

ABSTRACT

Earnings information is one of the important things that external parties always look forward to before investing in a company. The trust of external parties to the company is shown by various responses depending on the information obtained. Therefore, through earnings quality, it indicates that the information presented is relevant for users and can strengthen the market's response to the company.

Earnings quality in this study is measured by Earnings Response Coefficient (ERC). This study aims to determine the effect of Investment Opportunity Set, liquidity, and family ownership simultaneously and partially on earnings quality. The indicators used in the variables studied include Investment Opportunity Set measured by Market Value to Book Value of Assets, liquidity is measured by current ratio, and family ownership is measured by the ratio of family members on the company's board of directors.

The population of this study is company of processed food industry (D22) listed on Indonesia Stock Exchange in 2017-2021. The sample selection used by purposive sampling method so there were 10 companies that qualifying the criteria as research samples. Data collection in this study used documentation and literature study techniques with secondary data sources. The data analysis technique used is panel data regression.

The results of the study provide findings that partially Investment Opportunity Set has negative effect on earnings quality. Meanwhile liquidity and family ownership have no effect on earnings quality. Simultaneously Investment Opportunity Set, liquidity, and family ownership affect earnings quality in the processed food industry (D22) listed on the Indonesia Stock Exchange in 2017-2021.

Future research is suggested to be able to add or use other variables that allegedly able to influence the quality of company earnings. In addition, from a practical aspect for company management to evaluate investment options and improve market research and innovation for more profitable investment opportunities. Meanwhile, for investors to consider investment decisions in the long term that can affect the rate of return to be obtained in the future.

Keywords: earnings quality, family ownership, IOS, liquidity