ABSTRACT

Earning is the crucial information of financial statements for users because of its predictive values. Earnings may also become source of conflicts since the majority shareholders as well as the minority, creditors and other stakeholders have different interests. This research investigates problems of agency between the majority shareholders and creditors mediated by corporate governance related to the earnings presentations. Non-financial company populations which are equipped with website facilities and are listed in Indonesian Stock Exchange of 2009-2010 are used in this research. With purposive sampling technique, 240 samples are obtained. This research is conducted using multiple-regression method for its data analysis which has the significance level of 5%. The results show that family ownership and leverage significantly have negative influences to earnings quality while corporate governance structure and mechanism significantly have positive influence to earnings quality. In addition, family ownership and leverage also significantly give negative influence to corporate governance structure and mechanism. However, family ownership insignificantly had negative influence to leverage. The implications of this research: theoretically, (1) in the concentrated family ownership company, family has strong control to decide the important company policies prioritizing the interests of family shareholders. (2) Indonesia public companies also have high debt structure, leading family shareholders (managers) to perform moral hazard by selecting accounting policies to improve earnings (increasing earnings). Policy Implications: (1) the capital market regulator needs to set the proportion limits of family ownership to maintain the balance of company interests and stakeholders'. (2) regulators need to continuously improve the regulatory application of corporate governance to public companies, and (3) Banks need to be aware of providing funds for companies with poor corporate governance.
Keywords: Earnings Quality, Ownership Structure, Leverage, Corporate Governance.