

UNIVERSITAS INTERNASIONAL BATAM

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THE EFFECT OF AUDIT QUALITY AND CORPORATE GOVERNANCE ON EARNING MANAGEMENT OF COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

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ABSTRACT

This study has the aim of analyzing audit quality and corporate governance on earnings management. The independent variables used in this study are auditor size, audit specialist, audit tenure, ownership concentration, internal ownership, family ownership, institutional ownership, board size, board independent, and board activity. Meanwhile, leverage, company size and operational cash flow are used as control variables in this study. Earnings management is the dependent variable measured using discretionary accruals.

This study has a sample of 360 companies listed on the Indonesia Stock Exchange from the 2014-2018 period. The purposive sampling method is used in researching research samples and there are 1,672 observational data that will be examined in this study. Testing the data by applying multiple regression panel method.

The results of this study stated that the independent variables that include audit specialist, ownership concentration, internal ownership, and institutional ownership are variables that have no significant effect on earnings management. Meanwhile, the results of the independent variables that include auditor size, audit tenure, family ownership, board size, board independent, and board activity are variables that have a significant positive relationship. Control variables that include leverage, company size, and operating cash flow have a significant effect on earnings management as opposed to the independent variable which is significantly negative.

Keywords: *earning management, audit quality, corporate governance, auditor, board, ownership.*