TABLE OF CONTENT

FIN	NAL ASSIGNMENT STATEMENT AND UPLOAD AGREEMENT	ii
AP	PROVAL PAGE BY FINAL PAPER ADVISOR	iii
AP	PROVAL PAGE BY FINAL PAPER DEFENSE COMMITTEE	iv
AB	STRACT	v
ΑB	STRAK	vii
PR	EFACE	ix
TA	BLE OF CONTENT	xi
LIS	ST OF FIGURES	XV
LIS	ST OF TABLES	xvi
LIS	ST OF APPENDICES	xviii
	IAPTER I INTRODUCTION	
	Background of Study	
	Problem Limitation	
1.3	Problem Formulation	8
	Objective of Research	
1.5	Benefit of Research	10
	1.5.1 Theoretical Benefit	10
	1.5.2 Practical Benefit	
CH	IAPTER II LITERATURE REVIEW AND HYPOTHESIS	
DE	VELOPMENT	
2.1	Theoretical Background	12
	2.1.1 Agency Theory	12
	2.1.2 Positive Accounting Theory	13
	2.1.3 Earnings Management	14
	2.1.3.1 Definition of Earnings Management	14
	2.1.3.2 Factors Earnings Management	16

	2.1.3.3 Earnings Management Techniques	18
	2.1.4 Free Cash Flow	19
	2.1.5 Financial Leverage	21
	2.1.6 Corporate Governance	22
	2.1.6.1 Proportion of Independent Commissioners	22
2.2	Prior Research	23
2.3	Hypothesis Development	28
	2.3.1 Free Cash Flow and Earnings Management	28
	2.3.2 Financial Leverage and Earnings Management	29
	2.3.3 Free Cash Flow, Financial Leverage and Earnings Management	30
	2.3.4 Corporate Governance as the moderating variable towards	the
	relationship between Free Cash Flow and Earnings Management	30
	2.3.5 Corporate Governance as the moderating variable towards	the
	relationship between Financial Leverage and Earnings Management	31
2.4	Research Model	32
2.5	Framework of Thinking	33
CH	APTER III RESEARCH DEVELOPMENT	
3.1	Research Design_	34
3.2	Population and Sample	34
3.3	Data Collection Method	36
3.4	Operational Variable Definition and Variable Measurement	37
	3.4.1 Dependent Variable	37
	3.4.2 Independent Variable	40
	3.4.2.1 Free Cash Flow	40
	3.4.2.2 Financial Leverage	40
	3.4.3 Moderating Variable	41
	3.4.3.1 Proportion of Independent Commissioners	41
3.5	Data Analysis Method	42
	3.5.1 Descriptive Statistics	43
	3.5.2 Classic Assumption Test	43

	3.5.2.1 Normality Test	44
	3.5.2.2 Multicollinearity Test	45
	3.5.2.3 Autocorrelation Test	45
	3.5.2.4 Heteroscedasticity Test	46
	3.5.3 Multiple Linear Regression Analysis	47
	3.5.4 Hypothesis Testing	48
	3.5.4.1 Coefficient of Determination (Adjusted R ²)	48
	3.5.4.2 Partial Significance Test (t-test)	48
	3.5.4.3 Simultaneous Significance Test (F-test)	49
	3.5.5 Moderated Multiple Regression Analysis	50
СН	APTER IV DATA ANALYSIS AND DISCUSSION	
4.1	General Description	52
4.2	Research Result_	64
	4.2.1 Descriptive Statistics	65
	4.2.2 Results of Data Quality Testing	66
	4.2.2.1 Normality Test	66
	4.2.2.2 Multicollinearity Test	70
	4.2.2.3 Autocorrelation Test	71
	4.2.2.4 Heteroscedasticity Test	72
	4.2.3 Multiple Linear Regression Model	74
	4.2.4 Results of Hypothesis Testing	76
	4.2.4.1 Coefficient of Determination (Adjusted R ²)	76
	4.2.4.2 Partial Significance Test (t-Test)	77
	4.2.4.3 Simultaneous Significance Test (F Test)	79
	4.2.5 Moderated Multiple Linear Regression Model	80
4.3	Discussion	84
	4.3.1 The Effect of Free Cash Flow on Earnings Management	84
	4.3.2 The Effect of Financial Leverage on Earnings Management	85
	4.3.3 The Effect of Free Cash Flow and Financial Leverage on	Earnings
	Management	87

4.3.4 The Effect of Free Cash Flow on Earnings Management with Corp	orate
Governance as Moderate Variable	88
4.3.5 The Effect of Financial Leverage on Earnings Management	with
Corporate Governance as Moderate Variable	89
CHAPTER V CONCLUSION	
5.1 Conclusion	91
5.2 Recommendation	94
REFERENCES	96

LIST OF FIGURES

Figure 2.1	Research Model	31
Figure 2.2	Framework of Thinking	33
Figure 4.1	Normality Test using Histogram	69
Figure 4.2	Normality Test using Normal Probability Plot	70
Figure 4.3	Normality Test using Normal Probability Plot	73



LIST OF TABLES

Table 1.1	Earnings Management, Free Cash Flow, Financial Leverage,	, and
	Proportion of Independent Commissioners in Three Consumer C	oods
	Industries Listed on Indonesia Stock Exchange for the Year 20	18 to
	2020	6
Table 2.1	Previous Research	26
Table 3.1	Sample Determination Procedure	35
Table 3.2	List of Samples	36
Table 3.3	Operational Variable Measurement	42
Table 3.4	Criteria in Autocorrelation Test	46
Table 4.1	Sample Determination Procedure	53
Table 4.2	Descriptive Statistics	65
Table 4.3	Normality Test using Kolmogrov-Smirnov Test	67
Table 4.4	Normality Test using Kolmogrov-Smirnov Test after Ou	ıtliers
	Elimination	68
Table 4.5	Multicollinearity Test	71
Table 4.6	Autocorrelation Test using Durbin-Watson Test	71
Table 4.7	Heteroscedasticity Test using Park Test	74
Table 4.8	Summary of Classical Assumption Test Results	74
Table 4.9	Result of Multiple Linear Regression Analysis	75
Table 4.10	Coefficient of Determination	77
Table 4.11	Result of Partial Significance Test (t-Test)	79
Table 4.12	Result of Simultaneous Significance Test (F Test)	81
Table 4.13	Residual Analysis for Regression Model for Free Cash Flow	82
Table 4.14	Residual Test Result for Free Cash Flow	83

$Table\ 4.15\ Residual\ Analysis\ for\ Regression\ Model\ for\ Financial\ Leverage \underline{\hspace{1cm}}$	83
Table 4.16 Residual Test Result for Financial Leverage	84
Table 4.17 Summary of Hypothesis Testing Result	90



LIST OF APPENDICES

APPENDIX A:LIST OF POPULATION AND SAMPLE OF CONS	UMER
GOODS COMPANIES LISTED IN INDONESIA S	TOCK
EXCHANGE	A-1
APPENDIX B: CALCULATION OF EARNINGS MANAGEMENT	B-1
APPENDIX C: CALCULATION OF FREE CASH FLOW	C-1
APPENDIX D: CALCULATION OF FINANCIAL LEVERAGE	D-1
APPENDIX E: CALCULATION OF INDEPENDENT COMMISSIONERS	S E-1
ADDENINIVE, CALCULATION OF CADITAL EVDENDITUDE	E 1