

ABSTRACTS

This study aims to obtain empirical evidence and to analyze the effect of free cash flow and audit quality on probability of earning management.

The population in this study was manufacture companies listed on the Indonesia Stock Exchange in 2012 to 2014. Total sample used in this study was 184 companies. Sampling method of this study is using purposive sampling method. Data analysis was performed with the descriptive statistic analysis, classical assumption tests, and hypothesis test with logistic regression analysis.

The results of analysis this study indicate that free cash flow effectiveness in a significant positive effect on earning management, audit quality effectiveness in a significant negative effect on earning management, and the interaction between free cash flow and audit quality have negative effect but not significantly on earning management,

Keywords: earning management, free cash flow, audit quality