

ABSTRACT

The concept of the existence of Good Corporate Governance is based on the existence of agency theory where in agency theory states that the agent contracted by the owner can have different interests with the principal (shareholders). With the existence of differences, these interests must be managed so as not to cause harm to the shareholders. Good corporate governance itself is a series of mechanisms to direct and control a company so that it is aligned with all stakeholders. The purpose of this study was to determine the effect of institutional ownership, managerial ownership and the independence of the audit committee on firm value with the practice of earnings management carried out by management as a mediating variable.

The data used in this study are secondary data from the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange with the period 2013-2017. The sampling in this study uses purposive sampling method that meets the sample selection criteria with the final number of samples obtained is 25 companies with a research period of 5 years so that the total sampling amount to 125 minus the outlier data as many as 18. The analytical method used in this study is using multiple regression analysis and the Sobel Test to test the effect of mediating variables.

The test results on the research conducted can be seen that institutional ownership variables, managerial ownership and audit committees have a negative and significant effect on earnings management. Earnings management as a mediating variable has a negative and significant effect on firm value. Institutional ownership and audit committee variables have a positive and significant effect on firm value, while managerial ownership variables have no effect on firm value. From the sobel test, only the audit committee is able to mediate its influence on firm value through earnings management variables.

Keywords: Institutional Ownership (KI), Managerial Ownership (KM), Audit Committee (KA), Earnings Management (EM) and company value (Q)