

Original Article

Open Access

The influence of accounting conservatism, investment opportunity set (IOS), profitability, and company size on earnings quality

Subjects
Accounting and
Auditing

Bachtiar Arief Nugroho * & Krisnando 

Master of Management, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta, Jakarta, Indonesia

ABSTRACT

Purpose: This study aims to examine the effect of Accounting Conservatism, Investment Opportunity Set (IOS), Profitability, and Company Size on Earnings Quality in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019.

Methods: This research applies an associative quantitative approach with multiple linear regression analyzed using SPSS 23. The focus is on consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2017 - 2019. The sample was taken by purposive sampling, resulting in 23 companies and 69 observations. Secondary data was obtained from the official IDX website and Yahoo Finance, and hypotheses were tested using the t-test.

Findings: The study reveals that accounting conservatism enhances earnings quality by reducing agency conflicts and earnings exaggeration. It finds that Investment Opportunity Set and profitability have minimal influence on earnings quality, while firm size does not impact it. This indicates that large companies must focus on effective asset management to improve earnings.

Practical Implications: The study highlights accounting conservatism as essential for reducing conflicts between management and shareholders while preventing earnings overstatement. It emphasizes the need for transparency and consistency, as neither the Investment Opportunity Set (IOS) nor profitability significantly affects earnings quality. Additionally, it stresses that effective asset management is more critical than firm size for strong earnings performance.

Article History:

Received: 12 Jan 2022

Revised: 7 Feb 2022

Accepted: 12 Mar 2022

Online: 16 Apr 2022

Keywords

Accounting Conservatism,
Investment Opportunity
Set (IOS), Profitability,
Company Size, and
Earnings Quality

Reviewing Editor

Muljanto Siladjaja



Corresponding Author:

Bachtiar Arief Nugroho, Email: bachtiar.be07@gmail.com

Journal of Public Auditing
and Financial
Management

© The Author(s) 2025. Published by LPMP Imperium

This is an open access article distributed under the terms of the Creative Commons attribution license (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. the terms on which this article has been published allow the posting of the accepted Manuscript in a repository by the author(s) or with their consent.

Abstrak

Tujuan: Penelitian ini bertujuan untuk menguji pengaruh Konservatisme Akuntansi, Investment Opportunity Set (IOS), Profitabilitas dan Ukuran Perusahaan terhadap Kualitas Laba pada perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2017 sampai dengan 2019.

Metode: Penelitian ini menerapkan pendekatan kuantitatif asosiatif dengan regresi linier berganda yang dianalisis menggunakan SPSS 23. Fokusnya adalah pada perusahaan manufaktur barang konsumsi yang terdaftar di Bursa Efek Indonesia (BEI) antara 2017-2019. Sampel diambil dengan purposive sampling, menghasilkan 23 perusahaan dan 69 observasi. Data sekunder diperoleh dari situs resmi BEI dan Yahoo Finance, dan hipotesis diuji dengan uji t.

Hasil: Studi ini mengungkapkan bahwa konservatisme akuntansi meningkatkan kualitas laba dengan mengurangi konflik keagenan dan laba yang berlebihan. Studi ini menemukan bahwa Investment Opportunity Set dan profitabilitas memiliki pengaruh minimal terhadap kualitas laba, sementara ukuran perusahaan tidak berpengaruh. Hal ini mengindikasikan bahwa perusahaan besar harus fokus pada manajemen aset yang efektif untuk meningkatkan laba.

Implikasi Praktis: Studi ini menyoroti konservatisme akuntansi sebagai hal yang penting untuk mengurangi konflik antara manajemen dan pemegang saham sekaligus mencegah overstatement laba. Studi ini menekankan perlunya transparansi dan konsistensi, karena baik Investment Opportunity Set maupun profitabilitas tidak secara signifikan mempengaruhi kualitas laba. Selain itu, hal ini menekankan bahwa manajemen aset yang efektif lebih penting daripada ukuran perusahaan untuk kinerja laba yang kuat.

Kata kunci: Konservatisme Akuntansi, Investasi Set Kesempatan (IOS), Profitabilitas, Ukuran Perusahaan, dan Kualitas Laba.

1. Introduction

Profit is one of the main pieces of information in the financial statements that reflect a company's performance. Its existence is an important factor in decision-making, both for investors and creditors, because it can be used to assess the company's ability to meet its financial obligations. According to SFAC number 1 in (Yunita & Suprasto, 2018) research, earnings not only serve as an indicator of company performance but also as a tool for predicting future earnings and assessing the risk of investment or lending. However, when reported earnings deviate from the actual conditions, users of financial statements can make wrong decisions that reduce investor confidence and hinder corporate funding.

The case of financial statement manipulation is still a global issue, as happened to major companies in the United States, including Enron, Worldcom, and Xerox, as revealed by (Helina & Permanasari, 2018) In Indonesia, similar problems also occurred, one of which was the case that befell Garuda Indonesia in 2018. The company reported a net profit of US\$ 89 thousand or around Rp 11.33 billion, inversely proportional to the huge losses experienced in the previous year. This condition shows an indication that the profit presented does not reflect the actual situation, thus raising doubts about the quality of the reported profit.

Various studies have examined the factors that affect earnings quality, especially in manufacturing companies. Some of the factors that are the focus of current research are

accounting conservatism, Investment Opportunity Set (IOS), profitability, and company size. However, the results of previous research on the influence of these factors still show inconsistencies. Some studies, such as those conducted by (Hadi & Almurni, 2020). (Narita & Taqwa, 2020), and (Putra & Subowo, 2016) found that accounting conservatism affects earnings quality. In contrast, research by (Hadi & Almurni, 2020) and (Helina & Permanasari, 2018) showed contradictory results. The same thing also happens in research on the effect of IOS, profitability, and company size on earnings quality. Some studies find a significant relationship, while other studies do not.

The difference in results from previous studies is the basis for researchers to examine further the effect of accounting conservatism, IOS, profitability, and firm size on earnings quality. This research is focused on manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX). The selection of this sector is based on its characteristics, which have high fluctuations in profits and losses because they are highly dependent on changes in market demand. In addition, companies in this sector also have a large fixed asset composition compared to other companies, such as banking or financial institutions.

The purpose of this study is to identify and analyze the effect of these factors on earnings quality in manufacturing companies. The benefits of this research are expected to make a practical contribution to companies in improving the quality of financial statements and for investors in making better investment decisions. By understanding the factors that affect earnings quality, companies can take steps to improve the transparency and reliability of the financial information they present.

2. Theoretical Background & hypotheses

Theoretical Background

Theory agency

According to Fathussalmi et al. (2019), agency theory pioneered by Jensen and Meckling in 1976 describes the relationship between shareholders as principals and managers as agents. In this context, conflicts arise because each party wants to maximize its utility. Managers who have more information tend to hide data from investors, and this conflict increases in long-term investments, where the principal expects high returns. At the same time, the agent seeks to maintain an image to earn bonuses. Opportunistic earnings management practices risk reducing earnings quality, which can mislead the decisions of financial statement users and lead to a decrease in firm value.

Earnings quality

Earnings quality is an important factor in assessing the health of a company's financial statements, as explained by Hadi and (Hadi & Almurni, 2020). Earnings quality reflects the ability of earnings to be presented transparently and can help management and investors predict future earnings, according to (Yunita & Suprasto, 2018). Bellovary et al. (2005) suggest that quality earnings reflect the truth of the company's profitability and are able to predict further financial performance. In addition, Zein's research in (Wardhani et al., 2020) shows that sales growth has a significant effect on earnings quality, confirming that actual economic performance is reflected in the accrual and cash components.

Accounting conservatism

Accounting conservatism is a prudential principle that prioritizes loss recognition faster than profit recognition (Simon & Watts, 2002) Ardina and Januarti (2012), in the research of (Andreas & Hans Hananto, 2020), explain that this approach tends to produce pessimistic financial reporting, aiming to neutralize excessive performance reports. Conservatism encourages management to recognize costs early, delay profit recognition, and undervalue assets. Research by (Kurniawan & Aisah, 2020; Wardhani et al., 2020) measures conservatism through the accrual method, which shows the relationship between cash flow and net income, helping to mitigate the risk of management opportunism.

Investment opportunity set (IOS)

The term Investment Opportunity Set (IOS) was introduced by Myers (1977) as an investment decision that combines assets owned with future growth options. IOS has a significant effect on earnings quality, and if it is high, the company will attract investors' attention (Narita & Taqwa, 2020). IOS proxies include three categories: price-based, investment activity, and variance (Kallapur & Trombley, 2001). One commonly used proxy is the Market Book Asset Ratio (MBA), which measures the company's growth prospects and affects future investment and earnings stability (Adam & Goyal, 2002; Ayem & Lori, 2020)

Profitability

The company uses profitability to determine the company's ability to earn profits in a certain period (Saleh et al., 2020) In this study, profitability is measured using the return on assets (ROA), which is a financial ratio used to measure the company's profitability. ROA is a ratio that describes the success of management in generating profits from assets owned by the company (Saleh et al., 2020) The greater the ROA of a company, the greater the level of profit achieved by the company and the better the position of the company from the use of assets.

Company size

Company Size is a scale in which a company can be classified as large or small. Company size is classified, among others, by the size of income, number of employees, log size, total assets, and total capital. A company's measure can determine whether or not the performance of the company. Investors usually have more confidence in large companies because they are considered able to improve their performance by increasing the quality of earnings (Helina & Permanasari, 2018). Company size is a variable that is generally used in research related to earnings management, with varying results regarding the effect of company size and earnings management (Saleh et al., 2020)

Hypotheses

Relationship between Accounting Conservatism and Earnings Quality

Accounting conservatism is a principle that demands strict recognition of profits and immediate recognition of losses (Watts, 2002). According to Ardina and Januarti in the research of Andreas et al. (2020), the application of this principle produces pessimistic financial reports. It reduces the optimism of report users, with the aim of avoiding uncertainty and risk and preventing opportunistic behavior of managers. Conservatism has a positive effect on earnings quality because it limits the possibility of managers manipulating financial statements. Research by Sugianto and Sjarief (2018) shows that companies with accounting conservatism tend to have higher earnings quality and similar findings are also supported by other studies such as Ayem and Lori (2020) and Narita and Taqwa (2020). The application of this principle can significantly

improve the quality of corporate earnings. Based on the description above, one hypothesis is taken, namely:

H1: Relationship between Accounting Conservatism and Earnings Quality

Relationship between Investment Opportunity Set (IOS) and Earning Quality

According to Myers (1977), in the research of Narita and Taqwa (2020), the Investment Opportunity Set (IOS) is an investment decision related to a combination of owned assets and future growth options. Ayem and Lori (2020) describe IOS as an opportunity for a company to invest based on expenditure choices for future interests. Steadily increasing profits indicates that the company is growing well, enhancing the chances of earning higher profits in the future and thereby improving earnings quality. Research by Kurniawan and Aisah (2020) shows that companies with high IOS can attract investors, as they are seen to possess better growth opportunities. Previous studies have proven that IOS significantly influences earnings quality, as demonstrated by Ayem and Lori (2020) and other researchers. Consequently, it is assumed that IOS affects the quality of a company's earnings. Based on the description above, one hypothesis is taken, namely:

H2: Relationship between Investment Opportunity Set (IOS) and Earning Quality

Relationship between Profitability and Quality of Earnings

Profitability is a key indicator used by companies to assess their ability to generate profits during a certain period (Saleh et al., 2020). Ginting (2017) adds that the higher the profitability of a company, the more positive signals investors receive, which encourages them to maintain share ownership. In this context, the Return On Assets (ROA) ratio serves as a proxy for profitability, where a high ROA reflects the company's ability to generate profits from the total assets used. High profits not only show good operational performance but can also attract a positive response from investors, which leads to an increase in stock returns and abnormal returns (Kurniawan and Suryaningsih, 2018: 165). This shows that quality earnings can be indicated by high profitability. Research by Salma and Riska (2019), Kurniawan and Suryaningsih (2018), and Ginting (2017) confirmed that profitability affects earnings quality. Based on the description above, one hypothesis is taken, namely:

H3: Relationship between Profitability and Quality of Earnings

Relationship between Profitability and Quality of Earnings

Company size is an important factor that can determine company performance. Investors tend to have more confidence in large companies, as they are considered more capable of improving performance and earnings quality (Helina & Permanasari, 2017). With larger total assets, these companies usually have better systems to manage and control their assets effectively and efficiently. This reduces the possibility of earnings manipulation practices, which in turn has a positive effect on earnings quality (Jaya & Wirama, 2017). Previous research has confirmed the effect of firm size on earnings quality, with studies conducted by Helina and Permanasari (2018), Ginting (2017), Jaya & Wirama (2017), and Putra and Subowo (2016) showing that larger firm size correlates with improved earnings quality. Based on the description above, one hypothesis is taken, namely:

H4: Relationship between Profitability and Quality of Earnings

3. Methods

Sample and procedurs

The population in this study consisted of 54 manufacturing companies engaged in the consumer goods industry sector and listed on the Indonesia Stock Exchange (IDX) at the end of 2019. From this population, 23 companies were selected as samples using a purposive sampling method with certain criteria. These criteria include companies listed on the IDX from 2017 to 2019, having published audited annual financial reports consistently, and providing complete information related to research variables. In addition, the company must present financial statements in rupiah currency and never record losses during the study period.

Variable measurement

Accounting Conservatism

In this study, accounting conservatism is measured using the accrual model proxy from Givoly & Hayn (2002), which compares net income with cash flow. Negative accruals indicate lower earnings than cash flow. Accruals are calculated by subtracting cash flow from net income before depreciation. This mechanism encourages faster recognition of losses and delays recognition of profits, with the aim of protecting the interests of owners and creditors from opportunistic management practices. This approach was also used in several previous studies, such as by Hadi and Alimurni (2020), Saleh (2020), Ayem and Lori (2020), and Kurniawan and Siti (2020), with formulas formulated according to this methodology.

$$KON = \frac{LSEI - AKO}{TA} \times -1$$

Investment Opportunity Set (IOS)

According to Kallapur and Trombley (2001) in the research of Fathussalmi et al (2019) revealed that the investment opportunity set proxies are divided into three proxies including: price-based proxies, investment-based proxies, and variance proxies (variance measures). In this study, the proxy used is price-based proxies, a model that is also used in the research conducted by Hadi and Alimurni (2020) and Ayem and Lori (2020), with the formula:

$$MVBVA = \frac{(TA - TE) + (LSB \times HP)}{TA}$$

Profitability

Profitability in this study uses the measurement of Return On Assets (ROA). ROA is a ratio that describes the success of management to generate profits from assets owned by the company (Saleh et al., 2020). The greater the ROA of a company, the greater the level of profit achieved by the company and the better the position of the company from the use of assets. ROA calculation uses the formula:

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$$

Company Size

A company's measure can determine whether or not the performance of the company. Investors usually have more confidence in large companies, because they are considered able to improve their performance by increasing the quality of earnings (Helina and Permanasari, 2017). Company size can be measured by the natural logarithm (Ln) of total assets using the formula:

Company size = Ln total assets

Dependent Variable

The dependent variable in this study is earnings quality. According to Bellovary et al. (2005), in the research of Sugianto and Sjarief (2018), quality earnings are earnings that can reflect the truth of company profits and predict future earnings. So, quality earnings are profits that can show the actual economic performance of the company, not only the accounting performance listed in the financial statements (Kurniawan and Aisah, 2020). The measurement of earnings quality in this study uses the most commonly used models in research, including those used by Hadi and Alimurni (2020), Kurniawan and Aisah (2020), Hakim and Abbas (2019), Salma and Riska (2019), Helina and Permanasari. (2018), which such as follows:

$$KL = \frac{\text{Operating Cashflow}}{\text{Net Income}}$$

3.3. Data Analysis Method

This research uses quantitative data analysis techniques. The data obtained is then processed using SPSS 23 software. In data analysis, this study also uses statistical tests, including the t test, to determine the extent of the influence of the independent variable on the dependent variable.

4. Results and Discussion

Descriptive analysis

Table 1 shows the variation in accounting conservatism values, with a range of values from -0.283 to 0.171 and an average of 0.01332, reflecting relatively low conservatism. Similarly, investment opportunity set (IOS) values range from 0.525 to 12.962, with a mean of 2.93369 and a standard deviation of 2.800274, indicating significant differences in investment opportunities among firms.

Tabel 1. Descriptive analysis

	KON	MVBVA	ROA	SIZE	KL
Mean	-0,283	0,525	0,034	25,796	-2,402
Maximum	0,171	12,962	0,527	32,201	3,1
Minimum	0,01332	2,93369	0,13979	29,07277	1,11081
Std. Dev.	0,07469	2,800274	0,108332	1,644692	0,893039
Observations	69	69	69	69	69

Source: The data is processed by the author with SPSS 23, 2021

Profitability, measured through Return On Assets (ROA), recorded a minimum value of 0.034 and a maximum of 0.527, with a mean of 0.13979, indicating varied performance among firms. Firm size, measured through the natural logarithm of total assets, had a minimum value of 25.796 and a maximum of 32.201, an average of 29.07277, as well as a standard deviation of 1.644692, signaling differences in size among firms. Finally, earnings quality has a low of -2,402 and a high of 3,100, with an average of 1,11081. A standard deviation value below one indicates that earnings quality tends to be average. Overall, this analysis shows that there are significant disparities in various aspects of corporate finance, reflecting the complex dynamics within the industrial sector.

Hypotheses testing

Table 2 shows that earnings quality (KL) is influenced by several variables, namely accounting conservatism (CON), investment opportunity set (MVBVA), profitability (ROA), and company size (SIZE). The constant value of 1.597 indicates that if all independent variables are zero, then the earnings quality is at that number. Accounting conservatism has a positive and significant effect on earnings quality with a regression coefficient of 11.409 and a significance level of 0.000 which is below the 0.05 limit. This shows that the higher the accounting conservatism, the better the quality of earnings generated. Conversely, the investment opportunity set has a negative regression coefficient of -0.042 with a significance level of 0.073 which is greater than 0.05. These results indicate that the investment opportunity set does not have a significant effect on earnings quality. Furthermore, profitability has a regression coefficient of -0.087 with a significance level of 0.881 which is also above 0.05. This shows that profitability does not have a significant effect on earnings quality. Likewise, company size with a regression coefficient of -0.017 and a significance level of 0.488 does not have a significant effect on earnings quality.

Tabel 2. Hypotheses testing

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1,597	,712			2,243	,028
KON	11,409	,535	,954		21,318	,000
MVBVA	-,042	,023	-,131		-1,820	,073
ROA	-,087	,580	-,011		-,150	,881
SIZE	-,017	,025	-,032		-,697	,488
Adjusted R Square	,870					

Table 2 t statistical test results show that only accounting conservatism has a significant effect on earnings quality. In contrast, investment opportunity set, profitability, and company size do not show a significant impact. Based on the adjusted R² value of 0.870, it can be concluded that accounting conservatism, investment opportunity set, profitability, and company size together are able to explain variations in earnings quality by 87.0% in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the 2017-2019 period. Meanwhile, the remaining 13.0% is influenced by other variables not included in this study.

Discussion

This study found that accounting conservatism has a significant effect on earnings quality in manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange during the 2017-2019 period, with a significance value of 0.000. The positive regression coefficient of 11.406 indicates that the application of higher conservatism will improve earnings quality. This finding is in line with previous research, underscoring the important role of conservatism in increasing investor confidence. Conservatism encourages management to be more cautious in the

recognition of earnings as well as the management of financial information, which in turn creates better earnings quality. On the other hand, the coefficient of determination, which reaches 0.870, indicates that the variables studied are able to explain 87% of the influence on earnings quality. The results showed that the investment opportunity set (IOS) had no significant effect on earnings quality in the same company, with a regression coefficient of -0.042, a t-count of -1.820, and a significance value of 0.073. This means that the second hypothesis, which states that IOS affects earnings quality, is rejected. This finding is in line with research conducted by Hadi and Alimurni (2020) and Darmayanti and Fauziati (2019), which also concluded that IOS has no effect. Even so, this result contradicts Ayem and Lori's (2020) research, which indicates a significant impact of IOS. Variations in the research period, subject, or IOS calculation method may cause this difference. There are also indications that investors tend to prioritize significant earnings growth over IOS, which is considered less important, especially in the consumer goods sector which has high and stable operational activities.

The regression analysis shows that profitability also has no significant effect on earnings quality, with a p-value of 0.881. This finding does not support research by Chinwe and Nwadiolor (2020) but is consistent with the results of research by Hakim and Abbas (2019). The low level of profitability, as seen from the return on assets (ROA) ratio, maybe the reason for the lack of market response to earnings information, so the quality of corporate earnings is not guaranteed, especially when earnings growth is inconsistent. This study also found that company size has no significant effect on earnings quality, with a regression coefficient of -0.017 and a significance of 0.488. This finding contradicts many previous studies that show the impact of firm size but supports other studies that show the opposite result. It is expected that large companies have good performance, but high debt control can increase business risk and affect earnings quality. For example, PT Indofood Sukses Makmur Tbk in 2018 experienced a decrease in net profit despite having large assets.

5. Conclusion

Based on the data analysis and discussion conducted, accounting conservatism has a significant effect on the earnings quality of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) during the period 2007 to 2019. This supports the theory that includes earnings quality with future earnings continuity, which is determined by the accrual and cash components reflecting the company's actual financial performance (Fathussalmi et al., 2019). On the other hand, the investment opportunity set (IOS) does not show a significant effect on earnings quality because investors tend to pay more attention to short-term profits, thus ignoring the importance of IOS in assessing earnings quality (Narita & Taqwa, 2020). In addition, profitability also does not have a significant effect, possibly due to the low level of profitability of the companies in the sample, where inconsistent and fluctuating profits make them less attractive to investors (Francis et al., 2008). Finally, company size does not affect earnings quality, although it is often considered important; in this context, the relationship is not always clear. Many companies with large assets experience difficulties if their finances are dependent on debt, which limits their ability to optimize assets and grow earnings, indicating that company size does not always guarantee better earnings quality.

References

- Adam, Tim dan Goyal, Vidham K. (2007). The Investment Opportunity Set and Its Proxy Variables. <http://dx.doi.org/10.2139/ssrn.298048>.
- Agustina et al. (2018). Factors Affecting Profitability and Its Impact on Earnings Management. *Tarumanegara University Accounting Journal* 22 (01), 18-32.
- Andreas, Hans Hananto et al. (2020). Accounting Conservatism in Indonesia. *Journal of Economics and Business* 20 (1). ISSN 1979 - 6471.
- Arifin, Fachri, and Herawati, Tuban Drijah. (2020). Effect of Good Corporate Governance, Investment Opportunity Set and Leverage on Earning Quality (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) 2014-2018). *Scientific Journal of Faculty of Economics and Business Students, Universitas Brawijaya* 8 (2).
- Ayem, Sri and Lori, Elisabeth Elen. (2020). Effect of Accounting Conservatism, Inter-period Tax Allocation, and Investment Opportunity Set (IOS) on Earnings Quality. *Scientific Journal of Accounting and Humanics* 10 (2), 235-244.
- Chinwe, Chigbo Chidi dan Nwadiakor, E. (2020). The Relationship Between Corporate Performance and Earnings Quality Management. *International Journal of Innovative Finance and Economics Research* 8 (4), 55-66. www.seahipaj.org. ISSN: 2360-896X.
- Fathussalmi, Darmayanti, Y., and Fauziati, P. (2019). The Effect of Investment Opportunity Set and Corporate Governance on Earnings Quality (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) in 2011-2015). *Indonesian Accounting and Business Review* 3 (2), 124-138.
- Ginting, Suriani. (2017). The Effect of Profitability, Liquidity and Company Size on Earnings Quality in Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) *Journal of Microskilled Economics Wira*, 7(2), 227-236.
- Hadi, Febiyana Sakinah and Alipur, Siti. (2020). The Effect of Accounting Conservatism and Investment Opportunity Set (IOS) on Earnings Quality (Empirical Study on Manufacturing Companies in the Cosmetics and Household Supplies Sub-Sector Listed on the Indonesia Stock Exchange (BEI) in 2018-2019). Department of Accounting, Sekolah Tinggi Ilmu Ekonomi Indonesia (STIE).
- Hakim, Mohammad Zulman and Abbas, Dirvi Surya. (2019). Effect of Company Size, Capital Structure, Liquidity, Investment Opportunity Set (IOS) and Profitability on Earnings Quality. *Competitive Journal of Accounting and Finance* 3 (2), 26- 51. DOI: <http://dx.doi.org/10.31000/c.v3i2.1826>
- Helina and Permanasari, M. (2018). Teh Affecting Factors of Earnings Quality in Manufacturing Companies. *Journal of Business And Accounting*, 19(1a), 325-334. <https://doi.org/10.34208/jba.v19i1a-5.313>.
- Hutagalung, Farida Darmina et al. (2018). The Effect of Institutional Ownership, Public Ownership, Investment Opportunity Set (IOS) and Company Size on Earnings Quality with Voluntary Disclosure as Intervening Variable. *Bilancia* 2 (1), 73-84.
- IAI. (2009). Financial Accounting Standards. In PSAK No: 1 Presentation of Financial Statements. Salemba Four.
- Jaya, Kadek Agustina Anggara, and Wirama, Dewa Gede. (2017). Effect of Investment Opportunity Set, Liquidity, and Company Size on Earning Quality, *E-Jurnal of Accounting, Udayana University*, 21 (3), 2195-2221. DOI: <https://doi.org/10.24843/EJA.2017.v21i03.p18>.
- Khafid, Muhammad and Mukhibad, Hasan. (2016). Does Accounting-Based Earnings Quality Contribute to Market Outcomes? *Journal of Finance and Banking* 20 (1), 42-49.
- Kurniawan, Christy and Suryaningsih, Rosita (2018). Effect of Accounting Conservatism, Debt To Total Assets Ratio, Liquidity, Profitability and Company size on Earnings Quality. *Journal of Equity*, 21(2), 163-180. DOI: <http://dx.doi.org/10.34209/equ.v21i2.642>.
- Kurniawan, Elan and Aisah, Siti Nur. (2020). The Effect of Investment Opportunity Set, Conservatism and Profit Growth on Earning Quality in Manufacturing Companies in

- Indonesia. Journal of Accounting and Finance (ACRUAL) 2 (1), 55–72.
- Narita, and Taqwa, S. (2020). The Effect of Investment Opportunity Set on Earnings Quality With Conservatism as a Moderating Variable (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) in 2014–2018). *Exploratory Journal of Accounting* 2(1)(c), 2250–2262.
- Purnamasari, Eva dan Fachrurrozie (2020). The Effect of Profitability, Leverage, and Company size on Earnings Quality with Independent Commissioners as Moderating Variable. *Accounting Analysis Journal* 9 (3), 173-178. <https://journal.unnes.ac.id/sju/index.php/aaj>. DOI: 10.15294/aaj.v9i3.42067. p- ISSN 2252-6765 e-ISSN 2502-6216.
- Putra, Noor Yudawan dan Subowo (2016). Earning Quality: The Effect of Accounting Conservatism, Investment Opportunity Set, Leverage, and Company size on Earnings Quality. *Accounting Analysis Journal* 5 (4) 299-306. <http://journal.unnes.ac.id/sju/index.php/aaj>. ISSN 2252-6765.
- Saleh, Salim et al. (2020). Financial Factors Affecting Earning Management and Earnings Quality: New Evidence from an Emerging Market. *ACRN Journal of Finance and Risk Perspectives* 9, 198-216. <http://www.acrn-journals.eu/>.
- Salma, Nur and Riska, Tiara Januar (2019). Effect of Leverage, Liquidity, Profitability on Profit Quality of Food and Beverage Companies on the Stock Exchange. *Journal of Competitive*, 14(2), 84-95.
- Sugianto, Shanty and Sjarief, Julianti. (2018). Analysis of the Effect of Managerial Ownership, Proportion of Independent Commissioners, and Accounting Conservatism on Earnings Quality and Their Effect on Company Value. *Journal of Accounting, Faculty of Economics and Business, Atmajaya University* 12 (1), 80-103.
- Sugiyono. 2016. *Easy Ways to Compose: Thesis, Thesis and Dissertation*. Bandung: Alfabeta.
- Sugiyono. 2019. *Statistics for Research*. Bandung: Alfabeta. Utama,
- Cynthia A. dan Sulistika, Meiti. (2018). Determinants of Investment Opportunity Set (Degree of Internationalization and Macroeconomic Variables). *Gadjah Mada International Journal of Business* 17 (2), 107-124. ISSN: 1141-1128.
- Wardhani, P. A., Putri, R. V. S. and Mulyani, S. D. (2020). Profit Quality of Manufacturing Companies in Indonesia. *Media Research on Accounting, Auditing & Information* 20 (1), 117-134. Doi: <http://dx.doi.org/10.25105/mraai.v20i1.6940>.
- Watts, Ross L. (2003). *Conservatism in Accounting*. The Bradley Policy Research Center Financial Research and Policy Working Paper FR http://papers.ssrn.com/paper.taf?abstract_id=371820.
- Yunita, Putu Astri and Suprasto, Bambang H. (2018). Effect of Conservatism and Investment Opportunity Set (IOS) on Earning Quality. *E-Journal of Accounting, Udayana University* 24 (3), 1908-1937. 2021.

Acknowledgment

the authors are grateful to the various reviewers for their constructive comments in shaping the manuscript.

Funding

Not applicable

Conflicts of interest/ Competing interests:

The authors have no conflicts of interest to declare that are relevant to the content of this article.

Data, Materials and/or Code Availability:

Data sharing is not applicable to this article as no new data were created or analyzed in this study

Publisher's Note

Imperium Research Institute remains neutral with regard to jurisdictional claims in published maps and institutional affiliations

Cite this paper:

Nugroho, B., A. & Krisnando. The influence of accounting conservatism, investment opportunity set (IOS), profitability, and company size on earnings quality. *Journal of Public Auditing and Financial Management*, 2(1), 1-10. <https://doi.org/10.36407/jpafm.v2i1.1588>