

## ABSTRACT

*The purpose of this study is to examine whether publicly held and privately held banks engage in real earnings management and to examine whether the level of real earnings management for publicly held banks is higher than that to privately held banks. To measure real earnings management, this study used abnormal cash flow from operations model, abnormal discretionary expenses model, and abnormal interest expenses model. This study also used revenue growth, leverage, ROE, ROA, and cumulative percentage of sample years that the firm reported a loss as control variables.*

*The population in this study consists of publicly held banks listed on Indonesia Stock Exchange from 2015 to 2018 and privately held banks categorized as national private commercial banks by Otoritas Jasa Keuangan from 2015 to 2018. Both publicly held and privately held banks sampled by using purposive sampling method. Total number of banks used as samples in this study were 51 banks.*

*This study used one sample t-test and multiple linear regression analysis for hypotheses testing. The result of this study shows that both publicly held and privately held banks engaged in real earnings management. The result also shows that publicly held banks have higher level of real earnings management than privately held banks measured by abnormal interest expenses model. However when abnormal cash flow from operations model and abnormal discretionary expenses model were used as the measurement tools, privately held banks show higher level of real earnings management than publicly held banks.*

*Keywords : Real Earnings Management, Publicly Held Banks, Privately Held Banks.*