ABSTRACT

Earnings management is a financial number games in the sense that the game figures in the financial statements in order to achieve the desired goal. There are several factors that influence earnings management actions one of which made the turn of the CEO (Chief Executive Officer). In each turn of the CEO will lead the market's reaction, if the CEO turnover has information content market will react, investors' reactions shown in the form of investment to the company concerned.

This study aimed to analyze the differences in earnings management and response in the event the CEO turnover routine and non-routine event CEO turnover. Earnings management is measured by modified Jones and the market reaction is measured by earnings response coefficient. This study was a comparative causal research. Samples of this research is publicly traded non-financial companies that do turn a routine and non-routine CEO 2010-2014.

Data collected by purposive sampling and there are 53 non-financial publicly traded company that made the turn CEO of 30 on routine CEO turnover events and 23 on non-routine change of CEO. The data used in this research is secondary data. Normality test showed normal distribution of data, so the method of hypothesis testing using paired sample t-test).

Hypothesis testing results show that 1) there is no indication of earnings management practices in the event the CEO turnover routine, 2) there is an indication of earnings management practices in the event perganian CEO nonroutine, 3) there is no difference in reaction to the market in the event the CEO turnover routine, 4) there is no differences in market reaction on CEO turnover non-routine event. This research can prove that there are earnings management practices in CEO turnover period of non-routine with a pattern of decreasing income in the period after the turn of the CEO to do with the pattern of increasing income

Based on these results recommendations that can be given is that further research using other proxy calculate market reaction as trading volume activity other than that in order to use longer range research and use different events to see the differences in earnings management and market reaction.

***Keywords**: earnings management, CEO turnover, and market reaction*