ABSTRACT

Earnings management is a management interference to increase or decrease in financial reports to accomplish certain purposes. Management perform earnings management in financial reports in order to influence the markets or investor perception. Earnings is one of many signalswhich might be use to make important decisions, such as, to make investment.

To purpose of this research is to know, whether a company who is going to offer the second equity performs an earnings management with an income increasing, on the two years, and the one year period, before the Seasoned equity Offerings (SEO's). The object of this research are companies which has perform Seasoned Equity Offerings (SEO's) in the year 2003 and 2004 in Jakarta Stock Exchange (BEJ).

By using the purposive sampling method, 25 companies has been selected as the sample. In earnings management with current accrual approach, earnings management with the income increasing pattern is marked, with positive value of discretionary accrual. In two years period before SEO's, 15 companies (60% of the sample) has a positive value of discretionary accrual. In one period before SEO's, 18 companies (72% of the sample) has a positive value of discretionary accrual.

Hypothetic testing with an parametric statistic, which is one sample t-test, indicates that discretionary accrual in two years period and one year period before SEO's has value that is larger than 0 (zero). We can conclude this, because t-counting > t-table, therefore H_0 is rejected and H_1 is accepted. Testing with one sample t-test is using SPSS program, version 12.0 for windows. This research conclude that company which is going to offer the second equity, performs an earnings management with an oncome increasing pattern in two years and one year period before SEO's.

Keywords : Earnings management, discretionary accrual, income increasing, Seasoned equity Offerings (SEO's)