## ABSTRACT

The term earnings management can be linked to behavior management in preparing the financial statements. Management can use in financial reporting policies to decrease or increase earning in accordance with the interests does not violate the principles of accounting. This research purpose is to analyze the effect of firm size, profitability, and bonus compensation toward earnings management practice on retail companies which is registered at Indonesia Stock Exchange in 2012-2014.

This research uses quantitative research method which is classified to causality verificative descriptive research. Using purposive sampling method, this research sample consist 19 retail companies listed. Data analysis tools used in this research is panel data regression analysis.

The result of this study shows dependent variable that can be explained by independent variable as much 61,838%. Firm size, profitability, and bonus compensation simultaneously has an influence on earnings management. Partially, financing for firm size has significant positive effect on earnings management, while profitability has significant negative effect on earnings management , and the bonus compensation had no significant effect on earnings management.

Keywords: Firm Size, Profitability, Bonus Compensation, Earnings Management