

ABSTRACT

At present, there are some cases of financial manipulation that occurs not only in Indonesian but also abroad companies that have not shown their integrity of financial statements, so it does not indicate the actual company condition. Companies that are experiencing financial difficulties tend to mask actual company conditions. This may be due to the lack of managerial roles acting as shareholders in determining the policy towards the presentation of financial statements with integrity.

In this research, the independent variables are managerial ownership, and financial distress. Dependent variable in this research is integrity of financial statement. This study aims to determine the effect of managerial ownership variables and financial distress on the integrity of financial statements at manufacturing companies listed on the Stock Exchange 2011-2015. The hypothesis of this research is that there is influence between managerial ownership variable and financial distress to financial statement integrity either simultaneously or partially.

This research is descriptive verificative which is causality. Population in this research is manufacturing company year 2011-2015. The technique of selecting the sample using purposive sampling and obtained 113 companies are included with the period of 5 years so that obtained 565 samples were observed. Data analysis model in this research is panel data regression using Eviews 8.0 software.

The results showed that Managerial Ownership and Financial Distress, simultaneously affect the Integrity of Financial Statements. While partially Managerial Ownership does not affect the Integrity of Financial Statements and Financial Distress influence with the negative direction to the Integrity of Financial Statements.

For further research it is advisable to add independent variables that are predicted to affect the integrity of financial statements. Manufacturers are expected to recognize the early signs of bankruptcy and anticipate that possibility immediately. For investors to gather information about the company that became the investment place to minimize the risk and optimize the profit.

Keywords: Managerial Ownership, Financial Distress, Integrity of Financial Statements