THE IMPACT OF CORPORATE GOVERNANCE VARIABLES ON EARNINGS MANAGEMENT IN INDONESIA

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ABSTRACT

Objectives
The objective of this research is to study the extent to which the variables of corporate governance would bring impact on earnings management for non-financial companies in Indonesia business environment, utilizing the sample of Indonesian joint stock companies for year 2002 until 2008. The variables of corporate governance which will be utilized are (1) board composition; (2) independent commissioners; (3) separation role of Chairman/CEO; (4) audit committee; (5) managerial share ownership; and (6) audit quality.

Method
The author analyzes the Annual Report from 2002 to 2008 with the population of 65 non-financial companies listed in Indonesia Stock Exchange (IDX) that conducted Good Corporate Governance. The empirical data being used for this thesis will be collected from reliable sources, such as Indonesian Stock Exchange (IDX), journals, books.

Results
The study found that not all corporate governance variables influence earnings management practices in Indonesia.

Conclusion
The results revealed that among six corporate governance variables, two variables significantly affect earnings management, in which separation roles of Chairman/CEO and managerial share ownership. While, the other four variables do not affect earnings management for Indonesian companies simply employ Good Corporate Governance (GCG) for adherence to regulations only rather than for monitoring and control purposes.

Key words
Earnings Management, Working Capital Accruals, Good Corporate Governance (GCG), Bapepam-lk, Indonesian Stock Exchange (IDX), Annual Reports.