**ABSTRACT**

Florentina Claresta / 37150001 / 2019 / Effect of Earning Power and Information Asymmetry on Earning Management with Audit Quality as a Moderating Variable on Manufacturing Companies Listed in Indonesia Stock Exchange in the Period of 2015-2017 / Advisor: Sugi Suhartono, S.E., M. Ak.

The financial report is one of the centers for communicating financial information to parties outside the corporation. Financial statements are expected to provide reliable, valid and relevant information for users of financial statement information. Parties are given to manage company resources provided by the management. Every good or bad action taken by a manager will affect the condition of the company. Therefore, the purpose of this study is to determine the effect of income strength and asymmetric information on earnings management with audit quality as moderating.

Based on agency theory and positive accounting theory, conflicts that often occur are conflicts of interest. This conflict often occurs between principals and agent where each party will prioritize certain personal or group interests. Conflict of interest is increasing. Because owner cannot support manager activities. The manager gets more benefit from the owner for not having more information about the manager while more information about the company is related to information imbalances that cause fraud committed by managers who are generally known with the help of earnings management.

The samples of this study consists of 86 manufacture companies listed on Indonesia Stock Exchange in 2015 to 2017. Sampling was done by purposive sampling method. The data analysis technique used to test the hypothesis is Multiple Linear Regression Analysis and Moderated Regression Analysis.

The results of this study have shown that earning power has a positive effect on earning management. But information asymmetry has no effect on earning management. Audit quality as a moderating variable in relation between earning power and earning management has a significant effect. But audit quality as moderating variable in relation between the information asymmetry and earning management has no significant effect.

The results of this study are expected to be useful for users of financial statements such as companies and investors in decision making and can contribute to further research.

Keywords: Earning Management, Earning Power, Information Asymmetry, and Audit Quality