ABSTRACT

This research investigates whether IFRS adoption, firm size, and firm leverage have effect on earnings management in Indonesia manufacturing-firms. Earnings management is identified using absolute value of discretionary accruals, measured with Francis et al. (2005) model. Based on a sample of 102 manufacturing firms listed in Indonesia Stock Exchange for year 2010, results show that IFRS adoption in Indonesia does not have effect on earnings management, while firm size and firm leverage have effect on earnings management. Furthermore, results show that firm size has negative effect on earnings management, means larger firms engage in less earnings management and highly leveraged firms engage. Results also show firm leverage has positive effect on earnings management, means highly-leveraged firms are associated with more earnings management.

Keyword: earnings management, IFRS adoption, firm size, firm leverage