The Effect of Audit Tenure, Invesment Opportunity Set and Accounting Conservatism Towards Earning Quality with Managerial Ownership As Moderating Variable

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Abstract

This research aims to analyze the influence of audit tenure, investments opportunity set and the conservatism accounting to the quality of earning, as well as to know whether managerial ownership moderate relation between audit tenure, investment opportunity set and accounting conservatism towards the quality of earning. This research is a quantitative study using secondary data sourced from the company's financial statements published through the website https://www.idx.co.id. The population in this research were companies listed on the Indonesia stock exchange with a population target of LQ 45 company in 2015-2017. Sampling techniques used purposive sampling methods that produce as many as 23 company. Data processing used multiple linear regression analysis techniques and moderated regression analysis with the help of SPSS program version 22. The results show that: 1). Audit Tenure, Invesment Opportunity Set and accounting conservatism it affects the quality of earning; 2). Managerial ownership moderate the relationship between Audit tenure and accounting conservatism on earning quality; 3) Managerial ownership does not moderate the relationship between the Invesment Opportunity Set to the quality of earning.

Keywords: Earning Quality, Audit Tenure, Invesment Opportunity Set, Accounting Conservatism, Managerial Ownership.

Introduction

One of the important information of financial statements which is the concern of the stakeholders is about the company's earning information (Juanda, 2007). The importance of such earning information is related to its role that can evaluate the company's past performance, provide a basis for predicting future performance and can help assess the risk or uncertainty of future cash flows (Keiso et al., 2010).

The earning information reported by the company will be used by the investor for decision making in investing their funds or predicting future earnings. In the decision making of the investment, it is important for investors to know the quality of earning reported by a company (Robert et al., 2010). Defines the quality of earning as the ability of earning in reflecting the truthfulness of corporate earnings and helps predict future earnings, taking into account the stability of earning (Bellovary et al., 2009).

After realizing the significant impact of earning on the company, the management of the company will always strive to present earning information that can provide added value or which can attract attention to the decision makers, even if the information The earning is not in accordance with reality (Noor, et al., 2015). Surveys conducted by the Association of Certified Fraud Examiners (ACFE) show that from year to year the average organization has always lost 5% of its revenue due
to fraud against the company's earning presentation, so that Loss of confidence in the presented earning (ACFE, 2014).

Overseas financial scandal related to the earning manipulation occurred back to the company Toshiba which proved to inflate earning worth 1.22 billion dollars in 2015, British Telecom worth 9.2 billion dollars in 2017, in Indonesia a similar case occurs PT. Timah (Persero) TBK company in earning financial statement, but actually loss worth RP 59 billion in 2015, PT Bank Bukopin Tbk (BBKP) inflated earning from Rp 476.57 billion to 1.39 billion year 2016, and recently happened to PT Garuda Indonesia from the report on earning book year amounted to 809 thousand dollars in 2018. This is inversely proportional to the 2017 loss of 216.58 million dollars. After searching the company actually still lossers 244.96 million dollars and there are many other cases of spider manipulation occurring (source: Online News).

With many cases of earning manipulation conducted by management. The role of public accountants as a third party is expected to give confidence in the reports submitted by management so that the quality of financial statements generally and the quality of earning in particular can be believed to be true. This is in accordance with the responsibility of the auditor in the Section 200 SPAP, which is responsible for planning and implementing the audit to gain adequate confidence in whether the financial statements are free from material misconduct, whether caused by confusion or fraud (IAPI, 2014).

But in fact some cases of earning manipulation financial scandal that occur many involve the auditors who audit the company. One of the reasons is because of the audit Tenur too long. The old tenure will result in the auditor more identifying itself with the management interest of the public interest, this will cause the auditor to take action outside the boundaries that have been established and can result In violation of the profession code of ethics in carrying out its audit duties, so that it will impact failure in detecting misconduct which causes the quality of the company's return reported to be poor (Myers et al, 2010).

Empirical research on the investments opportunity set on the quality of earnings done by Permana (2015), Sayuthi (2012), Indriani and Kusumaputra (2016) results showed that the audit tenure affect the quality of earning. However, the research on Aerts (2012), Shalicha (2012) indicates that the quality of earning is not affected by the tenure audit.

Another factor that affects the quality of earning is the Investment Opportunity Set (IOS). Investment Opportunity Set generally describes the breadth of opportunities or investment opportunities for the company. Companies that have a high investments opportunity set value will get a bigger response from the market, because the company will have the ability to obtain a higher earning. Good earning quality can be indicated by the market response to the earning of the company. The more powerful the market reaction to the earning information shows a quality reported earning. Conversely, the more weak the market reaction to the earning information, indicating the reported earning is less qualified (Boediono, 2013).
Empirical research about the investments opportunity set on the quality of earning done by Baharuddin (2009), Paulus (2012), Prasetyawati (2014), IOS research results (investment opportunity set) positively affect the quality of earning. However, the research conducted by Simamora (2013) shows the results that IOS has no effect on the quality of earnings.

The next factor relating to the quality of earning is the application of the principle of conservatism. According to FASB Statement of concept No. 2 conservatism is a careful reaction in the face of inherent uncertainty to try to ensure that uncertainty and risk within the business environment are already considered enough. Watts (2008) defines conservatism as a precautionary principle in financial reporting where the company does not rush in recognizing and measuring its assets and earnings and promptly recognizes losses and debts that have the possibility happen. The reporting based on prudence will benefit the best for all users of financial statements (Almilia, 2011). With the application of conservatism principles in the company will have an influence on the financial statements presented by the company, including the quality of the company's earning (Heart, 2011).

Empirical research on conservatism, the quality of earnings carried out by Tuwentina and Wirama (2013), Putu DKK (2014), Prasetyawati (2014) The results of their study proved that the accounting conservatory has significant positive effect To the quality of earning. However, research conducted by Seswanto (2012) shows the results that conservatism has no effect on the quality of earning.

In addition to the above factors, managerial ownership can also play a role in determining the quality of corporate earnings. Wiryadi & Sebrina (2013) said managerial ownership is the ownership of shares owned by an individual or group of elites originating from within the company that actively participate in decision making, such as director, management, and commissioner.

The managerial ownership in the study was used as a variable to moderate the relationship between tenure audit, investment opportunity set and the accounting conservatism on the quality of earning. The existence of shares ownership by management will give rise to a supervision on the policies taken including in the case of determination of cooperation with the KAP, investment and also the determination of accounting policies that will take, in the presence of management will encourage management to improve its performance so as to produce quality earning for the owners of the company including themselves (Lestari, 2017).

This research is a replication of the study of Prasetyawati (2014) entitled "Influence of Conservatism and Investment Opportunity Set on the Quality of Earning in Manufacturing Companies listed on the Indonesia Stock Exchange". The difference in this research is to add an audit tenure as an independent variable. This is due to the many criticisms of the auditor regarding the financial scandal involving auditors due to lengthy audit tenure as well as a number of debates related to the audit tenure. Furthermore, with the addition of managerial ownership as a moderating variable. With the managerial ownership, differences in the interests of the agent with
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the owner can be adjusted in order to improve the company's performance to produce quality earning.

In addition, this study used the quality of earning measurement with the measurement Model Penman (2001). The use of this model is because it can see the direct correlation between the cash flow used with the income generated by the company. Unlike the research samples of Prasetyawati who used the manufacturing company from 2011-2013 period, this study used the company samples of LQ 45 period 2015-2017. LQ 45 index consists of 45 issuers with high liquidity, selected through multiple selection criteria.

On the basis of the literature review as well as the inconsistency of previous research results encourages researchers to conduct research on “The Effect of Audit Tenure, Investment Opportunity Set and Accounting Conservatism Towards Earning Quality With Managerial Ownership as Moderating Variable”.

The problem formulations in this study are 1). Do audit tenure, investment opportunity sets and accounting conservatism affect the quality of earnings in the companies listed in the LQ 45? 2). Does managerial ownership can moderate audit tenure, investments opportunity set, and the accounting conservatism on the quality of earnings in companies registered in LQ 45?

Based on the issue that has been outlined, the objectives of this study are as follows: 1). To explain and predict the influence of audit tenure, investment opportunity set and accounting conservatism to quality of earning on registered company in LQ 45. 2). To explain and predict the influence of managerial ownership can moderate the audit tenure, investment opportunity set and accounting conservatism to the quality of earnings in companies registered in LQ 45. 5.

Conceptual Framework and Hypothesis Development Influence of audit tenure on Earning Quality

Audit tenure is the term of the public accounting firm (KAP) in providing audit services to the client (Chi et al, 2010). The old tenure will result in the auditor more identifying itself with the management interest of the public interest, this will cause the auditor to take action outside the boundaries that have been established and can result in violation of the profession code of ethics in carrying out its audit duties, so that it will impact failure in detecting misconduct which causes the quality of the company's return reported to be poor (Myers et al, 2010). Sayuthi (2012) and Purnama (2014) found the evidence of Audit Tenure have negative effect on the quality of earning.

Based on the arguments and the results of the above research, it can be formulated following hypotheses:

**H1**: Audit tenure affects the quality of earning.

Influence of Investment Opportunity Set to Earning Quality

IOs is a future investment option that has a high enough return so as to be able to make the value of the company is boosted (Gaver and Gaver, 2010). Companies that
have a high *investment opportunity set* value will get a bigger response from the market, because the company will have the ability to obtain a higher earning. Good earning quality can be indicated by the market response to the earning of the company. The more powerful the market reaction to the earning information, indicating a quality reported earning. Conversely, the more weak the market reaction to the earning information, indicating the reported earning is less qualified (Boediono, 2013).

This is evidenced by the research conducted by Warianto (2013) and Baharudin (2016) concluded that the *investment opportunity set* (IOS) positively affects the quality of earning calculated using *discretionary accruals*. Based on the arguments and the results of the above research, it can be formulated following hypotheses:

**H2:** *Investment opportunity set* affects earning quality

### Influence of Conservatism on Earning Quality

According to FASB *Statement of concept* No. 2 conservatism is a careful reaction in the face of inherent uncertainty to try to ensure that uncertainty and risk within the business environment are already considered enough. Watts (2008) defines conservatism as a precautionary principle in financial reporting where the company does not rush in recognizing and measuring its assets and earnings and promptly recognizes losses and debts that have the possibility happen. The reporting based on prudence will benefit the best for all users of financial statements (Almilia, 2011). Research on the accounting conservatism and the quality of earning carried out by Wirama (2013) and Prasetyawati (2014) got results that accounting conservatism affects the quality of earning. Based on the arguments and the results of the above research, it can be formulated following hypotheses:

**H3:** Accounting conservatism affects the earning quality

### Managerial Ownership Moderate the Relationship between Audit tenure to Earning Quality

Managerial ownership is a stock owned by the manager or directors of the company itself, such ownership can bring together managers and shareholders' interests, so it can serve as a mechanism to mitigate problems *agency* between the manager and the owner (Jensen and Meckling, 1976). With the managerial ownership, the interests of the agent with the owner will be aligned in order to improve the company's performance to produce quality earning. Alignment of interests occurs because the management has a position as the owner, which resulted in the management will feel the direct impact of every decision taken (Darabali & Saitri, 2016). Based on the argument above, it can be formulated in hypotheses as follows:

**H4:** Managerial ownership moderate the relationship between audit *tenure* to earning quality
Managerial Ownership Moderate the Relationship between Investment Opportunity Set Relationship to the Earning Quality

The ownership structure of one of the corporate governance mechanisms used to reduce agency cost is by increasing ownership of shares by management. The separation of ownership by principals with control by agents in an organization tends to pose a conflict of agency. To minimize such conflicts with, it takes stock ownership by management. The greater the ownership of management within the company then management will tend to try to improve its performance (Faisal, 2005). Based on the argument above, it can be formulated in hypotheses as follows:

**H5:** Managerial ownership moderate relationship between investment opportunity set to the earning quality

Managerial Ownership Moderate the Relationship between Accounting Conservatism to Earning Quality

Managerial ownership is the ownership of shares of a public company owned by an individual or an elite group originating in the company (Wiryadi & Sebrina, 2013). Jensen and Meckling (1976) stated that shares ownership by management would lower the agency's issue as more and more shares were owned by management and the stronger their motivation to work in increasing the value of shares company.

The manager's ownership is more than any other investor, so management tends to report more conservative earnings. Since the sense of owning a manager against the company is large enough, the manager would prefer to expand and enlarge the company than to put the bonus into a earning target (Savitri, 2016). Based on the argument above, it can be formulated in hypotheses as follows:

**H6:** Managerial ownership moderate relationship between accounting conservatism to earning quality

**Research Methodology**

Sample and Population

In this research, population was generally a company registered in Indonesia Stock Exchange, while the target population was a company registered in LQ 45 Period of 2015-2017. The sampling technique used purposive sampling method, with the research sampling criteria such as: 1). The company registered in the LQ 45 Period of 2015-2017 Index. 2). The company registered continuously in LQ 45 during 2015-2017. 3). The company which presented the financial report in rupiah. According to the criteria, then it got 23 Companies.

The Definition of Variable Operational and Measurement

Dependent Variable

Dependent variable used in this research was earning quality. Bellovary et al. (2009) defined income quality as income capability in reflecting company income validity and helped predicting further earnings, by considering income stability.
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Income Quality measurement used in this research was measurement model of Penman (2001) which measured the income quality by calculating ratio between operating cash flow divided by company net income.

Formula:

\[
\text{Income quality} = \frac{\text{Operating Cash Flow}}{\text{Net Income}}
\]

Independent Variable
Tenure Audit

Tenure audit was a period of Public Accountant Office (KAP) contract in giving the auditing service to the client (Chi et al, 2010). Tenure audit in this research was referring to Aerts (2012) research which was measuring by calculating the total of contract years.

Investment Opportunity Set

Gaver and Gaver (2010) said that IOS was an investment choice for the future which had high returns so it could raise company value. In this research, IOS proxy used MBA ratio adopted from Fahlevi (2016) research. Adam & Goyal (2007) said that market-to-book assets ratio was the most informative IOS proxy.

Formula:

\[
\text{MBVA} = \frac{\text{Market Value}}{\text{Asset Book Value}}
\]

Accounting Conservatism

Watts (2008) defined conservatism as awareness principle in financial reporting where the company was not in rush in realizing and measuring assets and income, also soon realize the cost and debts which had the chance to be occurred. In this research, accounting conservatism was measured by Givoly and Hayn (2000) model adopted by Utomo (2018) which was:

Formula:

\[
K = \frac{(\text{Net Income} + \text{Depreciation} - \text{Operating Cash Flow})}{\text{Assets Total}} \times (-1)
\]

Moderating Variable

Moderating variable used in this research was Managerial Ownership. Managerial Ownership was a shareholding of a public company owned by individual or elite group from the internal of the company (Wiryadi & Sebrina, 2013). In this research,
managerial ownership was measured from the total of stock percentage owned by the manager and the commissioner board of the company.

Formula:

\[ MO = \frac{\text{Managerial stock total}}{\text{Circulation stock total}} \]

Data Analysis Method

In this research, the data analysis model used multiple linear regression analysis and rated moderating regression by using the software application of Statistical Package for Social Sciences (SPSS) 22 for Windows. Thus, the formula was written in the following:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad \cdots (1) \]

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1^*Z + \beta_5 X_2^*Z + \beta_6 X_3^*Z + \varepsilon \cdots (2) \]

Classic Assumption Test

Hypothesis test with multiple linear regression analysis would give good result when the regression model fulfilled all the following classic assumptions which were: (1) multicollinearity, (2) autocorrelation, (3) heteroscedasticity, (4) normality. Classic assumption test was conducted with statistic analysis.

Hypothesis Test

To test the variable partially or individually, it was conducted with the significance test of individual parameter (t test) which aimed to find out whether the independents variable was partially influence the dependent variable or not also which variable was dominantly influence the dependent variable (Ghozali 2013:97).

Coefficient of Determination

Coefficient of determination \( (R^2) \) measured the regression model capability explained the dependent variable with adjusted R square. Adjusted R square was used to find out how close is the relation between independent variable to dependent variable, then the relation between independent and dependent variable was closer.

Result and Discussion

Descriptive Statistic

After conducting the data analysis, then it gets the descriptive statistic as follows:
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Table 4.1 Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ</td>
<td>69</td>
<td>.1593</td>
<td>1.8951</td>
<td>1.174770</td>
<td>.4549210</td>
</tr>
<tr>
<td>AT</td>
<td>69</td>
<td>1.0000</td>
<td>3.0000</td>
<td>1.565217</td>
<td>.7760810</td>
</tr>
<tr>
<td>IOS</td>
<td>69</td>
<td>.1143</td>
<td>3.8888</td>
<td>1.760199</td>
<td>1.0695441</td>
</tr>
<tr>
<td>AC</td>
<td>69</td>
<td>.0896</td>
<td>3.4375</td>
<td>.699165</td>
<td>.6752989</td>
</tr>
<tr>
<td>MO</td>
<td>69</td>
<td>.0000</td>
<td>.9000</td>
<td>.263280</td>
<td>.2530490</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS (2019) Data Analysis, Appendix 2: Descriptive Statistic

According to Table 4.1, it shows the Income Quality with minimum value of 0.1593 is for Sentul City Tbk (BKSL) in 2015 and the maximum value of 1.8951 is for Bumi Serpong Damai Tbk (BSDE). The average of Income Quality data is 1.1748 with the deviation standard of 0.4549. Next, the lowest Tenure Audit analysis result is 1 and the highest is 3. The average of Tenure Audit is 1.5653 and the deviation standard is 0.7760. The result of Investment Opportunity Set (IOS) analysis with the minimum value from IOS of 0.1143 is for Bank Negara Indonesia Tbk (BBNI) in 2016 and the maximum value of 3.8888 is for AKR Corporindo Tbk (AKRA) in 2015. The IOS average value is 1.7601 and the deviation standard is 1.0696.

The analysis result of Accounting Conservatism with the minimum value of Accounting Conservatism of 0.0896 is for Bumi Serpong Damai Tbk (BSDE) in 2016 and the maximum value of 3.4375 is for Alam Sutera Realty Tbk (ASRI) in 2017. The average of Accounting Conservatism is 0.6991 and the deviation standard is 0.6752. For Managerial Ownership variable has the minimum value of 0.000 for some companies which become the samples due to no management stock in the company, and the maximum value of 0.9000 is for Bank Central Asia Tbk (BBCA) in 2017. The average value is 0.2632 with the deviation standard of 0.2530.

Classic Assumption Test Result
Data Normality Test Result

This research uses two normality data tests which are statistic test with residual probability plot parametric and kolmogorov smirnov test. The normality test with P-Plot can be seen as follows:
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According to the figure above it can be concluded that this research is fulfilling normal requirement of probability plot so the regression model in this research is fulfilling the normality element. Beside the P-Plot, normality test can also be seen from Kolmogrove Smirnov (K-S) test, seen as follows:

**Table 4.2 Data Normality test**  
*a. Test distribution is Normal.*

<table>
<thead>
<tr>
<th></th>
<th>Earning Quality</th>
<th>Tenure Audit</th>
<th>IOS</th>
<th>Accounting Conservatism</th>
<th>Ownership Managerial</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>Normal Parameters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>1.1748</td>
<td>1.5652</td>
<td>1.7602</td>
<td>.6992</td>
<td>.2633</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.45492</td>
<td>.77608</td>
<td>1.06954</td>
<td>.67530</td>
<td>.28305</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
<td>.090</td>
<td>.375</td>
<td>.085</td>
<td>.224</td>
<td>.197</td>
</tr>
<tr>
<td>Positive</td>
<td>.065</td>
<td>.375</td>
<td>.085</td>
<td>.224</td>
<td>.197</td>
</tr>
<tr>
<td>Negative</td>
<td>-.090</td>
<td>-.233</td>
<td>-.062</td>
<td>-.183</td>
<td>-.176</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>.463</td>
<td>.782</td>
<td>1.317</td>
<td>.947</td>
<td>.197</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.200&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.983&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.574&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.184&lt;hsup&gt;c&lt;/sup&gt;</td>
<td>.331&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

According to table 4.2 above, it can be said that the values of data observation is considered as normally distributed and can be used for the next analysis.

**Multicollinearity Test Result**

The multicollinearity test result is presented in this following table:

**Table 4.3 Multicollinearity test result By Using Factor Inflash Variant**
The Effect of Audit Tenure, Investment Opportunity Set and Accounting Conservatism Towards Earning Quality with Managerial Ownership As Moderating Variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(constant)</td>
<td>0.491</td>
</tr>
<tr>
<td>Audit Tenure</td>
<td>0.542</td>
</tr>
<tr>
<td>IOS</td>
<td>0.247</td>
</tr>
<tr>
<td>Accounting Conservatism</td>
<td>0.374</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td></td>
</tr>
</tbody>
</table>

From the table above, it can be seen that the tolerance value is above 0.1 and VIF value is below 10, so it can be defined that there is no multicollinearity between the observed independent variables.

Autocorrelation Test Result

Autocorrelation test result in this research is as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.845</td>
</tr>
</tbody>
</table>

Source: SPSS (2019) Analysis Data, Appendix 2: Summary Model

From the table above, it shows the DW value of 1.845 which means DW value is in around 2, then it can be defined that there is no correlation and can be concluded that there is no autocorrelation in this research observation.

Heteroscedasticity Test Result

Heteroscedasticity test result in this research is conducted by seeing the Scatterplot. The scatterplot graphic in the heteroscedasticity test is seen as follows:

![Scatterplot](image)
According to figure 4.2 above, it can be concluded that there is no clear pattern, so the points is scattered above and below zero in the Y axis, it means there is no heterocedasticity.

**Result of Discussion and Testing**

**Multiple Linear Regression Analysis Result**

From the conducted regression analysis, it can be seen as follows:

**Table 4.5 Multiple Regression Analysis Result**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.060</td>
<td>.024</td>
</tr>
<tr>
<td></td>
<td>Audit Tenure</td>
<td>-.024</td>
<td>.010</td>
</tr>
<tr>
<td></td>
<td>IOS</td>
<td>.098</td>
<td>.037</td>
</tr>
<tr>
<td></td>
<td>Konservatisme Akuntansi</td>
<td>.031</td>
<td>.018</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Income Quality

According to the table above, regression equation resulted is:

\[ Y = 0.060 - 0.024X1 + 0.098X2 + 0.031X3 + e \]

The Influence of Tenure Audit to the Income Quality

According to Table 4.5 shows the value of \( t_{\text{calculation}} \) of 2.498 and \( t_{\text{table}} \) of 1.669 and p \( \text{value (sign)} \) of 0.019, where the significant value in the significance rate of 0.05 because \( t_{\text{calculation}} > t_{\text{table}} \) and the \( \text{sig} \) value is lower than 0.05, so \( H_1 \) is accepted. It means that Tenure Audit is influencing the Income Quality.

This research result shows that tenure audit is negatively influencing the income quality which is signed with the regression coefficient value of -0.024 with the significance of 0.019. This negative influence means that tenure audit is not suitable with the income quality. It means the longer the tenure audit in the company, the lower the company income quality.

This matter is strengthen by Myers et al (2010) statement which said that the long-term tenure will cause auditor identify themselves to the management matters than the public matters, this will cause auditor to act beyond the limitation also can
cause the deviation of profession ethic code in conducting the audit, then it will impact to the failure of detection which make the company income quality worse.

This research is in line with the research of Sayuthi (2012), Permana (2015), and Kusumaputra (2016) which shows that long-term Tenure causes low income quality. This research is considered as inconsistent with Aerts (2012), Shalicha (2012) which said that tenure audit has no influence with income quality.

The Influence of Investment Opportunity Set to the Income Quality

According to Table 4.5, it shows $t_{\text{calculation}}$ value of 2.661 and $t_{\text{table}}$ of 1.669 and $p$ value (sign) of 0.025, where the significance value in the significance of 0.05 because $t_{\text{calculation}} > t_{\text{table}}$ and $p$ value is lower than 0.05, then $H_2$ is accepted. It means Investment Opportunity Set has influenced the Income Quality.

It is strengthen by Fanani (2010) which said IOS is the company opportunity to grow and also becomes the basis of growth classification determination for the future, the more the company grows and develops, it means that it is healthy so the income can be more qualified or vice versa.

This research is in the line with Baharudin (2009), Paulus (2012), Prasetyawati (2014) which shows that Investment opportunity set can influence the income quality. This research is inconsistent with the research by Simamora (2013), Wariantio (2013) which shows that IOS has no influence to the income quality terhadap kualitas laba.

The Influence of Accounting Conservatism to the Income Quality

According to Table 4.5, it shows $t_{\text{calculation}}$ value of 1.996 and $t_{\text{table}}$ value of 1.669 and $p$ value (sign) of 0.009, where the significance value in the significance of 0.05 because $t_{\text{calculation}} > t_{\text{table}}$ and $p$ value is lower than 0.05, then $H_3$ is accepted. It means that Accounting Conservatism influenced the Income Quality.

This analysis is strengthen by LaFond ane Watts (2008) statement which said that conservatism will make more qualified income because this principle prevents the company to exaggerate the income and helps the financial report user by presenting not overstate assets and income.

This research is in the line with Hati (2011), Prasetyawati (2014) which said the implementation of conservatism principle will make qualified income. This research is inconsistent with Seswanto (2012), Setiadi and Wijayanti (2014) that shows that conservatism has no influence to the income quality.

Coefficient of Determination Result

Coefficient of determination shows the independent variable percentage (tenure audit, investment opportunity set and accounting conservatism) which can explain the dependent variable (income quality).
The Effect of Audit Tenure, Investment Opportunity Set and Accounting Conservatism Towards Earning Quality with Managerial Ownership As Moderating Variable

Table 4.6 Coefficient of Determination Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.843*</td>
<td>.792</td>
<td>.687</td>
<td>.8236</td>
</tr>
</tbody>
</table>

Source: SPSS (2019) Analysis Data

According to the SPSS output on table 4.6 above, the Adjusted R2 before moderation is 0.687. It means that 68 percents of income quality dependent variable variation can be explained or influenced by the independent variable of tenure audit, IOS and accounting conservatism, while the rest 32 percents is influence or explained by the variable that is not included in the research model.

Multiple Regression Analysis (MRA) Test Result with Regression II Model

From the conducted analysis by using SPSS ver 22 for windows program, the data analysis can be seen as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.355</td>
<td>.158</td>
<td>2.244</td>
<td>.028</td>
</tr>
<tr>
<td>Audit Tenure</td>
<td>.130</td>
<td>.183</td>
<td>.126</td>
<td>1.713</td>
</tr>
<tr>
<td>IOS</td>
<td>.036</td>
<td>.034</td>
<td>.180</td>
<td>2.070</td>
</tr>
<tr>
<td>Konservatisme Akuntansi</td>
<td>.037</td>
<td>.000</td>
<td>.068</td>
<td>1.805</td>
</tr>
<tr>
<td>Audit Tenure*Kepemilikan Manajerial</td>
<td>.135</td>
<td>.044</td>
<td>.865</td>
<td>2.040</td>
</tr>
<tr>
<td>IOS*Kepemilikan Manajerial</td>
<td>.009</td>
<td>.015</td>
<td>.088</td>
<td>1.321</td>
</tr>
<tr>
<td>Konservatisme Akuntansi*Kepemilikan Manajerial</td>
<td>.281</td>
<td>.111</td>
<td>.566</td>
<td>2.540</td>
</tr>
</tbody>
</table>

a. Dependent Variable : Income Quality

According to the table above, the regression equation resulted is:

\[ Y = 0.355 + 0.130X1 + 0.036X2 + 0.037X3 + 0.135X1 \cdot Z + 0.009X2 \cdot Z + 0.281X3 \cdot Z + e \]
The Effect of Audit Tenure, Investment Opportunity Set and Accounting Conservatism Towards Earning Quality with Managerial Ownership As Moderating Variable

The Influence of Tenure Audit to Income Quality Moderated by Managerial Ownership

According to Table 4.7, it shows $t_{\text{calculation}}$ value of 2.040 and $t_{\text{table}}$ value of 1.669 and $p \text{ value (sign)}$ of 0.003, where the significant value in the significance of 0.05 because $t_{\text{calculation}} > t_{\text{table}}$ and $\text{sig}$ value is lower than 0.05, then $H_4$ is accepted. It means that there is an influence of tenure audit that is moderated by managerial ownership to the income quality.

This matter means there is a stock ownership by the management which will raise control to the taken policies also influence the decision-making by the company management including cooperation with the KAP. High managerial ownership in the company believed to have power to determine accounting office also how long the accounting office will audit the company (Fleming et al 2005).

The Influence of Investment Opportunity Set to the Income Quality Moderated by Managerial Ownership

According to Table 4.7, it shows the $t_{\text{calculation}}$ value of 1.321 and $t_{\text{table}}$ value of 1.669 and $p \text{ value (sign)}$ of 0.536 where the significance value is on significance of 0.05 because $t_{\text{calculation}} < t_{\text{table}}$ and $\text{sig}$ value is higher than 0.05, then $H_5$ is rejected. This means there is no influence of IOS moderated by managerial ownership to the income quality.

Decision and activities in the company to the managerial ownership will obviously different to the company without managerial ownership. In the company with managerial ownership, the manager who is also the shareholder will obviously conform the responsible as a manager and shareholder. This matter will be different if the manager is not a shareholder, which might make the manager only responsible to the job as a manager.

However, the managerial ownership in this research cannot be moderated between investment opportunity set to the income quality due to the managerial stock ownership average is very low, so the management has less influence in decision-making in running the company operation and cannot control the company, especially in investment decision, because it is aligned the UUPT No 40 that can fully control the company and involved in the decision-making which has the major shareholders that are those who has stocks above 50% from the total of the stock ownership in the company.

The Influence of Accounting Conservatism to the Income Quality Moderated by Managerial Ownership

According to Table 4.7, it show the $t_{\text{calculation}}$ value of 2.540 and $t_{\text{table}}$ value of 1.669 and $p \text{ value (sign)}$ of 0.012 where the significant value is on significance of 0.05 because $t_{\text{calculation}} > t_{\text{table}}$ and $\text{sig}$ value is lower than 0.05, then $H_6$ is accepted. This
means there is an influence of accounting conservatism moderated by managerial ownership to the income quality.

This means, if the managerial ownership is higher than other investors, then the management is tended to report the income more conservative. Because the manager sense of belonging to the company is great, then the manager is more willing developing and growing the company rather than focusing on bonus that will be got if it fulfill the income target (Savitri, 2016).

Coefficient of Determination with Multiple Regression Analysis (MRA) Result

Coefficient of determination shows the percentage of independent variable (Tenure Audit, Investment Opportunity Set and Accounting Conservatism) can explain the dependent variable (Income Quality).

Table 4.8 Coefficient of Determination With Multiple Regression Analysis (MRA) Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.925</td>
<td>.857</td>
<td>.732</td>
<td>0.9335</td>
</tr>
</tbody>
</table>

Source: SPSS (2019) Analysis Data

According to the SPSS output result in the table 4.8 above, the Adjusted R2 after moderation is 0.732. This matter means there is an improvement before moderation about 68 percents become 73 percents of income quality dependent variable variation can be explained or influenced by the independent variable, while the rest 27 percent is influenced or explained by variables that is not included in the research model.

Conclusion and Suggestion

Conclusion

According to the problem formulation, theoretical framework and hypothesis test result, the researcher has the conclusions as follows:
1. Tenure Audit has influenced the income quality.
2. Investment opportunity set (IOS) has influenced the income quality.
3. Accounting conservatism has influenced the income quality.
4. Tenure Audit has influenced the income quality moderated by managerial ownership.
5. Investment opportunity set (IOS) has not influenced the income quality after moderated by managerial ownership.
6. Accounting conservatism has influenced the income quality after moderated by managerial ownership.
The Effect of Audit Tenure, Investment Opportunity Set and Accounting Conservatism Towards Earning Quality with Managerial Ownership As Moderating Variable

References


