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Earnings Quality, Good Corporate Governance, Audit Quality and Firm Value: Moderated of Leverage

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ABSTRACT

The globalization era intensifies competition among companies, making firm value a crucial indicator of managerial performance and investor appeal. However, market shocks such as the COVID-19 pandemic and "stock pumping" phenomena reveal that firm value is not solely determined by fundamentals. This study aims to examine the effect of earnings quality, Good Corporate Governance, and audit quality on firm value, with leverage as a moderating variable. Specifically, the study seeks to assess how major internal and governance-related factors influence firm value during the pandemic period, a time marked by heightened uncertainty and volatility. The research uses a quantitative approach by employing panel data regression and moderated regression analysis with a fixed effect model on a sample of cyclical and non-cyclical companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. The findings show that earnings quality has a positive impact on firm value, while GCG and audit quality do not have a significant impact. Moreover, leverage is found to weaken the influence of earnings quality on firm value, but does not moderate the relationship between GCG or audit quality and firm value. The study concludes that firm value is partially influenced by internal accounting quality and capital structure, yet these factors alone are insufficient to explain firm value volatility during turbulent market conditions. The implication of this study suggests that investors and policymakers should consider external and behavioral factors beyond traditional financial indicators when assessing firm value in a dynamic market environment.

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Introduction

The current era of globalization is ushering in increasingly rapid and dynamic competition patterns among business entities. In facing this, companies are required to continuously enhance their firm value as a form of achieving corporate goals. The main objective of establishing a company is to obtain profits, which reflect the performance of the company's management. In addition to being accountable to investors, management is also obligated to provide returns in the form of dividends to ensure investor satisfaction. With these demands, various strategies are implemented by the company to maintain a positive perception in the community regarding the firm's value. At the beginning of 2020, the consumer goods sector in Indonesia was facing significant challenges in maintaining the firm value amidst dynamic and often irrational market pressures. Phenomena such as "stock pump and dump," weak corporate governance, and suboptimal quality of financial reporting create uncertainty regarding the firm value. This situation becomes even more crucial as investors increasingly demand high levels of transparency and accountability as the basis for investment decision-making. On the other hand, market fluctuations that are not supported by the company's fundamental conditions reflect high risks for stakeholders, thus necessitating a reassessment of the factors that truly influence the company's value, especially in the consumption sector, which significantly contributes to the national GDP.

Market capitalization and the fundamental strength of a company are important indicators in assessing the scale and firm value [1]. In addition, other indicators, such as the free float of minority shares traded in the regular market, also reflect the extent to which market activity mirrors the real firm value. The higher the free float value, the more active the stock trading, which reflects the actual market conditions. COVID-19, which has affected Indonesia since 2020, has put significant pressure on various sectors, including the processed

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food industry. The government, through the Ministry of Industry, is giving special attention to this sector due to its strategic role in maintaining national food security. The processed food industry not only makes a significant contribution to the national GDP but also becomes a sector capable of growing amidst global economic pressures, with a growth rate of 7.78% in 2019, surpassing the national economic growth [2].

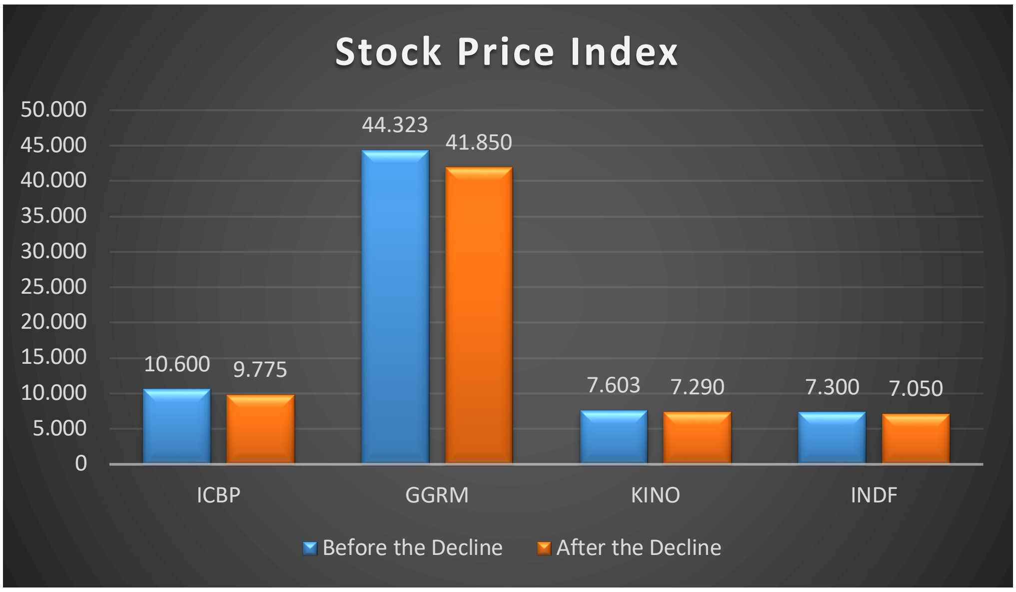

Figure 1. Consumer Goods Sector Stock Price Index
Source: Research's data, 2025

The consumer goods sector stock price index in figure 1 shows that several stocks in the consumer goods sector experienced a decline, from ICBP shares to INDF, with a significant drop occurring in the GGRM stock index, which reached 5.6% in a relatively short period. At that time, almost all major stocks were sold by market players until they fell to the lowest level, known as Lower Auto Reject. The JCI plummeted from the level of 5,650 to the lowest level of 3,911, dropping 30.77% below the 4,000 level in just 14 trading days. Even when measured year-to-date to the lowest point, the IHSG plummeted by 37.91%. Just one day after the IHSG touched its lowest point, the market index managed to strengthen by

10.19% the following day, marking the highest index increase of the year. This level of increase is the highest in 21 years [3]. In the capital market, such market capabilities need to be watched out for, because the increase can be considered unnatural within a short period. It is suspected that there is stock manipulation carried out by stock influencers who engage in pump-and-dump actions, taking advantage of the increased interest from retail investors. Companies with small market capabilities can easily have their stock prices increased without corresponding corporate actions, one of which is this stock manipulation, or “goreng saham". Goreng saham is a term often used in the context of significant stock movements that are not based on fundamental or corporate factors but rather controlled by individuals with specific objectives [4]. This phenomenon is exacerbated by the alleged manipulation of stock prices by influencers through pump and dump practices, indicating weak protection for retail investors and a lack of fundamental transparency in companies. Amid these conditions, efforts to enhance the firm value have become urgent to examine, particularly through strategies to improve information quality, good corporate governance, and appropriate financing structures [5]. Companies listed on the Indonesia Stock Exchange (IDX) are required to have good governance, including oversight by Public Accounting Firms (KAP) and managerial policies such as improving earnings quality, implementing Good Corporate Governance (GCG), and optimizing leverage. However, in practice, these elements are not enough to fully represent the firm value because there are still external factors that influence stock fluctuations.

GCG has become an important instrument for increasing investor confidence. GCG is a mechanism that must be implemented by the company by overseeing every action taken by management in accordance with applicable regulations and prioritizing the interests of shareholders and stakeholders [13]. GCG that has been implemented in the company can result in actions being carried out effectively and efficiently. The implementation of GCG can also prevent conflicts between management (agents) and shareholders (principals), known as agency conflicts. Company management often performs its duties to seek personal gain, contrary to the objectives of the principals, so the implementation of GCG can enhance

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investor and public trust because the company has good performance and can increase its value. In this study, GCG will focus on four internal mechanisms of GCG, namely managerial ownership, independent commissioners, audit committees, and independent boards of commissioners, which play an important role in decision-making and the creation of GCG. The Financial Services Authority (OJK) of Indonesia stated that the implementation of GCG in companies in Indonesia is still low and lagging behind compared to other Asian countries. This phenomenon is evident from the Corporate Governance Watch, which is research conducted by the Asian Corporate Governance Association (ACGA) every two years on the quality of GCG implementation in companies across 12 Asia-Pacific countries.

Table 1. Quality of GCG Value in Asia

2018		2020	
Countries	**GCG's Value**	**Countries**	**GCG's Value**
Australia	71	Australia	75
Hongkong	60	Hongkong	64
Singapore	59	Singapore	63
Malaysia	58	Malaysia	60
Taiwan	56	Taiwan	62
Thailand	55	Thailand	57
Jepang	54	Jepang	59
India	54	India	58
Korea	46	Korea	53
China	41	China	43
Phililpina	37	Phililpina	39
Indonesia	34	Indonesia	34

Source: ACGA, 2021

Table 1. presents the corporate governance (GCG) scores in ASEAN released by the ASEAN Corporate Governance Scorecard (ACGS) in 2018 and 2020, with the principles evaluated in the assessment being: shareholders' rights; equitable treatment of shareholders; role of stakeholders; disclosure and transparency; board of directors' responsibilities. These five components are assessed using a scorecard from 0-100, where a higher score indicates better implementation of GCG in companies within that country. Australia became the

country with the highest GCG score in Asia at 75, while Indonesia became the country with the lowest GCG implementation in Asia with a score of 34. The implementation of GCG is usually applied to public companies and mandated in Indonesia by the Financial Services Authority (OJK), whereas in 2020, only about 0.0011% of public companies in Indonesia implemented it. Therefore, Indonesia ranks at the bottom of the GCG score list issued by ACGS. According to the signaling theory, information from financial statements serves as an important signal for stakeholders in decision-making. Financial statements that show an increase in profit are usually interpreted as a positive signal, while a decrease in profit becomes a negative signal that can impact investor perception [6]. Therefore, the quality of information in financial statements becomes very important in shaping the firm value in the investor's perspective.

Several previous studies have shown diverse and even contradictory results regarding the relationship between earnings quality, audit quality, and GCG on firm value. Earnings quality reflects the extent to which earnings represent the actual performance of the company. Aggressive earnings management practices can reduce the quality of information, which ultimately harms shareholders [7]. Previous research has shown diverse results regarding the impact of earnings quality on firm value, with some indicating a positive effect [8], [9], [10], others a negative effect [6], and some showing no effect [11], [12]. GCG with proxies of the board of commissioners, independent commissioners, and audit committee has a negative and insignificant effect on firm value [14], [15]. Meanwhile, with the same GCG proxy, a positive relationship between GCG and firm value was found [12], [16]. Some studies even mention that GCG represented by the audit committee does not affect the firm value [12]. The quality of the audit becomes an important aspect in ensuring the reliability of financial statements. Independent auditors, especially those from large-scale Public Accounting Firms (KAP) like the Big Four, are considered to have higher audit quality. Good audit quality is believed to enhance investor confidence in the firm value. However, previous research results also show differing outcomes, with some finding a significant influence [17], [18] and others finding no significant influence [19].

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Leverage as a moderating variable in this study is a source of funding derived from loans and generates fixed interest costs, used in optimizing shareholder returns from the additional funding. an increase in leverage indicates that the company is expanding and sending a positive signal to shareholders, in addition, the use of debt is expected to reduce agency conflicts [21]. Because with the existence of debt, there is an obligation for managers to repay the principal loan along with the interest that arises periodically. Leverage as a company's financing structure also affects the firm value. Although leverage can increase shareholder returns, excessive use of debt can pose financial risks. Previous research also shows varied results, including that leverage negatively affects firm value [22], [23], and some state it has no effect [12]. Leverage is expected to highlight the role of management in optimizing the use of funds to achieve the company's goals and increase the firm value.

This research has novelty in terms of design and approach. Unlike previous research such as the journal "The Impact of Earnings Quality on Firm Value: The Case of Vietnam"[8], this study not only examines the effect of earnings quality but also adds audit quality and GCG as independent variables and leverage as a moderating variable. The research was conducted on consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023, covering the period before and after the COVID-19 pandemic. In addition to filling the gap in the literature in the still-limited consumer sector, the approach used allows for capturing the dynamics of company value in the context of regulatory changes and current economic conditions. Thus, this research is expected not only to enrich the scientific literature but also to provide practical contributions for companies in formulating more targeted strategies for increasing firm value.

Research Model

Figure 2. shows the research model used based on the hypotheses that have been formulated. The development of this research hypothesis uses signaling theory with the aim of providing clear direction in the relationships between its variables.

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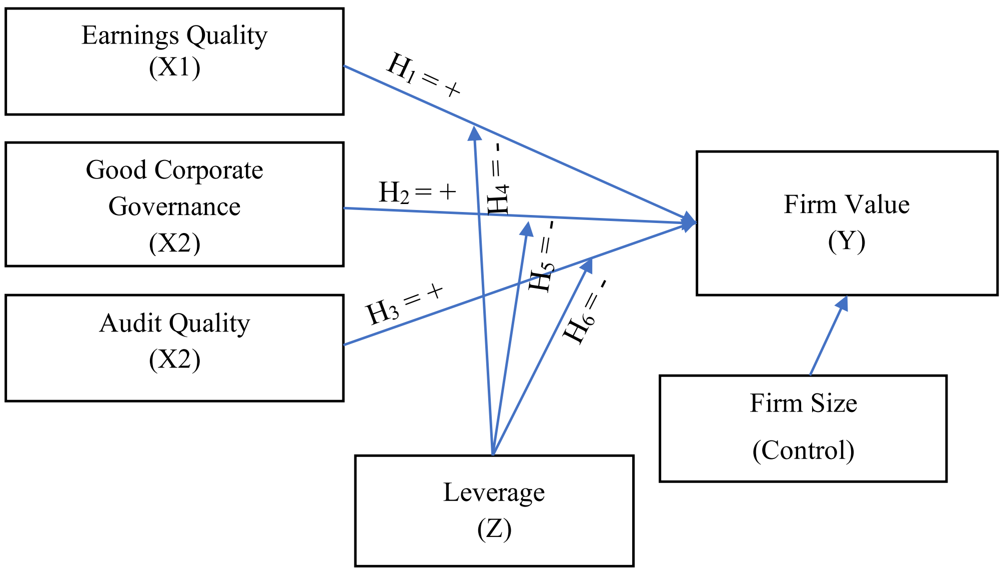

Figure 2. Conceptual Framework Diagram

Source: Research's data.

Earning Quality and Firm Value

Previous research states that high-quality earnings provide relevant and reliable information for investors, thereby increasing trust in the firm's prospects and market value. In the context of signaling theory, optimal earnings reflect good prospects and serve as a positive signal for investors [23]. Empirical research shows that earnings quality has a significant and positive impact on firm value [7], [8], [9], [10], [24].

H_1: Earnings quality has a positive impact on firm value.

Good Corporate Governance and Firm Value

Good Corporate Governance (GCG) berperan dalam meningkatkan transparansi dan Good Corporate Governance (GCG) plays a role in enhancing transparency and accountability, which can strengthen investor trust in the firm [25]. The implementation of GCG also reflects the professionalism of management and the firm's strategy in enhancing the firm's value. Empirically, GCG has been proven to have a positive impact on firm value [15], [25].

H_2: Good Corporate Governance has a positive impact on firm value.

Audit Quality and Firm Value

High audit quality enhances the credibility of financial statements, thereby providing assurance to investors in decision-making [17]. High-quality auditors such as the Big Four accounting firms provide assurance of the reliability of the reported accounting information [17]. Previous research supports that audit quality has a positive impact on firm value [17], [21], [23], [26], [27].

H_3: Audit quality has a positive impact on firm value.

Earnings Quality, Firm Value and Leverage

Leverage describes the firm’s funding structure, if the debt level is high, it can reduce investors’ positive perception of the reported earnings. High leverage can generate negative signals that reduce the positive impact of earnings quality on firm value [22]. Empirical results support that leverage can weaken the relationship between earnings quality and firm value [22], [23], [28].

H_4: Leverage weakens the influence of earnings quality on firm value.

Good Corporate Governance, Firm Value and Leverage

Leverage can reduce GCG's favorable impact on firm value since a high debt ratio raises investor concerns about the company's capacity to satisfy its commitments [29]. Although effective GCG promotes accountability, large leverage might impair investors' positive perceptions [15], [25].

H_5: Leverage weakens the influence of Good Corporate Governance on firm value.

Audit Quality, Firm Value and Leverage

Although high audit quality ensures the reliability of financial statements, a less-than-optimal capital structure can reduce investor trust in the firm [22]. High leverage can reduce the positive effect of audit quality on firm value [8], [19], [22], [23], [30].

H_6: Leverage weakens the effect of audit quality on firm value.

Firm Value

Firm value is the total value of a firm, which includes market value, assets, and potential future earnings. The value of a firm can be defined as the embodiment of the firm's performance reflected through investors' perceptions of its prospects and managerial ability to generate future profits. The value of the firm not only reflects the current financial condition but also the signals given by the firm through financial data and governance practices applied [8]. The variable of firm value is measured using Tobin's Q, which reflects the current market value, that is, market value plus total debt divided by total outstanding shares. Tobin's Q is widely used because it can accurately reflect the value of a firm as it depicts the actual situation [8].

$$\text{Tobin's Q} = \frac{\text{MVE+DEBT}}{\text{TA}} \qquad (1)$$

Description:

MVE : *Market Capitalization*

DEBT : Total Liabillities

TA : Total Assets

Earnings Quality

Earnings quality is the extent to which the reported earnings in the financial statements can reflect the actual economic performance of the company and can be used as a basis for economic decision-making by the users of the financial statements [31]. The measurement of earnings quality in this study uses the Kothari' model [32] with performance-matched discretionary accruals (DA), which is also applied in the study by Dang et al. [8].

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Discretionary accruals are a common measurement used to assess earnings management, indicating that high-quality earnings have low discretionary accruals [8].

$$\frac{TA_{it}}{Assets_{i,t-1}} = a_{it} + k_1 \frac{1}{Assets_{i,t-1}} + k_2 \frac{(\Delta REV_{it})}{Assets_{i,t-1}} + k_3 \frac{PPE_{it}}{Assets_{i,t-1}} + k_3\, ROA_{it} + \varepsilon_{it} \ldots\ldots(2)$$

Description:

TA : Total Accrual

a : Constanta

k1 : Coefisien 1^{st}

k2 : Coefisien 2^{nd}

k3 : Coefisien 3^{rd}

Assest : Total Assets

ΔREV : Increase or Decrease of Account Receiveble

PPE : Plant, Property and Equipments

ROA : Return on Assets

it : Year's Period

e : Error

Good Corporate Governance

Good corporate governance (GCG) is a system used to direct and control the company to enhance shareholder value while still considering the interests of other parties such as employees, customers, suppliers and the community [31], The GCG variable has various indicators in its measurement, namely institutional ownership, managerial ownership, independent commissioners, and the audit committee. This variable needs to pass the Kaiser-Mayer-Olkin (KMO) test to evaluate whether the data is suitable for the research model used. The KMO test results show a sampling adequacy of 0.541, meaning the data is suitable for conducting this KMO factor analysis test. In the anti-image correlation matrix, all indicators of the GCG variable show significant results, which are greater than alpha 0.5. Of the four

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GCG indicators, the highest anti-image correlation value is 0.648 for the independent board of commissioners (IBC) indicator, which means the IBC is suitable for use as a GCG variable indicator.

$$\text{Institutional Ownership} = \frac{\text{Institutional Share Ownership}}{\text{Outstanding Shares}} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

$$\text{Independent Commissioner} = \frac{\text{Number of Independent Commissioners}}{\text{Number of Board of Commissioners}} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4)$$

$$\text{Manaferial Ownership} = \frac{\text{Ownership of Shares by Directors and Commissioners}}{\text{Outsanding Shares}} \ldots\ldots\ldots\ldots\ldots(5)$$

$$\text{Audit Committee} = \frac{\text{Number of Independent Audit Members}}{\text{Number of Audit Committee Members}} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(6)$$

Audit Quality

Audit quality is a guarantee of the accuracy and quality of the accounting figures in the financial statements [17]. One of them is to pay attention to the size that indicates the level of competence and independence of the Public Accounting Firm (KAP) in the supervision of the audited financial statements and in providing assurance on the results of the supervisory report. The quality of the audit in this study is measured by the indication of KAP size using dummy variable classification [33]. Companies that use the services of the big-four public accounting firms, namely KPMG, Deloitte, Ernst and Young (EY), and PWC, are given a score of 1, while non-big-four firms are given a score of 0. Based on the quality of human resources recruited through various selection processes with competencies in accounting, auditing, taxation, and other supporting fields, they can be classified as medium or large accounting firms. Based on that statement, the proxy size of KAP classified as big four is used as the main audit quality review in terms of assessing firm value.

Variable Control

This study uses a control variable, namely firm size. The size of the firm is measured using the natural logarithm of total assets [8].

$$\text{LN (TOTAL ASSET)} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(7)$$

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p-ISSN 1979-7567
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Method

Population and Sample

This study's population includes both cyclical and non-cyclical sector businesses registered on the Indonesia Stock Exchange between 2019 and 2023. The cyclical sector refers to industries that are impacted by the company's economic situations and business cycles. Some industries that fall into the cyclicals category include automotive, entertainment, retail, and property. Meanwhile, the non-cyclical sector is related to essential goods and services, so this need remains and cannot be avoided, regardless of the economic condition, whether during recession or booming. Another term used to refer to it is consumer staples [1]. This sector also contributes the most to national exports, with a value reaching $27.28 billion. However, this sector often experiences sharp fluctuations in stock prices, especially due to large stock sales [3]. This forms the basis for the selection of the population in this study related to the movement of firm values in the relevant sectors, namely the cyclicals and non-cyclicals sectors. Table 1. shows the sample selection conducted using purposive sampling. Purposive sampling was conducted by considering the components of all variables used in this study. GCG with managerial ownership indicators is quite difficult to find and eliminates many companies in this study.

Table 1. Purposive Sampling

Sample Criteria	Number of Firms	Number of Sample
The number of firms in the cyclicals and non-cyclicals sectors listed on the Indonesia's Stock Exchange.	295	1475
Cyclical and non-cyclical sector firms listed after December 31, 2019.	(110)	(550)
Cyclical and non-cyclical sector firms that don't fully publish financial statements and annual reports for the 2019 - 2023 period.	(11)	(55)
Cyclical and non-cyclical sector firms that do not have complete data related to the variables used in this study.	(95)	(475)
Cyclical and non-cyclical sector firms that apply an accounting period other than one that starts in January and ends in December.	(1)	(5)
Total	**78**	**390**

Source: Research's data.

Regression Model

In this study, data processing uses the panel data regression analysis method and moderated regression analysis (MRA) using Eviews 12 and SPSS 30 for KMO testing on the independent variable, which is good corporate governance. The panel data regression equation in this study is:

$$NP = \beta_0 + \beta_1 KL + \beta_2 GCG + \beta_3 KA + \beta_4 KL*LEV + \beta_5 GCG*LEV + \beta_6 KA*LEV \ldots\ldots\ldots..(8)$$

Description:

NP : Firms Value

KL : Earnings Quality

GCG : Good Corporate Governance

KA : Audit Quality

It : Year's period

e : Error

Results and Discussion

Descriptive Analysis

Tabel 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std, Deviation
NP	390	0,22	26,08	1,80	2,440
KL	390	0,00	0,86	0,00	0,09
GCG	390	0,25	0,75	0,41	0,09
KA	390	0,00	1,00	0,34	0,47
KL*LEV	390	0,00	0,62	0,04	0,07
GCG*LEV	390	0,02	0,77	0,18	0,10
KA*LEV	390	0,00	0,00	0,152	0,25
UP	390	23,67	32,86	28,56	1,67

Source*:* Research's data.

Table 2 presents the descriptive statistical data of the research variables. The interpretation of the descriptive statistics of the firm value (NP) measured using Tobin's Q formula shows that the data consists of 390 samples, where the minimum value of the NP variable is 0.22, the maximum value of the NP variable is 26.08, and the mean value is 1.80, which is smaller than the standard deviation value of 2.44. The average value in this research sample using Tobin’s Q is greater than 1, meaning that this research sample has a firm value close to its actual value and can be categorized as an above-average firm value (overvalue). The interpretation results from the descriptive statistics of earnings quality (KL) measured by the DA formula, without considering activities that reduce or increase earnings (absolute function), consist of 390 samples with a minimum value of 0, a maximum value of 1, and a mean value of 0.07, which is less than the standard deviation value of 0.09. The average value implies that the earnings quality evaluated by DA in the sample of firms in this study shows fairly good results, and the smaller average value indicates that the earnings quality is quite strong without considerable discretionary accrual activities in the earnings.

The interpretation of the descriptive statistics of GCG measured by the indication of an independent board of commissioners (DKI) consisting of 390 samples shows a minimum value of 0.25, a maximum value of 0.75, and a mean value of 0.41, which is greater than the standard deviation of 0.09. The average score for GCG with the indication of independent commissioners (DKI) in this study suggests that corporate governance is fairly good since independent commissioners dominate the board of commissioners, making corporate governance independent. The interpretation of the descriptive statistics of audit quality (KA) measured with dummy value indicators 1 and 0 from the audit firms used, which consisted of 390 samples, reveals a minimum value of 0.00, a maximum value of 1, and a mean value of 0.34, which is less than the standard deviation of 0.47. The average value that differs from the number one suggests that the audit quality in the sample of organizations in this study is extremely relevant, even if not many utilize the big-four public accounting firms.

The descriptive statistics from leverage moderation using the debt to assets ratio indicator with earnings quality (KL*LEV) are interpreted using 390 samples, with a minimum value of 0.00005, a maximum value of 0.61525, and a mean value of 0.04, which is less than the standard deviation of 0.07. Leverage moderation greatly lowers DA activities in presenting earnings quality, therefore boosting its quality.

The interpretation results from the descriptive statistics of leverage moderation using the debt to assets ratio indication with GCG (GCG*LEV) consist of 390 samples, with a minimum value of 0.02, a maximum value of 0.77, and a mean value of 0.18, which is greater than the standard deviation of 0.10. Leverage moderation greatly lowers the value of DKI in expressing GCG. The descriptive statistics from leverage moderation were interpreted using the debt to assets ratio indicator with audit quality (KA*LEV), which included 390 samples with a minimum value of 0, a maximum value of 1.93, and a mean value of 0.15, which is less than the standard deviation value of 0.25. The existence of leverage moderation has the potential to reduce audit quality in the sample of organizations in this investigation. The interpretation of the descriptive statistics of the control variable, which is firm size (UP) indicated by the natural logarithm of total assets from 390 samples, shows a minimum value of 23.66, a maximum value of 32.86, and a mean value of 28.56, which is greater than the standard deviation of 1.67. The average value is quite high and indicates that the firm samples in this study are large-scale.

Research's Model

Table 3. Selection of Research Model

Type of Testing	Score	Selected Model
Chow Test	0,00	*Fixed Effect Model*
LM Test	0,00	*Random Effect Model*
Hausman Test	0,01	*Fixed Effect Model*

Source*:* Output e-views 13.

Table 3. presents the results of the model selection for each variable measurement indicator that was previously determined. Based on the three tests conducted to determine the regression model, the selected model is the fixed effect model.

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Regression Result

Table 4. Panel Data Regression Analysis

Variable	Coefficient	t-Statistik	Prob	Result
C	-8.89	-0.58	0.56	
KL	5.07	2.06	0.04	Positif Impact
GCG	-1.36	-0.57	0.57	Does't Have Impact
KA	-0.09	-0.07	0.95	Does't Have Impact
KL*LEV	-11.07	-2.89	0.00	Moderation Weakens
GCG*LEV	1.65	0.69	0.49	Not Moderating
KA*LEV	0.32	0.21	0.83	Not Moderating
UP	0.38	0.71	0.48	
R-squared	0,53			
Adjusted R-squared	0,41			
S.E. of regression	1,88			
Prob(F-statistic)	0,00			

Source*:* Output e-views 13

The value of the Adjusted R Square is 0.41 and the significant f-statistic probability value is 0.00, which is less than 0.05. Based on these table 4, the coefficient of determination (R2) test and the model feasibility test (F-test) indicate that the regression model in the study fits the data and is suitable for use. The variables used, namely earnings quality, GCG, audit quality, and firm value, with the moderating role of the leverage variable and the control variable of firm size, in cyclical and non-cyclical sector companies listed on the IDX for the period 2019-2023, have an influence of 40.6%, while 59.4% is influenced by other variables not included in this study. Table 4 presents the results of panel data regression using the fixed effect model. The effect of earnings quality on firm value shows a t-statistici value of 2.06 and a isignificance level of 0.04, which is less than 0.05. This means that earnings quality has a positive impact on the firm's value. Thus, the first hypothesis (H_1), shows that the result of earnings quality has a positive impact on the firm's value is accepted.

The effect of good corporate governance (GCG) on firm value has a t-statistici value of -0.57 and a significancei level of 0.57, which is larger than 0.05. This indicates that GCG does not impact on the firm value. Thus, the second hypothesis (H_2), which states that GCG has a positive influence on firm value, is rejected. The influence of audit quality (KA) on firm value shows a t-statistici value of -0.07 and a significancei of 0.95, which is greater than 0.05. This means that audit qulaity does not have an impact on the firm value. Thus, the third hypothesis (H_3), howing that KA has a positive impact on the company's value is rejected.

The role of leverage as a moderator of earnings quality (KL*LEV) on firm value shows a t-statistici value of -2.89 and a significancei of 0.00, which is less than 0.05. This means that leverage can weaken the impact of earnings quality on firm value. Thus, the fourth hypothesis (H_4), shows that leverage can weaken the effect of earnings quality on firm value, which is accepted.

The role of leverage as a moderator of GCG (GCG*LEV) on firm value shows a t-statistici value of 0.69 and a significancei of 0.49, which is greater than 0.05. This means that leverage does not significantly moderate the effect of earnings quality on firm value. Thus, the fifth hypothesis (H_5), shows that leverage can weaken the influence of good corporate governance on firm value is rejected. The role of leverage as a mediator of audit quality (KA*LEV) on firm value has a t-statistici of 0.21 and a significancei of 0.83, which is larger than 0.05. This suggests that leverage has no substantial influence on firm value when it comes to earnings quality. Thus, the sixth hypothesis (H_6), which states that leverage can reduce the impact of audit quality on firm value, is rejected.

The influence of firm size (UP) as a control variable on firm value shows a t-statistic value of 0.71 and a significance of 0.48, which is greater than 0.05. This means that firm size does not affect the firm value. Companies with larger sizes are considered to have competitive advantages such as operational efficiency, business diversification, broader access to funding, and performance stability. Therefore, large companies are often expected to have a higher company value. However, in practice, not all large companies are able to manage their resources effectively to create added value that is appreciated by the market.

Discussion

The Influence of Earnings Quality on Firm Value

Earnings quality has a positive impact on the firm value. The quality of earnings measured using DA, the higher it is, the more it will increase the firm's value, because good quality earnings indicate that DA is smaller. The results of this partial analysis are in line with previous research that states earnings quality positively impacts firm value [8], [10]. The profit optimization receives a positive response from investors through the entity's activities. Optimal profit in the company's financial information within the context of signaling theory sends a positive signal to the market that this company promises attractive returns and increases stock prices in line with the rise in the firm's value [23]. Good earnings quality can enhance the reliability of investor decision-making in their investments, which will subsequently impact the firm's value as the firm's fundamental capabilities improve.

The Influence of Good Corporate Governance on Firm Value

Good corporate governance does not impact on the firm value. The results of this partial analysis are consistent with previous research that states GCG with certain indicators does not impact the firm value [12]. GCG is a mechanism designed to oversee management actions to ensure they align with applicable regulations and prioritize the interests of shareholders and stakeholders [13]. Moreover, GCG is believed to be able to drive the long-term success of the company [34]. Although the company has implemented GCG principles. The implementation may not have been optimal or still merely formalistic, thus not having a real impact on investor perception or market performance and the fluctuating global and domestic economic conditions during the 2019–2023 period, including the impact of the COVID-19 pandemic.can also affect the dynamics of the relationship between GCG and firm value.

The Influence of Audit Quality on Firm Value

Audit qulaity does not have an impact on the firm value. The results of this partial analysis are in line with previous research that the quality of the audit does not affect the firm value [19]. High-quality audits may only serve as a complement or support to broader corporate governance and transparency. If the company already has a good reputation or strong governance, then audit quality does not become a significant differentiator in influencing the firm value. Audit quality is only used as a guarantee of the reliability and quality of accounting indicators in financial statements, which later refers to the level of knowledge or competence and independence of the Public Accounting Firm (KAP) in providing assurance on the results of the audit [17].

The Moderating Role of Leverage Between Earning Quality and Firm Value

Leverage can weaken the impact of earnings quality on firm value. Leverage is part of the asset financing structure through debt. Many companies develop their businesses with the aim of achieving even greater profits in this way. The higher the company's debt ratio, the more negative the signal it will send to investors. Therefore, when investors see a company with a high asset level but also a high debt level, they might reconsider investing in that company [22].

The Moderating Role of Leverage Between Good Corporate Governanca and Firm Value

Leverage does not significantly moderate the effect of earnings quality on firm value. These findings indicate that the level of debt in the company's capital structure neither strengthens nor weakens the influence of GCG on the company's value. GCG helps improve the accountability and transparency of the company [15], signaling that the company has sound fundamentals and transparent governance. In the context of Indonesian companies during the period 2019–2023, which also includes the COVID-19 pandemic, investors tend to be more responsive to external risk factors and stable capital structures compared to internal mechanisms such as GCG. The role of leverage as a moderator is not significantly observed.

The Moderating Role of Leverage Between Audit Quality and Firm Value

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That leverage has no substantial influence on firm value when it comes to earnings quality. This research suggests that the company's debt level does neither improve or diminish the influence of audit quality on firm value. High audit quality should boost the credibility of financial statements and reassure investors that the information given is accurate[17]. Investors might view audit quality and leverage as two standalone signals, rather than as a combination that influences each other. High leverage can be perceived as financial risk, while on the other hand, good audit quality indicates strong external oversight.

Conclusion

The results of this study found that earnings quality has a positive effect on firm value. indicating that the higher the earnings quality shown by lower discretionary accruals (DA). The higher the firm value. Good corporate governance (GCG) and audit quality do not affect on firm valu. indicating that although theoretically GCG and audit quality are important oversight mechanisms. in practice they do not have a significant impact on the market's valuation of the Company. This may be due to the suboptimal implementation of GCG and audit quality. which are still formalities. or lack of attention from investors amid the global economic dynamics during the research period. The moderation variable indicates that leverage weakens the effect of earnings quality on firm value. and leverage does not moderate the effect of GCG and audit quality on firm value. This reflects that investors may pay more attention to external risk aspects and overall financial performance rather than governance mechanisms and audit quality in relation to the capital structure.

Future research is expected to use other research variables or add research variables such as liquidity. profitability. and so on.The use of other proxies also needs to be updated or expanded. such as earnings quality using DA with other models. GCG using indications of managerial ownership or others. leverage using the DER proxy. and so on.In addition. future researchers are expected to select samples from other company sectors or international scales to obtain more information regarding firm value. Future researchers can also focus on subjects with small to medium market capabilities to observe how the quality of profits and

GCG implemented by the company. because in companies with small to medium market capabilities. profit maximization may appear significant compared to companies with very large capabilities. This research has several limitations. including the aspect of the period and population that encompasses two sectors with different characteristics. as well as the company's financial data showing a capital deficit. which could potentially introduce bias in the interpretation of the results. Therefore. these findings need to be interpreted with caution and serve as a basis for more in-depth subsequent research.

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