

ABSTRACT

Today the state-owned companies (SOC) are encouraged to go public. Poor performance of SOCs is the reason the government to privatize SOC. Privatization is involvement of private capital in the capital structure of listed companies so the financial performance can be affected directly by the investor through market mechanisms. Problems that may arise is whether the state company that go public also perform earnings management ahead of the IPO.

The purpose of this research to prove whether the SOCs perform earnings management ahead of the IPO and show whether there is a decrease in short-term performance of SOCs. Statistical analysis methods used were one-sample test to test the decline in stock performance and paired sample tests to test the decline in financial performance.

The results of this research indicate that almost SOCs perform earnings management. In addition the short-term performance of SOCs did not decrease . This indicates that investors tend to notice the earnings information in assessing the company.

Key words: state-owned company, earnings management, IPO, stock performance, financial performance