

ABSTRACT

Agency theory suggests if between the principal (owner) and the agent (manager) have the different interests, a conflict arises called agency conflict. The separation between the owners and management can provide flexibility for management to maximize profits. This condition occurs because there is an imbalance mastery of information are referred to as asymmetric information (information asymmetry) between management and others who do not have access to the company.

This study aims to investigate the influence of good corporate governance mechanisms and compensation bonus to earnings management in manufacturing companies tedaftar in Indonesia Stock Exchange 2011-2013. Mekanime good corporate governance used in this study include: independent board, independent audit committees, and managerial ownership. The data used is secondary data. After a purposive sampling performed on companies listed on the Stock Exchange Indoneia, elected 63 samples. Data analysis method used is panel data regression analysis.

These results indicate that the independent board and managerial ownership negatively affect earnings management. While the independent audit committee and a compensation bonus has no effect on earnings management.

Keywords : earnings management, good corporate governance, bonus compensation