Asian Journal of Management Entrepreneurship and Social Science
ISSN: 2808 7399
https://ajmesc.com/index.php/ajmesc Volume 03 Issue 04

The Influence Of Cash Holding And Taxes On Income Smoothing Moderated By Firm Value

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Abstract

Companies will carry out various strategies in achieving profits, both operational strategies, financial strategies, and other strategies. The company's profit achievement will be seen through financial reports that are entirely transparent and under applicable regulations, namely the Standards of Financial Accounting (SAK) issued by the Institute of Indonesia Chartered Accountants (IAI). The research' porpose is to test the influence of cash holding and tax on income smoothing, moderated by value of the entity. This research use data of the financial reports of Indonesia Stock Exchange with cyclical and non-cyclical sector companies in 2020-2022 period. As a research of causaltity, this study test the effect various variables independend to dependend. Method to analyze the variable, this research use a multiple regression with a purposive sampling technique. Based on the results showed that cash holding had no influence on income smoothing, while taxes had significant (positive) influence on income smoothing. In addition, entity value can not moderate the influence of cash holding and tax on income smoothing, also profitability (control variable) had significant (positive) influence on income smoothing.

Keyword: Cash holding; tax; income smoothing; firm value

1. INTRODUCTION

The company will now strive to achieve profitability and maintain its sustainability. The company in achieving its profit, will carry out various strategies, both operational strategies, financial strategies, and other strategies. The company will see its profit achievement through Financial Statements that are genuinely transparent and by applicable rules, namely Standards of Financial Accounting (SAK) issued by the professional organization - Institute of Indonesia Chartered Accountants (IAI). A few years ago, news was heard that Garuda Indonesia (Company) publishes Financial Statements with one of the income recognitions that need to follow SAK due to differences in the entity's views on SAK regarding the recognition of income. This resulted in

the OJK (Otoritas Jasa Keuangan) and the Ministry of Finance sanctioning PT. Garuda Indonesia Tbk and the Firm of Public Accountant (KAP that audited the company) reported from Detik Finance media with the title "Proven Defects, Status of Garuda Loss Financial Statements" (Laucereno, 2019).

The company is trying to achieve a profit that is reflected in its financial statements. However, it is suspected that there is a potential for smoothing of income due to differences in the timing of income recognition, which ultimately affects the company's profits. However, the company intends to present correct financial statements that follow SAK, but different views regarding recognition of the income so that it is not following the provisions in SAK. This income smoothing can be seen by the intention to reduce the current year's loss in 2018, by withdrawing the recognition of income in the next year to income in 2019 so that it impacts profits in 2019 and profits in 2020. From this case example, although it is not the intention of the entity, there is potential for the image of the accountant as a professional accountant to be viewed by the wider community, which may be reduced as a maker or examiner of transparent financial reports, in accordance with SAK and valuable for reflecting the achievements of the company, one of which is the company's financial performance. Professional accountants should maintain a code of ethics so that the reports produced are transparent, under SAK and can achieve financial reporting objectives, namely for decision making and so that the accounting profession will continue to be respected.

Income smoothing is something that public companies should refrain from doing because stakeholders really trust public companies through the submitted (audited) financial reports. To fulfill various obligations, responsibilities, and expectations as a public company, one of which is related to profit, top management should do this by optimizing operational and financial performance and carrying out various real strategies to fulfill these obligations, responsibilities and expectations, not by income smoothing (which may not be under the entity's intentions and may conflict with SAK). Income smoothing can reduce stakeholder confidence in achieving a company's profits and the accountant's credibility as the maker and examiner of the financial statements.

For this reason, it is essential to get evidence empirically regarding the this topic research intending to prevent and reduce the practice of smoothing income, which, in the end, stakeholder confidence in achieving a good performance of the company will improve and the credibility of accountants would improve. This is impetus in this research to study income smoothing. The importance of efforts to prevent income smoothing and its urgency. The motivation of this research is looking for what the things is drive this topic research to prevent or terminate income smoothing's practice, therefore this research title is "The Influence of Cash Holding and Taxation on Income Smoothing Moderated by Firm Value. This study modifies the research of Husaini &

and Sayunita (2016) by adding cash holding and tax variables and changing the firm value variable into a moderating variable.

The cash holding variable has various research results, based on Inayah and Izzaty (2021) who found holding of cash has influence negatively on smoothing of income. However, that result is different with Putri and Nuswandari (2021) who found cash holding has no influence on smoothing of income and is also different from the research results Rahmadani et al. (2020) found that cash holding has a influence positively on income smoothing. Tax variables also have various research results, based on research results Rahmadani et al., (2020) who found that taxation does not affect income smoothing, in contrast to Saputra & Agustin (2022) who found that the tax factor has an effect positively on smoothing of income.

From inconsistency the results that occurred in previous research, there may be need additional factor that effect to this research topic, namely firm value (entity value). The firm value variable is based on previous studies, for example Husaini & Sayunita (2016) and Herdjiono et al. (2019) consistently have a influence positively on income smoothing. Therefore, in overcoming these problems, the different with previous research is additional variable that moderate variable independend to dependend (firm value) which is expected to encourage the influence of cash holding and tax on income smoothing. The research' purposes is to test also provide the evidence empirically – variable independend (Cash holding also tax) on variable dependend (income smoothing), which is moderated by firm value in both cyclical and non-cyclical sector on IDX (2020-2022 period).

Based on those background, this research have a several objectives: (1) to get the analysis also evidence empirically regarding the influence of cash holding on variable dependend (income smoothing), (2) to get the analysis also evidence empirically regarding the influence of tax on variable depedend, (3) to get analysis also evidence empirically regarding the firm value as moderating variable, that the influence of cash holdings on variable dependend, and (4) to get the analysis also evidence empirically about the firm value as moderating variable that influence of taxes on variable dependend.

2. LITERATURE REVIEW

2.1 The Theory of Agency

The theory of Agency was found by Jensen & Meckling (1976). This theory is a theory that states that there is conflict due to unequal interests between the principal and the agent. The party name's as principal is the owner of the company (shareholder and credit provider) who wants a high rate of return, while the agent is the company management who wants high bonuses and compensation for the performance they have provided to the company. The agency relationship is relationship between the two parties (Godfrey et al. 2010 in Lorenzia & Sanjaya 2022). This

agency relationship occurs because of the existence of a contract in which the principal gives authority to the agent in making decisions regarding matters relating to the company (Jensen & Meckling 1976). Conflicts of interest between principals and agents cause the emergence of agency problems, where management does not always prioritize and act in accordance with the interests of stakeholders, sometimes even in the interests of management itself without paying attention to the impact it will have on stakeholders (Asitalia & Trisnawati, 2017). Information asymmetry can occur when agents do not disclose information transparently to principals (Saftiana et al., 2017). This is what can trigger earnings management practices.

2.2 Income Smoothing

Income Smoothing is defined as an effort to stabilize profits in several financial reporting periods (Husaini & Sayunita, 2016). Income smoothing may be something that company management uses to beautify its financial reports, especially from the profits obtained if the company's profits do not reach the company's expectations (Kusumaningtyas & Nasser, 2020). Income smoothing is an action that should not be carried out by an entity because it does not accurately represent the economic phenomena that occur in the entity as reflected in the financial statements, especially the profit and loss statement. Entities that carry out income smoothing can provide inaccurate information for stakeholders in making decisions, for example whether to invest in a company by looking at the Comprehensive Income Statements, especially the performance (profit) generated by entity during a certain period. Entities are required and should present financial reports based on SAK so that they can represent economic phenomena as they should so that decision making by stakeholders is more appropriate. Therefore, stakeholders should always be aware of income smoothing actions, if necessary, provide recommendations to the entity carrying out income smoothing actions to present information that accurately represents the common interest.

2.3 Effect of Cash Holding on Income Smoothing

Cash holdings represent how much cash equivalent a company has. In general, the higher the cash holdings, the greater the influence on smoothing of income actions. The reason is large amount of cash in the company is a big enough trigger for management to improve its performance in the eyes of shareholders so that they tend to carry out income smoothing (Putri & Nuswandari, 2021). This is also supported by Amalia Haniftian & Dillak (2020) who state that cash holding policies controlled by managers increase managers' motivation to prioritize personal interests by carrying out earnings management in the form of income smoothing. Managers are motivated to take opportunistic actions because the company has high free cash flow. The very liquid nature of

cash holdings makes cash very easy to disburse and easy to transfer, making it easy to hide for inappropriate actions.

On the other hand, perhaps cash holdings have no influence on smoothing of income. The reason is when entity does not have enough to finance dividends or fund investments at the entitie's new projects, the entity's next action is accumulate cash (cash holding) or even finance through debt, which means that income smoothing can not influence significant on the practice smoothing of income (Putri & Nuswandari , 2021). Supported by research by Putri & Nuswandari (2021) and Amalia Haniftian & Dillak (2020). Rely on previos explanation, this hypothesis:
H_1: Cash ownership influence positively on income smoothing.

2.4 Effect of Taxes on Income Smoothing

Income tax is a tax that companies must pay to the government every tax period. The income tax borne by the company will depend on how much of the entity's profits. If greater the entity's profit, so more many the tax would be covered by the entity, and vice versa. High taxes will create a burden for the company, so that it will motivate the entity about smoothing of income. With choosing an accounting method to transfer high company profits to the following year, thereby reducing company profits. Another way that is usually used is to increase the burden on the company, thereby reducing profits and reducing the income tax liability that must be paid by the company (Mahendra & Jati, 2020). This is also supported by research by Suharto & Sujana (2016) in Rahmadani et al. (2020) which states that income tax can affect the actions of managers because companies usually want to pay as little income tax as possible. So managers try to reduce company profits and increase costs so that the taxes that must be borne by the company are getting lower. Supported by research by Mahendra & Jati (2020), Rahmadani et al. (2020). Based on this description, the following hypothesis is formulated:
H_2: Tax influence positively on income smoothing.

2.5 Role of Entity Value as Moderating variable, that effect of Cash Holding on Income Smoothing

Entities with relatively value is high will predicted do smoothing of income to maintain the stability of the entity's market value, then it can attract investors or resources to the company (Darniaty & Murwaningsari, 2022). Based on this, the greater the cash holdings, where the agent will try to show stability and high cash holdings and the stability of the company's value to investors and stakeholders so that it will encourage the practice of income smoothing. Supported by research by Darniaty & Murwaningsari (2022). Rely on previos explanation, this hypothesis:
H_3: Entity value strengthens the effect positively cash ownership on income smoothing.

2.6 Role of Entity Values as a Moderator of Tax Effects on Income Smoothing

High taxes will make companies practice income smoothing, because companies will tend to pay taxes in small amounts and vice versa. Entity value will influence positively on income smoothing because the if entity value is higher, so greater tendency to smooth income, because good entity value reflects stable profits generated by the company so that it attracts management's interest in income smoothing. This indicates that high and stable profits will create high tax payments and good corporate value which encourages companies to do smoothing of income, then firm value strengthens influence positively of taxes on smoothing of income (Amalia Haniftian & Dillak, 2020). Supported by research Rely on previos explanation, this hypothesis:

H_4: Entity value strengthens the effect positively taxes on income smoothing.

3. RESEARCH METHOD

3.1 Research design

This research is causality type, which test the effect of all variables based on previous research (Sekaran & Bougie, 2016). The reserach' purpose is to determine the effect of dependepend variable on independend variable moderated by entity value.This research have unit of analysis is cyclical and non-cyclical sector on IDX. While the data used is panel data (lots of time and lots of objects) with the period 2020-2022.

3.2 Operational definition and measurement of variables

a. Independent variables

1 Cash Holding

Cash holdings are a ratio between cash (include cash equivalents) compare with total assets of the company (Kusumaningtyas & Nasser, 2020). The formula used is as follows based on research Gayatri and Wirasedana (2021): Holdings of Cash = (Cash and Cash Equivalents) divide by Total Assets.

2. Taxes

Tax reflects income tax which is the obligation of a company. Based on Handayani (2018) in Dini & Fau (2022) in calculating taxes: Taxes = Tax Expense / EBT (Income Before Tax).

a. Moderation Variables

1. Entity value

Value of Entity is the expectation (investor) of entity that is reflected through the market (Stock) mechanism. Based on Sukmawardini and Ardiansari (2018) in Henviani & Sanjaya (2020) value of entity = Price to Book Value (PBV). PBV = Share capital ordinary Price / Share capital

ordinary's Book Value. Where Share capital ordinary's Book Value = Shareholder's Preferred equity / Total Outstanding Common Shares.

b. Dependent Variables

1. Income Smoothing

The Eckel index can indicate income smoothing. Eckel index = CV delta I / CV delta S, where CV is the Covariance or coefficient of variation, I is income, S is sales, delta I or delta S is [(t - t-1) / t-1] (Husaini & Sayunita, 2016).

c. Control Variables

1. Firm Size

This variable use measurement to determine how big or small the business. The size of a company could be measured in several ways, for example, based on the assets owned or the amount of sales in a research year. Firm size = Ln total assets (Egbunike et al., 2023).

2. Profitability

Level's profit of the firm reflected by how the firm can generate good performance (profits). This variable could be measured using return on assets (ROA). Profitability (ROA) = Income after tax divided by Total Assets (Husaini & Sayunita, 2016).

3.3 Data collection procedures

3.3.1 Population, sample, and sampling method

This research use population are cyclical and non-cyclical sector on IDX. This research takes an analysis period from 2020 to 2022. Purposive sampling method is used in this research, that rely on specific characteristics (Widodo, 2017). The criteria specified in this study are as follows:

1) Cyclical and non-cyclical sector companies listed on IDX based on IDX-IC during 2020-2022.
2) The company was not listed/delisted as long as the period of research.
3) The company free from the net loss in 2019-2022.

3.3.2 Types of data and data sources

Based on the type, this study use secondary data, the period from 2020 to 2022. The data source was obtained through the website IDX or can visit to www.idx.co.id.

3.4 Method Analysis (Data)

In this study, the data used is panel data and analytical method used is quantitative data analysis method using logistic regression analysis because it has a nominal scale dependent variable. This research's data has a multiple time series also cross sections. The aims of this research to test the effect independend variable (cash holdings and tax) on dependend variable (income smoothing) moderated by entity value. Explanation of variable (Moderating) can refer to Solimunes (2011) study that explain type of moderating variables. Pure moderator is used in this study because the moderating variable functions as a moderator, interacts with the independent variables, and does not become independent. The research model is as follows:

Model:

PL = a + b1KS + b2PJ + b3NP + b4KS*NP + b5PJ*NP + b6UP + b7PF + e

Information:

PL = Income Smoothing
KS = Cash Holding
PJ = Tax
NP = Firm Value
UP = Firm Size
PF = Profitability
e = Errors

The regression test in this study used logistic regression. There is no normality test in this test because the data in the panel data regression test is assumed to be normal.

3.5 Descriptive Statistical Analysis

This analysis explain the value of data (min value, max value, average value, standard deviation value and range - independent and dependent variables) (Ghozali, 2016). The variables of this study consist of income smoothing, cash holdings, taxes and firm value. In this research, descriptive statistics analyze and present data (quantitative) in oder to describe the data's characteristics or description of the variables used in the research.

3.6 Logistic Regression Analysis

3.6.1 Likelihood Test

This research conduct overall test the regression model with Value of the -2 Log Likelihood. Which if Value of -2 Log Likelihood in the second block less than the first block, is mean the second model of the regression is better (Ghozali, 2016).

3.6.2 The test of Hosmer and Lemeshow (Test of Goodness of-fit)

This research conduct assessment of feasibility's the regression (model) in predicting the Test Chi Square of Hosmer and Lemeshow. The test have the hypothesis:

Ho: Model Fit (model able to explain empirical data)

Ha: The model does not fit.

This test examine Ho that data empirically fits or fits with the model. If fit test of Hosmer and Lemeshow Goodness, show the statistic is <0.05, it means the research's model is fit (Ghozali, 2016).

3.6.3 Nagelkerke R Square test

Nagelkerke R Square modifies the coefficients of Cox and Snell in order to make sure that values would be have range 0 to 1. This test assesses how much independent variables's changes can explain the variation of dependent variable. If greater determination's coefficient (R2) is better (Ghozali, 2016).

3.6.4 Matrix's Classification

The matrix's classification would provide the power's predictive of the regression model in order to predict the possibility of dependend variable in companies' sample. The result' study could be seen from the table's classification (Ghozali, 2016).

3.6.5 Partial Logit Regression Test

Tests carried out using the Wald test. Testing this hypothesis is by looking at the output in the variables in the equation column to test whether each logistic regression coefficient is significant (Ghozali, 2016). With the Wald test statistic, significant test or significant coefficient value:

1) Variable (Independent) influence Variable (Dependent) with sig (value) <0.05, or
2) Variable (Independent) can not influence Variable (Dependent) with sig (value) >0.05.

4. RESULTS AND DISCUSSION

4.1 Research' Object

The study' object is cyclical and non-cyclical listed companies'sector on IDX based on IDX-IC. This research use secondary data, namely data of sector company financial reports cyclical also non-cyclical. This study use sampling (Purposive) in oder to obtain the research' sample. The time span in this study is from 2020 to 2022. The purposive sampling' results is show at tables 1:

Table 1 Purposive Sampling (Table 1)

	Description	Total
1.	Cyclical and non-cyclical sector companies listed on IDX	263
2.	Delisted companies	(57)
3.	Companies that have negative profits	(137)
Company Totals		**69**
Total Samples (69x3)		**207**
Outliers Data		(20)
Total Data		**187**

4.2 Descriptive Statistical Analysis

Descriptive statistics explain value of data variabel (Ghozali, 2016). Lowest value of the entire company data being studied is a minimum value. The value's highest of the overall company data being studied is a maximum value. This study calculates the descriptive statistics of cash holdings, taxes, firm value, firm size and profitability. The descriptive statistical' results test are presented at table 2 below:

Table 2. Descriptive statistics (Table 2)

Variables	N	Min.	Max.	Avg.	Std. Dev.
Cash holding	187	0.0003	0.6211	0.1380	0.1314
Tax	187	0.0103	0.8625	0.2404	0.0854
Firm value	187	0.1304	56.7919	3.5401	7.4357
Firm size	187	11.2144	19.0109	15.3854	1.5441
Profitability	187	0.0001	0.3489	0.0840	0.0609

Source: Data processed 2023

From the descriptive statistical' results show at table 2:

1) Cash holdings with a value: minimum (min), maximum (max) and average (avg) are 0.0003, 0.6211, 0.1380 respectively. The result indicates that overall the sample under study has an average of 13.8% total cash if compared with the its total assets, with a deviation from the average value (0.1314).
2) Tax with a min value, max value and avg value 0.0103, 0.8625, 0.2404 respectively. The result indicates that as a whole of the sample studied, the average expense of income tax is around 24.04%, with a deviation from the average value of 0.0854.
3) Firm value with a min value, max value and avg value 0.1304, 56.7919, 3.5401 respectively. The result that overall from the sample studied, the average comparison between the fair value of the shares and their book value is around 3.5401, with a deviation from the average value of 7.4357.
4) Firm size with a min value, max value and avg value 11.2144, 19.0109, 15.3854 respectively. The result indicates that as a whole of the samples studied, the average natural log of total assets is around 15.3854, with a deviation from the average value of 1.5441.
5) Profitability with a min value, max value and avg value 0.0001, 0.3489, 0.0840 respectively. The result indicates that as a whole of the sample studied, the average net profit margin to total assets is around 8.4%, with a deviation from the average value of 0.0609.

Table 3 Descriptive Statistics of Income Smoothing

		Freq.	%	Valid %	Cumulative %
Valid	Company no perform Income Smoothing	89	47,6	47,6	47,6
	Company perform Income Smoothing	98	52,4	52,4	100
	Total	187	100	100	

From the descriptive statistical tests'result show at table 3 show that 89 companies (47.6%) do not perform smoothing of income and 98 companies (52.4%) perform smoothing of income rely on the sample during the research period.

4.3 Logistic Regression Analysis

4.3.1 Likelihood Test Results

Table 4. Iteration History[a,b,c]

Iterations		-2 log-likelihoods	Coef. Constant
Step 0	1	258,804	0.096
	2	258,804	0.096

Table 5. Iteration History[a,b,c,d]

Iterations		-2 log-likelihoods	Coef. const.	Cash Holding	Tax	Firm Value	Size	Profit.	M1	M2
Step 1	1	242,402	-2,327	1,462	5,171	-.047	0.031	6,248	-,317	,342
	2	241,008	-3,123	1,873	6,703	-.081	0.049	7,642	-,492	,611
	3	240,918	-3,320	2,039	6,853	-,104	0.056	8.007	-,571	,765
	4	240,917	-3,332	2,059	6,847	-,107	0.056	8,034	-,581	,785
	5	240,917	-3,332	2,059	6,847	-,107	0.056	8,034	-,581	,785

Rely on the descriptive statistical tests' results at tables 4 and 5, the overall research model is good. This can be seen from the value -2 Log likelihood step 1 1 with a value of 242.402 at table 5 which is smaller than the -2 Log likelihood step 0 1 with a value of 258.804 at table 4.

4.4 Result of Hosmer and Lemeshow Test

Table 6 Hosmer and Lemeshow Test

step	Chi-square	df	Sig.
1	4,362	8	0.823

Source: Data processed 2023

Rely on the Hosmer and Lemeshow test' results at table 6, it show the value (significance) is greater than value of alpha (0.823 > 0.05). With such the results could be interpreted that the model equation of the regression can be used and is appropriate for use in subsequent research or analysis. And it can also be predicted if the hypothesized equation fits the data.

4.5 Nagelkerke R Square Test Results

Table 7 Summary models			
step	-2 log-likelihoods	Cox & Snell R Square	Nagelkerke R Square
1	240,917a	0.091	0.122

Source: Data processed 2023

In table 7, the Nagelkerke R Square is obtained with a 0.122 or 12.2% value. In this way, it could be intrepreted that the magnitude - influence of the variables' independent, namely cash holding, taxes, the moderating variable, namely firm value and the control variable, namely firm size and profitability on income smoothing simultaneously, is 12.2%, with the remaining 87.8% being dominated by variables something else that is not included in this model.

4.6 Classification Matrix Results

Table 8 Classification					
			predicted		
			Income Smoothing Var		
	Observed		No Perf. Income Smoothing	Perf. Income Smoothing	Percent Correct
Step 1	Perf. Income Smoothing	No Perf. Income Smoothing	48	41	53,9
		Income Smoothing	33	65	66,3
	Overall Percentage				60,4

Source: Data processed 2023

According to the results shown in table 8, it is predicted that 65 companies or agencies carry out income smoothing, and based on observations showing 98 company data performing income smoothing, the accuracy of the prediction is 66.3%. Meanwhile, 48 companies is not performce smoothing of the income, and research results state that as many as 89 company data, which means that it has a prediction accuracy of 53.9%, does not carry out income smoothing. The accuracy of the overall prediction to show the accuracy of the regression model equation' estimation to assess the smoothing of income in this study is 60.4%.

Asian Journal of Management Entrepreneurship and Social Science
ISSN: 2808 7399
https://ajmesc.com/index.php/ajmesc Volume 03 Issue 04

4.7 Test Results of Partial Logit Regression

Table 9 Variables in the Equation

		B	Wald	df	Sig.	Exp(B)	Decision
Step 1a	Cash holding	2,059	1.328	1	0.249	7,837	H1 is rejected
	Tax	6,847	4,804	1	0.028 *	940,631	H2 is accepted
	Firm Value	-0.107	0.272	1	0.602	0.898	
	Firm size	.056	0.289	1	0.591	1.058	
	Profitability	8,034	5,497	1	0.019 *	3085,413	Significant
	M1 (Cash Holding*Firm Value)	-0.581	1,651	1	0.199	0.560	H3 is rejected
	M2 (Tax*Firm Value)	0.785	0.565	1	0.452	2,193	H4 is rejected
	Constant	-3,332	3,022	1	0.082	0.036	
	a. Variable(s) entered on step 1: Cash holding, Taxes, Firm value, Firm size, Profitability, M1, M2.						

The table 9 show Hypothesis 1 is rejected - Cash Holding has a sig. value of 0.249 > 0.05. Hypothesis 2 is accepted - Taxes have a sig. value of 0.028 <0.05, so hypothesis 2 with a beta of 6.847, so taxes positively affect income smoothing. Hypothesis 3 Firm Value which moderates the influence of Cash Holding has a significance value of 0.199 > 0.05, so hypothesis 3 is rejected. Hypothesis 4: Firm value that moderates the influence of taxes has a significance value of 0.452 > 0.05, so hypothesis 4 is rejected. In addition, the profitability control variable has a significance value of 0.019 <0.05 with a beta of 8.034, so profitability positively affects income smoothing.

5. DISCUSSION

5.1 Effect of Cash Holding on Income Smoothing

Rely at the table 9, it show that cash holding has a sig. value of 0.249 > 0.05, this indicates that cash holding does not affect income smoothing. This can happen because cash holding is

separate from management's intention to practice income smoothing. Cash holding is more inclined to the cash basis while income smoothing is more inclined to the accrual basis, so holding of cash has no influence on smoothing of income practices. These results are supported by Putri and Nuswandari (2021). However, these results contradict the research of Inayah and Izzaty (2021), Kusumaningtyas and Nasser (2020) and Rahmadani et al. (2020).

5.2 Effect of Taxes on Income Smoothing

Table 9 show taxes have a sig. value of 0.028 <0.05, with a beta of 6.847, so taxes influence positively on income smoothing. This happens because, according to agency theory, where there are different interests between agents and principals, in the context of the State, agency theory occurs between taxpayers as agents and the government as principals. There is a difference of interest between agents who want taxes tend to be smaller than principals who want taxes to maximize their tax revenue. This impacts the taxes paid by agents, in which agents will be motivated to generate lower tax payments by smoothing of income.

In addition, the entity's income tax will depend on the entity's profits amounts. If greater the amount profit of the company, so greater the tax that the company must bear, and vice versa. High taxes will create a burden for the company so it will drive the entity do smoothing of income. It can be done by choosing an accounting method to transfer high company profits to the following year, thereby reducing company profits. Another way that is usually used is to increase the burden on the company's expenses, thereby reducing profits and reducing the income tax liability that must be paid by the company (Mahendra & Jati, 2020).

This is also supported by the research of Suharto and Sujana (2016) in Rahmadani et al. (2020) which states that income taxes can influence managers' actions because companies usually want to pay as little income tax as possible. So managers try to reduce company profits and increase costs so that the company's taxes are getting lower. In addition, these results are also supported by Mahendra & Jati (2020) and Saputra & Agustin (2022). This results contradict the other research' results by Rahmadani et al. (2020), Dini and Fau (2022) also Pambudi et al. (2021).

5.3 Role of the Firm Values as Moderating variable, in order to Influence of Cash Holding on Income Smoothing

Rely on table 9, it show that Firm Value which moderates the influence of Cash Holding on Smoothing of Income, it has a significant value (positive) of 0.199 > 0.05, so Firm Value cannot strengthen the influence of Cash Holding on Income Smoothing. This happened because, rely on the descriptive statistics' results at table 2, Firm Value has an average of 3.5401. However, with a fairly high deviation of 7.4357 (standard deviation > average value) this is due to stock price fluctuations during the pandemic Covid-19 which ultimately affects firm value, for example PT

Ace Hardware Indonesia Tbk with a share price in 2020 of Rp. 1,715 per share, then change in 2021 Rp. 1.280 per share, then change in 2022 to Rp. 496 per share.

5.4 Role of the Firm Values as Moderating Variable, in order to Influence of Taxes on Income Smoothing

Rely on table 9, it show that firm value which moderates the influence of tax on smoothing of income has a sig. value of 0.452 > 0.05, so firm value cannot moderate the influence of tax on smoothing of income. it was driven by fluctuations in stock prices during the Covid-19 pandemic, if rely on table 2, Firm Value has an average of 3.5401 but with a fairly high deviation of 7.4357 or the standard deviation > average value.

5.5 Effect of Control Variables on Income Smoothing

Table 9 shows two control variables in the study, namely firm size and profitability. Firm size with a sig. value of 0.591 > 0.05, so this variable can not affect income smoothing. Profitability with a value (sig) of 0,019 < 0,05 and with a beta of 8.034 means that this variable influence positively on income smoothing, these results occur is caused by the higher the profit of company, so the entity is motivated to do smoothing of income.

6. CONCLUSION

This research have a some conclusions:

1. Cash Holding has no influence on Income Smoothing for cyclical and non-cyclical sector companies listed on the IDX 2020-2022.
2. Taxes have a influence (positive) on Income Smoothing for cyclical and non-cyclical sector companies listed on the IDX 2020-2022.
3. Firm Value is unable to moderate the effect of Cash Holding on Income Smoothing in cyclical and non-cyclical sector companies listed on the IDX 2020-2022.
4. Firm Value is unable to moderate the effect of Tax on Income Smoothing in cyclical and non-cyclical sector companies listed on the IDX 2020-2022.
5. Company size (control variable) has no influence on Income Smoothing for cyclical and non-cyclical sector companies listed on the IDX 2020-2022.
7. Profitability (control variable) has a positive effect on Income Smoothing in cyclical and non-cyclical sector companies listed on the IDX 2020-2022.

8. Limitations

During the course of this research, researchers naturally had some limitations, including the following:

6. In processing research data, there are several companies that fall into the outlier category, so they must be excluded from the research sample.
7. The Nagelkerke R Square value is relatively very limited, the variance of the variables of independent in explaining the variable of dependent is only 12.2%.

From these limitations, the researcher proposes for further research:

1. Using the research period after the Covid-19 pandemic, so that research data does not fluctuate relatively, for example stock price data.
2. Adding other research variables, for example the information asymmetry variable as measured using the relative bid-ask spread.

9. Implications

Rely on the limitations as a mention above, this research have implication:

1. For Literature: Research can be a basis for making further research related to Cash Ownership, Taxes, Corporate Value and Income Smoothing.
2. For Companies: Research can provide benefits for companies, especially principals in preventing income smoothing practices. Companies, especially principals, are expected to be able to take preventive measures against agents and be able to carry out more effective supervision.
3. For Regulators: Research can provide additional insight that is useful for regulators (factors that affect income smoothing, for example taxes) to prevent income smoothing practices carried out by entities, so that they can carry out prevention mechanisms, relevant regulators and also more oversight mechanisms. effective.
4. For Investors: Research can provide additional useful insights for investors so that their investment decisions are more appropriate for companies that do not practice income smoothing. Investors will be able to invest more precisely so that they can generate, for example, returns for these investors.

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