

**KUALITAS LABA: PENGARUH MODAL INTELEKTUAL, SET
PELUANG INVESTASI, KONSERVATISME AKUNTANSI, DAN
LIKUIDITAS DENGAN UKURAN PERUSAHAAN SEBAGAI
MODERATOR**

***EARNINGS QUALITY: THE INFLUENCE OF INTELLECTUAL
CAPITAL, INVESTMENT OPPORTUNITY SET, ACCOUNTING
CONSERVATISM, AND LIQUIDITY WITH FIRM SIZE AS A
MODERATOR***

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ABSTRACT

This research intends to investigate the influence of intellectual capital, investment opportunity set, accounting conservatism, and liquidity on earnings quality, while also evaluating the moderating effect of Firm Size in consumer goods sector firms listed on the Indonesia Stock Exchange from 2021 to 2023. A quantitative method was utilized with purposive sampling, yielding 261 observations from 87 firms. Moderated regression analysis was utilized to perform the data analysis. The findings indicate that intellectual capital, investment opportunity set, and accounting conservatism have a substantial impact on earnings quality, whereas liquidity does not. Firm size plays a significant role in moderating the connection between intellectual capital and earnings quality, but it does not influence the relationships between the other independent variables and earnings quality. This research adds to the existing knowledge by combining four internal organizational elements and examining the influence of company size in the consumer goods industry, particularly in the aftermath of the pandemic recovery phase. It furthermore tackles inconsistencies and gaps in earlier results concerning the factors affecting earnings quality.

Keywords: Accounting Conservatism; Earnings Quality; Intellectual Capital; Investment Opportunity Set; and Liquidity

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ABSTRAK

Penelitian ini bertujuan untuk menyelidiki pengaruh modal intelektual, set peluang investasi, konservatisme akuntansi, dan likuiditas terhadap kualitas laba, sementara juga mengevaluasi efek moderasi Ukuran Perusahaan di perusahaan sektor barang konsumsi yang terdaftar di Bursa Efek Indonesia dari tahun 2021 hingga 2023. Metode kuantitatif digunakan dengan purposive sampling, menghasilkan 261 observasi dari 87 perusahaan. Analisis regresi termoderasi digunakan untuk melakukan analisis data. Temuan menunjukkan bahwa modal intelektual, set peluang investasi, dan konservatisme akuntansi memiliki dampak substansial terhadap kualitas laba, sedangkan likuiditas tidak. Ukuran perusahaan memainkan peran penting dalam memoderasi hubungan antara modal intelektual dan kualitas laba, tetapi tidak mempengaruhi hubungan antara variabel independen lainnya dan kualitas laba. Penelitian ini menambah pengetahuan yang ada dengan menggabungkan empat elemen organisasi internal dan memeriksa pengaruh ukuran perusahaan dalam industri barang konsumsi, khususnya setelah fase pemulihan pandemi. Selanjutnya ia mengatasi ketidakkonsistenan dan kesenjangan dalam hasil sebelumnya mengenai faktor yang mempengaruhi kualitas pendapatan.

Kata Kunci: Konservatisme Akuntansi; Kualitas Laba; Likuiditas; Modal Intelektual; dan Rangkaian Peluang Investasi



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1. INTRODUCTION

As stated by Soter (2024), financial statements aim to monitor, evaluate, and disclose income, cash flow, resource use, and various business operations. Profit data is the most crucial element of financial statements, as it indicates the company's capacity to generate earnings through its operational activities (Purba, 2023). Earnings quality is a crucial aspect in accounting as it demonstrates management efficiency and signals the trustworthiness of financial reports (Suwarno et al., 2022). Strong financial outcomes reflect not only present achievements but also act as a dependable predictor of future performance and a foundation for investors and creditors during their decision-making processes (Kusumawardhani & Setyorini, 2024). High-quality earnings improve investment efficiency and lessen information asymmetry between management and capital suppliers (Mohmed & Flynn, 2020; Ritonga et al., 2023). Nevertheless, intricate economic elements and managerial requirements frequently affect profit reporting, ultimately compromising the quality of the profits displayed.

The case of PT Sinar Mas Agro Resources and Technology Tbk in the period 2021-2023 illustrates fluctuations in earnings quality. In 2022, the firm's net profit rose significantly from Rp 2.83 billion to Rp 5.50 billion, in line with increases in operating income and gross profit (IDX, 2023). But in 2023 net profit dropped to Rp 917.87 million despite revenue remaining strong at Rp 66.53 billion. This sharp drop suggests that the variables which this study examines (intellectual capital, investment opportunity set, accounting conservatism, and liquidity) may be influencing not just levels of revenue but the ability to control costs, report conservatively, and maintain reliable earnings. This linkage shows the need to empirically test how each variable theoretically drives or weakens earnings quality in this sector.

This research emphasizes four primary factors thought to affect earning quality: intellectual capital (IC), investment opportunity set (IOS), accounting conservatism, and liquidity. These four factors signify internal organizational assets that contribute to the creation of pertinent and trustworthy financial data (Alorayni et al., 2024; Anindita et al., 2024; Zadeh et al., 2022). Despite extensive research and a theoretically robust connection to earnings

quality, prior findings continue to demonstrate inconsistencies. Concerning the IC variable, certain research highlights its considerable impact on earnings quality (Sowaity, 2022; Utami et al., 2023), whereas other studies indicate no influence (Safitri & Muliati, 2023). A comparable scenario exists with IOS, with certain studies indicating a positive impact (Hasanuddin et al., 2021), a negative impact (Islamiati, 2023), or even no noteworthy impact (Anindita et al., 2024). In relation to accounting conservatism, certain studies indicated a positive impact on earnings quality (Rudyanto et al., 2023), whereas others revealed negative or minimal effects (Hastuti & Lusiana, 2023; Murniati, 2019). In a similar vein regarding liquidity, while some research indicates a positive influence (Erawati et al., 2023), numerous studies also find no influence (Herdina et al., 2023; Mufidah & Dewi, 2024). These mixed results call for clearer theoretical grounding in each of these variables, especially in the consumer goods sector, to explain why effects may differ by firm, time, or context.

Furthermore, firm size is included as a moderator. In the consumer goods sector, larger firms may possess more developed infrastructure, better internal control systems, more resources for conservative reporting, and greater ability to maintain liquidity; whereas smaller firms may face more constraints. This differential suggests that firm size may strengthen or weaken how IC, IOS, conservatism, and liquidity affect earnings quality. While agency theory suggests that larger firms face greater agency costs but also have greater monitoring capacity (Mirza et al., 2024), empirical results are mixed. Some studies find firm size significantly moderates reporting transparency and control (Lestari & Khafid, 2021), others do not (Bano, 2022; Petra et al., 2020)

In Indonesia, the consumer goods subsector was selected because its characteristics (stable demand, sensitivity to raw material prices, product innovation) can exacerbate or dampen income volatility. The application of the IDX Industrial Classification (IDX-IC) since 2021 gives a more precise definition of which firms are in the consumer goods sector, making comparisons more robust. The timeframe 2021-2023 is chosen to capture post-COVID-19 recovery dynamics, during which consumer goods firms had to adjust cost structures, supply chains, and reporting strategies under uncertainty (Suryani & Ariyani, 2022). This study aims to integrate theory and recent empirical findings to fill gaps: explicitly test the theoretical mechanisms by which IC, IOS, accounting conservatism, and liquidity affect earnings quality; test moderating effect of firm size; focus on Indonesian consumer goods sector post-pandemic; and use the new sector classification. Findings should help investors, managers, and regulators understand what drives reliable earnings information in this sector.

2. LITERATURE REVIEW

Agency Theory

In a commercial setting, the owners (referred to as the principal) and managers (referred to as the agents) have a complex interaction that the agency theory aims to explain. One important point that is underlined is that it becomes challenging or costly for the principal to keep an eye on the agent's activities when the principal and the agent have different interests or goals (Moloi & Marwala, 2020). The disparity of information between agents and principals may result in agency conflicts that undermine the decision-making process (Mohmed & Flynn, 2020). This tension might motivate managers to distort profits for their own benefit, consequently lowering the quality of earnings that are reported (Purba, 2023). Consequently, a key factor in reducing the information asymmetry between investors and management is the quality of profit (Suryani & Ariyani, 2022). High-quality earnings suggest that management presents financial data truthfully, mirroring the company's real performance (Safitri & Muliati, 2023). In the context of agency theory, earnings management represents a type of agency cost

that needs to be reduced via efficient monitoring (Kalalo & Sofian, 2022). Contracts and control mechanisms that seek to align the interests of principals and agents can resolve conflicts of interest (Biehl et al., 2024).

Signaling Theory

Signaling theory emphasizes decision-making and communication, as signalers transmit observable signals that deliver reliable information regarding unobservable traits. It is especially beneficial in scenarios involving incomplete or flawed information, helping decision-makers to make informed selections (Connelly et al., 2024). High-quality earnings indicate that the organization is efficiently managed and in strong financial condition (Purba, 2023). In this regard, the financial reports provided by management assist investors in making better-informed choices (Tangke, 2023). Openness in business operations boosts market trust, as it draws investment and enables investors to make educated choices (Mirza et al., 2024). Positive indicators are evident in financial statements that demonstrate steady performance and distinct future potential (Sowaity, 2022). A substantial investment opportunity landscape can indicate significant growth potential for a firm (Islamiati, 2023). Nonetheless, these signals must be supported by conservative accounting methods to prevent deceiving stakeholders (Zadeh et al., 2022).

Hypothesis Development

The Effect of Intellectual Capital on Earning Quality

Managers often possess more information about a company's operations than shareholders, which can create unequal access to information and potential conflicts of interest. Effective management of intellectual capital helps reduce this gap. When companies strengthen their human capital through skilled employees, enhance structural capital through efficient systems and procedures, and build relational capital through trustworthy relationships with stakeholders, they create a transparent environment that limits managerial discretion. This transparency reduces the likelihood of earnings manipulation and improves the reliability of reported earnings.

In addition, strong intellectual capital acts as a clear signal of managerial competence and organizational integrity. Firms that invest in employee knowledge, innovation, and well-structured processes demonstrate their ability to generate sustainable value. These signals increase investor confidence in the credibility of financial reports and the company's overall performance. Empirical findings by Alorayni et al. (2024), Sowaity (2022), and Utami et al. (2023) support this argument, showing that companies managing intellectual capital effectively tend to produce earnings information that is more consistent and trustworthy. Thus, intellectual capital not only reduces internal information imbalance but also reflects external assurance of earnings credibility.

H₁: Intellectual capital affects earnings quality

The Effect of Investment Opportunity Set on Earnings Quality

When a company has many investment opportunities, managers are under greater pressure to make decisions that balance growth expectations and shareholder interests. This situation often creates unequal access to information between managers and investors, since managers control internal knowledge about how funds will be allocated to profitable projects. To maintain investor trust and avoid suspicion of opportunistic behavior, management is encouraged to present financial information that is transparent and free from manipulation. In this way, a high investment opportunity set can encourage managers to report earnings more accurately and responsibly, because reliable reporting strengthens their credibility and reduces

the risk of conflict with owners.

At the same time, a strong portfolio of investment opportunities also serves as a clear signal to the market about the company's ability to grow and generate future profits. When management reports consistent and high-quality earnings, it reinforces this signal and attracts more investors who believe in the company's long-term value. Therefore, the presence of valuable investment opportunities motivates companies to maintain the accuracy and reliability of their financial information. Prior research by Hasanuddin et al. (2021), Suryani & Suwarno (2024), Islamiati (2023), and Safitri & Muliati (2023) found that firms with broader investment opportunities tend to produce more credible earnings reports. Thus, the investment opportunity set reflects not only growth potential but also the management's commitment to deliver trustworthy financial performance.

H2: The investment opportunity set affects earnings quality.

The Effect of Accounting Conservatism on Earnings Quality

Managers often have greater control and access to internal information than shareholders, which can lead to biased reporting to serve personal interests. The application of conservative accounting principles helps reduce this imbalance by limiting managerial discretion and encouraging a cautious approach in recognizing income and assets. When companies recognize potential losses more quickly and delay recognizing uncertain gains, they prevent overstatement of performance and maintain credibility with investors. This practice reflects management's commitment to responsible financial reporting, thereby reducing the risk of opportunistic behavior and ensuring that reported earnings more accurately reflect the company's real condition. Such prudence not only curbs conflicts between managers and shareholders but also supports consistent and reliable financial communication.

At the same time, conservative reporting sends a clear signal to the market that the company upholds transparency and integrity in financial disclosure. Firms that apply conservative principles consistently demonstrate accountability and discipline in managing risk and recognizing uncertainty. This builds investor confidence, as conservative accounting indicates that the company prioritizes long-term stability over short-term profit presentation. Empirical evidence from Anindita et al. (2024), Safitri & Muliati (2023), Rudyanto et al. (2023), Suryani & Suwarno (2024), and Hasanuddin et al. (2021) supports this view, showing that conservative reporting practices are strongly linked to higher earnings quality. Therefore, accounting conservatism not only constrains managerial opportunism but also strengthens the signal of reliability and trustworthiness in financial statements.

H3: Accounting conservatism affects earnings quality.

The Effect of Liquidity on Earnings Quality

When a company maintains strong liquidity, it shows that management can effectively balance the firm's cash inflows and outflows to meet short-term obligations. This financial strength reduces the likelihood of tension between managers and shareholders, as management faces less pressure to manipulate earnings to present a favorable image of performance. Adequate liquidity provides managers with flexibility in fulfilling commitments and minimizes the risk of opportunistic reporting behavior. By maintaining sufficient liquid assets, firms demonstrate sound financial governance that reduces the information gap between internal and external parties. This condition leads to more transparent and reliable earnings reports that genuinely reflect the company's operational results.

In addition, stable liquidity acts as a positive signal to investors and creditors regarding the company's financial health and management capability. Firms with high liquidity indicate efficient resource control and a low risk of financial distress, which strengthens market confidence in their reported earnings. Reliable liquidity levels show that the company does not

depend on accounting manipulation to portray profitability but instead relies on actual performance results. This clear signal of financial stability encourages investors to view the firm's earnings as credible and sustainable. Empirical evidence by Erawati et al. (2023), Hasanuddin et al. (2021), and Lestari & Khafid (2021) confirm that firms with higher liquidity tend to produce more trustworthy financial reports. Therefore, liquidity not only reflects internal control effectiveness but also serves as an external indicator of earnings quality.

H4: Liquidity affects earnings quality

Firm Size Strengthens the Influence of Intellectual Capital on Earnings Quality

Larger companies generally have more complex organizational structures, broader stakeholder bases, and greater public scrutiny. These conditions increase the demand for transparent reporting and reduce the opportunity for managers to act solely for personal gain. In such firms, extensive resources, advanced technology, and professional governance systems support the optimal management of intellectual capital. Well-managed human, structural, and relational capital ensures that financial reporting is accurate and reflects real company performance. The greater accountability and oversight in large firms also reduce information asymmetry between managers and owners, lowering the tendency to manipulate earnings. This reinforces the positive impact of intellectual capital on earnings quality, as managers are encouraged to present information that is reliable and aligned with stakeholder expectations.

At the same time, company size provides an external signal of stability, capability, and credibility in managing resources, including intellectual capital. Larger firms send a stronger signal to investors and the market that they can efficiently convert knowledge and innovation into measurable financial outcomes. This perception enhances investor confidence in the quality of reported earnings. Firms with larger sizes are thus more capable of demonstrating that their intellectual resources translate into trustworthy and sustainable performance results. Prior studies by Alorayni et al. (2024) and Sowaity (2022) confirm that larger firms tend to manage intellectual capital more effectively, which leads to higher earnings quality. Therefore, firm size not only reflects internal control strength but also amplifies the positive influence of intellectual capital on earnings quality.

H5: Firm Size strengthens the influence of intellectual capital on earnings quality.

Firm Size Strengthens the Influence of Investment Opportunity Set on Earnings Quality

When companies have many investment opportunities, managers face higher expectations to allocate resources efficiently and present accurate financial information that reflects their investment potential. In larger firms, these conditions are supported by stronger governance structures, better monitoring mechanisms, and professional management teams that reduce the possibility of biased reporting. The extensive oversight in large firms limits opportunistic behavior, ensuring that financial statements more accurately portray the company's true economic performance. Larger firms also have greater public exposure and are subject to stricter scrutiny from investors and regulators, encouraging management to maintain consistent reporting quality. These factors make large companies better equipped to transform high investment opportunities into reliable and transparent earnings information, reducing the gap between managerial actions and shareholder interests.

In addition, larger firms send clearer and stronger signals to the market regarding their ability to manage investment opportunities effectively. The combination of financial capability, reputation, and stability in large firms builds investor confidence in the company's reported earnings. When a company with substantial investment opportunities reports consistent and credible earnings, it strengthens the market's perception of the firm's future growth and managerial competence. This signaling effect enhances the relationship between investment opportunities and earnings quality, as investors interpret transparent reporting as evidence of

effective management. Research by Hasanuddin et al. (2021) and Kusumawardhani & Setyorini (2024) supports this argument, showing that large firms are more capable of maintaining transparency and accountability in financial reporting. Therefore, firm size enhances the impact of the investment opportunity set on earnings quality by combining internal control strength with a stronger external reputation for credibility.

H6: Firm size strengthens the influence of investment opportunity set on earnings quality.

Firm Size Strengthens the Influence of Accounting Conservatism on Earnings Quality

Large firms generally face greater scrutiny from shareholders, regulators, and the public, which increases the need for transparent and accountable financial reporting. In this setting, the application of conservative accounting becomes an effective mechanism to reduce managerial discretion and align management's actions with shareholders' interests. Larger companies have stronger internal controls, more advanced reporting systems, and broader monitoring structures that help ensure conservative principles are applied consistently. This reduces the possibility of income overstatement and limits opportunistic earnings management. The larger the company, the more pressure management faces to maintain credibility through prudent reporting practices, which strengthens the link between conservatism and reliable earnings outcomes.

At the same time, the consistent use of conservative accounting in large firms sends a strong and positive signal to investors about the company's commitment to accuracy and long-term financial stability. When financial statements reflect caution in recognizing revenues and promptly acknowledge potential losses, investors perceive the firm as credible and trustworthy. This perception enhances the market's confidence in the quality of earnings presented. Conversely, smaller firms with limited resources and simpler governance systems may not fully utilize conservative reporting as an effective communication tool, weakening its influence on earnings quality. Empirical findings by Ritonga et al. (2023) and Rudyanto et al. (2023) confirm that the application of conservatism is more effective in large firms due to stronger governance and accountability mechanisms. Therefore, firm size reinforces the role of accounting conservatism in producing earnings information that is both credible and dependable.

H7: Firm size strengthens the influence of accounting conservatism on earnings quality.

Firm Size Strengthens the Influence of Liquidity on Earnings Quality

In larger firms, higher liquidity not only represents financial strength but also serves as an indicator of effective managerial control and accountability in utilizing company resources. With broader monitoring mechanisms, structured internal supervision, and stronger governance, managers in large firms are less likely to use liquidity for personal or short-term interests. The availability of sufficient liquid assets provides financial stability, allowing management to meet obligations and maintain operations without manipulating earnings figures. This condition reduces the information gap between managers and shareholders, as transparent cash flow management reflects genuine performance and reinforces confidence in the reliability of reported earnings. Therefore, the combination of adequate liquidity and a larger firm structure enhances the firm's ability to produce consistent and credible earnings reports.

At the same time, the liquidity level of a large company sends a clear signal to investors and stakeholders about the firm's financial health and operational discipline. A well-managed liquidity position indicates that the company has sufficient capacity to manage risks and maintain profitability without resorting to aggressive accounting practices. This signal strengthens investor trust in the company's reported earnings, suggesting that profitability is supported by sound financial management rather than temporary accounting adjustments. In

contrast, smaller firms, with limited oversight and weaker control systems, may find it harder to demonstrate such discipline, which weakens the relationship between liquidity and earnings quality. Evidence from Erawati et al. (2023), Alsufy et al. (2020), Wardani & Anggrenita (2022), and Masruroh & Apollo (2023) supports this view, showing that liquidity contributes more positively to earnings quality in larger firms. Thus, firm size enhances the effect of liquidity on earnings quality through stronger governance, accountability, and signaling of financial credibility.

H₈: Firm size strengthens the influence of liquidity on earnings quality.

3. RESEARCH METHOD

This study employs a quantitative approach with a causal associative research framework, concentrating on the effects of intellectual capital, investment opportunity set, accounting conservatism, and liquidity on earnings quality, as well as the moderating effect of firm size. The analysis focuses on consumer products companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. Secondary data from yearly reports available on the Indonesia Stock Exchange's official website (www.idx.co.id) and other relevant sources make up the data used. Purposive sampling is the technique used to choose samples based on preset criteria, and the research population is made up of all 278 companies in the consumer goods subsector that are listed on the IDX. The sample selection in this study was determined using purposive sampling with specific criteria to ensure data accuracy and relevance. The criteria are as follows. The sample consists of consumer goods subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The selected companies must have consistently published their annual reports throughout this period and must not have experienced financial losses in any of the observed years. Furthermore, the financial statements of these companies are required to be presented in Indonesian rupiah and to provide complete and relevant data for all research variables within the 2021–2023 timeframe. These criteria were applied to ensure that the sample represents companies with stable performance and transparent financial reporting. By using this method, 87 companies were selected, resulting in a total of 261 observations over the course of the three-year study.

The analytical method employed in this research is Moderated Regression Analysis (MRA). Before executing the MRA, traditional assumption tests were carried out to confirm that the data satisfied the fundamental requirements of multiple linear regression. The traditional assumption tests incorporated the normality test, multicollinearity assessment, autocorrelation evaluation, and heteroscedasticity examination. After confirming that the model satisfied the classical assumptions, the analysis moved forward with Moderated Regression Analysis (MRA) to investigate the interaction effects of the independent variables and the moderating variable on the dependent variable, specifically earnings quality. MRA enables the researcher to determine if company size amplifies or diminishes the connection between intellectual capital, investment opportunity set, accounting conservatism, liquidity, and earnings quality. The degree to which each independent variable and its interaction (moderation) independently affect the dependent variable was also evaluated using a partial significance test (t-test). Additionally, after controlling for the number of independent variables in the model, the adjusted coefficient of determination (adjusted R²) test was used to assess how well the model explains the variation in earnings quality. The following is the expression for the regression equation used in this study's MRA analysis:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 |X_1 Z| + \beta_6 |X_2 Z| + \beta_7 |X_3 Z| + \beta_8 |X_4 Z| + e$$

Description:

Y = Earnings Quality

- X₁ = Intellectual Capital
- X₂ = Investment Opportunity Set
- X₃ = Accounting Conservatism
- X₄ = Liquidity
- Z = Firm Size (moderating variable)
- X₁Z ... X₄Z = Interaction between each independent variable and firm size
- α = Constant
- β₁–β₈ = Regression coefficients
- e = Error term

Operational Definition

In this research, the dependent variable is earnings quality, assessed by the ratio of operating cash flow to earnings before income tax (EBIT). This ratio is known as Earnings Quality (EQ) and indicates how much a company's net income is backed by real cash flows. A strong EQ suggests that the reported earnings are dependable and not just a byproduct of accrual accounting methods (Sowaity, 2022). The initial independent variable is intellectual capital, assessed through the Value Added Intellectual Coefficient (VAIC™) method introduced by Pulic (1997). VAIC is made up of three primary elements: Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA). Every element assesses the organization’s capability in generating value from physical capital, human capital, and structural capital, respectively (Noor, 2021)

The second variable is the investment opportunity set (IOS), assessed by the Market Value to Book Value of Assets (MVBVA) ratio. This ratio is determined by subtracting equity from total assets, adding the market value of shares, and then dividing that result by total assets. The ratio indicates the market’s outlook on the company’s potential growth and investment prospects (Andriani et al., 2020; Hasanuddin et al., 2021). The third variable pertains to accounting conservatism, assessed through the Conservatism Accrual (CONACC) ratio. This ratio is determined by adding net income to depreciation, subtracting operating cash flow, dividing by total assets, and then multiplying by negative one. A greater CONACC value signifies a greater degree of conservatism in financial reporting (Halim, 2022; Hastuti & Lusiana, 2023; Metta & Viriany, 2024).

The fourth variable is liquidity, represented by the current ratio, which is the ratio of current assets to current liabilities. This ratio indicates the organization's capacity to fulfill its short-term liabilities (Alsufy et al., 2020; Hasanuddin et al., 2021). A favorable current ratio, free of discrepancies in financial statements, can enhance earnings quality (Kawijaya et al., 2024). Having sufficient liquidity enables a company to effectively handle its short-term obligations, which can subsequently improve the dependability and consistency of the reported earnings data. In this study, the moderating variable is firm size, quantified through the natural logarithm of the total assets of the company. The application of the natural log seeks to condense large asset values into a more balanced yet still accurate representation (Masruroh & Apollo, 2023; Murniati, 2019; Noor & Subowo, 2016).

Table 1. Operational Definitions

Variable	Measurement	Scale
Earnings Quality	$EQ = \frac{\text{Operating Cash Flow}}{\text{Earning Before Income Tax (EBIT)}}$	Ratio
Intellectual Capital	VAIC™ = VACA+VAHU+STVA	Ratio
Investment Opportunity Set	$MVBVA = \frac{(TA - TE) + (NS \times SP)}{TA}$	Ratio

Variable	Measurement	Scale
Accounting Conservatism	$CONACC = \frac{(NIO+DEP-CFO) \times (-1)}{TA}$	Ratio
Liquidity	$CR = \frac{Current\ Assets}{Current\ Liabilities}$	Ratio
Firm Size	SIZE = Ln (Total Assets)	Ratio

Source: Processed data, 2025

4. RESULTS AND DISCUSSION

Results

All 278 companies in the consumer goods subsector that are listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023 make up the research's subjects. Purposive sampling, a technique that selects the sample based on predetermined standards that align with the objectives of the study to guarantee that the chosen individuals accurately reflect the population, was used to choose the sample. The selection criteria for samples comprise companies that consistently released annual reports throughout the observation period, did not report losses, presented their financial statements in Indonesian Rupiah, and possessed comprehensive and pertinent data for all examined variables.

Based on the screening criteria, 87 companies were identified during the three-year observation period, resulting in an initial total of 261 firm-year financial statement observations. After preliminary data analysis, it was found that the regression model did not meet the assumptions of normality and adequacy. Therefore, the researcher conducted an identification and removal process of extreme data points (outliers) using the boxplot technique to show data distribution based on quartiles, with the upper and lower bounds determined by values associated with the interquartile range (IQR). A total of 76 out of 261 observations were identified as outliers and removed, leaving 185 valid data points for further analysis. Although the proportion of outliers was relatively large, their removal was necessary to avoid bias in regression estimates and to ensure that the model met the classical assumptions. Outliers can disproportionately influence parameter estimates, leading to misleading significance levels and distorted inferences (Hair et al., 2019). The removal process was carried out using objective statistical criteria based on the IQR method, thereby minimizing subjectivity and ensuring that only extreme and non-representative values were excluded. This approach is consistent with prior accounting and finance research, which emphasizes that the treatment of outliers is crucial to improving the robustness and validity of empirical findings. Table 2 below displays the outcomes of the descriptive statistical analysis.

Table 2. Descriptive Statistical Analysis Test

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Quality	185	-1,19	3,20	0,9088	0,75795
Intellectual Capital	185	4,62	65,50	26,0538	15,25780
Investment Opportunity Set	185	0,55	4,53	1,5717	0,89592
Accounting Conservatism	185	-0,19	0,07	-0,0395	0,05467
Liquidity	185	0,87	7,34	2,3701	1,47526
Firm Size	185	25,12	32,86	28,9967	1,67808

Source: Processed data, 2025

Utilizing the findings from the descriptive statistical analysis, this research investigates six primary variables: earnings quality, intellectual capital, investment opportunity set,

accounting conservatism, liquidity, and firm size, comprising a total of 185 observations following the exclusion of outlier data. The mean earnings quality (EQ) score of 0.9088 suggests that, overall, the firms in the sample possess earnings that are quite strongly backed by operating cash flows, exhibiting a fairly uniform data distribution. Intellectual capital (IC), assessed through VAIC™, has an average score of 26.05, indicating significant disparities in efficiency among firms. Moreover, the investment opportunity set (IOS) holds an average value of 1.57, suggesting that the majority of companies remain at a moderate level in leveraging their investment prospects, with data distribution not straying considerably from the median. The negative average value of the accounting conservatism (CONACC) variable signifies that reported earnings are relatively higher because firms do not delay revenue recognition or fully record potential losses. Economically, this reflects a more aggressive accounting approach rather than a prudent one. In the context of the consumer goods sector, such behavior may occur because companies aim to present stable and attractive financial performance to investors amid intense market competition and the need to maintain consumer and shareholder confidence. Liquidity (CR) averages 2.37, indicating that many companies possess an adequate capacity to fulfill their short-term liabilities, with a fairly uniform distribution. Firm size (SIZE), assessed through the natural logarithm of total assets, has a mean value of 28.99 with minimal variation, suggesting that the majority of companies in this study are classified as medium to large. In general, the results of the descriptive analysis indicate that the data utilized is adequately representative and stable, showcasing the variety of financial attributes within companies in the consumer goods sub-sector in Indonesia.

Normality Test

Table 3. Normality Test Before Outlier

Test Statistics	Value
N (Number of samples)	261
Asymp. Sig. (2-tailed)	<,001

Source: Processed data, 2025

The preliminary results of the Kolmogorov-Smirnov normality test indicated that the data did not follow a normal distribution, presenting a significance value of < 0.001 , which is below the 0.05 limit. To tackle this problem, outlier detection and elimination were carried out utilizing the boxplot technique, given that outliers are extreme values that may influence the distribution. Once the outliers were removed, the count of observations dropped to 185, and a following test for normality revealed a significance value of 0.200. As this value is greater than 0.05, it can be inferred that the data fulfill the normality assumption.

Table 4. Normality Test After Outlier

Test Statistics	Value
N (Number of samples)	185
Asymp. Sig. (2-tailed)	.200 ^d

Source: Processed data, 2025

Multicollinearity Test

In this research, the multicollinearity test was performed to confirm that there was no strong correlation between the independent variables that might influence the regression model's validity. The analysis was conducted by evaluating the tolerance and variance inflation factor (VIF) values, with the model deemed free of multicollinearity if the tolerance exceeds

0.01 and the VIF is below 10. According to the findings presented in Table 5, every variable within the model has tolerance values exceeding the minimum threshold and VIF values that fall within an acceptable range. These results suggest that a robust linear relationship does not exist between the independent variables, indicating that the regression model applied in this research is free from multicollinearity concerns. Consequently, every variable can explain changes in the dependent variable independently without overly affecting each other.

Table 5. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Intellectual Capital	.824	1.213
Investment Opportunity Set	.907	1.102
Accounting Conservatism	.970	1.030
Liquidity	.949	1.054
Firm Size	.846	1.182

Source: Processed data, 2025

Autocorrelation Test

In this study, the Durbin-Watson (DW) method was used for the autocorrelation test to determine if there is a correlation between one residual and another in the regression model. The DW value is interpreted by comparing it with the lower (dL) and upper (dU) bounds found in the Durbin-Watson table, using a 5% significance level while considering the sample size (n) and the number of independent variables (k). In this research, utilizing a sample size of 185 and four independent variables, the dL value was 1.7155 and the dU value was 1.8037. The results of the calculation indicate that the DW value is 1.905. This value is located within the interval from dU to $4 - dU$ ($1.8037 < 1.905 < 2.1963$), suggesting that there are no indications of positive or negative autocorrelation in the applied regression model. Consequently, the assumption of residual independence has been fulfilled, and the regression model in this research is appropriate for additional analysis as it does not face autocorrelation problems.

Table 6. Autocorrelation Test Results

Test Statistics	Value
Durbin-Watson	1.905

Source: Processed data, 2025

Heteroscedasticity Test

The heteroscedasticity assessment in this research was performed to determine if there are unequal residual variances among observations in the regression model, potentially impacting the accuracy of the estimates. The Glejser method was utilized for the test at a 5% significance level, with the model deemed free of heteroscedasticity if each variable's significance value exceeds 0.05. According to the analysis findings, all research variables presented significance values exceeding this threshold, specifically: IC (0.191), IOS (0.055), CONACC (0.336), CR (0.207), and SIZE (0.661). Thus, it can be determined that the regression model shows no signs of heteroscedasticity and is appropriate for additional testing.

Table 7. Heteroscedasticity Test Results

Model	Sig.
(Constant)	.341
Intellectual Capital	.191
Investment Opportunity Set	.055
Accounting Conservatism	.336
Liquidity	.207
Firm Size	.661

Source: Processed data, 2025

Moderated Regression Analysis Test

Moderated Regression Analysis (MRA) was employed to investigate if firm size (SIZE) can influence the connection between the independent variables intellectual capital (IC), investment opportunity set (IOS), accounting conservatism (CONACC), and liquidity (CR) and the dependent variable, which is earnings quality (EQ). This analytical model was developed by incorporating interaction terms between every independent variable and the moderating variable.

Table 8. Moderated Regression Analysis Test Results

Variable	Coefficient	t	p-value
(Constant)	1,020	1,365	0,174
Intellectual Capital	0,012	4,257	<0,001
Investment Opportunity Set	0,154	1,976	0,050
Accounting Conservatism	9,111	12,439	<0,001
Liquidity	-0,150	-1,925	0,056
Firm Size	0,019	0,751	0,454
Intellectual Capital*Firm Size	0,006	3,283	0,001
Investment Opportunity Set*Firm Size	-0,014	-0,459	0,646
Accounting Conservatism*Firm Size	0,158	0,318	0,751
Liquidity*Firm Size	0,001	0,075	0,940

Source: Processed data, 2025

Based on Table 8, the regression equation in this study is as follows:

$$EQ = 1,020 + 0,012(IC) + 0.154(IOS) + 9.111(CONACC) - 0.150(CR) + 0.006(IC*Size) - 0.014(IOS*Size) + 0.158(CONACC*Size) + 0.001(CR*Size) + e$$

Description:

EQ	=	Earnings Quality
IC	=	Intellectual Capital
IOS	=	Investment Opportunity Set
CONACC	=	Accounting Conservatism
CR	=	Liquidity
SIZE	=	Firm Size
e	=	Standard Error

Coefficient of Determination (R²) Test

The adjusted coefficient of determination (adjusted R²) is a measure that evaluates how well the regression model explains the variability in the dependent variable, taking into consideration the number of independent variables included. In contrast to the standard R², the adjusted R² offers a more precise estimate by adjusting for possible bias resulting from the incorporation of non-essential predictor variables in the model. The nearer the value is to 1, the larger the fraction of variation in the dependent variable that can be accounted for by the mix of independent variables in the study model.

Table 9. Coefficient of Determination (R²) Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.717 ^a	.513	.500	.53606

Source: Processed data, 2025

In this research, the modified R² value acquired was 0.500, as indicated in Table 9. This indicates that 50% of the differences in earnings quality (EQ) can be accounted for by the factors intellectual capital (IC), investment opportunity set (IOS), accounting conservatism (CONACC), liquidity (CR), firm size (SIZE), along with the interactions among the independent variables and the moderating variable. Similarly, the remaining 50% is influenced by factors outside the model that were not part of the research, including external economic conditions, company accounting practices, or managerial variables that cannot be easily measured. Therefore, this value suggests that the model possesses a moderate level of explanatory power and is appropriate for use as a foundation for additional analysis.

Hypothesis Test (t-test)

In this study, the t-test was employed to evaluate how much each independent variable affects the changes in the dependent variable. The examination was carried out at a significance level of 5% ($\alpha = 0.05$). The criteria for decision-making depend on the significance value: if the significance value ($\text{sig} \leq 0.05$), the hypothesis is accepted, showing a significant effect; on the other hand, if the significance value ($\text{sig} > 0.05$), the hypothesis is rejected, indicating no significant effect. Table 10 displays the partial interpretation of the t-test results.

Table 10. t-Test Results

Hypothesis	Hypothesis Statement	Regression Coefficient	Signifikansi (p-value)	Result
H ₁	Intellectual capital affects earnings quality	0,012	<0,001	Accepted
H ₂	Investment opportunity set affects earnings quality	0,154	0,050	Accepted
H ₃	Accounting conservatism affects earnings quality	9,111	<0,001	Accepted
H ₄	Liquidity affects earnings quality	-0,150	0,056	Rejected

Hypothesis	Hypothesis Statement	Regression Coefficient	Signifikansi (p-value)	Result
H ₅	Firm size strengthens the effect of intellectual capital on earnings quality	0,006	0,001	Accepted
H ₆	Firm size strengthens the effect of investment opportunity set on earnings quality	-0,014	0,646	Rejected
H ₇	Firm size strengthens the effect of accounting conservatism on earnings quality	0,158	0,751	Rejected
H ₈	Firm size strengthens the effect of liquidity on earnings quality	0,001	0,940	Rejected

Source: Processed data, 2025

From the outcomes of the partial significance test (t-test), various key insights were derived concerning the impact of independent variables on the quality of earnings. Initially, the intellectual capital variable (X_1) demonstrated a notable impact on earnings quality, presenting a regression coefficient of 0.012 and a significance level of <0.001 , bolstering hypothesis H_1 that enhanced management of intellectual capital will elevate a company's earnings quality. Additionally, the investment opportunity set (X_2) demonstrated a substantial impact on earnings quality, exhibiting a coefficient of 0.154 and a significance level of 0.050, reinforcing hypothesis H_2 about the favorable connection between investment opportunities and earnings quality. Moreover, accounting conservatism (X_3) significantly influenced earnings quality, as shown by a coefficient of 9.111 and a significance level of <0.001 , supporting hypothesis H_3 that the use of conservative accounting practices can improve the quality of earnings information reported. In contrast, liquidity (X_4) did not exhibit a significant impact, as evidenced by a significance value of 0.056 (>0.05), leading to the rejection of hypothesis H_4 .

Moreover, the examination of the moderating variable indicated that solely the interaction between intellectual capital and firm size (X_1Z) exerted a notable impact on earnings quality, presenting a coefficient of 0.006 and a significance value of 0.001. This result backs hypothesis H_5 , which suggests that the size of a firm may enhance the impact of intellectual capital on earnings quality. Simultaneously, the relationship between investment opportunity set and firm size (X_2Z) was not significant, presenting a coefficient of -0.014 and a significance level of 0.646; similarly, the relationship between accounting conservatism and firm size (X_3Z) yielded a significance value of 0.751 and a coefficient of 0.158, as did the association between liquidity and firm size (X_4Z) with a significance level of 0.940 and a coefficient of 0.001. These three findings suggest that the size of a firm does not influence the impact of IOS, accounting conservatism, or liquidity on earnings quality, leading to the rejection of hypotheses H_6 , H_7 , and H_8 .

Discussion

The Effect of Intellectual Capital on Earning Quality

The positive effect of intellectual capital on earnings quality can be explained primarily

through agency theory. Managers often possess more information than shareholders, creating information asymmetry that may lead to opportunistic behavior such as earnings manipulation. Intellectual capital, which consists of human, structural, and relational capital, helps reduce this asymmetry by improving knowledge systems, internal control, and transparency in financial reporting. In the consumer goods subsector, strong human capital enhances product innovation, operational efficiency, and adaptability to rapidly changing consumer preferences. Structural capital such as digitalized reporting systems, automated inventory management, and data-driven performance monitoring supports reliable, consistent, and timely disclosure. Meanwhile, relational capital with suppliers, distributors, and modern retail channels strengthens trust, ensures stable product availability, and supports brand loyalty, making reported earnings more credible and reflective of actual performance (Alorayni et al., 2024; Sowaity, 2022).

From a signaling perspective, firms with strong intellectual capital send a positive signal to investors regarding their ability to manage knowledge effectively, maintain transparency, and adopt prudent accounting practices. In the consumer goods industry, this can be observed through consistent product innovation, disciplined disclosure, and the ability to maintain brand equity even amid market saturation and shifting consumption trends. Companies with advanced structural capital and strong governance mechanisms are perceived as more accountable and resilient in facing operational risks. Relational capital also contributes to long-term investor confidence by ensuring that earnings reflect sustainable business growth rather than short-term gains.

Based on the decomposition of VAIC into VACA, VAHU, and STVA, the results show that VAHU (Value Added Human Capital) tends to have the strongest contribution to earnings quality. This indicates that employee productivity and management competence play a key role in producing accurate and reliable financial reports. VACA (Value Added Capital Employed) also supports this relationship by showing how effectively physical and financial resources are utilized to create value. STVA (Structural Capital Value Added), while relatively stable, ensures continuity and efficiency in processes such as reporting systems, standard operating procedures, and data management. These findings suggest that human capital is the main driver of earnings quality improvement, supported by structural systems that enhance information credibility and capital efficiency. Therefore, intellectual capital functions both as a mechanism to reduce agency problems and as a credible signal of reliability and sustainability, thereby enhancing the overall quality of reported earnings (Utami et al., 2023).

The Effect of Investment Opportunity Set on Earnings Quality

A broad investment opportunity set (IOS) can influence managerial behavior in how company resources are utilized. When firms have abundant growth opportunities, managers face greater pressure to manage these opportunities effectively and demonstrate performance accountability. To gain the trust of shareholders and creditors, managers are encouraged to present transparent and credible earnings. Reliable reporting reduces the potential for opportunistic behavior arising from information imbalances between managers and investors. In the consumer goods subsector, IOS often manifests through product diversification, SKU expansion, and market penetration into modern retail channels. Managers must ensure that investment in product innovation and distribution networks is reflected in earnings that represent sustainable business growth. Thus, IOS strengthens the alignment between managerial actions and shareholder interests, as reported earnings need to demonstrate real value creation and market responsiveness in this fast-moving industry.

Additionally, a wide IOS serves as a strong signal to the market that the firm is capable of sustaining growth and managing future projects responsibly. Firms that provide clear and accurate financial reports communicate their readiness to seize new investment opportunities

while maintaining disciplined reporting standards. In the consumer goods industry, this signaling is particularly evident in how companies disclose the performance of new product lines, manage marketing expenditures, and expand distribution coverage to reach a broader consumer base. Such transparency strengthens investor trust and distinguishes firms with strong governance and efficient resource allocation. Therefore, IOS not only represents growth potential but also acts as a driver that encourages firms—especially in the consumer goods subsector—to deliver more informative and reliable earnings reports, ultimately improving earnings quality (Andriani et al., 2020; Listyaningsih, 2020).

The Effect of Accounting Conservatism on Earnings Quality

Conservatism in financial reporting serves as a mechanism that restrains managerial discretion and reduces the likelihood of opportunistic behavior. By requiring earlier recognition of expenses and losses while deferring the recognition of revenues until they are fully realized, this approach limits opportunities for managers to present inflated earnings figures. When managers understand that they are under close scrutiny by investors and creditors, conservative reporting becomes a tool to demonstrate that resources are managed responsibly and that financial statements genuinely reflect corporate performance. In the consumer goods subsector, conservative accounting plays a vital role because companies often face high inventory turnover, fluctuating raw material costs, and intense market competition. The application of conservatism ensures that potential losses from obsolete inventory or declining sales prices are recognized promptly, preventing overstated profits. It also signals careful cost management and operational discipline, both of which are critical in maintaining investor and consumer trust in this dynamic sector. In this sense, conservatism narrows the gap between managers and shareholders by minimizing the room for information distortion. Previous studies, such as those by Anindita et al. (2024) and Rudyanto et al. (2023), emphasize that conservative practices help ensure that financial disclosures are more reliable, thereby protecting the interests of external stakeholders and reinforcing trust in the reporting process.

Beyond limiting discretion, conservatism also functions as a signal of credibility to the market. Firms adopting prudent reporting practices show their commitment to transparency, sending the message that their earnings are less likely to be manipulated and more likely to reflect sustainable performance. This enhances investor confidence, particularly in uncertain market conditions where reliable information is highly valued. In the consumer goods industry, conservative reporting helps companies demonstrate stability amid changing consumer demand and promotional price pressures. By recognizing potential losses early—such as from product returns, price discounts, or unsold goods—companies present earnings that better represent economic reality. This disciplined approach not only strengthens perceptions of accountability but also supports long-term brand reputation and investor confidence. Safitri & Muliati (2023) highlight that such practices not only improve the consistency of reported earnings but also differentiate firms with strong governance from those that are more prone to opportunism. Thus, the adoption of conservative accounting plays a dual role: constraining managerial behavior that may harm shareholders while simultaneously communicating credible signals that strengthen the quality of earnings perceived by the market.

The Effect of Liquidity on Earnings Quality

Liquidity is often assumed to provide assurance that firms can meet their obligations smoothly, yet this does not automatically translate into more reliable financial reporting. Managers who have abundant liquid resources may face less pressure to be transparent, since operational continuity is not heavily dependent on external financing. In such cases, the availability of liquid assets can reduce the intensity of monitoring by shareholders and creditors, which in turn gives managers wider discretion in how they present earnings. Without

effective oversight, this discretion can lead to opportunistic practices that undermine the quality of financial information. This dynamic suggests that liquidity alone is insufficient to align the interests of managers and shareholders. Rather, it is the strength of governance structures and accountability mechanisms that ensures earnings reflect actual performance. Studies such as Mohmed & Flynn (2020) and Herdina et al. (2023) confirm that liquidity on its own does not play a decisive role in shaping earnings quality when information asymmetry remains high. For the consumer goods subsector, many firms maintain high liquidity due to strong cash flows from daily sales and stable demand patterns. This structural liquidity, however, tends to be used for inventory management and working capital needs rather than signaling transparency or reporting discipline. Because liquidity is an operational necessity rather than a strategic tool, it may not exert significant influence on the accuracy or reliability of earnings reports.

Additionally, liquidity is not necessarily an effective medium for signaling credibility to the market. While firms with strong liquidity positions might appear financially healthy, this indicator does not guarantee that earnings reports are more transparent or free from manipulation. In the context of consumer goods firms, high liquidity often reflects efficient sales turnover and short cash conversion cycles, which already provide internal stability. Consequently, investors do not perceive liquidity levels as a key differentiator of reporting credibility. Instead, other sector-specific mechanisms such as disciplined disclosure of sales performance, efficient cost management, and conservative accounting practices serve as stronger indicators of earnings quality. This reinforces the idea that signals of quality and reliability in earnings come not from liquidity levels but from the integrity of reporting systems and managerial accountability, particularly in industries where liquidity is naturally strong and less variable.

Firm Size Strengthens the Influence of Intellectual Capital on Earnings Quality

The ability of large firms to strengthen the role of intellectual capital in shaping earnings quality can be explained by their more complex organizational structures and stronger governance mechanisms. Bigger firms face greater scrutiny from investors, regulators, and the public, which reduces the possibility of managers acting purely in their own interest. The presence of more advanced internal control systems and monitoring practices restricts opportunistic behavior and ensures that the intellectual resources of the company are used to support reliable reporting. Larger companies also have better access to skilled employees, advanced technology, and systematic procedures, which allow them to transform human, structural, and relational capital into more credible financial disclosures. In the consumer goods subsector, large firms often rely on human capital efficiency (VAHU) as the most dominant driver of earnings quality, supported by capable management, skilled production teams, and integrated marketing divisions. This is consistent with the VAIC results, which show that VAHU contributes the most to improving earnings credibility compared to capital employed efficiency (VACA) and structural capital efficiency (STVA). The ability to coordinate these human and structural resources—through innovation management, digital reporting systems, and strong supply chain relationships—makes large consumer goods firms more effective in converting knowledge into transparent and high-quality reporting.

At the same time, firm size amplifies the signaling effect of intellectual capital. Larger firms are more visible in the market and are under greater reputational pressure, which motivates them to communicate their strength and reliability through transparent earnings reports. In the consumer goods industry, this visibility is reinforced through SKU expansion, penetration of modern retail channels, and disciplined disclosure practices that align with market expectations. Firms that manage these strategies well tend to signal stronger governance and more sustainable value creation to investors. Structural capital efficiency (STVA) plays a supporting role by enabling consistent disclosure systems and documentation accuracy, while

VACA reflects how efficiently tangible resources are used to generate value. Together, these components illustrate that firm size not only magnifies the effectiveness of intellectual capital but also strengthens investor trust through consistent, data-driven reporting and visible operational discipline. Prior studies, such as those of Alorayni et al. (2024) and Sowaity (2022), confirm that larger firms are better able to optimize intellectual capital in ways that improve reporting quality and market confidence. In this sense, size magnifies the positive impact of intellectual resources, both by constraining opportunistic behavior and by serving as a credible communication channel to the market.

Firm Size Strengthens the Influence of Investment Opportunity Set on Earnings Quality

The absence of a moderating effect of firm size on the relationship between investment opportunity set and earnings quality can be explained by the tension between monitoring capacity and organizational complexity. Larger firms often attract greater oversight from investors and creditors, yet their scale also brings layered bureaucracy and dispersed decision rights. These conditions can dilute the alignment between managerial actions and shareholder interests because complex internal processes and multiple oversight channels may slow detection of opportunistic reporting or even create incentives for managerial smoothing to meet market expectations. Prior studies document mixed outcomes on whether scale improves governance effectiveness, suggesting that size alone does not guarantee stricter control or better reporting incentives (Bano, 2022; Lestari & Khafid, 2021; Petra et al., 2020). In this light, the mere existence of abundant investment opportunities does not automatically translate into higher reporting quality through firm size, since the governance mechanisms that convert growth prospects into reliable disclosures depend on how monitoring, incentives, and internal procedures are structured in each firm (Hasanuddin et al., 2021; Kusumawardhani & Setyorini, 2024).

At the same time, treating investment opportunity set as a market signal clarifies why size need not strengthen its effect on earnings quality. Firms with clear growth prospects have incentives to communicate those prospects credibly, but the effectiveness of that communication depends on disclosure choices and reputation management rather than on the firm's scale per se. Large firms may prefer strategic signaling through selective disclosures or market relations, aiming to sustain investor confidence even when reported earnings do not fully reflect underlying value creation. Conversely, smaller firms that adopt thorough disclosure and governance practices can produce equally credible signals. Empirical work shows that the link between growth opportunities and earnings informativeness varies by disclosure policy and governance context, not simply by asset size (Andriani et al., 2020; Kusumawardhani & Setyorini, 2024; Listyaningsih, 2020). Therefore, it is plausible that firm size does not consistently amplify the IOS effect because signaling credibility requires deliberate disclosure and oversight mechanisms, which differ across firms regardless of their scale.

Firm Size Strengthens the Influence of Accounting Conservatism on Earnings Quality

The absence of a moderating effect of firm size on the relationship between conservatism and earnings quality suggests that scale alone does not guarantee stronger alignment between managers and shareholders. While larger corporations often have more formalized governance structures and wider monitoring mechanisms, these do not necessarily prevent managers from pursuing opportunistic actions when faced with pressures to display favorable financial outcomes. The abundance of resources in big firms can even create opportunities for earnings smoothing, since complex bureaucracies make it harder for stakeholders to detect subtle deviations in reporting. In the consumer goods subsector, this tendency may appear in the form of delayed recognition of promotional expenses, marketing

costs, or inventory write-downs, which are often adjusted to maintain stable profit margins across reporting periods. Larger firms with multiple product lines and distribution channels tend to prioritize earnings stability to protect brand image, reducing the visibility of conservative accounting practices in their financial statements. This condition highlights that the successful application of conservative reporting depends less on organizational scale and more on managerial commitment to uphold transparent disclosure practices. As noted by Hastuti & Lusiana (2023), the absence of consistent results across different industries indicates that governance quality and oversight intensity play a more decisive role than size in determining whether conservatism translates into improved earnings quality.

From another perspective, firm size does not automatically strengthen the credibility of signals that companies send to the market through conservative reporting. Even though large companies are more visible and subject to higher expectations from investors, the information they disclose may not always reflect careful application of prudence if management prioritizes short-term performance over long-term credibility. In the consumer goods industry, where product demand tends to be stable and market competition is tight, large firms may use conservative accounting selectively—recognizing losses from obsolete inventory or promotional spending only when necessary to maintain investor confidence. This practice shows that the perceived prudence of large firms can be more strategic than purely ethical, shaped by the need to project resilience and financial strength. Investors may become skeptical when reported earnings emphasize profitability without clear evidence of cautious recognition of revenues and timely recording of losses. In such cases, conservative practices fail to function as reliable indicators of sustainable value creation. Research by Ritonga et al. (2023) and Rudyanto et al. (2023) suggests that larger firms often have the capacity to apply conservatism effectively, but the findings here indicate that this potential is not realized when managerial incentives are misaligned. Thus, credibility in financial reporting depends less on firm size than on the consistency of managerial behavior in using conservatism as a means of enhancing transparency and building investor trust.

Firm Size Strengthens the Influence of Liquidity on Earnings Quality

The empirical observation that firm size does not amplify the effect of liquidity on earnings quality can be interpreted by considering how cash buffers change monitoring and managerial discretion. When firms hold ample liquid resources, managers face less immediate pressure to secure external financing, which can reduce the intensity of external monitoring and increase room for managerial judgment in recognition and presentation choices. In environments where oversight and enforcement are weak, available liquidity may create organizational slack rather than discipline, allowing subtle earnings management despite healthy cash positions. In the consumer goods subsector, high liquidity often arises from stable cash inflows and rapid inventory turnover, but these advantages may also reduce managerial discipline in cost recognition or promotional spending. Larger consumer goods firms that rely on consistent sales of fast-moving products tend to use liquidity as operational flexibility, such as funding new product launches or marketing campaigns, rather than as a control mechanism to ensure conservative reporting. As a result, even though these firms maintain strong liquidity ratios, the quality of earnings may not improve proportionally because managerial discretion in expense timing and revenue recognition remains high. Moreover, larger organizations often feature complex reporting channels and decentralized decision rights that can obscure cash management practices and delay detection of opportunistic reporting. Prior studies warn that liquidity alone does not guarantee better reporting outcomes unless it is paired with effective governance and control mechanisms that constrain discretionary choices (Masruroh & Apollo, 2023a; Mohamed & Flynn, 2020; Wardani & Anggrenita, 2022). Thus, the presence of cash does not automatically convert into higher earnings informativeness; what matters is how

liquidity interacts with monitoring structures and managerial incentives.

Liquidity also functions as a market signal only when it is supported by credible disclosure and reputational commitments. Investors evaluate liquidity together with observable reporting behavior and governance quality, so a high current ratio may be discounted as a reliable signal if transparency and disclosure practices are weak. In the context of the consumer goods industry, investors may view liquidity more as a short-term operational strength than as an indicator of reporting credibility. Firms with strong brand portfolios and steady consumer demand can sustain high liquidity through efficient working capital cycles, yet this does not necessarily reflect improved transparency or conservative accounting. For instance, large firms may time promotional expenses or supplier payments to maintain profitability targets, signaling market resilience rather than prudence in financial reporting. Firms that combine sound liquidity with consistent, verifiable disclosures send stronger signals of financial health and stewardship, which reduces uncertainty and supports the informativeness of earnings. Conversely, firms that rely on liquidity as a façade without transparent reporting achieve little reputational gain, and market participants will treat liquidity as a weak or noisy signal. Empirical and theoretical work therefore suggests that signaling value depends on deliberate disclosure policies and oversight, not on firm size (Alsufy et al., 2020; Erawati et al., 2023). In short, liquidity's contribution to earnings quality hinges on governance and disclosure integrity rather than on the scale of the firm.

5. CONCLUSION

The analysis results indicate that intellectual capital, investment opportunity set, and accounting conservatism significantly influence earnings quality, whereas liquidity does not have a significant impact. Moreover, company size has been shown to enhance the impact of intellectual capital on earnings quality, but it does not amplify the influence of investment opportunity set, accounting conservatism, or liquidity. These results suggest that knowledge-oriented factors and the prudence principle are more significant in assessing the quality of earnings information, especially in the consumer goods industry, which strongly depends on competitive edge and brand image. Investors are encouraged to explicitly evaluate intellectual capital disclosures—such as human capital indicators (e.g., employee productivity, training, and innovation programs), R&D investments, and process capital improvements—as well as accounting conservatism indicators, including loss recognition policies and expense timing. Such detailed evaluation allows investors to assess whether firms demonstrate consistent discipline and transparency in financial reporting.

For investors, the findings suggest that assessing intellectual capital, accounting conservatism, investment opportunity set, and liquidity using the updated IDX-IC classification during the post-COVID-19 period can improve decision-making and risk assessment, because firms that adapt better tend to show higher earnings quality. For company managers, emphasizing transparency in financial disclosure, maintaining conservative accounting policies, and managing liquidity proactively become essential strategies to preserve earning quality in unstable economic times. For regulators, it is important to encourage or enforce consistent industry classifications (like IDX-IC), strengthen frameworks for financial reporting quality, and monitor post-pandemic adaptation measures, since better reporting standards help in reducing information asymmetry and boosting market confidence.

This research has a few limitations that need to be acknowledged. Initially, in the data processing phase, the researcher performed normality tests and identified outliers to pinpoint extreme values that might influence the regression outcomes. As a result of this detection, 76 observations were removed because of considerable deviations from the normal distribution, which might bias the model estimates. Second, this research exclusively utilized data from the period of 2021 to 2023. This period was chosen due to the introduction of a new classification

system by the Indonesia Stock Exchange, specifically the IDX Industrial Classification (IDX-IC), which became effective on January 25, 2021. Consequently, data preceding 2021 were omitted since they did not fit the updated sector classification, resulting in the removal of numerous companies during the sample selection phase. This time limitation constrains the study's scope and limits its capacity to represent long-term historical situations. Given the substantial number of deleted observations, future studies should consider reducing the outlier rate by adding relevant control variables, applying more appropriate data-screening criteria to mitigate bias, or adopting panel-data testing and estimation techniques (for example, using EViews) to improve model robustness.

Consequently, it is suggested that future studies broaden their scope concerning both industry sectors and research durations, along with integrating quantitative and qualitative methods for assessing earnings quality. Future scholars ought to explore other moderating or mediating variables, including corporate governance or environmental performance, to deepen the comprehension of elements affecting earnings quality in light of the growing complexity of the business landscape. This research significantly enhances the literature regarding the influence of intellectual capital and accounting conservatism on earnings quality, especially in the setting of emerging markets like Indonesia. Moreover, the results regarding the specific influence of firm size as a moderating factor offer fresh perspectives for advancing agency theory and signaling theory and may establish a basis for upcoming research that explores the interactions of high-quality financial reporting amid market demands and technological progress, particularly in the time leading up to the adoption of the new classification.

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