

TABLE OF CONTENTS

| | Page |
|---|-------------|
| COVER..... | i |
| VALIDATION LETTER..... | ii |
| LETTER OF APPROVAL | iii |
| LETTER OF ORIGINALITY..... | iv |
| TABLE OF CONTENTS..... | v |
| ACKNOWLEDGEMENT | viii |
| ABSTRACT..... | ix |
| INTISARI | x |
| CHAPTER I | 1 |
| INTRODUCTION | 1 |
| 1.1 Background | 1 |
| 1.2 Problem Statement | 9 |
| 1.3 Objective of the Research | 9 |
| 1.4 Purpose of the Research | 10 |
| 1.5 Research Contribution | 10 |
| CHAPTER II..... | 12 |
| THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT | 12 |
| 2.1 Theoretical Background..... | 12 |
| 2.1.1 Earnings Management..... | 12 |
| 2.1.1.1 Definition | 12 |
| 2.1.1.2 Earnings Management Incentives | 13 |
| 2.1.1.3 Scheme of Earnings Management..... | 17 |
| 2.2 Pervious Research and Hypothesis Development..... | 20 |
| 2.2.1 Previous Research | 20 |
| 2.3 Theoretical Framework..... | 23 |
| 2.3.1 Ownership Structure | 23 |
| 2.3.3 Profitability | 25 |

| | |
|--|-----------|
| 2.3.3 Auditor Reputation..... | 27 |
| CHAPTER III..... | 31 |
| RESEARCH METHODOLOGY | 31 |
| 3.1 Population and Sample | 31 |
| 3.2 Type and Source of Data..... | 32 |
| 3.3 Variable Operation Definition | 32 |
| 3.3.1 Earnings Management..... | 32 |
| 3.3.2 Ownership Structure | 34 |
| 3.3.2.1 Institutional Ownership..... | 34 |
| 3.3.2.2 Managerial Ownership..... | 35 |
| 3.3.3 Profitability | 35 |
| 3.3.4 Auditor Reputation..... | 37 |
| 3.4 Data Collection Methods | 37 |
| 3.5 Descriptive Statistics..... | 38 |
| 3.6 Best Linear Unbiased Estimator (BLUE) Test | 38 |
| 3.7 Hypothesis Testing..... | 40 |
| 3.7.1 Coefficient of Determination | 40 |
| 3.7.2 Multiple Linear Regression..... | 40 |
| 3.7.3 F-Statistical Test | 40 |
| 3.7.4 T-Statistical Test | 41 |
| CHAPTER IV..... | 42 |
| RESULT AND ANAYSIS | 42 |
| 4.1 Descriptive Statistic Analysist | 43 |
| 4.2 BLUE Test..... | 44 |
| 4.2.1 Normality Test | 45 |
| 4.2.2 Multicollinearity Test..... | 45 |
| 4.2.3 Heteroscedasticity Test | 46 |
| 4.3 Hypothesis Testing | 48 |
| 4.4 Discussion | 52 |

| | |
|--|-----------|
| 4.4.1 Influence of Institutional Ownership towards Earnings Management | 52 |
| 4.4.2 Influence of Managerial Ownership towards Earnings Management | 53 |
| 4.4.3 Influence of Return on Assets towards Earnings Management..... | 55 |
| 4.4.4 Influence of Return on Equity towards Earnings Management..... | 56 |
| 4.4.5 Influence of Auditor Reputation towards Earnings Management..... | 57 |
| CHAPTER V..... | 59 |
| CONCLUSION, LIMITATION AND SUGGESTION..... | |
| 5.1 Conclusions..... | 59 |
| 5.2 Limitation..... | 59 |
| 5.3 Suggestions..... | 60 |
| BIBLIOGRAPHY | 62 |
| APPENDIX 1..... | 65 |
| APPENDIX 2..... | 67 |
| APPENDIX 3..... | 72 |