

ABSTRACT

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“THE INFLUENCE OF BONUS PLAN, DEBT COVENANT, AND POLITICAL COST TOWARDS THE MOTIVATION FOR ACCRUAL AND REAL EARNINGS MANAGEMENT PRACTICES OF MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE FROM 2015 – 2017”

(xiii + 121 pages: 1 figure, 18 tables; 4 appendices)

The main objective of this research is to test the influence of bonus plan, debt covenant, and political cost towards the motivation for accrual and real earnings management practices. The independent variables of this research are bonus plan, debt covenant (as measured by leverage), and political cost (as measured by company size), while the dependent variables are accrual earnings management (as measured by discretionary accruals) and real earnings management (as measured by abnormal cash flows from operations and abnormal production costs). This research also include two control variables which include profitability (as measured by return on asset) and growth (as measured by sales growth). This research uses secondary data which is collected from companies included in the consumer goods and miscellaneous sectors of manufacturing industry which are listed in the Indonesia Stock Exchange for the period of 2015 – 2017. The samples of this research are selected using purposive sampling technique which resulted in a total of 59 companies. The analyses included in this research are descriptive statistics analysis, classical assumption tests, and multiple linear regression analysis, which results are generated by using SPSS 22. The result of this research shows that bonus plan, debt covenant, and political costs variables do not have a significant influence on accrual earnings management practices, bonus plan and debt covenant variables do not have a significant influence on real earnings management practices as measured by both abnormal cash flows and abnormal production costs, and political cost variable has a negative and significant influence on real earnings management practices as measured by both abnormal cash flows from operations and abnormal production costs.

References: 35 (1976 – 2018)

Keywords: Bonus Plan, Debt Covenant, Political Cost, Accrual Earnings Management, Real Earnings Management.