ABSTRACT

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 study aims to determine the effect of profitability, free cash flow, and company size on earnings management of mining sub-sector companies listed on the Indonesia Stock Exchange in 2017-2020.

The sample in this study was determined by purposive sampling method in order to obtain 27 companies with an observation period of four years or there were 108 observational data. The analysis used in this study is panel data regression using Eviews 12 software.

The results of simultaneous testing of profitability, free cash flow, and firm size variables have a simultaneous effect on earnings management. Partially, profitability has an effect on earnings management, while free cash flow and firm size have no effect on earnings management.

This study has limitations that affect the results of the study. For further research, it is recommended to use more samples and add a research period. For further research, it is recommended to replace the independent variables used in this study with variables that are thought to have an influence on earnings management.

Keywords: profitability, free cash flow, company size, earnings management