

ABSTRACT

The purpose of this paper is to examine the effect of the characteristics of the audit committee to hamper real earnings management that maybe performed by a company.

The sample in this study consisted of 63 manufacture companies listed in Indonesia Stock Exchange with a total of 189 research observations in the period 2013-2015. The samples were selected by purposive sampling method. Data analysis was performed with data quality testing, classic assumptions test, and hypothesis testing with multiple linear regression model.

This study shows that the characteristics of the audit committee, especially tenure audit committee and the audit committee with additional directorships is a significant negative effect on the real earnings management through sales manipulation, reducing discretionary expense and overproduction. While other characteristics of the audit committeesuch as financial expertise, number of meetings, and the size of the audit committee has no influence on the real earning management practices.

Keywords: Real Earnings Management, Audit Committee Characteristics, and Corporate Governance