

ABSTRACT

The information on income and financial statement is the main concern to evaluate management performance. Earnings management can reduce the credibility of financial statements and can harm users of financial statements.

This research was conducted with the aim to determine the effect of free cash flow, leverage and firm size on earnings management in manufacturing companies for the period of 2014 to 2016 both partially and simultaneously. This study uses secondary data, namely data derived from financial reports and annual reports issued by the IDX.

The population in this study were manufacturing companies for the period 2012 to 2016. The sampling technique used in this study was purposive sampling and obtained 76 manufacturing companies for the period 2014 to 2016. The analysis method used in this study was panel data regression analysis. the data is processed using Eviews 8.

The results show that free cash flow, leverage and firm size simultaneously have a significant influence on earnings management. While partially shows that only free cash flow has a significant influence on earnings management with a regression coefficient of 0.378, while leverage and firm size do not affect earnings management.

The suggestions based on the results of this study are that the Company is expected to be able to perform performance evaluations on a regular basis and this research is expected to be one of the information that the implementation of good corporate governance will minimize earnings management.

Keywords: Free Cash Flow; Leverage; Firm Size; Earnings Management; Financial Statement