JAI: Jurnal Akuntansi Integratif
Vol. 9 No. 2 (2023): Volume 9 Nomor 2 Oktober 2023, 220-234
ISSN: 2715-0658 [Online]; 2502-5376 [Printed]
https://10.29080/jai.v9i2.1503

PROFIT QUALITY ANALYSIS OF INVESTMENT OPPORTUNITY SET, LEVERAGE, AND GOOD CORPORATE GOVERNANCE

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Abstract

This research is motivated by the company's investment decisions during the pandemic to increase its business scale in the future which gives investor's confidence in making financial decisions. The purpose of current study is to investigate how profit quality is impacted by good corporate governance, leverage as well as investment opportunity sets. The DER was used to measure the leverage, the market book value of asset ratio was used to measure the IOS, and the proportion and quantity of firms' ownership of the audit committee, independent commissioner board, managerial ownership, and institutional ownership were all used to measure GCG. It was a quantitative study. Food and beverage businesses that were listed on the IDX (Indonesia Stock Exchange) also made up the population. The method of gathering data employed purposive sampling. 13 businesses made up the sample in accordance with that. Moreover, the data was collected during a three-year period (2019–2021). 39 pieces of data in all were examined. The t-test, F-test, R2 test, and multiple linear regression were also employed in the data analysis technique. The outcome showed that there was a negative correlation between profit quality and the set of investment opportunities. On the other hand, managerial ownership improved the quality of profits. On the other hand, the quality of profits was unaffected by leverage, institutional ownership, the independent commissioner board, and the audit committee. These results imply the failure of all sample firms to achieve positive returns on their investment sets in assets during the pandemic. Not a single firm was able to show positive prospects for investment opportunities during the pandemic.

Keywords*: good corporate governance; leverage; profit quality; investment opportunity sets.*

Abstrak

Riset ini termotivasi oleh pilihan keputusan investasi firma selama rentang pandemi untuk mengeskalasi skala bisnisnya di masa depan yang memberi keyakinan kepada investor untuk mengambil keputusan finansial. Riset ini menyediakan bukti empiris bagaimana kualitas laba firma teruji melalui leverage, GCG, dan IOS. DER digunakan untuk mengukur leverage, MBV terhadap asset digunakan untuk mengukur set peluang investasi, dan beberapa indicator GCG seperti proporsi komite audit, kepemilikan institusi dan manajer serta komisaris independen digunakan mewakili GCG. Riset ini menggunakan wilayah generalisasi bisnis F&B. Berdasarkan kriteria sampling yang digunakan, riset ini menggunakan 13 sampel terpilih pada rentang tahun 2019-2021 sehingga jumlah amatan adalah 39. Berdasarkan instrumen pengujian yang telah ditetapkan, riset ini memperoleh dukungan statistic dengan arah negative untuk IOS dan kualitas profit. Sementara itu, dukungan statistic dengan arah positif berhasil diperoleh untuk variable kepemilikan manajer. Di sisi lain, tiga dimensi GCG seperti komite audit, leverage, komisaris, dan kepemilikan institusi tidak didukung secara statistic. Hasil ini mengimplikasi kegagalan seluruh firma sampel meraih return positif atas set investasi pada asetnya selama pandemi. Tidak ada satupun firma yang mampu menunjukkan prospek positif atas kesempatan investasi yang dilakukan selama pandemi.

***Keywords**: good corporate governance; leverage; profit quality; investment opportunity sets*

INTRODUCTION

The development of the era that is getting faster at this time is supported by globalization where business competition is getting tougher so companies are required to be able to provide accurate information from business activities that have been carried out. This is to support the needs of investors and potential investors regarding various information as a basis for making investment decisions. Investment activity is currently starting to dominate Indonesian society in various circles to the statement of the KSEI (Indonesian Central Securities Depository) that the quantity of Indonesians investing in capital market stocks at the end of June 2022 has reached 4.002.289 Single Investor Identification (SID) with 99.7% being local investors. In addition, the presentation of financial statements is an important source of information that is useful for internal parties such as company management and external parties including investors, creditors, suppliers, shareholders, customers, government, employees, and the general public. Financial statements are a presentation of financial position and performance achievements that have been carried out by an entity which are presented in a structured manner to be able to provide information for users as a basis for consideration in making economic decisions. The financial statements show the results of accountability for management performance in managing the resources provided and entrusted by investors to management .

The main purpose of business activity is to gain profit from the activities or sacrifices that have been carried out. Profit is an indicator used to measure the operational performance that has been carried out by the company in one accounting period, profit is among the crucial information presented in the monetary reports that are of concern to the company's stakeholders. Profit information is an important part of internal and external parties of the company, external parties will be more interested in investing in companies that have experienced a significant increase in profits from period to period (Maghfiroh and Fidiana 2019). Profit Quality, namely profit can reflect the firms' actual condition (Duarte, Lisboa, and Carreira 2022). Earnings quality affects investors' decisions in making investment decisions in a company. Investors want the capital they invest to be able to generate a profit level that is as expected. Earnings quality, namely the ability to determine the actual condition of profits at the company and predict future profits by considering the stability of the company and profit sustainability in the future (Dang and Pham 2022; Rezaee and Tuo 2019). The basis of record used by each company also provides information regarding the acknowledgment post for each transaction that occurs.

Several factors that can affect the quality of earnings, in this study including factors originating from the size of the company's financing and investment decisions, namely leverage and Investment Opportunity Set (IOS), factors originating from deviant actions within the company so that good CG is needed.

Leverage is one of the factors identified as affecting the quality of company profits, companies that are still starting up or in the developing stage have limited funding sources from internal funding sources, so companies seek sources of funds from external companies (Sujoko and Soebiantoro 2017; Detthamrong, Chancharat, and Vithessonthi 2017). Companies that have high leverage will tend to perform higher earnings management than companies that have low leverage, this causes lower earnings quality (Zamri, Rahman, and Isa 2013).

A collection of investment possibilities with a positive present value and the potential to impact the expansion of business assets is known as the Investment Opportunity Set (IOS). With this investment it is hoped that the company can provide a greater rate of return in the future (Andriani, Nurnajamuddin, and Rosyadah 2021). IOS describes the size of the investment set that the company will make to increase profit growth later on, firms with a high IOS score possess excellent development prospects and wide growth opportunities, so this can affect the amount of revenue generated by the firm and the quality of earnings information provided.

Earnings management practices that occur in companies lead to the need for good corporate governance as an effort to minimize this. In this study, four mechanisms of good corporate governance will be used which aim to reduce agency conflict and company earnings management so that the steps taken by agents are aligned with the principals, namely managerial ownership, institutional ownership, independent commissioners' board, and audit committee.

Managerial ownership, namely the proportion of share ownership by managers and directors whose aim is to manage the business so that they can do their duties it will increase management motivation in producing quality profits (Alzoubi 2016).

Institutional ownership is share ownership by other than management or company managers, for example, share ownership by the government, pension funds, investment companies, financial institutions, legal entity institutions, and other institutions (Alzoubi 2016). Institutional ownership has a supervisory function in the company because these institutions have more ability to supervise and detect errors in the actions of company management than individual investors.

The independent commissioners' board is a party in the firm that oversees whether or not it is running optimally or not including the implementation of corporate governance by company management (Alzoubi 2016). The independent commissioners' board in a company must act as an impartial third party because the independent commissioners' board contributes effectively to supervising the preparation of reports impartially or objectively and the independent commissioners' board does not come from affiliated side who are affected when making decisions only for personal interests in a special relationship.

The audit committee is the party that helps the commissioners' board to supervise the preparation of the firm's financial reports (Pramaiswari and Fidiana 2023). Aside from being a supervisory function, the audit committee also functions to increase the effectiveness, openness, responsibility, and objectivity of the company's management performance so that the implementation of operational activities and the preparation of financial reports do not deviate from the established standards.

Considering the background information provided above, this study has the following objectives to test and analyse the effect of: (1) leverage on quality of earnings, (2) Investment Opportunity Set (IOS) on earnings quality, (3) managerial ownership on earnings quality, (4) institutional ownership on earnings quality, (5) an independent commissioners' board on quality of earnings, (6) the audit committee regarding the quality of profits.

This study expands existing IOS studies by emphasizing in F&B industry were chosen in line with the aim of examining the quality of profits during the pandemic period. This industry is one of the industries that continues to grow during the pandemic and even contributes to the growth of the non-oil and gas industry.

Apart from that, under normal economic conditions, the company's prospects will usually be seen through the choice of investment set. This research is different from other similar research because it was developed in a difficult economic situation during the pandemic, so we want to examine further whether companies can still achieve positive returns from their investment decisions.

This study is expected to contribute to developing insight into the literature on company investment opportunity sets during unusual economic conditions so that the struggle to obtain positive returns can be achieved or not.

Agency conflict underlies the importance of studying earnings quality (Islam, Haque, and Moutushi 2022). Agency conflict incentivizes managers to engage in unethical practices, such as profit manipulation (Barth, Cram, and Nelson 2001).

The difference in interests between the agent and the principal leads to allegations of profit management by the agent. Meanwhile, investors as fund owners want quality profit information to support appropriate decision making, which is reflected in rare profits.

Earnings quality is an important part of financial reports. Quality earnings can reflect sustainable earnings. Quality profits have at least three characteristics (1) are able to describe the company's real operational activities (2) provide information and projections of the company's performance in the future (3) are instruments for assessing company performance.

RESEARCH METHOD

The researchers of this study employed quantitative research methodology. Quantitative studies aims to analyze an existing phenomenon based on quantitative data in the form of numbers or mathematical figures is analyzed using statistics (Ghozali 2018). This study uses the financial reports of food and beverage firms listed on the Indonesia Stock Exchange (IDX) for 2019-2021. We used a purposive sampling method by implementing certain criteria as in the following table:

Table 1: Sample Selection Process

No.	Information	Amount
1	Food and beverages firm listed on IDX	72
2	Firms with no complete fin. reports	(23)
3	Firms with no rupiah currency.	(2)
4	Firms with loss statements	(18)
5	Firms with no institutional ownership data.	(2)
6	Firms with no managerial ownership data.	(14)
The Sample		13
The Observations		39

Source: own calculation, 2023

In this study, earnings quality is the dependent variable. We are using the Modified Jones Model, namely by calculating discretionary accrual (DA), the calculation can show the components of the company's manipulated accruals or earning actions management, so the smaller the discretionary accruals, the profit generated is by with the company's operating profit, the better the quality of earnings (Peasnell, Pope, and Young 2000).

TACCit = EXBTit - OCFi ……………..(1)

Least Square (OLS), an ordinary regression equation, is used to estimate the total accrual value with the following calculation:

$TACCit/TAit\text{-}1=\beta_1(1/TAit\text{-}1)+\beta 2(\Delta REVit/TAit\text{-}1)+ \beta 3\ (PPEit/TAit\text{-}1) + e$……….(2)

Nondiscretionary Accruals can be calculated using the following formula:

$NDACC_{it}= \beta 1(1/TA_{it}\text{-}1) + \beta 2\ ((\Delta REV_{it}\text{-}\Delta RECit)/TAit\text{-}1)) + \beta 3(PPEit/TAit\text{-}1)$....(3)

Discretionary accruals can be calculated and formulated as follows:

DACCit = (TACCit /TAit-1)-NDACCit (4)

Information:

TACCit : Total accruals (year t).

EXBTit : Net profit (year t).
OCFit : Cash flow (year t).
TAit-1 : Total assets end of year t-1.
ΔREVit : Income year t-1 to year t.
PPEit : Property, Plant, Equipment
β1, β2, β3 : Jones coefficients
ΔRECit : Receivables year t-1 to year t.

Leverage is a comparison or ratio that expresses how much debt there is used as a source of operational costs (Fahmi, 2013). In this current research, leverage within the company is calculated using DER to provide an overview of the total capital of companies that use debt (Trafalgar and Africa 2019; Welch 2011; Nukala and Prasada Rao 2021).

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \text{ x } 100\%$$

Investment Opportunity Set (IOS), namely the present value in the form of company choices to make the right investment steps in the future (Andriani, Nurnajamuddin, and Rosyadah 2021). In this study Investment Opportunity Set (IOS) is measured based on price-based proxies because company growth is expressed based on stock prices, the ratio used in this study is MBVA (Market to Book Value Asset Ratio) (Marheni 2018; Tseng and Goo 2005; Suranta and Alafi S. 2018):

$$\text{MBVA} = \frac{\text{Total Asset} - \text{Total Equity} + (\text{Share outstanding} \times \text{closing price})}{\text{Total Asset}}$$

The percentage of a company's entire share capital that is owned by its management is known as managerial ownership. The percentage of all outstanding shares that are owned by management is how managerial ownership is determined (Gunawan and Fidiana 2021), which is formulated as follows:

$$\text{Managerial Ownership} = \frac{\text{shares owned by management}}{\text{outsanding share}} \text{ x } 100\%$$

Institutional ownership, namely share ownership by other than the management or company managers, for example, share ownership by the government, pension funds, investment companies, financial institutions, legal entity institutions, and other institutions. Institutional ownership is measured by the percentage of share ownership by institutional parties of all outstanding shares (Gunawan and Fidiana 2021; Alkilani, Hussin, and Salim 2019; Matos 2020; Sakawa and Watanabel 2020; Silvola and Vinnari 2021), which is formulated as follows:

$$\text{Institutional Ownership} = \frac{\text{shares owned by institution}}{\text{outsanding share}} \text{x } 100\%$$

An independent commissioners' board, namely commissioners in a company who do not come from parties who have a special relationship, for example, business relations and families of the controlling shareholder of the company, members of the board of directors and other boards of commissioners and the owner of the company itself. Independent commissioners' board is formulated as follows (Demsetz and Lehn 1985; Al Amosh and Khatib 2022; Leipziger and Leipziger 2019):

$$\text{Independent Board of Commissioners=} = \frac{\text{Number of independen commissioners}}{\text{Number of commissioners}} \text{x}100\%$$

The audit committee is responsible for supporting the board of commissioners in monitoring management's financial reporting process. In accordance with Financial Services Authority Regulation Number 55/POJK.04/2015, which establishes the parameters and guidelines for the execution of audit committee work, at least issuers have 3 (three) audit committees. Based on these regulations, this research uses the number of audit committees measured using the formula (Abbott et al. 2003; Bhuiyan and D'Costa 2020):

Audit Committee = $\frac{\text{Number of audit commitee}}{\text{Number of required audit committee}}$ x 100%

RESULTS AND DISCUSSION

In this study, there are outlier data. According to Ghozali (2018), the outlier is data that has very different characteristics from other data so that extreme values appear in both a single variable and a combination variable. Data that are outliers that cause abnormality are excluded from the study so that the research can still be carried out. Before the outliers, there were 39 processed data and 3 outlier data, so this study used 36 processed data.

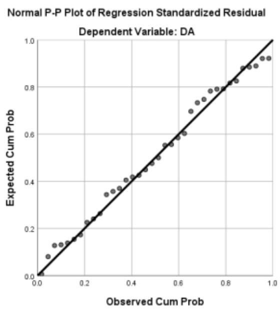
Table 2: Descriptive Statistical Analysis

	N	Min	Max	Means	Dev
DA	36	-.194	.016	-.08035	.052331
LEV	36	.148	2,300	.80712	.585893
IOS	36	.310	5,251	2.13834	1.238428
KM	36	.000	.538	.08619	.141802
KI	36	.238	.979	.60419	.183823
DK	36	.333	.500	.37662	.065460
KA	36	1,000	1,333	1.00926	.055556
Valid	36				

Source: own statistical test results

Normality test has the goal of knowing whether or not the residual value is normal in a study. The results of the normality test using the normal probability plot graphical approach to the data after the outliers are performed.

Figure 1: Normal Probability Plot Graph



Source: own statistical test results

It is clear from Figure 1's normal probability plot graph that the data utilized is normally distributed because the dots move to approach and follow the diagonal line. Additionally, an Asymp value. Based on the 2-tailed significance value (KS 0.200 < α 0.05), it may be inferred that every variable has a normal distribution.

The purpose of the multicollinearity test is to determine whether or not the independent variables in the regression model have a correlation or link, as presented in table 3.

It demonstrates that the Inflation VIF, Variant value factor and each research variable's tolerance value more than 0.1 (tolerance > 0.1) is smaller than 10 (VIF < 10), so from the results of the data processing it can be concluded that it does not occur or is free from multicollinearity.

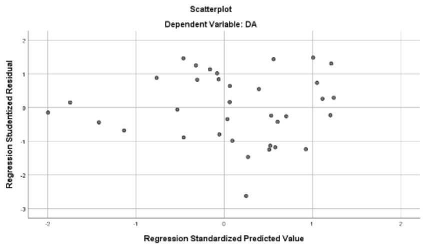
Table 3: Multicollinearity Test

Var.	Tol	VIF
LEV	.756	72
IOS	.615	(23)
KM	.385	(2)
KI	.446	(18)
DK	.460	(2)
KA	.634	(14)

Source: own calculation, 2023

Heteroscedasticity test has the objective of testing whether or not the similarity of variance and residual values occurs from observation to other regression model observations. The scatterplot graphical test is the one used in this investigation and using the calculation numbers:

Figure 2: Scatterplot Graph



Source: own statistical test results

The study data indicates that the regression model is homoscedastic since the points are dispersed above and below the number 0 on the Y axis and do not create a pattern.

Table 4: Glejser test

Var.	Sig	Conclusion
Constant	084	
LEV	.542	Free from
IOS	.205	heterosceda
KM	.903	sticity
KI	.429	
DK	.394	
KA	.658	

Source: own calculation, 2023

Besides, when combined with the dependent variable, the independent variable has a significant value. abs_res greater than 0.05 (significance value > 0.05) so therefore, the variable does not exhibit heteroscedasticity. or the data is homoscedastic.

Testing for autocorrelation using the Durbin-Watson, generated value 1.753. The Durbin-Watson lies between -2 to +2 so that according to the criteria in conclusion, there is no autocorrelation in the regression model.

Based on the output of multiple regression analysis in table 7 above, this study has the equation of multiple linear regression analysis as follows:

DA = α+β1 LEV+β2 IOS+β3KM+β4KI+ β5DK + β6KA + e

DA = 0.282-0.002LEV-0.023IOS+ 0.211 KM+0.042KI-0.261DK-0.254KA+e

The coefficient of determination (R2) shows that the value of the coefficient of determination seen based on the R Square value is 0.400 or 40% means the variable leverage (LEV), Investment Opportunity Set (IOS), the independent commissioners' board (DK), managerial ownership (KM), the audit committee (KA), and institutional ownership (KI) can explain or provide information on the dependent variable, namely earnings quality (DA) of 0.400 or 40%. 60% is explained by factors not included in the conducted research.

F test by looking at the significant column (Sig) having amount of 0.015<0.05 (which is smaller than the value of 0.05). Thus, it may be said that the regression model is feasible for research.

The results of the t-test, namely LEV, leverage, have a t-amount of -0.128 and a significance value of 0.899. The significance value of 0.899 which is owned by the leverage variable is greater than 0.05 (0.899 > 0.05) so leverage does not affect earnings quality. Investment Opportunity Set (IOS) has a t-value of -2.993 and a sig-

Table 5: Statistical t Analysis

	B	SE	Beta	t	Sig
Constant	.282	.142		1991	056
LEV	-.002	.015	-.021	-.128	.899
IOS	-.023	008	-.549	-2,993	006
KM	.211	086	.573	2,472	.020
KI	042	061	.146	.678	.503

DK	-.261	.170	-.327	-1,541	.134
KA	-.254	.170	-.270	-1,492	.146

Source: own statistical test results

nificance value of 0.006. The significance value of 0.006 which is owned by the IOS, Investment Opportunity Set variable is (0.006 <0.05), less than 0.05 so IOS affects quality of earnings and has a negative direction. Managerial Ownership (KM) has a t value of 2.472 and 0.020 as the significance value.

0.020 as the significance value which is owned by the variable Managerial Ownership (KM) is (0.020 <0.05), less than 0.05 thus managerial ownership affects quality of earning. Based on the t value, KM

has a favorable impact on quality of earning. There is a t-value for KI, institutional of ownership 0.678 and with a significance level of 0.503. The significance level of 0.503 which is owned by the variable Institutional Ownership (KI) (0.503 > 0.05) is greater than 0.05 so that KI does not affect quality of earning. The DK, Independent commissioners' board has a t-value of -1.541 and with a significance level of 0.134. The significance level of 0.134 which is owned by DK, the Independent commissioners' board variable (0.134 > 0.05), is greater than 0.05 so the DK does not effect on quality of earning. The Audit Committee (KA) has a t-value of -1.492 with a significance level of 0.146. The significance level of 0.146 which is owned by the KA variable (0.146 > 0.05), is greater than 0.05 so KA does not effect on quality of earning. Based on the significant level and the t value which indicates the direction of influence on the dependent variable, the test obtained is that H3 is accepted while H1, H2, H4, H5, and H6 are rejected.

Effect of Leverage on Quality of earning. The study's findings include leverage (LEV) by proxy Debt to Equity Ratio (DER) has a t-value of -0.128 with a significance level of 0.899. The significance value of 0.899 which is owned by the leverage variable is greater than 0.05 (0.899 > 0.05) so leverage has no impact on quality of earning, so H_1 is rejected.

The results of this study are in accordance with the prior research that leverage has no impact on quality of earning (Zamri, Rahman, and Isa 2013).

In general, companies with high leverage will try to manage their profit figures to meet certain terms of debt contracts. This means that managing profit figures is more likely to be carried out by companies with external funding needs (debt). So, the quality of earnings is more doubtful in companies with high levels of debt.

In contrast to previous research, this research does not support the theory that debt levels will force companies to sacrifice earnings quality. The results of this study show that leverage has no effect on discretionary accruals that the high and low level of company debt does not affect the existence of earnings management practices where companies that carry out these practices aim to obtain additional funds so that they are able to pay their obligations. In this study, the sample of companies studied does not experience conditions of default or bankruptcy so that the company is able to carry out financing and is able to use debt optimally in the company's operations

It's aligning to the capital market authority's announcement that the sample companies are not categorized as defaulting firm. Companies that have difficulty paying debts will be categorized as "B" codes in capital market authority's indicating by a request for bankruptcy, a request for cancellation of the settlement, or a food company currently in bankruptcy. and beverage in 2019 – 2021 in accordance with this research sample free from these conditions. These results imply that only companies that feel unable to meet their debts will carry out earnings management (Houcine and Houcine 2020).

The Impact of IOS (Investment Opportunity Set IOS) on Quality of Earnings. The study's findings show that the IOS, Investment Opportunity Set has a significance level of 0.006 and a t-value of -2.993. The significance value of 0.006 which is owned by the IOS, Investment Opportunity Set variable is (0.006 <0.05) less than 0.05 so IOS impacts on quality of earning and the t-value indicates a negative direction so H2 is rejected. IOS has a negative effect on quality of earning indicating that expanding the pool of potential investments set causes the quality of the company's earnings to decrease and vice versa if the investment value Opportunity set decreases causing the quality of company earnings to increase. The existence of investor interest causes the company to try to generate firm profits that correspond with the expectations of shareholders so that shareholders continue to invest their capital so that principals can make earnings. management if the profit does not match the target. This is in line with the fact that a growing company needs an injection of funding to increase company assets, develop the company or expand, thus supporting the statement that management will try to present financial reports that can attract investors. The study's findings are consistent with Andriani et al. (2021), Marheni (2018), and Kallapur and Trombley (2001) which state that the Investment Opportunity Set (IOS) has a negative impact on quality of earning.

The Impact of Supervisory Ownership on Quality of earning. Supervisory Ownership (KM) with a t-level of 2.472 including with a significance level of 0.020. The significance level of 0.020 which is owned by the variable Managerial Ownership (KM) is (0.020 <0.05), less than 0.05 so managerial ownership affects the quality of earnings, so H3 is accepted. The existence of managerial ownership means that managers also act as shareholders, this makes management consider every decision making because managers will also receive the same consequences as other shareholders in the company. Managerial ownership also produces harmonious relationships between principals and agents in order to be able to present superior earnings to raise the worth and good views of the businesses towards the public as well as investors. The study's findings are consistent with Alzoubi (2016) stating that managerial ownership has a positive impact on quality of earning.

Impact of Institutional Holdership on Quality of earning. Institutional holdership has a t-value of 0.678 and with significance level of 0.503. The significance level of 0.503 which is owned by the institutional ownership variable is (0.503 > 0.05), greater than 0.05 so institutional ownership does not impact on quality of earning. then H4 is rejected. The existence of institutional ownership that does not affect the quality of earnings, one of which can be caused by a discrepancy with the facts on the ground that conditions where the proportion's size of institutional ownership of all outstanding company shares cannot provide maximum oversight in the company due to limitations regarding shareholders not being able to involved directly in the overall activities of the company. Investors from institutions and individuals are focused on investment results in the form of returns that can provide benefits and the inability to directly influence and supervise the process of preparing financial reports (Alzoubi 2016; Agustia 2013). The results of this study are similar to Alzoubi (2016), Arif et al. (2021) and Al-Absy (2020) that institutional ownership does not effect on quality of earning.

The Influence of the Independent commissioners' board on Quality of earning. The Independent commissioners' board (DK) has a t-value of -1.541 and with significance level of 0.134. The significance level of 0.134 which is owned by the independent commissioners’ board variable (0.134 > 0.05) is greater than 0.05 so that the independent commissioners’ board has no impact on quality of earning, so H5 is rejected. The board of independent commissioners board has no effect on quality of earning in this study, which may be due to the smaller proportion of autonomous commissioners within the organization as opposed to the commissioners' board in the company. The appointment of an independent commissioners’ board as a structure within the company is only used as compliance with regulations but regarding the quality of performance, there is no definite benchmark so the quantity of independent commissio-ners has not been fully able to guarantee that in practice It can oversee, counsel, and support the directors in order to guarantee that the business practices optimal corporate governance. The study's findings are consistent with Istianingsih (Istianingsih 2021; Dewi, Sari, and Abaharis 2018; Khasanah and Khafid 2020) that an independent commissioners’ board does not impact on quality of earning.

The Influence of the Audit Teams on Quality of earning. The Audit Commissioner (KA) has a t-value of -1.492 with a significance level of 0.146. The significance level of 0.146 which is owned by the KA variable (0.146 > 0.05) is greater than 0.05 so KA has no impact, so the sixth hypothesis (H6) is rejected. The audit commissioner does not impact quality of earning because based on the conditions in the field the audit committee has the task of supervising financial statements, supervising the implementation of external audits, and supervising the company's internal control system but does not have the duty to directly participate in company activities (Istianingsih 2021; Suryanto 2017). The findings of this investigation are consistent with Istianingsih (2021) that the audit committee does not effect on quality of earning.

CONCLUSION

The purpose of the study was to determine the impact of leverage, the pool of investment opportunities, and sound corporate governance—which includes independent commissioners' boards, institutional ownership, managerial ownership, and audit committees—on the caliber of business profits. Companies that manufacture food and beverages and are listed on the IDX for the 2019–2021 period comprise the study's population. Conclusion drawn from the interpretation of the research findings: (1) Since leverage has no effect and instead degrades earning quality, the first premise is false. (2) The second hypothesis is not supported because Investment Opportunity Set (IOS) has a negative impact on earning quality. (3) Managerial ownership has a positive effect on quality of earning so the third hypothesis is accepted. (4) Institutional ownership has no effect and has a favorable trend on earning quality, supporting the fourth hypothesis is rejected. (5) The fifth theory is disproved since the board of independent commissioners has no influence and rather detracts from earning quality. (6) The audit committee negatively affects earning quality and has no effect, supporting the sixth hypothesis (H6) is rejected.

This study is contribute to developing insight into the literature on earnings quality during unusual economic conditions so that the struggle to obtain positive returns can be achieved or not.

In the research that has been carried out there are limitations, so the following suggestions are presented that can be used as recommendations for future research as follows: further researchers to analyze more deeply supported by relevant data regarding other factors that can affect quality of earning presented by the company so that it can determine other independent variables that can influence and explain the dependent variable of quality of earning of more than 40% which has been implemented in this study. By adding company observation periods and expanding research observation objects by adding or using more than one observation sector so that research can test broader research in long-term conditions. (3) Look for ways of calculating using other ratios by considering the variability of research data so that current study data is more varied and study results can influence on the quality of company profits.

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