

ABSTRACT

This study examines the effect between audit committees and earning management in the developing country context. This study investigates whether audit committee attributes (size, independence, and meetings) are able to restrict discretionary accruals as a proxy for earning management.

The study investigates the association between audit committee attributes and discretionary accruals as a proxy for earning management. The research sample consists of industrial firms listed on Indonesia Stock Exchange during the period 2012-2020. Data were obtained from the firm's annual reports.

The regression results indicate that audit committee independence is the only audit committee attribute that seems to improve the effectiveness of audit committee, so that audit committee independence significantly associated with less earning management practice. Meanwhile, other audit committee attributes that were tested do not show statistically significant effect.

Keywords: audit committees, accounting quality, earning management.