



The Effects of Good Corporate Governance and Audit Quality on Earnings Management

Lailal Muna¹
Doni Indrawan²

¹ Accounting Department, Faculty of Economic, Universitas Negeri Malang, Indonesia

² Accounting Department, Faculty of Economic, Universitas Brawijaya, Indonesia
email: lailal@um.ac.id

DOI: <http://dx.doi.org/10.26675/jabe.v3i1.11555>

Abstract: A number of previous empirical studies have attempted to reveal the existence of earnings management. However, a research that focuses on how to alleviate the earnings management practices committed by managers is still insufficiently available. This study is aimed to examine the effects of Good Corporate Governance (GCG) and audit quality on earnings management. The presence of Board of Commissioner and Audit Committee in Indonesian Manufacturing Public Listed Companies serves as the proxy of GCG. On the other hand, KAP (public accounting firm) size, dichotomous variables and an assumption that big four auditors perform higher audit quality compared to non-big four auditor serve as the proxy of the audit quality. To echo the prior research, earnings management is measured by employing discretionary accruals modified by Jone (1995). 151 manufacturing listed companies were determined as the population and 86 public listed companies were eventually opted for the sample. Purposive sampling method was employed and regression was performed to analyze the data. The results showed that (1) accounting firms size does not yield significant effects on earnings management. It indicates that neither big four nor non-big four can significantly detect the existence of earnings management undertaken by manager through the audit they administer; (2) Board of Commissioner and Audit Committee also do not generate significant effects on earnings management. It indicates that good corporate governance proxied by the existence of Board Commissioner and Audit Committee do not necessarily alleviate the earnings management practices.

Article History

Received

Revised

Accepted

Keywords

Earnings management;
audit quality; good
corporate governance;
Audit Committee

Citation: Muna, L., & Indrawan, D. (2020). The Effect of Good Corporate Governance and Audit Quality on Earning Management. *Journal of Accounting and Business Education*, 5(1),1-20.

INTRODUCTION

Introduction section provides a background for the study, the nature of the problem and a brief statistic (if available) about the magnitude of its significance. The author (s) needs to state the specific research purposes of or hypotheses tested by the study. The author (s) needs to tell the reader how the remainder of the article is organized.

LITERATURE REVIEW AND HYPOTHESES

This section provides a precise explanation of references regarding what the author (s) is doing in the paper that adds to the literature. In addition, the author (s) is encouraged to cite only from direct references. This section may include hypothesis development proposed for the study.

METHODS

Information regarding how and why a study was done in a particular way should be explained in detail in this section. Methods section should aim to be sufficiently detailed and should include only information available at the planning time, all information obtained during the study belongs to the Results section.

RESULTS AND DISCUSSION

Present the results in logical sequence in the text, tables, and figures by giving the main or most important findings first. Do not re-include the data in this section. Any supplementary materials can be placed in an appendix.

The author (s) is encouraged to briefly discuss the summary of main findings, and to explore possible mechanisms or explanations for these findings. Emphasize the new and important aspect of the study and put the findings in the context of the totality of the relevant evidence. Do not repeat in detail data or other information given in other parts.

CONCLUSION

This section should briefly explain the goals of the study but avoid unqualified statements and conclusions not adequately supported by the data (results). Avoid claiming priority or alluding that the work has not been completed. In addition, state new hypotheses and label them clearly.

REFERENCES

The author (s) should provide direct references to original research sources. The references list should follow APA referencing style, as follows:

Willis, V. F. (2016). A model for teaching technology: Using excel in an accounting information systems course. *Journal of Accounting Education*, 36, pp. 87–99.

Boeh, K. K., & Dunbar, C. (2016). Underwriter deal pipeline and the pricing of IPOs. *Journal of Financial Economics*, 120 (2), pp. 383–399. <http://dx.doi.org/10.1016/j.jfineco.2015.08.018>

APPENDIX (If needed)