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OPORTUNIST AND EFFICIENT PERSPECTIVE OF MANAGEMENT BASED ON THE MOTIVATIONAL ASPECTS THAT BASED ON IT

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ABSTRACT:

A common phenomenon is that users tend to focus on the amount of profit stated in the financial statements compared to other figures. This is one of the things that triggers earnings management carried out by managers in the company. Earnings management can be seen from two different perspectives, namely an opportunistic perspective (prioritizing personal interests) and an efficient perspective (prioritizing the interests of the company). This article is a collection of various literature reviews aimed at investigating the opportunist perspective and efficient management based on the underlying motivational aspects. Theories that underlie the occurrence of earnings management include agency theory, signaling theory, and Positive Accounting Theory (PAT). Based on several previous studies, Opportunistic perspective of management can be explained by agency theory and bonus plan hypothesis in PAT, while the perspective of efficient management can be explained by signaling theory and debt covenant hypothesis and political cost in PAT. Many things motivate managers to do earnings management. From an opportunist perspective, earnings management is carried out because of the motivation for bonuses and job security. On the other hand, earnings management is also classified as efficient as a result of the manager's motivation regarding debt agreements, reducing political costs, IPOs, increasing market value, and avoiding the possibility of bankruptcy in the company. Meanwhile, the efficient management perspective can be explained by signaling theory and debt covenant hypothesis and political cost in PAT. Many things motivate managers to do earnings management. From an opportunistic perspective, earnings management is carried out because of the motivation for bonuses and job security. On the other hand, earnings management is also classified as efficient as a result of the manager's motivation regarding

debt agreements, reducing political costs, IPOs, increasing market value, and avoiding the possibility of bankruptcy in the company. Meanwhile, the perspective of efficient management can be explained by signaling theory and debt covenant hypothesis and political cost in PAT. Many things motivate managers to do earnings management. From an opportunistic perspective, earnings management is carried out because of the motivation for bonuses and job security. On the other hand, earnings management is also classified as efficient as a result of the manager's motivation regarding debt agreements, reducing political costs, IPOs, increasing market value, and avoiding the possibility of bankruptcy in the company.

INTRODUCTION:

Financial reports are tools used by managers as a form of accountability to company owners, investors, creditors, regulators, and the public as a basis for making various decisions including investment and credit decisions, funding decisions, decisions regarding cash flow predictions, and decisions related to resource utilization. power owned by the company. The use of financial reports is more focused on being used as external consumption for users of information, so it is called external financial reports. FASB (1978) explains that financial reporting is not a medium used to measure firm value directly, but to estimate firm value based on the information contained therein. Every financial report in a company must meet certain requirements as contained in the applicable financial accounting standards (SAK) in Indonesia or the Statement of Financial Accounting Concept (SFAC) No. 2 with the aim that the information presented in the financial statements can be used as a basis for making business and financial decisions (Astika, 2012).

In general, users of financial statements will focus more on seeing information related to performance (profit or loss) and its components. Yet if we really understand financial reports, every number in them is related to one another. Therefore, financial statements are called mathematical because each information presented is articulate and cannot be separated from one another(Saputra et al., 2021). The phenomenon that often occurs is that users are immediately fixated on seeing the amount of profit generated by the company because they think that this information is sufficient to show the company's ability to earn profits, whether it is profits from operating activities that are permanent in nature, or profits from activities. -Other activities that are not permanent. This habit of users is one of the reasons why earnings information plays a very important role in the decision-making process carried out by preparers in publishing financial reports. This means that there is a possibility where management as the manager will take action to play with earnings so that the entity looks good financially. Scott (1997) explains that managers have a strong interest in choosing accounting policies or methods to be applied within the company. It is not uncommon that the accounting policies applied are solely used to maximize their utility and increase the market value of the company. This condition is often referred to as earnings management or earnings management. Earnings management in Scott (1997) is defined as the choice of accounting policies by managers from existing accounting standards and naturally maximizing their utility and / or firm value. There are 2 characteristics inherent in this action, first is efficient, that is, it can increase earnings informativeness in communicating private information, and secondly, opportunists maximize the personal interests of managers(Sara et al., 2021).

This article provides a comprehensive literature review on one of the many types of manipulations carried out in accounting, namely those related to earnings management. Earnings management is always a hot topic to discuss because this action will never be separated from the activities of any business entity, although in some cases it is not very

material in nature. Research related to earnings management focuses more on opportunistic behavior carried out by management in order to fulfill their personal interests. Many articles found that the orientation in carrying out earnings management was due to the opportunistic nature of management as the owner's mandate to manage the company. Even though earnings management is not always interpreted as a negative action. On the other hand, Earnings management can also be done with the aim of meeting the interests of stakeholders and the company(Jayawarsa et al., 2021). The difference between this research and previous studies is that if most of the previous research was a single study that identified and tested what factors could influence earnings management, in this study the researcher tried to identify management's motivation in carrying out earnings management based on previous studies, were more oriented towards opportunistic goals (fulfilling personal interests) or efficient (meeting the interests of organizations and stakeholders). Based on this,

THEORETICAL STUDY:

Management's Profit:

Management is a science and art in managing and moving various resources within the company effectively and efficiently to achieve predetermined goals (Hasibuan, 2012: 1). Earnings management is defined as a form of action that regulates, manipulates, or controls earnings by management within the company with the intention of meeting certain objectives. The purpose of manipulating earnings is to obtain the amount of earnings that the company actually hopes to achieve (Fern et al., 1994). Earnings management actions are carried out by managers by increasing (decreasing) the current period profit of the business entity for which they are responsible, without causing an increase (decrease) in the economic profitability of the entity concerned in the long run (Fisher and Rosenzweig, 1995). The manager as the party who is given the mandate by the owner to manage the company is an individual who has the authority to carry out earnings management. Many think that earnings management is unethical to do because this behavior is often detrimental to some parties, but on the other hand it also benefits other parties. Schipper (1989) explains that earnings management is an action that is carried out deliberately for a specific purpose in the process of preparing external financial reports with the intention of obtaining personal benefits, both for managers and shareholders. This means that the actions of managers in carrying out earnings management do not always lead to a negative direction. This is also confirmed in Dye's (1988) study which states that there are two motivations that encourage managers to carry out earnings management.

Two concepts for understanding earnings management have been further described in Holthausen et al. (1995). His research explains that there are two complementary conditions in earnings management events. Earnings management actions carried out by managers are said to be efficient when managers choose certain accounting policies with the aim of meeting the interests of the company (increasing firm value) and their own interests. Conversely, the actions of managers to carry out earnings management are said to be opportunistic, if the accounting policies adopted by managers in the company are aimed at maximizing their personal interests.

An important fact to know is that earnings management is different from fraud in accounting. The exact similarity between the two is that both earnings management and fraud accounting are carried out deliberately through manipulation in the financial reporting process. The main difference is that there is no connection between earnings management and the creation of false evidence or fictitious transactions which violate the law. This is because earnings management is carried out by exploiting the existing gaps in

the accounting method, so that this opportunity is used by managers to manipulate company profits. In contrast to fraud accounting which is directly related to unethical acts such as forgery and other fraud (Mayangsari, 2001).

Theory Underlying Earnings Management:
Agency Theory:

Agency theory or agency theory according to Jensen and Meckling (1976) describes the relationship between the principal as the owner of the company and the agent as management as a result of an efficient contract. Agency theory is explained with two conditions, namely the existence of symmetry of information and the service fees obtained by management must have a high degree of certainty. Company owners delegate company duties to management, while management is in charge of managing the company under the mandate of the company owners. Agency theory explains that the owner of the company provides resources for management and that management must be responsible for running the company in accordance with the interests of the owner(Atmadja et al., 2021).

Principaland agents described in agency theory are both parties oriented to the utility maximizer. This condition means that agents as company managers can act to fulfill their personal interests. This is contrary to the interests of the principal who seek to maximize returns on resources, giving rise to a conflict of interest between the agent and the principal(Saputra & Anggiriawan, 2021). Management behavior is divided into two, namely opportunistic and efficient. Management behavior is said to be opportunistic if it only benefits their personal interests, while management behavior is said to be efficient if both the management and the principal benefit from each other.

Information asymmetry can be divided into two, namely adverse selection and moral hazard. Adverse selection is a type of information asymmetry that occurs when one party conducting a business transaction has more information than the other party, while moral hazard is a type of information asymmetry in which one of the parties conducting a business transaction can observe the actions taken in the business transaction and the party others can't. The asymmetry between agent and principal provides an opportunity for managers to act opportunistically by prioritizing their interests. Managers can take earnings management actions in preparing financial statements in order to mislead the principal regarding the company's economic performance because of bias information received by the principal as the owner of the company.

Agency theory can be used to explain managers' motivations for opportunistic behavior when managing earnings. Financial reports are intended for various interested parties, including management in the company concerned, however, the parties who are most dependent on the information contained in the financial statements are external parties who are not part of the company's management. External users are the group that is in the most uncertainty condition, therefore the decisions to be taken are strongly influenced by the validity of the published financial statements (Ali, 2002).

Signaling Theory:

Signal theory explains the delivery of information that occurs between management and interested parties related to information presented through financial reports (Yasa, 2010). It is explained in signal theory that management has accurate information about the company's value. When management delivers information to the market, the market will respond to this information as a signal that can affect firm value and is reflected in stock prices (Purwanto, 2004). The manager as the party who manages the company has more information regarding the internal conditions and prospects of the company in the future compared to the principal as the owner of the company. Based on this, then the manager is

obliged to provide a signal about the condition of the company to the owner. Disclosure of accounting information in financial statements is a form of signal that managers can give to owners (Lisa, 2012).

Various ways have been done by the company to achieve the profit target that has been set, one of whichby doing earnings management. Profits reported in the financial statements will increase when the company performs earnings management. The market will respond to this information as a signal that the company is in good shape, so that it will affect the company's stock price. An increasing share price will also increase the value of the company. This means that signal theory can be used to explain the relationship between earnings management and firm value (Vajriyanti, et al., 2015). In contrast to the agency theory previously described, the link between signal theory and earnings management is more oriented to the motivation of managers to behave efficiently.

In general, the signal theory describes how the signals of success achieved by management and the failures they experienced should be communicated to the owner. Management's accountability to the owner of the company is embodied in a financial report that can be used as a signal whether management has acted in accordance with the previously agreed contract (Astika, 2012).

Positive Accounting Theory:

The theory put forward by Watts and Zimmerman (1990) explains that certain economic factors can be related to the behavior of managers as financial report makers. Positive accounting theory gives freedom to management to choose alternatives from several existing accounting procedures to reduce contract costs and increase firm value. Positive accounting theory tries to understand and predict the choice of accounting policies that companies will make. The three main hypotheses in positive accounting theory are as follows.

1) The Bonus Plan Hypothesis
   Companies that implement a bonus-giving plan tend to motivate managers to get these bonuses and will lead to an action by managers to use accounting methods that can increase or decrease the accounting numbers in the financial statements. Managers do this to get the maximum bonus each year because the manager's success is illustrated by the amount of profit the company receives.
2) The Debt Covenant Hypothesis
   This hypothesis explains that the higher the debt ratio, it allows managers to choose accounting methods that can increase profits. This hypothesis is related to the conditions that must be met by companies in the debt covenant. Most debt covenants have conditions that the borrower must meet during the contract period. The debt agreement requires conditions that must be obeyed by the company, for example by maintaining a certain level of financial position. When the company is threatened with violating the agreed agreement, the company manager will try to avoid the debt agreement by choosing an accounting method that can increase revenue or profit.
3) The Political Cost Hypothesis
   The political cost hypothesis predicts that large companies will use accounting methods to reduce reported annual profits with the intention of reducing the political costs incurred by the company. Companies do not want to be considered to have big profits because it will have an effect on the high political costs that must be borne. Political costs that must be paid by companies such as tax rates, government subsidies, and so on.

Godfrey et al. (1997) in Januarti (2004) conducted a two-stage research related to criticism of positive accounting theory. The first stage discusses accounting research and capital market behavior, while the second stage is carried out to explain and predict accounting practices in companies, whether the accounting method applied is for opportunistic purposes, or for efficiency purposes, namely the chosen accounting method will reduce contract costs between companies and companies. Its stakeholders. An opportunistic perspective is called ex-post, namely the choice of accounting method is made after the facts are known. The efficiency perspective is called ex-ante, that is, the accounting method chosen is carried out before the facts are known.

Research by Watts and Zimmerman (1990) is the same as the research of Chicago School Economist George Stigler and Gary Becker (1977) in Januarti (2004) which explains that the phenomenon of behavior maximizes utility / profit or maximizes wealth. This action is considered appropriate or appropriate by neoclassical economists who consider that all people are maximizers trying to fulfill their utility. In the end, Watts and Zimmerman stated that neoclassical economics would be appropriate if it was used when managers and practicing accountants faced static choice situations, so that they had to decide what accounting procedures should be applied. From the above discussion, it can be seen that positive accounting theory (PAT) does not only explain the motivation for opportunistic management behavior, but can also be used as a basis for determining the motivation for management to behave efficiently. It is explained in the research results of Januarti (2004) that this positive accounting theory refers to various studies that aim to maximize profits (both investors, managers, and the public) in choosing existing accounting methods.

DISCUSSION:

Opportunist Perspective Management Based on the Motivational Aspects Underlying It:

Demski et al. (1984) describe the opportunistic nature of managers through changes in accounting policies from time to time. Accounting policies will always experience changes in the future. Managers as parties who are given the authority to manage the company have more adequate information about which accounting method will be applied in the company, compared to the principal as owner. Based on its ability to assess the most suitable accounting method coupled with the presence of information asymmetry between the principal and agent, there is a tendency for the agent to act first in maximizing its utility. This research is also in accordance with agency theory which explains the relationship that exists between agents and principals who have different interests.

Healy (1985) also examines earnings management from the existence of bonus schemes in the financial reporting process. Healy explained that managers will choose accounting procedures that can increase reported profits for the purpose of obtaining bonuses. In this study it can be proven that there is a strong relationship between accruals and certain motivations that influence managers to regulate the amount of reported income. When the bonus pattern is below or above the boundary limit, the manager will choose the accrual that reduces income, conversely, when the limit is not tied, the manager will choose the accrual that increases income.

DeAngelo (1986) tested the possibility of earnings management in the sample used in his research. There is evidence that earnings management will arise when the manager is facing a proxy contest, which is a condition in which the manager tries to show his achievement that his performance brings benefits to the company (improving). Continued back in other research, DeAngelo and DeAngelo (1994) explain that earnings management actions taken by managers can be interpreted as opportunistic actions due to job security

motivation. Managers tend to have an incentive to increase reported profits in an effort to keep their jobs and reduce the intervention by the board of directors in the company. In the company samples used, There is evidence that there is a high managerial turnover and managers increase their bonuses in the future through a reduction in dividends. Rational managers will not give many bonuses in the next year, considering that there is a possibility that they will lose their jobs as a result of being caught manipulating bonuses and this condition threatens their tenure in the company. This job security motivation is said to be the basis for managers to carry out earnings management. considering that there is a possibility that they will lose their job as a result of being caught manipulating bonuses and this condition threatens their tenure in the company. This job security motivation is said to be the basis for managers to carry out earnings management. considering that there is a possibility that they will lose their job as a result of being caught manipulating bonuses and this condition threatens their tenure in the company. This job security motivation is said to be the basis for managers to carry out earnings management.

Jones (1991) investigates whether firms reduce their profits in order for their application for import protection to be accepted by the International Trade Commission (ITC). Import protection is the transfer of wealth from consumers to domestic companies. Therefore, managers of domestic producers who wish to benefit from import protection would prefer accounting policies that reduce profits around their investigations by ITC. The hypothesis of a decrease in profit to obtain import protection will be enjoyed by companies and creditors, but some companies are unable to take this action because of unfavorable financial problems or because the manager's bonus incentive is stronger than the import protection incentive.

Research by Gaver et al. (1995) obtained evidence that managers will choose accounting methods that will increase profits when profits are at the required level and vice versa. It was also explained that the choice of the accounting method chosen was due to the management's desire to do income smoothing, but his research did not explain the motivation of management to do income smoothing. Furthermore, Gaver and Gaver (1998) re-developed research that he had previously done in 1995, where his findings supported one of the three motivations in PAT, namely the bonus plan hypothesis, namely the motivation of managers in making income smoothing due to the compensation factor.

Healy and Wahlen (1999) explain that there are several motivations for managers to behave opportunistically when performing earnings management when viewed from the perspective of agency theory. First, motivation related to the use of judgment. Earnings management intervention on financial reporting can be done by using judgments, such as judgments that are needed to estimate some future economic events to be presented in the financial statements, such as the estimated economic age and residual value of fixed assets, liability for pensions, deferred taxes, losses on accounts , as well as impairment of assets. Second, motivation arises because managers have choices. Managers have the right to choose the accounting method that will be applied in the company, such as the depreciation method and the cost method. Third, motivation that arises because of the desire to mislead stakeholders regarding the company's economic performance. The emergence of this condition is caused by open access to information that can be used by management, while external parties do not have access to such information.

The motivation for political regulation is one of the motivations for management to get around various government regulations. This political cost motivation is explained in the Positive Accounting Theory in its hypothesis, namely political cost. Cahan (1992) conducted tests on companies that were the object of government investigations in connection with suspected violations of the anti-monopoly (anti-trust) law. Companies that are proven to have violated these laws are obliged to bear the political costs that must be

paid as a form of fines. Earnings management by the company can be detected by looking at the increase in discretionary accruals based on the model proposed by Jones. It is evident that during the period of investigations by the government regarding companies suspected of violating this law, there was an increase in the value of discretionary accruals. It is concluded that the companies that are the object of investigations into the anti-monopoly law carry out earnings management by reducing reported profits in order to avoid political costs. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. found an increase in the value of discretionary accruals. It is concluded that the companies that are the object of investigations into the anti-monopoly law carry out earnings management by reducing reported profits in order to avoid political costs. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. found an increase in the value of discretionary accruals. It is concluded that the companies that are the object of investigations into the anti-monopoly law carry out earnings management by reducing reported profits in order to avoid political costs. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. It is concluded that the companies that are the object of investigations into the anti-monopoly law carry out earnings management by reducing reported profits in order to avoid political costs. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. It is concluded that the companies that are the object of investigations into the anti-monopoly law carry out earnings management by reducing reported profits in order to avoid political costs. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests. The low political costs that must be paid to the government will also affect the compensation or bonuses that should be obtained by management, if there is no wealth transfer outside the company. On the one hand, management's actions in this case are classified as efficient because they benefit the

company, and on the other hand, management does so on an opportunistic basis because they are still related to their personal interests.

Management Efficient Perspective Based on the Motivational Aspects Underlying it:

Dye (1988) identifies two different sources of shareholder demand regarding earnings management, namely internal sources and external sources. Internal sources mean that the way managers minimize costs is by adopting accounting methods or policies that are preferred by shareholders, while external sources are based on current shareholders 'desires to influence potential investors' perceptions of the value of their company. His research explains that shareholders do not try to eliminate the tendency of managers to carry out earnings management. Previously, the principal has chosen the accounting method that will be applied in the company, then afterwards designed a contract to encourage management to choose the stipulated policy. In a condition where the main purpose of the contract that is designed is to minimize costs incurred, and the principal will persuade the manager to choose the accounting method that has been predetermined by the principal. When the fact is that costs will be minimized through earnings management, the internal demand for earnings management is expected directly by the principal himself.

Trueman and Titman's research discusses income smoothing, which is part of earnings management. Trueman and Titman (1988) explain that a manager of a company might rationally want to streamline the reported earnings in financial statements, that is, to reduce the claim holder's perception of the variance of the underlying economic income. In turn, it is shown that earnings management measures can have a positive effect on the market value of the company. This research attempts to explain the seemingly irrational behavior of managers, but it can be useful for shareholders and regulators. It is shown that the manager will choose an accounting method that can produce a smoother income stream (temporal income smoothing). By smoothing the flow of income, managers hope to reduce the estimation of various claimants about the volatility of the earnings process, thereby reducing their assessment of the possibility of bankruptcy of the company concerned. Therefore, income smoothing is important for company shareholders because this action can reduce the company's borrowing costs and have a positive effect on trade terms between the company and its customers, workers and suppliers.

Subramanyam (1996) proved that income smoothing can increase the persistence and predictability of reported earnings. Further testing shows that the motivation of managers to use their discretion in the company is aimed at increasing profitability and reflecting fundamental values. There is evidence to explain that increased income smoothing can increase the persistence and predictability of earnings, and other evidence suggests that discretionary accruals can communicate information about the company's future profitability.

Dye (1988) and Lambert (1984) show that the manager's goal of smoothing company earnings is for the benefit of managerial compensation, but there are contradictory statements described in Trueman and Titman's (1988) research which explains that managers' goals of smoothing income through income smoothing are because they want investors. assume that the company is free from risks, both financial risks and operational risks. These results are reaffirmed by Chaney and Lewis (1995) who explain that managers' actions in managing earnings in financial statements do not eliminate the usefulness of accounting earnings that are presented to value stocks. Otherwise,

Zimmerman and Christie (1994) examined the choice of accounting methods applied by company management, whether based on efficient or opportunistic motives. Their study is the first to measure the relatively efficient and opportunistic effect of the company being the target of the acquisition. Tests conducted show that, despite the

opportunistic behavior of management, the choice of accounting policies is more based on efficiency goals. This study extends previous research in the field of Positive Accounting Theory (PAT). Many empirical studies explain that accounting policies can be explained from both the perspective of management opportunism and contract efficiency.

Sweeney (1994) explains that various changes that occur in accounting policies provide opportunities for management to manipulate the amount of net income presented in the financial statements, but not all companies that violate the terms of the agreement apply accounting policies that can increase profits. The company also takes into account the trade-off between the costs and benefits that will be obtained through the applied accounting policies.

Research by Hall and Stammerjohan (1997) states that the motivation for managing earnings by managers in a company is to influence court decisions against companies that suffer a damage award. Another motivation related to the political cost hypothesis is related to income taxation. The accounting method chosen by managers in reporting earnings will provide different results on earnings which are used as the basis for tax calculations (Setiawati, 2001). As explained in Positive Accounting Theory (PAT) in its hypothesis, namely political costs, that large companies tend to carry out earnings management to reduce the amount of profit reported in the financial statements with the aim that political costs incurred can be minimized. The political costs in question are in the form of tax rates,

Hunt et al. (2000) stated that the results of their research regarding income smoothing are consistent with signal theory, namely that the motivation of managers in using income smoothing in financial reporting is to provide signals about the company's private information about the company's future prospects. These results refute the assumption that managers will act opportunistically by managing company earnings with the aim of transferring shareholder wealth to themselves. It was also explained that each source of current profitability will be significantly related to the company's performance measures in the next period.

Research by Bartov et al. (2002) describe current analyst earnings expectations (MBE). The results or findings of this study are that many companies become more successful in MBE and this success can be achieved by companies as a result of managing earnings expectations. Earnings expectations listed in the prospectus are a challenge for managers to achieve, because if managers cannot achieve them or their performance is below the industry average, then the likelihood of dismissal will be even greater. Further evidence shows that after being able to control earnings performance, companies are successful in achieving their revenue expectations. Earnings expectation seems to be a reliable predictor of the company's future performance.

Revenues are sometimes manipulated by companies to fulfill contractual arrangements. Bonds, loans, and agreements with suppliers often set several conditions that must be met, such as a minimum ratio of income before interest or a debt ratio. In this case, management decides to carry out earnings management so that the company avoids unforeseen conditions (such as loan withdrawals) that can eventually lead to bankruptcy. One of the big cases related to earnings management is the Enron case. Why did Enron take this action? Apparently, this is done because if actual earnings are presented in the financial statements (much lower), it is likely to cause a disappointing reaction to investors, sharp stock price reversals, large losses on the manager's stock options, the number of lawsuits, as well as demands for management improvement. This study also explains the manager's motives in performing earnings management, which seem to overlap, namely (1) fulfilling personal gain; (2) continued support from investors and suppliers; and (3) favorable contractual arrangements. Most cases of earnings management

aim to serve management's own personal gain, but Lev tries to reiterate this. The more common reason for managers to do earnings management is that of the optimistic nature of managers, in which they try to "overcome the storm", that is, to continue the company's operations with sufficient funds through support from customers and suppliers until better times come. Therefore,

Xie (2001) examines the market price of Jones using a discretionary accrual estimation model to test whether stock prices rationally reflect the income implications one year in advance of the existence of this accrual model. Discretionary means policy, so discretionary accruals mean accruals arising from management policies. Discretionary accruals are often used as a proxy to describe earnings management. The results of this study found that the market tends to exaggerate the size of discretionary accruals derived from managerial policies. The conclusion of this study is the same as the research conducted by Barth et al. (2001) which explains that there is a good side of earnings management, at the level of earnings management, it is able to produce a stable pattern of increasing earnings.

It is explained in Schipper (1989) that earnings management has an element of signaling effect. Managers have the opportunity to give a good sign about future earnings that the company can achieve. The efficient behavior of management in earnings management is related to its motivation to influence prices in the market. The phenomenon of earnings management is a form of behavior in which managers will manage earnings to disclose internal information related to the company's prospects, so that it will function as a process of providing information to the market. This influence on share prices can be done through earnings management by creating a smooth and growing profit over time (Priantinah, 2016).

Signaling motivation in earnings management can be related to the prosperity that will be received by shareholders or principals as a result of a positive reaction from investors (Sunarto, 2009). Scott (2012) explains the many motivations that drive management to carry out earnings management. Among other things, to meet the expectations of investors and maintain reputation (to meet investors' earnings expectations and maintain reputation) and influence the price of the initial public offering. The research results of Kellogg and Kellogg (1991) also state that there are two main motivations for management to carry out earnings management, namely encouraging investors to buy shares of the company concerned and increasing the company's market value. The motivation for an Initial Public Offering (IPO) can illustrate the results of these two studies. Companies tend to maximize IPO returns through earnings management. The purpose of this IPO motivation is to increase the company's return on its share issuance. Managers can prepare financial reports by choosing accounting or accrual methods that can increase profits, and high profits are expected to be highly valued by investors in the form of a high bid price (Assih et al., 2005).

CONCLUSION:

The phenomenon of earnings management is a phenomenon that occurs a lot in a company. Good or bad earnings management actions, depending on the point of view of which party will benefit more and get more benefits from the action. Earnings management is said to be opportunistic when the objective is to prioritize the manager's interests alone, whereas it is said to be efficient when earnings management actions also bring benefits to the company owner.

In connection with agency theory, information asymmetry occurs because managers are better able to understand existing information than other parties. Each individual, both principal and agent, are two parties who have a utility maximizer, namely human nature by

acting for the purpose of maximizing personal interests. With this assumption, the information asymmetry will motivate managers, especially in maximizing profits in the form of bonuses or job security. Viewed from the point of view of signaling theory, earnings management tends to have a positive impact on the company through the delivery of earnings information that can increase the company's value in the eyes of investors. High profits are a reflection that the company has good prospects in the future.

Positive Accounting Theory(PAT) with its three hypotheses can also describe the phenomenon of earnings management. Earnings management from an opportunistic perspective is explained in the bonus plan hypothesis. This hypothesis explains that earnings management actions are solely due to bonus incentives. On the other hand, earnings management can also provide benefits, so there is also an efficient perspective shown in two other hypotheses, namely the debt covenant hypothesis and the political cost hypothesis. The purpose of formulating PAT is to explain and predict management's choice of accounting methods and procedures. In addition, PAT is also expected to be able to analyze the costs and benefits of certain financial disclosures.

The results of several previous studies that have been described above explain that earnings management can occur in a company and is closely related to certain events being faced by management at that time. This is because in one period in a company, there must be a lot of motivation that supports management in taking earnings management actions. Research on earnings management in the future can be directed by connecting the theories used, whether based on the agency point of view, signal theory, or the three hypotheses in Positive Accounting Theory (PAT). This is because many studies only look at one side, and do not link earnings management actions by managers with these theories.

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