

ABSTRACT

Managers may choose the best accounting methods for their firms. The purpose of this study is to aims to analyse and examine empirically the significance of researching the cross effect of using jointly external audit quality and ownership structure over managerial discretion among manufacturing companies listed on the Indonesia Stock Exchange.

The population in this study consists of all listed manufacturing firms in Indonesia Stock Exchange in year 2012-2014. Sampling method used is purposive sampling. Companies are categorized as having annual report and financial report during 2011-2014. By omitting companies with some data unavailable, the samples consist of 123 companies. Then, there are 23 samples that included outlier should be excluded from samples of observation. So, the final amounts of the sample are 100 firms. Multiple regression used to be analysis technique.

The result of this study show that audit reputation, audit seniority, capital concentration, and institutional property variables have a negative and significant effect on earnings management. The interaction between capital concentration and institutional property on auditor reputation variables both have a positive and significant effect on earnings management. The interaction between auditor seniority and institutional property negatively significantly influenced on earnings management, whereas the interaction between auditor seniority variable has no significant effect on earnings management.

Keywords : earnings management, audit quality, ownership structure, audit reputation, audit seniority, capital concentration, institutional property, firms size, financial leverage.