

ABSTRACT

This research aims at examining the effect of controlling shareholders on the quality of financial statements. The controlling shareholder may influence the management to manipulate the financial statements for personal gain. The controlling shareholder in this study is proxied using the largest percentage of share ownership and the quality of financial statements earnings management as measured by Discretionary Accrual (DAC) and tested using multiple regression model. This study uses purposive sampling with the number of samples of 690 manufacturing companies which had been listed in the Indonesia Stock Exchange (BEI) during the period 2011-2016. These findings indicate that the controlling shareholder has a negative and insignificant effect on the quality of the financial statements.

Keywords: Controlling Shareholder, Earnings Management, Quality of Financial Statement

