EFFECT OF AUDIT QUALITY ON EARNING MANAGEMENT IN THE COMPANIES OF INDONESIA STOCK EXCHANGE

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Abstract

This research was made to examine the effect of audit quality on earnings management in companies that listed on Indonesian Stock Exchange. The variables used for the discussion in this study were audit quality, size of the board of directors, presence of external directors, firm size, and leverage on earnings management.

This research uses panel regression analysis method. Where testing was use the SPSS version 21 program and Eviews version 20. The number of companies used for this study consisted of 265 companies with 1,316 data samples. The data used in this study were taken from annual reports and financial statements on the Indonesia Stock Exchange.

The results of this study stated that audit quality, board size, presence of external directors and leverage were no significant effect on earnings management. And the size of the company was significant positive relationship with earnings management.

Keywords: Earning Management, Audit Quality, Corporate Governance, Agency costs