

ABSTRACT

This study aims to find empirical evidence about the influence of the Voluntary Disclosure accrual and real earnings management practices. Where it has been a lot of research which found that voluntary disclosure can reduce information asymmetry so that management practices of corporate profits can be prevented. However, the quality of voluntary disclosure herein is questionable when a country has laws and regulations that lower the investor. So that raises the question of whether freedom of voluntary disclosure without penalty and regulations may affect the practice of earnings management.

The population in this study is a manufacturing company listed on the Indonesia Stock Exchange during the period 2014 - 2015. Samples are selected based on purposive sampling techniques or techniques of taking with certain criteria. For the dependent variable, accrual earnings management is measured using Discretionary Accrual (DA) proxies, estimated using modified Jones models developed by Dechow, Sloan and Sweeney (1995), while real earnings management is measured using Roychowdhury (2006) model. The independent variable is voluntary disclosure as measured using voluntary disclosure index with a list voluntary disclosure items by Kurniawati (2015).

The results showed that voluntary disclosure had a significant negative effect on accrual based earnings management and real earnings management with abnormal production proxies, as well as voluntary disclosure had a significant positive effect on real earnings management with an abnormal cash flow operating proxy. However, voluntary disclosure has no effect on real earnings management with an abnormal discretionary burden proxy.

Keywords: Voluntary Disclosure, Accrual, Real, Earnings Management