

ABSTRACT

Profit is an important indicator used by stakeholders in determining their policies in making investments. This profit is information that comes from financial reports which are the responsibility of management which is intervened by management as a result of the report using profit management practices. This research was conducted to see the influence of Return on Assets and Return on Equity on earnings management in textile and textile product companies. Data was collected using the documentation method.

Data were analyzed using multiple regression and using the model test (f) and hypothesis test (t) as well as the coefficient of determination (R²).

The results of the t model test show that the ROA coefficient and significance are $0.472/0.001 < 0.05$ and ROE is $-0.721/0.001 < 0.05$, then the f model test results show a significance of $0.001 < 0.05$, thus showing that ROA has a positive effect and significant to earnings management, but ROE has a negative and significant effect on earnings management. So if ROA increases, the possibility of earnings management will increase, but conversely, if ROE increases, earnings management will decrease.

Keywords: ROA, ROE, Profit Management, Profitability Ratios.