

## **ABSTRACT**

The purpose of this research is to investigate the impact of financial distress on earnings management, with the financial reporting quality (FRQ) serving as a moderating variable. When conducting this study, the independent variable was financial distress, earnings management served as the dependent variable, and the FRQ was utilized as the moderating variable. The control variables that utilized in this study were firm size, profitability, and leverage.

The population in this study consists of service companies in the tourist, construction, and transportation sub-sector listed on Indonesia Stock Exchange (IDX) for the 2019 – 2020 period. The sample is selected using the purposive sampling technique. There are 59 companies in the total sample for this study. The data utilized in this research were secondary sources obtained through a review of relevant literature and documentation. This research employed multiple regression analysis to examine the hypotheses.

According to the findings of this research, earnings management is impacted by financial distress. Subsequently, earnings management was not significantly inhibited by financial distress which was moderated by financial reporting quality.

**Keywords:** financial distress, earnings management, financial reporting quality