

ABSTRACT

The objective of this research is to examine the influence of corporate governance mechanism, namely managerial ownership, institutional ownership, presence of independent of commissioner, size of commissioner, and size of audit committee to earnings management. This research also examines the influence consequences of earning management to financial performance.

This research used samples from 42 companies listed on Indonesia Stock Exchange (IDX), by using purposive sampling which were published financial report among 2006-2008. The method of analysis of this research used multi regression and single regression.

The results of this research show that (1) managerial ownership had positive significant influence to earnings management, (2) institutional ownership had not significant influence to earnings management, (3) presence of independent of commissioner had not significant influence to earnings management, (4) size of commissioner had not significant influence to earnings management, (5) size of audit committee had negative significant influence to earnings management, (6) simultaneously of managerial ownership, institutional ownership, presence of independent of director, size of commissioner and size of audit committee had significant influence to earnings management, and (7) earnings management had significant influence to financial performance.

Key Words: *Corporate Governance Mechanism, Earnings Management, Financial Performance*