THE INFLUENCE OF FIRM SIZE AND MANAGERIAL ABILITY ON EARNINGS MANAGEMENT WITH GCG MECHANISM AS MODERATING VARIABLE

(A study on Foods and Beverages Company of Manufacturing Industry Listed in Indonesian Stock Exchange During the period of 2010-2015)

Abstract

This study aimed to investigate the influence of firm size and managerial ability on the earnings management as well as to examine whether the Corporate Governance mechanism moderate the influence of firm size and managerial ability on the earnings management. The variables examined in this study are earnings management measured by discretionary accrual of modified Jones model, firm size, managerial ability, BOC Independent and audit committee. An empirical study was carried out in this study. The instrument used was secondary data from Indonesian Stock Exchange website. Purposive sampling was employed to choose the samples. Samples are food and beverage companies listed in Indonesian stock exchange from 2010 to 2015 that meet specified criteria and it produce 15 companies.

This study found that firm size and managerial ability has negative significant influence on the earnings management. The result also indicates that BOC independent as moderating variable does not have significant impact on the influence of firm size and managerial ability on the earnings management. While the audit committee as moderating variable only affecting the relationship of managerial ability and earnings management and does not significantly affect the relationship of firm size and earnings management.

Keywords: Earnings Management, Firm Size, Managerial Ability, BOC Independent, Audit Committee