

Corporate governance, information asymmetry and earnings management

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Abstrak

The purpose of this study is to investigate the relationship between governance, information asymmetry, and earnings management. Prior indicates that information asymmetry negatively correlated with management (Richardson, 2001). As predicted, this study also found correlation between bid-ask spread, as a proxy of information and discretionary accruals, as a proxy of earnings management. In we also test whether corporate governance mechanisms will impact the discretionary accruals and eventually affect firm value. We use several as proses of corporate governance mechanisms such as institutional pip, audit quality, independent board, and existence of audit committee, 'that audit committee has significant negative relation with discretionary This indicates that audit committee existence is effectively constraining of earnings management. This study also has that proportion of independent board and existence committee increase the positive relationship between discretionary and stock return. These indicates that earnings management conducted having higher proportion of independent board and firms having audit fee will be valued higher by the market.