

ABSTRACT

This research aims to identifying firm's tendency to execute real activities manipulation through price discounts by temporarily increase sales, overproduction to report lower cost of goods sold, and reduction of discretionary expenses to improve reported margins among firms in right issue offerings for period of 2004-2008, which are registered on the Indonesian Stock Exchange. In this research, earnings management measured by three variables of real activities manipulation, real activities manipulation through operating cash flow, real activities manipulation through production cost and real activities manipulation through discretionary expense. The real activities manipulation model based on Roychowdhury's (2006).

This research was conducted by using secondary data from financial reports. First by performs regression analysis to find the estimated value of normal and abnormal operating cash flow, production costs and discretionary costs. Subsequently performed descriptive statistics and regression analysis to test each hypothesis.

The result shows that firms in right issue offerings, which are registered on the Indonesian Stock Exchange tend to execute real activities manipulation through operating cash flow but not through production cost and discretionary expense.

Keywords : Real activities manipulation, earnings management, Right Issue