ABSTRACT

Earnings Management is an action on managing earnings that are usually done by the management, especially managers. Earnings management occurs when management uses its consideration in preparing financial statements using generally accepted on accounting procedures.

Profit is an indicator often used by stakeholders especially investors in evaluate performance of a company so that management motivated to increase profit to be judged to have a good performance in managing the company.

This study aims to understand Free Cash Flow, Financial Distress, Employee Diff, and Earnings Management on object research and also examine the effect simultaneously and partially between Free Cash Flow, Financial Distress, and Employee Diff to Earnings Management.

The population in this study refers to the mining companies that listed in Indonesia Stock Exchange period 2012-2016. The techniques used in this study is purposive sampling with 34 samples of the companies were selected which in the period of five years, so there were 170 samples data of companies listed in Indonesia Stock Exchange perios 2012-2016 are used. Methods of data analysis in this research is panel data regression analysis using Eviews 10.

Based on the result of this research shows that simultaneously Free Cash Flow, Financial Distress, and Employee Diff have a significant effect on Earnings Management. Partially, Free Cash Flow has no effect on Earnings Management, while Financial Distress and Employee Diff have a positive and significant effect on Earnings Management.

Keywords*: Free Cash Flow, Financial Distress, Employee Diff, Earnings Management*