International Journal of Application on Economics and Business (IJAEB)
Volume 3, Issue 2, 2025. ISSN: 2987-1972

THE EFFECT OF IFRS ADOPTION ON REAL EARNINGS MANAGEMENT WITH THE MODERATING ROLE OF BOARD CHARACTERISTICS

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Submitted: 07-02-2025, Revised: 22-03-2025, Accepted: 19-04-2025

ABSTRACT

This study was carried out with the objective of determining the effect of International Financial Reporting Standards (IFRS) on Real Earnings Management (REM) practices using board characteristics as a moderating variable that determined by board size, board independence, CEO duality, board expertise, and gender diversity. This research employs a quantitive approach, utilizing purposive sampling technique with a sample of 31 non-cylical consumer sector companies that listed on Indonesia Stock Exchange (IDX) for the periods of 2009-2011 and 2019-2023 . Data is processed using STATA application with the PCSE Estimator feature in testing the hypothesis. This research results indicate that IFRS, board independence, board expertise, and gender diversity do not exert a substantial on REM. While board size exerts a considerable negative influence on REM and CEO duality exerts a considerable positive influence on REM. In addition, it was found that board size moderates significantly positive for the correlation between IFRS and REM, where CEO duality and board expertise moderate significantly negative. However, there's no moderating effect of board independence and gender diversity variables were found in this study. So it can be concluded that board characteristics partially moderate the correlaction between IFRS and REM.

Keywords: *Real Earnings Management, IFRS, Board Characteristics*

1. INTRODUCTION

In the current business and economic landscape, competition between companies is increasing. Companies contend to attain company goals. Where the companies objective is to enhance the welfare or prosperity of its shareholders (Rahmawati & Putri, 2020). A tool for shareholders and external parties to find out company performance can be measured through financial reports. Financial reports are information resources for stakeholders when making economic decisions. However, existence of information asymmetry between management and users of financial reports can encourage earnings management practices.

The PT Tiga Pilar Sejahtera Food Tbk. scandal in 2018 serves as an example of earnings management issues in Indonesia, which engaged in income maximization by increasing account receivables that related to fictious sales, making its financial statement appear more favorable (Saleh, 2020). This problem makes this research even more interesting to explore earnings management in Indonesia. In practice, earnings management consists of two approaches, namely accrual earnings management (AEM) and real earnings management (REM).

The explanation of Real Earnings Management (REM) according to Zang (2012) is manipulation of company operational activities that influence cash flow to achieve certain financial reporting objectives. Meanwhile, Accrual Earnings Management (AEM) is defined as an earnings management action carried out through accounting policy choices or by

changing estimates and accounting methods that affect accrual earnings without affecting cash flow (Scott, 2015). Graham, Harvey, and Rajgopal (2005) offer evidence suggesting that top management tends to be more inclined to involve in REM practices than AEM to achieve profit goals. As a result, this research focuses on REM practices.

As part of an initiative to improve the integrity of financial reporting and minimize earnings management practices, many countries, including Indonesia, have implemented International Financial Reporting Standards (IFRS). Indonesia began fully implementing IFRS in early 2012. The implementation of IFRS aims to foster the growth of Indonesia's equity market by delivering high-quality financial reports that meet the needs of investors and other stakeholders (Wulandari & Adiwati, 2016).

The companies chosen for this research are consumer non-cyclical companies that have been listed on Indonesia Stock Exchange (IDX) since 2007. There are 41 companies included. Non-cyclical companies are those that produce goods or services that are consistently in demand and necessary for consumers, regardless of the economic conditions. This makes demand tend to be stable so that significant changes in sales or production patterns can be more easily detected as an indication of REM.

Agency Theory

Jensen and Meckling (1976) characterize agency relationships as contractual agreements between two parties as known as principals and agents. The principal (owner) delegates some of his power to the agent (management) to carry out company operations. In this case, the company owner's hope for management is to produce high-quality financial reports by reflecting financial performance with a correct and fair perspective. This conflict of interest between principals and agents produces asymmetric information which can be defined as the inconsistent flow of accounting information from management to shareholders (Scott, 2015). In reality, management know more information than owners because the financial reports themselves are prepared by management. To overcome this asymmetric information, the application of accounting standards is needed to regulate the reporting framework to increase symmetric information (Scott, 2015). Apart from implementing accounting standards which aim to increase transparency and accountability of financial reports, good corporate governance can also play a pivotal role in mitigating this agency problem. Corporate governance will help to reduce the conflicts of interest between stakeholders as reflected in the agency theory framework (Beasley, 1996; Fama & Jensen, 1983). One way of corporate governance can be seen from board characteristics.

Positive Accounting Theory (PAT)

PAT was created to explain existence of accounting, accounting procedures, the role of accountants, the purpose of accounting and the influence of the results on society and resource utilization (Jensen & Meckling, 1976). In this case, Positive Accounting Theory hopes that management can implement accounting policies (for example the implementation of IFRS). Apart from that, this theory also describes, clarifies and predicts management behavior as a result of implementing IFRS.

International Financial Reporting Standards (IFRS)

IFRS is accounting standards created to offer guidance in the preparation of financial reports. The implementation of IFRS which can support a transparent, accountable and efficient financial reports can suppress real earnings management practices. Previous research conducted by Cahyati (2018) found a negative influence from the adoption of IFRS on REM.

Contrast with Lippens (2010), Katsurayya and Sufina (2016) who found a positive effect and Senjani (2013) who did not find a significant effect. The implementation of IFRS provides more comprehensive disclosures and reduces flexibility in choosing accounting methods, thus restricting manager's ability to manipulate profits using real operational activities. According to Cahyati (2018), IFRS has a negative impact on REM. This is in line with PAT, where companies who implement international accounting standards can produce more transparent and credible financial reports, thereby narrowing management's opportunities to practice REM.
H1: IFRS has a negative impact on REM (See **Figure 1**)

Board characteristics are vested in the company's capital interests and are responsible for managing shareholder interests without discrimination or reducing membership, as well as assuming management duties (Nurwanti et al., 2022).

Board Size
Board size pertains to the overall count of directors comprising a company's board. Two primary concepts of the board of directors exist the one tier board system and two tier board system. Indonesia adheres to two tier board system which separates the board membership structure between the commissioners as supervisors and the directors as company executives. Based on the research from Oh and Jeon (2017), it was discovered that board size has a positive impact on REM, this indicates that a larger board size is associated with a higher level of REM due to ineffective decisions. Contrast to Chouaibi, Harres, and Brahim (2018), Hasan et al. (2022), also Attia, Ismail, and Mehafdi (2022) who found a negative influence and Abubakar, Ishak, and Chandren (2017), Rajeevan and Ajward (2019), also Mardianto and Dwiyanti (2024) who found no significant impact. Board Size is an important determinant of board effectiveness that in line with agency theory. According with Hasan et al. (2022), board size give a negative impact on REM. It shows that larger board size will suppress REM. This happen because a large board size will have a greater supervisory capacity and more comprehensive monitoring of management activities, including REM efforts.
H2: Board Size has a negative impact on REM (See **Figure 1**)

Board Independence
Board independence defined as the total number of independent commissioners in company who act as arbitrators when disputes occur within the board. Research conducted by Rajeevan and Ajward (2019) found that board independence contributed to reducing real earnings management. In contrast to Oh and Jeon (2017), Mardianto and Dwiyanti (2024) who found significant positive results and Kharashgah et al. (2019) which did not find a significant effect. Board independence tends to carry out more effective supervision of management and act as an impartial arbitrator. According to Rajeevan and Ajward (2019), board independence give a negative impact on REM. This happen because an independent board can encourage more conservative and transparent financial reporting, which can reduce the opportunity for management to be involved in REM.
H3: Board Independence has a negative impact on REM (See **Figure 1**)

CEO Duality
CEO duality is someone who has dual positions at once, as a Chairman of the Board and Chief Executive Officer in a company. However, because Indonesia adheres to a two board system, this problem rarely happens. Therefore, CEO duality in Indonesia is defined as the existence of a kinship system between individuals who serve on the board of directors and commissioners. Research conducted by Rajeevan and Ajward (2019) found that the existence

of CEO duality encourages the practice of real earnings management due to using power to improve one's own welfare. Contrary to Saleh and Ellouz (2024) who found a significant negative effect, as well as Chouaibi et al. (2018) who did not find a significant effect. Agency theory argues that CEO duality results in a concentration of power so that it can facilitate opportunistic behavior and freedom in carrying out REM practices due to absence of supervision. According with Rajevan and Ajward (2019), CEO duality encourages the act of REM for one's own benefit.
H4: CEO Duality has a positive impact on REM (See **Figure 1**)

Board Expertise
Board expertise refers to the educational background in the fields of finance, accounting and economics possessed by company's board of commissioners and directors. With their expertise, they can ensure the company produces a transparent, accountable and independent financial reports. Research by Hasan et al. (2022) found that board expertise in finance and accounting can reduce REM practices. Contrary to Abubakar et al. (2017) who identified a significant positive impact, Mardianto and Dwiyanti (2024) who did not find a significant effect. Board members possessing expertise, especially in accounting and finance, have a deeper understanding of financial reports and earnings management techniques. This according with Hasan et al. (2022) that found board members with financial expertise understand and can detect the practice of REM.
H5: Board Expertise has a negative impact on REM (See **Figure 1**)

Gender Diversity
Gender diversity pertains to the inclusion of women on the company's board of commissioners and directors. Gender differences in board will create more diversity in thinking, acting, and in making decisions or judgments. Previous research from Abubakar et al. (2017), Hasan et al. (2022), Attia et al. (2024) found gender diversity give a negative impact on REM. Whereas Anh and Khuong (2022) found a positive influence and Li et al. (2023) who did not find a significant effect. The way women and men think, behave and make decisions is different. Therefore, female board members will give a positive impact. In alignment with the research conducted by Ramadan et al. (2021) it was discovered that the presence of female board members exterted a negative impact on REM. It shows the presence of female board members can minimize REM practices due to better supervision, accordance with agency theory principles regarding supervision.
H6: Gender Diversity has a negative impact on REM (See **Figure 1**)

Board Characteristics
Board characteristics serve as the primary internal control mechanism tasked with supervising the activities of top management (Fama & Jensen, 1983). According with previous studies by Hasan et al. (2022) that found significant results on the moderating effect from board characteristics on the correlation between IFRS and REM. In line with Saleh and Ellouz's (2024) research which found that CEO duality, board independence and board diversity give a significant positive moderating effect. Contrast with Katsurayya and Suffina (2016) who did not find a moderating effect of corporate governance mechanisms as measured by board characteristics on the correlation between IFRS convergence and earnings management (EM). Besides adopting IFRS, effective corporate governance will suppress practice of profit manipulation through the roles and characteristics of board. Conversely, corporate governance through poor board characteristics will weaken the correlation between IFRS and REM due to insufficient supervision, ability qualifications, conflicts of interest, and poor decision making.

H7: Board Characteristics moderate the correlation between IFRS adoption and REM (See **Figure 1**)

The following is a theoretical framework outlining the impact of IFRS implementation on REM moderated by Board Characteristics:

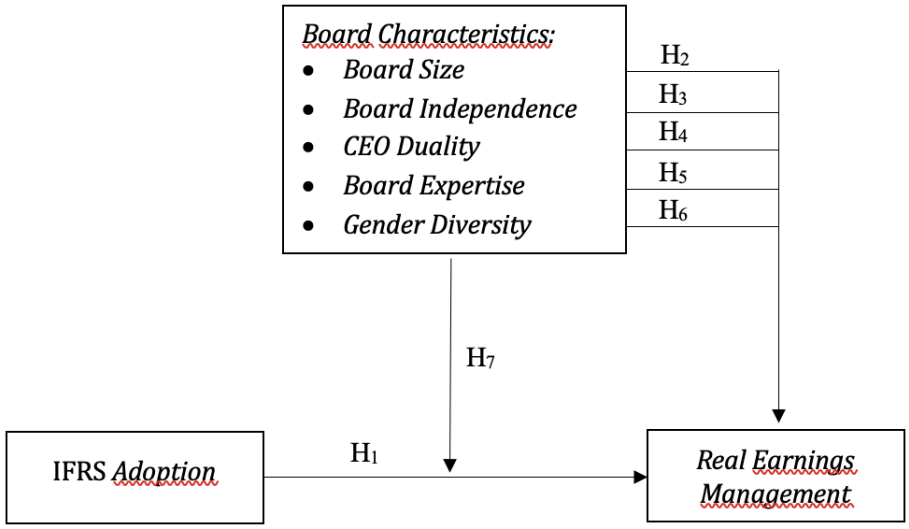

Figure 1. Research Framework
Source: Processed by the authors

2. RESEARCH METHOD

This research employs a quantitative approach. The total companies observed was 39 companies and after outliers there were 31 companies. The data was processed using STATA application. The sample was chosen using purposive sampling method based on the following criteria: 1) Consumer non-cyclical companies that continuously listed on Indonesia Stock Exchange (IDX) from 2007-2023. 2) Consumer non-cyclical companies consistently upload annual reports for the year 2007-2011 and 2017-2023. 3) Consumer non-cyclical companies that produce manufactured goods. 4) The presentation of financial reports using Rupiah (Rp) currency.

There's heteroscedasticity problem in this research. PCSE Estimator is used for regression test, which is a standard error estimation method specifically designed for panel data. REM is measured using the Roychowdhury Model with three main proxies: Abnormal Cash Flow From Operations (ABN_CFO), Abnormal Production Costs (ABN_PROD), and Abnormal Discretionary Expenses (ABN_DISEX).

Table 1. Roychowdhury Model
Source: Processed by the authors

Variable	Proxy
ABN_CFO	$\frac{CFOit}{ASSETSi,t-1} = \beta o + \beta 1 \frac{1}{ASSETSi,t-1} + \beta 2 \frac{SALESit}{ASSETSi,t-1} + \beta 3 \frac{\Delta SALESit}{ASSETSi,t-1} + \varepsilon it$
ABN_PROD	$\frac{PRODit}{ASSETSi,t-1} = \beta o + \beta 1 \frac{1}{ASSETSi,t-1} + \beta 2 \frac{SALESit}{ASSETSi,t-1} + \beta 3 \frac{\Delta SALESit}{ASSETSi,t-1} + \beta 4 \frac{\Delta SALESit-1}{ASSETSi,t-1} + \varepsilon it$
ABN_DISEX	$\frac{DISEXit}{ASSETSi,t-1} = \beta o + \beta 1 \frac{1}{ASSETSi,t-1} + \beta 2 \frac{SALESit}{ASSETSi,t-1} + \varepsilon it$

Meanwhile, independent and moderating variables used in this research are board characteristics which consist of board independence, board size, CEO duality, gender diversity, and board expertise. Beside that, there are also control variables including firm size, leverage, growth, and Return on Assets (ROA) with proxies as explained below:

Table 2. Operationalization of Research Variables
Source: Processed by the authors

Variable	Scale	Proxy
Real Earnings Management (REM)	Ratio	REM = (-1) ABN CFO + (-1) ABN_DISEX + ABN_PROD
IFRS Adoption (IFRS)	Nominal	Dummy Variable, 1 for the year after IFRS implementation (2019-2023), 0 for the year before IFRS implementation (2009-2011)
Board Size (BS)	Ordinal	BS = ∑Number of Board Directors and Commissioners
Board Independence (BI)	Ordinal	BI = ∑Number of Independent Commissioner
CEO Duality (DUAL)	Nominal	Dummy Variable, if there is CEO dual = 0, if not = 1"
Board Expertise (BE)	Ordinal	BE = ∑Number of Board Members with Financial Background
Gender Diversity (GD)	Ordinal	GD = ∑Number of Female Board Members
Firm Size (FS)	Ordinal	FS = Ln (Average Total Aset)
Leverage (LEV)	Ratio	$\text{LEV} = \frac{Total\ Liabilities}{Total\ Assets}$ x 100%
Growth (GRT)	Ratio	$\text{GRT} = \frac{Sales\ t - Sales\ t-1}{Sales\ t-1}$ x 100%
Return on Asset (ROA)	Ratio	$\text{ROA} = \frac{Net\ Profit\ After\ Tax}{Average\ Total\ Assets}$ x 100%

3. RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 3. Descriptive Statistics
Source: Processed by the authors

Variables	Min	Max	Mean	Std. Deviation
REM	-1.256843	1.062063	0.0865201	0.3446979
IFRS	0	1	0.625	0.4851019
BS	4	19	9.725806	3.106318
BI	1	5	1.923387	0.8620293
DUAL	0	1	0.4072581	0.4923172
BE	0	13	4.758065	2.565328
GD	0	5	0.9112903	1.0648
FS	25.10597	32.84329	29.18938	1.484946
LEV	0.0104532	2.311944	0.5062663	0.3177631
GRT	-0.8549474	1.485468	0.0929304	0.2300998
ROA	-0.4496678	0.6210359	0.0900089	0.1225195

According to the descriptive statistics table results, Real Earnings Management (REM) exhibits values ranging from a min. of -1.256843 to a max. of 1.062063 with a mean of 0.0865201 which can be interpreted that on average, company having a tendency to carry out REM practices with an average abnormal value of 0.0865201. The standard deviation of REM is 0.3446979. IFRS use dummy variable and exhibits values ranging from a min. of 0 to a max. of 1 with a mean of 0.625 which can be interpreted as 62.5% of the sample studied

have adopted IFRS for the year of 2019-2023. The IFRS standard deviation value is 0.4851019.

Board Size (BS) exhibits value ranging from a min. of 4 to a max. of 19 with a mean of 9.725806, which can be interpreted that on average, board of commissioners and directors in a company consists of nine to ten people. The BS standard deviation value is 3.106318. Board Independence (BI) exhibits value ranging from a min. of 1 to a max. of 5 with a mean of 1.923387, which can be interpreted that on average, independent board of commissioners in a company consists of one to two people. The BI standard deviation value is 0.8620293. CEO Duality (DUAL) is a dummy variable and exhibits values ranging from a min. of 0 to a max. of 1 with a mean of 0.4072581 which can be interpreted as the proportion of companies that have kinship relationships in their board is 40.72%, where the value is almost fifty percent of the total observations used in the research. Board Expertise (BE) exhibits value ranging from a min. of 0 to a max. of 13 with a mean of 4.758065, which can be interpreted that on average, board with educational backgrounds in finance, economics and accounting in a company consist of four to five people. The BE standard deviation value is 2.565328. Gender Diversity (GD) exhibits value ranging from a min. of 0 to a max. of 5 with a mean of 0.9112903, which means that on average, companies only have zero to one female board member. The GD standard deviation value is 1.0648.

Firm Size (FS) exhibits value ranging from a min. of 25.10597 to a max. of 32.84329 with a mean of 29.18938 which means that on average, company in the sample is a fairly large company with an average total asset value of IDR 4.76 trillion. The FS standard deviation value is 1.484946. Leverage (LEV) exhibits value ranging from a min. of 0.0104532 to a max. of 2.311944 with a mean of 0.5062663, which means that on average, company has around 50.63% of its assets financed by debt and the remainder by shareholder equity. The LEV standard deviation value is 0.3177631. Growth (GRT) exhibits value ranging from a min. of 0.8549474 to a max. of 1.485468 with a mean of 0.0929304 which can be interpreted that on average, sales growth of company is around 9.29%. The GRT standard deviation value is 0.2300998. Return on Assets (ROA) exhibits value ranging from a min. of -0.4496678 to a max. of 0.6210359 with a mean of 0.0900089, which can be interpreted that on average, company generates a net profit of 9% of its total asset value. The ROA standard deviation value is 0.1225195.

Classical Assumption Test

Normality test indicates that data is normally distributed after removing outliers from 39 companies to 31 companies using the Jarque-Bera test with a p-value of 0.0668. Based on the Variance Inflation Factor (VIF) value indicates that there is no multicollinearity. Autocorrelation test was carried out using Durbin Watson as seen from the d-stat value of 1.040095 which is between the values -2 to 2, so it can be stated that it's free from autocorrelation problems. Heteroscedasticity test has been carried out using White test, Breusch Pagan test, and Gletsjer test. All three tests produce a chi2 value < 0.05 which indicates that there is a heteroscedasticity problem. Due to heteroscedasticity problems, the most suitable regression model for this research is to use PCSE Estimator, which is a more sophisticated test than ordinary regression and is specifically designed for panel data. PCSE Estimator is designed to overcome the problem of heteroscedasticity and correlation between units in panel data.

PCSE Estimator Test

Tabel 4. PCSE Estimator Analysis Results
Source: Processed by the authors

	Hypothesis	Coefficient	t	Sig.	Result
	Constant	-0.5851042	-1.98	0.047	
H1	IFRS has a negative impact on REM	-0.0418321	-0.63	0.526	Rejected
H2	Board Size has a negative impact on REM	-0.0358613	-4.56	0.000	Accepted
H3	Board Independence has a negative impact on REM	0.0707235	1.92	0.055	Rejected
H4	CEO Duality has a positive impact on REM	0.2380037	5.31	0.000	Accepted
H5	Board Expertise has a negative impact on REM	0.0107446	1.15	0.252	Rejected
H6	Gender Diversity has a negative impact on REM	0.0038143	0.17	0.869	Rejected
H7	Board Size moderates significantly the correlation between IFRS and REM	0.0449297	4.07	0.000	Accepted
	Board Independence moderates significantly the correlation between IFRS and REM	-0.0822519	-1.62	0.106	Rejected
	CEO Duality moderates significantly the correlation between IFRS and REM	-0.1777397	-3.05	0.022	Accepted
	Board Expertise moderates significantly the correlation between IFRS and REM	-0.041093	-2.57	0.010	Accepted
	Gender Diversity moderates significantly the correlation between IFRS and REM	-0.0258107	-0.97	0.333	Rejected
	Control 1 (Firm Size)	0.0264656	2.39	0.017	
	Control 2 (Leverage)	0.1134189	2.58	0.010	
	Control 3 (Growth)	0.5026961	6.35	0.000	
	Control 4 (ROA)	-1.133748	-5.39	0.000	

The equations for Model 3 can be expressed as follows:
Y = -0.5851042 + -0.0418321*IFRS + -0.0358613*BS + 0.0707235*BI + 0.2380037*DUAL + 0.0107446*BE + 0.0038143*GD + 0.0449297*IFRS*BS + -0.0822519*IFRS*BI + -0.1777397*IFRS*DUAL + -0.041093*IFRS*BE + -0.0258107*IFRS*GD + 0.0264656*FS + 0.1134189*LEV + 0.5026961*GRT + -1.133748*ROA

The Impact of IFRS on REM.
In consonance with Table 4, IFRS variable does not have a significant negative impact on REM because the significance value is 0.526 which can be stated to be more than the significance level = 0.05 (0.526 > 0.05). As a result, H1 is rejected in this research because IFRS does not have a significant impact on REM. This research supports Senjani (2013) which revealed that there is no significant differences in REM during the period prior to or after the mandatory implementation of IFRS. This happen because IFRS focuses more on accrual-based accounting arrangements, while REM involves more complex manipulation of company's actual operational activities. And even though IFRS has been implemented, many managements have actually shifted direction from AEM to REM because REM is more difficult to detect.

The Impact of Board Size on REM.
In consonance with Table 4, Board Size has a significant negative effect on REM, because the significance value is 0.000 with a coefficient of -0.0358613 which can be stated as less than the significance level = 0.05 (0.000 < 0.05). Consequently, H2 is accepted in this study. This research supports Chouaibi et al. (2018), Hasan et al. (2022), and Attia et al. (2022) who revealed a significant negative impact of board size on REM. As the board size increases, the monitoring capability becomes more effective, which helps to reduce REM.

The Impact of Board Independence on REM.
In consonance with Table 4, Board Independence variable does not have a significant negative impact on REM because the significance value is 0.055 which can be stated to be more than the significance level = 0.05 (0.055 > 0.05). As a result, H3 is rejected in this research because board independence does not have a significant impact on REM. This research supports Kharashgah et al. (2019) who did not find a significant impact of board independence on REM. This happen due to complexity of REM and limitations of an independent board to oversee the company's daily business operations.

The Impact of CEO Duality on REM.
In consonance with Table 4, CEO Duality variable has a significant positive impact on REM because the significance value is 0.000 which is stated to be less than the significance level = 0.05 (0.000 < 0.05). As a result, H4 is accepted in this research because CEO duality has a significant positive impact on REM. This research supports Rajeevan and Ajward (2019) which found a significant positive impact of CEO duality on REM. Where there are kinship relationships in a company, the supervisory function will tend to decrease and increase the opportunistic actions to improve one's own welfare thereby increasing REM practices.

The Impact of Board Expertise on REM.
In consonance with Table 4, Board Expertise variable does not have a significant negative impact on REM because the significance value is 0.252 which is stated to be more than the significance level = 0.05 (0.252 > 0.05). As a result, H5 is rejected in this research because board expertise does not have a significant influence on REM. This study supports Mardianto and Dwiyanti (2024) which did not find a significant impact of board expertise on REM. This happen because a board with a financial, economic or accounting background may not be sufficient to detect REM which is complex and involves daily operational activities where the board may tend to focus more on financial reporting and disclosure. Board members with financial expertise may also be better trained in detecting accrual earnings management that uses manipulated accounting methods.

The Impact of Gender Diversity on REM.
In consonance with Table 4, Gender Diversity variable does not have a significant negative impact on REM because the significance value is 0.869 which is stated to be more than the significance level = 0.05 (0.869 > 0.05). As a result, H6 is rejected in this research because gender diversity does not have a significant impact on REM. This research supports Li et al. (2021) who did not find a significant impact of gender diversity on REM. This occur due to the low participation of the female board so that it does not have a significant impact on REM.

The Impact of Board Characteristics as a Moderating Role in the Correlation Between IFRS and REM.

In consonance with Table 4, Board Characteristics variable partially moderates the correlation between IFRS and REM because the significance values of the variables board size, CEO duality and board expertise which show a significance values of 0.000, 0.002 and 0.010 respectively which are stated to be less than the significance level = 0.05 (0.000 < 0.05 ; 0.002 < 0.05 ; 0.010 < 0.05). Meanwhile, the significance value of the board independence and gender diversity variables shows a significance value of 0.106 and 0.333 respectively, which is stated to be more than the significance level = 0.05 (0.106 > 0.05; 0.333 > 0.05). As a result, H7 is partially accepted because there are several components in board characteristics that significantly moderate the correlation between IFRS and REM. This research partially supports Hasan et al. (2022) who found a significant effect of the moderating variable board characteristics on REM. Where in this study found that board size moderates significantly positive because a larger board can increase supervision over the implementation of IFRS standards to reduce REM actions. CEO duality moderates significantly negative, where the occurrence of CEO dual roles can weaken the implementation of reporting standards and lack of supervision due to opportunistic actions, thereby increasing REM actions. Board expertise moderates significantly negative because it is possible that board expertise can actually find loopholes in IFRS to carry out REM. Meanwhile, board independence and gender diversity do not moderate significantly due to the complexity of REM which is difficult to detect.

4. CONCLUSIONS AND SUGGESTIONS

The findings of this research lead to the following conclusions: 1) IFRS has no significant impact on REM. 2) Board size has a significant negative impact on REM. 3) Board independence has no significant impact on REM. 4) CEO duality has a significant positive impact on REM. 5) Board expertise has no significant impact on REM. 6) Gender diversity has no significant impact on REM. 7) Board characteristics partially moderate the correlation between IFRS and REM.

This research was subject to various limitations: 1) Only 31 companies met the criteria with 248 data analyzed; 2) This study employs IFRS as independent variable, board characteristics as moderating and independent variable, four control variables, and REM as dependent variable. 3) There's a heteroscedasticity problem which is overcome by using the PCSE estimator in testing the regression. 4) The sample is only limited to consumer non-cyclical companies listed on Indonesia Stock Exchange (IDX) since 2007. Suggestions for further researchers are to expand the sample size by increasing company sectors, replacing or adding moderating variables for measuring board characteristics such as institutional ownership, number of audit committees, as well as the number of board meetings.

From this research, companies are recommended to increase supervision carried out by the board in implementing IFRS to reduce REM actions. Beside that, the board is also expected to be able to monitor daily operational activities more frequently, where real earnings management will be more easily detected than from financial reports only. So that financial reports are reliable for investors and increase company profits by reducing management's opportunistic actions.

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