

## **ABSTRACT**

*The purpose of this study is to examine the effect of surplus free cash flow, audit quality, and the intercation between surplus free cash flow and audit quality on earnings management. This study uses earnings management as dependent variable. Independent variable used in this study is surplus free cash flow and audit quality. Control variable in this study is leverage.*

*This study uses secondary data from annual reports and financial statements on manufacturing companies listed on Indonesia Stock Exchange during 2013-2014. The sampling method used is purposive sampling. Total sample in this study are 76 samples. This study uses multiple regression analysis method to examine the effect of surplus free cash flow, audit quality, and the intercation between suplus free cash flow and audit quality on earnings management.*

*The result of this study indicate that surplus free cash flow had positive significant effect on earnings management, and audit quality had negative significant effect on earnings management. However, the interaction between surplus free cash flow and audit quality had not a significant effect on earnings management.*

*Keywords: earnings management, suplus free cash flow, audit quality*