

ABSTRACT

The purpose of this study is to examine the effect of audit quality on earnings management. The audit quality is proxied by the Public Accounting Firm size (big 4 and non big 4) and auditor's industry specialisation, the earnings management is proxied by the accrual earnings management and real earnings management. This study used four control variables, which are firm size, leverage, operating cash flow ratio and return on asset.

This study used secondary data derived from the financial statements of listed IPO firms in Indonesia Stock Exchange in 2014-2018. Based on the method of purposive sampling method and was obtained 113 observations. The technique for examining the hypothesis is multiple regression analysis.

The results show that accounting firm size does not significantly influence on the accrual earnings management and significantly influence positive on the real earning management. Auditor's industry specialisation has a negative effect on the accrual earnings management and has a positive effect on the real earnings management.

Keywords: Earning Management, Audit Quality, Public Accounting Firm Size, Big 4