

ABSTRACT

Earnings management is engineered financial reporting within certain limits that not violate the standards of financial reporting. This is done by management to utilize its authority in choosing accounting methods permitted by the standard. Managers have the flexibility in choosing the method and the accounting policies of the various alternative methods and policies. Management utilizes many financial reporting standards by implementing an accelerated adoption.

This study aims to determine how the effect of ownership structure, the composition of the board members, audit committee, and audit quality on earnings management is proxied by discretionary accruals (DAC) simultaneously and partially.

In this study, the data are used the financial statements and the annual report 8 pharmaceutical companies manufacturing sub-sectors listed on the Stock Exchange for the period 2010-2013. The method used is descriptive method verification. To determine the effect of ownership structure, the composition of the board of directors, audit committee, and audit quality on earnings management used statistical tests are Lagrange Multiplier test using Eviews.

The results showed that simultaneous ownership structure, the composition of the board of directors audit committee, and audit quality jointly have no significant effect on the quality of earnings. Partially ownership structure, composition board members, audit committee and audit quality has no significant effect on earnings management.

Keyword : *Earnings Management, Ownership Structure, Composition of Board of Commissioner, The Audit Committee, The Audit Quality.*