ABSTRACT

This study aimed to examine the effect of good corporate governance, firm size, and leverage on earnings management. Good Corporate Governance indicators used are institutional ownership, managerial ownership, the proportion of independent commissioners and audit committee.

This study uses secondary data that companies in the manufacturing category listed on the Indonesia Stock Exchange. The sample used by 19 companies in the manufacturing category during the period 2007-2011. The analysis method used is OLS regression (Ordinary Least Square) with a significance level of 5%.

Based on the results of the study concluded that the audit committee variables significant negative effect on earnings management. These results prove that the audit committee reduces earnings management measures. Managerial ownership variables significant positive effect on earnings management, while institutional ownership variables, the proportion of independent commissioners, firm size and leverage are not proven significant effect on earnings management.

Keywords: Good Corporate Governance, institutional ownership, Managerial Ownership, the proportion of independent commissioner, audit committees, company size, leverage, earnings management