

ABSTRACT

This research's purpose is to give empirical evidence concerning the effect of enterprise resource planning systems implementation on financial performance and earnings management, and to examine the differences of financial performance and earnings management three years before and after ERP systems are implemented. The main focus of this research variables consist of two variables, the first is financial performance which consists of return on assets, returns on equity, and gross profit margin. The second, earnings management is proxied through the value of discretionary accruals. This research also uses the control variables i.e. firm size, leverage, operating cash flow and market to book value of equity.

The population of this study is all manufacturing companies in Indonesia that have implemented an enterprise resource planning system that is listed on the Indonesia Stock Exchange (IDX) in the 2010-2019 period. Sampling in this study using purposive sampling method, and 16 manufacturing companies were selected as research samples because they were in accordance with the sample selection criterias. Data analysis was carried out using multiple regression panel data three years before and after the implementation of the enterprise resource planning system.

The result of testing hypothesis show that implementation ERP system has no effect on return on assets, has a significant negative effect on return on equity, but has a significant positive effect on gross profit margin. The second hypothesis shows that the implementation of the ERP system has a significant negative effect on earnings management which is proxied by the value of discretionary accruals.

Keywords: enterprise resource planning, financial performance, earnings management, manufacturing companies.