ABSTRACT

Rahayu, Puri. 2015, THESIS. Title: “The Influences of Tax Incentive on Earnings Management with the Principle of Accounting Conservatism (An Empirical Study of Food and Beverage Companies Listed in Indonesia Stock Exchange in 2011-2013)”

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This study aims to examine whether the food and beverage companies perform earnings management in 2011-2013 or not after a tax rate reduction in 2010, which is a 25% tax incentive, and implement the principle of accounting conservatism. The research samples are 30 food and beverage companies listed in Indonesia Stock Exchange which have published their financial reports for 2011-2013. The sampling technique used in this study is purposive sampling using determined criteria.

The method of analysis is multiple regression and t-test using paired samples t-test as a means of testing these differences. Multiple regression analysis is employed to test the companies’ earning management performance in 2011-2013 after a year of tax rate reduction in 2010 and to test the implementation of the principle of conservatism accounting. T-test is used to test the level of discretionary accruals between earnings management on tax incentive and the principle of accounting conservatism.

The result of this study proves that: (1) earnings management performed by food and beverage companies is not affected by tax incentive (tax plan) after tax rate reduction occurred in a year; (2) earnings management performed by food and beverage companies is affected by the principle of accounting conservatism.