ABSTRACT

Financial statements are the main source of information about a company's financial performance used by various stakeholders in decision-making. One important component is accounting profit, which ideally reflects the company's condition accurately. However, in practice, earnings management is often carried out by presenting earnings that do not fully reflect reality, causing concern for shareholders.

This study aims to determine the descriptive results and simultaneous and partial effects of institutional ownership, independent commissioners, and audit quality on earnings management with control variables of company size and profitability in manufacturing companies listed on the Indonesia stock exchange in 2019-2023.

The independent variables studied include institutional ownership as measured by the proportion of institutional shares, independent commissioners by the proportion of independent commissioners, and audit quality which is classified as using the Big Four KAP or not. The dependent variable is earnings management, proxied by discretionary accruals using the modified jones model. This study also uses control variables of company size and profitability, which are measured using total assets and return on assets (ROA), respectively.

This study uses a quantitative approach with descriptive statistical analysis and panel data regression analysis using Eviews software version 13. The sampling technique used purposive sampling and obtained 97 companies over 5 years and reduced the outlier data by 75 data, so that the total observation data was 485.

The results of this study are institutional ownership, independent commissioners, and audit quality simultaneously affect earnings management. Partially, audit quality has a negative effect on earnings management. Meanwhile, institutional ownership and independent commissioners have no effect on earnings management. So that companies should try to use KAP affiliated with the Big Four to maximize the quality of financial statements. Future research can develop the results of this study as a reference in examining the factors that influence earnings management.

Keywords: *Earnings Management, Institutional Ownership, Independent Commissioners, Audit Quality, Company Size, Profitability*