ABSTRACT

Financial statements provide information that contains an overview of the company's financial condition and performance during the accounting period. The company's performance can be reflected in the profit/loss statement. Information about company profits is important as a basis for making investment decisions that investors will make.

The company's profit is often the target of the company's management, by minimizing or maximizing profits. Earnings management is an effort by company management to influence information in financial statements with the aim of tricking stakeholders who want to know the performance and condition of the company.

The independent variables in this study are audit quality, leverage, profitability and firm size. The dependent variable in this study is earnings management. This study aims to explain how audit quality, leverage, profitability, firm size and earnings management are and to find out whether there is a simultaneous and partial effect between audit quality, leverage, profitability and firm size on earnings management.

This study uses quantitative methods and secondary data with the population in this study being consumer goods industrial sector companies listed on the Indonesia Stock Exchange during the 2016-2019 period with criteria using purposive sampling. The analysis technique that will be used in this research is panel data regression analysis.

The results of this study indicate that audit quality, leverage, profitability and firm size simultaneously affect earnings management. Partially, leverage and profitability have a positive and significant effect on earnings management, while audit quality and firm size have no significant effect on earnings management.

Keywords*: Earnings management, audit quality, leverage, profitability, firm size*