

ABSTRACT

The purpose of this study is to examine the influence of related party transaction about earnings management in periode before initial public offering (IPO). The examined variables in this study are consisting of independent variables, dependent variable, and control variable. The independents variables such as the related party sales transaction (RP Sales) and related party purchases transaction (RP Purchases). While, the dependent variable is earnings management which is proxied by ROA. Last, the control variable is firm size.

The population of this study is 38 samples from non-financial firms that conduct IPO's in the Indonesia Stocked Exchange in 2001 to 2011. The sampling method used for this study is purposive sampling. Paired Sample t-test is used to examine whether significant earnings management which is proxied by ROA among the firm sample for $t-1$, $t=0$, and $t+1$ around the IPO and multiple linear regression is used to RP Sales, RP Purchases, and firm size to effect of earnings management.

The result of this study has established that significant changes between $ROA_{t=0}$ with ROA_{t+1} IPO period, the related party sales transaction (RP Sales) and firm size significant positive effect of earnings management. However, this study indicate that the related party purchases transaction (RP Purchases) do not has a significant effect of earnings management.

Keyword: Related party transaction, size firm, IPO, and earnings management