

ABSTRACT

In general, every firms is always trying to maximize the firm value. Various strategies are implemented to reach this goal. The firms through finances managers should be able to perform its function to manage the finances properly and efficiently as possible and the manager try to always keep their performance looking good in their stakeholders' point of view. However, in fact, firms are often faced in various obstacles that can cause performance degradation even financial hardship until finally they went bankrupt.

The purpose of this research aims to determine the effect of earning management on firm value and to determine the effect of earning management on firm value and to determine audit quality in modernize effect to firm value.as measured using Tobin's Q.

This research is descriptive verification and causality research. The unit of analysis that used in this research is mining sector firms. This research uses sample data which selected through purposive sampling technique and obtained 14 firms during five years, from 2010-2014. This research uses simple linear regression and moderated regression analysis.

The result of simple linear regression shows that earning management has no effect on firm value. The result of moderated regression analysis shows that audit quality can not moderate the effect of earning management on firm value.

Future research is suggested to add the independent variables and another moderating variable to determine the effect on firm value in another industry. For practitioner expected to be more serious in facing the earning management. Because earning management practices can destroy economic order, ethnics and morals. Furthermore, the failure to detect earnings management practices can destroy public confidence in the company and doubted the credibility and integrity of accountants. For users financial report, especially investors, should be more vigilant in reading and using the information in the financial report to avoid any mistake in economic decision making.

Keywords: earning management, firm value, audit quality.