

ABSTRACT

Earning was a component of financial statements that described the level of profitability of a company. The earning information contained in the financial statements must be of quality as investors can use the profit to assess the company's future performance. If the profit recorded in the financial statements was not qualified, then the profit information cannot be used as the basis for investment decision made for investors.

This study aims to find out the variables that affected the earning quality in transportation sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2019. Variables that allegedly affected profit quality were company size, liquidity, and income smoothing.

The population in this study was a group of transportation sub-sector companies listed on the Indonesia Stock Exchange for the period 2015-2019. The sample was selected based on purposive sampling as many as 9 company samples and a research period of 5 years so that the number of sample units as much as 45 data. Data analysis techniques that used was descriptive statistics and multiple linear regression analysis as hypothesis tested.

The test result obtained from this research simultaneously showed that the size of the company, liquidity, and income smoothing significantly affect the quality of profit. In part, the size of the company and income smoothing had a significant positive effect on the quality of profit. Meanwhile, liquidity had not significant effect on profit quality.

Based on the results of the study, researchers are expected to use other variables that were suspected to affect the quality of profit. Management was expected to reduce the company's debt in order to better financial performance. Investors and future investors were expected to choose companies in the transportation sector that had large size of companies and conducted profit management to invest.

Keywords: *Earning Quality, Firm Size, Income Smoothing, Liquidity.*