ABSTRACT

Earnings management is a practice often carried out by companies to influence financial reports in order to achieve certain goals, such as improving the company's image or meeting performance targets. This study aims to analyze the effect of financial distress, cash holding, and profitability on earnings management in energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2018-2022. This study uses a quantitative method with a multiple regression approach to test the relationship between the independent variables and the dependent variable.

The data used in this study are secondary data obtained from the annual financial reports of companies listed on the IDX. Financial distress is measured using the Altman model, cash holding is measured by the ratio of cash to total assets, and profitability is measured using return on assets (ROA).

The results of the study indicate that financial distress has a significant positive effect on earnings management, indicating that companies experiencing financial stress tend to be more involved in earnings management practices. Then, cash holding has a significant positive effect on earnings management, indicating that companies with high cash levels tend to be more conservative in reporting earnings. Profitability was also found to have a significant positive effect on earnings management, indicating that more profitable companies are more likely to engage in earnings management to maintain or improve their financial performance. This study provides implications for investors and regulators to pay more attention to earnings management practices in energy sector companies, especially those facing financial distress or having high profitability levels. In addition, this study also emphasizes the importance of stricter supervision of financial reporting practices in the energy sector.

Keywords*: financial distress, cash holding, profitability, earnings management, energy companies, Indonesia Stock Exchange.*