

# Corporate Governance and Earnings Management: Empirical Evidence of the Distress and Non-Distress Companies

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[https://doi.org/10.35609/gcbssproceeding.2020.11\(55\)](https://doi.org/10.35609/gcbssproceeding.2020.11(55))

## ABSTRACT

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The purpose of this research is to get empirical study the effect of corporate governance on earnings management on distress and non-distress companies. Corporate governance in this research measured by independent board, audit committee, board of commissioner, institutional ownership and number of board commissioner meeting. The research problem are corporate governance has a negative effect on earnings management either in distress companies and non-distress companies. This research used 309 manufacturing companies companies that listed in Indonesia Stock Exchange and the data were selected using purposive sampling method during 2016 until 2018. From 309 sample, 287 sample are distress companies and 22 companies are non-distress companies. The data were analyzed using multiple regression method The empirical result show that, commissioner board and institutional ownership has negative effect on earnings management in non-distress companies but in distress companies, corporate governance do not have effect on earnings management. From this research show that when companies in distress companies, corporate governance cannot minimize earnings management practice, but in non-distress companies corporate governance can minimize earnings management practice.

**Keywords:** Corporate Governance, Earnings Management, Financial Distress, Discretionary Accrual