

ABSTRACT

The transparency about company information will facilitate investors in considering a company. Investors in making decisions are influenced by the quality of earnings information. If the profits presented do not reflect actual performance, then the result will misperceptions for users of financial statements and then will be misleading if used as a basis for decision making by investors. The strong market reaction to earnings is reflected in the high earnings response coefficient (ERC) which shows earnings quality.

This study aims to determine the effect of timeliness, default risk, and political connections on earnings quality, both simultaneously and partially. The population in this study are all companies that are included in the basic industrial and chemical sectors which are listed on the Indonesia Stock Exchange (IDX) for 2014-2018. In this study using purposive sampling as determining the sample so as to obtain 115 samples. The analysis of the data used is panel data regression analysis.

The results showed that timeliness, default risk, and political connection simultaneously affected on earnings quality. Partially, political connection have a negative effect on earnings quality which is also a renewal variable in this study.

Keywords: Earnings Quality, Earnings Response Coefficient, Timeliness, Default Risk, and Political Connection