

## ABSTRACT

*The objective of this research is to examine the influence of corporate governance mechanism, namely institutional ownership and quality of audit, and also firm size and leverage to earnings management, and also examines the consequence influence of earning management to financial performance.*

*Data in this study are secondary data that is corporate banking in Indonesia Stock Exchange. The number of sample used were 11 companies listed on Jakarta Islamic Index (JII). The samples used were 11 companies listed on Jakarta Islamic Index (JII) in the period 2005-2009 were taken by purposive sampling. The method of analysis of this research used multi regression and single regression with SPSS 17 Program.*

*The results of this research show that (1) institutional ownership had not significant influence to earnings management, (2) quality of audit had not significant influence to earnings management, (3) firm size had negative significant influence to earnings management, (4) leverage had not significant influence to earnings management, (5) simultaneously, institutional ownership, quality of audit, firm size and leverage have joint effect to earning management by adjusted R square value 0,357, (6) earnings management had negative significant influence to financial performance, and (7) earning management had joint effect to earning management by adjusted R square value 0,27036.*

**Key Words:** *Corporate governance mechanism, firm size, leverage, earnings management, financial performance.*