THE EFFECT OF GOOD CORPORATE GOVERNANCE AND AUDIT QUALITY ON THE EARNINGS QUALITY MODERATED BY FIRM SIZE

Sihar Tambun
Riris Rotua Sitorus
Ingrid Panjaitan
Ayu Zati Hardiah

ABSTRACT

This research is a research about the effect of good corporate governance and audit quality to earnings quality with firm size as moderating variable. The size of the board of commissioners is measured by the number of internal and external board members, the concentrated ownership is measured by the percentage of shares held, the quality of the profit is measured by the discretionary accruals, the audit quality is measured by the amount of audit fees, and the size of the company is measured by the natural log of total assets. The sample in this research is index Compass 100 companies listed on BEI during 2010-2015 as many as 54 companies. Data collection method using purposive sampling technique. Data analysis technique is multiple panel data regression analysis using STATA software. The results show that the size of the board of commissioners and audit quality has no significant effect on earnings quality. Concentrated ownership has a negative effect on earnings quality. The size of the firm has a significant positive influence on earnings quality and firm size is able to moderate significantly positive and negatively significant impact on audit quality and ownership is concentrated on earnings quality. Meanwhile, firm size is not able to moderate significantly the effect on the size of the board of commissioners on earnings quality.

Key words: Size of Board of Commissioners, Concentrated Ownership, Audit Quality, Profit Quality and Firm Size.

INTRODUCTION

The Earning quality is the earnings component of a form of liability results of every company that has sustainable and stable profits. In the long term, the company's goal is to improve the quality of earnings. Higher quality of corporate earnings reflects a more prosperous owner. Quality of earnings in particular is seen from the earnings used as a basis for decision making a financial report. Earnings is an indicator that can be used to measure the company's operational performance. Creditors and investors use earnings to evaluate management performance, estimate earnings power and predict future earnings to come (Siallagan and Machfoedz, 2006). The financial statements are basically the result of an accounting process that can be used as a tool to communicate financial data or corporate activity to interested parties (Hery, 2012: 3).

International financial standards are needed to align information in financial statements from different countries to harmonize and be used by those in need. International financial reporting standards (IFRS) are international standards that have been recognized and applied in some countries and are believed to improve the quality of financial statements. The adoption of IFRS into domestic accounting standards is to produce quality financial reports that are financial statements that have good credibility and transparency. The application of IFRS as a global standard will have an impact on the fewer choices of accounting methods that can be applied to minimize accounting fraud practices (Prihadi, 2012: 4). The more accounting methods that can be chosen or applied, the more vulnerable also a financial report can be manipulated by the management. This is often associated with the authority of managers to determine the method of accounting that will be used in order to increase, decrease, or even out the earnings. It is therefore expected that the creation of a new standard (IFRS) reduces the chance of managers to manipulate the financial statements (Kristanto et al., 2014).

Table 1. Profit of Company Data of 100 Kompass Index listed on BEI (2011-2015) in

millions of rupiah

Year	Earnings average	Delta Change
2011	2,207,489	-
2012	2,863,913	656,424
2013	1,664,338	(1,199,574)
2014	2,643,281	978,943
2015	1,952,314	(690,967)

Source: The financial statements listed on the Indonesia Stock Exchange (BEI) and processed

Based on table 1. it shows the change in profit obtained by Kompas 100 Index company in 2011 to 2015. the average of Kompas index 100 company's earnings experienced up and down each year. Changes that occurred due to the factor of profit growth in Indonesia slowed due to fluctuations, high inflation, high interest rates, and weakening rupiah exchange rate. Changes in earnings will affect investment decisions of investors who will invest their capital into the company. This is because investors expect the funds invested into the company will obtain a high rate of return (Hastuti, 2014). Changes in the increase or decrease in sales from year to year can be seen from each income statement company. A good company can also be viewed from the aspect of its sales from year to year which continues to increase (Silviana and Nur Fadjrih, 2016).

The price performance of listed companies in Indonesia Stock Exchange (IDX) is not disappointing. While the Kompas index 100, although only contains 100 shares, but has described the entire sector and its shares most often traded in the stock. Due to the advantages possessed by the Kompass 100, many investors are interested in investing in companies that are incorporated in the compass 100. Kompas 100 Index does not only present information that the shares of companies in the index are performing well and have high liquidity, but also presents companies that have good fundamental value (Ramadhani, 2016).

The main objective of the company is to improve the quality of corporate earnings so that the implementation of corporate governance is one of the key elements in improving economic efficiency, which includes a series of relationships between company management, board of commissioners, independent commissioners, audit committees, shareholders and other stakeholders. Corporate governance also provides a structure that facilitates the determination of the objectives of a company, and as a means of determining performance monitoring techniques (Deni et al., 2004). Good Corporate Governance (GCG) is a form of good corporate management, which includes a form of protection against the interests of shareholders (public) as the owners of the company and creditors as external funders. A good corporate governance system will provide effective protection to shareholders and creditors to get back on investment as reasonably, appropriately and efficiently as possible, and to ensure that management is doing as well as it can for the company's interests. A good corporate governance mechanism will provide protection to shareholders and directors to get back on investment as reasonably, appropriately and efficiently as possible and to ensure that management is doing as well as it can for the benefit of the company (Khotimah, 2017).

The concentration of ownership can be an internal mechanism of disciplinary management, as one mechanism that can be used to improve the effectiveness of monitoring, because with large holdings, the shareholders have significant information access to offset the informational gains that the management has. If this can be realized, then the *moral bazard* actions of management will be in the form of reduced profit management (Asward and Lina, 2015).

Another factor affecting earnings quality is audit quality. Auditor quality is not something that can be directly observed. Perceptions on audit quality are always related to the name of the auditor. In this case the company's reputation is the most important picture. Theoretically and empirically, quality is often measured using the size of the Public Accounting Firm (PAF). A good auditor's reputation is one factor that can reduce the occurrence of earnings management action, because with the existence of a poor reputation then the manager has the opportunity to make earnings management. Auditing is a valuable control mechanism in controlling the company's managerial policy, then this value is expected to vary with the quality of Public Accounting Firm (PAF) (Khotimah, 2017). Abbot et al. (2004) stated that there is a significant positive influence between the independence and expertise of the audit committee on the audit fee, but there is no significant effect between the frequencies of meetings of the audit committee on audit fees. Carcello et al. (2002) uses data from Australia, suggesting that companies with better internal structures or governance structures will result in higher quality audit demands and thus pay higher audit fees.

In addition to the above two factors, another factor that affects the quality of profit is the size of the company. Firm size represents the average total net sales for the year to upcoming years. The size of a company can show how much information it contains, and reflects the management's awareness of the importance of information. Signal theory predicts a positive correlation between firm size and financial statement integrity, since large companies are more reliable in presenting financial statements to have a positive signal in the eyes of the public (Paramita Hana and Nur, 2014).

The position of this study among the previous researchers is to combine existing research and place firm size as a moderating variable. So that the influence of good corporate governance and audit quality to earnings quality moderated by firm size will be tested. Research question in this paper is first, Is there a significant effect of the size of the board of commissioners on the earnings quality? Second, Is there a significant effect of concentrated ownership on earnings quality? Third, Is there a significant effect of the amount of fee on earnings quality? Fourth, Is there a significant effect of firm size on earnings quality? Five, Is the size of the company able to moderate the effect of the size of the board of commissioners on earnings quality significantly? Six, Is firm size able to moderate the effect of concentrated ownership on earnings quality significantly? The last, Is the size of the company able to moderate the effect of the amount of fee on earnings quality significantly?

LITERATURE REVIEW

The agency theory was first stated by Jensen and Meckling (1976) which states managers of a company as "agents" and "principal" shareholders. There are two mechanisms for resolving agency conflicts: monitoring and bonding mechanisms. Existing agency conflicts that cannot be overcome by both mechanisms are called residual loss. Monitoring mechanism is run by internal and external company to agent. This mechanism is run by internal parties such as through the effective role of the board of commissioners (in two tier structures) or non-executive boards (in one tier structure), audit committees, and internal auditors, as well as externally by auditors, media and regulators. Meanwhile, the mechanism of bonding is a mechanism that binds the agent so that it can behave in line with the interests of the principal. This mechanism runs through compensation policies, and

managerial ownership. This is because both parties have a very big role in the financial reporting process and have adequate understanding of the company's financial statements.

Relationship of the agency theory with earnings quality variable is a relationship that cannot be separated from the agency conflict. When the owner (principal) gives decision-making authority to the management (agent), consequently, the management has more information than the owner. This sort of thing leads to the nature of management reporting earnings opportunistically for its own sake. The earnings quality will be low if this happens to the company. The earnings quality can also be doubted if it's not reported according to the facts that occurred. The current year's earnings is of good quality if it becomes a good indicator of future earnings, or is strongly related to future operating cash flows. earnings can be said to be of high quality if the reported earnings can be used by the users to make the best decision, which is profit that has the characteristics of relevance, reliability and comparability or consistency (Sutopo, 2009).

Based on the decision of the BEJ Board of Directors No: Kep-305 / BEJ / 07-2004, in the case of good corporate governance, the company must have an independent commissioner proportionally equal to the number of shares owned by non-controlling shareholder provided that the number of independent commissioners is at least 30% (thirty percent) of the total members of the Board of Commissioners.

The duty of the board of commissioners is to supervise and advise the directors in running the company. The directors themselves are fully responsible for the management of the company for the interests and objectives of the company and represent the company both inside and outside the court. What needs to be noticed is the independence of the board of commissioners. The independence here means that members of the board of commissioners do not have too close relationships with management nor with the company through significant transactions, family relationships and other relationships that may cause independent commissioners to not think objectively (Pujiningsih, 2011).

H1: The size of the Board of Commissioners has a significant effect on the Earnings Quality.

The structure of stock ownership will give an idea of the distribution of power and its influence among shareholders over the company's operational activities. One characteristic of the ownership structure is divided into two forms of ownership structure: concentrated ownership and dispersed ownership. Concentrated shareholding is a situation where most of the shares are owned by a small number of individuals or groups, so the shareholder has a relatively dominant number of shares compared to others. While dispersed shareholding is a situation where share ownership spreads relatively evenly to the public, no one has more dominant shares than others. Concentrated ownership represents the size of the percentage of share ownership within the company. Concentrated ownership acts as a corporate governance mechanism in reducing agency issues because concentration of ownership can enable shareholders to be in a position to effectively control management, thus encouraging management to act in the best interests of shareholders (Asward and Lina 2015). H2: Concentrated Ownership has a significant effect on the Quality of Profit.

De angelo (1981) defines audit quality as a combined probability for detecting and reporting material errors in financial statements. Audit quality is seen as an ability to enhance the quality of corporate financial reporting. With high audit quality, it is expected to increase the investor confidence. Meutia (2004) defines audit as a process to reduce the misalignment of information available between managers and shareholders by using outside parties to authorize financial statements. Audit quality is one of the information that can weaken and strengthen the quality of audited financial statements. Auditor quality is able to detect earnings management actions performed by clients. The opinion provided by the auditor to the company as unqualified is the most indispensable opinion of the company, as it assures that the quality of audited financial statements is free from material misstatement, whether caused by error or fraud and in accordance with the financial accounting standards. High audit quality will increase investor confidence. H3: Audit quality negatively affects Profit Quality.

Firm size is the value that gives a picture on how big or small a company is. Some of the proxies typically used to represent firm size are number of employees, total assets, total sales and market capitalization. The more the number of employees means more and more results are produced. The greater the asset means that the more capital is invested. The higher the number of sales is, the more money circulation will be and the higher the market capitalization is the more noticeable it will be in the community. Larger companies will usually have a larger role as stakeholders. This will make the policies issued by large companies will have a greater impact on the public interest than small companies. Therefore large companies will be noticed by the community so they will be more careful in doing financial reporting. So the condition of the reported financial report must be more accurate (Dinni and Sudantoko 2012). H4: Firm size has a significant effect on Profit Quality.

The quality of earnings can also be influenced by firm size. The larger the size of a company, the higher the going concern of the company in improving the financial performance that cause the company not tend to practice earnings management (Riska and Endang Surasetyo, 2016). The composition of the board of commissioners is one of the characteristics of the board related to the information content of earnings. Through its role in carrying out supervisory functions, the composition of the board can influence the management in preparing the financial statements so as to obtain a quality earnings report (Boediono, 2005). H5: Firm size is able to moderate Board of Commissioner's Size on Earnings Quality.

Concentrated ownership is able to control and reduce the manipulation behavior of earnings made by managers, so that reported earnings quality can increase. Manager who acts as a shareholder at the same time can increase the value of the company, so as a shareholder, its value of wealth will also increase (I Ketut Gede Adi Mas and Ni Putu Ayu, 2017). The size of a company can determine how much profit management practices are performed by a company manager. Large companies tend to be cautious in

managing companies and tend to manage earnings efficiently (Christiani et al., 2014). There are two views about the firm size form on earnings management. In the first view, the small sized company is considered to do the practice of earnings management more than the big companies. H6: Firm size is able to moderate Concentrated Ownership on Profit Quality.

Large firms have greater and broader access to external sources of funding, so getting a loan will be easier because it is said that larger companies have a greater chance of winning the competition or staying in the industry (Lisa and Jogi, 2013) . The firm size is the scale of the company seen from the total assets of the company at the end of the year. Total sales can also be used to measure the size of the firm, since the costs that follow the sales tend to be larger, then companies with high sales rates tend to choose accounting policies that reduce earnings (Sidharta, 2000). H7: Firm size is able to moderate Audit Quality on Earnings Quality.

RESEARCH METHODS

This research was conducted in Kompas 100 Index Company which are listed in Indonesian Stock Exchange. This study uses secondary data. The sample in this study was 54 Kompass 100 Index Companies in 2011-2015. The criteria set in the sampling of this study are companies whose annual financial report data is not available on the website (BEI). The operationalization of variables used in this study are:

Tabel 2. Variable Operational

No	Variable	Dimension	Indicator	Measurement	Source
1	Size of board of commissioners (X1)		Total Members of internal and external commissioners	Ratio Scale	Muhammad Ibnu Hakim, 2017
2	Concentrated Ownership as a form of Good Corporate Governance (X2)		Dominant Shares Total of share capital	Ratio Scale	Muhammad Ibnu Hakim, 2017
3	Number of Fee as a form of Audit Quality (X3)		Jumlah fee KAP yang mengaudit perusahaan tersebut	Ratio Scale	Deis & Giroux, 1992 dan Ghozali, 2006
4	Earnings Quality (Y)	ΔE	Net profit Operating cash flow Income change Total assets Fixed assets Total assets Income Change Total assets	Ratio Scale	Dechow, 1995
5	Firm size (Z)	Ln Assets	Ln Assets	Ratio Scale	Laillatul Khotimah, 2017

This research was processed by using Stata software and using two models. The regression equation in this study is described as follows:

The First Model

$$KLAit = \alpha + \beta 1\ KTit + \beta 2\ JFit + \beta 3\ SPZit + \varepsilon it \quad \text{..... (1)}$$

The Second Model

$$KLAit = \alpha + \beta 1\ IntKTit + \beta 2\ IntJFit + \varepsilon it \quad \text{..... (2)}$$

RESULTS AND DISCUSSION

Tabel 3. Descriptive Statistic

Variable	Obs	Mean	Std.Dev.	Min	Max
KLA	270	0.000000	0.9944082	-1.377234	13.97011
UDK	270	5.818519	1.819052	2	12
KT	270	0.5048145	0.1911436	0.0028233	0.8578058
JF	270	405148	274239.7	8907	780774
SPZ	270	25.470.000	34.370.000	1.327.802	245.580.000

Information:

KLA is the quality of profit measured by the proxy of discretionary accruals, **UDK** is the board of commissioners size of the first proxy of good corporate governance measured by the board of commissioners (internal and external). **KT** is the second concentrated proportion of good corporate governance that is measured by the ratio of shareholders. **JF** is the proxy fee amount of audit quality measured from the Log Σ Total Fee Audit received by KAP within one year. **SPZ** is the size of a company measured by Log Σ Total Assets.

Source: Processed Data with Stata, 2017

The obs data processed in this study showed 270 samples. The earnings quality variable has an average of 0.0000 which means that the data indicate less quality earnings (discretionary accruals). The size of the board of commissioners in every company has an average of 5.8185 or 5 to 6 members of boards of commissioners in each company. At least 2 members and the maximum of 12 members become internal and external commissioners. The average value of concentrated ownership is 51%. The amount of audit fees annually that is received in PAF big four has an average of Rp. 405,148,000,000, -. The average value of firm size from total assets of each company is Rp. 25,470,000, -.

Table 4. Test Result of The Effect of Good Corporate Governance and Quality Audit on Earnings Quality

KLA it = □ + □$_1$ **UDK** + □$_2$ **KT** + □$_3$ **JF** + □$_4$ **SPZ** + ε_{it}

- H1: Ukuran dewan komisaris terhadap kualitas laba
- H$_2$: Kepemilikan terkonsentrasi terhadap kualitas laba
- H$_3$: Jumlah *Fee* terhadap kualitas laba
- H4: Ukuran perusahaan terhadap kualitas laba

Earnings Quality (KLA)	Prediction	Coefficient	Prob t-Stat
Size of Board of Commissioners (UDK)	+/-	-1.4475	0.304
Concentrated Ownership (KT)	+/-	-12.4172	0.000***
Amount of (JF)	+/-	-0.9313	0.627
Firm size (SPZ)	+/-	1.8427	0.085**
N		:120	
R Square		:0.1128	
Prob F		: 0.0000	

Description: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level. **KLA** is the quality of profit measured by the proxy of discretionary accruals. **UDK** is the size of the board of commissioners of the first proxy of good corporate governance measured by the board of commissioners (internal and external). **KT** is the second concentrated proportion of good corporate governance that is measured by the ratio of shareholders. **JF** is the proxy fee amount of audit quality measured from Log Σ Total Fee Audit received by KAP within one year. **SPZ** is the size of a company measured by Log Σ Total Assets.

INTUDK is the interaction of the size of the board of commissioners and the size of the company as a moderating variable. **INTKT** is the interaction of the result of multiplication of concentrated ownership and firm size as a moderating variable. **INTJF** is the interaction of the result of multiplication of fee amount and firm size as moderation variable.

Source: Processed Data with Stata, 2017

From the first experiment, the obtained results is that this data has a problem of normalization because the combined value of K-S <5%. The solution is by performing a natural logarithmic process (Ln) on the Earnings quality variable (KLA) which reduces the samples unqualified profits. So the number of samples used becomes 120. The results of this normality test can be seen in appendix 9. Furthermore, there are multicollinearity, autocorrelation and heteroscedasticity problems. there is a problem with the Multicollinearity test because the value of vif 86.80> 10 then the solution is to do data centering process to be free from multicollinearity problem. The results of this multicollinearity test can be seen in Appendix 6. The autocorrelation test has a problem because the value Prob> F = 0.0221 is below 5% significant value then the solution is to do data centering process. The results of this multicollinearity test can be seen in appendix 7. At the time of heteroscedasticity testing, there is a problem because the value Prob> chi2 = 0.0000 is below 0.05 then the solution is to do robust modification process. The results of this heteroskedasticity test can be seen in Appendix 8. After the classical assumption test is done, natural logarithm, centering and modification of robust occurs, so that Chow, LM and Hausman testing are done to ensure the most suitable test model. The results prove that the most suitable model is the fixed effect model.

Table 5. Test Result of the Effect of Good Corporate Governance and Audit Quality on Earnings Quality moderated by Firm Size

KLA it = □ + □1 INTUDK + □2 INTKT + □3 INTJF + εit			
• H5: The size of the board of commissioners to the quality of earnings moderated by firm size • H6: Ownership is concentrated on earnings quality moderated by firm size • H7: Number of Fee against earnings quality moderated by firm size			
Earnings Quality (KLA)	**Prediction**	**Coefficient**	**Prob t-Stat**
INTUDK	+/-	-0.1798	0.351
INTKT	+/-	-1.8661	0.000***
INTJF	+/-	0.2801	0.003***
N		:120	
R Square		: 0.0942	
Prob F		: 0.0000	
Description: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level. KLA is the quality of profit measured by the proxy of discretionary accruals. UDK is the size of the board of commissioners of the first proxy of good corporate governance measured by the board of commissioners (internal and external). KT is the second concentrated proportion of good corporate governance that is measured by the ratio of shareholders. JF is the proxy fee amount of audit quality measured from the Log Σ Total Fee Audit received by KAP within one year. SPZ is the size of a company measured by Log Σ Total Assets. INTUDK is the interaction of the size of the board of commissioners and the size of the company as a moderating variable. INTKT is the interaction of the result of multiplication of concentrated ownership and firm size as a moderating variable. INTJF is the interaction of the result of multiplication of fee amount and firm size as moderation variable.			

Source: Processed Data with Stata, 2017

In this model, the selection of test models that best suits the model selection is also the common effect model, fixed effect model, and random effect model. The Chow test in model 2 results in a good fixed effect model, because the value of rho generated 0.80405> 0.5. The result of LM test in model 2 resulted in a good commond effect model, since the result of this test prob values> chibar2 produced 0.1188> 0.05. While Hausman test results in model 2 results in a good random effect model, because the value produced is 0.1471> 0.05. From the test results of these three models, it can be concluded that the most suitable model is fixed effect model. The complete results of this model selection can be seen in appendix 11, appendix 12 and appendix 13. Next, the classic assumption test is done on model 2 and problems that occur are the same as model 1. Because of the normality value in the sample data variable to find a quality earnings, then the less qualified earnings is eliminated by means of the natural logarithm (Ln). The results of this normality test can be seen in Appendix 17. Furthermore, multicollinearity, autocorrelation and heteroscedasticity problems are also found in this model 2 where multicollinearity test is greater than vif value 10. While the autocorrelation test results is below 5% significant value, which indicates the occurrence of autocorrelation. Meanwhile, the heteroscedasticity test of Prob value> chi2 is below 0.05. The solution is the same as model 1 with natural logarithm, centering and robust modification, so that Chow, LM and Hausman testing are done to ensure the most appropriate test model. The results prove that the most suitable model is fixed effect model.

DISCUSSION OF RESEARCH RESULTS

At this stage, there are two proven research hypotheses, namely the first hypothesis and the second hypothesis. The results of hypothesis verification can be seen in table 4. The results of the first hypothesis testing about the effect of board size on the quality of earnings shows the coefficient of -1.4475 with Prob t-stat 0.304 is not significant. This means that **the first hypothesis**

is rejected. This shows that the size of the board of commissioners cannot guarantee a quality earnings in a company. The results of this study are in line with Nasution and Setiawan (2007), Akhmad Afnan (2014) and Paul et al (2017), that the size of the board of commissioners does not affect the earnings quality.

The second hypothesis test results on the effect of concentrated ownership on earnings quality showed coefficient value -12.4172 with Prob t-stat 0,000 significant at alpha 1%. This means that **the second hypothesis is accepted**. The negative impact coefficient of -12.4172 proves that the higher the concentrated ownership is, the worse the Earnings quality will be. This shows that concentrated ownership negatively affects earnings quality. The results of this study are not in line with Siregar and Utama (2005) and (Dinni and Sudantoko 2012) which found no evidence of a significant relationship between earnings quality and concentrated ownership.

The results of the third hypothesis verification can be seen in table 4. The result of the third hypothesis testing about the effect of the amount of fee on earnings quality shows the coefficient value -0.9313 with Prob t-stat 0.627 which is not significant. This means that **the third hypothesis is rejected**. This shows that the amount of fee cannot guarantee the earnings quality in a company. The results of this study are not in line with De Angelo (1981), Kibiyaa (2016), Tarak (2016) and Musa et al (2017).

The results of the fourth hypothesis can be seen in Table 4. The results of the fourth hypothesis testing about the effect of firm size on the earnings quality shows a positive coefficient of 1.8427 with Prob t-stat 0.085 significant at alpha 10%. This means that **the fourth hypothesis is accepted**. This indicates that the higher or larger the size of the firm, the better the quality of the profit. The results of this study are in line with Lennox (1999), Riska and Endang Surasetyo (2016), and Wael and Ronan (2017).

At this stage, there are two research hypotheses proved in model 2, the fifth hypothesis and the sixth hypothesis. The results of hypothesis verification can be seen in table 5 The result of the fifth hypothesis testing about the effect of the size of the board of commissioners on the earnings quality moderated by firm size shows the coefficient of -0.1798 with Prob t-stat 0.351 is not significant. This means that **the fifth hypothesis is rejected**. This indicates that the size of the board of commissioners moderated by firm size cannot affect the quality of the firm's earnings.

While the results of the sixth hypothesis testing about the effect of concentrated ownership on the earnings quality moderated by the firm size shows the coefficient value -1,8661 with Prob t-stat 0,000 significant at alpha 1%. This means that **the sixth hypothesis is accepted**. The negative impact coefficient of -1.8661 proves that the higher concentrated ownership moderated by firm size, the worse the earnings quality will be. This suggests that concentrated ownership moderated by firm size negatively affects earnings quality.

The results of the seventh hypothesis can be seen in table 4.5. The results of testing the seventh hypothesis about the effect of the amount of fee moderated by the size of the company on the earnings quality shows the value of positive coefficient of 0.2801 with Prob t-stat 0.003 significant at alpha 1%. This means that **the seventh hypothesis is accepted.** Proving that the higher the amount of the fee that is moderated by the size of the company, then the higher the earnings quality is. This indicates that the amount of fee that is moderated by the size of the company can improve the earnings quality in a company. The results of this study are in line with Wael and Ronan (2017).

CONCLUSION

The conclusions of the results of this study are the hypothesis found empirical evidence that the size of the board of commissioners does not affect the earnings quality. The empirical evidence that concentrated ownership negatively affects the earnings quality. The amount of fee as a form of audit quality cannot affect the quality of the company's earnings. The size of the company has a positive influence on earnings quality. The relationship of firm size moderate the size of the board of commissioners has no effect on the quality of earnings. The relationship of firm size that moderate concentrated ownership has negative effect on the earnings quality. The firm size can moderate the relationship between audit quality and earnings quality.

For further research, this research can be used as reference and subsequent consideration of the researchers with the addition of different independent variables in affecting the earnings quality. Researchers can then conduct research with data or samples other than the Kompass 100 index on the Indonesia Stock Exchange. Further research is expected to increase the number of years of research in order to get more accurate research results.

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Sihar Tambun
Accounting Program of Universitas of 17 Agustus 1945 Jakarta
Email: sihar.tambun@uta45jakarta.ac.id

Riris Rotua Sitorus
Accounting Program of Universitas of 17 Agustus 1945 Jakarta
Email: riris.sitorus@uta45jakarta.ac.id

Ingrid Panjaitan
Accounting Program of Universitas of 17 Agustus 1945 Jakarta
Email: ingrid.panjaitan@uta45jakarta.ac.id

Ayu Zati Hardiah
Accounting Program of Universitas of 17 Agustus 1945 Jakarta
Email: ayuzhaty4@gmail.com