ABSTRACT

Profit serves as a primary indicator in assessing corporate performance and constitutes a critical basis for decision-making by investors and other stakeholders. To enhance the company's financial image, management often engages in earnings management by exploiting the flexibility allowed within accounting standards. Such practices can be influenced by financial distress, managerial ownership, and audit quality, while being controlled by profitability, leverage, and firm size.

This study investigates the relationship between these factors and earnings management in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Employing a quantitative approach, the study utilizes panel data regression analysis processed through EViews 12. The sample was selected using purposive sampling, resulting in 33 firms observed over five years, yielding 165 final observations after outlier removal.

The findings reveal that financial distress, managerial ownership, and audit quality collectively have a significant influence on earnings management. However, individually, financial distress and managerial ownership exhibit no significant effect on earnings management, suggesting limited influence of internal financial pressure and ownership structure on profit manipulation. In contrast, audit quality demonstrates a negative and significant effect, indicating the auditor's role in mitigating earnings manipulation. These results offer important insights for investors, regulators, and corporate management regarding transparency and governance practices within the infrastructure sector.

Key Words: *Financial Distress, Managerial Ownership, Audit Quality, Earnings Management, Profitability, Leverage*, *Firm size*