

ABSTRACT

Earnings management is a practice that is deliberately carried out in the preparation of financial reports regarding material facts or accounting data so that all information is misleading that will be used for decision considerations. The profit obtained by the company is an important component for the company to be seen as performing which can later attract investors, so that management is motivated to carry out earnings management so that it is considered to have good performance in managing the company.

This study aims to determine the effect of bonus compensation, operational diversification, corporate social responsibility, and audit committees on earnings management in automotive sub-sector companies and their components listed on the Indonesia Stock Exchange (IDX) for the period 2016 to 2020 simultaneously or partially. The data used in this study were obtained from annual reports and financial reports for 2016-2020.

The population used in this study are automotive sub-sector companies and their components listed on the Indonesia Stock Exchange (IDX) for the period 2016 to 2020. The technique used in this research is purposive sampling. The statistical analysis used is panel data regression analysis. The research was conducted over a 5 year period with 12 companies obtained, so that a total of 60 observation data were processed.

Based on the results of the research conducted, it was found that bonus compensation, operational diversification, corporate social responsibility, and audit committees have a simultaneous effect on earnings management in the automotive sub-sector and its components which are listed on the Indonesia Stock Exchange in 2016-2020. Partially, corporate social responsibility has a negative effect on earnings management in the automotive sub-sector and its components which are listed on the Indonesia Stock Exchange in 2016-2020. Meanwhile, bonus compensation, operational diversification, and audit committees have no partial effect on earnings management in the automotive and component sub-sectors which are listed on the Indonesia Stock Exchange in 2016-2020.

Further research is recommended for companies to be able to continue to disclose corporate social responsibility because corporate social responsibility has the ability to anticipate earnings management practices. Suggestions for investors to be more careful in making decisions in investing in a company, because it is possible that earnings management practices will exist in order to maximize profits or compensation that will be received by company managers.

Keywords: Corporate Social Responsibility, Operations Diversification, Bonus Compensation, Audit Committee, Earnings Management