ABSTRACT

This study aims to determine: (1) The effect of board size on earnings management, (2) The effect of activeness of audit committee on earnings management, (3) The effect of external audit Big Four as a moderating variable in relation between board size and earnings management, and (4) The effect of external audit Big Four as a moderating variable in relation between activeness of audit committee and earnings management. Board size, audit committee, and external audit have a very important role to oversee the financial reporting process and monitor the proprnsity of a company managers to manipulate aernings. Monitoring mechanism is a key factor to reduce conflict of interest and any opportunistic behavior from the manager.

This study uses secondary data from annual reports and financial statements on manufacture companies listed on Indonesian Stock Exchange period 2013-2015 by using puprposive sampling method. There are 67 companies that meet the criteria of the study sampel. Analysis method in this research is Ordinary Least Square regression analysis.

The results of this study indicate that board size can reduce earnings management but not significantly. The activeness of the audit committee can reduce earnings management significantly. External audit Big Four acts as a moderating variable can't affect the relationship between board size and earnings management. External audit Big Four acts as a moderating variable can affect the relationship between activeness of the audit committee and earnings management.