

ABSTRACT

Earnings management is an action taken by the company management to manipulate numbers and information by increasing or decreasing profits on financial statements using creative accounting methods. The purpose of the company to take earning management action is to hide the performance and conditions that occur in the company from the shareholders and related investors.

This study aims to determine the effect of company diversification, financial distress and auditor independence on earnings management in manufacturing companies listed on Indonesia Stock Exchange (IDX) for the period 2019 – 2020.

The object of this study is a Manufacturing Company listed on the Indonesia Stock Exchange (IDX) for the period 2019 – 2020. The research sample was carried out by purposive sampling and obtained 142 companies with 2 periods so as to obtain 284 research observations. The data analysis method in this study is panel data regression using output software Eviews 12.

The result of this study indicate that the test of company diversification, financial distress and auditor independence have a simultaneous effect on earnings management. The result of the partial test indicate that financial distress and auditor independence have no effect on earnings management, and company diversification has a significant negative effect on earnings management.

Suggestions for futher researches are expected to be able to add independent variables and increase the research period in order to find out other influences on the dependent variables earnings management.

Keywords: Company Diversification, Financial Distress, Auditor Independence, Earnings Management