ABSTRACT

This study aimed to obtain evidence about the effect of the dividend payment, leverage, audit fee, free cash flow to earnings management. The control variable used were Return on Equity (ROE). Dividends payment is measured using dividend yield (dyld), leverage is measured by dividing total debt to total assets (Leverage), the audit fee measured by log audit fee (LogAuditFee), free cash flow measured by log free cash flow (LogFreeCashFlow), while earnings management measured using discretionery accruals (ABSDAC).

The population in this study are all non-financial companies listed on the Indonesia Stock Exchange in 2014 - 2015. The data selection method used in this research is purposive sampling method. Total samples used in this study as many as 99 companies. Data analysis was performed with the classical assumption and hypothesis testing regression method.

The results of this study indicate that there is a positive and significant relationship between leverage and earnings management. This means that the higher the leverage, the management will be motivated to perform earnings management practices to maximize the external debt and avoid a debt agreement. In addition, this study showed a negative and significant relationship between free cash flow and earnings management, which means companies with high free cash flow are less likely to practice profit management for managers to use free cash flow to maximize the interests of shareholders and not for their personal use. The results also show the payment of dividends and the audit fee have no effect on earnings management.

Keywords : earnings manipulation, earnings management, payment of dividends, leverage, audit fee, free cash flow.