ABSTRACT

The main reason the company conducts Initial Public Offering (IPO) is the need for capital boosts used to support operational activities. However, IPO activities sometimes always serve as the reason for the emergence of earnings management as the information asymmetry to obtain the price of the maximum initial stock.

The purpose of this study to determine the effect of earnings management on stock returns and know information asymmetry and debt covenant in moderating the effect of earnings management on stock returns.

This research is a descriptive verification research that is causality. The unit of analysis in this study is a company that conducted an IPO in 2013-2016. The research data using sample data selected through purposive sampling technique and obtained by 46 companies doing IPO period 2013 until 2016. This research use technique of simple linier regression analysis and moderated regression analysis. Modified Jones Model is used to detect earnings management. Cummulative Abnormal Return (CAR) is used as a proxy of stock returns. Deb to Equity Ratio (DER) as a proxy for identifying debt covenant.

The result of research with simple linear regression test showed that earnings management did not have an effect on stock return. The result of research by using moderated regression analysis test shows that information asymmetry can not moderate the influence of earnings management on stock return. Debt Covenant can moderate the effect of earnings management on stock returns.

Future research is advisable to extend the observation period in order to give an idea of whether the results obtained are consistent with previous research, and increase the number of samples. For practitioners are expected to be more serious in the face of earnings management practices. Because earnings management practices can destroy the economic, ethical and moral order. In addition, failure to detect earnings management practices can destroy public confidence in the company and doubt the credibility and integrity of the accountant. For investors should be more vigilant in reading and using the information in the financial statements in order not to experience errors in economic decision-making. For the company is expected to increase the company's disclosure of information, so there is no great information asymmetry between management and users of financial statements. And the company is expected to be able to minimize, or even not take profit management action.

Keywords: IPO, earnings management, stock return, information asymmetry, debt covenat.