

ABSTRACT

The Effect of Equity-based Compensation on Earnings Management

By

Oksano Pilanada

This study aims to find empirical evidence and examines the effect of equity-based compensation as an independent variable to earnings management as the dependent variable. The control variables used in this study are remuneration, leverage, and total assets. The use of control variables intended to control the relationship between dependent and independent variables, since the control variables used in this study believed to take effect on the dependent variable.

The study was conducted on the banking sector companies listed in Indonesia Stock Exchange in 2008-2013. The sampling was conducted with a purposive sampling method and acquired 28 companies that meet the criteria in the study, so that there are 168 observation data. The test was done by using multiple linear regression analysis with a significance level of 5%.

The result indicates that administration of equity-based compensation has a significant negative effect on earnings management. For the control variables, this study indicates that remuneration has a significant negative effect on earnings management, while leverage and total assets has a significant positive effect on earnings management. This study concluded that equity-based compensation to management does not lead to earnings management, but can reduce the occurrence of earnings management.

Keywords: *Equity-based compensation, remuneration, leverage, total assets, earnings management.*