Abstract

This study examine the corporate governance effect to earnings management and evaluates the effectiveness of the Conditional Income Model in management of earnings management with the Modified Jones Model. This study use the Modified Jones Model and Conditional Revenue Model. The characteristics of corporate governance used are managerial ownership, institutional ownership, ownership concentration, board size, and board independent. In addition, the control variables used in this study are firm size, and leverage.

The sample in this study used manufacturing companies listed on the IDX during the period 2013 to 2017. The results of the study using the Modified Jones Model, show managerial ownership has a significant and negative relationship on earnings management. While the size of the board and independence of the board have a significant and positive relationship to earnings management. While institutional ownership and ownership concentration doesn’t have significant relationship with earnings management. For control variables such as company size and leverage have found a significant and positive relationship with earnings management. The results of the study used the Conditional Revenue Model, indicating managerial ownership, institutional ownership and the independence commissioner had a significant and negative relationship to earnings management. While the concentration of ownership and size of the board did not find a significant relationship with earnings management. For control variables, namely the size of the company which has a significant positive relationship to management earnings and leverage that has a significant negative relationship with management earnings. In addition, other results from this study have provided evidence that the Conditional Revenue Model provides a better estimate of income estimates from the Modified Jones Model.

Keywords: earnings management, corporate governance, modified jones, conditional revenue