

THE MECHANISM IMPACT ANALYSIS OF CORPORATE GOVERNANCE, PRICE TO BOOK VALUE, LEVERAGE, SIZE INTO DISCRETIONARY ACCRUAL IN INDONESIAN INDUSTRIAL BANKING

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ABSTRACT

This research aims to provide empirical evidence on the impact of corporate governance (CG) on the practice of earnings management in the banking industry in Indonesia. The existence of asymmetry information can provide an opportunity for management to take action in the form of opportunistic earnings management. The research was conducted on a sample of banking companies which listed in Indonesia Stock Exchange (IDX) for the years of 2008 through 2010. Indicator which used to assess corporate governance is index of CG obtained from The Indonesian Institute for Corporate Directorship (IICD), and for assessing earnings management is use discretionary accruals as measured by the model of Beaver and Engle (1996). Based on purposive sampling method, there are 17 samples.

The results of this research show that the CG does not affect the practice of earnings management, this is because banking is an industry with a high enough level of regulation so as to narrow the space for management to act earnings management, another reason is because the number of samples used in this research is little.

Key words: agency theory, corporate governance, earnings management.