

ABSTRACT

In this study, the independent variable is the free cash flow, diversification of operations and geographic diversification. The dependent variable in this research is earnings management. This study aims to determine the effect of free cash flow, geographic diversification and diversified operations to earnings management company property and real estate sectors listed on the Indonesia Stock Exchange (BEI). The population in this study is company property and real estate sector in 2011-2014. Mechanical sample selection using purposive sampling and acquired 19 companies that are included with the period of 4 years in order to get 76 samples were observed. Model data analysis in this research is panel data regression using software Eviews 8.0.

The results showed that the free cash flow, diversification of operations and geographic diversification simultaneous effect on earnings management. And partially free cash flow, diversification of operations and geographic diversification significantly influence earnings management in a positive direction. For further research using other measurements for earnings management in addition to AWCA (Abnormal Working Capital). Additionally especially those who choose the same object that is company property and real estate. The author also recommends further research to add other sectors listed in Indonesia Stock Exchange that can be generalized.

Keywords: free cash flow, operating diversification, geographic diversification and earnings management