ABSTRACT

The objective of the empirical study is to examine the role of Corporate Governance Practices as a variable that moderates the effect of Earnings Management to the value of the firm. Tested variables in this study consists of earnings management, independent commissioner, institutional ownership, managerial ownership, audit quality, audit committees and firm value.

The samples of this research are primarily manufacturing companies listed in Indonesia Stock Exchange around the years 2009 - 2011. Samples are gathered using the method of purposive sampling constituting 43 companies. Tested hypothesis use multiple regression.

The result gives the evidence that earnings management have a negative significant impact to firm value. Corporate governance practices that have a positive significant impact to the firm value are independent commissioner and institutional ownership. Meanwhile, managerial ownership and audit committees have a negative significant impact to the firm value. Independent commissioner, audit quality and audit committees as moderating variables of the relationship between earnings management and the value of the firm, but not the managerial ownership and institutional ownership.

Keywords: corporate governance, earnings management, firm value, institutional ownership, managerial ownership, independent commissioner, audit quality and audit committees.