ABSTRACT

This research uses a sample of companies listed on the Indonesian Stock Exchange during the period of 2019-2020 to investigate how financial distress affect the implementation of accrual management and how internal control quality moderates this relationship.

The study found that companies experiencing financial distress tend to engage in more accrual management. Internal control has a moderating effect on the relationship between financial distress and earnings management by limiting accrual management.

This study provides additional insights into earnings management and internal control in companies facing financial distress, particularly from the perspective of a developing economy.

This research is a descriptive study with a purposive sampling method and obtained a sample of 142 companies. The hypothesis testing was conducted using the panel data regression model and the moderation regression model. The research was carried out using the EViews (Econometrical Views) 12 application.

Keywords: financial distress, earnings management, accrual earning management, internal control, panel data regression models, EViews 12