

# JURNAL ILMIAH AKUNTANSI DAN BISNIS

**Apakah Keberadaan Komisaris Keluarga dan Komisaris Independen Meningkatkan Pengungkapan Risiko?**  
Doddy Setiawan, Elisa Apriliani Andriyanto

**Pengalaman Memoderasi Pengaruh Idealisme dan Komitmen pada Keputusan Etis Konsultan Pajak di Wilayah Provinsi Bali**  
Made Gede Wirakusuma

**Opini Audit Pemoderasi Pengaruh Profitabilitas, Ukuran Perusahaan, Kepemilikan Institusional, dan Komite Audit Terhadap Ketepatanwaktuan**  
Fadhli Azhari, Muhammad Nuryatno

*How Do Budget Level and Type of Incentives Influence Performance?*  
Caesar Marga Putri, Indah Wirantika Susanti

**Oportunistik Incumbent dalam Penganggaran Pendapatan dan Belanja pada Pemilihan Kepala Daerah Serentak Tahun 2017**  
Dodik Ariyanto, Ayu Aryista Dewi

**Pengaruh Pengungkapan Corporate Social Responsibility pada Nilai Perusahaan dengan Manajemen Laba sebagai Variabel Moderasi**  
Kalvarina Sabatini, I Putu Sudana

**Akuntabilitas Akuntan Perempuan-Karir Bali: Sebuah Studi Fenomenologi**  
Yeyen Komalasari, I Gde Ary Wirajaya, Maria Mediatrrix Ratna Sari


*The Influence of Accounting Conservatism, Ios, and Good Corporate Governance on the Earnings Quality*  
Gerianta Wirawan Yasa, Ida Bagus Putra Astika, Ni Made Ayu Widiariani

**Pengaruh Beban Kerja, Klien Baru, Dan Ukuran Klien Terhadap Defisiensi Audit**  
Budhi Setiya Yoga, Agung Dinarjito

*The Effect of Greenhouse Gas Emissions Disclosure and Environmental Performance on Firm Value: Indonesia Evidence*  
Gabrielle, Agus Arianto Toly

**Profitabilitas Pemoderasi Determinan Pengungkapan Modal Intelektual**  
Hasan Mukhibad, Meyliani Eka Setyawati

**Mengupas Bentuk Dilema Dari Sisi Konsultan Pajak**  
Anak Agung Istri Pradnyarani Dewi, Made Sudarma, Zaki Baridwan

	Volume 14	Nomor 1	Halaman 1-141	Denpasar Januari 2019	p-ISSN 2302-514X	e-ISSN 2303-1018
---	--------------	------------	------------------	--------------------------	---------------------	---------------------

# **JURNAL ILMIAH AKUNTANSI DAN BISNIS (JIAB)**

**p-ISSN 2302-514X, e-ISSN 2303-1018  
VOLUME 14 NO.1, JANUARI 2019, Hal.1-141**

---

Jurnal Ilmiah Akuntansi dan Bisnis (JIAB), bertujuan sebagai media informasi dan pertukaran artikel ilmiah antara staff pengajar, alumni, mahasiswa, praktisi maupun pemerhati ilmu pengetahuan dibidang akuntansi dan bisnis. Redaksi JIAB menerima artikel ilmiah hasil riset empiris maupun kajian teoritis terkait dengan ilmu akuntansi dan bisnis yang tentunya belum pernah dipublikasikan. Jurnal Ilmiah Akuntansi dan Bisnis (JIAB) diterbitkan dua kali setahun bulan Januari dan Juli oleh Program Studi Akuntansi bekerjasama dengan Ikatan Sarjana Ekonomi Indonesia (ISEI).

---

## **Editor-In-Chief**

Dodik Ariyanto, Fakultas Ekonomi dan Bisnis, Universitas Udayana

## **Managing Editor**

I Gusti Ayu Eka Damayanthi, Fakultas Ekonomi dan Bisnis, Universitas Udayana  
Ayu Aryista Dewi, Fakultas Ekonomi dan Bisnis, Universitas Udayana

## **Editorial Board**

Agoes Ganesha Rahyuda, Ikatan Sarjana Ekonomi Indonesia  
(Scopus ID: 57195473487)

Adji Achmad Rinaldo Fernandes, Fakultas Ekonomi dan Bisnis, Universitas Pasundan  
(Scopus ID: 56374014200)

I G. A. M. Asri Dwija Putri, Fakultas Ekonomi dan Bisnis,  
Universitas Udayana Ni Putu Sri Harta Mimba, Fakultas Ekonomi  
dan Bisnis, Universitas Udayana Ardi Gunardi, Fakultas MIPA,  
Universitas Brawijaya (Scopus ID: 57191667735)

Dewa Gede Wirama, Fakultas Ekonomi dan Bisnis, Universitas Udayana

## **Pelaksana Tata Usaha**

I Ketut Suadnyana, Fakultas Ekonomi dan Bisnis, Universitas Udayana

---

## **Alamat Redaksi**

Journal Room, BJ Building Lt. 3, Faculty of Economics and Business,  
Udayana University

Managed by Accounting Study Program and in collaboration with  
Association of Indonesian Bachelor of Economics Denpasar Branch

P. B. Sudirman Street Denpasar-  
Bali, Indonesia

E-mail : [jurnal.akuntansibisnis@unud.ac.id](mailto:jurnal.akuntansibisnis@unud.ac.id)

Telp. 0361-255511 / Fax. 0361-223344

<https://ojs.unud.ac.id/index.php/jiab/index>

---

# JURNAL ILMIAH AKUNTANSI DAN BISNIS (JIAB)

p-ISSN 2302 - 514X, e-ISSN 2303-1018

VOLUME 14 NO. 1, JANUARI 2019

DOI: <https://doi.org/10.24843/JIAB.2019.v14.i01>

---

---

## DAFTAR ISI

<b>Pengantar Redaksi .....</b>	<b>ii</b>
<b>Apakah Keberadaan Komisaris Keluarga Dan Komisaris Independen Meningkatkan Pengungkapan Risiko?</b> <i>Doddy Setiawan, Elisa Apriliani Andriyanto.....</i>	<b>01-09</b>
<b>Pengalaman Memoderasi Pengaruh Idealisme dan Komitmen pada Keputusan Etis Konsultan Pajak di Wilayah Provinsi Bali</b> <i>Made Gede Wirakusuma.....</i>	<b>10-18</b>
<b>Opini Audit Pemoderasi Pengaruh Profitabilitas, Ukuran Perusahaan, Kepemilikan Institusional, Dan Komite Audit Terhadap Ketepatanwaktuan</b> <i>Fadhli Azhari, Muhammad Nuryatno .....</i>	<b>19-33</b>
<b>How Do Budget Level and Type of Incentives Influence Performance?</b> <i>Caesar Marga Putri, Indah Wirantika Susanti .....</i>	<b>34-40</b>
<b>Oportunistik Incumbent dalam Penganggaran Pendapatan dan Belanja pada Pemilihan Kepala Daerah Serentak Tahun 2017</b> <i>Dodik Ariyanto, Ayu Aryista Dewi.....</i>	<b>41-55</b>
<b>Pengaruh Pengungkapan Corporate Social Responsibility Pada Nilai Perusahaan Dengan Manajemen Laba Sebagai Variabel Moderasi</b> <i>Kalvarina Sabatini, I Putu Sudana .....</i>	<b>56-69</b>
<b>Akuntabilitas Akuntan Perempuan-Karir Bali: Sebuah Studi Fenomenologi</b> <i>Yeyen Komalasari, I Gde Ary Wirajaya, Maria Mediatrice Ratna Sari.....</i>	<b>70-85</b>
<b><i>The Influence Of Accounting Conservatism, IOS, And Good Corporate Governance On The Earnings Quality</i></b> <i>Gerianta Wirawan Yasa, Ida Bagus Putra Astika, Ni Made Ayu Widiarini .....</i>	<b>86-94</b>
<b>Pengaruh Beban Kerja, Klien Baru, Dan Ukuran Klien Terhadap Defisiensi Audit</b> <i>Budhi Setiya Yoga, Agung Dinarjito.....</i>	<b>95-105</b>
<b><i>The Effect Of Greenhouse Gas Emissions Disclosure And Environmental Performance On Firm Value: Indonesia Evidence</i></b> <i>Gabrielle Gabrielle, Agus Arianto Toly.....</i>	<b>106-119</b>
<b>Profitabilitas Pemoderasi Determinan Pengungkapan Modal Intelektual</b> <i>Hasan Mukhibad, Meyliani Eka Setyawati.....</i>	<b>120-131</b>
<b>Mengupas Bentuk Dilema Dari Sisi Konsultan Pajak</b> <i>Anak Agung Istri Pradnyarani Dewi, Made Sudarma, Zaki Baridwan .....</i>	<b>132-141</b>
<b>Indeks Subjek .....</b>	<b>142</b>
<b>Indeks Pengarang .....</b>	<b>143</b>
<b>Mitra Bebestari .....</b>	<b>144</b>
<b>Pedoman Penulisan Artikel.....</b>	<b>145-147</b>
<b>Lampiran Daftar Artikel yang Pernah Dimuat</b>	

# **JURNAL ILMIAH AKUNTANSI DAN BISNIS (JIAB)**

**p-ISSN 2302 - 514X, e-ISSN 2303-1018**

**VOLUME 14 NO. 1, JANUARI 2019**

*DOI: <https://doi.org/10.24843/JIAB.2019.v14.i01>*

---

## **PENGANTAR REDAKSI**

Pembaca yang terhormat,

Jurnal Ilmiah Akuntansi dan Bisnis (JIAB) Fakultas Ekonomi dan Bisnis Universitas Udayana diterbitkan dua kali dalam setahun, yaitu bulan Januari dan Juli. JIAB diterbitkan mengacu pada Pedoman Akreditasi Terbitan Berkala (Nomor 49/Dikti/Kep/2011) serta Pedoman Penulisan Artikel JIAB yang disertakan pada bagian akhir jurnal ini. JIAB bertujuan sebagai media informasi dan pertukaran artikel ilmiah antara staf pengajar, alumni, mahasiswa, praktisi maupun pemerhati ilmu pengetahuan di bidang akuntansi dan bisnis. Redaksi JIAB menerima berbagai artikel ilmiah hasil riset empiris maupun kajian teoretis terkait dengan ilmu akuntansi dan bisnis yang tentunya belum pernah dipublikasikan pada media lain.

Penerbitan JIAB Volume 14 No. 1, Januari 2019 menampilkan dua belas artikel ilmiah dengan berbagai topik menarik dengan analisis kuantitatif dan kualitatif. Topik jurnal terbitan nomor ini terdiri dari Keberadaan Komisaris Keluarga dan Komisaris Independen, Idealisme dan Keputusan Etis Konsultan Pajak, Opini Audit Pemoderasi pada Ketepatanwaktuan, *How Do Budget Level and Type of Incentives Influence Performance?*, Oportunistik *Incumbent* dalam Penganggaran Pendapatan dan Belanja di Pemilihan Kepala Daerah Serentak Tahun 2017, Pengungkapan *Corporate Social Responsibility* dan Nilai Perusahaan, Akuntabilitas Akuntan Perempuan-Karir Bali, *The Influence of Accounting Conservatism and Earnings Quality*, Defisiensi Audit, *The Effect of Greenhouse Gas Emissions Disclosure and Environmental Performance on Firm Value*, Determinan Pengungkapan Modal Intelektual, Mengupas Bentuk Dilema Dari Sisi Konsultan Pajak.

Jurnal Ilmiah Akuntansi dan Bisnis (JIAB) terindeks *crossref*, Sinta2 Risetdikti, IPI, Google Scholar, *Directory of Open Access Journals (DOAJ)*. Kami menunngu partisipasi pembaca untuk mengirimkan atrikel-artikel terbaiknya untuk kami muat pada edisi-edisi berikutnya.

Selamat membaca,

**Redaksi**

## ***The Influence of Accounting Conservatism, Ios, and Good Corporate Governance on The Earnings Quality***

Gerianta Wirawan Yasa<sup>1</sup>

Ida Bagus Putra Astika<sup>2</sup>

Ni Made Ayu Widiariani<sup>3</sup>

<sup>1,2,3</sup>Faculty of Economic and Business, Udayana University, Indonesia

email: geri\_wirasa@unud.ac.id

**DOI:** <https://doi.org/10.24843/JIAB.2019.v14.i01.p08>

**Jurnal Ilmiah Akuntansi  
dan Bisnis  
(JIAB)**

[https://ojs.unud.ac.id/index.php/jiab/  
user/profile](https://ojs.unud.ac.id/index.php/jiab/user/profile)

Volume 14

Nomor 1

Januari 2019

Halaman 86-94

p-ISSN [2302-514X](#)

e-ISSN [2303-1018](#)

---

### **INFORMASI ARTIKEL**

---

Tanggal masuk:

27 Nopember 2018

Tanggal revisi:

14 Januari 2019

Tanggal diterima:

21 Januari 2019

---

### **ABSTRACT**

*This study aims to obtain the empirical evidence about the influence of accounting conservatism, investment opportunity set, and good corporate governance on earnings quality of corporates in the Indonesia Stock Exchange. These three factors will certainly affect how earnings are presented to users of financial statements as information in decision making. Secondary data are used in this study. All companies listed in Indonesia Stock Exchange for the period of 2013-2015 are the population in this study. The numbers of samples in this study were 381 companies that were selected by using purposive sampling technique. Multiple linear regression analysis is selected as a data analysis technique. The results show that accounting conservatism has a positive effect on earnings quality. Investment opportunity set has a positive effect on earnings quality. In addition, good corporate governance has no effect on earnings quality.*

**Keywords:** *Earnings quality, accounting conservatism, investment opportunity set, good corporate governance.*

### **Pengaruh Konservatisme Akuntansi, Ios, Dan Good Corporate Governance Pada Kualitas Laba**

### **ABSTRAK**

Penelitian ini bertujuan untuk memperoleh bukti empiris tentang pengaruh konservatisme akuntansi, *investment opportunity set*, dan *good corporate governance* pada kualitas laba perusahaan di Bursa Efek Indonesia. Ketiga faktor tersebut tentunya akan berpengaruh pada bagaimana laba tersebut disajikan kepada pemakai laporan keuangan sebagai suatu informasi dalam pengambilan keputusan. Jenis data yang digunakan dalam penelitian ini berupa data sekunder. Seluruh perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2013-2015 merupakan populasi dalam penelitian ini. Jumlah sampel dalam penelitian ini sebanyak 381 perusahaan yang dipilih menggunakan teknik *purposive sampling*. Analisis regresi linier berganda dipilih sebagai teknik analisis dalam penelitian ini. Hasil penelitian menunjukkan konservatisme akuntansi berpengaruh positif pada kualitas laba. Hasil penelitian juga menunjukkan adanya pengaruh positif *investment opportunity set* pada kualitas laba, sedangkan *good corporate governance* menunjukkan tidak berpengaruh pada kualitas laba.

**Kata kunci:** Kualitas laba, konservatisme akuntansi, *investment opportunity set*, *good corporate governance*.

### **INTRODUCTION**

The quality of a company's earnings is an important aspect used as consideration of investment

decisions by users of financial information. Investors use the earnings figure in analyzing the shares issued by the issuer. Corporate's earnings announcements

are not uncommon for market reaction. Market responses to earnings result in varying degrees of firmness and time range (Easton and Zmijewski, 1989 and Collins and Kothari, 1989). Changes in the price of securities and abnormal returns are the reactions that are indicated by the market response. The low quality of earnings will have an impact on user decision making financial statements such as investors and creditors, so it also affects the diminishing value of the company. Earnings that are not presented based on facts will actually mislead the user. If the investor uses such a misleading earnings to establish the market value of a company, it will have an impact where the earnings is not able to reflect the true market value of the company (Boediono, 2005).

The quality of earnings is influenced by several factors, one of which is the application of accounting standards by a company which in this case closely related to accounting conservatism. Watts (2003) defined accounting conservatism as a prudent principle in recognizing earnings and immediately recognizing potential losses and debts. The application of conservative accounting will make the resulting earnings quality because the earnings can be used as a predictor (Kazemi, 2011). Earnings generated through conservative principles are high earnings quality as they perform higher verification to recognize earnings (Basu, 1997). According to LaFond and Watts (2008), accounting conservatism should be applied by companies to reduce managerial opportunities in manipulating the figures contained in the financial statements.

Investment Opportunity Set (IOS) is another factor that may affect earnings quality. A company will generate a higher earnings if the company has a high investment opportunity set rate. The market in this case will give a bigger response. The magnitude of market response to the firm indicates the high quality of earnings generated by the company (Mulyani et al., 2007). Different research results were found by Wahh (2002) who found an association between investment opportunity set and the earnings quality. The high level of investment opportunity set of a company tends to indicate the high value of discretionary accrual which impact on the low quality of the company's earnings. High discretionary accruals caused by the Financial Accounting Standards provide allowances for management in determining accounting policies. This provides an opportunity for management to act opportunistically.

Opportunistic management actions can be controlled by the implementation of good corporate

governance which can also affect the quality of a company's earnings. High-quality earnings tend to be generated by companies with high corporate governance implementation. Jensen and Meckling (1976) revealed that managerial ownership as one of the mechanisms of corporate governance can be relied upon to overcome the agency problem. Managers will improve performance and perform various principal desires, if the manager is also included in the ownership of the company's shares. In terms of managing earnings management that is not often done by managers, the board of commissioners serves as a function of supervision over financial reporting so that the company can produce good earnings quality (Siallagan and Machfoedz, 2006). In addition, the other part who is also responsible for the financial statements is the audit committee by overseeing the external audit and internal control system. Management actions can also be controlled through a process of supervision by institutional ownership. Boediono (2005) disclosed that the opportunistic actions of management can be reduced by the intense supervision by institutional ownership. Supervision from various parts will be able to produce earnings with high quality.

All types of companies in IDX during the period 2013-2015 are selected research samples to broaden the generalization aspects of research results. The 2013-2015 time frame was chosen because of the rupiah currency crisis in 2013, where the rupiah exchange rate weakened against the US dollar value. In addition, in 2014 the economic crisis experienced by several countries, such as the crisis in Greece, the United States, inflation in Japan, and the economic slowdown in China affect the economy in Indonesia. According to Lin and Shih (2002), companies will tend to make earnings management in times of crisis in order to increase the value of the company's performance. Thus, the process of assessing the quality of the company's earnings go public is necessary for investors not wrong in determining the choice in investing. In order to strengthen the test result, the variable of good corporate governance is measured by the researchers doing their own rating based on the predetermined assessment. This is done considering the rating of good corporate governance is still voluntary, so only a small number of companies who register themselves at special rating agencies. The formulation of the problems raised based on the above background description is whether accounting conservatism, Investment Opportunity Set, and Good Corporate Governance affect the quality of corporate earnings in the IDX?

In relation to the formulation of the problem above, this study aims to obtain empirical evidence regarding the influence of accounting conservatism, Investment Opportunity Set, and Good Corporate Governance on the quality of corporate earnings at IDX. The results of this study are expected to increase the information, insight, and knowledge for the reader and further researcher about agency theory concerning the influence of accounting conservatism, investment opportunity set, and good corporate governance on earnings quality. In addition, this research is expected to be an input and consideration for investors and creditors in analyzing the quality of earnings based on accounting conservatism, investment opportunity set, and good corporate governance to make the right decision.

The relationship between the principal and the agent is described in agency theory, where the principal will delegate some of his or her authority to the agent. Eisenhardt (1989) argued that agency theory is based on several assumptions such as assumptions about human nature, information, and organizational. The assumption of human nature states that humans tend to be selfish, have rational limitations, and avoid risks. Information is a commodity that can be traded as emphasized on information assumptions. While the organizational assumptions associated with the existence of conflicts that occur between members of the organization, the existence of information asymmetry, and efficiency as the criterion of effectiveness.

Agency theory illustrates the existence of various contractual relationships between corporate stakeholders that often cause conflict within the company. Investors often attempt to manage managers by utilizing several policies to transfer wealth from creditors. According Juanda (2007), the application of accounting conservatism will complicate the efforts of these investors because this principle creates an efficient contract for all interested parties. The agency problem that exists in a company at any time can hinder the growth of the company, where the growth of this company can be seen through investment opportunity set. The growth options of a company can be seen from the value of an investment opportunity set that depends on the discretionary expenditure of the manager. In this case management will not uncommonly make decisions on uncertain conditions and as a result management actions will become unobservable. This causes the principal does not know whether the management has acted in accordance with the wishes of the

principal or not. In accordance with the assumptions of human nature, afterwards management.

Based on the assumptions of human nature that are self-centered, therefore management has the opportunity to obtain various information and will only convey information that can add to the personal welfare of the management. This will trigger the action of earnings management within the company. Bistрова and Lace (2012) found that the manipulation of financial statements can be minimized by the implementation of good corporate governance.

Several researchers have tested the effect of variables used in the study. In 2007, Rachmawati and Triatmoko obtained research results that showed a negative influence between investment opportunity set and earnings quality. Similar research results were also found by Wahh in 2002. In contrast Mulyani et al. (2007), suggested that there is a positive relationship between investment opportunity set and earnings quality.

Penman and Zhang conducted a study in 2002 with the results indicating that the high level of application of accounting conservatism of a company produces a quality earnings because this principle does not include unrealized earnings in a period in the financial statements. Watts (2003) stated that this principle is also useful to prevent excessive dividend to the investor so as to overcome the conflict of interest in the company. Moreover, in his research conducted in 2007, Fala found the application of accounting conservatism has a positive effect on earnings quality and high corporate value. Agreed with Fala (2007), Kazemi (2011) obtained the results of research showing a positive influence between accounting conservatism and earnings quality. Research by Kazemi was conducted against companies in Iran by analyzing the persistence of earnings, earnings relevance, earnings predictability, and punctuality.

The quality of earnings and agency conflict are two things that affect each other. To keep the personal fulfillment, management does not often report earnings that have been manipulated to produce low earnings quality. Such actions are not infrequently will trigger a conflict within the company. The draft mechanism of good corporate governance is believed to be able to reduce the conflict of interest. Suaryana (2005) proved this from her research that yields the result that the market provides better earnings evaluation for company firms that have audit committee than those who do not. Corporate governance mechanisms are also able to

affect the quality of corporate earnings (Siallagan and Machfoedz, 2006). In addition, in the research, Ismail et al. (2010) proved that there is a positive relationship between the size of the board of directors and the size of the audit committee with the level of earnings quality.

The agency theory states the company as a meeting place for various contracts from interested parties. Each parts seeks a contract that is able to provide earnings ability that is constantly increasing therefore that personal welfare will be met. To make the sustainability of a company keep going, certainly, these actions must be minimized, for example with the application of accounting conservatism. The Financial Accounting Standards Board (FASB) states that the appropriate proxy used to measure uncertainty and risk in business is accounting conservatism. Watts (2003) revealed that accounting conservatism is able to reduce expenditures related to agency costs as well as other social costs. Watts (2003) also stated that this principle is able to prevent management actions to exaggerate earnings and does not present overstate earnings and assets. In general, managers want to get a good appraisal from shareholders to attract investors to the company. Such good judgment occasionally comes from over-reported earnings reporting by management. To overcome these problems, consistency is required in applying the principles of accounting conservatism.

Penman and Zhang (2002) attested the consistency in applying the principles of accounting conservatism capable of delivering high quality earnings. This principle is also capable of producing a quality earnings by suppressing the act of raising earnings so as to reflect the true value of the company (Fala, 2007). Sadidi (2011) stated that the quality of earnings can be reflected by the difference in return of operational assets and stock returns in the following year which can be described by the index of application of conservatism. Based on the exposure of several research that has been done before, the authors stated that the high application of accounting conservatism will produce a high earnings quality as well. This is because the application of accounting conservatism will protect the investors from mistakes in analyzing the earnings of a company. Accounting conservatism also provides benefits to users of financial statements because it can suppress opportunistic management behavior to increase earnings. Thus, the first hypothesis that can be formulated is as follows.

H<sub>1</sub>: Accounting conservatism has a positive effect on the earnings quality of corporate in IDX.

Based on the assumptions of human nature contained in the agency theory, then all individuals will act in accordance with their own interests. The principal as a shareholder is considered only interested in the increased earnings ability it obtains while the agents will fulfill their wishes related to the financial benefits and various conditions contained in their contractual relationship with the principal. The change of point of view of the investors is influenced by one factor, it is the company investment opportunity (Kallapur, 1999). The high value of the investment opportunity set will have an impact on the high investment opportunity owned by the company. Investment opportunity can be an investment of an asset of a company for a long term.

The research by Wahh (2002) stated that high investment opportunity value indicates high *discretionary accrual*, but *discretionary accrual* rate will decrease if company has auditor from Big 5. This result is in line with Rachmawati and Triatmoko (2007) research which shows positive influence between investement opportunity set and discretionary accrual, therefore it will affect the low quality of earnings.

Investment opportunity set can affect the quality of earnings because this variable is the basis of determining the classification of the growth of a company in the future. Therefore, the authors stated that if the investment opportunity set is higher, it will result in lower earnings quality of the company. This aims to attract investors; managers will use more discretionary accrual to generate high earnings. A high level of discretionary accrual often leads to an error estimate of future earnings. Therefore, it can be said that current earnings are not able to reflect future earnings or in other words the company will generate low-quality earnings. Thus, the second hypothesis is formulated as follows.

H<sub>2</sub>: Investment Opportunity Set has a negative effect on the earnings quality of corporate in IDX.

A company must have multiple contracts, one of the contracts is a contract agreed upon by the owner and the manager of the company. In this case, both the principal and the agent will strive to optimize their personal welfare by utilizing the information obtained. Therefore, it motivates the management to manipulate the financial statements. Companies with good corporate governance will minimize the manipulation of financial statements (Bistrova and Lace, 2012).



Good corporate governance is able to provide additional economic value to an organization, whether it is a public organization, a private organization, or a non-earnings organization, as it is a crucial factor capable of describing the whole related organization (Meeampol et al., 2013). Earnings manipulation can be avoided if the company executes all corporate governance mechanisms therefore the company is able to produce a quality earnings (Almilia, 2006). Jensen and Meckling (1976) stated that the ownership of management as one of good corporate governance mechanism, is considered able to improve the existence of potential differences of interest in the company. Managerial ownership is formed with the aim of avoiding conflicts of interest affecting the quality of corporate earnings. Based on several previous studies, the authors argue that the higher of the application of good corporate governance in a company, causing high quality of earnings generated by the company. Good corporate governance is able to reduce agency conflict therefore the opportunistic actions of each party can be suppressed. As a result, the company will report earnings with good quality and certainly will not mislead the users of financial statements. Thus, the following is a third hypothesis that can be formulated.

H<sub>3</sub>: Good Corporate Governance has a positive effect on the earnings quality of corporate in IDX.

## RESEARCH METHOD

This study was conducted by accessing the IDX website ([www.idx.co.id](http://www.idx.co.id)). The data used comes from the official website of IDX. The annual financial statements of the company are the quantitative data which are used. While the qualitative data used such as the list of companies' name which is investigated its financial statements and various related sources. Data collection used non participant observation method in the form of documentation from audited company financial statements.

Researchers use all of the companies in IDX as the research population. The sampling method used purposive technique with criteria as follows. 1) The sample company is a listed company on the IDX during the period 2013-2015. 2) The company publishes financial statements for the period 2013-2015 that have been audited. 3) The company uses rupiah as the reporting currency to avoid bias due to the difference in the calculation of the exchange rate.

The earnings quality is dependent variable in this study which proxies with cumulative abnormal return (CAR). CAR shows how much market response to

accounting information provided by the company. The market response is calculated by market adjusted model. The market index return is the best estimate to estimate the return of securities in this model.

### 1) Calculating *Cummulative Abnormal Return* (CAR)

This model does not require an estimation period to form an estimation model, therefore the abnormal return calculation is:

$$AR_{i,t} = R_{i,t} - R_{m,t} \dots \dots \dots (1)$$

Explanation  
 $AR_{i,t}$  = Abnormal return of firm i on t-period.  
 $R_{i,t}$  = Actual return of firm i on t-period.  
 $R_{m,t}$  = The return of stock market index of firm i on t-period.

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \dots \dots \dots (2)$$

Explanation  
 $P_{i,t}$  = Close price share of firm i on t-period.  
 $P_{i,t-1}$  = Close price share of firm i on t-1 period.

$$R_{m,t} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \dots \dots \dots (3)$$

Explanation  
 $IHSG_t$  = IDX Composite on t-period.  
 $IHSG_{t-1}$  = IDX Composite on t-1 period.

Further, short window events used in CAR calculations consist of 1 day event, 3 days before event, and 3 days after event. This duration is used because it is capable enough to detect abnormal return and to prevent any confounding effect that also affect the abnormal return. The accumulation of abnormal return is formulated as follows:

$$CAR_{it} = CAR_{(-3,+3)} = \sum_{-3}^{+3} AR_{it} \dots \dots \dots (4)$$

Explanation  
 $CAR_{it}$  = Cummulative Abnormal Return firm i on t-period.  
 $AR_{it}$  = Abnormal return firm i on t-period.

This study has three independent variables, consisting of accounting conservatism (KA), Investment Opportunity Set (IOS), and Good Corporate Governance (GCG) as described below.

### 1) *Accounting Conservatism*

Accounting conservatism is prudent in reporting assets therefore it is not overvalued and

does not report undervalued liabilities (Watts, 2003). Accounting conservatism is measured through net asset measure used by Beaver and Ryan (2000) which reflects the market value relative to the book value of the firm. Book value is calculated using the equity value on December 31 and the closing price of the shares at the date of publication is used to measure market value.

$$MTB_{it} = \frac{\text{Market Price}_{it}}{\text{Book Value Per Share}_{it}} \dots\dots\dots (5)$$

Explanation:

MTB = Market to Book Value  
Market Price<sub>it</sub> = close price of outstanding share of

firm on date publication of financial statements.  
Book Value Per Share<sub>it</sub> = equity value of outstanding share on December 31 in t-period.

## 2) Investment Opportunity Set

Since this variable can not be observed, a proxy is required in the measurement. The selected proxy to describe the value of the investment opportunity set is the market value to book value of the assets ratio formulated as follows:

$$MVBVA = \frac{\text{Total Assets} - \text{Total Equity} + (\text{Number of shares outstanding} \times \text{close price})}{\text{Total Assets}} \dots\dots (6)$$

## 3) Good Corporate Governance

Good corporate governance is measured using a rating score adapted from the Forum for Corporate Governance in Indonesia (FCGI) assessment framework. Briefly, there are five aspects assessed in this FCGI Good Corporate Governance valuation

framework: shareholder rights, good corporate governance policy, good corporate governance practices, disclosure and audit. Each aspect consists of several assessment indicators. To be more clear, the formula used to calculate the value of good corporate governance is as follows

$$GCG = \frac{\text{highest score given by the researcher}}{\text{highest score}} \times \text{weight} \times 100 \dots\dots\dots (7)$$

For example, for firm A the researcher gives a 5 for the aspect of the rights of shareholders, 6 for good corporate governance policy aspect, 19 for good

corporate governance practice, 6 for disclosure aspect, and 5 for audit aspect. Therefore, the calculation for good corporate governance score is as follows:

$$\begin{aligned} GCG &= \left( \frac{5}{6} \times 20\% \times 100 \right) + \left( \frac{6}{7} \times 15\% \times 100 \right) + \left( \frac{19}{9} \times 30\% \times 100 \right) \\ &\quad + \left( \frac{6}{6} \times 20\% \times 100 \right) + \left( \frac{5}{6} \times 20\% \times 100 \right) \\ &= 16,6667 + 12,8571 + 30 + 20 + 16,6667 \\ &= 96,1911 \end{aligned}$$

Based on the calculation above, then obtained GCG score for company A is equal to 96,1911.

Multiple linear regression analysis was chosen to solve the research problem using Statistical Package for the Social Sciences (SPSS) program. There are several stages of analysis performed, among others,

formulation of multiple linear regression analysis model, model validity test (F test) and partial test (t test).

## RESULTS AND DISCUSSIONS

The influence of each variable can be known through multiple linear regression analysis. The results of the analysis can be shown in Table 1.

**Table 1. Summary of Multiple Linear Regression Analysis**

Variabel Name	Regression Coefficient	t-test	Sig. t
KA	0,085	4,737	0,000
IOS	0,145	5,287	0,000
GCG	-0,002	-0,015	0,988
Constant			0,092
F			9,928
F <sub>sig</sub>			0,000
Multiple Linear Regression	KL= 0,092 + 0,085 (KA) + 0,145 (IOS) – 0,002 (GCG) + e		

Source: the result of data processing with SPSS

Table 1 presented the regression coefficients for accounting conservatism (KA), investment opportunity set (IOS), and good corporate governance (GCG) variables, therefore the following equations are formed.

$$KL = 0,092 + 0,085 (KA) + 0,145 (IOS) - 0,002 (GCG) + \varepsilon \dots \dots \dots (1)$$

Tests to see fit or not a regression model is done by using F fit test or the regression model can be seen by greater significance value of  $\hat{a}$ , which indicates that the regression model used is not fit. Table 1 shows the sig value of F equal to 0.001 < 0.05, which means the regression model is suitable to use in this study.

To see the partial influence of variables of accounting conservatism, investment opportunity set, and good corporate governance on the dependent variable, the hypothesis is tested using the t test. T test is done by comparing the value of significance of each variable with a significance level of 0.05 ( $\alpha = 5\%$ ). Accounting conservatism has a positive effect on the earnings quality expressed in the first hypothesis. The beta coefficient ( $b_1$ ) value of 0.085 with a significance value of 0.000 smaller than  $\alpha = 0.05$  indicates that  $H_1$  is accepted. This accounting conservatism has a positive effect on earnings quality. The results of this similar study have previously been found by Penman and Zhang (2002) and Fala (2007) who revealed that the application of accounting conservatism has an effect on improving the quality of corporate earnings. Implementation of conservatism helps companies in improving the financial statements. To face the uncertain economic conditions in the future, companies need to be more careful in measuring and recognizing the financial statements. This is done to reflect that the company has considered the various risks inherent in the business situation.

Conservatism is able to reduce the optimistic views of management and avoid opportunistic attitude of management in the preparation of financial statements. Presentation of earnings and assets

based on accounting conservatism can improve the earnings quality and the earnings can be used to calculate the value of the company (Feltham and Ohlson, 1995). Earnings presented on conservative principles are qualified earnings because the earnings presented are the actual earnings.

The second hypothesis states that there is a negative relationship between investment opportunity set and the earnings quality. Table 1 shows that the value of beta coefficient ( $\beta_2$ ) is 0.145 with a significance level of 0.000 smaller than  $\alpha = 0.05$  which means that  $H_2$  is rejected. Thus it can be said that investment opportunity sets have a positive influence on earnings quality. Research and development activities support projects for future investments. The value of the investment opportunity set is used as a determinant of the future classification of corporate growth through projects that can increase the growth of the company. In addition, the perspective of creditors, investors, and owners is also influenced by investment opportunity sets that assume that firms with high investment opportunity sets are able to generate high returns as well.

Companies that have high investment opportunity value will have high growth in the future and cause the company earnings will increase. Therefore, a big response will be given by the market to companies that have such growth prospects. The magnitude of the market response will result in a growing reaction to the price of the security. Mulyani et al. (2007) stated that investment opportunity set has a positive effect on earnings quality. Companies with high investment opportunity value will have high earnings response coefficients (Mulyani et al., 2007). The high earnings response coefficients means that the company's earnings are of high quality.

The third hypothesis shows the influence of good corporate governance on earnings quality, where this hypothesis states that good corporate governance have positive effect on earnings quality. Table 1 shows the value of beta coefficient ( $\beta_3$ ) of -0.002 and the value of significance of good corporate

governance variable of 0.988 which is greater than  $\alpha = 0.05$  which means that  $H_3$  is rejected. This means that good corporate governance has no effect on earnings quality. This result is inconsistent with the study of Almilia (2006) and Meeampol et al. (2013) stating that good corporate governance has an influence on earnings quality. Good corporate governance is a supervisory mechanism from both company management and shareholder. This supervisory function is something that should be applied by all companies in IDX. Although there have been specialized agencies conducting good corporate governance ranking, there are only a handful of companies that register themselves in the institution.

The structure of good corporate governance in Indonesia is still connected between the board of commissioners of one company with another company; therefore it can weaken the function of supervision (Fala, 2007). In addition Fala (2007) also stated that the managerial ownership structure in Indonesia is more dominated by the family also impact on the weakness of supervisory function. On the other hand, institutional ownership as a part of good corporate governance is a temporary owner and focuses more on short-term earnings, so the monitoring function is short term (Porter, 1992).

The audit committee is also considered not able to reduce the opportunistic actions of management. Puspitowati and Mulya (2014) stated that most companies in Indonesia make decisions based on the influence of controlling shareholders, such as decision making on audit committee members. Such influence resulted in the selection of audit committee members not based on the competency they possessed but the selection was made on the recommendation given by the controlling shareholder. This will certainly impact on the low effectiveness of audit performance in the supervisory function of the financial statements. Surely this will impact on the weak supervision of the audit committee on the company's financial statements, therefore, the users of financial statements can not believe the quality of earnings reported in the financial statements.

## CONCLUSION

The results showed that accounting conservatism had a positive effect on earnings quality. Implementation of accounting conservatism will produce financial reports with a earnings quality because its able to suppress the opportunistic actions of the management. In addition, the results of the study also show that investment opportunity set has a positive effect on earnings quality. The high value

of the investment opportunity set will affect the high quality of earnings generated by the company. This is because companies with high investment opportunity set value will get greater market response. The response indicates that the company's earnings is a good earnings. On the other hand, good corporate governance has no effect on earnings quality. Good corporate governance is a tool that can align different interests between principals and agents to add value to stakeholders and shareholders. However, there has been no mandatory assessment of the implementation of good corporate governance so that there are still many companies that have not fully implemented the mechanism of good corporate governance.

Capital market participants are expected to be more careful in assessing the quality of corporate earnings. This is because the quality of earnings is influenced by several factors. Errors in assessing the earnings quality of corporate will have an impact on the wrong investment decision. Based on the result of the research, the company's management is expected to improve the good corporate governance practices, especially regarding the implementation of the Board of Directors and Board of Commissioners meetings in accordance with the established rules. In addition, management also needs to be concerned about the application of whistleblowing. This is useful as a medium for the delivery of various irregularities that occur in the company. Implementation of good corporate governance will improve the quality of the earnings presented due to the supervision of various parties involved in the company's business activities.

Further research needs to consider the number of research samples to avoid non-distributed data. The next researcher can also use other methods in measuring good corporate governance or can use moderation variables. This suggestion is proposed on the basis of the test result of the influence of good corporate governance variable on the quality of earnings in this research is different from the test result in previous research.

## REFERENCES

- Almilia, Luciana Spica and Lailul L Sifa. 2006. Reaksi Pasar terhadap Publikasi Corporate Governance Perception Index pada Perusahaan yang Terdaftar di Bursa Efek Jakarta. *Simposium Nasional Akuntansi*, 9: 23-26.
- Basu, Sudipta. 1997. The Conservatism Principle and Asymmetric Timeliness of Earnings. *Journal of Accounting and Economics*, 24: 3-37.

- Beaver and Ryan. 2000. Biases and Lags in Book Value and Their Effects on The Ability of The Book to Market Ratio to Predict Book Return on Equity. *Journal of Accounting Research*, 38: 127-148.
- Bistrova, Julia and Natalja Lace. 2012. Quality of Corporate Governance System and Quality of Reported Earnings: Evidence From CEE Companies. *Journal of Economics and Managements*, Vol. 17 (1): 55-61.
- Boediono, Gideon SB. 2005. Kualitas Laba: Studi Pengaruh Mekanisme Corporate Governance dan Dampak Manajemen Laba dengan Menggunakan Analisis Jalur. *Makalah Simposium Nasional Akuntansi VIII*. Solo, 15-16 September 2005.
- Collins, D.W. and S.P. Kothari. 1989. An Analysis of Intertemporal and Cross-Sectional Determinants of Earnings Response Coefficients. Available from: <http://papers.ssrn.com>.
- Easton, Peter D. and Mark E. Zmijewski. 1989. Cross Sectional Variation In The Stock Market Response to Accounting Earnings Announcements. *Journal of Accounting and Economics*, 11: 117-141.
- Eisenhardt, Kathleem M. 1989. Agency Theory: An Assesment and Review. *Academy of Management Review*, 14: 57-74.
- Fala, Dwiwana A. S. 2007. Pengaruh Konservatisme Akuntansi terhadap Penilaian Ekuitas Perusahaan Dimoderasi Oleh Good Corporate Governance. *Simposium Nasional Akuntansi X*. Makassar.
- Feltham, J. and J. Ohlson. 1995. Valuation and Clean Surplus Accounting for Operating and Financial Analysis. *Contemporary Accounting Research*, 11: 687-731.
- Ismail, W.A., Dunstan, and Zijl T.V. 2010. Earnings Quality and Corporate Governance Surrounding Implementation the Code of Corporate Governance Malaysia. Available from: <http://papers.ssrn.com>.
- Jensen, Michael C. and W.H. Meckling. 1976. Theory of The Firm: Managerial Behavior, Agency Cost and Ownership Structure. *Journal of Financial Economics*, 3: 305-360.
- Juanda, Ahmad. 2007. Perilaku Konservatif Pelaporan Keuangan dan Risiko Litigasi pada Perusahaan Go Publik. *Naskah Publikasi Penelitian Dasar Keilmuan*.
- Kallapur, Sanjay and Mark A. Trombley. 1999. The Association Between Investment Opportunity Set Proxies and Realized Growth. *Journal of Business & Accounting*, 26 (3): 133-150.
- Kazemi, H. 2011. Investigating The Relationship Between Accounting Conservatism and Earnings Attributes. *World Applied Sciences Journal*, 12: 1385-1396.
- LaFond, R., and R. L. Watts. 2008. The information Role of Conservatism. *The Accounting Review*, 83: 447-478.
- Meeampol, Sasivimol. 2013. The Relationship Between Corporate Governance and Earnings Quality: A Case Study of Listed Companies in the Stock Exchange of Thailand (Set). Available from: <http://papers.ssrn.com>.
- Mulyani, S., N.F. Asyik, and Andayani. 2007. Faktor-faktor yang Mempengaruhi Earnings Response Coefficient Pada Perusahaan yang Terdaftar Di Bursa Efek Jakarta. *JAAL*, 11 (1): 35-45.
- Penman, S.H., & Zhang, X-J. 2002. Accounting Conservatism, The Quality of Earnings and Stock Returns. *The Accounting Review*, 237-264.
- Puspitowati, Nela Indah and Anissa Amalia Mulya. 2014. Pengaruh Ukuran Komite Audit, Ukuran Dewan Komisaris, Kepemilikan Manajerial, dan Kepemilikan Institusional terhadap Kualitas Laba. *Jurnal Akuntansi dan Keuangan*, 3 (1): 219-239.
- Rachmawati, Andri and Hanung Triatmoko. (2007). Analisis Faktor-Faktor yang mempengaruhi kualitas labadan nilai perusahaan. *Seminar Nasional Akuntansi X*, 1-26.
- Sadidi, Mehdi; Ali Saghafi; and Ahmadi Shahin. 2011. Accounting Conservatism and the Effect of Earning Quality on the Return of Assets and Stock Return. *Journal of Accounting Knowledge*, 2 (6): 11-24.
- Siallagan, Hamonangan and Mas ud Machfoedz. 2006. Mekanisme Corporate governance, Kualitas Laba, dan, Nilai Perusahaan. *Simposium Nasional Akuntansi XI*, 1-24.
- Suaryana, Agung. 2005. Pengaruh Komite Audit Terhadap Kualitas Laba. *Makalah Simposium Nasional Akuntansi VIII*. Solo, 15-16 September 2005.
- Wahh, L.K. 2002. Investment Opportunity and Audit Quality. Available from: <http://papers.ssrn.com>.
- Watts, R.L. 2003. Conservatism in Accounting Part II: Evidence and research opportunities. *Accounting Horizons*, 17(4): 287-301.