

ABSTRACT

The aim of this research is to investigate the influence of information asymmetry and company size to earning management. The sample in this research are financial sector companies which were listed in Indonesia Stock Exchange in the year of 2009-2011. Total sample in this research are 20 companies that selected with purposive sampling method.

This study uses the Modified Jones Model to calculate the discretionary accrual of which becomes a proxy of earnings management. The company size in proxy with the total assets and information asymmetry in proxy with relative bid-ask spread. This research uses multiple regression analysis method to investigate the influence of information asymmetry and company size to earning management.

The results of this research indicate that information asymmetry has no influence on the practice of earning management, and firm size affect to earning management.

Keyword : information asymmetry, company size, and earning management.