

The Influence of Managerial Ownership, Leverage, and BOPO on Creative Accounting Moderated by Corporate Governance

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ABSTRACT

Financial reporting is essential for transparent corporate performance, yet pressures in merger and acquisition activities heighten the risk of creative accounting. This study analyzes the influence of managerial ownership, leverage, and BOPO on creative accounting practices, as well as the moderating role of Good Corporate Governance (GCG), in the context of mergers and acquisitions in Indonesia to maintain the integrity of financial statements and stakeholder trust. Using a quantitative approach, a sample of 20 companies from 159 merger & acquisition entities registered with the business competition supervisory commission for the 2019-2023 period. Secondary data from financial and annual reports were obtained from the Indonesian Stock Exchange and company websites. Moderated regression analysis through SPSS was used to test the hypotheses. The results show that managerial ownership has no significant effect, leverage has a significant negative effect, and BOPO has a significant positive effect on creative accounting. GCG does not moderate the relationship between managerial ownership and creative accounting, but strengthens the effect of leverage and weakens the effect of BOPO. These findings emphasize the interaction of these factors in influencing financial reporting integrity, providing empirical insights for the application of agency theory.

Keywords: Creative Accounting, Good Corporate Governance, Leverage, Managerial Ownership, Mergers and Acquisitions.

ABSTRAK

Pelaporan keuangan sangat penting untuk memastikan transparansi kinerja perusahaan, namun tekanan dalam aktivitas merger dan akuisisi meningkatkan risiko terjadinya praktik akuntansi kreatif. Studi ini menganalisis pengaruh kepemilikan manajerial, leverage, dan BOPO terhadap praktik creative accounting, serta peran moderasi Good Corporate Governance (GCG) dalam konteks merger dan akuisisi di Indonesia untuk menjaga integritas laporan keuangan dan kepercayaan pemangku kepentingan. Menggunakan pendekatan kuantitatif, sampel 20 perusahaan dari 159 entitas Merger & Akuisisi terdaftar di Komisi Pengawas Persaingan Usaha periode 2019-2023. Data sekunder dari laporan keuangan dan tahunan diperoleh dari Bursa Efek Indonesia dan situs perusahaan. Analisis moderated regression analysis melalui SPSS digunakan untuk menguji hipotesis. Hasil menunjukkan kepemilikan manajerial tidak berpengaruh signifikan, leverage berpengaruh negatif signifikan, dan BOPO berpengaruh positif signifikan terhadap creative accounting. GCG tidak memoderasi hubungan kepemilikan manajerial dengan creative accounting, tetapi memperkuat efek leverage dan melemahkan efek BOPO. Temuan ini menekankan interaksi

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faktor-faktor tersebut dalam memengaruhi integritas pelaporan keuangan, memberikan wawasan empiris untuk aplikasi teori agensi.

Kata kunci: *Akuntansi Kreatif, Good Corporate Governance, Kepemilikan Manajerial, Leverage, Merger dan Akuisisi.*

INTRODUCTION

Financial statements serve as official documents that describe a company's financial condition, operational performance, and cash flow over a certain period, with their accuracy and reliability being the main basis for stakeholders in making investment and managerial decisions (Arsal et al., 2025). However, external pressures such as market expectations, profit targets, or contract requirements often encourage management to apply creative accounting, which is a legal practice that exploits loopholes and the flexibility of accounting standards to present a more favorable financial image, without directly violating the law, unlike accounting manipulation or financial statement engineering, which explicitly violate the rules and can result in legal sanctions (Denich & Hajdu, 2021). This practice, while not always illegal, can reduce transparency and cause losses for investors and creditors, thus requiring serious attention to maintain the integrity of financial markets.

Factors influencing creative accounting include managerial ownership, which shows a significant positive relationship because managers with high share ownership tend to exploit accounting loopholes to optimize the financial image for personal gain, as found by Andarint et al. (2022) in the context of Mergers and Acquisitions (M&A), and Suartama and Sukartha (2020) who confirmed an increase in this practice during M&A transactions, although Paul and Ben-Caleb (2020) found no relationship. Leverage, which in studies by Maudia et al. (2022) and Yudistira and Nanggala (2023) is positively related because debt pressure encourages management to present better reports to fulfill contracts, but Pradipta and Handayani (2020) show a negative relationship where high leverage actually encourages transparency to maintain creditor trust. Meanwhile Pratami and Pradipto (2021) found no significant effect. The ratio of Operating Expenses to Operating Income (*Biaya Operasional terhadap Pendapatan Operasional/BOPO*), which is positively related to creative accounting, because high BOPO indicates operational inefficiency that encourages the use of discretionary accruals to cover weak performance, as shown by Qawasmeh and Azzam (2020) and Mauludi et al. (2025), although Jasman et al., (2023) and Putri et al. (2025) found no significance in the banking sector.

Good Corporate Governance (GCG) acts as a moderating variable that strengthens internal control, reducing the risk of Creative Accounting through transparency and accountability mechanisms, as in the study by Hidayah et al. (2025), which confirms that GCG moderates the relationship between managerial ownership and leverage with this practice, and Andriawan and Setijaningsih (2024), which shows its impact on company financial performance.

This study focuses on companies involved in M&A in Indonesia, where this activity surged with more than 150 notifications and a transaction value of IDR 250 trillion in 2023, yet vulnerable to creative accounting to improve their financial image to attract investors, as revealed by the Business Competition Supervisory Commission (*Komisi Pengawas Persaingan Usaha/KPPU*) in 2024 data and Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) in 2024 surveys, indicating this practice in 28% of related companies. The merger and acquisition process has been shown to enhance company performance, especially in terms of financial outcomes. This demonstrates that M&A activities function as an effective strategy for business expansion. Financial performance itself can be evaluated through regularly issued financial statements, which provide investors with essential insights into a firm's financial condition (Tullah & Tullah, 2023; Komalasari & Bertuah, 2024).

By integrating previous research findings, such as the emphasis on GCG as mitigation, this study aims to analyze the influence of managerial ownership, leverage, BOPO, and the moderating role of GCG on creative accounting in the context of M&A, using secondary data from the financial reports of related companies to reveal its impact on the transaction process and results, as well as providing strategic implications for regulators in improving supervision and for companies in preventing inaccurate valuation risks, thereby contributing to the financial literature with specific empirical insights for the developing Indonesian market.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Managerial Ownership on Creative Accounting

Agency theory explains the conflict of interest between shareholders and managers arising from differing objectives and information asymmetry (Jensen & Meckling, 2019). These conflicts create agency costs and open opportunities for unethical behavior such as creative accounting, especially in situations with heightened pressure, including Mergers and Acquisitions (M&A). Within this framework, managerial ownership, leverage, and BOPO become relevant factors influencing managerial incentives to manipulate financial reporting. Managers may use accounting discretion to meet short-term targets or conceal unfavorable performance, while Good Corporate Governance (GCG) serves as a moderating mechanism that aligns interests and reduces agency conflicts (Sani & Owoade, 2021; Maudia et al., 2022).

Understanding the determinants of creative accounting is essential to minimize its negative impact. Agency Theory posits that managerial ownership should, in principle, align managers' interests with those of shareholders, reducing the tendency for opportunistic reporting. However, empirical findings show mixed outcomes. In some cases, greater managerial ownership enhances control and provides managers with more flexibility to pursue discretionary accruals, especially in M&A contexts where expectations are high and pressure to present strong performance intensifies.

Managerial ownership is typically measured as the proportion of shares held by managers relative to total outstanding shares (Pambudi, 2020; Oktaviani et al., 2022). Prior studies, such as Suartama and Sukartha (2020), Sani and Owoade (2021), Oktaviani et al. (2022), and Andarint et al. (2022) show that higher managerial ownership increases the likelihood of creative accounting, driven by the opportunity to maximize personal benefit. These mixed findings reinforce the relevance of agency theory in examining how ownership structure and financial pressures shape managerial behavior and highlight the role of governance mechanisms in curbing opportunistic reporting.

H1: Managerial ownership has a positive effect on creative accounting practices.

The Effect of Leverage on Creative Accounting

Factors that influence creative accounting practices are not only limited to managerial ownership, but also include the company's financial aspects, such as leverage. The leverage ratio measures the extent to which a company is financed by debt and indicates the level of security for creditors. High leverage risks endanger the company because it can fall into the category of "extreme leverage," where large debts are difficult to pay off. Although leverage can increase profitability, the risk of loss also increases when conditions worsen. Leverage describes the level of assets financed by debt, by comparing total debt to total assets (Latif et al., 2024). High debt ratios create pressure from creditors for timely payments, thereby increasing scrutiny of financial statements and limiting the possibility of managers using creative accounting practices such as discretionary accruals to maintain trust and avoid sanctions.

Agency theory explains that high leverage exacerbates conflicts of interest between shareholders and creditors, where managers may be tempted to manipulate financial reports to show better performance. However, strict external scrutiny from creditors actually encourages transparency and reduces incentives for such practices, as the risk of

default could worsen the company's financial position. This ratio reflects the risk of financial difficulties, encouraging managers to avoid manipulation that could damage their reputation, especially in the context of M&A where creditors are more vigilant about transparency. Empirical research shows mixed results: Pradipta and Handayani (2020) found a negative effect, where leverage limits such practices; Maudia et al. (2022) and Yudistira and Nanggala (2023) report a positive effect. Considering the predominance of negative results and strict supervision in high debt conditions, leverage generally reduces creative accounting practices.

H2: Leverage has a negative effect on creative accounting practices.

The Effect of BOPO on Creative Accounting

Creative accounting practices are influenced not only by managerial ownership and leverage, but also by operational efficiency indicators such as the Operating Expense to Operating Income Ratio (*Biaya Operasional terhadap Pendapatan Operasional/BOPO*). This is a key indicator for assessing a company's operational efficiency. A high BOPO ratio indicates management inefficiency and increases risk for shareholders, encouraging managers to use creative accounting such as premature revenue recognition or expense deferral to cover shortfalls and send positive signals to the market.

Agency Theory explains that this inefficiency exacerbates information asymmetry, where managers have an incentive to hide poor performance through financial statement manipulation, because principals (shareholders) rely on the information provided for decision-making, making creative accounting a tool to reduce external pressure and maintain personal compensation. This pressure of inefficiency exacerbates information asymmetry, making manipulation more likely to occur to avoid negative assessments such as a decline in stock value. Previous research such as Widyasari et al. (2017), Qawasmeh and Azzam (2020), and Mauludi et al. (2025) show a significant positive effect, where high BOPO encourages aggressive earnings management.

H3: BOPO has a positive effect on creative accounting practices.

Good Corporate Governance as a Moderating Variable

Agency theory underscores conflicts of interest between shareholders and managers, which can worsen with high managerial ownership lacking oversight, yet Good Corporate Governance (GCG) mechanisms curb creative accounting through transparency, accountability, and controls. Managerial ownership ideally aligns interests for long-term value, but weak GCG permits exploitation of accounting flexibility for personal gain. As a moderator, GCG diminishes this by promoting independent supervision and ethics, limiting manipulation as evidenced by Suartama and Sukartha (2020), Andarint et al. (2022), Debbarma and Roy (2023), Andriawan and Setijaningsih (2024), Komalasari and Bertuah (2024), and Hidayah et al. (2025). Financial structure also influences these agency conflicts, particularly through high leverage, which escalates risk and scrutiny, negatively affecting Creative Accounting, with GCG amplifying this deterrent via monitoring and safeguards against opportunism.

Leverage intensifies shareholder–creditor conflicts, and GCG helps align decisions in debt-heavy situations, as supported by Shatiti and Achmad (2020), Andriawan and Setijaningsih (2024), Komalasari and Bertuah (2024), and Mauludi et al. (2025). Specifically, the moderating role of GCG strengthens the negative impact of leverage on creative accounting by enforcing stricter oversight and risk management practices, thereby reducing opportunities for opportunistic behavior in highly leveraged firms. Operational efficiency adds another layer to these dynamics, as high BOPO reflects inefficiency, incentivizing creative accounting to mask risks, but GCG mitigates this by enhancing oversight and accountability. BOPO broadens asymmetry and managerial incentives, countered by GCG's internal controls and review, as shown in Qawasmeh and Azzam (2020), Mauludi et al. (2025), and Hidayah et al. (2025) In this context, GCG weakens

the positive influence of BOPO on creative accounting by fostering ethical reporting and independent audits that discourage the use of accounting flexibility to conceal operational inefficiencies.

H4: Good corporate governance weakens the influence of managerial ownership on creative accounting.

H5: Good corporate governance strengthens the influence of leverage on creative accounting.

H6: Good corporate governance weakens the influence of BOPO on creative accounting.

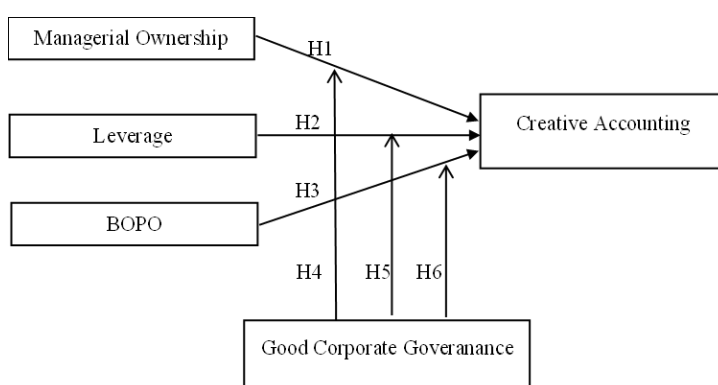


Figure 1. Research Framework

Referring to Figure 1, the research framework is grounded in agency theory, which explains the dynamics between principals and agents within a firm. Creative accounting is the dependent variable in this model, while managerial ownership, leverage, and BOPO serve as the independent variables. GCG acts as a moderating variable influencing the relationships between these independent variables and creative accounting. According to this concept, managerial ownership, financial leverage, and operational efficiency affect the likelihood of engaging in creative accounting practices, whereas robust corporate governance enhances oversight and transparency, thereby potentially reducing such practices.

RESEARCH METHODS

This study uses a quantitative approach. The population consisted of 159 companies registered with the business competition supervisory commission that conducted Mergers and Acquisitions (M&A) in 2021. Using purposive sampling, 20 companies were selected as samples (for the period 2019-2023). This study utilized secondary data from financial statements (for quantitative data such as creative accounting, leverage, and BOPO) and annual reports (for governance aspects such as managerial ownership, shareholder rights, board of directors, outside directors, audit committees, internal auditors, and investor disclosures), obtained from the official website of the Indonesia Stock Exchange and the respective company websites. The data analysis technique used multiple linear regression analysis with Moderated Regression Analysis (MRA) using SPSS software.

Managerial Ownership is defined as the proportion of shares held by management relative to the total shares outstanding (Sani & Owoade, 2021). Leverage is assessed through the ratio of total debt to total (Yudistira & Nanggala, 2023). BOPO, an indicator of operational efficiency, is calculated by dividing total operating expenses by total operating income and multiplying the result by 100% (Mauludi et al., 2025). Creative Accounting is captured using discretionary accruals, which reflect adjustments arising from managerial accounting choices (Debbarma & Roy, 2023). Good Corporate Governance (GCG) is measured using a composite score derived from five sub-indicators, shareholder rights, board structure, presence of external directors, audit committee and internal audit functions, and the quality of disclosures to investors (Manik et al., 2019).

Data analysis methodology utilizes the Moderating Regression Analysis (MRA) technique with the following formula:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4Z + b_5(X_1*Z) + b_6(X_2*Z) + b_7(X_3*Z) + e$$

Information:

- Y = Creative Accounting
- A = Constant
- b1-b7 = Regression coefficients
- X1 = Managerial Ownership
- X2 = Leverage
- X3 = BOPO
- Z = GCG
- X1*Z = Interaction between managerial ownership and GCG
- X2*Z = Interaction between leverage and GCG
- X3*Z = Interaction between BOPO and GCG
- e = Standard error

RESULTS

Mergers and Acquisitions (M&A) are important business strategies in the global and national economy, as they serve as a mechanism to expand market share, improve operational efficiency, and create added value for companies. Companies involved in M&A generally come from various sectors, including manufacturing, finance, technology, and natural resources, where these transactions involve the combination of business entities through mergers or acquisitions of assets, shares, or operations (Dokas et al., 2025). As a complex and high-risk process, the success of M&A is highly dependent on factors such as managerial ownership, financial leverage, the ratio of BOPO, and Good Corporate Governance (GCG) practices. However, pressure from shareholders, the government, and the public to show positive results in a short period of time often encourages the practice of creative accounting, which can affect the accuracy of financial reports and the company market performance. Using M&A companies as samples in this study is important for analyzing the risks of such practices, understanding their impact on operational efficiency, and providing strategic insights for investors and regulators to identify opportunities and challenges in large-scale business transactions. This study reports the results of multiple linear regression analysis with Moderated Regression Analysis (MRA) using SPSS software. The results of the descriptive statistical test are shown as follows in Table 1.

Table 1. Descriptive Statistical Test

Variable	N	Min	Max	Mean	Std. Deviation
Managerial Ownership	100	0.0003	42.9711	4.2339	10.7489
Leverage	100	0.1010	1.0731	0.5052	0.2652
BOPO	100	0.7529	9.0403	1.7520	1.2826
Good Corporate Governance	100	18.5	24.0	20.815	1.5170
Creative Accounting	100	-0.4097	0.3795	0.0078	0.1053

As show in Table 2, the value of Leverage, BOPO, GCG, and Creative Accounting have higher average values than the standard deviation values, which means that the variation in data in these variables is relatively low and the data distribution is fairly concentrated. Meanwhile, the Managerial ownership variable has a lower average value compared to the standard deviation value, which means that the data variation in managerial ownership is very high and the data distribution is more scattered or uneven.

Table 3. Classical Assumption Test

Variable	Collinearity Statistic		Spearman Rho	Kormogorov-Smirnov	Durbin-Watson
	Tolerance	VIF			
Managerial ownership	0.864	1.157	0.051		
Leverage	0.895	1.118	0.593		
BOPO	0.971	1.030	0.400		
Good Corporate Governance	0.937	1.068	0.102		
Asymp. Sig. (2-tailed)				0.200	
dW					1.607

Based on Table 3, the classical assumption tests for the regression model begin with a normality assessment using the Kolmogorov–Smirnov method, which produced an asymp. sig. (2-tailed) value of 0.200. Since this exceeds the 0.05 threshold, the model's residuals are normally distributed, indicating that the normality assumption is satisfied. Heteroscedasticity was then examined using the Spearman Rho test for each independent variable. The significance values, 0.051 for managerial ownership, 0.593 for leverage, 0.400 for BOPO, and 0.102 for GCG, are all greater than 0.05, showing that the residuals have constant variance and that heteroscedasticity is not present.

Multicollinearity was evaluated using tolerance and Variance Inflation Factor (VIF) values. Managerial ownership shows a tolerance of 0.864 and a VIF of 1.157; leverage has a tolerance of 0.895 and a VIF of 1.118; BOPO has a tolerance of 0.971 and a VIF of 1.030; and GCG has a tolerance of 0.937 and a VIF of 1.068. All tolerance values are comfortably above 0.1 and all VIF values remain far below 10, indicating that multicollinearity is not an issue among the predictors.

The autocorrelation test using the Durbin-Watson statistic produced a value of 1.607, which falls within the acceptable range around 2. This confirms the absence of autocorrelation, meaning that current residuals are not correlated with those of previous periods. All classical assumptions are met, supporting the validity of the regression model and ensuring that the subsequent interpretation of the analysis is reliable.

Table 4. Hypothesis Test

Hypothesis	Variable	β	Sig	Hypothesis Result
	(Constant)	-0.475	0.352	
H1	Managerial Ownership (X1)	-0.024	0.281	Rejected
H2	Leverage (X2)	-1.286	0.018	Accepted
H3	BOPO (X3)	0.662	0.003	Accepted
H4	X1*Z	0.001	0.226	Rejected
H5	X2*Z	0.057	0.027	Accepted
H6	X3*Z	-0.030	0.004	Accepted
N		100		
Adjusted R Square		0.280 (28%)		

Table 4 indicates that the significance value for managerial ownership is 0.281, which is above the 0.05 threshold, showing that this variable does not have a statistically significant influence. In contrast, the leverage variable has a significance value of 0.018, and the BOPO variable has a significance value of 0.003, demonstrating that each exerts a significant effect on the dependent variable. Regarding the moderating role of GCG, the interaction term X1Z has a p value of 0.226, suggesting that GCG does not significantly moderate the relationship between managerial ownership and creative accounting. Meanwhile, the interaction term X2Z shows a significance value of 0.027, and X3*Z shows 0.004, both below the 0.05 threshold. This indicates that GCG significantly moderates the relationships between leverage and creative accounting, as well as between BOPO and creative accounting.

DISCUSSION

Based on the results of data analysis, managerial ownership has no effect on creative accounting, thus rejecting hypothesis 1. These results contradict Jensen and Meckling's (2019) agency theory, which predicts that alignment of interests reduces incentives for this

practice through a long-term focus. However, in the context of Mergers and Acquisitions (M&A), alignment is ineffective. Changes in ownership structure due to M&A reduce managerial dominance, weakening incentives if ownership is below the 10-20% threshold, in line with agency theory that supervision by majority shareholders minimizes conflict (Panda & Leepsa, 2017). Furthermore, the positive and negative effects of ownership offset each other: managers are more cautious in maintaining long-term value, but greater control allows for the exploitation of accounting flexibility, resulting in a neutral relationship (Attia et al., 2023; Liu, 2023). These findings are in line with research by Alvernia and Maimunah (2024) in Indonesia, Paul and Ben-Caleb (2020) in Nigeria, which found no influence, which Safitri et al. (2023) and Alzura and Rudyanto (2025) stated that other factors, such as institutional ownership being stronger.

Furthermore, the results of data analysis show that leverage has a significant negative effect on creative accounting, thus accepting the hypothesis that high leverage makes management more cautious due to strict creditor supervision. This supports agency theory, as a mechanism for controlling manager opportunism, which limits the scope of creative accounting because creditors demand accurate reports with managers maintaining credibility to avoid financing rejection (Mamatzakakis et al., 2023; Jamaluddin & Enre 2023; Sequeira et al., 2024; Al-Shattarat, 2024). These findings are in line with Aldona and Listari (2020) leverage ratios (DAR and DER) significantly in manufacturing companies listed on the Indonesia Stock Exchange. Pradipta and Handayani (2020) in Indonesian banking and Zamri et al. (2013) in the Malaysian Stock Exchange, which show that high leverage limits accounting flexibility.

In addition, the results of the data analysis show that BOPO has a positive effect on creative accounting, meaning that hypothesis H3 is accepted, namely that high BOPO correlates with an increase in this practice in M&A, where operational inefficiencies encourage managers to cover integration costs by increasing assets or deferring expenses. This is supported by Jensen and Meckling's (2019) agency theory which emphasizes that conflicts of interest drive inefficiencies, and Signaling Theory, which states that high BOPO triggers "improved" signaling through creative accounting. These findings are consistent with Widyasari et al. (2017), Qawasmeh and Azzam (2020) and Mauludi et al. (2025), who found a positive correlation between high operating costs and earnings management. The implication for investors and regulators is that M&A companies with high BOPO are more vulnerable to the risk of overvaluation or long-term losses.

Furthermore, the analysis results show that GCG does not moderate the influence of managerial ownership on creative accounting, because its effectiveness is not strong enough in this sample. GCG as a theoretical control mechanism fails to suppress managerial opportunism, perhaps because it functions more as a framework of transparency without a direct impact on accounting decisions and a "gray area" where management can use personal interpretations to make financial reports look better, even in companies that have strictly implemented GCG (Eko et al., 2017; Mauludi et al., 2025).

Meanwhile, the results of data analysis show that GCG strengthens the influence of leverage on creative accounting, meaning that governance makes the leverage effect more effective. High leverage increases risk, encouraging caution to avoid creative accounting, and governance reinforces this through independent supervision that aligns managers' decisions with shareholders (Maudia et al., 2022). In accordance with Jensen and Meckling's (2019) agency theory as a mechanism for controlling information asymmetry. These findings are in line with the research of Shatiti and Achmad (2020), Maudia et al. (2022), Komalasari and Bertuah (2024), and Andriawan and Setijaningsih (2024). The implications for science are theoretical contributions that enrich the accounting literature on opportunism moderators, strengthening the validity of agency theory; for practice, the effective application of governance at high leverage increases report credibility, creditor-investor trust, and transparency-accountability.

The results of data analysis show GCG as a significant moderator in the relationship between BOPO and creative accounting, with a negative coefficient, meaning that governance weakens the positive influence of BOPO, so that companies with high BOPO

are less likely to engage in this practice to cover up inefficiencies. High BOPO encourages earnings management, but governance, through independent boards of commissioners and transparency, prevents it and reduces information asymmetry in the context of M&A. These findings are in line with Perotti and Windisch (2017), Qawasmeh and Azzam (2020), Mauludi et al. (2025), and Hidayah et al. (2025), which confirm the protective role of governance. The practical implication is the strengthening of corporate governance in BOPO-prone companies such as banks, with regulators such as the OJK encouraging implementation to reduce risk, increase investor confidence and market stability, and reinforce the evidence of GCG as an effective moderator in managing operational inefficiency risk.

CONCLUSION

The results of this study show that managerial ownership does not have a significant influence on creative accounting practices, indicating that ownership held by managers does not necessarily reduce or increase manipulation incentives. In contrast, leverage and BOPO both demonstrate significant effects, with leverage negatively associated and BOPO positively associated with creative accounting. These findings suggest that firms with higher debt levels face stronger monitoring and covenant pressures that limit discretionary reporting, while inefficient operations reflected in higher BOPO may encourage managers to engage in creative accounting to mask performance weaknesses.

The moderating analysis further highlights the importance of GCG. GCG does not strengthen or weaken the relationship between managerial ownership and creative accounting, implying that ownership structure alone does not interact with governance mechanisms to influence reporting behavior. However, GCG significantly moderates the effects of leverage and BOPO. Strong governance reinforces the disciplining effect of leverage, making financial reporting more transparent, while it weakens the positive influence of BOPO, reducing the likelihood that operational inefficiencies lead to reporting manipulation. These findings underscore the critical role of governance structures in mitigating opportunistic behavior, particularly in firms with high debt exposure or operational inefficiencies, and reinforce the need for stronger oversight mechanisms.

This study is constrained to firms engaged in M&A on the Indonesia Stock Exchange within a specific timeframe, which may limit its representativeness and create potential bias in measuring creative accounting. Future studies are encouraged to broaden the scope to other sectors or countries, extend the observation period, incorporate additional variables such as institutional ownership, and consider mixed-method approaches for deeper analytical insight.

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