

ABSTRACT

Earnings management on the part of investors and shareholders is an act of cheating but if the management side is a legitimate action because it does not violate the rules of accounting principles. Consequently, earnings management forms a failure in accounting principles, because it allows managers to increase or decrease profits in the company's financial statements as a result investors and shareholders are deceived by larger-looking corporate profits. The objective of the study was to examine the effect of managerial ownership, leverage and good corporate governance practices (audit committee and board of commissioners) on earnings management. Profit management is proxied using Modified Jones Model. The population of research is 37 manufacturing companies of industrial sector of goods and consumption listed on BEI year 2013-2015 and obtained sample of 21 companies by using purposive sampling. Analysis method of this research is multiple regression using SPSS application.

The results of this study indicate that simultaneously managerial ownership, leverage and GCG practices have no significant effect on earnings management. Then partially managerial ownership, leverage has no significant effect to earnings management, component of good corporate governance practice that is board of commissioner has no significant effect to earnings management, and audit committee significantly influence earnings management with negative direction.

Keywords: managerial ownership, leverage, good corporate governance practices, board of commissioners, audit committee, and earnings management.