ABSTRACT

This study aimed to examine the effect of deffered tax asset and tax expense deffered to earnings management, which is measured by the modified jones model and discretionary revenue, and to investigate the accuracy and yield difference between the approach of modified jones model and discretionary revenue for detecting earnings management. Samples were analyzed are a consumption sector companies in 2010 to 2014. Testing the hypothesis is done by using multiple linear regression method and independent sample t-test.

The test results showed that simultaneous deffered tax asset and deffered tax expense have an influence on earnings management by modified jones model and discretionary revenue. Partially, deffered tax asset has no influence on earnings management by discretionary revenue, but have an influence on earnings management by modified jones model. This study also showed differences in the results for detecting earnings management by modified jones model and discretionary revenue, and known the results of the test coefficient of determination provides evidence that the modified Jones model provides a better estimate in detecting earnings management compared with the approach discretionary revenue.

The implications of this research are expected to contribute relevant information for management in providing an accurate and thoughtful decision against earnings management practices, as well as information for academics on a more effective method for detecting earnings management.

Keywords: Deffered tax asset, deffered tax expense, earnings management, modified jones model, discretionary revenue.