

ABSTRACT

This study aims to analyze the influence of corporate governance mechanisms on earning management in banking company. Corporate governance mechanisms used in this study are independent board composition, audit committee, audit quality, managerial ownership, institutional ownership, and Risk Management Committee.

Earning management is proxied by discretionary accrual that are measured using Beaver and Engel model. The analytical method used was multiple regression. The study sample consisted of 31 banking companies listed in Indonesia Stock Exchange on year 2010-2012. Data were obtained from company financial statements published by the Indonesia Stock Exchange and websites each sample company.

The results showed that the independent board composition, managerial ownership, and firm size has a negative and significant effect on earnings management. Variable audit committee, audit quality, institutional ownership, and Risk Management Committee does not have a significant effect on earnings management in banking company.

Keywords: corporate governance, earning management