

ABSTRACT

Iqbal Feri Ardiansyah. 2012, Thesis. Title: "The Effect of Information Asymmetry and Financial Statements, Disclosure toward Earnings Management Practices On Manufacturing Companies Listed On The Indonesia Stock Exchange"

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Financial statements are the means of delivering financial information to outside parties of the company. The existence of discretion in choosing accounting methods used in preparing financial statements allows for earnings management. Information asymmetry between managers and shareholders also provide an opportunity for managers to make profit management.

Based on this background, the author want to see whether the asymmetry of information and the disclosure of financial report have significant effect on manufacturing companies listed on the Indonesia Stock Exchange.

This study uses a quantitative approach because it focuses on hypothesis testing. This study uses regression analysis to test the hypotheses that have been made. In this study, Management of earnings is the dependent variable, while the asymmetry of information and the disclosure of the financial statements are free variables. The population of this study are manufacturing companies listed on the Indonesia Stock Exchange during the period 2009 to 2010. The sampling method used was purposive sampling and it was found 37 companies as the sample study.

Based on the results of the analysis has been conducted, it did not reveal any significant effect of information asymmetry on earnings management, it also did not reveal any significant effect of the financial statements disclosure on earnings management practices. Simultaneous testing can not prove the existence of significant influence of information asymmetry and disclosure of financial statements toward earnings management practices. This is possible because the independent variables used can explain only a small fraction of dependent variables, as shown by the results of simultaneous determination coefficient (R^2) is only 2.5% while the rest is explained by other independent variables which are not used in this study.