

## ABSTRACT

The financial statements produced by companies are employing accrual based accounting because it is relevance to the measurement of company financial performance. The process of accrual basis makes possible to the existence of manager behavior in conducting earnings management in order to increase or decrease the accrual rate in the income statement. It is known that in Chinese manufacturing companies there was an indication of earnings management practices. The practice of earnings management makes the earnings quality become bad. The objective of this study is to examine the effect of leverage, size and profitability to the earnings quality in Chinese Manufacturing Companies.

This study uses secondary data from the annual financial statements of Chinese manufacturing companies published by Hong Kong Stock Exchange during period 2014-2015. Earnings quality is measured by earnings management (discretionary accruals) which has been adapted to the characteristics of companies. The examination of leverage, size and profitability affect the earnings quality is done by multiple regressions.

The results of descriptive statistical analysis shows earnings management in Chinese manufacturing companies is low so earnings quality of Chinese manufacturing company is high. The result of simultaneously test shows independent variables have a significant influence on earnings quality. The result of partially test shows that leverage, size and profitability have significant influences with earnings quality.

*Keywords: Company size, Profitability, Leverage, Earnings Quality.*