is consistent with the company that will increase the profit value of a company. Deferred tax expense arises from accrual components where managers can determine the value of the company from the value of the component. Management in managing the components that cause temporary differences which are the form of deferred tax burden in earnings management so as to produce the expected profit. According to Phillips et al (2003) in Sumomba and Hutomo (2012) states that the relationship between deferred tax burden on earnings management is: the action of a company recognizing income early and delaying costs indicates that management performs earnings management on commercial financial statements. The higher the practice of earnings management, the higher the deferred tax liability recognized by the company as a deferred tax burden.

Scott (2000: 361) in Aristanti and Cyntia (2012: 329) states that the relationship between deferred tax burden on earnings management is: taxation can be a motivation for managers to do earnings management, namely by reducing taxable income in order to reduce taxes is to use the accounting method in calculating inventory value, depreciation and allowable reserves. According to Plesko (2002) in Phillips et al (2003) stated that the relationship between deferred tax burden on earnings management is if the greater the difference between fiscal profit and accounting profit, then it shows the greater management directors reflected in the deferred tax burden and used to detect earnings management practices in the company.

The relationship between deferred tax expense and earnings management according to Waluyo (2012: 273) states that: deferred tax as the amount of income tax recovered in the coming period as a result of temporary differences which may be deducted from the remaining losses which can be compensated. Deferred tax recognition results in reduced net income or loss as a result of the possibility of recognition of deferred tax expense or deferred tax benefits.

IV. RESEARCH METHODOLOGY

The data collection method used in this study is the documentary method, namely the technique of data collection by collecting, recording and reviewing secondary data in the form of financial statements of manufacturing companies published by the Indonesia Stock Exchange or internet access through www.sahamok.com and www.idx .co.id and equipped with additional information obtained from the Indonesian Capital Market Directory (ICMD), as

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well as from various supporting books and other sources related to earnings management. The method used to test the hypothesis is by regression. Descriptive statistics are also used to provide an overview or description of the variable variables in this study. In addition, the feasibility testing of regression models was carried out to assess the regression model in this study. Descriptive statistics are used to provide an overview or description of the variables contained in this study. Descriptive tests are used, among others, mean, standard deviation, maximum and minimum. Descriptive statistics present very important numerical measures for data. Hypothesis testing is done by regression analysis. Regression is an analysis tool used to measure how far the influence of independent variables on the dependent variable. Data analysis method used in research is multiple regression analysis. To test the hypothesis and to get the use effect, two regression models are used as follows:

Information :
Emit: 1 if the company is in the range of profit firms, and 0 if the company is in range loss firms.
DTEit: Company deferred tax expense i in period t
α: Constants
α β1, β2: The coefficient of each variable
e: Term Error

Test the feasibility of the regression model
The feasibility test of the logistic regression model is done by using the goodness of fitness test which is measured using the value of Chi Square. Output from Hosmer and Lemeshow with the hypothesis:
H0: a model hypothesized to fit with data
Ha: the hypothesized model is not fit with the data

The level of significance (a) used is 5% and the criteria for acceptance and rejection of the hypothesis are based on the significance of p-value (prob value).

If p value (significance) > a, then the hypothesis is rejected.
If p value (significance) <a, then the hypothesis is accepted.

Test the Fit Model (Overall Fit Test Model)
This test is used to assess models that have been hypothesized to have been fit or not with data. Testing is done by comparing the value between -2 log loftiness at the beginning (block number = 0) with the value of -2 log lunar at the end (block number = 1). The decrease in the value of the initial log-likelihood -2 indicates that the regression model is getting better (Ghozali, 2007). Testing the summary model in logistic regression is the same as testing R2 in the linear regression equation. The purpose of the summary model is to find out how much the combination of independent variables, namely deferred tax expense, explains the dependent variable, earnings management. This test is conducted to determine whether the independent variable, namely the deferred tax expense has an effect on the dependent variable, namely earnings management.

V. RESULT AND DISCUSSION

Test Model Summary
Model Summary Test Results

Table 1.1: *Model Summary*

Step	-2 Log likelihood	**Cox & Snell R** Square	**Nagelkerke R** Square
1	215.284[a]	.022	.040

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Based on table 1.1. it can be seen that the value of R2 is 0.040 or 4.0% which means that the variable X (deferred tax expense) affects the variable Y (earnings management) of 4.0%. The remaining 96.0% is explained by other variables not examined in this study.

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V.I. Logistic Regression Test

This study uses logistic regression to determine the effect of independent variables (deferred tax expense) on the dependent variable, namely earnings management.

Table 1.2:*Logistic Regression Test ResultsVariables in the Equation*

	B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]DTE	29.184	12.056	5.860	1	.015	4.727E12
Constant	1.907	.183	108.739	1	.000	6.732

a. Variable (s) entered on step 1: DTE.

The regression equation can be written as follows:

From the above equation it appears that the deferred tax expense (DTEit) has a coefficient with a positive sign. Based on the direction of the coefficient shows that an increase in deferred tax expense will increase the probability of companies doing earnings management.

This study examines the effect of deferred tax burden on earnings management conducted by the company. From the results of the study, it can be seen that the deferred tax burden variable has a positive influence on the probability of companies conducting earnings management to avoid losses. In other words, the greater the deferred tax burden, the greater the probability that the company will conduct earnings management to avoid losses. These results indicate that deferred tax expense can be used to detect earnings management to avoid losses.

The results of this study are consistent with the results of research conducted by Subagyo (2017) Budiman (2013) and Tiara Timuriana and Rezwan Rizki Muhamad (2015) which prove the effect of deferred tax burden on earnings management to have a positive effect. Therefore, the hypothesis which states the greater the deferred tax burden, the greater the probability that the company carries out earnings management to avoid supported losses.

Deferred tax expense can indicate the existence of management intervention in determining the amount of accounting profit by utilizing loopholes in financial accounting standards. As we know, one way to do earnings management is to utilize the freedom provided by financial accounting standards to management in estimating and choosing the accounting method that is considered the best and most profitable for the company.

Deferred tax expense arises from accrual items where management can determine the value of these items. Calculation of taxable income based on the tax law has strict limits on the measurement of accruals compared to the calculation of commercial profits based on accounting standards so that the greater the difference between fiscal income and accounting profit reflected in the deferred tax expense shows the greater the discretion of management.

VI. CONCLUSION

This research was conducted with the aim to examine the effect of deferred tax burden on earnings management in Automative sub sector manufacturing companies listed on the Stock Exchange in 2014-2018. Based on the discussion of the results of data analysis described in the previous chapter, the researcher draws conclusions, namely: The results show that the greater the deferred tax burden, the greater the probability that companies carry out earnings management as reflected in the positive effect of deferred tax expense on the probability of the company conducting management profit with a significance level of 0.015. This shows that there is a positive effect of deferred tax expense on earnings management to avoid losses.

VII. LIMITATIONS

This study has several limitations as follows:

1. This study uses a deferred tax expense variable that is positive and that is negative (deferred tax benefits).
2. This study does not examine the factors that cause companies to report losses or profits and also do not include other factors that motivate management in making earnings management.

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VIII. SUGGESTION

Suggestion of this study as follow :

1) Further research is expected to separate between tax burden and deferred tax benefits.
2) Future studies are expected to add independent variables which are thought to have an effect in detecting earnings management and include factors that motivate managers to do earnings management.
3) Further research should expand the period of observation and increase the number of samples.

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