

## ABSTRACT

The objective of this study is to examine the influence of corporate governance mechanism and firm size on earnings management. Corporate governance mechanism, namely managerial ownership, institutional ownership, presence of independent director, size of director and size of audit committee. This study also examines the influence of earnings management on financial performance. This research used samples from 40 companies listed on Indonesia Stock Exchange, by using purposive sampling which was published financial report among 2008-2010. The method of analysis of this research used multi regression and single regression. The results of this research show that (1) simultaneously of managerial ownership, institutional ownership, presence of independent director, audit committee and firm size had significant influence on earnings management, (2) managerial ownership, institutional ownership and size of audit committee had no significant influence on earnings management, (3) presence of independent director had negative significant influence on earnings management, (4) size of director and firm size had positive significant influence on earnings management, (5) earnings management had negative significant influence on financial performance.

**Key words :** managerial ownership, institutional ownership, presence of independent director, size of director, audit committee, firm size, earnings management, financial performance.