THE IMPACT OF REAL EARNINGS QUALITY ON THE FUTURE MARKET VALUE BY MODERATED BY THE DIVIDEND POLICY

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ABSTRACT

The previous researches concluded that, the investor had to pressure on management for improving the earning quality, because it related with predicting the future prospect with high accuracy. Developing out the new proxy for financial reporting quality, this empirical testing modified the real earnings quality. The dividend policy has advantages in reducing out the cost of capital, so that this policy could be used as a moderated variables. This research used the moderated multiple regression by collecting all data on the listed company in industry manufacturing from 2015-2017. In calculating the future market value, this research used the Model H (Two Stages Model of Growth) in predicting the estimated price, which had fulfilled the minimum tracking signals criteria. The statistical testing shown out the real earnings quality have the positive impact on future market value, where the higher earnings quality have made the investors decision in estimating the future prospect precisely. The dividend policy played a critical role in reducing out the pattern of opportunistics behaviour, when is a pressure on management in having proclivity to improve the earnings quality. This empirical testing had pointed out that publication financial earnings had been implication of game theory. To support the game theory in publication financial performance, this research had provided a novelty in estimating investor’s action by providing out the schema of investors perception and accounting information. The dividend policy had proclivity to give a push on management in implementing earning management, because management’s effort in disseminating the positive signal.

Keywords: Real Earnings Quality, Future Market Value, High Yielded Dividen Policy

JEL Classification: JEL Classification: D43, L12, G32

INTRODUCTION

The fluctuations of market prices in the capital market reflect the investor’s reaction to corporate policy, thereby it could make the management being prudent in decision making (Balakrishnan, 2016). The investor’s capability in detecting the earning quality in the company’s performance during the publish period of financial statements was reflected by a fluctuation of market price, is known as the concept of decision usefulness accounting information. It takes the strategic advantage for an investor in calculating the expected rate of return, particularly monitoring the financing policy (Desai et al, 2004). The fluctuation of the market price is an indicator for investors to make decisions about the prospect in the future, which pointed out the ability of management to develop the existence of the company’s strategic business unit (Bhattacharya, Desai, & Venkataraman, 2012).

In publishing the financial statements, the accounting allows some uses of accruals, (Kothari, S P, Leone & Simon, William E, Wasley, 2005), when the accounting standard is given technical guideline for the use of accruals. The use of accruals can influence investors’ reactions
and perceptions negatively, because of misleading of company performance. It related to estimating the company performance in the future. By obtaining the high quality of earnings, it means the use of accruals at a low level, the higher accruals quality was given a positive influence on the perception of capital market players and reflects the actual company's performance. As the implication of agency theory, the management used the pattern of accruals in disseminating the company prospect in future, on the other side the investors monitored the management's performance by attaining the accounting information. (Taleb, 2012) emphasizes the conflict of interest could be leveled down when the management had reached out the target of investment, so the investors can predict the future required return. It had been the implication of asymmetric information.

The earnings management pointed out that, the use of accruals was grouped into opportunistic motivation and efficiency (Scott, 2015). The opportunistic behavior would encourage the management to have a proclivity to implement the window dressing practices in publishing financial reports annually, it means the use of accruals was at a high level. (Martínez-Ferrero, Banerjee, & García-Sánchez, 2016) found that the management has tendencies to cover up the pattern of earnings management, it reflected as an opportunistic behavior by using the high discretion ary accruals. This indicator reflected the flexibility of management in determining accounting treatment, it had made a distortion or misleading indicators on the actual company performance (Hu, Cao, & Zheng, 2015). The earnings management can be done with efficiency motivation through signaling and efficient contracting, where there has a communication process on estimating the company's prospect in the future.

In implementing the earnings management practices in Indonesia, (Siregar, Sylvia Veronica dan Utama, 2005) concluded that the practice is opportunistic and this chance to carry out such behavior has always been existence. (Dahlia, Sari, Utama, 2014) shows that the number of Indonesian companies that practice the earnings management has increased in the last decade alongside the average growth of the Indonesian capital market index value of 26.75% per year during the period 2000-2016 based on the 2016 IDX annual report. (Riwayati, Markonah, & Siladjaja, 2016) stated that the level of complexity accounting provides the chances to strengthens the existence of opportunistic behavior, where behavior is always wide open.

The role of dividend policy as a pattern of a way of communication by sending signals between the investors and management, regarding the company's future prospects (Deshmukh, 2005). (Wardhana, Tandelilin, Lantara, & Junarsin, 2014) pointed out that, a larger number of companies tend to run out the high yielded dividend policy routinely and (Baker & Powell, 2015) pointed out that the dominant shareholder with majority proportion implements the same policy. The results of this empirical test were strengthened by (Alwi & Rahim, 2009) has shown that the dividend policy was carried out to reduce agency conflict between the majority and the minority shareholders.

Problem Identification

This research has the following problem formulation:

1) Does real earnings quality affect the future market value of the manufacturing industry company?
2) Does the dividend policy moderate has the effect of real earnings quality on the future market value on the public manufacturing industry company?
**Research Purposes**

This research has these following purpose:

1. To analyze the influence of real earnings quality towards the future market value on the open manufacturing industry company?

2. To analyze the dividend policy in moderating the influence of real earnings quality towards the future market value on the open manufacturing industry company?

**LITERATURE REVIEWS**

**Agency Theory**

Agency theory has explained about the separation between the management function by managers and the ownership function by shareholders in a company. (Jensen & Meckling, 1976) explained that the relation of agency in the agency theory which companies are a collection of contracts (nexus of contracts) between the owners of economic resources (principal) and managers (agents) who take care of the use and control of these resources. This could motivate the agents to try their best and present the accounting reports according to the principal's expectations, thereby it would increasing the principal's trust in the agent. (Khotari, 2001).

There has conflict interest of agents to maximize their well-being, by giving rise to agency costs. Agency costs could be divided into monitoring costs, bonding costs, and residual losses. The monitoring costs are the costs were triggered and incurred by the principal to monitored the agent behavior, which is to measure, observe, and control the agent behavior.

The bonding costs are the costs who was taking care by the agent to establish and adhere the mechanisms which guarantee that the agent will act according to the interests of the principal (Taleb, 2012) Furthermore, the residual loss is sacrificed in the form of reduced principal prosperity as a result of differences in agent decisions and principal decisions. Based on research (Mao, 2003) said that the differences in interests (the conflict of interest) occurred, when managers try to maximize the value of the company with external party funding, it causing the agency costs to use debt to increase in line with increasing debt.

**The Signal Theory**

The basis of this theory is that management and shareholders do not have enough access to obtain the company information as the existence of asymmetry information. There has critical information that is only controlled by the management while the shareholders are unable to obtain this equivalent information. When the change in corporate's funding policy could contribute a significant influence on the fluctuation of the company’s value in the future, this kind of information should be shared with shareholders. The evidence of management's responsibility is the ability to provide out a signal (signaling) to shareholders regarding the company's prospects (Desai, Rajgopal, & Venkatachalam, 2004) and (Bhattacharya et al., 2012).

The signal theory explained that the pattern of investor’s decision making behavior on the prospects of the company in the future, by receiving messages or signals sent from management. In reality, the management has better information than investors, related to capital costs and risk levels (Brealey, Myres, 2008). The signal theory explained that the companies have the urge to provide the financial statement information to external parties. The driven factor of the company to provide information is because there has information asymmetry between the company and the investor and it. After all, the company knows more about the future prospects than outsiders (investors and creditors) (Brav, A, Graham, J, Harvey, C, Michaely, 2005) and (Ibrahim, 2005). The signaling Motivation has encourages the management to send a certain message through the
presentation of financial statements (Scott, 2015). In compiling these figures there has an element the use of earnings management policies, where there has an influence of accruals towards the determining of profits.

Prior Research

Agustina & Baroroh (2016) shows that the companies which do the real manipulation activity have a lower firm value than companies that do not, and prove that corporate governance is not capable to eliminate those opportunities chances. This policy could level down earnings management practices.

Partami, Sinarwati, & Darmawan (2015) showed that the companies which carry out the high manipulation activities, would reduce the firm value, it reflects the low earnings quality. There has a negative investor perception on the use of manipulation activity when the management tends to decrease or increase the profits. This reflects that there are some biases on financial statement information, so it does not reflect the actual company's performance. The use of manipulation activity is to send messages to shareholders about the management’s effort in developing out the company’s existence in the future.

Jeong & Sohn (2013) shows that the use of manipulation activity was done by manipulating the transactions, so this could affect the corporate’s earnings. The use of manipulation activity would reflect the chances for management in reporting profits, it is an implication of opportunistic behavior.

Ratmono (2010) shows that the real activity manipulation was implemented before the accruals and manipulation activities is to send out good news for the investor, where the management has been fulfilling the expected return. Practically, it is a bias in financial reporting, when the management has a proclivity to conceal the failure of reaching out to the target because the misleading have the negative investor’s perception. This same result was strengthened by Ratmono (2010)

Martínez-Ferrero et al. (2016) found that the company management used to cover up the earnings management practices. By providing out the disclosure of funding policies and the company's image, the management tries to send out that the company had been on the right track as good news. This examines proved that earnings management has a pattern of opportunistic behavior. The practice of corporate governance is aimed to reduce the opportunities behavior to implement earnings management.

Ratnadi, Sutrisno, Acsin, & Mulawarman (2013) shown that the high yielded dividend s made a positive contribution to future prospects, whereas there is a positive investor perception of the use of a high level of accruals quality. When the companies can carry out this high yielded dividend policy, it means the management can fulfill the annual target, absolutely the report has a high earning quality. It is positive news for an investor in predicting better future prospects, while the dividend payout has been over the required return. By having the majority ownership, the management tends to run a high yielded dividend, thereby driving up an increase in market value, where it can level down the internal conflict.

Mahdiye Ebrahimpour, Salteh, & Rasoul Baradarane Hasan Zadeh (2013) showed out that the dividend policy could give a significant contribution to fluctuations of market prices positively, where this policy has leveled up the accruals quality. The high yielded dividend had pushed management in publishing the accounting information, which has a low level of discretionary accruals and a high level of earnings quality. The high dividend payout ratio could
reflect the high earnings quality so that the relationship between the dividend and the required return becomes stronger (positively).

**Thinking Framework**

The research framework was arranged as in Figure 2 as follows:

![Conceptual Framework for Empirical Test](image)

**Figure 2. Conceptual Framework for Empirical Test**

Note: Arranged and processed based on the title and purpose of this research

**The Development of The Hypothesis**

By looking over previous research literature, the development number of hypotheses could be organized as follows:

1) Hypothesis Test with Real Manipulation Quality

By concerning the proxy of earnings quality, the high level of real earnings quality would reflect the higher accuracy of future market value predictions. It means this report has a minimum point of distortions information into financial reporting. This test was accordingly on equity values and income levels, with the following stages: (Dempster & Oliver, 2019)

The First Hypothesis: The Real Earnings Quality on Equity

The real earnings quality shows an increase in the accruals quality which recorded by the book value of company assets including a decrease in which use of accruals. When the earnings quality is in a high position, this accounting information has minimum manipulation activity and high real earnings quality. It means the high level of obedience on accounting standard, the management had implemented the accounting standard consequently. Therefore, the formulation of a hypothesis can be arranged, as follows:

H1a : Real earnings quality has a positive effect on future market value based on equity.
The Second Hypothesis: The Real Earnings Quality on Earnings

The real earnings quality reflects the company’s ability to produce a targeted amount of profit, as expected by the investor. This indicator pointed out that the higher value, the higher the earnings informativeness, including a positive contribution to the estimated achievement of future earnings. It means the high-level real earnings quality give valid information about actual corporate earnings, it matches the accounting standard guideline. Therefore, the Hypothesis can be arranged as follows:

H1b: Real earnings quality has a positive effect on future market value based on earnings.

2) Hypothesis Test by Moderation Real Earnings Quality and Dividend Policy.

By developing the H1 hypothesis, statistical testing uses moderation between real earnings quality with the dividend payout ratio. This test was carried out in two stages, as follows:

The First Hypothesis: Moderation The Real Earnings Quality and Dividend on Equity

The dividend policy has a positive influence on management to level down the opportunistic behavior to calculate asset values. The high real earnings quality shows the high management's compliance carries out accounting standards with a minimum bias so that the recognition of investment values is carried out well, including positive investor perception on financing policy. By analyzing the actual asset value, the investor estimated the expected return in the future, it related to the management’s ability to attaining the low cost of capital. Therefore, the hypothesis can be arranged, as follows:

H2a: Dividend policy reinforces the positive influence of real earnings quality on future market value based on equity.

The Second Hypothesis: Moderation The Real Earnings Quality and Dividend on Earnings

The dividend policy would encourage the investor’s involvement in predicting future prospects, including the ability of management in developing expansion planning. It related to corporate strategic financing, particularly a way to obtain the low cost of capital. The indicators of the low real manipulation activity are the accounting information has high real earnings quality, where has low misleading information, so it paves the investor to predict the future prospect with high accuracy. Therefore, thesis formulation of income level can be done as follows:

H2b: Dividend policy reinforces the positive influence of real earnings quality on future market value based on earnings.

METHODOLOGY

Population, Sample and Data Collection Model

This examined of the population is a public company in the manufacturing industry at PT Bursa Efek Indonesia. This research has been used purposive sampling, with criteria of research objects as follows (Sekaran & Bougie, 2016):

1) The company makes dividend payments within the observation period.
2) The company has a positive average annual growth rate between the previous and subsequent periods.

This research period is in the period 2015-2017, but data is needed from 2011 to 2018. This type of research data is secondary data, obtained through ICMD (Indonesia Market Capital Directory) and the Indonesia Stock Exchange website (www.idx.co.id).
Real Measurement of Manipulation Activity

This test used the real earnings manipulation activity whom detection based on (Roychowdhury, 2006) the research through three proxies in estimating real earnings manipulation activity. A proxys can be described, as follows: (Cohen & Zarowin, 2010) and (Jeong & Sohn, 2013).

First Proxy: Abnormal CFO.

The preparation of the multiple regression model is as follows:
\[
\text{CFO}_{jt}/\text{Asset}_{j,t-1} = \alpha_0 + \alpha_1 (1/\text{Asset}_{j,t-1}) + \alpha_2 (\text{Sales}_{jt}/\text{Asset}_{j,t-1}) + \alpha_3 (\Delta\text{Sales}_{jt}/\text{Asset}_{j,t-1}) + \varepsilon_{jt,t} \]

Second Proxy: Abnormal Discretionary Expenses.

The preparation of the multiple regression model is as follows:
\[
\text{DISEXP}_{jt}/\text{Asset}_{j,t-1} = \alpha_0 + \alpha_1 (1/\text{Asset}_{j,t-1}) + \alpha_2 (\text{Sales}_{jt}/\text{Asset}_{j,t-1}) + \varepsilon_{jt,t} \]

Third Proxy: Abnormal Production Costs.

The preparation of the multiple regression model is as follows:
\[
\text{PROD}_{jt}/\text{Asset}_{j,t-1} = \alpha_0 + \alpha_1 (1/\text{Asset}_{j,t-1}) + \alpha_2 (\text{Sales}_{jt}/\text{Asset}_{j,t-1}) + \alpha_3 (\Delta\text{Sales}_{jt}/\text{Asset}_{j,t-1}) + \varepsilon_{jt,t} \]

Information:

a) \text{CFO}_{jt} = \text{abnormal CFO in company } i \text{ period } t \text{ was indicated by the estimated value } \varepsilon_{jt,t} \text{ (error rate) in equation (z1).}

b) \text{DISEXP}_{jt} = \text{abnormal discretionary expenses in company } i \text{ period } t \text{ was indicated by the estimated value } \varepsilon_{jt,t} \text{ (error rate) in equation (z2).}

c) \text{PROD}_{jt} = \text{production costs, i.e. cost of goods sold + change in company inventory } j \text{ in year } t \text{ was indicated by the estimated value } \varepsilon_{jt,t} \text{ (error rate) in equation (z3).} \text{ With the existence of residual error value in this proxy which has the opposite direction to the proxy of cash flow abnormalities and administrative costs (Ratmono, 2010).}

d) \text{Manipulation Activity}_{jt} = \text{was the sum of residual error values in the regression equation for abnormal cash flow, discretionary expenses, and production costs in the company } j \text{ period } t \text{ indicated by the estimated value } \varepsilon_{jt,t} \text{ (error rate).}

The formula for real earnings quality can be done as follows:
\[
\text{Real Earnings Quality} = [ \varepsilon_{jt,t} (\text{CFO}_{jt}/\text{Asset}_{j,t-1}) + \varepsilon_{jt,t} (\text{DISEXP}_{jt}/\text{Asset}_{j,t-1}) - \varepsilon_{jt,t} (\text{PROD}_{jt}/\text{Asset}_{j,t-1}) ] \times -1 \]

To measure the real earnings manipulation activity, it would be organized as follows:

1) In calculating the earnings manipulation quality, this testing uses the sum of a number of absolute residual error from formula (aa),(ab), and (ac). It can be seen at the formula (ad).

   Based on (Perotti & Wagenhofer, 2014), real earnings quality is earning manipulation activity multiplied by -1.

2) By obtaining the real earnings quality, it reflects that a management effort to minimize the manipulation activity in this research. This high earnings quality was used as a positive signal, the real earnings manipulation quality was in minimum point.
Future Market Value

To make understand easier the calculation of estimated market prices through the Life Cycle and Multistage Growth model (Damodaran, 2012) and tracking signal (Heizer, Jay, Render, Barry dan Munson, 2017), so it can be arranged as follows:

![The Estimated Price Prediction with Life Cycle and Multistage Growth Models](image)

**Figure 3. Stages of Estimated Market Price Calculation Period 2015-2017**

The Presentation of the measurement of some variables in Table 1 as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement Formula</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable by using the Future Market Value variable estimation indicator measurement</td>
<td>The Estimated Price = ( \frac{\text{Div}<em>{t+1}}{1+k} ) + ( \frac{\text{Div}</em>{t+2}}{(1+k)^2} ) + ( \frac{\text{Div}<em>{t+3}}{(1+k)^3} ) + ( \frac{\text{Div}</em>{t+4}}{(1+k)^4} ) + ( \frac{\text{Div}<em>{t+5}}{(1+k)^5} ) + ( \frac{\text{Pric}</em>{t+6}}{(1+k)^6} )</td>
<td>Ratio</td>
</tr>
<tr>
<td>Real Manipulations Quality = ( \varepsilon_{j,t} ), Real Manipulation ( \times -1 )</td>
<td>Earnings Manipulation = [ \frac{\text{CFO}<em>{t}}{\text{Asset}</em>{j,t}} \times 1 \text{ / } \frac{\text{Div}<em>{t+1}}{\text{Price}</em>{t+1}} ]</td>
<td>Ratio</td>
</tr>
<tr>
<td>Moderation Variable using the Dividend Policy indicator</td>
<td>Dividends = ( \frac{\text{Dividen}<em>{t}}{\text{Net Income}</em>{t-1}} )</td>
<td>Ratio</td>
</tr>
<tr>
<td>First Control Variable with Size</td>
<td>Book Value = ( \frac{\text{Value Total Asset periode berjalan}}{\text{Log (Natural Book Value)}} )</td>
<td>Ratio</td>
</tr>
<tr>
<td>The Second Control Variable with Sales Growth</td>
<td>SGI = ( \frac{\text{Sales}<em>{t} - \text{Sales}</em>{t-1}}{\text{Sales}_{t-1}} )</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

The impact of real earnings quality on the future market value by moderated by the dividend policy

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RESEARCH RESULT AND DISCUSSION

The Discussion Of The Main Models

In Table 2 shows that the coefficient values of each regression model, as it follows:

Table 3. Main Model Regression Equation Coefficients

<table>
<thead>
<tr>
<th>Basis for Measurement of Independent Variables</th>
<th>Future Market Value Based on Equity</th>
<th>Future Market Value Based on Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficient</td>
<td>Sig One Tail</td>
</tr>
<tr>
<td>1. Unstandardized Coefficient</td>
<td>0.01</td>
<td>0.87</td>
</tr>
<tr>
<td>2. Real Manipulation Quality</td>
<td>0.004</td>
<td>0.008</td>
</tr>
<tr>
<td>3. Dividend Pay Out</td>
<td>0.064</td>
<td>0.009</td>
</tr>
<tr>
<td>4. Real Manipulation Quality X DPR</td>
<td>0.013</td>
<td>0.011</td>
</tr>
<tr>
<td>5. Log Total Asset</td>
<td>0.006</td>
<td>0.022</td>
</tr>
<tr>
<td>6. Growth Sales</td>
<td>0.001</td>
<td>0.01</td>
</tr>
<tr>
<td>7. Risk</td>
<td>-0.129</td>
<td>0.024</td>
</tr>
<tr>
<td>F Value Calculated</td>
<td>4.152</td>
<td>4.029</td>
</tr>
<tr>
<td>Significant</td>
<td>0.504</td>
<td></td>
</tr>
<tr>
<td>F Table</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.110</td>
<td></td>
</tr>
</tbody>
</table>

Source: Secondary Data  
DPRt = Dividend Pay Out Ratio  
Sig One Tail = Sig/2

Table 2 shows F Calculate > F Table (high significant) where the independent variables have a simultaneous influence on the dependent variable, so the main model has a high level of significance. This model meets the predictive modeling requirements

First: Real Earning Quality Against Future Market Value on Equity

Future Market Value On Equity = -0.010 + 0.004 REQ + 0.064 Div + 0.013 (REQ X Div) + 0.006 Assets + 0.001 Growth 0.129 Risk ................................ (1)

In Table 2 the First Model shows that the statistical analysis as follows:

1) The variable of real manipulation accruals quality has a regression coefficient of 0.004 and a sig one tail value of 0.008 <0.05, then the H1a is accepted. These results would reflect real manipulation accruals quality which has a positive effect on future market value based on equity.

2) The mediation result between the dividend policy moderation and real manipulation quality on the future market value on equity has a regression coefficient of 0.013 and a sig one tail value of 0.011 < 0.05, then the H2a is accepted. This result shows that dividend policy strengthens the positive influence of real manipulation quality on future market value based on equity.
The first test of the hypothesis shows that real earnings quality have a positive regression coefficient on the future market value on equity. When management has the maximum effort to minimum earnings manipulation, it means minimum misleading information in accounting information, so give a positive contribution to the fluctuation of the market price in the future. This research has proven the issue of manipulation activity has a negative contribution to investors’ perception. The high real earning quality has shown that the high level of management’s obedience to carry out the accounting standard consequently, it related to agency cost in the future. When infringement on accounting standard, it will carry out the high agency cost in future, it will have a negative investor’s perception. This high real earnings quality helps investors to control how the management implements the strategic financing well, including estimating the firm value and assets in the future period. Thus, the management tends to implement the low level of manipulation activity, to create out the high earnings quality, it sent out the good news. This research was strengthened by (Partami et al., 2015), by showing that Indonesian companies use real earnings activity to increase the value of the company to send the desired message. This test also shows that the proxy of earnings quality has obtained a positive perception because this an attempt to reduce the behavior of opportunistic. By improving the quality of real earnings activity, the management gives the sign that the high probability of better future prospects will happen.

The second hypothesis test shows that the dividend policy was able to encourage management to reduce manipulation activity through strengthening positive relationships when the coefficient of moderation results with dividends is greater than the proxy coefficient of earnings quality itself. This test proved (Choudhary, Koester, & Shevlin, 2016) research regarding the role of dividends in estimating future prospects. The results of the dividend policy have moderation provide a positive effect on increasing real earning quality, including making a positive contribution to investors determining the expected rate of return in the coming period. The real earnings quality reflects that dividend policy encourages the level of compliance with accounting standards so that there is a high earnings quality, including the use of high real earning quality through low manipulation activity. Therefore, the dividends have encouraged the management to record the asset values in which is actually following the principles of applicable accounting standards.

**Second: The Dividend Policy Moderates the Real Earnings Quality and Future Market Value On Earnings**

\[
\text{Future Market Value On Earnings} = -0.106 + 0.009 \text{REQ} + 0.208 \text{Div} + 0.035 (\text{REQ} \times \text{Div}) + 0.028 \text{Asset} - 0.023 \text{Growth} - 0.245 \text{Risk} \ldots \ldots \ldots (2)
\]

Based on table 3 those the 2 models have statistic Analysis as follows:

1) The real manipulation accruals quality variable has regression coefficient 0.009 also the sig one tail 0.22 < 0.05 so then the Hypothesis H1b was accepted. This result was reflected that the real manipulation accrual quality has a positive effect on future market value based on equity.

2) The mediation result between the dividend policy moderation and real manipulation quality on the future market value on earnings has a regression coefficient of 0.035 with sig one tail value of 0.011 < 0.05 so then the hypothesis H2b was accepted. This result shows that the
dividend policy has strengthened the real manipulation quality's positive influence on future market value based on equity.

By looking over that first hypothesis, the real earnings quality has a significant positive effect on the future market value on earnings, which have this same result with future market value on equity. When real earnings quality is in a high position, it has shown out that the management has to implement the manipulation in minimum point, so that the financial statement reflects the actual corporate earnings. It can be interpreted that management has high confidence to reach out to a better prospect in the future. This information could be sent a signal “good news” for investors about the corporate’s ability to fulfilling the expected return. This research has proven the manipulation activity can influence negatively the investor’s perception so that the improvement of real earnings manipulation plays a critical role to boost up the investor’s trust positively. The empirical testing has strengthened (Jeong & Sohn, 2013), that same pattern had been on behavior manipulation activities in South Korea. The actual corporate earnings pointed out that the high management’s obedience to the regional general accepted accounting standard in calculating the corporate’s earnings, so it helps the investor to determine the expected return, it means this financial report has been declared to have the high real earnings quality. The empirical testing concluded that the investor had given an appreciation for the management’s effort for improving the accounting information’ quality. When real earnings quality is in a low position, it had been seen that management uses the subjective approach in reporting the corporate’s earnings. Because of misleading accounting information, it makes a difficult for investors to predict the future with high accuracy. It means that obedience is low, the implication is the high agency cost in the future.

By looking over the second hypothesis shows that the dividend policy is capable to encourage the management to improve the earnings quality, the results of this test proved (Nekhili, Fakhfakh, Amar, Chtioui, & Lakhal, 2016) regarding the role of dividend policy, especially in reducing the chances of opportunistic behavior. This dividend policy encourages management to reduce the pattern of abnormal activity, so that it could increase the real earnings quality, the ability to predict the company's earnings in the further period, as well as the main test model. the dividend policy would be able to contribute to estimating the future prospects and it also strengthening (Bandi, 2012) and (Ratnadi et al., 2013) research regarding the role of dividends as a communication channel.

The Summary of Analysis Test

The examination on the main model has shown that there has the concept of decision usefulness information. And This test proved the previous research related to the quality of the performance report as follows:

1) (Shin & Kim, 2019) shows that the investors react to accruals quality indicators and encourage management to improve earnings quality, which is an indicator of the level of consistency in using accruals. Positive perceptions of the high level of consistency, this is reinforced by Pompili and Tutino (2019).

2) (Elayan, Li, Liu, Meyer, & Felton, 2016) and (Bassiouny & Ragab, Mohamed Moustafa, Soliman, 2016) point to the demands of investors for the provision of quality financial information from management. Thus research shows that earnings management variables are predictions of future company prospects.

3) (Martínez-Ferrero et al., 2016) show that the management tries to cover up earnings management practices, this test provides evidence that investors can detect the earnings
management, including demands for quality earnings information. This research has supported (Eskandari & Foumani, 2016) which states that through investor pressure on management to improve the quality of using accruals.

4) (Dempster & Oliver, 2019) shows that the earnings quality reflects the use of accruals, so investors can monitor the accounting record methods and decision making in patterns. The same thing was proven by (Jonathan & Machdar, 2018) when high-quality accruals can influence the positive movement of the market value of Indonesian companies. Investors' attention was focused on the company's sustainability for the coming period. This result is reinforced by (Lebert, 2019), where the use of accruals affects earnings determination.

This research proves that dividend policy is an asymmetrical pattern of information through the feedback of interaction patterns. The results of this test strengthen (Deshmukh, 2005) and (Bandi, 2012) on the role of dividends to reduce the level of agency conflict (conflict of interest). Investors can distinguish companies that use low and high accruals because attention is not only focused on achieving profits but the level of business continuity. There is a tendency for management to cover the practice of opportunistic in providing a picture of expected performance, including the ability to meet the expected level of dividends. This test proves that high-yield dividend policy encourages the involvement of investors to improve monitoring of the company's operational policies.

The dividend policy can encourage management to reduce opportunistic behavior, while the test proved that the management's efforts to meet the return on investment through the use of accruals. This test proves that dividend policy has increased the quality of accruals. Thus, the results of this test were indicated that dividend policy is a corporate policy, which contains asymmetric elements of information. Based on the statistical testing, this empirical research has proven the real earnings quality help the investor to predict the future prospect. It can be concluded that the feedback of interaction between investor and management, where both of them have a different view of point. This testing shown out the feedback of their interaction is the implication of asymmetric information, when the management had a proclivity to run the high yielded dividend in reducing the intensity of internal conflict. In publishing the financial reporting, the relationship between investor and management can a proof of the game theory.

To illustrate the game theory, this research uses a model decision tree to estimate the probability of implementing the dividend policy. This model provides the mapping between corporate policy and investor reaction, which measured by future market value, it means a novelty variable for estimating the future prospect. The decision tree model in Figure 4 is arranged as follows:
The high probability is obtained when prob > 60%

Figure 4. Model Decision Tree in Estimating the Probability of Dividend Policy.

Figure 4 pointed out that investor has the main demand for high validity for accounting information to predict the future prospect with high accuracy, which represented by the financial report as valid information resources in this figure. This area becomes a central point for the regulator to create out an attractive incentive for management to implement the high financial reporting quality. This figure 4 gives some gist of the guideline, like below:

1. When the financial report has been stated that the high earnings quality, which has the high real earnings quality and the obedience to carry out the standard accounting is at a high level, so it can be predicted that the management have should run the dividend policy consequently as routine corporate finance. This estimated probability of the favorable strategic event to obtain the low cost of capital is more than 60 %, so it declared a high probability as a good sign for a better future prospect. This management has a good track to fulfill the expected required return.

2. When the financial report has been stated that the low earnings quality, which has the low real earnings quality and the obedience to carry out the standard accounting is at a low level, so it can be predicted that the management have should run the dividend policy periodic. Because of the infringement of accounting standards, the subjective approach is in a high position, so that dividend policy has been routine corporate finance. This disadvantage of this corporate policy has not obtained the low cost of capital, and the other implication, this company could not reach out to the expected return. The management would run the dividend policy to level down the cost of capital. This estimated probability of the favorable strategic event to obtain the low cost of capital is less more than 40 %, so it declared a high probability as a bad sign for a better future prospect.

To understand the pattern of feedback between investor and management, this research provides the mapping the schema of asymmetric information, that could be seen in Figure 5 as follows:
Figure 5. The Role of Financial Statement Publication on Accounting Information

Figure 5 shows there is a novelty in mapping the asymmetric process of information with the process of publishing financial statements. This picture has pointed out that the principal conflict gives a proven fact of asymmetric information, including misleading information or distortion in the financial statements. By mulling over the conflict the agent reflects the limited ability of many investors to access actual information about the success rate of the company's strategic business development, which is a measure of the achievement of management performance. The main demand of investors to obtain relevant and reliable financial statement information, assist in carrying out the assessment (value) and risks that accompany investment, this strengthens (Elayan et al., 2016) regarding the role of the community in improving reporting quality, including the role of regulators and professional associations in modifying the accounting standard as a continuous process.

CONCLUSION

Conclusion

The conclusions can be detailed briefly, as follows:

1) To prove the earnings quality using the real manipulation quality have a positive contribution significantly to the future market value on equity and earnings. The positive relationship was reflected by the investor’s positive perception of investors. There is a high level of management’s obedience to carry out accounting standards, including minimizing opportunistic behavior. It can be pointed out by the low level of misleading information in publishing financial reporting.

THE IMPACT OF REAL EARNINGS QUALITY ON THE FUTURE MARKET VALUE BY MODERATED BY THE DIVIDEND POLICY
2) The dividend policy had strengthened the positive contribution of the real manipulation quality significantly on future market value based on equity and earnings. The moderation between dividend policy and real earnings quality indicates that dividend policy encourages the management for minimizing the earnings manipulation activity because the higher shareholder’s involvement gives a strong push on management for being prudent in determining a model accounting treatment consequently. The dividend policy can reduce out the chance for management to practice opportunistic by infringement on the accounting standards, on the other word, the investor needs primarily the high levels of compliance. By testing a moderation testing, the dividend policy pressure on management to have a high level of compliance, it can encourage the investor the high financial reporting quality, it related with company performance in the future, particularly the fluctuation of agency cost.

The Implications

This research has several of the practical implications that could be presented as follows:

1) This research contributes to the regulator in compiling accounting standards to make a progression and improvements on the Indonesia General Accepted Accounting Standard article 73 regarding the use of accruals. This direct contribution is to push management for improving the quality of financial reports by using the low level of accruals.

2) This research contributes to the Financial Services Authority (OJK) to preparing financial statement regulations, which give an incentive for management for implementing the dividend policy regularly when the management can fulfill the target investment return. On the other hand, the OJK together with the Indonesia Stock Exchange had released this policy to encourage many companies to conduct the dividend policy as a mandatory obligation.

3) This research contributes to the Financial Services Authority (OJK) to prevent management for implementing the high yielded dividend because it contributes no advantages for a company to develop a better prospect. This policy force management to run the dividend policy with high growth, where this growth has been the higher rate that the sales dan earning growth.

Research Limitations

Based on those previous testing, there have some limitations in conducting this research it can be arranged as follows:

1) This test uses a complex measurement of a constant growth rate with the calculation of the indicator growth (g) in the next 5 years period, including zero growth for predicting 2020-2022.

2) This test has secondary data abnormalities reflecting a very high level of variation in the use of accruals. As an implication of the data which is not normal, it causes considerable data trimming through outlier tests. In this test, we trimmed 180 data from total samples 384.

Recommendations for further research

With the results of these empirical test and those conclusions, this research has several recommendations for further research and it can be formulated as follows:

1) To measuring earnings quality for future research, the researchers have suggested using the approaches with probabilities, especially modeling the predictions of investor reactions to
the quality of financial statements. Future models can be developed through the development of non-linear regression models.

2) In measuring the risk levels, the researchers realized all the number of limitations from the beta instruments to measures the risk levels. To measure the risk for further research it could more comprehensive risk level calculation which can be used to estimate the company's ability to regained its existence in the long run.

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