ABSTRACT

This study aims to obtain empirical evidence about the effect of corporate governance on earning management. BOC is measured by the percentage of independent, audit commitee is measured by the percentage of external audit commitees, quality of external auditor measured by the external auditor industry specialization and concentration of ownership is measured by the percentage of the number of shares owned by the largest individuals or groups. Control variables are leverage measured by the ratio of total debt to total assets and firm size measured by using the natural lohgarithm of total assets.

Agency theory to explain when the distance between the principal and agent have different interests, conflicts emerged called agency conflict. Separation of function between the owners and management have a negative impact of privacy management company to maximize profits for personal gain. This prompted the need for management of work patterns formed the Clean, Trasparent and Professional (BTP) which is the purpose of implementation of good corporate governance.

The results of linear regression analysis showed that the independent audit commite and external auditors the quality of a significant negative effect on earning management, while the proportion of board and ownership cocentration has no significant effect on earnings management. The results of the analysis also found leverage control variables have significant negative impact on earning management where as no significant effect of firm size.

Keywords: Board of commissioners, the audit commitee, external auditor, concentration of ownership, leverage, company size and discretionary accrual.