

ABSTRACT

The purpose of this study was to examine the analysis of the effect of manager's bonus scheme on earnings management and its consequences on future operating performance. The dependent variable in this study is future operating performance measured using return on assets, the independent variable in this study is the manager's bonus scheme which is measured using the bonus tantiem for directors, and the intervening variable in this study is earnings management which is measured using discretionary accruals. This study uses leverage, change of directors, and company size as control variables.

The population in this study consisted of banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2013-2019 period. Sampling was carried out by purposive sampling method which finally got 14 out of 45 companies listed on the IDX website with a sample size of 90 companies from the population. This study uses multiple regression analysis with SPSS software for hypothesis testing.

The results of this study indicate that the manager's bonus scheme has a positive effect on future operating performance. Meanwhile, the manager's bonus scheme has no effect on earnings management and earnings management also has no effect on future operating performance. This study also concludes that earnings management cannot mediate the manager's bonus scheme with future operating performance.

Keywords: Manager's Bonus Scheme, Earnings Management, Future Operations Performance.