ABSTRACT

Earnings management is one of the issues in financial reporting that arises from conflicts of interest between management and shareholders. Management tends to take advantage of the flexibility in accounting standards to achieve specific profit targets, which can lead to a decline in the quality of the financial information presented. This study aims to analyze the effects of audit quality, institutional ownership, audit tenure, and profitability on earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2025. In addition, this study uses firm size and leverage as control variables to minimize the influence of other factors that may affect earnings management.

The study population consists of all manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2025 period. The sample was selected using purposive sampling based on predetermined criteria, resulting in 512 company observations. The data used are secondary data derived from the companies' annual reports and financial statements. Data analysis was conducted using panel data regression with the assistance of EViews 13 software. Based on the results of the model selection test, the Random Effect Model (REM) is the most appropriate regression model for use in this study.

The results of the study indicate that institutional ownership and audit tenure have a significant effect on earnings management. Meanwhile, audit quality and profitability do not have a significant effect on earnings management. These findings indicate that corporate governance mechanisms—particularly institutional ownership and audit tenure—play a role in influencing earnings management practices among manufacturing firms in Indonesia, whereas audit quality and profitability levels do not significantly explain variations in earnings management practices during the study period.

Keywords: Earnings Management, Audit Quality, Institutional Ownership, Audit Tenure, Profitability, Manufacturing Companies.