UNIVERSITAS INTERNASIONAL BATAM

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THE IMPACT OF CORPORATE GOVERNANCE ON EARNINGS MANAGEMENT: EVIDENCE FROM FAMILY COMPANIES IN INDONESIA

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Abstract

This study examines the impact of corporate governance on earnings management for a sample of Indonesia stock exchange family-controlled firms during the period of 2012 to 2016. The earnings management is measured by discretionary accruals using modified Jones model. The characteristic of corporate governance used in this study namely the audit committee expert, audit committee independence, audit committee size, audit committee meeting, board size, independence commissioners, managerial ownership, and institutional ownership. In addition, four controlled variables have been employed in this study such as firm size, firm performance, leverage, and firm growth.

The sample in this study was chosen by certain criteria, which is using purposive sampling method. This study has selected 119 companies as the research sample and the data was collected by using the secondary data, which sourced from the companies' annual report that was downloaded in Indonesia Stock Exchange homepage. The data analysis method used in this study is statistic descriptive analysis and utilized multi regression method to examine the relationship between independent variables and dependent variable.

The test results show that the audit committee independent and independent commissioners have an inverse relationship with earnings management. While audit committee size and managerial ownership have found a significant positively related to earnings management. The other independent variable such as audit committee expert, audit committee meeting, board size, and institutional ownership has found no significant relationship with earnings management. For the control variables, only leverage has found a significant and positive related to earnings management.

Keywords: earnings management, discretionary accruals, corporate governance, family firms