

"THE DETAILED IMPACT OF ACCOUNTS RECEIVABLE BALANCES ON PROFIT MANAGEMENT INDICATIONS AT PT FORTUNE INDONESIA TBK FOR THE PERIOD 2021–2024"

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Abstract

This study aims to analyze the impact of detailed accounts receivable balances on indications of earnings management practices at PT Fortune Indonesia Tbk during the 2021–2024 period. The main focus of the study is to evaluate the role of accounts receivable and allowance for doubtful accounts as potential instruments in accrual-based earnings management practices. The method used is a descriptive quantitative approach utilizing secondary data from the company's financial statements. The analytical techniques applied include calculating the accounts receivable-to-revenue ratio and the allowance for doubtful accounts to gross receivables ratio, accompanied by observations of fluctuation trends from year to year. The results show significant fluctuations in both ratios, including the write-off of receivables without allowance in 2024. These findings indicate potential earnings management practices, especially in the 2022 and 2024 periods, through a disproportionate decrease in allowance for doubtful accounts and accelerated recognition of credit revenue. Thus, detailed accounts receivable can be an important indicator in detecting manipulative practices in financial statements, as well as providing input for auditors to focus on detailed audits of accounts receivable balances.

Keywords: *Accounts Receivable, Profit Management Indication, PT Fortune Indonesia Tbk*

INTRODUCTION

A public company's financial statements provide an official overview of its financial condition and operational performance, serving as the primary basis for decision-making by investors, creditors, and regulators. Accounts receivable is a crucial account, reflecting both credit sales and potential future cash flow (Setiawan & Putri, 2023). However, this account is also susceptible to manipulation through changes in the estimated allowance for doubtful accounts or accelerated revenue recognition. Therefore, accounts receivable is often associated with earnings management practices. *Earnings management* Earnings management is a practice often carried out by managers to achieve predetermined profit figures. Earnings management refers to actions where managers choose appropriate accounting methods to increase or decrease a company's profits, so that financial reports appear more profitable in the eyes of report users (Wulan Astriah et al., 2021). According to Scott (2015), earnings management can be carried out for two reasons: first, opportunistic earnings management, namely opportunistic actions by

managers to maximize personal or company interests through compensation contracts, debt, or political costs; and second, efficient earnings management, namely efforts by managers to maximize personal or company interests through compensation contracts, debt, or political costs. using accounting flexibility to protect companies from uncertainty (Sinatra et al., 2022) Earnings management practices have long been a concern due to their direct link to the quality of reported earnings. The flexibility inherent in accounting standards allows management to intervene, both through accruals and real activities, to achieve predetermined performance targets (Christensen et al., 2023). Meanwhile, management often exploits discretionary space in financial statements to present a more stable and profitable performance image (Al-Begali & Phua, 2023).

Previous research has shown that earnings management practices tend to increase during periods of uncertainty, such as the COVID-19 pandemic (Dang & Dung, 2024). Many companies facing liquidity pressures and market demands have prompted them to make adjustments in their earnings reporting (Kevin & Taufik, 2023). Furthermore, under these conditions, companies facing high external pressure are more vulnerable to manipulative practices, particularly through estimated accounts such as accounts receivable (Dang & Dung, 2024). In general, earnings management practices are classified into two forms: accrual-based (ABEM) and real earnings management (REM). ABEM is generally implemented through accounting estimates, for example, in determining allowances for doubtful accounts and revenue recording policies. REM, on the other hand, focuses on operational activities, such as extending credit terms to make sales appear higher or delaying the recording of bad debts. Both types of practices can be reflected in accounts receivable, for example, through an increase in the accounts receivable-to-sales/revenue ratio, a longer collection period (Days Sales Outstanding/DSO), or a disproportionate decrease in allowances for doubtful accounts (Istrate & Carp, 2024).

This research differs from previous studies, which generally focused more on overall earnings management or total accruals. For example, Susanti and Aryati (2023) examined the impact of discretionary accruals on the value-relevance of accounting information in manufacturing companies, but their study did not link it to changes in accounts receivable (Susanti & Aryati, 2023). Similarly, other studies on accrual and real earnings management related to tax aggressiveness strategies did not emphasize receivables as a manipulation tool (Safputri, 2024). This study focuses on accounts receivable. PT Fortune Indonesia Tbk, which served as the research object from 2021 to 2024, provides a more relevant context, particularly in the post-pandemic era and the challenges of digitalization. Furthermore, a more in-depth analysis method links earnings management practices to the operational dynamics of accounts receivable, such as the Debt-to-Debt (DSO) ratio, changes in the allowance for doubtful accounts, and variations in the accounts receivable balance relative to revenue. With this approach, our study not only fills a gap in the literature on earnings management practices, which rarely comprehensively addresses accounts receivable, but also provides a more practical analytical tool for auditors and stakeholders in the context of accounts receivable.

LITERATURE REVIEW

A. Accounts Receivable Balance Details

In financial statements, the accounts receivable balance reflects the value of the company's claims against customers arising from credit sales transactions. To ensure that the presentation of accounts receivable reflects the actual realizable value, it is necessary to take into account the gross value and allowance for doubtful accounts (Winarni, 2025). Changes in the accounts receivable balance from year to year can provide various meanings. These changes could indicate a different sales strategy, increased collection effectiveness, or even the possibility of manipulation in accounting estimates. Previous research confirms that changes in accounts receivable balances that are not in line with revenue growth may indicate managerial influence in the financial reporting process (Bahri & Wijayanto, 2025). Therefore, a comprehensive analysis of accounts receivable balances is crucial for assessing the quality of financial reports and detecting indications of earnings management practices.

As a current asset arising from the sale of goods and services on credit, accounts receivable are sensitive to manipulation. The accounts receivable-to-revenue ratio can be used to assess the possibility of inappropriate revenue recognition (Winarni, 2025). If an adequate allowance for doubtful accounts is not established, the reported amount of receivables will be overstated, which can ultimately lead to higher reported profits. Other research emphasizes the importance of an accounts receivable control system for maintaining smooth cash flow and minimizing the risk of bad debts (Khairudin et al., 2022). Due to its estimative nature, accounts receivable are highly susceptible to manipulation and estimation errors. This makes accounts receivable a primary focus of the external audit process to ensure the fairness of financial statements.

B. Earnings Management

To regulate the amount of reported earnings through accounting policies or estimates, earnings management actions are undertaken. According to Healy and Wahlen (1999), earnings management can be used to achieve internal or external goals (Wulan Astriah et al., 2021). Therefore, research by Scott (2015) suggests that flexibility in reporting estimate-based accounts, such as allowances for doubtful accounts, is often used to manage earnings (Sinatra et al., 2022). Previous research has shown that companies under financial pressure are more likely to use discretionary accruals for earnings management (Le & Dinh, 2025). In such situations, allowances for doubtful accounts can help manage earnings by decreasing or increasing them in a given year.

C. PT Fortune Indonesia Tbk

PT Fortune Indonesia Tbk is a communications and advertising company characterized by project revenue. This allows for more flexible recognition of revenue and receivables, depending on contracts and payment dates (Sudalyo & Prasetyaningrum, 2023). Consequently, management is under pressure to improve its financial statements. The 2021–2024 financial statements show that the company has not generated a profit for three consecutive years. With a high Price-to-Book Value (PBV) ratio and a negative Return on Equity (ROE), there is a strong incentive for management to improve financial statements to demonstrate improved performance. According to research, businesses experiencing high external pressure are more susceptible to earnings management practices, particularly in estimated accounts such as receivables and allowances for losses (Dang & Dung, 2024).

FRAMEWORK OF MIND

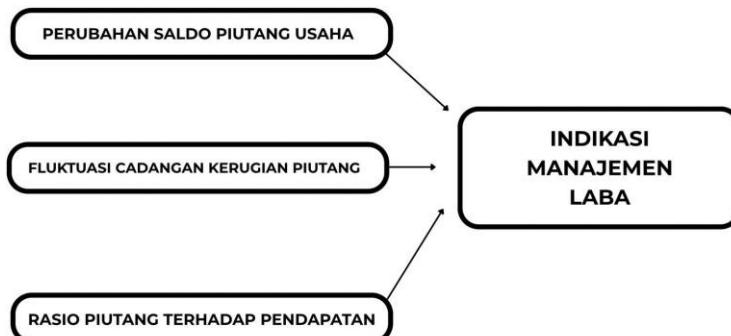


Table 1. Research Framework

This study discusses the "Impact of Accounts Receivable Balance Details on Indications of Earnings Management at PT Fortune Indonesia Tbk 2021–2024" we completed this study through a framework of thought and began the writing by explaining how detailed the accounts receivable balance occurred during 2021–2024 and the reasons underlying the indications of earnings management at PT Fortune Indonesia Tbk.

HYPOTHESIS

According to research conducted by Krisdayanti (2018), changes in accounts receivable balances that do not align with revenue may indicate management influence on financial reporting (Krisdayanti et al., 2018). Other research suggests that premature revenue recognition, a type of accrual-based earnings management, can indicate a high receivables-to-revenue ratio (Winarni, 2025). Furthermore, businesses under financial pressure are more likely to use estimated accounts such as allowances for doubtful accounts for earnings management (Prasetyo & Suhendah, 2023). At PT Fortune Indonesia Tbk, the 2021–2024 financial statements show significant accounts receivable and allowances for possible losses, including a write-off of receivables without establishing an allowance in 2024. Furthermore, there is an inconsistent pattern in the accounts receivable-to-revenue ratio. This study focuses on identifying signs of earnings management through an analysis of accounts receivable balances. So based on the explanation above, the hypothesis in this study is:

H₀: There is no indication of earnings management in changes in the balance of accounts receivable of PT Fortune Indonesia Tbk for the period 2021–2024.

H₁: There are indications of earnings management that are significantly reflected in changes in the accounts

receivable balance of PT Fortune Indonesia Tbk, particularly through fluctuations in the allowance for losses and the ratio of receivables to revenue during the 2021–2024 period.

RESEARCH METHODOLOGY

This study uses a descriptive quantitative approach because its primary focus is on objectively analyzing numerical data to identify patterns and indications of earnings management practices. The research object is the accounts receivable balance and allowance for doubtful accounts listed in the annual financial statements of PT Fortune Indonesia Tbk. The study population includes financial statements for the 2021–2024 period, obtained from the official website of the Indonesia Stock Exchange and the company's website. The secondary data used comes from the statement of financial position, the statement of comprehensive income, and the notes to the financial statements (CALK). To support the theory, references from recent accounting books and journals were used. Quantitative descriptive analysis was employed, calculating the ratio of receivables to revenue and the ratio of allowance for doubtful accounts to gross receivables. Furthermore, to identify inconsistent patterns, year-to-year fluctuation trends were observed. Furthermore, the study examined the reserve estimation strategies used. The company's financial statements include the implementation of the direct write-off method in 2024 and how this impacts net income. The purpose of this analysis is to identify evidence of earnings management practices in accounts receivable.

RESULTS AND DISCUSSION

PT Fortune Indonesia Tbk is an integrated marketing communications company headquartered in Jakarta, Indonesia. Founded in 1970, the company provides services such as advertising, public relations, brand activation, digital production, and media. PT Fortune Indonesia Tbk has been listed on the Indonesia Stock Exchange since 2002. Following the acquisition of a majority stake by PT Karya Citra Prima in 2014, the company plays a significant role in the national creative and marketing industries. PT Fortune Indonesia Tbk applies PSAK 115 in revenue recognition, where revenue is recognized when control of goods or services has been transferred to customers. This revenue comes from advertising, digital production, activation, public relations, and media services, each of which is recognized based on the completion of work or agreement with the client. Thus, flexible revenue recognition has been provided by this policy to be utilized for profit management practices, especially in situations of external pressure such as post-pandemic. Therefore, it allows for faster revenue recognition before cash is received to increase reported profits.

For allowance for doubtful accounts, PT Fortune Indonesia Tbk also uses the Expected Credit Loss (ECL) approach, which is calculated using a matrix of allowance for doubtful accounts based on the aging of receivables and customer segments. This matrix is compiled based on historical data and projected economic conditions. However, it remains subjective and sensitive to macroeconomic changes. Although frequently updated at each reporting date, ECL estimates do not always accurately reflect the likelihood of future defaults (PT Fortune Indonesia Tbk, 2021). However, the value of receivables reported in financial statements can be higher than it should be if the allowance for doubtful accounts is not properly prepared. As a result, the company's net income appears higher in nominal terms, but it does not fully reflect the amount of money the company actually generates. This condition can also increase the possibility of overstatement of revenue, which is one of the evidence of earnings management techniques if manipulation of estimated accounts occurs.

The following is data related to receivables and loss reserves of PT Fortune Indonesia Tbk.

Tahun	Piutang Usaha	Total Piutang Bersih	Penyisihan Kerugian Piutang	Pendapatan	Beban Kerugian Piutang	Opini Audit
2021	Rp 11.427.765.677	Rp 8.495.947.412	-Rp 2.931.818.265	Rp 47.065.204.472		wtp
2022	Rp 14.796.678.180	Rp 13.556.433.818	-Rp 1.240.244.362	Rp 46.859.969.955	Rp 1.700.467.731	wtp
2023	Rp 6.740.019.783	Rp 5.501.691.670	-Rp 1.238.328.113	Rp 42.587.432.479		wtp
2024	Rp 7.999.107.944	Rp 79.991.079.499		Rp 39.482.296.000	-Rp 1.238.285.530	wtp

Table 1. Data on Accounts Receivable and Allowance for Losses of PT Fortune Indonesia Tbk

1. Accounts receivable to revenue ratio

$$\frac{\text{piutang bersih}}{\text{pendapatan}}$$

Where the ratio formula to income is = **pendapatan**

Year	Total Income 8.495.947.412	Accounts Receivable to Company Ratio
2021	47.065.204.472 13.556.433.818	= 0.1805 (18.05%)
2022	46.859.969.955 7.999.107.944	= 0.2893 (28.93%)
2023	39.482.296.000	= 0.2026 (20.26%)
2024	5.501.691.670 42.587.432.479	= 0.1292 (12.92%)

Table 1. Income Ratio Data

The analysis results show that the ratio of receivables to revenue fluctuated during the 2021-2024 period, namely 18.05% (2021), increasing to 28.93% (2022), decreased drastically to 12.92% (2023), then rose again to 20.26% (2024). This pattern shows that the company's revenue is still largely held in the form of receivables, with the highest peak occurring in 2022. The ratio of 28.93% in that year may indicate the practice of increasing income through accelerated recognition of credit revenue. This aligns with findings from previous research, which confirmed that an increase in accounts receivable often reflects not only collection effectiveness but also an indication of earnings management to increase recognized revenue, even though it has not yet been realized in cash flow (Winarni, 2025).

2. Analysis of the allowance for doubtful accounts ratio

penyisihan piutang

Where the formula for the allowance for doubtful accounts ratio is = $\frac{\text{penyisihan piutang}}{\text{piutang kotor}}$

Year	Amount of Allowance for Doubtful Accounts	Accounts Receivable to Company Ratio
2021	2.931.818.265 11.427.776.667	= 0.2566 (25.66%)
2022	1.240.244.362 14.796.678.180	= 0.0838 (8.38%)
2023	1.238.328.113 6.740.019.783	= 0.1837 (18.37%)
2024	0 7.999.107.944	= 0

Table 2. Data on Allowance for Bad Debts Ratio

Analysis of the allowance for doubtful accounts ratio reveals an inconsistent pattern from 2021 to 2024. In 2021, the allowance ratio was quite high at 25.65%, reflecting management's conservative stance in anticipating problem receivables. However, in 2022, the allowance ratio dropped drastically to 8.38% despite a doubtful account expense of Rp 1.7 billion. This suggests that management deliberately suppressed the allowance to prevent significant erosion in profits. This finding aligns with previous research, which suggests that Indonesian companies frequently use allowances not only as a conservatism mechanism but also as a tool for managing profits (Winarni, 2025). Overall, the analysis shows that inconsistencies in the provision for doubtful accounts, particularly in 2022 and 2024, have the potential to constitute earnings management. In 2022, the provision was significantly reduced, while in 2024, there was no provision at all, putting reported earnings at risk of being overstated. This aligns with previous research explaining that estimated accounts such as the allowance for doubtful accounts are often used by management as an instrument to regulate earnings (Kevin & Taufik, 2023). Thus, the accounts receivable ratio and allowance for doubtful accounts can be used as important indicators in detecting potential earnings management practices in a company. Our audit quality has been shown to significantly influence earnings management practices, and auditors tend to be more critical of estimated accounts that are vulnerable to manipulation and will conduct detailed balance testing on each account with high potential or potential for manipulation (Krismiaji et al., 2025). Therefore, accounts receivable and allowance for doubtful accounts need to be the primary focus of detailed balance audit procedures, particularly in the 2022 and 2024 periods when allowance for doubtful accounts

decreased or was not even established. completely. In the audit process, accounts receivable are one of the areas most susceptible to manipulation because they involve management estimates regarding collectibility. Auditors typically conduct a detailed audit of accounts receivable balances by testing the Existence assertion (whether the receivables actually exist), Valuation assertion (whether the receivables are reasonably valued, including allowances for losses), and Completeness assertion (whether all receivables are recorded). Therefore, a detailed audit of accounts receivable balances plays a crucial role in testing the reasonableness of these balances and ensuring that financial statements are not manipulated through receivables estimation policies, as well as in maintaining the integrity of the financial information presented to stakeholders.

CONCLUSION AND SUGGESTIONS

During the 2021–2024 period, PT Fortune Indonesia Tbk exhibited significant fluctuations in its receivables-to-revenue ratio and allowance for doubtful accounts, indicating earnings management practices. Irregularities, such as sharp increases and decreases in the receivables ratio and inconsistent allowance formation despite the presence of doubtful accounts, suggest earnings manipulation through accelerated revenue recognition and allowance adjustments. The application of PSAK 115 and the Expected Credit Loss (ECL) method provide management with considerable discretion in determining the timing and amount of revenue recognition and allowance for doubtful accounts. Without adequate oversight, this flexibility can be exploited to present financial performance that does not fully reflect the true economic conditions.

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