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THE ACCRUALS QUALITY AND THE ESTIMATED FUTURE PERFORMANCE

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Abstract

This previous empirical research has shown out, that the usage of accruals had the contribution negatively on investor's perception, this current research has shown that the discretionary accruals quality had a positive contribution, which paves the way for investors to predict the future performance by concerning on the effect of dividend's phenomenon. By developing out the measurement of the future prospect, this research has used the future market value as a new indicator, where the accounting information has a significant effect on an investment decision. This moderated multiple regression has used the dividend policy, where played a critical role in signaling communication, Thus, The causal research has the samples, that amounted 154 of the listed companies in the industrial manufacturing sector for the period 2015 until 2017. The result indicated that the discretionary accruals quality had given a practical guideline for the investor to estimate the future return with high accuracy. This dividend policy has minimized the pattern of opportunistic behavior in providing a misleading bias in the performance reporting when the dividend has strengthened the discretionary accruals quality positively on the future market value. By developing a mapping with the decision model, combined with Bayes Theorema, empirical research provides a brief illustration, pointed out the high financial statements quality implies the game theory. This research recommended that this dividend policy can be used as a mandatory obligation, and the regulators must issue public policies, which provide a push to management in implementing high accounting information quality.

Keyword: Accruals Quality, Future Market Value, High Yielded Dividend

1. Introduction

The earnings information has a critical effect on the quality of financial statements, which reflects how the management runs the accounting treatment on the current firm's performance, particularly the pattern of accruals (Khotari, 2001). The high or low level of using the accruals has a negative contribution to the investors' reactions and perceptions. this perception makes volatile fluctuations of the firm's stock market value, finally, a few investors have been capable of obtaining the abnormal return. (Francis, LaFond, Olsson, & Schipper, 2005) also revealed that some large companies in the United States had a low level of earnings quality, where there was a high level of accruals. This one related to high equity costs. It reflects the management has a proclivity to implement the accruals in reporting the current performance of the company by doing infringement on the available accounting standard. The high level of earnings quality, which indicated by the low level of accruals could contribute positively to positive investor perceptions (Ping, 2016). When the accounting information has high earnings quality and low accruals, it could level up the accuracy for predicting the future prospect, absolutely in determining the expected return (Povolotskaya, 2014). The high accruals quality is indicated by the minimum distortion in financial reporting, particularly the misleading information (Jonathan & Machdar, 2018).

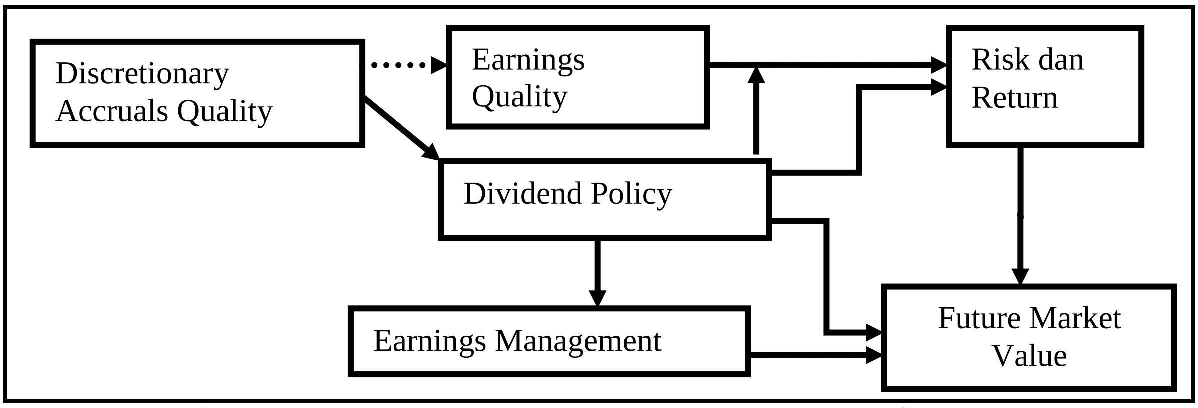
The common motive for using the accruals can be grouped into the motivation of opportunistic and efficiency (Scott, 2015). The opportunistic encourages management to disseminate the subjective preferences about the current company performance. (Martínez-Ferrero, Banerjee, & García-Sánchez, 2016) found management has tendencies to cover up the accruals treatment, which indicated by the high level of discretionary accruals. This opportunistic behavior reflects the freedom of management in determining accounting policies, causing distortion or misleading indicators about company performance (Hu, Cao, & Zheng, 2015). The efficiency has been done through signaling and efficient contracting, where there is a communication process regarding the company's prospect estimation process.

The process of signaling encourages management to present the accounting information, which can reflect the actual performance with the minimum level of error. In the publication period, there was a signal in a financial report, which one makes good or bad news for the investor to predict the future prospect, it can give a fluctuation of the market price for a short time. By looking over the financial report, some investor could monitor the corporate policy, that reflected the pattern of treatment in a recording of intangible assets, both the form of patents and goodwill. When the investor believes the management have reached a better future prospect, it gives a positive movement of market price, including the positive market reacts (Bhattacharya, Desai, & Venkataraman, 2012). When the treatment of recording the intangible asset value has fulfilled the accounting standard precisely, this reflected the high level of obedience. Then, the investor takes a strong push for management to implement high-quality financial statements (persistent) (Bassiouny & Ragab, Mohamed Moustafa, Soliman, 2016), it related to a signal about the company's prospects.

As the formal communication process, the dividend policy could be used as a pattern of sending the expected signals between investors and management regarding the company's future prospects (Deshmukh, 2005). Thus, (Wardhana, Tandelilin, Lantara, & Junarsin, 2014) showed that many companies in Indonesia tended to use the dividend routinely, this policy had been supported by the existence of the majority shareholder. (Alwi & Rahim, 2009) &

(Baker & Powell, 2015) indicated that dividend policy was carried out to reduce agency conflict between The majority and minority shareholders. This research found a dividend phenomenon, where the dividend pay ratio is much more than the growth of earnings and sales. It means the high yielded dividend policy had been implemented, so absolutely the management has achieved some benefit, theoretically, they get the low the cost of capital.

To understand how the accounting information influences the investor's decision, this research provides the mapping of relationship the variable in figure number 1 can be arranged as follows:



Source: Summary of several journals managed by (Chaudhary, Hashmi, & Younis, 2016), (Martínez-Ferrero et al., 2016), (Zarowin, 2015),(Dichev, Graham, Harvey, & Rajgopal, 2016)

Figure 1. The Mapping Of Variables on The estimated Future Market Value.

2. Research questions:

This research has the following research questions formulation:

1) Does discretionary accruals quality influence the future market value of the manufacturing industry public company?
2) Does the dividend policy moderate the effect of discretionary accruals quality on the future market value of the manufacturing industry public company?

3. Agency Theory

The agency theory explains about the separation between the management function by managers and the ownership function by shareholders in a company. The interest of agents to maximize their welfare creates agency costs. The agency costs can be divided into the monitoring costs, bonding costs, and residual losses. The monitoring costs are costs incurred and borne by the principal to monitor agent behavior, namely to measure, observe, and control agent behavior. The bonding costs are costs borne by the agent to establish and comply with mechanisms that guarantee that the agent will act in the interests of the principal (Taleb, 2012). Furthermore, the residual loss is a sacrifice in the form of reduced principal prosperity as a result of differences in agent decisions and principal decisions. (Mao, 2003) said that the conflict of interest occurs when managers maximize the value of the company with external party funding, thereby causing the agency costs to use debt to increase in line with the increase in debt.

4. The Signaling Theory

The basis of this theory is that management and shareholders do not have access to the same company information or the existence of information asymmetry. There is certain information that is only controlled by management, while shareholders are unable to obtain equivalent information. When there is a change in the company's funding policy related to the decline and increase in the value of the company, this kind of information can be shared with shareholders. Evidence of management's responsibility in managing the company is the ability to provide a sign or signal (signaling) to shareholders regarding the company's future prospects (Desai, Rajgopal, & Venkatachalam, 2004) and (Bhattacharya et al., 2012).

The signal theory explains the pattern of decision-making behavior of investors towards the prospects of the company by the process of receiving messages or signals sent from management. In reality, management has better information than investors, related to capital costs and risk levels (Brealey, Myres, 2008). The signaling theory explains that companies have the urge to provide financial statement information to external parties. The encouragement of companies to provide information is because there is information asymmetry between the company and the investor as the company knows more about future prospects than outsiders (investors and creditors) (Brav, A, Graham, J, Harvey, C, Michaely, 2005) and (Ibrahim, 2005). The motivation of signaling encourages management to send specific messages through the presentation of financial statements (Scott, 2015). In compiling these numbers, there is an element of using earnings management policies, where there is an influence of accruals on determining earnings.

5. Previous Research

Emeka Nwaaze (2011) found a positive relationship between earnings and earnings management, and beta was positively related to the level of leverage and debt financing, including the level of earnings. The relationship of management incentives to earnings management showed a positive effect, and there was a positive relationship between discretionary accruals and total accruals with earnings. It showed that the level of a tendency to use earnings management practices was high, as well as indicated a contribution to earnings distress. It was reflected in drastic changes in income, both an increase and a decrease. The more the risk level of the company, the higher the level of earnings distress, where the higher the use of low-quality accruals. Furthermore, (Martínez-Ferrero et al., 2016) discovered that company management was used to cover earnings management through funding policies and improving corporate image. This examination proved that earnings management was an opportunistic behavior. The tendency of corporate governance reduced opportunities for earnings management.

(Shin & Kim, 2018) showed that accruals quality indicators represented the level of management consistency in determining earnings. Investors could react to low earnings quality, in which it was related to the estimated level of expectations in the coming period, including encouragement for management to perform high earnings quality. Accordingly, (Dempster & Oliver, 2019) revealed that investors focused on measuring earnings quality, including negative perceptions of the use of accruals. The positive perception was seen in the positive price movements. Continuously, (Ratnadi, Sutrisno, Achsin, & Mulawarman, 2013) indicated that high dividend payments made a positive contribution to future prospects, where there was a positive investor perception of a high level of conservatism use. When companies could carry out an increasingly high dividend policy, then the reporting of income had a level of conversion, and it provided positive news for an increase in stock market prices. When there was majority ownership, the management tended to run a high yielded dividend, thereby encouraging an increase in market value, where shareholders could obtain dividends and capital gains.

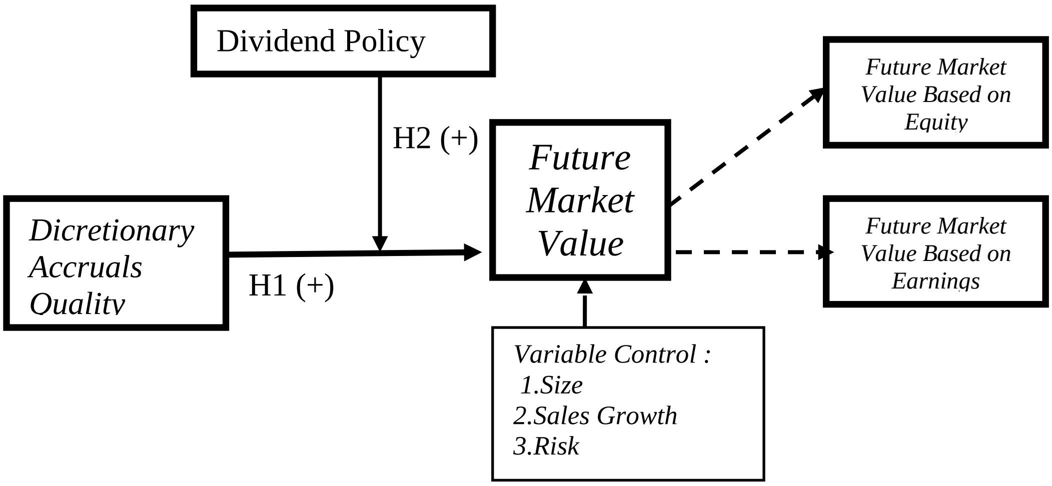
(Mahdiye Ebrahimpour, Salteh, & Rasoul Baradarane Hasan Zadeh, 2013) showed that the dividend was positively related to fluctuations in the stock market price, where this policy increased accruals quality. Dividends were conducted on companies that had a low level of discretionary accruals when the quality of earnings was high. Dividends reflected the quality of corporate earnings that when dividends were high, the relationship of dividends to the quality of performance reporting became higher.

6. The Gap Of Research

The previous research had been pointed out that the usage of accruals influenced the investor's perception negatively, because of misleading information. It made the prediction the future prospect less accurate. By developing out the novelty model, this research have used the highly improved accruals quality had the investor's perception positively. The method is to multiply the residual value with a negative one, this reflected on (Perotti & Wagenhofer, 2014), so that this variable had been named as *discretionary accruals quality*. This indicator is used to measure how much the management's obedience to the accounting standard, particularly the strong management effort to minimize the usage of accruals in reporting the firm performance. The high level of obedience gave a positive contribution to the accuracy of the future prospect.

7. Framework

The research framework is organized in Figure 2, as follows:



Note: The researcher, that based on the title and purpose of the study.
Figure 2. Conceptual Framework

8. Hypothesis Development

The development of several hypotheses is arranged as follows:

1. **To Test The Discretionary Accruals Quality with Future Market Value**

When the financial reporting has a high quality, it means the investor can predict the future prospect accurately. This research has developed out the future market value, separated by measurement on equity and earnings. The discretionary accruals quality has been used as the proxy of earnings quality, the high value of discretionary accruals reflects the higher level of prediction accuracy of future market value.

First: Hypothesis on Future Market Value On Equity

The pattern of accruals gives a contribution to how the accounting treatment has been done. The high level of discretionary accruals quality shows the high level of management's obedience in fulfilling the accounting standard precisely, specialty calculating the net asset value. When the future market value on equity is high, there is a minimum error in determining the net asset value, particularly the consistent method of depreciation. So, the formulation of hypothesis can be arranged, as follows:

H1a: Discretionary accruals quality has a positive effect on future market value based on equity

Second: Hypothesis on Future Market Value On Earnings

The investor need the high accounting informativeness value, the earnings depicts the actual performance, that indicated as high quality financial report. When this information have a low level of accruals, it means there is no misleading information. This indicator reflects the higher the discretionary accruals quality, the higher the accuracy level of predicting the future prospect. The hypothesis formulation based on earnings level can be arranged, as follows:

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

2. To Test The Moderation between Discretionary Accruals Quality and Dividend Policy

By doing moderation between the proxy of accruals quality and dividend policy, the hypothesis can be done by measurement on equity and earning. By focusing on the dividend phenomena, where the management has the proclivity to implement the high yielded dividend, it can be concluded that it has the other advantages of this policy. This policy purely had a good reaction from the investor, on the way it related to the liquidity level of cash flow. When the dividend policy could fulfill the expected return, the company have been capable of obtaining the low cost of capital and the high involvement of shareholder. This high level of involvement takes a strong push on management to level up the accruals quality, directly the requirement of accounting standard can be implemented on the maximum level.

First: Hypothesis on Future Market Value On Equity

The dividend policy has a positive influence on management behavior to improve the quality of accruals, it means the accounting standard has been implemented well and obtained high compliance. The accounting treatment has been done consistently, it means the asset values have a little gap with the market price, where the minimum gap can be tolerated. The formulation of the hypothesis is prepared, as follows:

H2a: Dividend policy had strengthened the positive influence of discretionary accruals quality on future market value based on earnings.

Second: Hypothesis on Future Market Value On Earnings

The dividend policy encourages investor involvement in controlling the corporate decision, that related to profit-loss calculation. Indirectly, this policy push management to obtain high-quality financial reporting, because of estimating the expected return in the future. The hypothesis formulation can be done, as follows:

H2b: Dividend policy had strengthened the positive influence of discretionary accruals quality on future market value based on earnings.

9. Population, Sample, and Data Collection Model

The population was the manufacturing industry, that enlisted at Indonesia capiral Market, this research has the purposive sampling. The criteria of research objects could be arranged, as follows (Sekaran & Bougie, 2016):

1. The company made dividend payments within the observation period.
2. The company had a positive average annual growth rate.

This research period was in the period 2015-2017; however, the data needed were from 2011 to 2018. The population of this study is 154 companies by doing observed about 384, which have 204 valid observations. This secondary data had been obtained throughIndonesia Market Capital Directory) and the Indonesia Stock Exchange website .

10. Dependent Variable: Future Market Value

This research provided a calculation schema by using H model approach (Two-Stage Model for Growth), which could be arranged, as follows:

The Estimated Price Prediction with Life Cycle and Multistage Growth Models

Period

Research Period | Constant Growth | Zero Growth

2015 2016 2017 2018 2019 2020 2021 2022

Div15 (t) | $Div16=Div15(1+g_k)^1$ (t+1) | $Div17=Div16(1+g_k)^1$ (t+2) | $Div18=Div17(1+g_k)^1$ (t+3) | $Div19=Div18(1+g_k)^1$ (t+4) | $Div20=Div19(1+g_k)^1$ (t+5)

Price20=Div21/(k)

This model was the adoption of the H model (Two-Stage Model for Growth):

1. Prediction period of 2018-2019, where the value
   - g = ROE*b, g_k= average "growth" period 2013-2018 k = free risk + beta (market return-free risk)
2. Prediction Period of 2020-2022 used assumptions:
   - Div20 = Div21 = Div22 and *Price*20 = *Price* 21= *Price*22

For the price of the coming period, it used prices in the March - April period t + 1.

The estimated price: Dividend Yield + Capital Gain

$$\text{Price estimated 16} = \frac{Div17}{(1+k)^1} + \frac{Div18}{(1+k)^2} + \frac{Div19}{(1+k)^3} + \frac{Div20}{(1+k)^4} + \frac{Price20}{(1+k)^4}$$ for data in the 2015 period

$$\text{Price estimated 17} = \frac{Div18}{(1+k)^1} + \frac{Div19}{(1+k)^2} + \frac{Div20}{(1+k)^3} + \frac{Div21}{(1+k)^4} + \frac{Price21}{(1+k)^4}$$ for data in the 2016 period

$$\text{Price estimated 18} = \frac{Div19}{(1+k)^1} + \frac{Div20}{(1+k)^2} + \frac{Div21}{(1+k)^3} + \frac{Div22}{(1+k)^4} + \frac{Price22}{(1+k)^4}$$ for data in the 2017 period

The Tracking Signal: Error Range between Estimated Price t + 1 and Average Market Price t + 1.
The accuracy of the prediction range -2.0 <Tracking Signal <2.5 through indicators cumulative forecast error and mean average deviation (Heizer et al, 2017).

Source: (Damodaran, 2012)

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

Presentation of the measurement of a number of variables in Table 1 is as follows:

Table 1. The Basis for Measurement of Research Variables

Variable	Measurement Formula	Scale
Dependent Variable, by using estimation indicator measurement of Future Market Value variable	The Estimated $Price_t = \frac{Div_{t+1}}{(1+k)^{t+1}} + \frac{Div_{t+2}}{(1+k)^{t+2}} + \ldots + \frac{Div_{t+5}}{(1+k)^{t+5}} + \frac{Price_{TV}}{(1+k)^{t+5}}$ Future Market Value On Equity= Equity $_t$ / The Estimated Price $_{t+1}$ Future Market Value on Earnings=Earnings $_t$/ The Estimated Price $_{t+1}$	Ratio
Discretionary Accruals Quality = (absolute $\varepsilon_{j,t}$.) X -1	Total Accruals (TAC)= $NI_{j,t}$ - $CFO_{j,t}$ $TAC_t = \beta 0+ \beta 1\ A/R_{j,t} + \beta 2\ A/P_{j,t} + \beta 3\ INV_{j,t} + \beta 4\ Profit\ Margin_{j,t} + \varepsilon_{j,t}$	Ratio
Moderation Variable, by using the Dividend Policy indicator	$Dividend_t = \frac{Dividend_t}{Net\ Income_{t-1}}$ Measurement of Dividend Policy for period t and Net Income for period t-1	Ratio
First Control Variable with Size	Book Value = Value of Total Assets for the period Size = Log (Natural Book Value)	Ratio
Second Control Variable with Sales Growth Measurement	$SGt = \frac{(Sales_t - Sales_{t-1})}{Sales_{(t-1)}}$ Delta Sales Growth (%) = Sales Value t period - Sales Value coming period	Ratio
Third Control Variable with Risk (Debt to Equity Ratio)	Total Debt = Short-term Debt + Long-term Debt Then, the formula was developed Debt to Equity Ratio = Total Debt Value/Equity Value	Ratio

Source: Data Management

11. Discussion of Main Models

Table 2 shows the coefficient values of each regression model, as follows

Table 3. Regression Equation Coefficients in the Main Model

The Independent Variables	Future Market Value Based on Equity		Future Market Value Based on Earnings	
The Dependent Variables	**Unstandardized Coefficient**	**Sig One Tail**	**Unstandardized Coefficient**	**Sig One Tail**
1. Constant Coefficient Value	-0.012	0.155	-0.136	0.162
Dependent Variable				
2. Discretionary Accruals Quality	0.018	0.024	0.286	0.006
3. Dividend Pay Out	0.105	0.009	0.347	0.001
4. Discretionary Accruals Quality X DPR	0.116	0.021	0.134	0.010
Control Variable				
5. Log Total Asset	0.007	0.039	0.029	0.001
6. Growth Sales	0.001	0.013	0.025	0.006
7. Risk	-0.127	0.001	-0.248	0.001
F-Count Value	3.954		4.544	
Significant	0.000		0.000	
F Table	0.504		0.504	
Adjusted R Square	0.104		0.123	

Source: The Secondary Data DPR= Dividend Pay Out Ratio

Table 2 shows F Count > F Table, it is highly significant, where the independent variable had a simultaneous influence on the dependent variable, and the level of significance was high. This model has met valid predictive modeling requirements.

First: Discretionary Accruals Quality toward Future Market Value on Equity

The First Regression Multiple Model Equation can illustrated, as below ::

Future Market Value On Equity = -0.012 + 0.018 DA + 0.105 DIV + 0.116 (DA * DIV) + 0.007 Asset + 0.001 Growth - 0.127 Risk…………… ....(1)

Table 3 First Model shows the statistical analysis as follows:

1. The Discretionary accruals quality had a Sig level of 0.024 < of the value of 0.05 and a coefficient of positive 0.018, then the **H1a hypothesis was accepted**. This result reflected that discretionary accruals quality had a positive effect on future market value based on equity.
2. The moderation variable between the dividend policy and the discretionary accruals quality had a Sig level of 0.021 <0.05, and a coefficient of positive 0.116, so that the

H2a hypothesis was accepted. This result indicated that dividend policy strengthened the positive effect of discretionary accruals quality on future market value based on equity.

The analysis showed that discretionary accruals quality had a positive effect on future market value (FMV) on equity. This positive effect indicated that an increase in discretionary accruals quality provided an increase in the company's future value. When the value of discretionary accruals quality was high, the predicted level of future prospects of the company had a high degree of accuracy. In contrast, when discretionary accruals quality was low, this indicator showed a high form of deviation, which made it difficult to estimate future prospects. The high level of discretionary accruals quality reflected the low level of accruals use, especially in reporting earnings. By having the ability of investors to calculate the rate of profit with a high value of informativeness, this study strengthened the results of (Zarowin, 2015), regarding the use of accruals.

This research supports (Agustina & Baroroh, 2016), there is the negative perceptions of the investor on the use of accruals, that related to the company's performance in the current period. The use of accruals gave a "bad" signal to investors, so this research supports (Fransisca Fortunata Gunawan, Felizia Arni Rudiawarni, & Sutanto, 2014) concerning on the high accruals treatment at bankrupt period. The negative perception from the investor happened, because of the difficulty handicap in predicting the prospect in future. The discretionary accruals quality is an indicator of the use of accruals, it depicts the accounting policies at a low level of accounting standard. The high quality of accruals was looked over by the pattern of recording the company book value, including the consistency level in implementing the depreciation model (Lasdi, 2008). The high level of compliance gives a positive signal so that it provides a positive perception, that can be seen on the positive market price movements.

By implementing a dividend policy, investors can calculate the market price of the coming period, so that the picture of the company's fundamental situation can be known precisely, including the better propect in the following period. This primary role of dividends is to level reduce the cost of capital, so that positive perception became a trust, including reducing the level of risk. When the dividend policy could strengthen the positive influence the discretionary accruals quality on the future market value, then this result reinforces (Myers & Myers, 2007) and (Deshmukh, 2005), which states that dividend policy gives a contribution companies on obtaining funding in the context of business development through obtaining low capital costs, including the level of business risk. The dividend policy makes the investors able to trace the condition of the company in the future period.

Second: Dividend Policy Moderates the Effect of Discretionary Accruals Quality on Future Market Value on Earnings

The Second Multiple Regresion Model Equation can illustrated, as below :

Future Market Value On Earnings = -0.136 + 0.286 DA + 0.347 DIV + 0.134 (DA * DIV) + 0.029 Asset + 0.025 Growth - 0.248 Risk ……………………..…(2)

Table 2 Second Model shows the statistical analysis, as follows:

1. The Discretionary accruals quality variable had a Sig 0.006 < of the value of 0.05, and a coefficient of positive 0.286; thus, **the H1b hypothesis was accepted**. This result reflected that discretionary accruals quality had a positive effect on future market value based on earnings.
2. The moderation variable between the dividend policy and the discretionary accruals quality had a Sig level of 0.010 <0.05, and a coefficient of positive 0.134 so that **the H2b hypothesis was accepted.** This result indicated that dividend policy strengthened the positive effect of discretionary accruals quality on future market value based on earnings.

This investigation showed that discretionary accruals quality had a positive effect on future market value (FMV) on earnings. This positive influence means that an increase of discretionary accruals quality provided an increase in the value of future companies, especially on reporting the company's ability to generate earnings. When the value of discretionary accruals quality was at a low level, this indicator showed a form of deviation, because there was a high bias in earnings reporting. The perception of improving the quality of discretionary accruals received a positive signal from investors because it was an indicator of the value of earnings informative.

This analysis supports the research by (Lebert, 2019), regarding discretionary accruals quality that reflects the level of accruals use. The use of accruals contains an element of misdirection on company performance through opportunistic behavior, so discretionary accruals quality provides positive investor perceptions. This result is to support (Dichev et al., 2016) regarding the negative investor perceptions on the discretionary accruals in reporting company performance, the implications of accruals lead to be a critical bias in estimating the accurate predictions for the future period.

The increase in discretionary accruals quality is a signaling pattern of management regarding the company's future prospects, so these empirical results strengthen (Riwayati, Markonah, & Siladjaja, 2016), regarding the communication process through the accruals for the prospects in future. Also, these empirical results reinforce research done by (Lee, 2016) by revealing an increase in the ability of investors to detect the accruals. By having a positive perception of increasing discretionary accruals quality, many investors were able to provide positive encouragement to management to improve the accounting information's quality, this result is to support it (Bassiouny & Ragab, Mohamed Moustafa, Soliman, 2016).

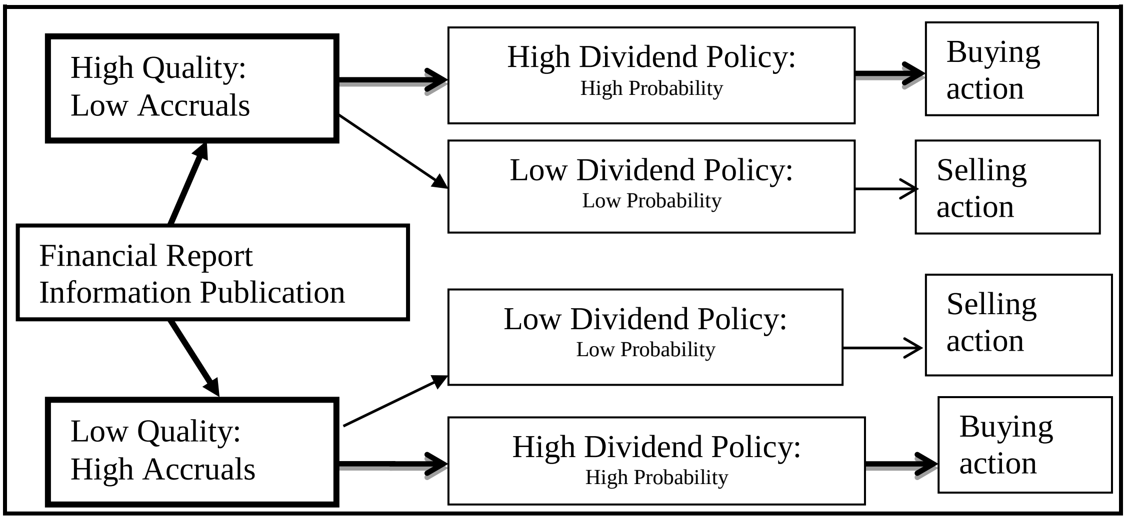
This empirical research proved that dividend policy had a positive effect on increasing the accruals quality on encouraging the management to improve compliance with the principles of accounting standards. The level of compliance can be seen by increasing the accruals quality by reducing the low level of accruals. The dividend policy had a positive influence on the firm's performance in the coming period. Besides, it strengthens (Baker & Powell, 2015), that dividend policy is an indicator of the firm's ability to carry out the operational activities, including sending a signal about the going concern of the company on the right track. It creates out an obstacle for the other party to gain over the control right from the current management, because of the positive signal. This one thing is to encourage the management to improve the quality of accruals, this supported (Yeye Susilowati, 2006). The investors could calculate the expected returns precisely by using the dividend payout ratio indicator to predict future market price movements, including the ability to develop strategic businesses. The results strengthened (Chaudhary et al., 2016), concerning the dividend policy in reducing the level of risk.

This research confirms the previous research regarding the quality of performance reporting, as follows:

a. Shin & Kim (2019) stated that investors reacted to the accruals quality and encouraged the management to improve the earnings quality, which is an indicator of the level of consistency in the use of accruals. The positive perceptions of the high level of consistency were reinforced by Pompili and Tutino (2019).
b. Elayan, Li, Liu, Meyer, & Felton (2016) and Bassiouny & Ragab, Mohamed Moustafa, Soliman (2016) presented the investors take a force demand on improving the accounting information quality. The research reported that the pattern of accruals can be the predictive variable for future prospects.

c. Martínez-Ferrero et al. (2016) showed that management was trying to cover up the pattern of accruals, so some disclosure about the accruals should be enlisted in financial reports as an additional note. This study provided evidence that investors have demanded the management to improve the earnings information's quality.
d. It supports Eskandari and Foumani (2016) through investor pressure on management to improve the accruals quality.

This research provides a mapping of management behavior and investor reaction through the decision tree model in Figure 4 is arranged as follows:



Note: Researcher Management Results

Figure 4. Mapping of Earning Quality and Dividend Policy.

The development of predictive models was done through a decision tree model with the Bayes Theorema. When the management has a proclivity to run the low level of accruals as "good news", the prediction model could be done with the formula below, as follows (Kaplan, 1996):

$$P(DT|A<) = \frac{P(A<|DT) \, . \, P(A<)}{P(A<|DT).\, P(A<) + P(A<|DR).\, P(DR)} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

Explanation:

1. $P(A<)$ is the Probability of the Low Level of Accruals.
2. $P(DT)$ is the Probability of the High Yielded Dividend.
3. $P(DR)$ is the Probability of the Low Yielded Dividend
4. $P(A<|DT)$ shows the Probability of Low Accruals if the Dividend is High.
5. $P(A<|DR)$ shows the Probability of Low Accruals if the Dividend is Low.

6. $P(DT|A<)$ shows the Probability of The High Dividend Opportunity if the Low Level Of Accruals had been implemented.

When the management has a proclivity to run the high level of accruals, there is a low probability of conducting a high yield dividend policy, so that it can give a "bad news" signal. The prediction model could be formulated, like this :

$$P(DT|A>) = \frac{P(A>|DT) \;.\; P(A>)}{P(A>|DT).\,P(A>) + P(A>|DR).\,P(DR)} \quad \text{………..…………….(4)}$$

Explanation:

1. $P(A>)$ is the Probability of the High Level of Accruals.
2. $P(DT)$ is the Probability of the High Yielded Dividend.
3. $P(DR)$ is the Probability of the Low Yielded Dividend.
4. $P(A>|DT)$ shows the Probability of High Accruals if the Dividend is High.
5. $P(A>|DR)$ shows the Probability of High Accruals if the Dividend is Low.
6. $P(DT|A>)$ shows the Probability of The High Dividend Opportunity if the High Level Of Accruals had been implemented.

By estimating P (DT) and P (DR), it predicts how the management implements the high or low yielded dividend when it based on the level of accruals. By calculating $P(A|DT)$ and $P(A|DR)$, it can predict the investor decision (to sell or to buy), when the high or low yielded dividends have been implemented. This model reflected the concept of decision usefulness information in accounting reports. Further, the indicator of $P(DT|A)$ indicated the probability of implementing the high yielded dividend is high (> 0.6) when the pressure for "selling" would be much higher than the pressure for "buying" on this company shares. The management has a proclivity to use the high level of earnings quality to level up a strong pressure for "selling", and level down pressure for “buying", including the communication way to change a "bad news" to "good news."

12. Conclusion

The formulation of conclusions in detail can be presented, as follows:

1. The discretionary accruals quality as a proxy for earning quality has confirmed a significantly positive effect on the future market value based on equity and earnings. The existence of this positive relationship reflected the positive perception

of investors formed when there was a level of compliance with high accounting standards, including none of the misleading information.

2. The dividend policy has strengthened the positive influence discretionary accruals on the future market value based on equity and earnings significantly. By analyzing the moderation, this multiple regression model showed that dividend policy encouraged the management to minimize the opportunity behavior and level down the accruals level in obtaining high-quality accounting information. The dividend policy could reduce the management's willingness to violate the accounting standard by the high investor's involvement. The high level of compliance could encourage the low level of discretionary accruals by obtaining a high level of obedience to the available accounting standards.

13. Implication

Some theoretical implications can be presented as follows:

1. This research had a contribution to the regulator in compiling and updating the available accounting standards, including the high involvement of the investor in monitoring the accounting treatment and the pattern of accruals. It indirectly contributes to improving the quality of financial reporting when there is a low level of accruals. It can be concluded that a relationship between the earning quality and market price had been an implication of the game theory.
2. This research contributes to the Financial Services Authority in preparing financial statement regulations, which can provide an impetus to improve the quality of reporting. On the other hand, some public policy regulators can encourage some companies to conduct dividend policy as a mandatory obligation, which should be implemented regularly.

14. Research Limitations

Some limitations in conducting this research can be arranged as follows:

1. This study used a measurement of a constant growth rate with the calculation of the indicator *g (growth)* in the next five years period.
2. This research had a measurement with secondary data, that reflected on a high level of dispersed variation in the usage of accruals. As an implication of the data that were

not normal, it caused considerable data trimming through outlier tests. In this analysis, 180 data were be rejected, where all collected observations amounted 384 samples.

15. Recommendations for Further Research

Some recommendations for future research can be formulated as follows:

1. In measuring earnings quality for future research, researchers suggest using approaches with probabilities, especially modeling the predictions of investor reactions on the high quality of financial statements. Future research can be developed by designing nonlinear regression models.
2. In measuring risk levels, researchers are aware of some limitations of beta instruments. In future research, a more comprehensive risk level calculation can be used to estimate the company's existence in the long run. Future research could design the simple formulation in predicting the probability of management behavior to reach out to the better prospect in future.

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