

ABSTRACT

Current earnings management practices often arise as an impact to make financial statements visible with the best performance that will serve as a benchmark for investors in investing and to estimate how much the return will be recovered by investors. The emergence of agency conflict also be the effect of differences in interests between the owner (principal) and management company (agent). The owner will prioritize to maximize shareholder profits, while the management of the company will also be more concerned with their welfare interests.

The objective of this research is to analyze the influence of Good Corporate Governance mechanism consisting of managerial ownership, independent commissioner, audit committee, and earning power influence to earnings management, thus reducing earnings management action which is done by earnings management company.

The population of this study is a mining company listed on the Indonesia Stock Exchange (IDX) in 2012-2016. This research uses quantitative methods. This sample selection technique using purposive sampling technique. The sample used in this study amounted to 12 companies within a period of 5 years to obtain the amount of observation data as many as 60 samples. Methods of data analysis of this study using panel data regression analysis using Eviews9.0.

The results of this study indicate that earnings management practices that occur is the type of income decreasing (decrease in profit). Simultaneously variable of managerial ownership, independent commissioner, audit committee, and earning power have an effect on earnings management with Adjusted R-Squared value equal to 0,284837 or 28,4837%. Partially shows that the positive effect on earnings management is earning power, while managerial ownership, independent commissioner, and audit committee have no effect on earnings management.

Based on the results of this study, to limit the practice of earnings management and improve investor confidence, then the company should use a trusted KAP services so as to obtain financial reports with good quality. Need to be a concern for investors decisions in companies whose financial statements look good in financial statements but it turns out to manipulate its financial statements namely with earnings management.

Keywords : *Earning Management, Managerial Ownership, Independent Commissioner, Audit Committee, Earning Power*