ABSTRACT

The financial statements are a source of information for stakeholders. Number of financial reporting scandals led to the stakeholders doubt the quality of information contained in financial statements. Their trust in the credibility and integrity of the business goes down because of the opportunistic behavior of managers. The practitioners regard this behavior as a fraud because it is consciously done by the company manager, so the stakeholders who want to know the economic condition of the company are deceived and obtain information that is not in accordance with the conditions of the company. This study aims to examine and analyze the influence of board size, proportion of independent commissioners, audit committees, auditor reputation, firm size, and growth of the company against the practice of earnings management.

The population of this study used the entire banking sector companies listed on the Stock Exchange as many as 22 companies in 2006-2008. Sampling was conducted with a purposive sampling technique. With the sampling method, it is found samples as many as 13 companies that were used in this study. This study used secondary data of financial statements and financial data obtained from the Indonesian Capital Market Directory (ICMD) in 2006-2008 period. This study used the independent variables (board size, proportion of independent commissioners, audit committees, auditor reputation, firm size, and growth companies) and the dependent variable (earnings management). The method of analysis that was used to test the independent variables influence the dependent variable is the multiple regression. Effect of hypothesis tested F-test and t-test with a significance level of 5 percent.

The results show that (1) board size has negative effect and it is not significant against earnings management (2) the proportion of independent commissioners has negative effect and it is not significant against earnings management (3) audit committee has positive effect and it is significant against earnings management (4) auditor reputation has negative effect and it is not significant against earnings management (5) size of the company'shas positive effect and it is significant against earnings management (6) the company's growth has negative effect and it is not significant against earnings management.

Keywords: Earnings management, board size, proportion of independent commissioners, audit committees, auditor reputation, firm size, firm growth.