

## **ABSTRACT**

*Earnings information is information that is very important in reflecting the condition of the company during a period and becomes the basis for making decisions for investors. Managers tend to play with profits so that the condition of the company looks good to investors or for the manager's personal interests which will later harm others. This action is commonly known as earnings management*

*Earnings management is a manager's effort to use his authority to change the reporting of financial statements based on the framework of accounting procedures with certain objectives. This is what makes earnings management not generally accepted if it is carried out with a specific purpose and not based on accounting principles. Therefore, earnings management is often considered as an action that will harm users of financial statements.*

*This research was conducted with the aim of knowing the effect of executive compensation, litigation risk and profitability on earnings management simultaneously and partially. The population in this study is the property and real estate sub-sector listed on the Indonesia Stock Exchange in 2016-2019. The sample in this study was determined by purposive sampling method so that 33 companies were obtained with an observation period of four years or there were 132 observational data. From 132 observation data, it was found that there were 28 outlier data that interfered and were removed from the research sample so that 104 observation data were found. The analysis used in this study is panel data regression using Eviews 11 software.*

*The results of hypothesis testing that have been carried out show that executive compensation, litigation risk and profitability variables simultaneously affect earnings management. Partially, profitability has a positive effect on earnings management. Meanwhile, executive compensation and litigation risk have no effect on earnings management.*

*This research has limitations and shortcomings, namely the lack of companies that publish their financial statements consistently in the year of the study so that researchers have to exclude them from the sample. For further researchers, this research is expected as a suggestion to expand the reference for conducting research on earnings management and can use other variables or change the object of research and use different observation periods to obtain more accurate results.*

**Keywords:** *Executive Compensation, Litigation Risk, Profitability, Earnings Management*