

ABSTRACT

Earnings management is an intentional error or omission in making financial statements so that it can be misleading when all the financial information is used to make judgments that will eventually cause people who read it to change or change an opinion or decision.

This study aims to determine the effect of the size of the Public Accounting Firm (KAP) and audit tenure on earnings management in consumer goods industry companies listed on the Indonesia Stock Exchange in 2017-2020. In this study, the size of KAP and audit tenure are independent variables. While earnings management is the dependent variable.

The population in this study are consumer goods industrial companies. The sampling technique used in this study was purposive sampling and the research was obtained for 4 years, in order to obtain a total sample of 80 observation data. The analysis technique used in this research is panel data regression.

Based on the results of the research conducted, it shows that the size of KAP and audit tenure have a simultaneous effect on earnings management in consumer goods industrial companies listed on the Indonesia Stock Exchange in 2017-2020. Partially, the size of KAP has a positive effect on earnings management in consumer goods industry companies listed on the Indonesia Stock Exchange in 2017-2020. Audit tenure has no effect positive on earnings management in consignment goods industry companies listed on the Indonesia Stock Exchange in 2017-2020.

Suggestions for the company, can identify the factors of corporate governance in addition to the size of KAP and audit tenure. So that it can find out other factors that can affect earnings management. Suggestions for investors, not only to look at the size of the KAP as a prevention of earnings management practices. So it must be ascertained also other corporate governance factors. Such as, audit committee and managerial ownership.

Keywords: Audit Tenure, Earnings Management, Size KAP