ABSTRACT

This study aims to determine the moderating effects of ownership structure on financial statement manipulation through the classification shifting of non-recurring items and unexpected core earnings. Quantitative data were collected from the IDX and Bloomberg, focusing on manufacturing companies from 2021 to 2023. The sample was selected using purposive sampling, resulting in 1,023 companies as research samples. Data analysis was conducted using the Warp-PLS 8.0 regression analysis tool. The results of the study indicate a significant positive relationship between non-recurring items and unexpected core earnings, suggesting that manufacturing companies tend to classify non-recurring items as part of core earning, thereby reporting positive UCE values. The moderating role of institutional ownership and foreign ownership has a significant negative result, indicating that higher level of supervision and responsibility from these ownership type can reduce the tendency of companies to manipulate financial statements through classification shifting of non-recurring items. In contrast, to public ownership has a significant positive effect on the classification shifting of non-recurring items and unexpected core earnings. The insignificant results on the moderating role of managerial ownership are due to the low proportion of companies with managerial ownership in the sample. This research is contributes to both theoretical and practical knowledge by providing insights for policymakers and companies to enhance supervision and minimize the practice of classification shifting in financial manipulation.

Keywords: Classification Shifts, Financial Statement Manipulation, Non-Recurring Items, Ownership Structure, and Unexpected Core Earning.