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Earnings Management Activities: Discretionary Accruals and Real Activity Manipulation

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Abstract

This study examines earnings management practices using discretionary accruals and real activities manipulation in Indonesia's property and real estate sector during 2022–2023, given the potential of such practices to mislead financial statement users in this rapidly growing industry. Employing a descriptive quantitative approach with secondary data, 72 firm-year samples were selected through purposive sampling. The findings reveal clear indications of earnings management via both accruals and real activities, with a significant difference observed between the two methods. These results extend Agency Theory by highlighting dual strategies used in post-pandemic contexts and underscore the need for regulators (OJK, IDX) to strengthen disclosure and oversight policies. For practitioners, the findings emphasize the importance of ethical reporting and improved internal controls to enhance financial transparency and investor trust.

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1. Introduction

The rapid development of industry in Indonesia has significantly transformed the competitive landscape of the business sector. This is reflected in the increasing number of companies expanding into various sectors to maximize profits and secure their market presence. As competition intensifies, companies are under greater pressure to provide timely, relevant, and accurate financial information to inform investment decisions. High-quality financial reports, which reflect a company's financial health, are critical for both internal management and external stakeholders. These reports provide a clear overview of a company's operational performance and its financial standing, making them essential tools in the decision-making process (Anggadini et al., 2021). Recent studies have also emphasized the importance of The goal of transparency is to improve the public's capacity to reason and to hold organisations responsible for their policies, procedures, and actions by making all relevant information readily available in a clear, concise, and accurate manner (Maulana & Lubis, 2020).

In this context, companies are expected to prepare financial statements that meet the qualitative characteristics outlined in financial reporting standards, such as relevance, reliability, comparability, and understandability. These qualities ensure that financial data are not only accurate but also meaningful and accessible to users, particularly investors and creditors who rely on this information for making informed decisions. Reliable financial reports can help mitigate risks and enhance corporate governance by enabling stakeholders to monitor performance and identify potential red flags. Moreover, as businesses navigate an increasingly complex regulatory environment, maintaining the integrity of financial reporting has become even more crucial for long-term sustainability and competitiveness. The use of such information supports better decision-making and contributes to creating a stable, trustworthy corporate environment.

Financial statements are vital in furnishing critical information to investors and creditors, facilitating educated judgements about resource allocation (Sukamulja, 2022). These statements aim to provide a transparent overview of a company's financial status, performance, and cash flows, which are essential for evaluating profitability and risk. Accrual accounting is favoured in financial reporting as it offers a more precise depiction of a company's economic operations by aligning revenues with the corresponding costs required to obtain them. This approach helps stakeholders better understand the company's financial health over time. However, while accrual accounting enhances transparency, it also introduces opportunities for management to influence financial outcomes through accounting choices (Wang et al., 2020).

Earnings management appears as a frequent attempt to maximize managers' profits. This is a serious problem faced by practitioners, accounting and finance academics over the past few decades (Syaipudin, 2022). These practices can range from legitimate decisions that align with the company's goals to more opportunistic actions that may mislead stakeholders (Dechow et al., 2010). By adjusting accruals, such as recognizing revenue early or delaying expenses, managers can influence reported earnings without violating accounting standards. While earnings management may benefit the company in the short term, it can erode trust and lead to long-term financial instability, making it a significant concern for regulators and investors alike.

Information in financial reports is considered important so that financial reports are vulnerable to earnings management manipulation practices. Management manipulates financial statements so as to provide false information to users of financial statements for decision making. Earnings management arises from the flexibility of accounting standards in the use of accounting standards to use assumptions, judgments, and the selection of methods of calculating depreciation in financial statements, which allows the preparation of profit figures to be manipulated (Siladjaja et al., 2023). If a situation arises where the profit objective set by management cannot be achieved, management will leverage the flexibility permitted by accounting rules in the preparation of financial statements to alter the reported profit. Management can enhance business value by disclosing supplementary information in the financial statements. However, increased disclosure of financial statements will reduce information asymmetry and reduce opportunities for earnings management.

The approaches in earnings management are earnings management with a real approach and an accrual approach. This accrual earnings management measurement model is considered not to reveal complete conditions about earnings management practices, because this model ignores the relationship between cash flow transactions and accruals (Ningsih, 2017). Cohen & Lys (2022) note that real activity measures offer a more appropriate way of capturing earnings management behavior, especially in the context of a changing information environment. They suggest that the use of accruals and real activity methods provides a more holistic approach than the use of accruals alone. Other research, such as that conducted by Hamza & Kortas (2019), also suggests a complex relationship between these two approaches, where firms may choose to shift from accrual-based earnings management to real activity manipulation, depending on regulatory and market conditions. Thus, the combination of these two methods provides a more accurate analysis of earnings management.

If it is not possible to explain the whole effect of earnings management actions using a single earnings management approach. In order to control profits, executives will not use accrual manipulation alone. There is a negative correlation between real activity manipulation—defined as management actions that deviate from normal business practices—and firm value. This is because actions taken in one period to increase earnings might have a negative effect on cash flows in future periods. If you want to reach certain revenue criteria, you can advance the recognition of revenue and postpone the recognition of expenses. This is an example of discretionary accruals, often known as accrual manipulation. Delaying R&D initiatives and cutting back on discretionary spending like maintenance and advertising are examples of real activity manipulation.

Many studies analyze earnings management, often focusing on discretionary accruals as a common tool companies use to manipulate financial statements to create a positive impression for investors (Hong et al., 2022). Research shows significant differences in current and long-term discretionary accruals before and after an IPO, with smaller accruals post-IPO due to accrual reversal following earnings management at the IPO stage. This study also found differences in long-term market performance between companies that engage in aggressive versus conservative earnings management via discretionary accruals and real activity manipulation. Similarly, Agatha Susanti & Titik Aryati (2023) examined the effect of earnings management through discretionary accruals on the relevance of accounting information in manufacturing firms. Their study on consumer goods companies listed on the Indonesia Stock Exchange from 2018 to 2020 concluded that earnings management influences share price and stock return. Specifically, earnings value affects stock prices but not stock returns, while book value does not affect stock prices but does influence stock returns in these manufacturing firms.

The property and real estate sector is particularly vulnerable to fluctuations in exchange rates and interest rates, which significantly impact consumer purchasing power (Islami & Canggih, 2023). Despite these challenges, this sector remains profitable and growing worldwide, including in Indonesia. It is considered to have positive prospects but is also seen as high risk and difficult to predict. Optimism for growth in 2023 is fueled by increased purchases in the previous year, even amid government regulatory intensification (summareconserpong.com, 2023). This context motivates research focusing on whether property and real estate companies engaged in earnings management during 2022-2023. Therefore, this study aims to examine earnings management in the sector by analyzing two methods: discretionary accruals and manipulation of real activities. Specifically, the objectives are to detect the presence of earnings management through discretionary accruals and real activities manipulation in property and real estate companies during 2022-2023 and to determine whether significant differences exist between these two types of earnings management within the sector during this period.

Managers, as internal parties, hold more comprehensive information about company operations than shareholders, creating information asymmetry. This imbalance often leads managers to manipulate accounting figures to maximize personal benefits through earnings management practices, as explained by agency theory (Gogineni et al., 2022). In Indonesia, the property and real estate sector is one of the largest contributors to the national economy. According to the Indonesia Stock Exchange (IDX) 2023 report, this sector recorded a market capitalization of IDR 350 trillion and experienced 7.8% year-on-year property sales growth during the post-pandemic recovery period (Idx.co.id, 2024). However, most prior research has concentrated on the manufacturing sector or pre-pandemic conditions, leaving a research gap in understanding earnings management behavior within the property sector during the post-pandemic era (Ravid & Sekerci, 2020).

Previous studies typically examined either discretionary accrual-based earnings management or real activities manipulation separately, whereas this study integrates both approaches to provide a more comprehensive perspective. This novelty is crucial for analyzing managerial reporting behavior amid rapid recovery in the property sector. Therefore, this study aims to investigate earnings management practices in Indonesian property and real estate companies listed on the IDX during 2022–2023 and to compare the intensity between discretionary accruals and real activity manipulation. Furthermore, it seeks to determine whether significant differences exist between these two methods in this sector.

2. Literature Review

Agency Theory

Agency theory, which emerged from information economics in the 1960s–1970s, explains the conflict of interest between principals (owners) and agents (managers) arising from the separation of ownership and control, where managers hold superior operational knowledge, creating information asymmetry (Jensen & Meckling, 1976). This asymmetry leads to agency costs manifested in two key issues: the agency problem, in which managers may manipulate earnings for personal gain, and the risk-sharing dilemma, where differing risk preferences influence reporting behavior. In Indonesian public companies, particularly those listed on the IDX, this dynamic is evident in practices such as discretionary accrual-based earnings management and real activities manipulation (e.g., accelerating sales or reducing discretionary expenses) to meet profit targets or maintain investor confidence. Empirical studies have shown that concentrated ownership structures, common in family or group-affiliated firms, can heighten these conflicts, although monitoring by large shareholders may partially mitigate earnings manipulation but cannot fully eliminate information asymmetry (Watriani & Serly, 2022).

Earnings Management

Managers engage in earnings management when they use their discretion to impact reported earnings over time through the use of accounting methodologies for financial reporting (accrual EM) or by timing and structuring operational, investment, or financial activity (real EM). One of the things that might make financial statements less trustworthy is earnings management. As a result of earnings management, financial statements become more biassed and consumers of such statements may be misled into thinking that engineered earnings statistics are the same as non-engineered ones. The morality of earnings management is a topic of ongoing discussion. On the other hand, earnings management is a tool that many businesses utilise to boost their performance.

Earnings Management Through Discretionary Accruals

Earnings management through discretionary accruals refers to managerial practices where company managers use discretionary accruals to influence reported earnings. Discretionary accruals reflect management policies and can be used to assess the possibility of earnings management in the company (Imelda & Palauw, 2012). Several studies have shown that discretionary accruals can be used to detect earnings management actions through manipulation of real activities carried out by companies. In addition, discretionary accruals can also affect the relevance value of accounting information, such as stock prices. Therefore, discretionary accruals are often used to measure accrual earnings management.

Earnings Management Through Real Activity Manipulation

Controlling profits via use of tangible actions The manager's intention to deceive financial statement readers into believing in assertions produced based on regular operations motivates earnings management to shift from normal operating methods to abnormal operating practices (Roychowdhury, 2006). There are two main arguments in favour of managers manipulating real activity rather than accrual when it comes to earnings management (Graham et al., 2005) are that auditors and regulators more often examine and observe accrual manipulation compared to company policies in pricing and production so that managers' decisions to carry out earnings management through accrual manipulation are more effective.

3. Research Methods

This study employed the descriptive quantitative research strategy. Gathering measurable data and analysing it statistically to test hypotheses or answer research questions is a common practice in quantitative research methods. Quantitative approaches are used to empirically measure the association of specific variables in research that use online surveys using multiple regression analysis or SEM-PLS analysis techniques (Pradana & Sumiyana, 2023). The goal of descriptive research is to provide a description, explanation, and validation of the phenomena under study by describing the research outcome. The research issue that is established for this sort of study needs to be realistic, have some scientific merit, and not be overly general. With factual facts rather than subjective opinions, the objective should not be too generalised (Ahmad, 2017). This study used the Indonesia Stock Exchange website as its research location in the year 2024.

A population is a group of things or people that share some characteristics. This study's research population consists of companies listed on the Indonesia Stock Exchange in the property and real estate sector throughout the years 2022 and 2023. A sample is a representation of a population to the extent that it is representative of that population. A representative sample meeting the criteria laid out is the goal of the sampling process, which is based on purposive sampling. Here are the criteria that were used to pick the sample:

Table 1. Purposive sampling

No	Criteria	Amount
1	Total Population	95
2	Companies in the property and real estate sector that have not been listed on the Indonesia Stock Exchange for the years 2022 and 2023 in a row	(12)
3	Companies in the property and real estate sector that posted losses for the year	(41)
4	The company did not publish financial reports in 2022-2023	(6)
5	Companies that are delisted during the period 2022-2023	(0)
	Sample	36
	Total sample (nx2)	72

Source: Processed Data, 2024

Table 1 presents the sampling criteria used in this study rather than the research data itself. This table outlines the conditions applied to select companies as research samples. The study relies on secondary data obtained from multiple personal and institutional sources to answer predetermined research questions. Data were collected from electronic media, including official websites, current events, scholarly articles, and archival materials. This systematic process of gathering and organizing information constitutes the data collection technique, ensuring that all information used is based on empirical evidence, thereby enhancing reliability (Rahmansyah et al., 2020).

Documentation, defined as recorded information of past events such as writings, photographs, or organizational records, supports the secondary data collection method. In this research, documentation involves collecting company profit information sourced from the Indonesia Stock Exchange (IDX). The data collection process also incorporates a literature review, including journals, books, newspapers, and other internet-based resources, to analyze relevant theories and empirical findings related to the study.

4. Results

Earnings Manipulation by Discretionary Accruals

Earnings Manipulation by discretionary accruals refers to managerial practices where company managers use discretionary accruals to influence reported earnings. The discretionary accrual approach is often used by companies in order to alter financial figures for the purpose of earnings management give a positive impression to investors. Management policies are reflected in discretionary accruals and can be used to assess the possibility of earnings management in the company (Hong et al., 2022). Several studies have shown that discretionary accruals can be used to detect earnings management actions through manipulation of real activities carried out by companies. In addition, discretionary accruals can also affect the relevance value of accounting information, such as stock prices. Therefore, discretionary accruals are often used to measure earnings management accruals.

Management has the option to set discretionary accruals, which are costs or accruals that are not bound by any specific rules. As a stand-in for discretionary accruals, which are out-of-the-ordinary accruals and management policies, earnings management research is evaluated. Furthermore, managers are able to participate in opportunistic financial reporting to maximise their own prosperity since discretionary accruals indicate personal information that managers supply to reflect the state or economic value of a firm. A common metric for accrual earnings management is discretionary accruals, which arise from management intervention with financial reporting.

To boost reported short-term profitability, four components of discretionary accruals might be utilised (Lee, 2020): (1) Depreciation and amortisation costs. Over the lifetime of fixed assets, managers have some control over how discretionary accruals are calculated. 2. A rise in net accounts receivable and a fall in the bad debt allowance or reserve. The quantity of the allowance for receivables that cannot be collected can be decided by managers. Adding fixed overhead costs to inventory instead of classifying them as expenses results in an increase in inventory. (4) A reduction in accrual liabilities and accounts payable. Managers put the cost of warranty claims into the following period's budget so that the current period's warranty expenditure is less and the profit is higher.

Earnings Management Through Real Activity Manipulation.

Earnings management through real activity manipulation is a phenomenon in which company managers take certain actions that change the company's operations from normal operations to abnormal operations with the aim of providing a misleading financial picture to stakeholders. These actions include manipulations such as excessively increasing production, reducing important discretionary costs, and manipulating operating cash flows. This is done to influence the perception of users of financial statements so that the report appears healthier than the actual condition (Putri et al., 2020).

The main reasons for managers to manipulate real activities are to achieve certain performance targets, avoid supervision from auditors and regulators, and to increase company value in the short term. Compared to accrual manipulation, real activity manipulation is more difficult for auditors to detect because it involves direct changes in operational activities, such as reducing research and development costs or delaying other important expenses whose impact may not be immediately visible in the financial statements (Cohen & Lys, 2022).

Earnings management activities detected through real activity manipulation occur when companies significantly increase production volumes, reduce discretionary costs associated with innovation and development, and manipulate operating cash flows in order to achieve specific profit targets. This is based on the fact that real activity manipulation, such as excessive production increases, can result in lower costs per unit in the short term, thereby increasing the company's profit margin. However, these actions often carry significant risks, including reduced long-term profitability due to reduced product quality, increased storage costs, or the inability to sell overproduced products.
In addition, the reduction of discretionary costs, such as research and development (R&D) expenses, can also be an indicator of real activity manipulation. While these actions may increase short-term profits, in the long run it may stifle innovation, reduce the company's competitiveness, and reduce sustainable growth. Operating cash flow manipulation, which may involve delaying payments or accelerating revenue recognition, also serves to give the illusion of stronger cash flows, when in reality this could undermine the company's future financial health.

Discretionary Accrual Earnings Management.
Earnings management through discretionary accruals is a practice in which companies manipulate their financial statements by deliberately changing the value of accruals (unrealized income or expenses). Discretionary accruals can be used to measure earnings quality and audit quality. A negative discretionary accrual value indicates earnings management by lowering earnings, while a positive discretionary accrual value indicates earnings management by increasing earnings1. During an initial public offering (IPO), companies tend to perform earnings management through discretionary accruals to increase interest in the shares offered. However, differences in earnings management practices between aggressive and conservative companies tend to decrease after the IPO is conducted. The following are the results of the data analysis of discretionary accruals in property and real estate sector companies in 2022-2023:

Table 2. Discretionary Accrual Calculation

No	Year	Emiten	DA	No	Year	Emiten	DA
1	2022	ADCP	-0.000	19	2022	INPP	-0.414
	2023		-0.000		2023		-0.429

No	Year	Emiten	DA	No	Year	Emiten	DA
2	2022	AMAN	-0.436	20	2022	IPAC	-0.458
	2023		-0.625		2023		-0.380
3	2022	APLN	-0.303	21	2022	JRPT	-0.042
	2023		-0.295		2023		-0.101
4	2022	ASRI	-0.135	22	2022	LPCK	-0.014
	2023		-0.135		2023		-0.008
5	2022	ATAP	-0.228	23	2022	LPLI	-0.014
	2023		-0.174		2023		-0.002
6	2022	BCIP	-0.059	24	2022	MKPI	-1.544
	2023		-0.083		2023		-1.464
7	2022	BEST	-0.060	25	2022	MMLP	-0.001
	2023		-0.054		2023		-0.002
8	2022	BSDE	-0.022	26	2022	MTLA	-0.273
	2023		-0.020		2023		-0.280
9	2022	CSIS	-0.227	27	2022	PLIN	-0.116
	2023		-0.226		2023		-0.134
10	2022	CTRA	-0.163	28	2022	POLI	-0.485
	2023		-0.166		2023		-0.045
11	2022	DADA	-0.003	29	2022	PWON	-0.198
	2023		-0.002		2023		-0.207
12	2022	DMAS	-0.152	30	2022	RDTX	-0.024
	2023		-0.150		2023		-0.014
13	2022	DUTI	-0.037	31	2022	REAL	-0.145
	2023		-0.035		2023		-0.139
14	2022	FMII	-0.000	32	2022	RISE	-0.408
	2023		-0.003		2023		-0.392
15	2022	GMTD	-0.043	33	2022	SMDM	-0.607
	2023		-0.037		2023		-0.534
16	2022	GPRA	-0.049	34	2022	SMRA	-0.640
	2023		-0.048		2023		-0.630
17	2022	HOMI	-0.002	35	2022	SWID	-0.781
	2023		-0.001		2023		-0.613
18	2022	INDO	-0.497	36	2022	WINR	-0.148
	2023		-0.600		2023		-0.107

Source: Processed Data, 2024

Table 2 summarizes the abnormal values of discretionary accruals (DA) for property and real estate companies during 2022–2023. The findings show that most companies report negative discretionary accrual values, indicating a general tendency to reduce reported earnings through accrual adjustments. Although the magnitude varies, several companies maintain relatively stable negative values across both years, while others display significant fluctuations, suggesting shifts in accrual-based earnings management strategies. The presence of a few positive values in certain firms highlights that accrual manipulation practices are not uniform across the sector.

The overall pattern suggests that variations in discretionary accrual values are influenced by changes in financial conditions, operational strategies, or regulatory pressures during the post-pandemic recovery period. The predominance of negative values reflects a possible income-decreasing strategy, which may be used to manage tax obligations or smooth earnings for future periods. Meanwhile, the substantial spread of values ranging from highly negative to occasionally positive emphasizes heterogeneity in earnings management behavior among property issuers. This result provides an empirical basis for comparing accrual-based and real earnings management practices within the same sector.

Earnings management Real activity.

Earnings management through real activities is a practice in which a company takes real actions to influence its financial statements. These real activities include various actions, such as changing the selling price of products, reducing production costs, or shifting income or expenses to a later period. The purpose of earnings management through real activities is to improve the company's image or meet certain profit targets. However, this practice must be carried out with integrity and transparency so as not to harm the company's stakeholders. The following are the results of data analysis for real activities of property and real estate sector companies in 2022-2023:

Table 3. Calculation of Real Activity

No	Year	Emiten	CFO	No	Year	Emiten	CFO
1	2022	ADCP	0.163	19	2022	INPP	0.178
	2023		0.165		2023		0.169
2	2022	AMAN	0.176	20	2022	IPAC	0.239
	2023		0.185		2023		0.214
3	2022	APLN	0.225	21	2022	JRPT	0.175
	2023		0.134		2023		0.180
4	2022	ASRI	0.195	22	2022	LPCK	0.150
	2023		0.165		2023		0.158
5	2022	ATAP	0.152	23	2022	LPLI	0.156
	2023		0.117		2023		0.149
6	2022	BCIP	0.171	24	2022	MKPI	0.200
	2023		0.161		2023		0.197
7	2022	BEST	0.174	25	2022	MMLP	0.156
	2023		0.160		2023		0.155
8	2022	BSDE	0.181	26	2022	MTLA	0.184
	2023		0.177		2023		0.193
9	2022	CSIS	0.164	27	2022	PLIN	0.166
	2023		0.147		2023		0.167
10	2022	CTRA	0.174	28	2022	POLI	0.179
	2023		0.178		2023		0.151
11	2022	DADA	0.132	29	2022	PWON	0.178
	2023		0.149		2023		0.177
12	2022	DMAS	0.210	30	2022	RDTX	0.177
	2023		0.185		2023		0.170
13	2022	DUTI	0.188	31	2022	REAL	0.133
	2023		0.195		2023		0.149
14	2022	FMII	0.155	32	2022	RISE	0.171
	2023		0.151		2023		0.158
15	2022	GMTD	0.228	33	2022	SMDM	0.216
	2023		0.217		2023		0.186
16	2022	GPRA	0.163	34	2022	SMRA	0.178
	2023		0.194		2023		0.187
17	2022	HOMI	0.189	35	2022	SWID	0.214
	2023		0.162		2023		0.206
18	2022	INDO	0.150	36	2022	WINR	0.157
	2023		0.152		2023		0.156

Source: Processed Data, 2024

Table 3 summarizes the abnormal values of cash flow from operations for property and real estate companies during 2022–2023. The results show that most companies reported positive abnormal values, suggesting a tendency to increase operating cash flow through real earnings management practices. Although some issuers exhibited stable values, others experienced notable fluctuations, reflecting variations in how firms adjust operational activities to influence reported earnings. These variations highlight differences in managerial behavior and financial strategies across companies within the same sector.

The overall findings indicate that changes in abnormal operating cash flow values may reflect firms' responses to market conditions, regulatory shifts, or internal financial pressures during the post-pandemic period. The presence of positive values in both years suggests that real earnings management remained a common strategy among these companies. The magnitude of these changes also implies that some firms intensified cash flow manipulation, while others reduced such practices, potentially due to improving governance or changing investor expectations. This pattern underscores the importance of monitoring real earnings management as part of financial reporting quality assessment in the property sector.

Descriptive Statistical Analysis.

In order to determine if earnings management strategies are present in financial statements, this study used the discretionary accruals method. In order to determine discretionary accruals, this study used the Jones modified model technique. An irregular cash flow operation, an abnormal production cost, and an abnormal discretionary spending are the three proxies used in this method to evaluate actual earnings management. Here, we use an unusual cash flow operation to evaluate it. Table 4 displays the descriptive statistics for all of the variables.

Table 4. Results Descriptive statistical analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
DA	72	-1.544	0	-0.234	0.299	0.090
CFO	72	0.117	0.239	0.174	0.023	0.001
Valid N (listwise)	72					

Source: Processed Data, 2025

Table 4 shows The mean value of discretionary Accruals is -0.234, which indicates that, overall, there is a negative trend in accrual earnings management. This may indicate that during the observation period, companies tend to reduce their accrual profit. The minimum value of discretionary Accruals is -1.544 and the maximum value is 0.000. This range indicates that some companies have very negative values of discretionary accruals, while others have discretionary accruals that are close to zero, which means there are no significant positive discretionary accruals. The standard deviation of discretionary Accruals is 0.299, which indicates considerable variation among firms in terms of accrual earnings management practices. The variance of discretionary Accruals is 0.090, confirming the existence of considerable dispersion in the discretionary Accruals data.

The mean abnormal cash flow operation value is 0.174, which indicates that real earnings manipulation through operating cash flow tends to be positive. This could mean that overall, companies tend to increase their operating cash flow. The minimum value of abnormal cash flow operation is 0.117 and the maximum value is 0.239. This indicates that all companies in the sample have positive operating cash flows, with fairly small variations between companies. The standard deviation of abnormal cash flow operation is 0.023, which indicates a relatively small variation in operating cash flow among companies. The variance of abnormal cash flow operation is 0.001, which further indicates that the variation in real earnings manipulation through operating cash flow among firms is small.

Firms in the sample show a tendency to reduce their accrual earnings, as indicated by the negative mean value of discretionary accruals. Real earnings manipulation through operating cash flow tends to be positive, but with relatively small variation, suggesting greater consistency among firms in this regard. Overall, the variation in earnings management practices is greater in the context of discretionary accruals compared to operating cash flows.

Comparative Analysis.
This study will use one way analysis of variance (ANOVA) test to test the hypotheses that have been formulated. Before applying the ANOVA test, it is important to ensure that the data from the four earnings management proxies meet the assumption of equality of variance, which is a prerequisite in ANOVA. For this reason, a test of homogeneity of variance is conducted.

This homogeneity of variance test is calculated using SPSS software, which aims to test the ANOVA assumption that each group (category) of independent variables has the same variance. If the value of Levene's statistic shows significance at the 0.05 level, then the null hypothesis stating that the groups have the same variance can be rejected. The results of this homogeneity of variance test are shown in table 5 below.

Table 5. Variance Analysis Results

Test of Homogeneity of Variances				
	Levene Statistic	**df1**	**df2**	**Sig.**
Based on Mean	63.261	1	142	0.000
Based on Median	36.051	1	142	0.000
Based on Median and with adjusted df	36.051	1	71,515	0.000
Based on trimmed mean	49.467	1	142	0.000

Source: Processed Data, 2025

Table 5 shows the results of the levene statistical value of 63.261 with a p-value of 0.000 which is based on the definition (based on mean). Because the p-value less than 0.050, the decision is that the population does not have the same variance or in other words, there are differences in earnings management in accrual earnings management and real earnings management. In this case, the assumption that in the ANOVA test the variables must have equal variance is not met. However, according to recent research, as expressed by Aldrich (2023) and Hair et al. (2019), ANOVA can still be used because this method is considered robust to small to moderate deviations from homogeneity of variance. The next step after conducting the homogeneity of variance test is the ANOVA test. The ANOVA test is conducted to determine whether there is a difference in the level of accrual and real earnings management. The ANOVA test results are shown in Table 6 below.

Table 6. ANOVA Analysis Results

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.022	1	6.022	133.608	0.000
Within Groups	6.400	142	0.045		
Total	12.421	143			

Source: Processed Data, 2025

Table 6 shows that the computed F-value is 133.608, which is significantly higher than the critical F-value of 2.770 at the 5% significance level. This result leads to the rejection of the null hypothesis (H0), indicating that there are significant differences between the levels of real earnings management and accrual-based earnings management. The analysis of variance (ANOVA) also confirms a statistically significant difference among the four forms of earnings management examined, with a p-value of 0.000, making the probability of this result occurring by chance exceedingly small.

These findings suggest that earnings management practices in the property sector involve distinct patterns between accrual and real activities, which may be associated with factors such as ownership structure or post-pandemic financial recovery strategies. This aligns with several prior studies that reported differing tendencies between real and accrual earnings management but also provides a basis for further analysis in the discussion section.

Discussion

The findings of this study indicate that most property and real estate companies in Indonesia during 2022–2023 exhibit negative discretionary accruals and positive abnormal operating cash flows, suggesting the simultaneous use of income-decreasing accrual strategies and income-increasing real activities. This dual pattern supports previous research by Purwanti (2016) and Katsurayya & Sufina (2017), who found that managers tend to shift between accrual-based and real earnings management depending on regulatory and market pressures. However, this study expands prior findings by focusing on the post-pandemic property sector in Indonesia, which experienced significant structural shifts in demand and financing patterns compared to pre-pandemic studies that primarily examined manufacturing firms (Syahputri et al., 2023; Watriani & Serly, 2022).

From the perspective of agency theory, these results highlight how managers exploit information asymmetry by selecting earnings management methods aligned with their strategic objectives and external pressures. The dominance of negative accruals may reflect attempts to build income reserves for future periods ("big bath accounting"), while positive real cash flow manipulation suggests efforts to maintain investor confidence and stabilize share prices amid volatile market recovery. This aligns with Tanusaputra & Eriandani (2021), who observed that family-controlled firms in Indonesia often prefer real earnings management to sustain reputation and access to financing.

The findings also contribute to policy and regulatory discussions. For regulators such as the Otoritas Jasa Keuangan (OJK) and the Indonesia Stock Exchange (IDX), evidence of mixed earnings management practices underscores the need for enhanced disclosure standards and audit oversight, particularly in the property sector where operational decisions (e.g., project launches, sales recognition) can significantly distort reported earnings. For auditors and investors, recognizing the coexistence of accrual and real earnings management provides insights into assessing financial reporting quality and detecting potential misalignments between managerial actions and shareholder interests.

This study's novelty lies in simultaneously examining accrual and real earnings management within a single framework, focusing on the post-pandemic period and a sector underexplored in prior Indonesian literature. By integrating both approaches, the research offers a more comprehensive understanding of earnings management strategies and their implications for agency conflicts and corporate governance. These insights not only confirm but also extend agency theory by demonstrating how external shocks (such as the pandemic) influence managers' choice of earnings management methods and the resulting oversight challenges for capital market stakeholders.

5. Conclusion and Suggestion

This study finds that property and real estate companies in Indonesia during 2022–2023 engage in both accrual and real earnings management. Most firms show negative discretionary accrual values, indicating income-decreasing strategies, while simultaneously recording positive abnormal operating cash flows, reflecting income-increasing real activities. The ANOVA results confirm significant differences between these two forms of earnings management, highlighting their complementary role in shaping reported performance. These findings provide a comprehensive view of how managers navigate post-pandemic market conditions to manage stakeholder perceptions.

From a theoretical perspective, the study advances Agency Theory by showing that managers utilize multiple earnings management strategies depending on internal and external pressures. This dual approach extends the traditional view of agency conflicts, which often focuses only on accrual-based manipulations. It demonstrates that real activity management should also be considered a critical mechanism for opportunistic behavior. Such insights enhance understanding of managerial decision-making and provide a richer foundation for future academic research on agency dynamics in emerging markets.

From a policy and practical standpoint, the results underscore the need for regulators such as the OJK and IDX to strengthen disclosure and monitoring standards. Integrated audit approaches that assess both financial statements and operational activities are recommended to address dual earnings management strategies. Investors and auditors can use these findings to better evaluate financial reporting quality and anticipate potential mispricing risks in the property sector. Future research should examine moderating variables such as corporate governance, firm size, and leverage, and broaden the scope of real earnings management metrics to include production costs and discretionary spending for a fuller analysis. By integrating accrual and real earnings management perspectives in a post-pandemic property sector context, this study offers a novel framework that bridges theoretical insights and practical implications for Indonesia's capital market oversight.

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