

## ABSTRACT

Companies during IPO process will effort to make their firm value better. One of the way to make a better value is by implementing earnings management. Company with weak fundamentals tend to implement earnings management and will face delisting risk as consequence. The purpose of the research is to understand the impact of earnings management to the delisting risk. This study used regression analysis model to assess delisting risk. Firms characteristics use in this research are profitability, market capitalization, IPO age, leverage and growth. Hypothesis 1 in this research is companies implement earnings management around IPO process. Hypothesis 2 is that earnings management effect significantly to the delisting risk.

This research used one T-test to determine whether the companies implement earnings management around the IPO time by determining the value of discretionary accruals. Discretionary accruals found in that test would later used as the independent variable. Regression probit model used in order to understand the effect of earnings management to delisting risk and using firms characteristic such as profitability, market capitalization, IPO age, leverage and growth as the control variables. SPSS was chosen as the software to analyze this relationship. The sample of this research is the companies who started IPO and also delisting around 2000-20014, it found that there are 4 companies that fitted the qualification. Each companies have different lifetime period which lead to the 38 financial statements.

The result of this research found that in hypothesis by using one sample t-test 1 proven that companies implement earnings management around the IPO process. However, hypothesis 2 that tested using regression probit model found that the probability level of all both independent and control variables was above 10% thus it can concluded that the earnings management was insignificantly effect the delisting risk.

Keywords : Earnings management, discretionary accruals, profitability, market capitalization, IPO age, leverage, growth, delisting risk