

**Auditor Reputation, Financial
Performance, and Earnings Management**
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Abstract: This research revisits the topic of, financial performance, and earnings management. In particular, it investigates whether auditor reputation, which can be a signal of audit quality, has a direct impact on alleviating earnings management, and whether financial performance mediates the impact of auditor reputation on earnings management. The sample of this study consists of 93 listed Indonesian manufacturing companies in the period of 2011-2013. Using structural equation modeling, the results show that auditor reputation has a direct and positive impact on financial performance but not on earnings management practices. It is also found that financial performance does not mediate the influence of auditor reputation on corporate earnings management practices. The results suggest that a reputable auditor may enhance the financial performance of a company. This provides an indication that a reputable auditor could motivate a company to perform better financially. However, there is no indication that auditor reputation influenced the earnings management practices in a company. This could be because a company that has good financial performance does not necessarily need to manage earnings to meet certain expectations.

Keywords: Audit reputation, earnings management, financial performance