

## **ABSTRACT**

*The purpose of this study is to examine whether free cash flow and employee difference is related to earning management with corporate governance to be moderating variable. Earning management has been a negative trending topic in accounting literature, which is regarded a tool for managers to fulfill their personal interest. There are two points of view that can lead the desire managers to manipulate earning, there are: Incentive view and monitoring view. Sample of this study is taken from Indonesia Stock Exchange during the period 2013-2015 that focus in manufacturing companies. Using multiple regression analysis. In intensive view there are free cash flow and employee difference that suggest the need to investigate the earning management practices. In monitoring view past study suggest that good corporate governance may improve the monitoring system of the company.*

*Keywords: Earning Management, Employee Difference, Free Cash Flow, Institutional Ownership, Board independent, Audit Committee*