

# Determinants Of Earnings Management : The Moderating Role Of Company Size

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## Abstract

**Background** - Earnings management refers to actions taken by management to manipulate financial statements to achieve specific objectives, which can be shaped by financial conditions and corporate governance practices. Financial distress and weak financial performance often drive management to engage in earnings management to enhance the company's image in the eyes of investors. Conversely, good corporate governance is expected to mitigate earnings management through stronger monitoring mechanisms. Moreover, firm size is anticipated to moderate this relationship, as larger companies are subject to greater scrutiny from regulators and investors, making it harder for management to manipulate earnings.

**Purpose** - This study aims to analyze the influence of financial distress, financial performance, and good corporate governance on earnings management, with company size serving as a moderating variable.

**methodology** - This study employs a panel data regression model to test the hypotheses, utilizing data from annual reports covering the period from 2020 to 2022. The sample includes 54 companies in the property, construction, and real estate sectors listed on the IDX.

**Findings** - The results indicate that financial distress, profitability, managerial ownership, and audit committees significantly influence earnings management, while leverage, liquidity, and independent commissioners do not have a significant impact. Additionally, firm size was found to moderate the relationship between financial distress and earnings management, but it did not moderate the relationship between financial performance or good corporate governance and earnings management.

**Originality** - using moderating variables

Keywords: Company Size, Financial Distress, Earning Management

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