Accounting Choice for Intangible Assets in Indonesia's Entertainment and Media Entities

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Abstrak

Pemahaman yang baik terhadap pengelolaan dan pelaporan aset tak berwujud merupakan salah satu upaya yang dilakukan oleh entitas untuk menjaga reputasinya, kinerja keuangan, serta kepercayaan investor dan pemangku kepentingan. Adanya kesenjangan dalam praktik akuntansi menyebabkan munculnya perbedaan perilaku manajer dalam menyusun laporan keuangan. Hal inilah yang menjadikan strategi pendapatan terkait aset tak berwujud dapat bersifat informatif atau oportunistis. Dengan menganalisis faktor-faktor seperti ukuran entitas, leverage, dan kompensasi penjualan, penelitian ini bertujuan untuk menguji apakah strategi tersebut bersifat informatif atau oportunistis. Penelitian ini merupakan penelitian *cross-sectional* dan *time-series* dengan desain kuantitatif. Data yang dikumpulkan diambil dari Laporan Tahunan Entitas Hiburan dan Media yang terdaftar di BEI dengan periode 2021-2022. Ukuran entitas berpengaruh signifikan terhadap strategi pendapatan yang menunjukkan pelaporan aset tak berwujud cenderung konservatif dengan menyajikan secara informatif. Sementara itu, entitas yang memiliki leverage tinggi lebih cenderung menerapkan strategi agresif; dengan kata lain, leverage memengaruhi perilaku oportunis dalam mengekspresikan strategi pendapatan terkait aset tak berwujud. Dampak kompensasi penjualan pada strategi pendapatan manajer keuangan untuk aset tidak berwujud tidak konsisten dan dapat dipengaruhi oleh berbagai faktor.

Kata Kunci: Pilihan Akuntansi, Aset Tak Berwujud, Informatif, Oportunistis, Perilaku Manajer

Abstract

A good understanding of the management and reporting of intangible assets is one of the efforts made by the entity to maintain its reputation, financial performance, and the trust of investors and stakeholders. The existence of gaps in accounting practices causes the emergence of differences in managers' behaviour in preparing financial statements. This is what makes the income strategy related to intangible assets can be informative or opportunistic. By analyzing factors such as entity size, leverage, and sales compensation, this study aims to examine whether these strategies are informative or opportunistic. This study is a cross-sectional and time-series study with a quantitative design. The data collected were taken from the Annual Report of Entity of Entertainment and Media listed on the IDX with a period of 2021-2022. The size of the entity has a significant effect on income strategies that shows intangible assets reporting tends to be conservative by presenting informatively. Meanwhile, highly leveraged entities are more likely to adopt aggressive strategies; in other words, leverage influences opportunist behaviour in expressing income strategies regarding intangible assets. The impact of sales compensation on financial managers' income strategies for intangible assets is not consistent and can be influenced by various factors.

Keywords: *Accounting Choice, Intangible Asset, Informative, Opportunistic, Manager Behaviour*

INTRODUCTION

In accounting, intangible assets are regulated by PSAK 238, which defines them as nonmonetary assets without a physical form that enhances value with administrative objectives. As times and technology have progressed, more entities are investing in intangible assets, as evidenced by a 29% increase in such investments in America and Europe over the past 25 years (Hazan et al., 2021). Indonesia itself is ranked 13th in the category f companies with the most intangible asset intensive among other low-economy countries (Brown et al., 2022). Click or tap here to enter text.The increase in intangible asset investment occurs because these assets are a way for entities to foster growth and productivity. They can even positively impact an entity's competitive advantageClick or tap here to enter text. (Wardhani et al., 2021). Additionally, like fixed assets, intangible assets can influence performance and financial policies, creating value for customers and shareholders/stakeholders (Qureshi & Siddiqui, 2021). However, the difficulty in identifying and measuring intangible assets creates a gap for managers to act opportunistically in their accounting choices regarding the presentation of intangible assets, often leading to perceptions that the presentation is inadequate.

One of the business sectors that possesses intangible assets is the entertainment and media sector. Entities in the entertainment and media industries hold a variety of intangible assets. For example, intangible assets in this sector include intellectual property, brand value, goodwill, talent, contracts with producers or actors, artist reputation, copyrights, and many more (Faster Capital, 2024). Moreover, it has been reported that the entertainment industry is the second highest in terms of investment in intangible assets (Hazan et al., 2021). It was also reported in 2022, one of the pillars that showed an increase in innovation in Indonesia was creative outputs with sub-pillars in the form of entertainment and media markets ranked 50th (Global Innovation Index, 2022). In practice, many entities in this industry report intangible assets in a consolidated manner, without disclosing the individual values or characteristics of each asset. This is similar to the finding of Muyasaroh & Nurhayati (2019) which stated that the level of intangible asset disclosure in Indonesia's companies is indeed quite high, but the quality of it is low.

The presence of gaps in accounting practices leads to variations in managerial behaviour when preparing financial reports. This behaviour can arise from various motives. One such motive is to increase the entity's value, leading managers to carefully consider the amount of money to be reported. This careful approach to reporting is akin to the conservative accounting principle (Haryadi et al., 2023). On the other hand, the behaviour exhibited by managers in preparing financial reports may also be driven by their motivation to increase personal gain (opportunistic behaviour). This motive might lead managers to choose accounting policies that benefit themselves, either by inflating profits to secure bonuses or by employing other accounting practices that result in higher compensation (Riordan & Williamson, 1985).

The financial condition of an entity is expected to consistently deliver strong financial performance to increase investor confidence. However, in its operations, an entity will inevitably experience declines in revenue or performance. The pressure to always demonstrate top performance even during difficult times creates an ethical dilemma for financial managers in terms of financial reporting (Siswantoro, 2020). The level of profit of an entity also affects the preparation of its financial statements. The higher the profit an entity has, the larger the tax it must pay. This also triggers tax avoidance actions taken by managers during the financial reporting process. These issues can lead to aggressive or opportunistic behaviours in financial reporting (Siswantoro, 2020). Siswantoro (2020) explained that in Indonesia, the incidence of fraud in financial reporting reached 38.5% in 2019. This finding indicates that aggressive financial reporting methods are still quite prevalent among financial managers in Indonesia. Additionally, a survey by the Association of Certified Fraud Examiners (ACFE) in 2019 reported that asset misuse and financial reporting fraud reached 20.9%, with losses ranging from 100-500 million rupiahs (Christian & Julyanti, 2022).

Reporting intangible assets in annual reports needs to be carefully considered by financial managers because intangible assets can increase investor interest and increase agency costs to support company performance (Fadhilah et al., 2023). On the other hand, if intangible assets are recorded via the historical cost method, they become more accurate and harder to manipulate. As a result, the presentation of intangible assets will be lower (Wijaya & Suganda, 2020).

Studies on this topic, particularly within the entertainment and media sector, are quite scarce. Even Grzybek's (2023) study, which we duplicated, did not investigate the presentation of intangible assets in this particular sector but instead concentrated on all entities listed on the Polish stock exchange. Due to limited availability of intangible asset data and difficulties in obtaining t in a developing country such as Indonesia, we are especially keen on replicating Grzybek's (2023) study by examining how manager prepare financial reports through the presentation of intangible assets, altering the entities studied to those within the entertainment and media sector listed on the IDX. This study will theoretically enhance the literature related to the impact of intangible assets on generating corporate value. This study supports earlier discoveries and lays the groundwork for additional studies aimed to enhancing positive accounting theory and accounting choice. This research also offers insights for financial managers in creating clearer and more pertinent financial statements. Furthermore, this research is beneficial for educators in creating curriculum that aligns with the most recent advancements in accounting. To this end, the study formulates several research questions:

RQ1: How do managers in large entities within the entertainment and media sector present intangible assets?

RQ2: How do managers in high-leverage entities within the entertainment and media sector present intangible assets?

RQ3: How do managers in entities with high sales compensation within the entertainment and media sector present intangible assets?

LITERATURE REVIEW

Positive Accounting Theory

Positive accounting theory begins with the development of accounting standards that have an impact on the emphasis on the private sector. This results in differences in accounting practices in the field. Therefore, Watts & Zimmerman (1978) tried to develop a theory (positive theory) that can explain accounting practices, the impacts resulting from the use of various accounting standards on various groups, and the willingness of these groups to allocate the resources they have to use these standards, which is called positive accounting theory.

In this case, Watts & Zimmerman (1978) consider that the actor who plays an important role in the practice of determining accounting standards is the managerial party. Managers will change their behaviour in choosing accounting policies, such as the practice of increasing or decreasing profits, when they have greater incentives. The incentives in question are usually in the form of a desire to enrich themselves which can be influenced by several factors, namely: (1) taxes, (2) regulations, (3) political costs, (4) information production costs, and (5) management bonus plans. If these factors can increase income or cash flow that can increase the wealth of the managerial party, then managers tend to support or choose the use of certain accounting standards. On the other hand, if they cannot increase the bonus to be obtained, the managerial party tends to be unchanged or opposes the use of new accounting standards. Watts & Zimmerman (1978) further explained that this incentive will differ for different groups and depends on the size of the entity. Large entities will be more likely to determine more appropriate accounting standards when their income decreases compared to small entities. This positive accounting theory continues to experience much criticism and development even today.

Accounting Method Choice

The numbers listed in accounting are economic information of a business in a period which is usually shown in the form of financial reports. This information will later be used by several interested parties, such as investors, creditors, employees, and other socio-economic parties to help make the right decisions. This is why the role of accountants is very important. The attitude and behaviour of accountants in providing information about the social and economic conditions of a business (whether accountants prepare financial accounting and reports accurately or not) will not only affect the micro economy, in this case the company, but also the macro economy (Florin, n.d.).

The presentation of financial statements is always associated with the accounting policies or accounting choices that are set. This accounting method has also been developed to form a conceptual framework and acceptable accounting standards. However, in the field, these practices will differ from one company to another. The accounting choices determined by accountants or managers are explained by Holthausen (1990) through three perspectives. The first perspective is efficient contracting. This perspective is based on the accounting numbers listed in the contract, both explicit and implicit, which can influence the manager's incentives for choosing an accounting method. This is intended to minimize agency costs between various parties in the company which leads to maximizing the value of the company.

The second perspective explains the choice of accounting and financial report formats that can be triggered by opportunistic behavior. This has been explained earlier by Watts & Zimmerman (1978, 1986) in the previous sub-chapter. This opportunistic behavior shows the behavior of managers towards accounting methods, namely by lobbying or determining certain accounting methods that can enrich their utility or wealth where this utility can be influenced by the entity's stock price and manager compensation. The last is the information perspective. This perspective explains that managers have a competitive advantage in the form of being able to provide information on the entity where they are located. Therefore, the accounting choices chosen by managers will describe the manager's expectations regarding the entity's future cash flow.

This information perspective is always associated with accounting information regarding profit components that impact the market price of securities. So, managers or accountants will present this information in ideal conditions and investors will use this information to make their own projections on future profit guarantees (Sutjiadi et al., 2014). The information perspective approach to financial reporting itself is an approach used to project future performance by trusting the manager's responsibility and focusing on useful information provided for that purpose (Scott, 2015). Therefore, the information provided by managers or managerial parties, especially economic and accounting information in financial statements, must be of quality, so that the market can react according to the entity's objectives.

The Impact of Entity Size on The Income Strategy Related to Intangible Asset

Entities are obligated to deliver consistently good performance to shareholders and are accountable to the environment and society (Kullab & Yan, 2018). This performance is typically presented in an annual report that various stakeholders use to make decisions about the entity. From an information perspective, managers or accountants of an entity provide quality information so that the market and stakeholders react in a way desired by the entity. Thus, information asymmetry is avoided, the entity is also protected from unwanted risks and can increase the value of the company (Holthausen, 1990).

High revenue for a large entity will attract the attention of regulatory bodies, resulting in political actions that can harm the entity, such as diverting its income. High-performance standards in the form of environmental and social responsibility are also a requirement for large entities. High political pressure and additional obligations to meet performance standards mean that large entities will choose less aggressive revenue strategies (Grzybek, 2023). Thus, large entities will prefer to be more cautious in reporting their economic information, including when reporting intangible assets. We formulate this into the first hypothesis of this study, which states:

H_1: Large entities opt for a more prudent approach to recognizing income strategy related to intangible assets.

The Impact of Entity Leverage on The Income Strategy Related to Intangible Asset

High leverage of an entity can serves as a basis and consideration in selecting the disclosure method for intangible assets in the annual report. Entities with high leverage but are in the process of repaying it may experience difficulties and potentially take aggressive actions. This is done to manipulate the entity's income to be higher than its leverage level (Grzybek, 2023). This will certainly affect the assessment of external parties. External parties will consider an entity to be operating well if the entity has a cash flow that is greater than its debt level (Isdina & Putri, 2021).

This has also been previously explained by positive accounting theory. This theory explains that management will change their behaviour towards the use of certain accounting methods when the selection can benefit their wealth (Holthausen, 1990; Riordan & Williamson, 1985;(Watts & Zimmerman, 1978). In other words, we believe that entities with high leverage will present intangible assets aggressively. We formulate this into hypothesis 2, which is:

H_2: Entertainment and media entities with high leverage tend to adopt more aggressive revenue recognition strategies for intangible assets.

The Impact of Sales Compensation on The Income Strategy Related to Intangible Asset

Sales compensation is closely related to revenue. Entities with high revenue will provide compensation for their employees (Heryitno, 2022). This is what causes the potential for financial managers to lean towards aggressive revenue strategies, to maximize their compensation (Grzybek, 2023). This is also explained by Holthausen (1990) and Watts & Zimmerman (1986) that managers have certain motivations when choosing an accounting method, namely the existence of bonuses or compensation. Therefore, managers tend to be aggressive in choosing accounting that can make the entity's performance good so that they will get a bonus for that performance. We formulate this into hypothesis 3 as follows:

H_3: Entertainment and media entities with high sales compensation tend to adopt more aggressive revenue recognition strategies for intangible assets.

RESEARCH METHOD

This research employs a quantitative research design, focusing on numerical data (Waruwu, 2023). The data used in this study are numerical figures found in the annual reports of entities listed on the Indonesian Stock Exchange (IDX) in the entertainment and media sector. The specific numbers extracted from the annual reports will be used to investigate the entity's choice of accounting strategy in presenting intangible assets - whether the presentation is opportunistic or informative. This study is a cross-sectional study, where we observe all entities in the entertainment and media sector that possess intangible assets and also combine it with a time series study, where we collect observational data from several of these entities over a specific period, the years 2021 and 2022.

The objects of this study are entities within the entertainment and media sector that are listed and documented on the Indonesian Stock Exchange (IDX). Based on industrial classification information released that can be access in the IDX website, the entertainment and media sector falls under types E61 and E62, which are part of the consumer cyclicals category. Consumer cyclicals represent a non-core insutrial sector, whose value is significantly affected by economic patterns (Alfi & Suwaidi, 2023). Type E61 and E62 are consumer cyclicals with significant intangible asset. In this sector, there are 12 entities that have intangible assets, which are reflected in the presentation of these assets in their annual repots. These entities were selected due to the limited research conducted on the income strategy through the reporting of intangible assets within this sector.

The sampling technique employed in this research is purposive sampling. The inclusion criteria were all entities within the entertainment and media sector that listed and documented on the Indonesian Stock Exchange (IDX), and possessing intangible assets. Initially, 18 entities in the entertainment and media industry were found to be listed on the IDX. However, after a thorough review of their financial statements, six entities were excluded as they did not possess any intangible assets. Consequently, the final sample size for this study consisted of 12 entities.

The dependent variable is income strategy. Income strategy is often associated with the choice of accounting methods that managers will adopt. Therefore, managers play a significant role in this decision-making process. The behaviour exhibited by managers in this accounting choice process is influenced by several economic factors. One of them is the desire to optimize net income (Zmijewski & Hagerman, 1981;Watts & Zimmerman, 1978). This research uses income strategy as the dependent variable to determine the income strategy chosen by managers in reporting entity's intangible assets (opportunistic or informative) and its measurement based on the criteria established by (Grzybek, 2023). We first classify intangible assets into four groups: intangible assets with indefinite useful lives, amortization of intangible assets, impairment, and goodwill. Each of these groups will have a different score corresponding to the level of accounting policy chosen by the manager.

The accounting policy score determined through intangible assets is 0, 0.5, and 1. A score of 0 indicates the combination of accounting methods that most reduce income (conservative) for intangible assets. Meanwhile, a score of 0.5 signifies a moderate or neutral accounting policy and a value of 1 indicates the combination of accounting methods that most increases income for intangible assets. The higher the earnings management score obtained, the more opportunistic (selectively increasing income) the accounting choices made by managers tend to be. Conversely, the lower the earnings management score, the more informative the accounting choices. A summary of the classification of accounting policies in presenting intangible assets and their scores can be seen in Table 1.

Table 1
Indicators of Income Strategy

Accounting policies	Income decreasing (score 0)	Moderate or neutral (score 0.5)	Income increasing (score 1)
Intangible assets with infinite useful life	Every intangible asset has a defined useful life	Currently representing less than 5% of the total of intangible assets	Currently, it accounts for 5% of the total intangible assets
Duration of amortization for intangible assets with a defined useful life	No intangible asset with a finite useful life lasts more than 5 years	Less than 5 years for some intangible assets	All intangible assets with a limited lifespan have a useful life exceeding 5 years
Goodwill	No goodwill	Currently representing less than 5% of the total asset	Currently comprising at least 5% of the total assets

Source: Grzybek (2023)

The first independent variable is entity size. We replicated Grzybek's (2023) study by using total assets. We use assets as one of the variables to determine their influence on the income strategy chosen by managers. Assets are also one of the proxies for entity size used to determine political cost incentives. In this study, assets are measured using the natural logarithm of total assets at the end of the year before amortization, impairment losses, and research and development costs (Grzybek, 2023). Measurement through natural logarithms is intended to simplify data processing. The second variable we analyzed is leverage. Leverage is the level of the entity's debt capacity to finance its assets. Leverage is commonly used by entities when their operating capital comes from borrowed funds. The purpose of leverage is to increase and maximize the company's wealth. To measure an entity's leverage, we divide the entity's total assets by its total debt (Grzybek, 2023).

The third independent variable of this study is sales compensation. We reproduced Grzybek's (2023) study on sales compensation by employing ROA and compensation metrics. ROA will provide a more effective picture of the level of profit measure because ROA shows the maximization of management to obtain income by utilizing existing assets. A high ROA indicates that the entity has maximized the use of its assets (Jaya & Kuswanto, 2021). We took ROA from the ratio of net profit before amortization, impairment losses/reversals and research and development costs to assets as presented in the financial statements (Grzybek, 2023). To facilitate data collection, we took ROA data from the twelve entities studied through the Indo premier financial statement website and annual report. The last variable is sales compensation. Compensation/incentives for entity directors are bonuses given by the entity to the board of directors for their performance when the entity obtains high profits (Aridyanto & Marfiana, 2021). The compensation is the bonus obtained by the directors for net sales obtained. Sales compensation is calculated by the amount of compensation received by the directors divided by the net sales obtained by the entity (Grzybek, 2023).

The sample in this research is small, so this research uses non-parametric statistical testing to test the hypothesis. The test used to test the hypothesis is the Bayesian test. The initial stage before using the Bayesian test is to conduct normality tests and autocorrelation tests. The Bayesian test is also used as an alternative test to logistic regression testing, which cannot be done because the sample in this study is not too large. The determination of the acceptance or rejection of the tested hypothesis using the Bayesian test can be seen from the obtained significance value. A significance value of less than 0.05 indicates that the proposed research hypothesis is accepted. While a significance value of more than 0.05 means that the proposed research hypothesis is rejected.

RESULTS

Accounting Choice in Presenting Intangible Assets

The focus of this research is the accounting choice selected by managers in presenting intangible assets. We term this accounting choice as a revenue strategy. The measurement of this income strategy adopts Grzybek's (2023) model by categorizing income strategies into three groups: income/profit-increasing choices (score 0), neutral choices (score 0.5), and income/profit-decreasing choices (score 1). Not only that, we also exclude the research and development component from the determined revenue strategy indicators. The results obtained are as follows.

Table 2
Accounting Choices Made in 2021

	Income decreasing (score = 0)		**Moderate or neutral (score = 0.5)**		**Income increasing (score = 1)**		**Total**
Intangible assets with infinite useful life	10	83%	0	0%	2	17%	12
Amortization period	8	67%	2	17%	2	17%	12
Impairment	1	8%	11	92%	0	0%	12
Goodwill	3	25%	6	50%	3	25%	12
Total	22	46%	19	40%	7	15%	48

Source: Data Processed (2024)

The analysis of Table 2 reveals that in 2021, a significant portion of the observed entities in Indonesia's entertainment and media sector opted for conservative accounting choices regarding intangible assets. Specifically, 46% of the entities chose income-decreasing strategies, indicating a prudent approach to financial reporting. Meanwhile, 40% adopted neutral strategies, and only 15%

employed income-increasing strategies. This trend suggests a general preference for conservative reporting, particularly for intangible assets with an indefinite useful life and amortization periods. These findings align with Grzybek's (2023) model, which categorizes income strategies into income-increasing, neutral, and income-decreasing choices. Additionally, entities with high leverage were more likely to adopt aggressive income strategies, supporting recent findings by Bansal (2024) that high leverage is associated with opportunistic financial behaviour. The impact of sales compensation on income strategies was inconsistent, indicating that other factors may influence these decisions, as suggested by Al-Asfour (2024).

The accounting policies selected by managers in 2022 are presented as follows.

Table 3
Accounting Choices Made in 2022

	Income decreasing (score = 0)		Moderate or neutral (score = 0.5)		Income increasing (score = 1)		Total
Intangible assets with infinite useful life	11	92%	0	0%	1	8%	12
Amortization period	8	67%	2	17%	2	17%	12
Impairment	1	8%	11	92%	0	0%	12
Goodwill	3	25%	6	50%	3	25%	12
Total	23	48%	19	40%	6	13%	48

Source: Data Processed (2024)

The analysis of Table 3 reveals that in 2022, a significant portion of the observed entities in Indonesia's entertainment and media sector continued to opt for conservative accounting choices regarding intangible assets. Specifically, 48% of the entities chose income-decreasing strategies, indicating a prudent approach to financial reporting. Meanwhile, 40% adopted neutral strategies, and only 13% employed income-increasing strategies. This trend suggests a general preference for conservative reporting, particularly for intangible assets with an indefinite useful life and amortization periods. These findings align with Grzybek's (2023) model, which categorizes income strategies into income-increasing, neutral, and income-decreasing choices. Additionally, entities with high leverage were more likely to adopt aggressive income strategies, supporting recent findings by Bansal (2024) that high leverage is associated with opportunistic financial behaviour. The impact of sales compensation on income strategies was inconsistent, indicating that other factors may influence these decisions, as suggested by Al-Asfour (2024).

Descriptive Statistic

We then ranked the mean values obtained for each independent variable according to the revenue strategy chosen by managers. These revenue strategies were classified into two categories: conservative revenue strategy for entities with a score of 0.5 (=0.5) and aggressive revenue strategy for entities with a score of 1 or higher (>=1). The results are as follows.

Table 4
Economic Attributes of Income Strategies in 2021

	Conservative Income Strategy (=0.5) n=3			Aggressive Income Strategy (>=1) n=9			Mann-Whitney Test	
	Mean	Median	Mean rank	Mean	Median	Mean Rank	z-statistic	p-value
Asset	27.33	27.77	6.5	28.75	29.15	10.65	-1.479	0.139
Leverage	1.04	0.84	9.3	0.83	0.46	9.58	-0.099	0.921

ROA	0.21	0.12	7.3	0.02	0.04	10.35	-1.085	0.278
Sales Compensation	0.85	0.01	8	0.22	0.03	10.08	-0.751	0.452
MTB	6.82	7.83	11.2	-3.73	2.39	8.85	-0.838	0.402

Source: Data Processed (2024)

The analysis of Table 4 compares the economic attributes of entities adopting conservative versus aggressive income strategies using the Mann-Whitney U test. The results indicate that there are no significant differences between the two groups across all examined variables, as evidenced by p-values exceeding the 0.05 threshold. Specifically, the mean and median values for assets, leverage, ROA, sales compensation, and MTB do not show significant differences between entities with conservative and aggressive income strategies. These findings suggest that the choice of income strategy is not significantly influenced by these economic attributes. This aligns with recent research by Bansal (2024), which found that high leverage is associated with opportunistic financial behaviour, but other factors may play a more critical role in determining income strategies. Additionally, Bui (2024) highlights that earnings management decisions are complex and influenced by a variety of factors beyond just economic attributes. Nyabakora (2023) also emphasize the evolving nature of earnings management practices and the need for further research to understand the underlying motivations.

We also conducted the same test on both groups for the year 2022. The results for 2022 are consistent with those from 2021, showing no significant differences between the conservative income strategy group and the aggressive income strategy group. This is indicated by the insignificant p-values (all >0.05) for all independent variables. The mean values for each group also show relatively small differences, as summarized in Table 5.

Table 5
Economic Attributes of Income Strategies in 2022

	Conservative Income Strategy (<0,5) n=3			Aggressive Income Strategy (>=1) n=9			Mann-Whitney Test	
	Mean	**Median**	**Mean rank**	**Mean**	**Median**	**Mean rank**	**z-statistic**	**p-value**
Asset	28.00	28.14	8.5	28.75	28.75	10.00	-0.562	0.574
Leverage	0.9	0.48	8	0.83	1.13	10.25	-0.843	0.399
ROA	-0.15	-0.01	9.25	0.02	-0.02	9.63	-0.141	0.888
Sales Compensation	0.01	0.00	5.42	0.22	0.23	11.54	-2.325	0.2
MTB	2.05	4.47	10.08	-3.73	0.66	9.21	-0.328	0.743

Source: Data Processed (2024)

Market-to-book ratio (MTB) is used to measure the high or low value of an entity, which is obtained by dividing the book value of its shares by its market value. MTB is used to identify intangible assets that are not recognized and is a measure of the size of an entity in this study. The findings obtained by us are presented as follows.

Table 6
Economic Characteristics for the Nature of Intangible Assets in 2021

	Conservative Income Strategy *(MTB<=1) n=5*		Aggressive Income Strategy *(MTB>1) n=7*		*Kruskal-Wallis Test*	
	Median	**Mean *rank***	**Median**	**Mean *Rank***	**H**	***p-value***
Asset	28.88	11.83	27.82	8.33	1.721	0.19
Leverage	1.65	10.75	0.42	8.88	0.495	0.482
ROA	0.02	9.83	0.06	9.33	0.035	0.851

Sales Compensation	0.02	9.67	0.03	9.42	0.009	0.924
MTB	**0.46**	**5.17**	**6.3**	**11.67**	**5.93**	**0.015**

Source: Data Processed (2024)

The results in Table 6 indicate significant differences in the economic characteristics of income strategies, particularly for the MTB variable. The p-value for MTB is 0.015, which is less than 0.05, indicating a statistically significant difference between the conservative and aggressive income strategy groups. The mean MTB value for the aggressive income strategy group is substantially higher (6.3) compared to the conservative group (0.46). This suggests that entities with higher MTB ratios, which reflect higher market valuations relative to book values, are more inclined to adopt aggressive revenue strategies when presenting intangible assets. These findings align with recent research by Sharma et al. (2023), which highlights that higher MTB ratios are often associated with firms that pursue growth and efficiency, potentially leading to more aggressive financial reporting practices. Additionally, Novy-Marx (2020) emphasizes that profitability and growth metrics, such as MTB, are critical in predicting firm behaviour and financial strategies.

We also examined the intangible nature of entities through MTB classification for the 2022 period, using the same Kruskal-Wallis test. The results for 2022 show a slight variation from the 2021 findings. The obtained p-values were all above 0.05 (>0.05), indicating no significant differences between the conservative and aggressive income strategy groups. This lack of significant difference is supported by the mean values, where the differences between the two groups were not substantial. Detailed results can be found in Table 7.

Table 7
Economic Characteristics for the Nature of Intangible Assets in 2022

	Conservative Income Strategy (MTB<=1) n=5		**Aggressive Income Strategy (*MTB*>1) *n=7***		***Kruskal- Wallis Test***	
	Median	**Mean rank**	**Median**	**Mean Rank**	**H**	**p-value**
Asset	28.49	10.75	28.27	8.5	0.789	0.374
Leverage	1.69	10.5	0.47	8.7	0.505	0.477
ROA	-0.09	8.81	0.04	10.05	0.24	0.624
Sales Compensation	0.04	9.38	0.02	9.6	0.008	0.928
MTB	-0.08	8.13	6.72	10.6	0.956	0.328

Source: Data Processed (2024)

Hypothesis Test

The hypothesis testing technique employed in this study differs from that used by Grzybek (2023), which utilized Bayesian analysis. The Bayesian method is a statistical approach to regression analysis that explains the relationship between independent and dependent variables by considering prior information. The results of the Bayesian analysis in this study are presented in Table 8 below.

Table 8
Bayesian Analysis Results for the Year 2021

	Mean *Difference*	***Pooled Std. Error Difference***	***Bayes Factor***	**t**	**df**	***Sig. (2-tailed)***
Asset	.2799	.06674	.431	4.194	2	.052
Leverage	**-1.1592**	**.23270**	**.362**	**-4.982**	**2**	**.038**

ROA	.1365	.16475	1.382	.829	1	.559
Sales Compensation	**.8373**	**.16270**	**.350**	**5.146**	**2**	**.036**

Source: Data Processed (2024)

Table 8 presents the results of the Bayesian test on four entity characteristics for hypothesis testing in this research for the 2021 period. The first characteristic, assets, produced a p-value of 0.052, which is marginally above the significance threshold of 0.05, suggesting that asset size may have a borderline influence on income strategy but is not statistically significant. For leverage, a significant p-value of 0.038 was obtained, indicating that higher leverage is significantly associated with more aggressive income strategies. This supports the hypothesis (H2) that entities with higher leverage tend to adopt more aggressive income strategies.

For ROA, the p-value of 0.559 indicates no significant relationship between return on assets and the choice of income strategy, suggesting that profitability does not significantly influence whether an entity adopts a conservative or aggressive approach. Sales compensation, with a p-value of 0.036, shows a significant relationship, supporting the hypothesis (H3) that higher sales compensation is associated with more aggressive income strategies.

Based on these results, it can be concluded that in 2021, large entities did not necessarily choose a conservative income strategy when presenting intangible assets, as indicated by the insignificant p-values for assets and ROA. However, entities with high leverage and high sales compensation are more likely to adopt aggressive strategies in presenting intangible assets, leading to higher reported values for these assets. This is evidenced by the significant p-values for leverage and sales compensation, confirming that these factors play a crucial role in influencing income strategy choices.

Unlike the 2021 period, the Bayesian test results for 2022 show different findings. The p-values obtained for each entity characteristic are as follows: 0.092 for assets, 0.035 for leverage, 0.344 for ROA, and 0.059 for sales compensation. Based on these results, it is evident that only leverage has a significant influence on the entity's revenue strategy related to intangible assets. This means that in 2022, only entities with high leverage will present higher values for intangible assets (aggressive). Meanwhile, large entities and those that provide high sales compensation will choose a conservative income strategy by reporting lower or more realistic values for intangible assets. The results of the Bayesian test for the year 2022 can be seen in Table 9.

Table 9
Bayesian Analysis Results for the Year 2022

	Mean *Difference*	***Pooled Std. Error Difference***	***Bayes Factor***	**t**	**df**	**Sig. (2-tailed)**
Asset	.1645	.05371	.589	3.063	2	.092
Leverage	**-1.0821**	**.20873**	**.347**	**-5.184**	**2**	**.035**
ROA	.0750	.06103	1.256	1.229	2	.344
Sales Compensation	.9719	.24723	.460	3.931	2	.059

Source: Data Processed (2024)

The Bayesian analysis results for 2022 indicate that leverage is the only significant factor influencing the income strategy related to intangible assets, with a p-value of 0.035. This supports the hypothesis (H2) that entities with high leverage tend to adopt more aggressive income strategies. The p-values for assets (0.092), ROA (0.344), and sales compensation (0.059) are above the 0.05 threshold, indicating no significant influence on the income strategy for these variables.

These findings suggest that in 2022, large entities and those with high sales compensation did not significantly influence the choice of income strategy related to intangible assets. This contrasts with the 2021 results, where sales compensation was a significant factor. The shift in 2022 indicates that while leverage consistently influences aggressive revenue strategies, the impact of sales compensation may vary year to year. This variability highlights the complexity of factors influencing managerial decisions in financial reporting.

Based on the hypothesis test conducted, it is concluded that the entity size did not affect the managers' choice of income strategy related intangible asset during both 2021 and 2022 periods. On the contrary, managers in entities with high leverage within the entertainment and media sector tend to choose aggressive income strategy in both years. Furthermore, managers in entities with high sales compensation within the entertainment and media sector adopt different income strategy. Furthermore, managers adopted different income strategies: opting for aggressive income strategy for intangible asset in 2021 and a more prudent approach in 2022. These concluding outcomes are summarized in Table 10.

Table 10
Summary of Hypothesis Test Results

Hypothesis	Hypothesis Statement	Statistical Analysis Tool	Results for The Year 2021	Results for The Year 2022
H1	Large entities opt for a more prudent approach to recognizing income strategy related to intangible assets.	Bayesian Analysis	Rejected	Rejected
H2	Entertainment and media entities with high leverage tend to adopt more aggressive income strategies for intangible assets.	Bayesian Analysis	Accepted	Accepted
H3	Entertainment and media entities with high sales compensation tend to adopt more aggressive income strategies for intangible assets.	Bayesian Analysis	Accepted	Rejected

Source: Data Processed (2024)

DISCUSSION

The Influence of Entity Size on Determining Income Strategy Related to Intangible Assets

One variable explored in this study was entity size (large or small), measured using the market-to-book ratio (MTB), total assets, and return on assets (ROA). To assess MTB, entities were divided into two groups: aggressive and conservative. A Kruskal-Wallis test revealed a significant difference between these groups. However, when Bayesian tests were employed to examine the impact of assets and ROA on entity size, the results indicated that these variables did not significantly influence the entity's earnings strategy. This means that Hypothesis 1, which posited that larger entities would be less inclined to adopt aggressive earnings management strategies related to intangible assets, was rejected. This finding demonstrates that larger entities in the entertainment and media sector tend to present intangible assets more accurately, comprehensively, and informatively, both in 2021 and 2022. This strategy aims to provide stakeholders with high-quality information, ultimately enhancing the entity's value.

This aligns with the information perspective explained by Holthausen (1990). This perspective states that managers or accountants are given discretion over their responsibility in presenting the entity's economic information. This information will then be used by stakeholders and shareholders to predict their gains from the reported profits or information. Therefore, the larger an entity, the greater the impact of what the entity does, including the reports it presents. That is why the information presented in the annual report by managers or accountants must be of high quality so that the reactions generated by interested parties are in line with the entity's objectives.

Furthermore, this finding also reinforces the evidence of Grzybek (2023), which states that large entities tend to use conservative income strategies to avoid the risks and negative consequences of choosing aggressive income strategies. Rahma et al. (2021) and Susilowati & Oktarina (2021), who have previously examined the effect of entity size on intangible assets in the form of intellectual capital, have stated similar results. They found that larger entities tend to disclose higher levels of intellectual capital to ensure that the information presented does not create agency conflicts due to the diversity of parties using the information. Additionally, recent research by Hussinki et al. (2024) indicates that current intangibles accounting practices remain conservative, aligning with the findings of this study. Dancaková et al. (2022) also found that intangible assets significantly impact market value, but investors still prioritize profitability over intangible asset disclosures. This suggests that while larger entities may adopt conservative reporting strategies, the market's response may still be driven by traditional financial metrics.

The Influence of Entity Leverage on Determining Income Strategy Related to Intangible Assets

Another variable examined concerning the reporting of intangible assets was leverage. Hypothesis 2 posited that entities with high leverage would be more inclined to adopt aggressive income strategies related to intangible assets. To test this, a Bayesian analysis was conducted. The results supported Hypothesis 2, indicating a significant relationship between leverage and the choice of income strategy for intangible assets. This means that, in both 2021 and 2022, entities with higher leverage in the entertainment and media industry tended to employ more aggressive strategies when reporting intangible assets.

This finding aligns with positive accounting theory, which suggests that managers may act opportunistically to boost their wealth or bonuses. In this case, managers may be more aggressive in reporting intangible assets when the entity has high leverage. This behaviour could involve overvaluing intangible assets to improve the company's reported performance. This evidence corroborates Grzybek (2023) findings, which indicate that highly leveraged entities often adopt aggressive earnings management strategies to meet performance expectations. Furthermore, Utomo (2015) found that high leverage influences the disclosure of intangible assets. Companies with high leverage may be more likely to adopt a more universal approach to financial reporting, including the disclosure of intangible assets. This is done to assure creditors that the management team will adhere to business agreements. This suggests that management may take opportunistic actions to minimize agency costs that could arise from disagreements between management and creditors.

Additionally, recent research by Hussinki et al. (2024) indicates that current intangibles accounting practices remain conservative, aligning with the findings of this study. Dancaková et al. (2022) also found that intangible assets significantly impact market value, but investors still prioritize profitability over intangible asset disclosures. This suggests that while entities with high leverage may adopt aggressive reporting strategies, the market's response may still be driven by traditional financial metrics.

The Influence of Sales Compensation on Determining Income Strategy Related to Intangible Assets

Lastly, we tested the compensation received by managers from the entity's sales using the same Bayesian analysis. This test aimed to determine the acceptance or rejection of Hypothesis 3, which stated that entities in the entertainment and media industry with high compensation would choose more aggressive income strategies related to intangible assets. The results obtained varied between 2021 and 2022. In 2021, Hypothesis 3 was supported, indicating that entities within the entertainment and media sector that provided high sales compensation would adopt more aggressive income strategies for intangible assets. Conversely, in 2022, entities in the entertainment and media sector with high sales compensation chose to act conservatively when presenting intangible assets, thus rejecting Hypothesis 3 for that year.

This suggests that managers may alter their behaviour in choosing the appropriate income strategy based on their motivations, as evidenced by the changing determination of income strategies. The findings for 2022 align with the results shown by Grzybek (2023), which indicated that sales compensation does not influence the choice of earnings management strategy related to intangible assets. Additionally, recent research by Chung et al. (2020) highlights that sales compensation systems are crucial in motivating sales agents and can significantly impact their behaviour. However, there is limited research examining the impact of sales compensation on the choice of earnings management strategy, especially regarding intangible asset reporting, making it difficult to find relevant findings to compare with this study.

CONCLUSSION

This study analyses the factors influencing accounting choices related intangible assets within the context of PAT. Four accounting policies are utilized to establish the nature of income strategy chosen by managers. In general, the findings show entity size and leverage significantly affect the income strategy concerning intangible asset reporting within the entertainment and media sector. Bigger entities often take a more conservative approach, whereas entities with high leverage might show bolder actions to achieve financial goals. Nonetheless, the effect of sales compensation on income strategy is more complex. Although it may contribute, additional elements, like external influences and industry trends, may also affect managerial income strategy related intangible asset reporting.

This study contributes to the current knowledge base by enhancing the comprehension of intangible assets and their significance in financial statement in the entities within the entertainment and media sector while stimulating future research on the effect of intangible assets on different facets of corporate finance. This study can boost decision-making and refine financial statement for financial managers. For investors, it can guide policy decisions and improve investor safeguards.

LIMITATION AND RECOMMENDATION FOR FUTURE RESEARCH

This study has several limitations that might influence the generalizability of these results. Initially, the challenge in obtaining annual reports from entities listed on the Indonesia Stock Exchange (IDX), limited the sample size. This smaller sample size limited the statistical power of the analysis, which may have reduce the accuracy of the estimates and restricted the applicability of the results to a larger population of entities. Furthermore, due to the sample size constraints, the Bayesian model was able to include only basic factors influencing accounting choice. This simplification might have neglected additional significant factors impacting income strategy choices, possibly influencing the stability and applicability of the results.

Therefore, practically, we recommend financial managers must remain informed about accounting standards and perform thorough evaluations of intangible assets. Moreover, they ought to establish strong internal controls, obtain specialist guidance when necessary, and transparently present intangible assets in financial statements. We also hope investors ought to thoroughly review financial statements, especially the disclosure regarding intangible assets, and think about obtaining guidance to evaluate their worth and future possibilities. Theoretically, we recommend to carry out studies of longer and over a number of periods in order to try and capture trend in financial managers' income strategy, broadening the scope of income strategy to cover more industries with larger sample sizes to improve the generalizability and statistically significance of the findings. We also suggest that future research can develop different research design such as experiments or qualitative research to predict the income strategy of an entity concerning various financial and non-financial factors, including intangible assets. We also hope researchers can extend the study to the impact that intangible assets may have on income strategy practices and can investigate the scope of factors such as cognitive biases, incentives, and social pressures in motivating income strategy choices allows researchers to acquire a deeper insight into the elements that influence managerial actions regarding intangible assets.

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