THE IMPACT OF GOOD CORPORATE GOVERNANCE ON EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES MANIPULATION

(Empirical study of Merchandising Companies Listed on Indonesia Stock Exchange)

Presented as Partial Fulfillment of the Requirements for the Degree of Sarjana Ekonomi (S1) in Accounting Program Faculty of Economics Universitas Atma Jaya Yogyakarta

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(Empirical study of the Merchandising Companies listed on Indonesia Stock Exchange)

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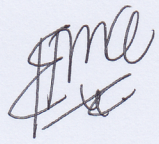

Agnes Theodora Tejo

Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence. – Hellen Keller

But he said to me, "My grace is sufficient for you, for my power is made perfect in weakness." Therefore I will boast all the more gladly about my weaknesses, so that Christ's power may rest on me. That is why, for Christ's sake, I delight in weaknesses, in insults, in hardships, in persecutions, in difficulties. For when I am weak, then I am strong. – 2 Corinthians 12:9-10

Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time. –Thomas A. Edison

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Abstract

This study examines the effect of good corporate governance on earnings management through real activities manipulation. Good corporate governance is measured by the board commissioner size, number of board commissioners meeting, the independent board commissioner composition, audit committee size, number of audit committee meetings, audit committee competency, and audit quality. Earnings management through real activities manipulation is measured using abnormal cash flow from operations and abnormal discretionary expenses.

This research was conducted by using financial statements of merchandising company that listed in the Indonesian Stock Exchange in 2009-2013 as many as 83 samples. The method of analysis used in this study is multiple regression.

Based on the results of the study showed that the variables of good corporate governance has no effect on earnings management through real activities manipulation. This is due to the less effective application of board commissioner and audit committee, less competency and only to comply with existing regulations.

Key words: good corporate governance, earnings management, real activities manipulation, size, return on assets