

GOOD CORPORATE GOVERNANCE, AUDITOR QUALITY AND AUDITOR OPINION ON EARNING PERSISTENCY

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ABSTRAK

Penelitian ini mencoba menguji pengaruh good corporate governance (GCG), kualitas auditor (AQ), dan opini audit (AO) terhadap persistensi laba (EP). Laba yang berkualitas adalah laba yang persisten, dalam hal ini laba yang dimiliki permanen dan tidak bersifat transitory atau sementara. Persistensi laba adalah laba yang mempunyai kemampuan indikator laba periode mendatang yang dihasilkan oleh perusahaan secara berulang-ulang. Penelitian menggunakan GCG, AQ, dan AO sebagai variabel independen dan EP sebagai variabel dependen. Populasi penelitian adalah seluruh perusahaan terbuka dengan menggunakan purposive sampling sebagai teknik pengambilan sampel. Sampel penelitian adalah 989 perusahaan publik yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2017-2021. Penelitian ini juga menguji beberapa variabel kontrol antara lain nilai akrual absolut, volatilitas arus kas (CFV) dan volatilitas penjualan (SV). Hasilnya adalah: (1) Independensi dewan komisaris, kepemilikan institusional, opini auditor, dan kualitas auditor berpengaruh positif terhadap persistensi laba. (2) Rapat komite audit tidak mempengaruhi persistensi laba. (3) Untuk variabel kontrol: Leverage, Cash Flow Volatilitas (CFV), dan Sales Volatilitas (SV) tidak berpengaruh terhadap Persistensi Laba (EP).

Kata kunci: presistensi laba, kualitas auditor, opini audit.

ABSTRACT

Research tries to test good corporate governance (GCG), auditor quality (AQ), and audit opinion (AO) on earning persistence (EP). Earning quality are earning persistent, in this case the earning owned are permanent and not transitory or temporary. Earning persistence is profit that has the ability to be an indicator of profit for the future period that is generated by the company repeatedly. Research uses GCG, AQ, and AO as independent variables and EP is dependent variable. Research population all publicly traded companies using purposive sampling technique. Research sample is 989 public enterprise registered on Indonesia Stock Exchange (ISX) 2017-2021. This research also test some variables control include absolute accrual value, cash flow volatility (CFV) and sales volatility (SV). The results are: (1) Board commissioner's independence, institutional ownership, auditor opinion, and auditor quality have a positive effect on earnings persistence. (2) Audit committee meetings don't affect earnings persistence. (3) For control variables: leverage, cash flow volatility (CFV), and sales volatility (SV) don't affect earnings persistence (EP).

Key words: earning persistence, auditor quality, auditor opinion.

INTRODUCTION

Profit information is a component of financial statements that is generally the main concern of users of financial statements in assessing the performance of a company. SFAC (Statement of Accounting Concepts) No. 1 states that profit information is provided to assess management performance, estimate representative profit capabilities over the long term, predict returns, and assess risks in investment and credit. Assessment of management performance through profit information motivates management to achieve specified profit targets. If under certain conditions management does not succeed in achieving the profit target, management tends to take advantage of the flexibility allowed by accounting standards in preparing financial statements to regulate reported profit information. The practice is known as profit management. Profit information is needed to assess changes in potential economic resources that may be controlled in the future, generate cash flows from existing resources, and for the formulation of considerations about the effectiveness of the company in utilizing additional resources (IAI, 2016). Shareholders and/or investors can view that profit is an increase in economic value that will be received, through dividend distribution. Profit is also used as a tool to measure the performance of a company's management over a certain period. The achievement of management performance is generally a concern of certain parties, especially in assessing the performance of management accountability in managing the resources entrusted to them. On the other hand, profit is also often used as an indicator to estimate the company's prospects in the future. Given the strategic role of this profit information, the quality of profit is very important for economic decision makers (Khafid, 2012).

The earnings quality (EQ) enterprise is often correlation with earnings persistence (EP) (Musa and Latiff, 2017). Earnings that are not too fluctuating are characteristics of EP and the EQ earnings reported by the

enterprise is good (Suwandika and Astika, 2013). Persistent accounting profit is earnings that can reflect the sustainable earnings (SE) in the future which is determined by the accrual component and its cash flow. EP is a revision of expected future earnings caused by current earnings innovation (Yahya and Butar-Butar, 2019; Hsu and Hu, 2016). The EP is determined by accrual and cash flow (CF) components contained in current earnings (Neag and Masca, 2015; Suwandika and Astika, 2013; Alfianini, 2015).

EP are profits that have little or no interference and can reflect the enterprise true financial performance. Interference in accounting profit are caused by temporary events or the application accrual concept in accounting. The greater accrual, the lower EP (Prasetyo and Rafitaningsih 2015; Suwandika and Astika, 2013). Earnings information as part of the financial statements does not present facts about the economic condition of a enterprise. Profits are expected to prepare information to support decision making are of doubtful quality. Earnings that do not show correct information about management performance can mislead the users of the report. According to Hamdan (2020) and Adiputra et al. (2017) this view is closely related to the enterprise performance which is manifested in the enterprise profit earned in current year. EP if current year earnings can be a good indicator of a enterprise earnings in the future (Devi et al., 2019; Chrisyanti, 2015) or are strongly associated with CF future operations (Irfan, 2013).

EQ is thought influenced by the corporate governance mechanism. Azila-Gbettor et al. (2018) define corporate governance (CG) as a system that directs and controls the enterprise intending to achieve a balance among the enterprise and its stakeholders. Bhagat and Bolton (2019); Buallay et al. (2017); Bhatt and Bhatt (2017) define CG as the intercourse among participants in determining direction and performance. Bae et al. (2018) stated CG a mechanism used to ensure that the enterprise's shareholders and lenders receive a return from the activities

carried out by managers with the funds they have invested/lent, or in other words, how the enterprise financial suppliers doing control up on managers appears agency theory related to the phenomenon of the separation enterprise ownership (principal) and enterprise manager (agent), especially in modern companies (Jensen and Meckling, 1976). Agency problems occur because of gaps in information among the agent and the principal. In fact, this agency problem cannot be eliminated but can be minimized by the existence of GCG.

Management as an agent has information about the enterprise operating performance in real terms, while shareholders as principals have limited access to internal enterprise information. This kind of conflict causes investors in making investment decisions not only to pay attention to high profits but also to pay attention to persistent profits. Efforts that can to overcome conflicts of interest in financial statements by conducting audits of financial statements by third parties professionally and independently. Audit Financial statement are expected to minimize information risk and fix decision-making (Arisudhana, 2017). The final stage of the audit process is the provision of an opinion that aims to provide conclusions and assessments of the quality financial statements enterprise that have been audited.

Giving audit opinion in the audit report is final step in the whole series of audit processes (Hati and Rosini, 2017). Thus, the opinion expressed by the auditor is the result of professional analysis and judgment by his work standards. An audit report is a form of formal communication used by the auditor to convey matters of concern during the audit process to all interested parties. The audit opinion is stated by the auditor as the fairness auditor conclusion of the enterprise contents financial statements and their conformity with applicable principles and regulations. Thus, the AO can be a source of information that can be used as a measuring tool for the quality and fairness of a enterprise

financial statements as well as additional information in the decision-making process.

THEORETICAL REVIEW

Agency Problem (AP)

Jensen and Meckling (1976) stated the agency relationship as a contract among the manager (agent) and the owner (principal) of the enterprise. One or more principals give authority to agents to carry out interests of the principals. According to Anwar and Amrizal (2019) and Awasthi (2017) in agency theory, the principal oversees the agent to carry out efficient performance. This theory assumes that efficient performance and organizational performance are determined by effort and the influence of environmental conditions. The management of the enterprise as the party who is authorized over the activities of the enterprise and is obliged to provide financial reports as a form of accountability will tend to report something that maximizes its utility without maximizing the welfare of the principal. This is what triggers an agency conflict among the principal and the agent. Investors expect that managers will generate returns from the funds they have invested in the enterprise. Therefore, a good contract among investors and managers is a contract that can explain what are the duties and responsibilities that must be carried out by managers in managing investors funds that have been invested in the enterprise and also specifications regarding the distribution of returns among managers and investors. Instead, they should sign a complete contract, which spells out exactly what the manager should do in any event, and how the enterprise's profits will be allocated. However, there are still factors that are difficult to predict, so a complete contract is difficult to appreciate. Thus, investors are compulsory to give residual control rights to managers, namely the right to make decisions in certain conditions that have not previously been included in the contract. Thus, a higher proportion of independent commissioners can lead to more persistent earnings, because a higher propor-

tion of independent commissioners provides better supervisory control. Previous studies such as Kusuma and Sadjiarto (2014), Khafid (2012), and Shiri et al. (2012) also provide empirical evidence such as the results of this study, namely independence of the board commissioners (IBC) effect on earning persistence (EP).

Auditor Quality (AQ)

According to Sumantri (2018), audit quality is seen as one of several factors that can affect the credibility of financial information. Audit quality is the likelihood that an auditor will: 1) find violations in the client's accounting system and 2) Report the violation. General Accounting Office-GAO (2004) said that audit quality refers to the ability of auditors conducting audits and their conformity to generally accepted auditing standards (GAAS) in providing adequate assurance and assurance that the audited financial statements have been reported in accordance with the Statement of Financial Accounting Standards and do not contain material errors, both those that arise by accident and fraud. The higher the quality of the audit is assumed, the more accurate the results of the information. The ability to provide high-quality audit services is an important focus that must be considered by auditors, because a good audit is one that is able to improve the quality of information and its context. The ability to provide high-quality audit services is an important focus that must be considered by auditors, because a good audit is one that is able to improve the quality of information and its context. Management wants high-quality audits so that investors and users of financial statements have more confidence about the reliability of accounting figures in financial statements. Likewise, parties involved in the capital market also prioritize audit quality because the independence and competence of the auditor affect the credibility, reliability and quality of the auditor's report.

Earning Persistence (EP)

EP is a profit that can be indicator of earnings future generated by the enterprise repeatedly in the long term. According to Suwandika and Astika (2013), EP is a condition current profit period is a reflection of the future period or the current period. EP is a revision of expected earnings in the future as reflected in current year earnings (Yahya and Butar-Butar, 2019). According to Neag and Masca (2015); Asma (2013) EP is a revision of expected future earnings that is implied by profit for the year (current earnings) associated with changes in stock prices. The more permanent earnings over time, the higher earnings response coefficient. This indicates that the profit earned by the enterprise is increasing continuously. Meanwhile, according to Febiyanto and Cahyonowati (2014) EP are profits that have small or no disturbance (noise) and can reflect the enterprise actual financial performance value (Pratiwi and Zulaikha, 2014). Persistence is measured by using the coefficient of the regression among accounting earnings for the current period and the future period (Febiyanto and Cahyonowati, 2014).

Good Corporate Governance (GCG) on Earning Persistence (PP)

The term Good Corporate Governance was first introduced by the Cadbury Committee in 1992 known as the Cadbury Report. This report is seen as a decisive turning point for Corporate Governance practices around the world. Good Corporate Governance (GCG) is a good system and structure in managing a company by increasing shareholder value accommodating various stakeholders of the company, such as: creditors, suppliers, business associations, consumers, workers, government, and the wider community. The Company believes that GCG implementation is another form of enforcement of business ethics and work ethics that has long been the company's commitment, and GCG implementation is related to increasing company value. Companies that practice GCG

will experience improvements in the image and value of the company.

OECD (2004) formulated that CG is a set of relationships among management, the board of directors, the enterprise shareholders, and other stakeholders. CG also requires a structural device to get goals that are in the interests of the enterprise and shareholders must facilitate effective supervision to encourage companies to use resources more efficiently. Putri and Andayani (2017) found that companies that have good governance will minimize opportunistic financial statements. GCG is applied for the realization of transparent corporate management for all users of financial statements. The first GCG mechanism that affects EP is the independence of the board commissioners. The second is the existence of an independent audit committee within the enterprise.

Empirical evidence obtained from research results shows that public companies in Indonesia are still weak in managing companies compared to Southeast Asian countries, this is shown by weak accounting standards, accountability to shareholders, disclosure standards and transparency and company management processes (Zhuang et al., 2000). This indirectly shows that companies in Indonesia are still weak in good management in satisfying company stakeholders. In an effort to overcome these weaknesses, business people in Indonesia agree on the implementation of good corporate governance (GCG) as a good corporate management system (Sulistyanto and Nugrahanti, 2013).

The independent board of commissioners is one of the most important parts of the implementation of Good Corporate Governance (GCG). Independent commissioners are more effective in monitoring management. This means that the existence of an independent commissioner will provide oversight to the company's management to achieve the company's goal of obtaining persistent profits. Al-Gamrh and Al-Dhamari (2016) stated that the composition of the independent board of commissioners in the company proved to have a significant effect

on earnings persistence. The hypotheses proposed in this research are:

H₁: Independence board commissioners affects earnings persistence.

The audit committee whose members consist of external parties is believed to have independence in the supervision and control of the financial reporting process. The third is institutional ownership which is shared ownership by financial or non-financial institutions or other legal entities. Institutional ownership influences earnings persistence. Investors who come from outside (foreign investors) are better able to control the enterprise management because they have sufficient knowledge and resources. Institutional shareholders can also influence the enterprise in different ways, for example by putting pressure on certain issues and activities to control the internal decision process through membership of the enterprise board directors. The hypotheses proposed in this research are:

H₂: Number of audit committee meetings affects earnings persistence.

In institutional ownership, investors outside the company are considered capable of controlling the company's management. Institutional investors usually have sufficient and broader knowledge and resources compared to individual investors. Institutional investors can also influence companies by controlling the pressure on certain issues and activities during the internal decision-making process through management. Therefore, institutional investors are the ones who can monitor agents with ownership that tends to be large, so that managers are more motivated and the desire to manage profits is reduced or improve managers' performance to generate profits rather than manipulating profits. So it can be concluded that the greater the amount of institutional ownership, the more persistent the company's profits will be (Dewata et al., 2016). The hypotheses proposed in this research are:

H₃: Institutional Ownership affects earnings persistence.

Auditor Quality (AQ) Affects Earnings Persistence (EP)

In audit, the auditor must act as an expert in the field of accounting and auditing. Achievement of expertise start from formal education, followed by experience and practice in auditing. Watts and Zimmerman (1986) and DeAngelo (1981) state that AQ depends on the relevance of the auditor report in testing contractual relationships and reporting violations. According to Oktapiani and Ruhayat (2019), it is stated that qualified auditors prefer to report mistake and irregularities, and are not willing to accept questionable accounting practices. AQ cannot be observed directly. Perceptions AQ are usually related to the name of the auditor, including industry experience and ability to disclose management errors. In this study, we are proxy auditor quality with the big four auditors by Imar and Effendi (2019). Big four auditors are auditors who work at a Public Accounting Firm (KAP) which is included in the big 4 groups. Auditors big four have a better reputation than auditors non-big four. AQ is a measure level that indicates competence and independence of the KAP in auditing and examines the financial statements so that it can assure the opinions issued and can provide a guarantee for the reliability and quality of the accounting numbers in the financial statements. AQ measured by whether the auditor auditing the enterprise join with a Big 4 KAP or a non-Big 4 KAP (Christiantie and Christiawan, 2013; Juliardi, 2013). The hypotheses proposed in this research are:

H₄: Auditor quality affects earnings persistence.

Auditor Opinion (AO) Affects Earnings Persistence (EP)

AO expressed in opinion and is not a statement of absolute facts or guarantees. Auditors are required to express opinion as a whole on the financial statements, including

conclusion that the enterprise has followed generally accepted accounting principles (PABU) in Indonesia. Accordance with the Statement of Auditing Standards No. 29 states that there are five types of auditor opinion, namely unqualified opinion, unqualified opinion with explanatory language added in the standard form of the auditor report, qualified opinion, unqualified opinion, and the auditor not giving an opinion (Putri and Asyik, 2015). According to Suryanto and Pahala (2016), audit opinion is the opinion of a public accountant or independent auditor on the annual financial report of the enterprise that has been audited. The auditor as an independent party in auditing the financial statements of a public enterprise provides an opinion on the audited financial statements. An audit opinion is an auditor statement of his opinion regarding the fairness of the audited financial statements, in all material respects, which is based on the conformity of the preparation financial statements with generally accepted accounting principles (Prasath, 2017). The provision AO is based on whether the contents financial statements are to the Financial Accounting Standards issued by IAI. According to IAI (2016), complete financial statements include statements of financial position, income statements, statements of equity, cash flow, and notes to financial statements.

There are five types opinion by the auditor, namely: fair opinion without an unqualified opinion, unqualified opinion with explanatory language, fair opinion with qualified opinion, adverse opinion, and disclaimer opinion. Arens et al. (2017) stated unqualified or unqualified opinion with explanatory language on the annual financial statements is indicated as good news which tends to be published more quickly. Therefore, companies that receive audit opinions other than unqualified and unqualified with explanatory language will tend to take longer to publish their financial statements to the public. The hypotheses proposed in this research are:

H₅: Auditor's opinion affects earnings persistence.

LSPt-1 = Earning before tax year t-1
e = error

RESEARCH METHODS

Types of Research

The sample in this study were all publicly traded companies listed on IDX in 2017-2021 with the sampling technique used was purposive sampling. The type of data used in this research is secondary data. Secondary data in this study is the annual report of publicly listed companies on IDX in 2017-2021. The criteria for this research sample are 1) Go public companies listed on the IDX in 2017-2021. 2) Have consecutive annual financial reports for the previous 5-year period. 3) has data on the number of audit committee meetings and institutional ownership. 4) Financial reports use rupiah currency.

Data Collection Techniques

Research data is collected using documentation methods by recording various data such as magazines, books or other sources. This research data was collected from the annual financial statements of companies listed on IDX for 2017-2021.

Variables and Operational Definitions of Variables

Earning Persistency

Profit persistence can simply be interpreted as the possibility that a company's profit level will repeat itself in the future (sustainable earnings). Therefore, the higher the level of profit persistence, the more it will reflect the company's performance forecast in the coming period. In this study, profit persistence is measured using the coefficient of regression of this year's pretax profit against the previous year's pretax profit contained in the income statement.

Regression equation:

$$LSPt = \alpha + \beta LSpt-1 + e$$

Information:

LSPt = Earning before tax year t

α = constant

β = Profit persistence regression coefficient

Good Corporate Governance

Good Corporate Governance (GCG) is a system that regulates and controls companies that create added value for Stakeholders. Every company must ensure that GCG principles are applied to every aspect of the business and at all levels of the company. GCG principles, namely transparency, accountability, responsibility, independence and fairness are needed to achieve business sustainability, the company by paying attention to stakeholders. GCG is measured using the proportion of independent board of commissioners, institutional ownership, managerial ownership, and audit committee.

Auditor Quality

The quality of auditors is an auditor who is considered reputable because they are included in the Big-4 Public Accounting Firm and have the highest number of clients which indicates the high trust of issuers in the audit services of the four KAPs. In this study the quality of auditors was measured using dummy variables, namely the value of 1 for a sample of companies audited by Big - 4 and 0 for a sample of companies not audited by Big - 4.

Auditor Opinion

The auditor's opinion is fair without exception and stable from time to time shows the good performance of the company including the company's profit. While the auditor's opinion is unreasonable, it is the opposite of an unqualified opinion. In this study, auditors' opinions were measured using dummy variables, namely the value of 1 for unqualified opinions and 0 for other opinions (Vichitsarawong and Pornupatham, 2015).

Control Variables

Leverage

When the company's leverage level is high, management will better maintain the

company's performance by providing quality profit information. However, a high level of leverage can also be a consideration for management to manage company profits which will reduce the quality of company profits and affect the level of profit persistence. Therefore, the level of leverage has an influence on profit persistence. In this study, leverage is measured using the proportion of total liabilities from the company's total assets.

$$LEV = \frac{\text{total liabilities}}{\text{total assets}}$$

Cash Flow Volatility

Cash flow volatility is a condition of uncertainty in the company's operating activities. High cash flow volatility indicates unstable cash flow conditions so that current cash flow information cannot be used as a basis for predicting future cash flows, thus indicating low profit persistence. Conversely, low cash flow volatility indicates stable cash flow conditions so that current cash flow information can be used as a basis for predicting future cash flows so as to indicate high profit persistence. Thus, cash flow volatility has an influence on profit persistence. In this study, cash flow volatility is measured by comparing the standard deviation of operating cash flows with total assets.

$$CFV = \frac{\delta (\text{Operating Cash Flow of the Company Period } t - 5 \text{ up to period } t)}{\text{Total Company Assets Year } t}$$

Sales Volatility

Sales volatility indicates uncertainty of the company's sales information. High sales volatility makes the profit information obtained cannot be used as a basis for predicting the amount of profit that will be earned in the future and indicates low profit persistence (Kusuma and Sadjarto, 2014). Conversely, low sales volatility means that profit information can be used as a basis for predicting the amount of profit that will be earned in the future and indicating high profit persistence. Thus, sales volatility has an influence on profit persistence. In this study sales volatility is

measured using comparing the standard deviation of sales to total assets.

$$VP = \frac{\delta (\text{Company sales period } t - 5 \text{ up to period } t)}{\text{Total Company Assets Year } t}$$

Classic Assumption Test

Before testing the hypothesis in this study, the model must be tested first whether it meets the classical assumptions or not. A classical assumption test should be performed in this study, to test whether the data meets the classical assumptions. This is done to avoid biased estimates, considering that not all data can be regressed. The tests carried out are normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests.

Normality Test

The normality test aims to test whether in a regression model, confounding or residual variables have a normal distribution. A good regression model is to have a normal distribution of data. The normality test was performed with Kolmogorov-Smirnov statistics against unstandardized residual regression results. The data is said to be normal if the probability value (sig) of Kolmogorov-Smirnov is greater than $\alpha=0,05$. The following table 1 is the result of the Research Data Normality test.

Table 1
Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		989
Normal	Mean	,000000
Parameters ^{a,b}	Std. Deviation	9,635451981
Most	Absolute	,064
Extreme	Positive	,060
Differences	Negative	-,064
Kolmogorov-Smirnov Z		,667
Asymp. Sig. (2-tailed)		,843

a. Test distribution is Normal.

b. Calculated from data.

Source: Processed secondary data (2022)

Based on the table 1, it can be seen that the Kolmogorov-Smirnov (K-S) value obtained by Earning Persistence is 0.667 and the significance level at 0.843 which is greater than the significance level of 0.05. Thus, it can be concluded that the data in the regression model has been distributed normally.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another. If the variance from the residual of one observation to another observation is fixed, then it is called homoscedasticity and if it is difference it is called heteroscedasticity. A good regression model is one in which homoscedasticity or heteroscedasticity does not occur. Testing is carried out with the Glejser test, which is by progressing the absolute value of unstandardized residual regression results with independent variables used in the regression equation. Data are said to be free of heteroscedasticity if the probability (sig) regression coefficient (β) of each independent variable is greater than $\alpha=0,05$ (Ghozali, 2016). The

following table 2 is the result of the Heteroscedasticity test of research data.

Based on Table 2, all independent and control variables each give a significance value of > 0.05 so that it can be concluded that all independent and control variables are free from heteroscedasticity.

Multicollinearity Test

The multicollinearity test aims to test whether in the regression model there is a correlation between independent variables. A good regression model should not have correlations among independent variables. If the independent variables correlate with each other, then these variables are not orthogonal. 54 Orthogonal variables are independent variables whose correlation value between variables among independent variables is equal to zero. Variability is free from multicollinearity if the tolerance value is >0.1 or equal to the $<$ value of 10 VIFs.

Based on Table 3, all independent and control variables respectively give a tolerance value of > 0.1 and a VIF value of < 10 so that it can be concluded that all independent and control variables have been free from the problem of multicollinearity.

Table 2
Heteroscedasticity Test

Model	Coefficients ^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
1 (Constant)	0,027	0.211			0,140	0.799
BC	0,132	0.111		0.076	1,998	0.091
NACM	0,001	0.021		0.001	0.066	0.612
IO	0,007	0.052		0.000	0.531	0.731
AQ	-0,041	0.015		-0.042	-0.878	0.331
OA	-0,029	0.199		-0.069	2.176	0.064
LEV	0,411	0.001		0.030	0.653	0.512
CFV	0,005	0.066		0.046	-1.140	0.421
SV	-0,033	0.081		-0.013	-0,666	0.511

a. Dependent Variable: EP

Source: Processed secondary data (2022)

Table 3
Multicollinearity Test

Model	Coefficients ^a						Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
	B	Std. Error	Beta					
(Constant)	3,165	0,208		-17,286	0,000			
BC	0.079	0.032	0.012	-1,272	0,006	0,843	1.081	
NACM	0.079	0.002	0.005	-0,955	0,953	0.955	1,026	
IO	0.000	0.000	0.000	122,925	0,004	0.963	1,057	
AQ	3.542	0.022	0.098	-1,002	0,401	0.949	1,035	
1 OA	0.012	0.012	0.012	2.656	0.021	0.944	1.003	
LEV	0.011	0.013	0.003	-0.453	0.654	0.834	1.114	
CFV	0.021	0.071	0.001	-1.552	0.821	0.889	1.099	
SV	0.032	0.044	0.000	.324	0.701	0.894	1.121	

a. Dependent Variable: EP

Source: Processed secondary data (2022)

Table 4
Autocorrelation Test

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	0.878 ^a	0.891	0.922	0.283190	2,044	

a. Predictors: (Constant), BC, NACM, IQ, AQ, OA, LEV, CFV, SV

b. Dependent Variable: EP

Source: Processed secondary data (2022)

Autocorrelation Test

Autocorrelation test Aims to test whether in a regression model there is a correlation between confounding errors in period t with errors in period t-1 (previous). If there is a correlation, then there is an autocorrelation problem. Autocorrelation arises because successive observations over time are related to each other. A good regression model is one that is free from autocorrelation. The test was carried out by comparing the Durbin-Watson (DW) value of the regression

result with the value in the Durbin-Watson (DW) table with criteria (Ghozali, 2016) (tabel 4).

Based on the regression results as shown in table 4, it shows a Durbin Waston (DW) value of 2.044 with a DW value between dU and 4 - dU (1.77 77 < DW < 2.2863), meaning that the regeneration model is free from autocorrelation. The following decision making on whether or not there is autocorrelation is explained in figure 1.

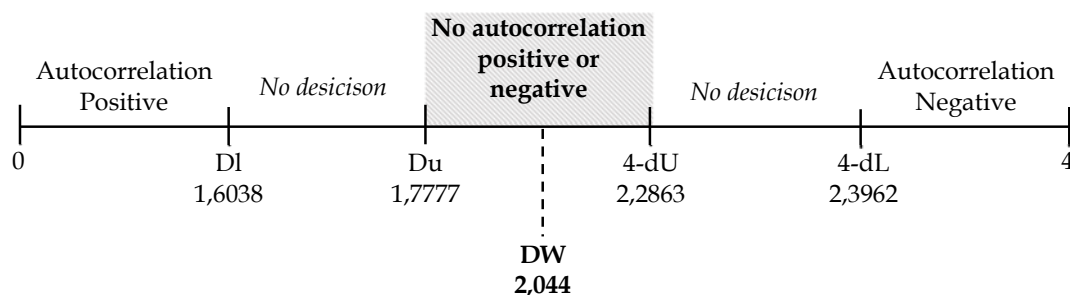


Figure 1
Result Autocorrelation Test

Source: Processed secondary data (2022)

Multiple Regression Analysis

The analytical model used to test the hypothesis is a multiple regression model. The test was conducted to determine whether there is an effect of good corporate governance, audit quality, an auditor's opinion on earnings persistence. The regression equations used in this study are:

$$PL = \beta_0 + \beta_1 IDK + \beta_2 JPKA + \beta_3 KI + \beta_4 KA + \beta_5 OA + \beta_6 LEV + \beta_7 VAK + \beta_8 VP + e$$

EP : Earning Persistence

β_0 : Intersep

β_1 - β_9 : Koefisien

IBC : Independence of Board
Commissioners

NACM: Number of Audit Committee
Meetings

IO : Institutional Ownership

AQ : Auditor Quality

AO : Auditor Opinion

LEV : Leverage

CFV : Cash Flow Volatility

SV : Sales Volatility

e : Error

To test the effect of the independent variable (X) on the dependent variable (Y) either partially or jointly, the determinant coefficient (R²), individual parameter significance test (t-test), and simultaneous significance test (F statistic test) were carried out.

ANALYSIS AND DISCUSSIONS

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview or description of the variables contained in this study. The descriptive tests used include the average (mean), standard deviation, maximum, and minimum (Ghozali, 2016). The maximum value is used to determine the smallest amount of data used. The maximum value is used to determine the smallest amount of data used. The mean is used to determine the average data used. The standard deviation is used to find out how much the relevant data varies from the average and to identify the standard size of each variable. Based on test of results, research is independent from the classical assumption. SPSS results test of the descriptive statistics can be show in Table 5.

Based on Table 5, the variable persistence of profit has a minimum value of -1.846 and a maximum value of 2.334. This shows that the minimum profit persistence value range is -1.846 and the maximum is 2.334. The average earnings persistence value is 0.352 and the standard deviation is 0.602. This means that the average coefficient of regression of this year's pretax profit to the previous year's pretax profit contained in the income statement is 35%. Profit persistence is a measure of profit quality based on the view that a more sustainable profit is a profit that has better quality. Getting closer to 100% indicates that the predictive power of profit is getting better.

Table 5
Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EP	989	-1.846	2.334	0.352	0.602
IBC	989	0.210	989	0.420	0.117
NACM	989	1	69	6.54	6.942
IO	989	0.109	0.943	0.576	0.176
LEV	989	0.100	0.972	0.562	0.243
CFV	989	0.091	0.771	0.062	0.064
SV	989	0.082	0.905	0.113	0.142
Valid N (listwise)	989				

Source: Processed secondary data (2022)

The variable independence of the board of commissioners has a minimum value of 0.210 and a maximum value of 0.989. This shows that the range of the value of independence of the board of commissioners in the minimum sample company is 0.210 and the maximum is 0.989. The average independence value of the board of commissioners is 0.420 and the standard deviation is 0.117. This means that the average percentage of the number of independent board of commissioners to the total number of commissioners in the composition of the board of commissioners of the sample company is 42%. The average independence of the board of commissioners from all members of the board of commissioners in the composition of the board of commissioners of the sample company is in accordance with the Financial Services Authority Regulation Number 33/POJK.04/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies which states that the number of independent commissioners must be at least 42% (forty-two percent) of the total members of the board of commissioners. This means that the average independence of the board of commissioners is good because it has exceeded existing provisions.

The variable number of audit committee meetings has a minimum value of 1.00 and a maximum value of 69.00. This shows that the range of values for the minimum number of audit committee meetings is 1.00 and the

maximum is 69.00. The average value of the number of audit committee meetings is 6.54 and the standard deviation is 6.942. This means that the average number of audit committee meetings each year is 8x a year. The average number of audit committee meetings is in accordance with the Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency Number: Kep-643 / BL / 2012 concerning the Establishment and Work Guidelines of the Audit Committee which states that the audit committee holds meetings at least 2x a year. This means that the average number of audit committee meetings is good because it has exceeded existing provisions.

The institutional ownership variable has a minimum value of 0.109 and a maximum value of 0.943. This shows that the range of institutional ownership values is 0.109 and the maximum is 0.943. The mean value of institutional ownership was 0.576 and the standard deviation was 0.176. This means that the average percentage of the number of shares owned by institutions (domestic and foreign) to the total outstanding shares is 57%. The higher the percentage of institutional ownership, the more monitoring is carried out by institutional investors (domestic and foreign). This means that on average the sample of companies in this study are owned by institutional investors.

The variable leverage (LEV) has a minimum value of 0.100 and a maximum value of

0.972. This shows that the minimum leverage range is 0.100 and the maximum is 0.972. The average leverage value is 0.562 and the standard deviation is 0.243. This means that the average proportion of total debt from the company's total assets is 24%. When the company's leverage level is high, management will better maintain the company's performance by providing quality profit information. However, a high level of leverage can also be a consideration for management to manage company profits which will reduce the quality of company profits and affect the level of profit persistence.

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Conversely, low cash flow volatility indicates stable cash flow conditions so that current cash flow information can be used as a basis for predicting future cash flows so as to indicate high profit persistence. The sales volatility (VP) variable has a minimum value of 0.083 and a maximum value of 0.905. This shows that the minimum range of sales volatility is 0.083 and the maximum is 0.905.

The average value of selling volatility is 0.113 and the standard deviation is 0.142. This means that the average ratio of standard deviation of sales to total assets is 1.4%. Sales volatility indicates uncertainty of the company's sales information. In unstable operating environments, companies tend to use estimates and estimates so that the possibility of misestimation in sales and profit information is greater. High sales volatility makes the profit information obtained cannot be used as a basis for predicting the amount of profit that will be earned in the future and indicates low profit persistence. Conversely, low sales volatility means that profit information can be used as a basis for predicting the amount of profit that will be earned in the future and indicating high profit persistence.

Auditor quality is measured by assigning a value of 1 to the sample of companies audited by the Big-4 and 0 to the sample of companies that are not audited by the Big-4. Based on Table 6, of the 989 sample companies, 557 companies are not audited by the Big-4, and 432 companies are audited by the Big-4.

The auditor's opinion in this study is measured by giving a value of 1 for an unqualified opinion and 0 for other opinions. Based on Table 7, of the 989 sample companies, 3 companies have an auditor opinion other than the WTP, and 986 companies have an auditor's opinion WTP.

Furthermore, based on the results of the classical assumption test, it can be stated that the data in this study are normal, free from heteroscedasticity, multicollinearity, and autocorrelation.

Table 6
Auditor Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Big-4	557	56.3	56.3	56.3
	Big-4	432	43.7	43.7	100.0
	Total	989	100.0	100.0	

Source: Processed secondary data (2022)

Table 7
Auditor Opinion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non WTP	3	0.3	0.3	0.3
	WTP	986	99.7	99.7	100.0
	Total	989	100.0	100.0	

Source: Processed secondary data (2022)

Table 8
Descriptive Statistics Test Results

		Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig	Sig/2	HA
		B	Std. Error	Beta				
1	(constant)	-1.956	0.077		-22.992	0.000		
	IBC	0.079	0.038	0.015	1.901	0.042	0.021	accepted
	NACM	0.000	0.001	-0.001	-0.673	0.511	0.255	rejected
	IO	3.243	0.022	0.965	123.225	0.002	0.001	accepted
	AQ	-0.009	0.007	-0.007	-1.192	0.032	0.016	accepted
	OA	0.159	0.072	0.013	2.133	0.000	0.000	accepted
	LEV	-0.008	0.018	-0.003	-0.432	0.602		
	CFV	-0.117	0.065	-0.012	-1.678	0.771		
	SV	-0.006	0.030	-0.002	-0.333	0.741		

a. Dependent Variable: PL

Source: Processed secondary data (2022)

Multiple Regression Analysis

Multiple regression analysis was used to determine the effect of the independent variable on the dependent variable. This test is used to determine the effect of CSR disclosure, auditor quality (KA), an auditor opinion (OA) on earnings persistence (PL). The regression equation model from the results of this study are:

$$Y = -1,956 + 0,079 IBC + 0,000 NACM + 3,243 IO - 0,009 AQ + 0,159 OA - 0,008 LEV - 0,117 CFV - 0,006 SV$$

Table 8 is the result of multiple regression tests. From table 8 can be explained effect of each independent variable (IBC, NACM, IO, AQ, and OA) and control variables (LEV, CFV, and SV) on EP namely: 1) IBC has a significance value / 2 of 0.021 <

0.05 and a regression coefficient of 0.079 > 0 indicating statistically significant positive. This means that the independence of the board of commissioners has a positive effect on earnings persistence. Thus, H1 which states that the independence of the board of commissioners has a positive effect on earnings persistence is accepted. 2) NACM has a significance value (number of audit committee meetings) has a significance level value/2 of 0.255 < 0.05, indicating that it is not statistically significant. This means that the number of audit committee meetings does not affect earnings persistence. Thus, H2 which states that the number of audit committee meetings has a positive effect on earnings persistence is rejected. 3) IO has a significant value (institutional ownership) has a significant level of 0.001 < 0.05 and a

regression coefficient of $3.243 > 0$ which is statistically significant. This means that institutional ownership has a positive effect on earnings persistence. Thus, H3 which states that institutional ownership has a positive effect on earnings persistence is accepted. 4) AQ has a significance value (auditor quality) has a significance level value of $0.016 < 0.05$, indicating that it is not statistically significant. This means that the quality of the auditor does not affect earnings persistence. Thus, H4 which states that auditor quality has a positive effect on earnings persistence is accepted. 5) Variable OA has a significance value (auditor's opinion) has a significance level value / 2 of $0.000 < 0.05$ and a regression coefficient of $0.159 > 0$ indicating statistically significant positive. This means that the auditor's opinion has a positive effect on earnings persistence. Thus, H5 which states that the auditor's opinion has a positive effect on earnings persistence is accepted. 6) The LEV (leverage) variable has a significant level of

$0.602 > 0.05$, indicating that it is not statistically significant. This means that leverage as a control variable does not affect earnings persistence. 7) LEV (cash flow volatility) variable has a significant level of $0.771 > 0.05$, which is not statistically significant. This means that cash flow volatility as a control variable does not affect earnings persistence. 8) The VP variable (sales volatility) has a significant level of $0.741 > 0.05$, which is statistically not significant. This means that sales volatility as a control variable does not affect earnings persistence.

Based on ANOVA test in table 9, it show that the Fcount is 7,000 with a significance level 0.006. This shows that the IBC, NACM, IO, AQ, and AO variables have a simultaneous effect on EP.

Based on the adjusted R² value in table 10, it is found that the adjusted R² value is 0.698. This means that 69.8% of EP is influenced by IBC, NACM, IO, AQ and AO. While the remaining 30.2% is influenced by other factors outside the model.

Table 9
Anova Test Result

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.998	5	.988	7.000	.012 ^b
	Residual	8.771	45	.251		
	Total	11.200	47			

a. *Dependent Variable: EP*

b. *Predictors : (Constant): IBC, NACM, IO, AQ, AO*

Source: Processed secondary data (2022)

Table 10
Coefficient of Determination Analysis (R²) Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.715	.698	.51108

a. *Predictors: (Constant), IBC, NACM, IO, AQ, AO*

b. *Dependent Variable: EP*

Source: Processed secondary data (2022)

DISCUSSION

The Independence of Board Commissioners Affects Earnings Persistence

Based on t-test (table 8), it can be concluded that IBC has a positive effect on EP in traded companies registered on the IDX during 2017-2021 period. The results of the t-test show that IBC has a positive and significant effect on EP. Thus, hypothesis 1 which states that IBC affects EP is accepted. This means that the higher the IBC, the higher the EP. The results of this study are in line with the results of research conducted by Khafid (2012); Farida (2013); Kusuma and Sadjiarto (2014) and Marisatusholekha and Budiono (2015) who found that IBC affected EP. The IBC protects the interests of shareholders through monitoring and control. The greater the proportion of independent commissioners, the more effective it is in monitoring management behavior. Independent commissioners influence various decisions, including increasing firm value by protecting the interests of shareholders against managerial opportunism so that it has a positive effect on EP.

Number of Audit Committee Meetings Affects Earnings Persistence

Based on t-test (table 8), it can be concluded NACM does not have a positive effect on EP in traded companies registered on the IDX during 2017-2021 period. The results of the t-test show that NACM does not affect EP. Thus, hypothesis 2 which states that NACM affects EP is rejected. This means that the NACM does not affect EP. The results of this study do not support Hamdan et al. (2013); Hsu and Hu (2016) who found that NACM affected EP. There is a regulation that requires audit committee to hold a meeting based on the Decree of the Chairman BAPEPAM Number: Kep-643/BI/2012 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee.

Institutional Ownership Affects Profit Persistence

Based on t-test (table 8), it can be concluded that IO has a positive effect on EP in trade companies registered on the IDX during 2017-2021 period. The results of the t-test show that IO has a positive and significant effect on EP. Thus, hypothesis 3 which states that IO affects EP is accepted. This means that the higher institutional ownership, the higher the EP. The results research are in line with Junawatiningsih and Harto (2014), Al-Dhamari and Ismail (2013) also found that IO had a positive effect on EP. IO is share ownership by financial or non-financial institutions or other legal entities. IO influences EP. Investors who come from outside (foreign investors) are better able to control the enterprise management because they have sufficient knowledge and resources. Institutional shareholders can also influence the enterprise in different ways, for example by putting pressure on certain issues and activities to control the internal decision process through membership of the enterprise board of directors.

Auditor Quality Affects Earnings Persistence

Based on t-test (table 8), it can be concluded that AQ has an effect on EP in traded companies registered on the IDX during the 2017-2021 period. The results of the t-test show that AQ affects EP. Thus, hypothesis 4 which states that AQ affects EP is accepted. This means that auditor quality affects EP. The results of this study contradict with by Juliardi (2013), Prajitno (2019) which found that AQ did not affect EP. Auditing is a process to minimize the imbalance (balance) of information that exists on both sides among managers and shareholders with the help of using an external intermediary to provide validity to the financial statements so that the discrepancy can be corrected. Users of financial statements, especially shareholders, will make decisions based on reports made by auditors regarding the financial statements of a enterprise. This

means that the quality of the auditor is important in the auditing process. AQ is measured by companies audited by Big-4 and non-Big-4. This does not mean that non-Big-4 KAPs have poor AQ so auditor quality does not affect EP because both Big-4 KAPs and non-Big-4 KAPs both have standards in auditor recruitment and have operating standards in auditing. In addition, in terms of economic effects, the quality of auditors has nothing to do with macroeconomic conditions that can affect the amount of profit generated by the enterprise.

Auditor Opinion Affects Earnings Persistence

Based on t-test (table 8) it can be concluded that OA has a positive effect on EP in traded companies registered on the IDX during 2017-2021 period. The results t-test, show OA has a positive and significant effect on EP. Thus, hypothesis 5 which states that OA affects EP is accepted. This means that the better auditor opinion, the higher persistence of earnings. The results research are different from Vichitsarawong and Pornupatham (2015), and Santana and Wirakusuma (2016) which found that OA did not affect EP. The auditor opinion is unqualified and stable from time to time, indicating the good performance of the enterprise, including the enterprise profit. Profits are reported as is and free from manipulative actions because of the unqualified opinion that can only be given by the auditor if there are no restrictions on the scope of the audit. This means that earnings have a high level of persistence and can be used as a basis for predicting future earnings.

CONCLUSION AND SUGGESTION

Conclusion

This study concludes that the independence of the board of commissioners, institutional ownership and auditor opinion have a positive effect on earnings persistence. While the number of audit committee meetings, auditor quality has no positive effect on earnings persistence. As for the control

variables, namely leverage, cash flow volatility and sales volatility proved to have no effect on earnings persistence.

Suggestion

This study has limitations that can be used as a consideration for the next researcher to get better research results. The limitation of this study lies in data management techniques that still use multiple linear regression, preferably for panel data, using panel data regression. So suggestions for future research can use panel data regression in data management.

The suggest research for further research is to add other independent variables such as managerial ownership. The ownership of shares from the enterprise internal parties (managers or directors) means that they also own the enterprise and minimize the act of playing a profit that affects the earning persistence.

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