ABSTRACT

Earning is part of the important components in a financial statement. We can measure the performance of a company by looking at the earning that the firm earns. However, Problems will occur when earning used to measure the performance is effected by the practices of earning management. One of the factors that influence earning management is managerial ability. This research will look at managerial ownership as moderating variable to see a relationship between managerial ability to earning management. The purpose of this research is to test and analyze how managerial ownership is moderating the influence of managerial ability towards earning management. In this research, before examining the influence of managerial ability as moderating variable, it is also testing the influence of managerial ability to earning management.

Sample of this research is using manufactures companies that are listed at Indonesia Stock Exchange. Total sample are 63 companies listed in IDX. Managerial ability is measured by using Data Envelopment Analysis (DEA). Earning management is measured by modified Jones model. While managerial ownership is measured by total percentage stocks owned by management from the total outstanding stocks.

The result showed that managerial ownership is moderating managerial ability to earning management. It also shows that managerial ability does not influence earning management.

Keywords: Managerial Ability, Earning Management, Managerial Ownership, DEA