

The Impact of Accounting Conservatism and Profitability on Earnings Quality: The Moderating Role of Firm Size

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Abstract— Earnings quality refers to a company's financial statements that reflect its financial performance derived from operational activities. It serves as a fundamental reference for evaluating company performance, assessing management effectiveness, and guiding investors in their decisions regarding the company's future. This particular research endeavor seeks to investigate the connection or correlation accounting conservatism plus profitability on earnings integrity, including firm size acting in the capacity of a moderating factor. This research of a quantitative nature. This research was carried out among energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 until 2023, utilizing intentional sampling for selecting the sample was performed employing models of multiple linear regression using moderated regression analysis (MRA), tested with the software IBM SPSS Statistics 26. The findings reveal that accounting conservatism impacts earnings quality, while profitability does not impact the quality of earnings, and firm size does not moderate the connection in the midst of accounting conservatism and profitability regarding earning quality. This situation research could be more intriguing if it included other companies, allowing for a broader and more diverse data set, which would enable the consideration of additional factors that may influence earnings quality, such as capital structure and dividend policy.

Keywords— *Accountings Conservatism 1; Profitability2; Earnings Quality3; Firm Size 4*

I. INTRODUCTION

Economic statements are a crucial device for assessing the overall performance of a commercial enterprise entity. through these reports, control, buyers, creditors, and other stakeholders can gain an excellent expertise of an organization's economic function and results of operations. economic statements consist of stability sheets, financial statements, and coins drift through statements, every of which gives vital information about assets, liabilities, equity, profits, and fees.

However, simply preparing financial statements is not enough. It is important to evaluate the caliber of the earnings produced. A quality of earning indicates to what degree reported income is reliable and reflect actual economic performance. High-quality earnings are sustainable, realizable, and transparent, thus building trust among stakeholders. In the accounting world, earning quality is one of the important indicators that reflect company performance. This earnings quality is defined as the actions of opportunistic managers who increase the company's profits (Wardani & Anggrenita, 2022).

Earnings quality is a critical element in financial analysis, assessing how reported as dependable earnings are in accurately representing a company's actual economic performance. High-quality earnings are not only sustainable, but also result from normal operating activities, without the influence of aggressive accounting practices.

Accounting conservatism has an important role in enhancing income high-quality. This approach emphasizes the prompt recognition of expenses and liabilities ahead of revenue, thereby preventing the inflation of earnings. As a result, conservatism helps present a more accurate depiction of the company's performance. Accounting conservatism involves the prudent principle in financial reporting, where companies are cautious in recognizing assets and income, yet promptly acknowledge liabilities and potential losses (Maryati et al., 2022). This indicates that the smaller the conservatism, the higher the income pleasant.

Accounting conservatism is a core principle in accounting that mandates accountants to opt for methods and estimates that maintain lower book values of net profits during uncertain circumstances. This principle aims to ensure maximum accuracy in financial reporting, especially in the face of conditions where there is a possibility of measurement bias from an accountant. According to research conducted by (Tuwentina & Wirama, 2014) accounting conservatism influences the standard of profits.

Profitability signifies an organization capacity to generate earnings, and accounting conservatism encourages companies to be more careful in recording revenues and measuring expenses. Conservatism in accounting can improve the quality of the result by avoiding overstatements that could mislead investors and other stakeholders. The size of a company as a moderating factor could impact how profitability and accounting conservatism relate to the quality of performance.

Profitability, as an indicator of a company financial results plus efficiency, is closely connected to the quality of earnings. More profitable businesses often generate stable and sustainable profits. Profitability assesses a company financial performance capacity to produce profits relative to its revenue, asset, and equity. (Hanafi & Halim, 2016a). Companies with high profitability typically achieve consistent earnings, enhancing investor trust in their financial statements. It reflects the company's growth trajectory over time, whether increasing or decreasing. Profitability demonstrates how well a company performs utilizes capitalizing on its resources to produce profits that can be distributed to shareholders.

Indeed, high profit levels illustrate the company's effective performance in financial administration. Thus, the profits earned by the company are of higher quality. According to a research undertaken by (Hasanah & Erawati, 2022), it shows that profitability does not affect earnings quality. Unlike the study conducted by (Lusiani & Khafid, 2022, Syawaluddin and everything else., 2019, Aprina & Khairunnisa, 2015) profitability positively and significantly impacts the quality of earnings.

In this context, the magnitude of the firm can serve as a moderating factor influencing the connection among accounting conservatism, profitability, and the quality of earnings. Larger firms may have better access to resources and information, which may impact their accounting strategies and profitability levels. Large companies tend to have more resources and have better ability to manage finances, thus have a high level of profitability and use accounting conservatism inventively to reduce risk and increase investor confidence. In contrast, small companies tend to have fewer resources and are more vulnerable to risk, so they have lower profitability levels and do not use accounting conservatism intensively.

Firm size is a metric which indicates the same capability of a business. The extent of the business can influence its profitability levels. Larger companies have a better chance of optimizing assets and achieving higher profits (Setiawati, 2018). Research results (Kurniasih & Sri, 2012) the research demonstrates that the size of the firm significantly impacts the caliber of the company's earnings. Various research results obtained from the study (Prasetya & Rahardjo, 2013) demonstrate that the size of the firm does not exert an notable impact on earnings quality. Findings from a study conducted by (Fitria et al., 2024) according to Findings from the study accounting conservatism cannot be moderated by the scale of the company.

This research shares the same goal of assessing how profitability and accounting conservatism affect earning quality, with firm size playing a role in moderation this relationship. This research seeks to offer understanding into how firm size can influence the connection between profitability, accounting conservatism and the quality earnings.

II. LITERATURE REVIEW

The effect of accounting conservatism on the standard of earnings

In accountings, earnings quality serves as a key measure of the reliability of earnings reported by companies. High earnings quality is important to stakeholders, such as investors and creditors, because it provides a more precise representation of a company's performance and financial aspect health. One factor that affects earnings quality is accounting conservatism, which encourages the recognition of expenses and liabilities earlier and the recognition of revenues later. The conservative accounting principle is intended to avoid the recognition of excessive profits and to encourage caution in judgment. This approach can improve the reliability of financial reporting by reducing the risk that reported profits are temporary or unsustainable.

Agency theory explains conservatism in accounting. According to this theory, managers have the opportunity to increase their personal profits at the expense of the interests of creditors, shareholders, and other contracting parties. According to this theory, business is considered a contractual relationship in which parties with different interests meet in an agreement. According to research results (Ayem & Lori, 2020)

given this explanation, we can hypothesize that conservatism positively affects the quality of profits to a significant degree:

H1: Accounting conservatism produces a beneficial impact on earnings quality

The Impact of profitability on the quality of earnings

Profitability is one of the important indicators to evaluate a company's performance. This metric shows how well the company is able to generate profits through its operations. At the same time, earnings quality pertains to the degree to which earnings reflect true economic performance, as well as the extent to which those earnings are likely to be sustainable and consistent in the future. Good earnings quality gives investor trust that reported earnings accurately reflect a company's value and can be sustained into the future.

In this context, some believe that high profitability can have a constructive impact on earnings quality. The reason for this is that companies that are able to consistently generate profits typically have better financial management, higher levels of transparency, and lower risk in their financial reporting. Increased profitability indicates a company's good performance, which means shareholders will benefit more. Based on research results (P, Restu et al., 2022) profitability shows a substantial and positive impact Concerning earnings quality. In the same time, according to research results (Herni & Susanto, 2008) profitability does not have a significant impact on earnings quality. From this explanation, the following hypothesis can be put forward:

H2: Profitability produces a beneficial impact on earnings quality

The impact accounting conservatism on earnings quality, where firm size serves as a moderating element

Firm size is a key factor that can influence many different aspects of financial performance, including earning quality. Earning quality pertains to the measure of reported earnings reflect actual and defensible economic performance. In this case, accounting conservatism becomes an important principle, whereby companies account for profits and assets more conservatively to avoid over recording.

On the other hand, firm size can act in the role of a moderating factor affecting the association of accounting conservatism with earnings quality. Larger companies may be better able to apply conservative accounting principles due to more appropriate resources and infrastructure. Conversely, smaller companies may find it difficult to apply similar conservative principles due to limited resources or pressure to report more aggressive operating results. Based on the research results (Santoso & Khoyriyyah, 2023) it is proven that the company can moderate the positive impact conservative accounting practices on the company's earnings quality. From this explanation, the following hypothesis can be put forward:

H3: The size of the firm significantly enhances the favorable moderation of accounting conservatism's effect on earnings quality

The impact Profitability on earnings quality, where firm size serves as a moderating element

In the business sector, profitability is the key indicator of a firm's ability to produce profits through its activities. Alternatively, earnings quality pertains to the measure of earnings reflect true economic performance and can be sustained over the long term. Many studies have examined the relationship between profitability and earnings quality, in which high profitability is often associated with good earnings quality. However, this relationship can be influenced by other factors, especially the size of the company.

Firm size can act as a moderating variable, meaning it can influence the strength or direction of the relationship between profitability and earnings quality. Larger companies typically have more resources, better management systems, and broader access to information, which allows them to better maintain the quality of their profits. In contrast, small businesses may have more difficulty maintaining earnings quality, even if they are highly profitable. Total assets can be an illustration of the size of the business. Companies with high total assets tend to carry out activities that improve earnings quality (Mustikawati & Cahyonowati, 2015). Based on research results (Aprilianti et al., 2024) firm size can correct and enhance the imbalance between profits and earnings quality.

H4: The size of the firm significantly enhances the positive moderation of profitability effect on earnings quality

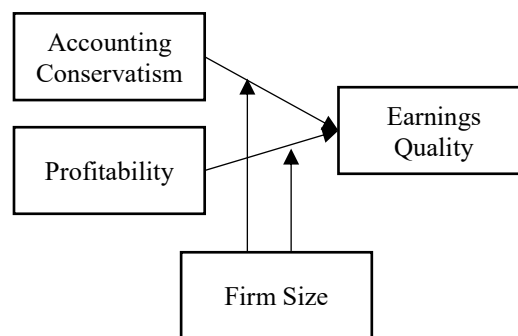


Figure 1. Research Model
Authors' (2024)

III. RESEARCH OF METHODS

The research approach employed in this study is quantitative, aimed at investigating the influence between two or more variables. Quantitative research, grounded in fact-based philosophy, seeks to analyze a particular group or sample. Data is gathered through quantitative tools and subjected to statistical examination. The objective of this study is to evaluate the proposed hypothesis (Sugiyono, 2013). This study analyzes a population of 87 Energy businesses traded on the Indonesia Stock Exchange (IDX) from 2021 until 2023. The process of the sampling method used was deliberate sampling, which selects a sample based on specific criteria and characteristics (Paramitha & Idayati, 2020). The sample for this study consists of 19 companies that have an observation period from 2021 until 2023 (for 3 years). The amount of data used as observations is 57 years. The data utilized supplementary data is employed in this study. Secondary data is information collected by an organization and published for use by other parties. In this study, the data used were extracted from annual financial reports. The data source for this research is from the Indonesia Stock Exchange (IDX) and the IDX website. Below are the criteria applied for sample selection:

Table 1. Criteria for sample selection in the study

No	Kriteria	Total
1	Energy companies listed on the Indonesia Stock Exchange during a specific timeframe from 2021 until 2023	87
2	Energy firms do not provide audited financial reports from 2021 until 2023	(5)
3	Do energy companies have financial statements presented in thousands of rupees from 2021 until 2023	(63)
4	The number of samples	19
5	Total Observation (x 3 years)	57

Source: data analyzed by the authors (2024)

Describe which operation of the variables used in this study as dependent variable, independents variable, and moderator variable. First, the variable that depends on other factors is earnings quality. Earnings quality is defined as an assessment of a reliability and relevance pertaining to a firm's reported earnings compared to its real performance. This assessment includes factors such as the level of transparency, relevance of information, application of conservatism in accounting, management integrity, and consistency in the presentation of financial statements. (Wardani & Kusuma, 2012). Earnings quality refers to how well a company's earnings evaluate and reflect the true performance of its operations. One method to evaluate earnings quality is through discretionary accruals.

Discretionary accruals are part of total accruals that lack justification objectively through business conditions or other external factors. Discretionary accruals can reflect earnings manipulation by management to influence financial statements. Discretionary accruals are used as measure of earnings quality, calculated

using the modified Jones model, as this approach is regarded as superior to other models for measuring earnings quality (Fitriana, 2009). Discretionary reserves are calculated according to the formula below:

1. Compute the cumulative sum (TAC) using the formula:

$$TAC = NI_{it} + CFO_{it}$$

Furthermore, the cumulative sum (Total Asset : TA) calculated utilizing ordinary least squares in the following manner:

$$\frac{TA_{it}}{A_{it-1}} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{\Delta PPE_{it}}{A_{it-1}} \right) + \varepsilon$$

2. After determining the regression coefficient with the formula above, the next step is to compute non-discretionary accruals (NDAs) as specified by the following formula:

$$NDA_{it} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{\Delta PPE_{it}}{A_{it-1}} \right)$$

3. The final calculation, discretionary accruals (DA), which serves as an indicator of earning quality, is derived from the following formula:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Description:

DA _{it}	=	Discretionary Accruals of company i in the period of years t
NDA _{it}	=	Non-discretionary adjustments for company i in years t
T _{ait}	=	Total accruals for company i in years t
N _{iit}	=	Firm's net earnings i in the years t period
CFO _{it}	=	Cash generated from day-to-day operations of the company i in the period of years t
A _{it-1}	=	Aggregate assets of the business i in years t-1 period
ΔRev _{it}	=	Firm i's revenue in years t minus company i's revenue in years t-1
PPE _{it}	=	Assets such as land, buildings, and machinery owned by the company i in years t
ΔRec _{it}	=	Company i trade receivables in years t minus revenue
ε	=	Error

Secondly, the independent variables used in this research are accounting conservatism and profitability. Accounting conservatism is an approach or flow in dealing with uncertainty that prioritizes decision making based on the possibility of negative results from this uncertainty. Conservatism also reflects a cautious approach to taking risks, where a person is willing to sacrifice something to reduce or avoid risk (Afriani et al., 2021). Conservative accounting is calculated using the formula below:

$$CONACC = \frac{(NIO - DEP - CFO)X(-1)}{TA}$$

Description:

CONACC	=	Conservative profit based on accruals
NIO	=	Current year operating profit
DEP	=	Current year depreciation of fixed assets
CFO	=	Entire cash amount related to current year operating activities
TA	=	Closing book value

The profitability of the company in this research is assessed using profitability relative to asset (ROA). ROA analysis its measure of profitability ratio utilized toward gauge the capability of a company to produce profits in relation to its income, asset, and equity (Hanafi & Halim, 2016b). Profitability is calculated using the formula below:

$$ROA = \frac{\text{Earning After Interest on Tax (EAIT)}}{\text{Total asset}}$$

Third, the moderating variable used in this examination is firm size. The firm size can influence the interaction between the independent and dependent variables. A firm's size is measured by the total assets employed in its operations. Companies with significant total assets offer management greater flexibility in their utilization. From a management standpoint, having easier control over the business can enhance its value. One method to measure a company's size is by calculating the natural logarithm of its total assets (Suharli, 2010).

$$\text{Firm Size} = \text{Ln of Total Asset}$$

This research employs OLS (Ordinary Least Squares) regression analysis to investigate the connection between profitability, Conservatism in accounting and firm size. The data indicates assessed using multivariable linear analysis through Moderated Regression Analysis (MRA) models. Two regression models are utilized in this study, specifically:

$$y = a + b_1X_1 + b_2X_2 + e \quad (1)$$

$$y = a + b_1X_1 + b_2X_2 + b_3Z + b_4X_1z + b_5X_2Z + e \quad (2)$$

according to the regression model mentioned above, the first regression model used to see the impact of about the influence of Conservatism in accounting and profitability on earnings quality. The second regression model is used to observe the interaction between business size and the impact of conservative accounting policies and profitability on earnings quality.

IV. RESULT AND DISCUSSION

Table 2. Descriptive Statistics

Variables	N	Min.	Max.	Mean	Std. Deviation
Accounting Conservatism	57	- ,96	,41	- ,03	,18
Profitability	57	- ,47	,51	,06	,16
Earnings Quality	57	-19,57	24,15	,05	4,12
Firm Size	57	22,08	31,45	27,47	1,90
Valid N	57				

Source: data analyzed by the authors (2024)

Descriptive statistical analysis represents the initial phase of the data analysis process, aimed at describing and interpreting the data. This involves assessing the data distribution and clarifying the data concerning the variables under investigation. Table 2 presents the findings from the conducted descriptive statistical tests. Conservatism in accounting ranges from a minimum of -0.96 to a maximum of 0.41, with an average of -0.03 and a standard deviation of 0.18. Profitability has a minimum of -0.47, a maximum of 0.51, an average of 0.06, and a standard deviation of 0.16. Earnings quality varies from a minimum of -19.57 to a maximum of 24.15, with an average at 0.05 and having a standard deviation of 4.12. The scale of the enterprise reveals a minimum of 22.08, a maximum of 31.45, an average of 27.47, and a standard deviation of 1.90. Each variable has a mean and standard deviation as detailed in Table 2, suggesting that the information in this analysis may vary significantly.

The classical assumption test refers to a crucial step in regression analysis, which aims to ensure that the applied model meets certain criteria, so that the results of an analysis can be trusted and valid. These assumptions are important to ensure that the parameter estimates in the regression models consist of unbiased and efficient. Some of the classical assumptions commonly used in regression evaluation include normality assessment, multicollinearity evaluation, autocorrelation assessment, and heteroscedasticity evaluation.

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		48
Normal Parameters ^{a,b}	Mean	.000
	Std. Deviation	.07657856
Most Extreme Differences	Absolute	.083
	Positive	.083
	Negative	-.076
Test Statistic		.083
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: data analyzed by the authors (2024)

According to the findings presented in Table 3, the normality assessment performed with the One-Sample Kolmogorov-Smirnov Test shows a significance value of 0.200 at Asymp. Sig. (2-tailed), which is greater than the significance level of 0.05. Thus, we can conclude that the data is normally distributed.

Table 4. Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.000	.011		.036	.972		
1 Accounting Conservatism	-.702	.181	-.497	-3.888	.000	.816	1.226
Profitability	.151	.127	.153	1.186	.242	.802	1.246
Firm Size	-.013	.007	-0.25	-1.952	.057	.809	1.236

a. Dependent Variable: Earnings Quality

Source: data analyzed by the authors (2024)

According to the findings presented in Table 4, is a multicollinearity test that is tested using the Tolerance value and VIF value. The accounting conservatism variable has a tolerance value of 0.816 and a VIF of 1.226. The profitability variable displays a tolerance of 0.802 and a VIF of 1.246, while firm size has a tolerance of 0.809 and a VIF of 1.236. The test results indicate all variables exhibit tolerance values above 0.10 and VIF values below 10.00. Therefore, the data do not show signs of multicollinearity.

Table 5. Runs Test

Unstandardized Residual	
Test Value ^a	0.0014
Cases < Test Value	24
Cases >= Test Value	24
Total Cases	48
Number of Runs	18
Z	-1.897
Asymp. Sig. (2-tailed)	0.058

a. Median

Source: data analyzed by the authors (2024)

According to the findings presented in Table 5, autocorrelation is tested using the Runt Test. Judging from the significance value at Asymp. Sig. (2-tailed) of 0.058 exceeds 0.05, where the data used does not experience autocorrelation disorder.

Table 6. Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.263	.101	2.605	.012
	Accounting Conservatism	.013	.096	.021	.895
	Profitability	.123	.067	.290	.071
	Firm Size	-.008	.004	-.327	.141

a. Dependent Variable: ABS_RES

Source: data analyzed by the authors (2024)

According to the findings presented in Table 6, the non-uniformity test is examined using the ABS_RES test. It can be seen that the accounting prudence the accounting conservatism variable has a significance value of 0.895, the profitability variable has a significance value of 0.072, and the firm size variable shows a significance value of 0.043. Therefore, it can be concluded that the data does not indicate heterogeneity, as the significance values are all above 0.05.

Multiple linear regression analysis with moderating variables is a statistical method employed to examine how a dependent variable relates to multiple independent variables, while taking into account the influence of moderating variables. These moderating variables can impact the strength or direction of the relationship between the independent and dependent variables.

Table 7. Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.068	.014		-4.85	.000
1 Accounting Conservatism	-.845	.174	-.593	-4.852	.000
Profitability	.053	.119	.054	.444	.659

a. Dependent Variable: Earnings Quality

Source: data analyzed by the authors (2024)

$$y = a + b1X1 + b2X2 + e \quad (1)$$

$$y = -0.068 - 0.845X1 + 0.053X2 + e \quad (1)$$

According to the findings presented in Table 7, multiple linear tests explain the connection between accounting conservatism and profitability concerning earnings quality. The accounting conservatism variable has a level of significance 0.000, which is below the probability of 0.05, and the coefficient of -0.845 indicates that higher accounting conservatism correlates with improved earnings quality. Thus, it can be deduced that H0 cannot be agreed upon, while H1 is possibly accepted, indicating that "accounting conservatism produces a beneficial impact on earnings quality." Conversely, the profitability variable has a substantial value of 0.659, which exceeds the probability level of 0.05, leading to the conclusion that H0 is acceptable and H2 is not, suggesting "no effect between profitability and earnings quality".

Table 8. Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.524E-5	.013		.003	.998
Accounting Conservatism	-.699	.186	-.495	-3.762	.001
Profitability	.145	.131	.148	1.109	.274
1 Firm Size	-.014	.008	-.258	-1.756	.086
Accounting Conservatism x Firm Size	-.016	.103	-.020	-.153	.879
Profitability x Firm Size	.016	.089	.027	.183	.855

a. Dependent Variable: Earnings Quality

Source: data analyzed by the authors (2024)

$$y = a + b1X1 + b2X2 + b3Z + b4X1z + b5X2Z + e \quad (2)$$

$$y = 3.524 - 0.699X1 + 0.145X2 - 0.014Z - 0.016X1Z + 0.016X2Z + e \quad (2)$$

According to the findings presented in Table 8, here is a multivariate linear test explaining accounting conservatism and profitability with respect to earnings quality adjusted for firm size. The variable level of accounting conservatism moderated by firm size has a significant value of 0.879, which is higher than the 0.05 probability level. Thus, it can be concluded that H0 is accepted while H3 is rejected, indicating that "the firm size does not meaningfully impact the connection between accounting conservatism and earnings quality".

The profitability variable, moderated by firm size, has a significant value of 0.855, surpassing the 0.05 probability level. Therefore, it can be concluded that H0 is accepted while H4 is rejected, suggesting that "firm size is unlikely to influence the relationship between profitability and earnings quality".

Table 9. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648 ^a	.420	.351	.07742195

a. Predictors: (Constant), Profitability x Firm Size, Accounting Conservatism, Firm Size, Accounting Conservatism x Firm Size, Profitability

Source: data analyzed by the authors (2024)

According to the findings presented in Table 9 the models show an R Square value of 0.420, suggesting that earnings quality is influenced by accounting conservatism and profitability, which together explain 42% of the variance when controlling for firm size.

Table 10. ANOVA ^a

Models		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.181	5	.036	5.970	.000 ^b
	Residual	.254	42	.006		
	Total	.435	47			

a. Dependent Variable: Earnings Quality

b. Predictors: (Constant), Profitability x Firm Size, Accounting Conservatism, Accounting Conservatism x Firm Size, Profitability, Firm Size

Source: data processed by authors (2024)

According to the findings presented in Table 10, this is an anova test which shows that the significance value of 0.000 is less than 0.05 and the calculated F value of 5.970 is less than Table F of 2.82, which means there is an effect. at the same time between accounting conservatism and profitability on earnings quality with firm size as the moderating variable.

Discussion

The Impact of Accounting Conservatism on Earnings Quality

The findings indicate that accounting conservatism significantly enhances the quality of earnings of announced profits. Indicating that higher levels of accounting conservatism tend to result in better earnings quality. Accounting conservatism refers to a more cautious principle in the same recognition of profits and assets, which often results in lower earnings in the short term.

This study reveals that when conservatism is reduced, companies tend to recognize more revenue and assets, which can increase reported earnings. However, this may also pose a risk that the earnings do not entirely represent the true economic performance. Thus, although reported earnings look better, earnings quality may be affected by overly optimistic recognition.

The Impact of Profitability on Earnings Quality

The findings suggest that there is no significant connection between profitability and the quality of reported earnings. Data analysis shows that although companies achieve high levels of profitability, the quality of earnings generated does not always reflect better performance. A high level of profitability does not always indicate sustainable profits. If earnings come from unstable or temporary sources, the quality of reported earnings may be questionable.

This study suggests that profitability does not equal always have a substantial relationship with the standard of reported profits. Various factors, such as valuation methods, assumptions, and market conditions, may have a more significant impact on determining the quality of profits. Therefore, it is crucial to take into

account the broader circumstance when analyzing the connection between profitability and earnings quality. Additional research is required to investigate other factors that may impact this interaction.

The impact Accounting Conservatism on earnings quality, where firm size serves as a moderating element

The findings indicate that accounting conservatism does not significantly influence reported earnings quality, even when firm size is utilized as a moderating variable. This suggests that both large and small companies do not demonstrate distinct differences in how conservative accounting practices affect earnings quality. While firm size was expected to moderate this effect, the results reveal that it does not significantly impact the connection between conservatism and earnings quality.

This study demonstrates that accounting conservatism does not significantly impact earnings quality, even when firm size is considered as a moderating variable. These results underscore the necessity for a thorough examination of accounting practices and other factors that could affect earnings quality. Additional research is needed to further investigate the elements that may influence this relationship.

The impact Profitability's on earnings quality, where firm size serves as a moderating element

The results suggest that profitability has minimal influence on the quality of reported earnings, even when firm size is considered as a moderating variable. This suggests that both large and small companies exhibit no clear differences in how profitability influences earnings quality. While firm size was anticipated to moderate this effect, the results reveal that it does not significantly impact this relationship.

This study suggests that profitability has no substantial impact on earnings quality, even when firm size is considered as a moderating variable. These findings emphasize the need to consider various other factors that may influence earnings quality. Further research is necessary to investigate additional elements that could offer deeper insights into this relationship.

V. CONCLUSION

The findings of this study show that accounting conservatism enhances earnings quality, while profitability does not affect it. Furthermore, the findings show that firm size does not moderate the relationship between accounting conservatism and profitability in relation to earnings quality. These outcomes underscore the significance of accounting conservatism in maintaining earnings quality, suggesting that profitability may not always be a reliable measure. This provides valuable insights for practitioners and stakeholders involved in accounting decision-making.

Recommendations for future research suggest investigating other factors that could influence earnings quality, such as management practices, industry conditions, or specific company traits, particularly given that the findings show firm size does not influence the relationship between profitability and earnings quality. Additionally, future studies could explore various moderating variables or methodologies to enhance the understanding of the dynamics impacting earnings quality within an accounting framework.

VI. ACKNOWLEDGMENTS

I am truly thankful to the APMRC 5 organizers for this amazing opportunity. Your support and efforts in putting this event together have been remarkable. I appreciate your commitment and hard work in ensuring its success. We hope this event will provide significant benefits to all participants and stakeholders. Once again, thank you to the APMRC 5 organizers.

VII. REFERENCES

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