

ABSTRACT

The SRI-KEHATI index was launched in 2009 as the cooperation between Indonesia Stock Exchange and The Biodiversity Foundation to make the sustainable and responsible investment. This study aims to find out the empirical evidence whether earnings management has done by the companies integrated in SRI-KEHATI index and also to find out whether there is the difference between accrual-based earnings management and real earnings management. The accrual-based earnings management is measured by short-term discretionary accruals and long-term discretionary accruals, meanwhile, the real earnings management is measured by abnormal cashflow from operation, abnormal production cost, and abnormal discretionary expenses.

The population of this study is all the companies integrated in SRI-KEHATI index. The 12 companies obtained sample which counted as 36 observations (during 3 years), was determined by purposive sampling method. The testing of hypothesis had done by difference testing using one-sample t-test and independent-sample t-test. The results show that the companies integrated in SRI-KEHATI index is not indicated doing earnings management neither through accrual-based earnings management nor real earnings management, and, there is no evidence of difference between accrual-based earnings management measuring and real earnings management measuring.

Keywords: SRI-KEHATI index, short-term discretionary accruals, long-term discretionary accrual, abnormal CFO, abnormal production cost, abnormal discretionary expenses