

ABSTRACT

Earnings management is an enterprise management effort to intervene or influence financial information contained in financial statements which is used to trick investors who want to know the performance and financial condition of the company.

This study aims to examine the effect of leverage, audit quality, and independent board of commissioners on earnings management in companies included in the LQ45 index listed on the Indonesia Stock Exchange (IDX) in 2013-2016.

The population in this study is a group of companies included in the LQ45 index listed on the Indonesia Stock Exchange (BEI) in 2013-2016. Samples selected based on purposive sampling as many as 26 companies. The data collected is secondary data with documentation technique. Data analysis techniques are panel data regression, which is a combination of time series and cross section data.

The results of this study indicate that partially leverage has a significant effect on earnings management, the quality of partial audit does not significant effect on earnings management, and independent board of commissioners does not significant effect on earnings management. Simultaneously independent variables leverage, audit quality, and board of independent commissioners have a significant influence on the dependent variable earnings management.

This research is expected to provide a description of knowledge to investors and prospective investors in carrying out their investments in companies listed in the LQ-45 industry index to pay attention to the variables that influence this research, to see whether the company is taking profit management action or not.

Keywords: leverage, audit quality, and independent board of commissioner, Profit Management.