ABSTRACT

The aim of this research is to provide empirical evidence the effect of firm size, free cash flow, and financial leverage on earnings management with good corporate governance as moderating variable. Firm size is measured using log natural of total assets. Financial leverage is measured using debt to asset ratio. Free cash flow is measured using net operating profit after tax. CGPI used as the proxy of good corporate governance. Discretionary accrual is the proxy of earning management. This research used 56 firms that follow CGPI assessment during 2009-2013 and listed in Indonesia Stock Exchange, the sample is selected using purposive sampling method. Data were analyzed using moderated regression analysis. Based on the analysis result, can be concluded that firm size has insignificant effect on earnings management, free cash flow has insignificant effect on earnings management, while financial leverage has negative and significant, and good corporate governance can't moderate the relationship between firm size and earnings management, free cash flow and earnings management, financial leverage and earnings management.

Keywords: *Earnings management, firm size, free cash flow, financial leverage, good corporate governance, CGPI.*