

## Board of Directors Moderates Cash Flow and Leverage Effects on Earnings Management

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### *Abstrak*

Penelitian ini bertujuan menganalisis pengaruh Cash Flow dan Leverage terhadap Manajemen Laba serta menguji peran Dewan Direksi sebagai variabel moderasi. Penelitian menggunakan pendekatan kuantitatif dengan data sekunder berupa laporan tahunan dan laporan keuangan perusahaan Property dan Real Estate yang terdaftar di Bursa Efek Indonesia periode 2021–2025. Melalui purposive sampling, diperoleh 215 observasi awal, kemudian 171 observasi digunakan setelah proses Casewise Diagnostics. Analisis dilakukan menggunakan regresi linear berganda dan Moderated Regression Analysis (MRA). Hasil penelitian menunjukkan bahwa Cash Flow dan Leverage berpengaruh negatif dan signifikan terhadap Manajemen Laba. Namun, Dewan Direksi tidak mampu memoderasi pengaruh Cash Flow maupun Leverage terhadap Manajemen Laba.

**Kata Kunci:** Cash Flow, Leverage, Manajemen Laba, Dewan Direksi, Property dan Real Estate

### *Abstract*

*This study aims to analyze the impact of Cash Flow and Leverage on Earnings Management and examines whether the Board of Directors moderates these relationships. Using a quantitative causal approach, secondary data were collected from annual reports and financial statements of Property and Real Estate companies listed on the Indonesia Stock Exchange for 2021–2025. Purposive sampling initially produced 215 observations, with 171 retained after Casewise Diagnostics. The data were analyzed using multiple linear regression and Moderated Regression Analysis. The findings show that Cash Flow and Leverage both have a negative and significant relationship with Earnings Management. However, the Board of Directors does not significantly moderate either relationship.*

**Keywords:** Cash Flow, Leverage, Earnings Management, Board of Directors, Property and Real Estate

## **A. INTRODUCTION**

Earnings management can be understood as management's efforts to determine or implement specific accounting policies that potentially influence the level of earnings reported to external parties (Scott & O'Brien, 2019). Earnings figures in financial statements serve as key information considered by investors and creditors when evaluating corporate performance and making economic decisions (Kieso *et al.*, 2020). According to Agency Theory, divergent interests and information asymmetry between company owners and management can create opportunities for opportunistic behavior, including earnings management practices (Jensen & Meckling, 1976). This issue is particularly relevant for property and real estate companies, which typically require substantial capital and undertake projects with relatively long completion periods.

The diversity in financial conditions among property and real estate companies is evident in their performance results for 2025. PT Summarecon Agung Tbk (SMRA) recorded revenue of Rp8,766,927,470,000 and a net profit of Rp1,204,010,173,000. Meanwhile, PT Alam Sutera Realty Tbk (ASRI) posted revenue of Rp2,933,946,681,000 and a net profit of Rp318,523,814,000. PT Indonesian Paradise Property Tbk (INPP) generated revenue of Rp1,740,629,000,000 with a net profit of Rp49,820,000,000, whereas PT Mega Manunggal Property Tbk (MMLP) recorded revenue of Rp355,657,358,000 and a net profit of Rp70,725,061,000. On the other hand, PT PP Properti Tbk (PPRO) generated revenue of only Rp323,221,982,612 and recorded a loss of Rp4,855,083,069,899. This disparity in results demonstrates that companies within the same sector can exhibit widely varying financial conditions and performance.

Cash flow reflects a company's ability to generate and provide cash from operating activities and other corporate activities (Hanandika *et al.*, 2022). Adequate cash flow can reduce pressure on management to engage in opportunistic behavior regarding earnings reporting (Aburishah *et al.*, 2022). Conversely, leverage indicates the extent to which a company utilizes debt-based financing (Kieso *et al.*, 2020). High levels of debt can increase creditor scrutiny of the company's condition and performance, potentially limiting the scope for management to engage in opportunistic actions. Nevertheless, prior research on the

relationship of cash flow and leverage with earnings management has yielded mixed findings (Litaya & Suhendah, 2023). These inconsistent results provide a compelling reason to re-examine the influence of these two variables.

The Board of Directors is positioned as a moderating variable due to its role in directing policy and overseeing corporate management. Effective oversight mechanisms are expected to curb opportunistic management behavior while influencing the relationship between a company's financial condition and earnings management (Winarno *et al.*, 2022). This study offers a novel contribution by examining the impact of cash flow and leverage on earnings management, as well as the moderating role of the Board of Directors in these relationships, focusing on property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2025 period. Notably, this study is conducted without incorporating control variables into the research model.

This study aims to determine the impact of cash flow and leverage on earnings management and to examine the Board of Directors' ability to moderate the relationship between these two variables. Theoretically, the study is expected to enrich empirical evidence regarding the application of agency theory in explaining earnings management practices. From a practical perspective, the findings are expected to provide valuable information for management, investors, and creditors in evaluating a company's financial condition and the effectiveness of its oversight mechanisms.

## **1. Theoretical Review and Hypothesis**

### **a. Agency Theory**

Agency Theory addresses the contractual relationship between company owners (principals) and management (agents). Jensen and Meckling (1976) explain that divergent goals and information asymmetry between the two parties can create opportunities for management to act in their own self-interest, including through earnings management practices. In this study, Agency Theory serves as the basis for explaining the relationship of cash flow and leverage with earnings management, while also elucidating the role of the Board of Directors as an internal oversight mechanism to mitigate potential opportunistic management behavior.

**b. The Effect of Cash Flow on Earnings Management**

Cash flow reflects a company's ability to generate and provide cash through operating activities (Kieso *et al.*, 2020). A robust cash flow position indicates relatively strong financial health, which can reduce the pressure on management to engage in opportunistic actions regarding earnings reporting (Aburishah *et al.*, 2022). From an Agency Theory perspective, such conditions limit the scope for management to exploit information asymmetry for self-serving purposes. Therefore, the stronger the cash flow, the lower the company's propensity to engage in earnings management.

**H1:** Cash flow has a negative effect on earnings management.

**c. The Effect of Leverage on Earnings Management**

Leverage indicates the extent to which debt is utilized to meet a company's financing needs (Kieso *et al.*, 2020). An increased proportion of debt can prompt creditors to pay closer attention to and monitor the company's condition, including management's actions. Such oversight can limit management's opportunities to engage in opportunistic behavior during the preparation and presentation of financial statements (Christian & Sumantri, 2022). Consequently, higher leverage is expected to result in a lower level of earnings management.

**H2:** Leverage has a negative effect on earnings management.

**d. The Board of Directors Moderates the Effect of Cash Flow on Earnings Management**

The Board of Directors is responsible for directing company management and overseeing the execution of corporate activities as part of internal governance (Winarno *et al.*, 2022). Effective oversight can restrict management's ability to exploit cash flow conditions to engage in actions that influence earnings information. Therefore, the presence of a Board of Directors is expected to alter the strength of the relationship between cash flow and earnings management.

**H3:** The Board of Directors moderates the effect of cash flow on earnings management.

**e. The Board of Directors Moderates the Effect of Leverage on Earnings Management**

Leverage can drive increased monitoring by creditors, while the Board of Directors serves as a component of the company's internal oversight. Both mechanisms have the potential to reduce the scope for management to engage in opportunistic behavior regarding financial reporting. With adequate oversight by the Board of Directors, the relationship between leverage and earnings management is expected to change, potentially either strengthening or weakening the effect (Melati *et al.*, 2025).

**H4:** The Board of Directors moderates the effect of leverage on earnings management.

**B. METHOD**

This research adopted a quantitative method using a causal design to investigate the relationship between Cash Flow, Leverage, and Earnings Management, while also assessing the moderating function of the Board of Directors. The study examined property and real estate firms registered on the Indonesia Stock Exchange throughout 2021–2025. Secondary information was collected from annual reports and financial statements available on the official Indonesia Stock Exchange platform and the respective company websites. The research population included all property and real estate firms listed during the study period. Samples were selected through purposive sampling according to specific criteria, producing 43 companies with 215 observations. Following the identification of extreme data through Casewise Diagnostics, 171 observations remained and were used in the subsequent analysis. Data analysis was performed with IBM SPSS Statistics, covering descriptive statistics, classical assumption testing, multiple regression analysis, and Moderated Regression Analysis (MRA). Multiple regression was applied to assess the influence of Cash Flow and Leverage on Earnings Management, whereas MRA was utilized to evaluate whether the Board of Directors altered the strength or direction of these relationships. The hypotheses were assessed by examining the statistical significance of the regression coefficients and interaction effects.

### C. RESULTS AND DISCUSSIONS

#### 1. Descriptive Statistic

Descriptive statistics are used to provide an overview of the research data through minimum and maximum values, the mean, the standard deviation, and the number of observations. The variables analyzed in this study include Cash Flow, Leverage, Earnings Management, and the Board of Directors. Based on the descriptive statistics, the initial number of observations in this study was 215. Subsequently, a normality test was conducted, and Casewise Diagnostics identified several observations as extreme cases. After these observations were excluded, the number of data points used for further testing was 171.

**Tabel 1 Descriptive Statistic**

| Descriptive Statistics  |     |         |         |        |                |
|-------------------------|-----|---------|---------|--------|----------------|
|                         | N   | Minimum | Maximum | Mean   | Std. Deviation |
| Cash Flow (X1)          | 215 | -0,10   | 0,80    | 0,0283 | 0,07382        |
| Leverage (X2)           | 215 | 0,01    | 7,30    | 0,7142 | 0,90388        |
| Earnings Management (Y) | 215 | -0,28   | 16,58   | 0,5030 | 1,80008        |
| Board of Directors (Z)  | 215 | 2,00    | 10,00   | 4,0651 | 1,95162        |
| Valid N (listwise)      | 215 |         |         |        |                |

Source: Processed Data by SPSS version 24 (2026)

#### 2. Classical Assumption Test

##### a. Normality Test

The normality test aims to determine whether the residuals in the regression model follow a normal distribution. In this study, the test was conducted using the One-Sample Kolmogorov-Smirnov Test.

**Tabel 2 Normality Test**

| One-Sample Kolmogorov-Smirnov Test |                |                         |
|------------------------------------|----------------|-------------------------|
|                                    |                | Unstandardized Residual |
| N                                  |                | 171                     |
| Normal Parameters <sup>a,b</sup>   | Mean           | 0,0000000               |
|                                    | Std. Deviation | 0,03991852              |

|                                                    |          |                      |
|----------------------------------------------------|----------|----------------------|
| Most Extreme Differences                           | Absolute | 0,049                |
|                                                    | Positive | 0,049                |
|                                                    | Negative | -0,025               |
| Test Statistic                                     |          | 0,049                |
| Asymp. Sig. (2-tailed)                             |          | 0,200 <sup>c,d</sup> |
| a. Test distribution is Normal.                    |          |                      |
| b. Calculated from data.                           |          |                      |
| c. Lilliefors Significance Correction.             |          |                      |
| d. This is a lower bound of the true significance. |          |                      |

Source: Processed Data by SPSS version 24 (2026)

Initial testing revealed that the research data did not exhibit a normal distribution of residuals. Consequently, Casewise Diagnostics was employed to identify observations classified as extreme values (outliers). Data identified as outliers were excluded from the analysis, resulting in a final set of 171 observations for use in subsequent testing stages. Following this adjustment, the normality test yielded an Asymp. Sig. (2-tailed) value of 0.200. This significance value exceeds the 0.05 threshold ( $0.200 > 0.05$ ), indicating that the residuals in the regression model follow a normal distribution.

### b. Multicollinearity Test

The multicollinearity test aims to determine whether there are strong intercorrelations among the independent variables used in the regression equation. A model is considered free from multicollinearity if the Tolerance value is above 0.10 and the VIF value does not exceed 10.

**Tabel 3 Multicollinearity Test**

| Coefficients <sup>a</sup>                      |                        |                         |       |
|------------------------------------------------|------------------------|-------------------------|-------|
| Model                                          |                        | Collinearity Statistics |       |
|                                                |                        | Tolerance               | VIF   |
| 1                                              | (Constant)             |                         |       |
|                                                | Cash Flow (X1)         | 0,914                   | 1,094 |
|                                                | Leverage (X2)          | 0,944                   | 1,060 |
|                                                | Board of Directors (Z) | 0,891                   | 1,122 |
| a. Dependent Variable: Earnings Management (Y) |                        |                         |       |

Source: Processed Data by SPSS version 24 (2026)

The analysis results show that the Cash Flow variable obtained a Tolerance value of 0.914 with a VIF of 1.094. The Leverage variable had a Tolerance

value of 0.944 and a VIF of 1.060, while the Board of Directors variable obtained a Tolerance value of 0.891 with a VIF of 1.122. All these variables met the criteria, as they exhibited Tolerance  $> 0.10$  and VIF  $< 10$ . Based on these results, it can be stated that no indication of multicollinearity was found in the regression model. Thus, the research model has met the multicollinearity test criteria and is suitable for subsequent analysis.

### c. Heteroscedasticity Test

The heteroscedasticity test is used to assess whether the dispersion of residual variances in the regression model is constant or varies across observations. In this study, the test was conducted using the Glejser test. A model is considered free from heteroscedasticity if the significance value for each variable is above 0.05.

**Tabel 4 Heteroscedasticity Test**

| Coefficients <sup>a</sup>      |                        |       |
|--------------------------------|------------------------|-------|
| Model                          |                        | Sig.  |
| 1                              | (Constant)             | 0,000 |
|                                | Cash Flow (X1)         | 0,818 |
|                                | Leverage (X2)          | 0,726 |
|                                | Board of Directors (Z) | 0,387 |
| a. Dependent Variable: ABS_RES |                        |       |

Source: Processed Data by SPSS version 24 (2026)

The Glejser test results show significance values of 0.818 for Cash Flow, 0.726 for Leverage, and 0.387 for the Board of Directors. All three values exceed the 0.05 significance threshold. Therefore, it can be concluded that the regression model does not exhibit signs of heteroscedasticity. This implies that the residual variance in the model is relatively constant and the assumption regarding heteroscedasticity has been satisfied, allowing the model to proceed to the next stage of testing.

## d. Autocorrelation Test

The autocorrelation test aims to identify whether a relationship exists between the residuals of a given period and those of the preceding period. In this study, the test was conducted using the Durbin-Watson method.

**Tabel 5 Autocorrelation Test**

| Model Summary <sup>b</sup> |               |
|----------------------------|---------------|
| Model                      | Durbin-Watson |
| 1                          | 1,910         |

Source: Processed Data by SPSS version 24 (2026)

Following data treatment via the Cochrane-Orcutt method, a Durbin-Watson value of 1.910 was obtained. This value falls within the range between dU (1.7856) and 4-dU (2.2144), as indicated by the criterion  $1.7856 < 1.910 < 2.2144$ . Based on these results, it can be concluded that there is no indication of autocorrelation in the regression model. Consequently, the research model satisfies the assumption of the absence of autocorrelation and is suitable for the subsequent stage of analysis.

## 3. Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to examine the effect of Cash Flow and Leverage on Earnings Management.

**Tabel 6 Multiple Linear Regression Analysis**

| Coefficients <sup>a</sup> |                |                             |            |                           |
|---------------------------|----------------|-----------------------------|------------|---------------------------|
| Model                     |                | Unstandardized Coefficients |            | Standardized Coefficients |
|                           |                | B                           | Std. Error | Beta                      |
| 1                         | (Constant)     | 0,029                       | 0,004      |                           |
|                           | Cash Flow (X1) | -0,364                      | 0,063      | -0,407                    |
|                           | Leverage (X2)  | -0,010                      | 0,004      | -0,187                    |

a. Dependent Variable: Earnings Management (Y)

Source: Processed Data by SPSS version 24 (2026)

The results produced the following regression equation:

$$Y = 0.029 - 0.364X1 - 0.010X2 + e$$

Where Y represents Earnings Management, X1 represents Cash Flow, X2 represents Leverage, and e represents the error term.

- The constant value of 0.029 indicates that when Cash Flow and Leverage are assumed to remain constant, the predicted value of Earnings Management is 0.029.
- The Cash Flow coefficient is -0.364, indicating a negative relationship between Cash Flow and Earnings Management. Thus, an increase in Cash Flow tends to be associated with a decrease in Earnings Management, assuming other variables remain constant.
- The Leverage coefficient is -0.010, indicating a negative relationship between Leverage and Earnings Management. Thus, an increase in Leverage tends to be associated with a decrease in Earnings Management, assuming other variables remain constant.

#### 4. Hypothesis Testing

##### a. Goodness of Fit Test (F-Test)

The F-test is used to determine whether the independent variables simultaneously explain the dependent variable and to assess the suitability of the regression model employed in the study.

**Tabel 7 Goodness of Fit Test (F-Test)**

| ANOVA <sup>a</sup>                                       |            |                |     |             |        |                    |
|----------------------------------------------------------|------------|----------------|-----|-------------|--------|--------------------|
|                                                          | Model      | Sum of Squares | df  | Mean Square | F      | Sig.               |
| 1                                                        | Regression | 0,063          | 2   | 0,031       | 19,227 | 0,000 <sup>b</sup> |
|                                                          | Residual   | 0,273          | 168 | 0,002       |        |                    |
|                                                          | Total      | 0,336          | 170 |             |        |                    |
| a. Dependent Variable: Earnings Management (Y)           |            |                |     |             |        |                    |
| b. Predictors: (Constant), Leverage (X2), Cash Flow (X1) |            |                |     |             |        |                    |

Source: Processed Data by SPSS version 24 (2026)

Based on the F-test results, the calculated F-value is 19.227, with a significance value of 0.000. Since the significance value is less than 0.05 ( $0.000 < 0.05$ ), it can be concluded that the regression model used in the study meets the criteria for model suitability.

### b. Partial Test (t-Test)

The t-test was conducted to determine the partial effect of each independent variable on Earnings Management at a significance level of 5% or  $\alpha = 0.05$ .

**Tabel 8 Partial Test (t-Test)**

| Coefficients <sup>a</sup> |                |                             |            |                           |        |       |
|---------------------------|----------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                     |                | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                           |                | B                           | Std. Error | Beta                      |        |       |
| 1                         | (Constant)     | 0,029                       | 0,004      |                           | 6,622  | 0,000 |
|                           | Cash Flow (X1) | -0,364                      | 0,063      | -0,407                    | -5,825 | 0,000 |
|                           | Leverage (X2)  | -0,010                      | 0,004      | -0,187                    | -2,679 | 0,008 |

a. Dependent Variable: Earnings Management (Y)

Source: Processed Data by SPSS version 24 (2026)

Based on the results of the t-test above, the following conclusions can be drawn:

1. Cash Flow yielded a calculated t-value of -5.825 with a significance level of 0.000. This value falls below the significance threshold of 0.05 ( $0.000 < 0.05$ ); therefore, it can be stated that Cash Flow has a significant influence on Earnings Management. The negative regression coefficient indicates that an increase in Cash Flow tends to be accompanied by a decrease in Earnings Management. Based on these results, H1 is accepted.
2. Leverage showed a calculated t-value of -2.679 with a significance value of 0.008. Since the significance value is lower than 0.05 ( $0.008 < 0.05$ ), Leverage is proven to have a significant influence on Earnings Management. The negative sign on the regression coefficient indicates an inverse relationship, meaning that an increase in Leverage tends to be accompanied by a decrease in Earnings Management. Thus, H2 is accepted.

### c. Moderated Regression Analysis (MRA)

Moderated Regression Analysis was conducted to determine whether the Board of Directors (Z) moderates the relationship between Cash Flow and Leverage with Earnings Management. The analysis was conducted through the

inclusion of the moderating variable and interaction variables between the independent variables and the moderator.

**Tabel 9 Moderated Regression Analysis (MRA) equation 2**

| Coefficients <sup>a</sup> |                        |                             |            |                           |        |       |
|---------------------------|------------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                     |                        | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                           |                        | B                           | Std. Error | Beta                      |        |       |
| 1                         | (Constant)             | 0,022                       | 0,007      |                           | 3,058  | 0,003 |
|                           | Cash Flow (X1)         | -0,387                      | 0,065      | -0,433                    | -5,956 | 0,000 |
|                           | Leverage (X2)          | -0,011                      | 0,004      | -0,207                    | -2,894 | 0,004 |
|                           | Board of Directors (Z) | 0,002                       | 0,002      | 0,093                     | 1,259  | 0,210 |

a. Dependent Variable: Earnings Management (Y)

Source: Processed Data by SPSS version 24 (2026)

The significance value for the Board of Directors is 0.210, which is greater than 0.05; therefore, it can be concluded that the Board of Directors does not have a significant direct effect on earnings management. Thus, the size of the Board of Directors does not demonstrate a significant direct influence on earnings management in the companies studied.

**Tabel 10 Moderated Regression Analysis (MRA) equation 3**

| Coefficients <sup>a</sup> |                        |                             |            |                           |        |       |
|---------------------------|------------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                     |                        | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                           |                        | B                           | Std. Error | Beta                      |        |       |
| 1                         | (Constant)             | 0,007                       | 0,011      |                           | 0,598  | 0,551 |
|                           | Cash Flow (X1)         | -0,163                      | 0,150      | -0,182                    | -1,089 | 0,278 |
|                           | Leverage (X2)          | 0,002                       | 0,013      | 0,030                     | 0,124  | 0,902 |
|                           | Board of Directors (Z) | 0,007                       | 0,003      | 0,284                     | 2,180  | 0,031 |
|                           | X1Z                    | -0,055                      | 0,033      | -0,305                    | -1,648 | 0,101 |
|                           | X2Z                    | -0,003                      | 0,003      | -0,288                    | -1,033 | 0,303 |

a. Dependent Variable: Earnings Management (Y)

Source: Processed Data by SPSS version 24 (2026)

In the third equation, the interaction variables Cash Flow × Board of Directors (X1Z) and Leverage × Board of Directors (X2Z) were tested as moderating variables.

1. The Cash Flow × Board of Directors (X1Z) interaction has a coefficient of -0.055 and a significance value of 0.101 (> 0.05). This indicates that the

Board of Directors does not moderate the effect of Cash Flow on Earnings Management. Consequently, H3 is rejected, and the Board of Directors is categorized as a homologizer moderator.

2. The Leverage  $\times$  Board of Directors (X2Z) interaction has a coefficient of -0.003 and a significance value of 0.303 ( $> 0.05$ ). These results indicate that the Board of Directors does not moderate the effect of Leverage on Earnings Management. Therefore, H4 is rejected, and the Board of Directors is classified as a homologizer moderator.

#### d. Coefficient of Determination ( $R^2$ )

The coefficient of determination is used to determine the extent to which the variables included in the model explain variations in the dependent variable.

**Tabel 11 Coefficient of Determination ( $R^2$ )**

| Model Summary <sup>b</sup>                                                       |                    |          |                   |                            |
|----------------------------------------------------------------------------------|--------------------|----------|-------------------|----------------------------|
| Model                                                                            | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1                                                                                | 0,440 <sup>a</sup> | 0,194    | 0,179             | 0,04028                    |
| a. Predictors: (Constant), Board of Directors (Z), Leverage (X2), Cash Flow (X1) |                    |          |                   |                            |
| b. Dependent Variable: Earnings Management (Y)                                   |                    |          |                   |                            |

Source: Processed Data by SPSS version 24 (2026)

The analysis results show an R-squared value of 0.194 and an Adjusted R-squared value of 0.179. The Adjusted R-squared value indicates that the variables of Cash Flow, Leverage, and the Board of Directors can simultaneously explain 17.9% of the variation in Earnings Management. The remaining 82.1% indicates that there are other factors—beyond the variables used in this study—that contribute to explaining the variation in Earnings Management. Thus, the research model possesses an explanatory power of 17.9%, while the remaining 82.1% is attributable to variables or factors not included in the model.

## **D. CONCLUSIONS**

The diverse financial conditions of property and real estate companies, characterized by differences in cash flow and leverage, highlight the importance of examining factors that may influence Earnings Management. This study aims to analyze the effects of Cash Flow and Leverage on Earnings Management and examine the moderating role of the Board of Directors in these relationships. The findings show that Cash Flow and Leverage negatively and significantly influence Earnings Management in property and real estate companies listed on the Indonesia Stock Exchange during 2021–2025. This indicates that stronger cash flow may reduce management's motivation to engage in earnings management, while higher leverage may increase creditor monitoring and limit opportunistic reporting practices. However, the Board of Directors does not moderate the relationship between Cash Flow or Leverage and Earnings Management, indicating that the number of directors does not necessarily reflect the effectiveness of corporate governance. This study is limited by using the number of Board of Directors members as a measure of the moderating variable, as it may not fully capture the quality of corporate governance, as well as by the limited observation period and research scope. Future studies are encouraged to extend the observation period and research coverage and incorporate broader corporate governance indicators and other factors that may affect Earnings Management.

## **E. SUGGESTIONS**

Subsequent studies are encouraged to lengthen the observation period and increase the number of research observations. Researchers may also incorporate additional factors that could be associated with earnings management, including Free Cash Flow, profitability, firm size, sales growth, managerial ownership, institutional ownership, and audit quality, given that the current model has not fully accounted for variations in earnings management. In addition, the Board of Directors should be assessed using broader indicators rather than solely relying on the number of directors, such as independence, qualifications, expertise, diversity, and the frequency of board meetings, in order to provide a more accurate representation of supervisory effectiveness. Future research may also consider firms from different industrial sectors or apply

cross-sector comparisons to improve the generalizability of the findings. Employing alternative earnings management measures and analytical techniques is likewise recommended to provide a more extensive understanding of the factors associated with earnings management.

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