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**THE RELATIONSHIP OF THREE FACTORS: CORPORATE GOVERNANCE MECHANISM, EARNINGS MANGEMENT AND FINANCIAL PERFORMANCE (THE EMPIRICAL STUDY OF MANUFACTURE COMPANIES AT BEI IN THE PERIOD OF 2008-2010)**

Muhammad Ja'far Shodiq, Domas Titis Anggit  
Faculty of Economics, Sultan Agung Islamic University (UNISSULA), Semarang,  
Indonesia  
mjafarsyah@gmail.com

*M. Ja'far Shodiq*

**ABSTRACT**

The objective of this study is to examine the influence of corporate governance mechanism and company size to earnings management. This study also examines the influence of earnings management to financial performances. This research used 40 samples of companies listed in Indonesia Stock Exchange by using purposive sampling technique due to the financial reports published in the period of 2008-2010. Method of analysis used in this research was the multiple regressions. The results of this research showed that (1) simultaneously institutional and managerial ownerships, the presence of independent director and director size, audit committee, and company size had significant influence to the earning managements, (2) institutional and managerial ownerships, and audit committee size had no significant influences to earnings management, (3) the presence of independent director had significantly negative influences to earnings management, (4) size of directors and company had significantly positive influences to earnings management, (5) earnings management had significantly negative influence to financial performance.

**Keywords:** managerial ownerships, institutional ownerships, presence of independent director, size of directors, audit committee, company size, earnings management, financial performance.