

ABSTRACT

Earnings management is an action taken by management to manipulate information in the financial statements in order to conceal the company's actual condition. This is carried out by management to maintain the company's image in the eyes of investors by increasing or decreasing the company's reported earnings.

This study aims to analyze the effect of financial distress, profitability, audit committee, and CEO tenure on earnings management in infrastructure sector companies listed on the Indonesia Stock Exchange for the 2020–2023 period. The independent variables examined include financial distress, measured using the Altman Z-Score; profitability, measured by Return on Assets (ROA); the audit committee, measured by the frequency of annual meetings; and CEO tenure, measured by the CEO's term of office. The dependent variable is earnings management, proxied by discretionary accruals using the Modified Jones Model.

A quantitative approach was employed in this study, using descriptive statistical analysis and panel data regression analyzed with EViews 13. The sampling technique used was purposive sampling. The sample consisted of 42 companies selected using the purposive sampling method, with a total of 159 observations during the study period, and 9 data points identified as outliers.

The results indicate that the data for the variables of earnings management, financial distress, and profitability are dispersed and varied, while the audit committee and CEO tenure variables have more clustered data. The testing results show that, simultaneously, financial distress, profitability, audit committee, and CEO tenure have an effect on earnings management. Partially, profitability have a positive effect on earnings management, while the financial distress, audit committee and CEO tenure have no effect on earnings management.

This study is expected to provide new insights for companies in understanding the factors influencing earnings management and to serve as a reference for investors in making better investment decisions. Furthermore, this research is expected to serve as a reference for future studies related to earnings management.

Keywords: CEO Tenure, Financial distress, audit committee, Earnings Management, profitability.