
THE RELEVANCE OF THE VALUE OF ACCOUNTING INFORMATION TO STOCK PRICES WITH PROFIT MANAGEMENT AS A MODERATION VARIABLE ON THE INDONESIA STOCK EXCHANGE.

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ABSTRACT

The purpose of this study is to examine how insurance companies' profit management strategies affect the impact of accounting data on stock prices. Nothing more than profit, book value, and operational cash flows are considered valuable pieces of information. Multiple linear regression analysis was used in this study as a quantitative method. This research covers the period from 2018 to 2022 and focuses on insurance businesses with an Indonesia Stock Exchange listing (IDX). Operating cash flow (OCF), book value (PBV), and profit value (EPS) are the primary independent variables investigated in this research. The stock price as measured at the conclusion of the year's transaction is the dependent variable being considered. Profit management as measured by Discretionary Accruals (DA) also acts as a moderator. Using a purposive selection approach, 16 out of 18 insurance firms that met the requirements were included in the research cohort. Analytical approaches used include testing for moderation factors using Eviews 12 software and Random Effect Model (REM) analysis. This analysis found no statistically significant relationship between stock prices and profit value, book value, or cash flow. Profit management was shown to increase book value and profit value in relation to stock prices, but it had no effect on operational cash flows.



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1. INTRODUCTION

Hadinata (2020) highlights the importance of accounting information's usefulness in market-based accounting research. Accounting information is seen as essential for evaluating a company's worth because it reflects relevant information, which is why relevance and reliability criteria are so important (Abdelrahim Ahmad Khader & Shareif Hussein Shanak, 2023). The accounting information that is crucial for financial reporting including profit, book value, operational cash flow, and how these factors affect stock prices has a substantial effect on the value of a firm. As pointed out by Andriani (2012) investor activity helps keep the market engaged by providing interested parties with fresh information. Operating cash flow was shown to have a negative effect on the share prices of manufacturing businesses trade on the Jakarta Stock Exchange between 2015 and 2018, according to (Eksandy & Abbas, 2020). Contrary to what Nursita (2021) claimed, this study found no correlation between operational cash flow and stock returns. Cash flow information is also crucial for investors when assessing the.

Financial service providers in the market risk area, insurance firms play a crucial role in economic development (Camino-Mogro & Bermúdez-Barrezueta, 2019). This is what makes insurance companies can have the potential to develop in the future. This year the condition of insurance companies is currently experiencing a hardening market, where the condition of many insurance companies is claiming insurance companies so that it can affect profitability (Puspadini Mentari, 2023). Reporting from the article Asosiasi Asuransi Umum Indonesia (AAUI), (2023) which recorded that total general insurance revenue in the first quarter of 2023 increased by 8.9% worth 26.1 Trillion Rupiah, which is higher than the 2022 period with a value of 22.4 Trillion Rupiah. With this statement, it can be concluded that insurance companies are worthy of investment. The performance of insurance companies is considered to affect gross premium growth. Insurance firms do not make a profit on premiums; rather, they put the money they collect into a premium reserve to cover future claims (Tarsono et al., 2020).

Table 1. Insurance companies that experienced an increase in revenue in 2018-2022.

Companies	2018	2019	2020	2021	2022
ASBI					
(Asuransi Bintang Tbk)	102.390.538	291.485.498	313.771.731	355.742.467	369.251.595
ASDM					
(Asuransi Dayin Mitra Tbk)	326.398.751	334.102.591	351.701.797	359.942.738	365.125.870
MTWI (PT. Malacca Trust Wuwungan Insurance Tbk)	129.279.805.	130.312.057.	133.609.520.	137.464.258.	240.017.769.
PNIN (PT. Paninvest Tbk)	25.725.620	27.833.770	29.674.056	30.798.912	31.503.826
PNLF (Panin Financial Tbk)	23.770.583	25.894.984	27.845.258	28.762.813	29.679.789

(Source: www.idx.co.id, data processed, 2023)

According to table 1.1 above, insurance businesses that see a consistent rise in revenue between 2018 and 2022 can demonstrate that they have strong operational capabilities, that will attract investors and influence stock prices. When determining the stock price of a firm, its profits are considered.

When purchasing stock in a firm, investors will also take the company's profit value and book value into account. According to Pratiwi & Rivandi (2021), EPS has a favorable impact on stock prices, thus investors should take this into account when making decisions or returning shares. According to . Cupic et al. (2023), stock returns and earnings fluctuations have a negative relationship. Furthermore, Sitompul et al. (2022) suggests that stock prices are significantly and positively affected by the book value of equity. Mutiara et al. (2019) found no correlation between a company's stock price and its price-to-book value ratio. According to (Nursita, 2021)'s research, operating cash flow significantly influences stock returns. In keeping with Sitompul et al.'s research, Hadinata (2020) found no relationship between operating cash flow and stock prices. Sitompul et al. (2022) Stock values are negatively and negligibly impacted by operating cash flow.

According to Prihatni et al. (2023), operating cash flows have no value relevance because market assumptions regard profit and book value as relevant company measures for decision-making. This is because profit and book value are seen as relevant accounting information when evaluating the relevance of fundamental accounting value in manufacturing companies. Because profit management can influence investor decisions, it has a poor value relevance of profit value. If investors perceive profit management as opportunistic conduct, this will result in a negative response from investors, as evidenced since accounting data is becoming less useful over time.

The agency theory states that managers manage profits in a way that will boost profits to cover up poor performance and decrease profits to highlight good performance. According to (Prihatni et al., 2023), profit management does not moderate book value. Rather, it suggests that high profit management is indicative of a tendency on the part of management to manipulate the Company's financial statements. Opportunistic manipulation is used to weaken the relevance of book value of equity and elicit a negative reaction from investors, while bolstering the relevance of operational cash flows.

Investigating the relationship between accounting value to profit value (EPS), book value (PBV) and operating cash flow (CFO) for insurance businesses This research aims to examine companies that are exhibited on the stock market in Indonesia. Listed insurance firms in Indonesia this study aims to find out how important operational cash flow, book value, and profit information are, and whether profit management is a moderating factor. Accounting information's relevance may be better understood by taking stock of the many aspects that influence it and, ultimately, the status of the firm, this study assists a number of stakeholders, including investors and potential investors, in making decisions regarding stock investments.

Literature Review

Agency Theory

Agency theory has a focus on two different parties, namely management as an external party linked to a set of contracts to manage economic resources (Smulowitz et al., 2019). According to Murdiansyah et al. (2020), the parties involved in determining the Company's performance are principals (shareholders) and agents (managers), some of whom have contractual relationships. When

the principal assigns work to an agent to give decision-making authority that is handed over to the agent (manager).

Information Asymmetry

A situation of information asymmetry exists when one side has access to more information than the other (E. D. Wahyuni, 2021). Managers may take advantage of profit management possibilities presented by knowledge asymmetry between themselves and other parties to boost their companies' bottom lines (Yuliza & Nurhayati, 2021). Providing high-quality financial statement information can hinder management's capacity to control profits.

Value Relevance is Accounting Information

The term "value relevance" refers to financial data that sheds light on a company's health and influences how investors react, which in turn affects stock price movements (Rahayu & Setiawan, 2019). The significance of value to consider parties in financial statement production, as mentioned by Gozali & Sulistiawan (2021), may effect financial statement profits and reputation. Relevant and flexible accounting information is needed by managers as decision-making material, especially about material planning and controlling company costs (N. Wahyuni & Putra, 2020).

A. The Relevance of Profit Value

The value of profit in accounting is used as a consideration for decision making in investing so that profit can assess financial performance in a period. Earnings value elevation is information that is often used to analyze stock prices. In this study, profit is proxied using Earning Per Share (EPS). The following formula is used to calculate EPS :

$$\text{Earning Per Share (EPS)} : \frac{\text{Earnings available per share}}{\text{Shares outstanding}}$$

(Source: Halim, 2015)

B. The Relevance of Book Value

For the purpose of evaluating financial performance over a certain time frame, the accounting value of profit is taken into account while making investment decisions. Net profit delivered to shareholders as a percentage of the number of outstanding shares in the stock market is called earnings per share (EPS) (Nurwulandari et al., 2022). For PBV calculations, use the following formula :

$$\text{Price to Book Value (PBV)} : \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$$

(Source: Brigham & Houston, 2001)

C. The Relevance of Operating Cash Flow

In order to calculate net profit, many operational operations include receiving cash from sales activities, paying suppliers and workers to acquire inventory and cover expenditures, and so on. These transactions all contribute to cash flow from operating activities (Kieso et al., 2014). The following formula is used to calculate OCF :

$$\begin{aligned} &\text{Operating Cash Flow:} \\ \Delta \text{ OCF} &= (\text{OCF}_t - \text{OCF}_{t-1}) \\ &\quad \text{TA}_{t-1} \end{aligned}$$

(Source: Nursita, 2021)

Explanation :

$\Delta \text{ OCF}$: Change in Operating Cash Flow

OCF _t	: Operating cash flow period t
OCF _{t-1}	: Operating cash flow period t-1
TA _{t-1}	: Total Assets period t-1

Stock Prices

Shares are proof of ownership or as a sign of capital participation in a company. Stock prices will change, one of the most important causes for investors in choosing stocks which is generally caused by micro and macro factors is among the direct stock price factors (Utami & Haryono, 2021). Stock prices have movements that change from time to time. In order to get an idea of how much a firm is worth, investors look at stock prices, which are based on the supply and demand for shares traded on the capital market. Stock prices will rise in response to rising demand for shares, which will have an impact on the increasing attractiveness of investors (Nurdin & Abdani, 2020). If supply is greater than demand, the stock price tends to fall and vice versa. This can be known by analyzing using technical and fundamental analysis.

Profit Management

Profit management is the safest operation because profit management activities are legitimate and do not violate generally accepted accounting principles (Sabatini & Sudana, 2019). Profit management is an attempt by company managers to manipulate the profits obtained by the company, either by reducing or increasing profits for certain purposes (Salsabilla & Nurdin, 2023). High profit management will have a negative impact in the long run causing the Company to lose the confidence of investors and stakeholders. According to Dechow et al (1995) in research (Irawan & Apriwenni, 2021) the formula used to calculate profit management with the distrectionary accruals method with the Jones model is as follows:

- a) Calculate Total Accruals (TA).

$$TA_t = NI_t - CFO_t$$

- b) *Total Accruals* (TA) estimated by regression equations

$$\frac{TA_t}{A_{t-1}} = \beta_1 \frac{1}{A_{t-1}} + \beta_2 \frac{\Delta REF_t - \Delta REC_t}{A_{t-1}} + \beta_3 \frac{PPE_t}{A_{t-1}} + \varepsilon$$

- c) *Total Accruals* (TA) estimated by OLS (Ordinary Least Square) regression equation

$$NDA_t = \beta_1 \frac{1}{A_{t-1}} + \beta_2 \frac{\Delta REF_t - \Delta REC_t}{A_{t-1}} + \beta_3 \frac{PPE_t}{A_{t-1}}$$

- d) Calculating values Discretionary Accruals (DA)

$$DA_t = \frac{TA_t}{A_{t-1}} - NDA_t$$

Explanation :

TA_t = *Total accruals* in period t

NI_t = Company's net profit in period t

CFO_t = Company's operating cash flow in period t

A_{t-1} = Company's total assets in period t

ΔREF_t = Company's revenue in period t minus Company's revenue in period t-1

ΔREC_t = Company's trade receivables in period t minus Company's trade receivables in period t-1

PPE_t = Property, plant and equipment Company in period t

E = Error

NDA_t = Non-discretionary accruals Company in period t

DA_t = Discretionary accruals Company in period t

Hypotheses Development

For the purpose of evaluating financial performance over a certain time frame, the accounting value of profit is taken into account while making investment decisions. Net profit delivered to shareholders as a percentage of the number of outstanding shares in the stock market is called earnings per share (EPS) (Nurwulandari et al., 2022). Stock price analysis often makes use of earnings value elevation. Earnings Per Share (EPS) is used as a surrogate for profit in this analysis. As previously stated by Ball and Brown (1968) and Beaver (1968) in research (Alifiono et al., 2022) explained that the value of profit is relevant for investor decision making if the value of profit has more information than the cash base on cash flow because profit uses an accrual basis.

H1 : Relevance of Accounting Information Value Profit affects stock prices

According to accounting principles, a company's book value is the monetary worth of its net worth. A strong book value per share allows investors to purchase shares at a premium since it serves as a solid sign and collateral indication of the company's net asset claims (Hadinata, 2020). This research used Price Book Value (PBV) as a stand-in for book value. The PBV of a corporation is a measure of its profitability relative to the money investors have put into it (Eksandy & Abbas, 2020). When assessing whether a stock price is fair, one technique to utilize is Price Book Value (PBV) (Alfian et al., 2022). Brigham & Houston (2001) stated that companies with relatively high returns on equity usually sell shares higher than their book value compared to companies with low returns so we need to determine book value per share.

H2 : The relevance of Book Value affects stock prices

Operating cash flow comprises the impact of cash from sales operations, payments to suppliers and workers for inventory and expenses, and other transactions that contribute to net profit (Kieso et al., 2014). To determine the operational cash flow of the business, this analysis employs the Cash Flow Operation (CFO) value. Decisions are based on the Cash Flow Operation (CFO). The growth of the company's market share and the number of chief financial officers will benefit all of its constituents (Mulchandani, 2023).

H3 : The relevance of operating cash flow affects the stock price

As can be observed from the negative regression coefficient, profit management both moderates and diminishes the relevance of profit value, according to Prihatni et al. (2023). Investor decisions can be impacted by profit management. Accounting data's diminished significance is proof that investors may react adversely if they see it as opportunistic.

H4: It is suspected that profit management is able to moderate the effect of profit value on stock prices.

Prihatni et al. (2023) claim that high profit management will demonstrate a manager's propensity to opportunistically alter financial statements in order to minimize the significance of book value,

which will negatively affect investors. For investors, book value is a measure of their wealth per share, but it may also reveal profit management that doesn't matter to them.

H5: It is suspected that profit management is able to moderate the effect of book value on stock prices

According to Brigham & Daves (1997) in research (Prihatni et al., 2023) Profit management conditions will strengthen the relevance relative to the worth of operational cash flows. These findings obtained from operating cash flow are considered different from the profits obtained by investors because operating cash flow is a signal to get dividends that are in line with investor expectations so that investors can use operating cash flow in making decisions. So it can be concluded that profit management has an impact on the relevance of cash flow which can later increase the Company's stock price.

H6: It is suspected that profit management is able to moderate the effect of the value of operating cash flows on stock prices.

1. METHOD

In this study, the process of defining information through the analysis of data using numerical values as a tool is known as quantitative research (Kasmir, 2008). The financial statement data from the Indonesia Stock Exchange was used in this study as secondary data. Prof. Dr. Sugiyono (2007) defines secondary data as a type of data source that does not obtain its data directly from data collectors, such as other individuals or documents.

Research Design

This research uses secondary data using the financial statements of insurance companies listed on the IDX for 2018-2022 can be accessed through www.idx.com. The data in this study used Eviews 12.

Participants/Sample Selection and Data Sources

All eighteen insurance firms that have an Indonesia Stock Exchange listing between 2018 and 2022 were considered for the research. The following criteria are used in the purposive sampling approach used by the sample selection technique:

1. Listed on the Indonesia Stock Exchange are insurance companies.
2. Insurance businesses with complete financial statements in accordance with the information needed for this study variable and that have released annual financial statements as of December 31 for the years 2018, 2019, 2020, 2021, and 2022.

There are sixteen insurance companies that fit the requirements based on the given criteria.

Instrumentation/Data Collection

Financial statements of insurance businesses listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022, retrieved from www.idx.co.id/id, provide the secondary data used in this study.

Data Analysis/Estimating Model/Variable Measurement

The analysis used in this study includes descriptive statistics, panel data regression models, panel data selection analysis, hypothesis testing and Moderated Regression Analysis (MRA) tests. Analyze the data using the eviews 12 program.

Research Model

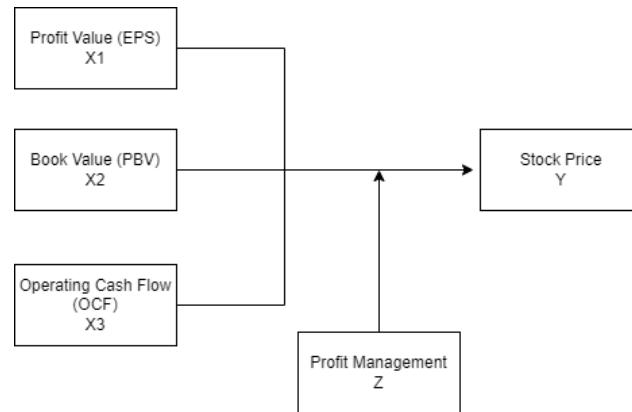


Figure 1: Schematic Diagram of the Study

3. RESULTS AND DISCUSSION

Results

A. Descriptive Statistical Analysis

Table 2. Descriptive Statistical Analysis Test

	PROFIT	BV	CFO	SP	EM
Mean	121.4464	8.08E+08	6.93E+09	1691.452	0.064361
Median	59.88500	1.12E+08	49792.00	828.7500	0.059571
Maximum	656.0000	9.92E+09	2.76E+11	7650.000	0.570408
Minimum	-562.0000	174744.9	-1.73E+11	45.64000	-0.494757
Std. Dev.	170.7007	1.53E+09	6.29E+10	2122.118	0.124846
Skewness	0.276228	3.337179	1.944786	1.334522	-0.286157
Kurtosis	6.493829	17.70437	10.63604	3.415748	10.56932
Jarque-Bera	41.70684	869.2183	244.7930	24.32214	192.0738
Probability	0.000000	0.000000	0.000000	0.000005	0.000000
Sum	9715.710	6.46E+10	5.54E+11	135316.2	5.148876
Sum Sq. Dev.	2301961.	1.85E+20	3.13E+23	3.56E+08	1.231329
Observations	80	80	80	80	80

The aforementioned table contains 80 pieces of observational data that were gathered for this investigation. The findings of the tests indicate. Presented below are the results of this data analysis, including the mean, maximum, minimum, and standard deviation values for each variable:

With a standard deviation of 170.7007 and a range of values from -562.0000 to 656.0000, the profit value (X1) for the 80 samples indicated earlier is known to have an average value lower than the standard deviation. This indicates that the Profit variable is growing more heterogeneous as the data becomes more diversified.

A book value (X2) of 8.08E+08, a maximum of 9.92E+09, a minimum of 174744.9, and a standard deviation of 1.53E+09 were found for the 80 samples listed above. This means that the average value is more than the standard deviation. This provides further evidence that the book value variable is homogeneous, indicating a normally distributed set of values with few data outliers.

The average value of operational cash flow (X3) is greater than the standard deviation, with a range of 6.93E+09 to -1.73E+11, based on the 80 samples described earlier. The standard deviation is 6.29E+10. Considering the limited data variance and equal distribution of values, it may be inferred that the operational cash flow variable is homogeneous.

Considering the stock price (Y) of the 80 samples given earlier, we can see that there is a standard deviation of 2122,118, a minimum of 45,64000, a maximum of 7650,000, and an average of 1691,452. Because of this, we may say that the mean is less than the standard deviation. This indicates that the Profit variable is growing more heterogeneous as the data becomes more diversified.

A mean of 0.064361, a maximum of 0.570408, a minimum of -0.494757, and a standard deviation of 0.124846, showing that the average value is lower than the standard deviation, are the values for profit management (Z) from the 80 samples described earlier. Therefore, it seems that the Profit variable is growing more heterogeneous due to the increasing variety of data.

B. Panel Data Regression Selection

a. Chow Test

Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	37.408226	(15,60)	0.0000
Cross-section Chi-square	186.974815	15	0.0000

Based on the Chow test table, if the Chi-square Cross-section prob $0.0000 < 0.05$, then the null hypothesis (H0) is rejected and the alternative method (FEM) is preferable to the conventional one (CEM) for panel data estimation. Also, whether you're using panel data regression with a Fixed Effect Model (FEM) or a Common Effect Model (CEM), the Hausman Test Step will help you determine.

b. Hausman Test

Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.578833	4	0.3333

When the random Prob Cross-sevtion value is $0.3333 > 0.05$, as indicated by the Hausman Test table, H0 is rejected, making REM a more suitable option for panel data estimation. It is evident from the Chow and Hausman test results that REM is a more suitable option.

Classical Assumption Test

According to (Gujarati & Porter, 2009) Generalized Least Squares (GLS) consist of equations that correspond to classical assumptions. In Eviews, the estimation model that uses the GLS model is a random effect model, while the CEM and FEM models use the Ordinary Least Squares (OLS) model. Based on the results of the model selection carried out, the REM model is the most appropriate model

recommendation in this study. So it can be concluded that the regression equation in this study does not require a classical assumption test.

Model Due Diligence

Coefficient of determination Test (R²)

Coefficient of determination Test (R ²) Results		
	Panel data regression	MRA
Adjusted R Square	-0.009261	0.077478
Prob (F Statistic)	0.520931	0.074341

In this research table, the value of the coefficient of determination (R²) shows that the Adjust R-square in this study is -0.009261 or -0.09% for unmoderate regression. And for the Adjust R-square test at moderate regression is 0.077478. The results showed that the variables of profit value, book value and operating cash flow were able to contribute to influencing stock prices by -0.09% for immoderate regression and 7.7% or 8% for moderate regression.

Test hypothesis

a. Statistical Test t (partial)

Test T Results				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1697.714	510.1674	3.327758	0.0014
PROFIT	0.440575	0.974993	0.451875	0.6526
BV	-5.60E-08	7.69E-08	-0.729271	0.4681
CFO	-2.09E-09	1.81E-09	-1.157956	0.2505

The findings of the statistical study show that the stock price (Y) is unaffected by the value of profits (X1). The reason for this is because the probability value (significance) is 0.6526, which is more than the 0.05 threshold of significance, and the t-statistic value is 0.451875. This led to the debunking of the initial hypothesis. Similarly, the t-statistic value of -0.729271 and the probability value (significance) of 0.4681 both show that the book value variable (X2) does not have a significant effect on the stock price (Y). This led to the same conclusion being drawn from the second hypothesis. Similar reasoning applies to the rejection of the third hypothesis: a t-statistic of -1.157956, a probability value (significance) of 0.2505, which is more than 0.05, and a strong relationship between the operational cash flow variable (X3) and the stock price (Y). The results of the study suggest that operational cash flow (X3) has a far larger effect on the stock price (Y) than any of the other factors.

b. Moderated Regression Analysis Test (MRA)

MRA Test Results				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT_EM	14.77542	5.163415	2.861560	0.0055
BV_EM	3.13E-06	1.07E-06	2.921529	0.0046
CFO_EM	-1.50E-08	1.07E-08	-1.409464	0.1630

From the MRA test results, it shows that the moderation variable of profit management can strengthen the value of profit and book value against stock prices based on the probability results that

have been found at 0.0055 and 0.0046 where < 0.05 . While profit management cannot strengthen operating cash flow against stock prices based on the probability results that have been found to be 0.1630 where > 0.05 .

Discussion

Based on the results of the T test, hypothesis 1 was rejected. This study's findings are consistent with penelitan studies (W. O. I. Sari & Wardana, 2022), (A. N. Sari et al., 2020) and (Musfiro & Yuniati, 2020)) in their research stated that EPS significantly does not affect stock prices. This happens because profit accounting has limitations to disclose the information that investors need, this shows that investors are less likely to see the accounting profit information used to express the company's performance during the observation period. If a company's accounting profit increases over time, it will not affect the company's stock price. This is because information about profits in the financial statements of insurance companies has no effect on the decline in the company's stock price used by investors in making decisions to see and buy shares (W. O. I. Sari & Wardana, 2022). The rejection of this hypothesis cannot be explained using agency theory, therefore another alternative theory is needed, namely signaling theory, which refers to negative signals that state that disclosure of Earnings Per Share (EPS) negatively affects stock prices because investors do not get positive signals.

The T test findings showed that hypothesis 2 was not supported. The findings of this investigation are consistent with studies (Ersyafdi & Nasihah, 2021) and (Mutiarra et al., 2019) that indicate book value has no influence on stock prices. The Price Book Value (PBV) formula is used to determine the book value in this study. PBV is no longer regarded by investors as a reliable indicator when making a share purchase decision. In addition, investors will take into account the company's viability and its financial performance. Moreover, investors take into account the fact that a high PBV value does not always translate into a gain in stock price, meaning that the book value is independent of stock price (Ersyafdi & Nasihah, 2021). The rejection of this hypothesis cannot be explained using agency theory which refers to negative signals stating that companies provide book value as stock price information in their financial statements.

The third hypothesis was shown to be false using the T test. Operating cash flow is not a guarantee that a firm has enough money to operate its operation, hence when it grows, the stock price does not change. This finding is in agreement with previous studies (Prihatni et al., 2023) and (Sitompul et al., 2022). Operating cash flow does impact stock prices, according to studies (Yonita & Aprilyanti, 2022), however this goes against that. Because insurance is unique among businesses, operational cash flow is less of a concern for insurance firms (Wahani et al., 2019). Insurance with low operational cash flow values is not always underperforming since the primary function of insurance firms is to collect and disperse money that affect the quantity or value of operating cash flows. On the other side, operational cash flow value insurance isn't always a sensible investment. Investors are also cognizant of the fact that operational cash flow is no assurance of future operational funding sufficiency (Sitompul et al., 2022).

We accept hypothesis 4 because of the MRA test. The greater the level of control that managers have on reported earnings, the higher the share price of the company becomes. This follows the principle of agency responsibility, according to which the Company's management and agents should work to maximize the Company's profits by controlling the flow of financial information to other parties. Prihatni et al., (2023) found that profit management may limit the value of profits relative to stock prices, that agrees with what this research found.

The MRA test findings support the acceptance of hypothesis 4. This suggests that the greater the managers' ability to affect reported profits, the higher the company's share price. This is consistent with the agency's notion of agent responsibility, which states that managers or agents of the company work to maximize profits by overseeing the external parties' financial reporting process. The study's findings support those of Prihatni et al., (2023) investigation, which found that profit management might mitigate the relationship between stock prices and profit values. Investor decisions might be influenced by profit management. Investors will respond negatively if they perceive it as opportunistic activity, as evidenced by the drop in business profitability.

The MRA test findings support the acceptance of hypothesis 5. This suggests that managers have a greater control over how the company's economic net worth is managed and described, which influences reported profit and raises the company's share price. The findings of this investigation disagree with those of by Prihatni et al., (2023) research. Due to the fact that book value represents the investor's wealth per share, investors do not care about a company's book value as calculated by profit management. Since manipulation has already taken place, it is presumed that the investor's wealth does not reflect reality if the EM shows the BV of the stock.

Hypothesis 6 was rejected according on the MRA test findings. Cash flows from operational operations represent genuine cash movements into and out of the organization, making them more difficult to manipulate than profit management, which may impact reported profit statistics. Cash flow information is often seen by investors as a key aspect when evaluating a company's worth in relation to its share price. Reason being, compared to profit management approaches, cash flow shows real financial performance more clearly. While Prihatni et al., (2023) found that profit management can moderate This research discovered the inverse to be true when it came to cash flow to stock prices, which is a signal for dividend flow that fits with investor expectations. According to Prihatni et al., (2023) investors might benefit from operational cash flow data while making judgements.

4. CONCLUSION

With an eye on how profit management affects this connection, this study seeks to examine the link between insurance company stock prices and profit value, book value, and cash flow. The results of this research show that cash flow, book value, and profit do not significantly affect stock prices. Accounting profit information used to portray business success throughout the observation period is not visible to investors due to profit accounting's constraints in disclosing the information requested by investors. Also, the study findings from the moderation variable analysis show that profit management may moderate the value of book value and profit relative to stock prices. Shares of the company's stock tend to rise in relation to the degree to which management have sway over reported book value and profitability. When it comes to managing operational cash flows in relation to stock prices, earnings management falls short. This suggests that operational cash flows are more difficult to manipulate than other types of cash flows as they represent the actual cash coming into and going out of the business. Cash flow information is often seen by investors as a key aspect when evaluating a company's worth in relation to its share price. Additional factors that investors will take into account include the health of the company's finances and its ability to continue operations. Additionally, insurance businesses are primarily responsible for collecting and disbursing money, which may affect the quantity or value of operational cash flows. Consequently, insurance with low operating cash flow values does not always indicate bad performance.

The implication of this study is that the data obtained shows that accounting information has a relationship with stock prices. This is in line with Signal Theory, which says that investors will see a company's financial information as a good or bad signal. Companies may use certain signals to convey accounting information to investors with the aim of influencing investors' perceptions of the value and quality of the company as well as impacting the stock price.

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THE RELEVANCE OF THE VALUE OF ACCOUNTING INFORMATION TO STOCK PRICES WITH PROFIT MANAGEMENT AS A MODERATION VARIABLE ON THE INDONESIA STOCK EXCHANGE

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