ABSTRACK

This study aimed to examine the effect of firm size factor, leverage, good corporate governance and profitability of the practice of earning management. Good corporate governance is represented by the quality of the audit and the proportion of independent commissioners.

The resecrh was conducted using secondary data on manufacturing companies in listed on the Indonesia stock exchange. Purposive sampling method used for sampling and where 35 companies in the manufacturing category with the period 2007-2010 where selected as sample. Inthis study, using measure of discretionary accruals as an indicator of earning management. Analitycal techniques used in this study is multiple regression analysis using SPSS where previously the data was tested using the classical assumption test.

Based on these result it can be concluded that the variable quality of the audit and leverage significant negative effect on earning management. These result prove that quality of the audit can reduce earning management. While profitability significant positive effect on earning management that defines the higher level of corporate protability can trigger increased earnings management. In addition, the results of this study indicate that the variable firm size and the proportion of independent commissioners no significant effect on earnings management practices.

Key words: firm size, leverage, good corporate governance, akrual diskresioner.