

**EARNINGS MANAGEMENT THROUGH REAL ACTIVITIES  
MANIPULATION  
(Empirical Study of Manufacturing Companies Listed on Indonesia Stock  
Exchange from 2009 – 2011)**

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

**A THESIS**



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YOGYAKARTA  
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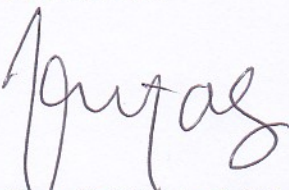
**Student ID Number: 08 15 17497**

**Thesis Entitled:**

**Earnings Management through Real Activities Manipulation  
(Empirical Study of Manufacturing Companies Listed on Indonesia Stock  
Exchange from 2009 – 2011)**

Be accepted in partial fulfillment of the requirements for the degree of Sarjana  
Ekonomi (S1) in International Financial Accounting Program  
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**Earnings Management through Real Activities Manipulation  
(Empirical Study of Manufacturing Companies Listed on Indonesia Stock  
Exchange from 2009 – 2011)**

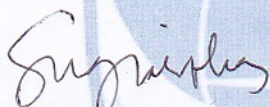
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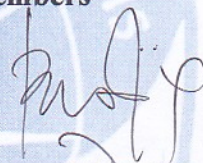
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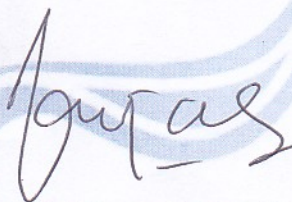
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# **AUTHENTICITY ACKNOWLEDGEMENT**

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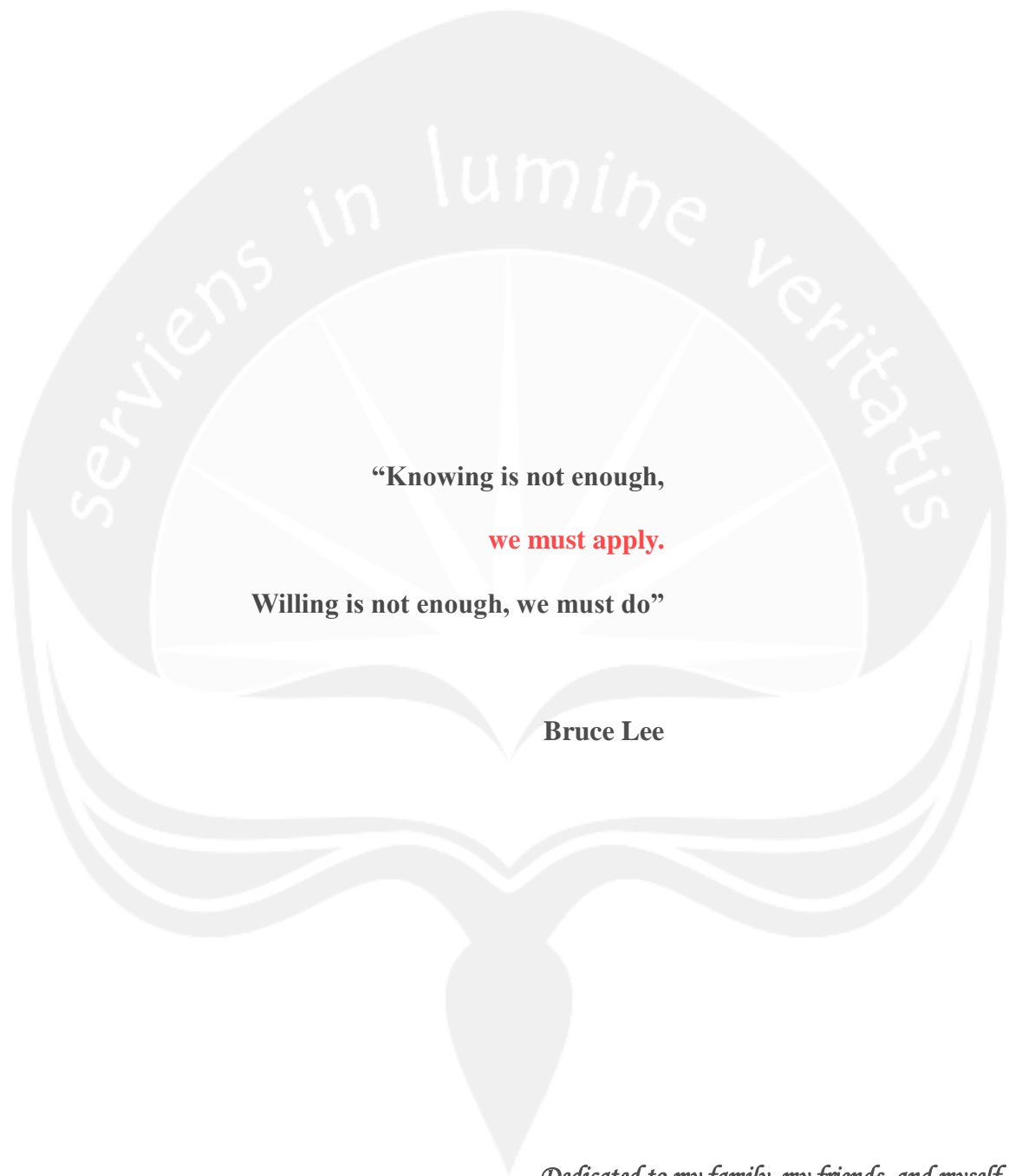
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This thesis is really my own thinking and writing. I aware that my writings does not contain others' or part(s) of others' writing, except for those that have been cited and mentioned in the bibliography.

Yogyakarta - November 12, 2012



Gerry Sutrisna Putra



**“Knowing is not enough,  
we must apply.**

**Willing is not enough, we must do”**

**Bruce Lee**

*Dedicated to my family, my friends, and myself*

## ACKNOWLEDGEMENT

First and foremost, I would like to bestow my deepest gratitude to **Jesus Christ** for His blessing, for His guidance, for the spirit and for the strength He has given that I finally could finish my thesis.

My deepest gratitude goes to my thesis advisor, **Jenjang Sri Lestari, SE., M.Comm, AKT.** For her great guidance, suggestions and help during the process of writing this thesis. My thankfulness also to all accounting lecturers and staffs who have helped me during my years in accounting program.

I am truly indebted to **Nurchahyaningtyas, SE., M.Si.,** and **Yenny Patnasari, SE., M.Si.,** both of them are lecturers of economic faculty Atma Jaya University Yogyakarta, who have helped me so that I could understand and finish my analysis.

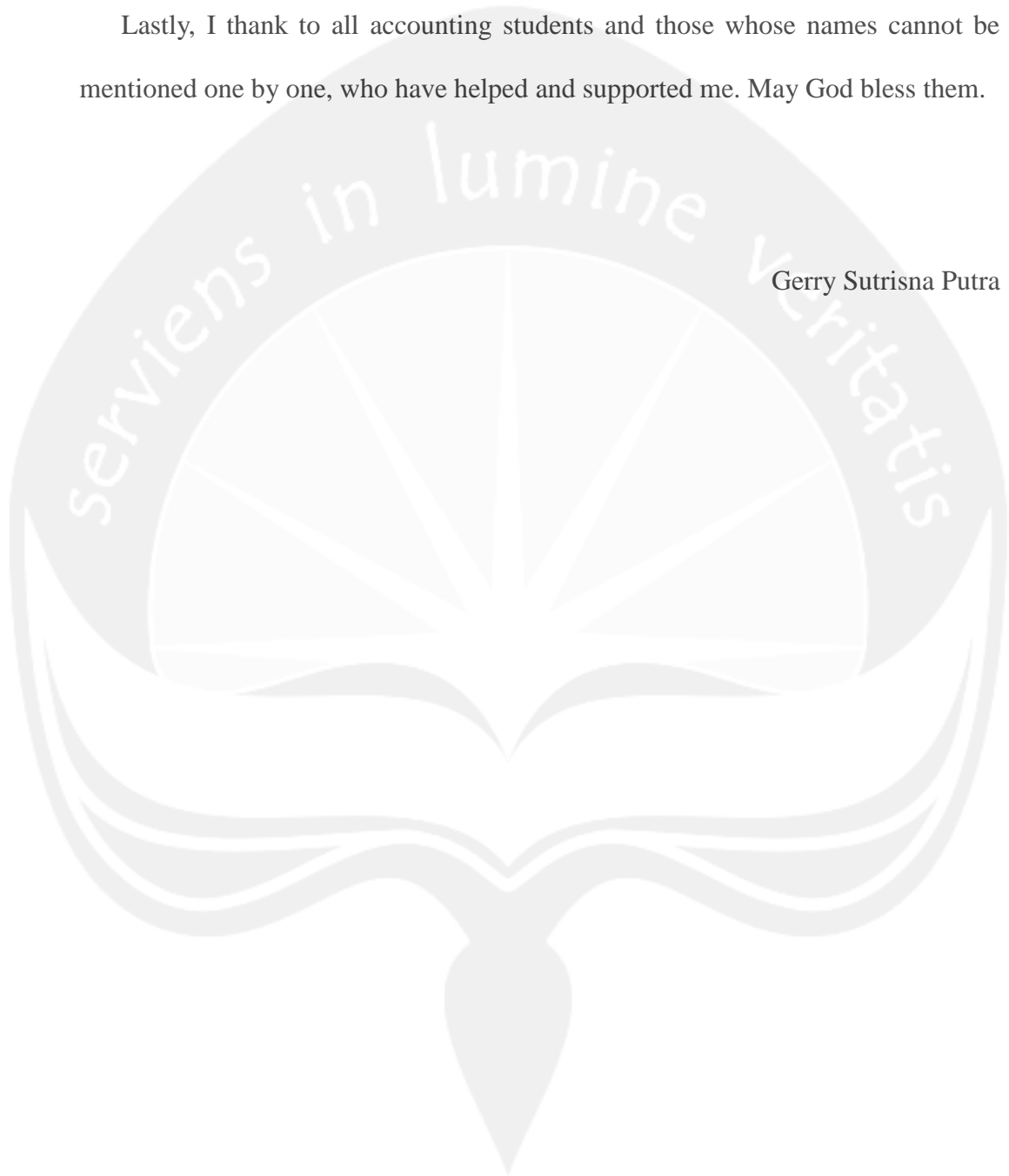
I present this accomplishment to my beloved parents, **Sutrisna T. Kirana** and **Meike Dwilaksana**, my brothers, **Gervyn Sutrisna Putra** and **Gerren Sutrisna Putra**, for their endless love, supports, prayers, and encouragements. I truthfully would like to thanks my big family for every supports and prayers. Hence, it brings me to give my special thanks to **Lucia Etri Indriani** for her endless love, support, and care that she gives to me.

My gratitude also goes to all my great friends: **Wiwik, Arvin, Fendy, Sari, Siska, Ayu, Novi, Ozzi, Aga, Agung, Dita, Ridwan, Kira, Edo, Bonny, Frans, Nella, and Yoshi** for the experiences, moments, and friendship. I would also thank

administrator of **Pojok Bursa Atma Jaya University Yogyakarta**, *Mas Cosmas* **and staffs** for the support, kindness, and help when I gathered data for my thesis.

Lastly, I thank to all accounting students and those whose names cannot be mentioned one by one, who have helped and supported me. May God bless them.

Gerry Sutrisna Putra

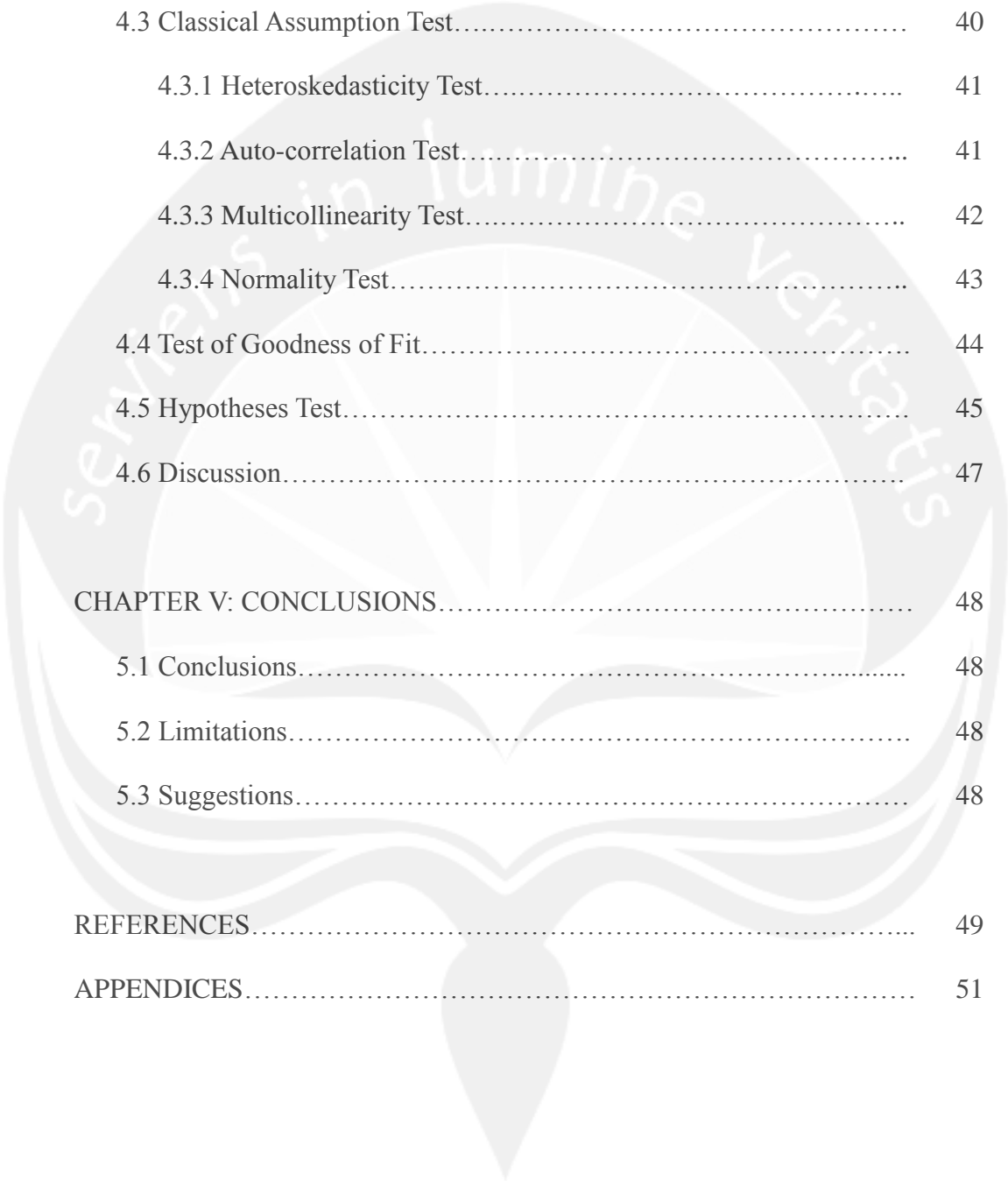


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## **Abstract**

Earnings management is the way managers manipulate financial reports in order to meet certain target. Managers manage earnings through accrual-based manipulation or real activities or both of them, but managers prefer real activities manipulation than accrual-based manipulation. It's happen because depends on accrual-based manipulation alone entails risks. In Indonesia, there are several studies on earnings management through real activities manipulation and these studies are success to prove the existence of real activities manipulation in manufacturing companies, but none of them use the same approach as Roychowdhury, the contributor to literature of earnings management who success to detect earnings management on companies' operational activities.

This study aims to prove earnings management through real activities in Indonesia, especially the manufacturing companies. There are three things that companies use to manage earnings; sales manipulation, reduction of discretionary expense, and overproduction.

An empirical study was carried out in this research. The instrument used was secondary data from Indonesia Stock Exchange website. Purposive sampling was employed to choose the samples. Samples are manufacturing companies which listed on Indonesia Stock Exchange from 2009 to 2011 and their financial reports must be available on [www.idx.co.id](http://www.idx.co.id). In relation to the estimation models, the manufacturing companies also must be listed, at least from 2007. The estimation models used in this study were from Roychowdhury (2006).

Through the data analysis, it is concluded that all of hypotheses are rejected, means that earnings management through real activities in Indonesia cannot be proved using Roychowdhury's estimation models. There is a possibility that the companies manage earnings not with real activities but discretionary accrual.

**Keywords:** earnings management, real activities, Roychowdhury