ABSTRACT

Earning management is the choice by a manager to manipulating the financila report by manage the company's earnging figures to achieve some specific objective. Earning management can decrease the credibility of financial report that be used as base of decision making. The purpose of this research is to examine the efectiveness conditional revenue model to detect earning management when compared by modified Jones model.

This research is a replication of research has been done by Stubben (2010). Sample in this study uses data from manufacture company that listed in the IDX (Indonesia Stock Exchange) during period 2006-2010. Sampling method that use is purposive sampling and the result are 98 firm as samples. Software SPSS version 17 is used to test in this research.

This study is important because there was just a few research that can prove that conditional revenue model can be use to detect earning management. The result from this research finding evidance that conditional revenue model provide a better estimation to detect earning management than modified Jones model. This finding is support the research that has done by Stubben (2010) before. Therefore, these findings provide support for using measure of conditional revenue model to detect earning management.

Keywords : earning management, conditional revenue, modified jones.