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The Role of Firm Size in Moderating the Relationship Between Leverage, Liquidity and Cash Flow and Earnings Quality of the Earnings Response Coefficient

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ABSTRACT: The degree of profit consistency for speculators can be measured utilizing the profit reaction coefficient (ERC). Profit Reaction Coefficient (ERC) demonstrates the degree of significance of profit data itself. When a company's detailed profit are exceedingly responsive to the advertisement, the quality of detailed profit data is additionally way better. This consideration looks at the assurance of profit quality, which is considered based on a few variables, specifically obligation proportion, liquidity, cash stream, and company measure, with company estimate as a directing variable. This considers employment information obtained from auxiliary information obtained from the yearly money-related report (yearly report) of fabricating companies within the Indonesian Stock Trade for the period 2018-2020. The information investigation strategy utilized a numerous straight relapse examination and a directed relapse investigation through testing a hypothesis in detail, a concrete hypothesis.

The ponder appears that use includes a noteworthy and positive effect on profit quality; There's no critical impact of liquidity on profit quality; Profit quality is essentially affected by free cash stream; Firm estimate has appeared to altogether direct the effect of use on profit quality; Firm estimate does not altogether direct the impact of use on profit quality; The relationship between liquidity and profit quality isn't affected by the balance of firm estimate; There's no impact that firm measure impacts free cash stream on profit quality factors.

KEYWORDS: leverage, liquidity, cash flow, firm size, earnings quality

I. INTRODUCTION

Profit quality data is additionally a shape of responsibility of the company's administration to the financial specialists who have invested their capital within the company. The level of profit data for speculators can be measured using the earnings reaction coefficient (ERC). The ERC could be a coefficient to the degree the greatness of anomalous stock returns within the advertise relative to the unforeseen component of the company's profit (Scott, 2015). The profit reaction coefficient (ERC) demonstrates the degree of significance of the profit data itself. In expansion, the ERC can moreover appear to the degree of the company's bookkeeping benefit based on the showcase costs of the stocks (Teoh & Wong, 2013). When a company's detailed profit is profoundly responsive to the showcase, the quality of the detailed profit data is additionally superior. In this consideration, the analysts point to examine the assurance of profit quality, which is considered based on a few components, specific obligation proportion, liquidity, cash stream, and firm estimate.

The primary calculation is used. Through use, the firm ought to be able to grow and increment the development of its trade in arrange to realize its objective of maximizing the riches of its proprietors. Inquire about (Fah & Huei, 2016) show that use impacts the earnings response coefficient (ERC). Inquire about (Okolie, 2014) shows that obligation proportion and firm measure impact the profit reaction coefficient (ERC). Analysts need to test the use variable since each firm faces use issues when it bears a few charges and costs, both in terms of settled fetched utilization and working costs.

The second figure is liquidity, a proportion that can determine a company's capacity to meet its short-term commitments. Tall liquidity appears that the company's money-related position is in great shape and it is able to reimburse all short-term obligations on time. Investigate (AnYohan, 2015) shows that liquidity contains a noteworthy effect on the profit reaction proportion (ERC). Investigate by (Arar et al., 2018) demonstrates that liquidity has no effect on the abdicate reaction coefficient.

The third calculation is that the cash stream comprises corporate stores that are dispersed to shareholders and lenders and cannot be utilized for working capital or venture in settled resources (Bhandari and Adams, 2017). Administration inclines

toward contributing cash stream in modern ventures instead of conveying it to shareholders (through profits or share buybacks). Shareholders trust that the free cash stream can be utilized to pay profits and reimburse obligations to lenders. Be that as it may, directors utilize the company's free cash stream for their individual interface by contributing to less productive ventures to extend the estimate of the company (Alnawaiseh et al., 2017). The manager's choice to contribute in an unprofitable extent brings benefits to the supervisor within the frame of rewards and administrative notoriety, but for the company, this activity has an effect on the esteem of the company. Companies with tall free cash stream are considered great by the advertise. On the off chance that the company's free cash stream is moo, speculators, and leasers will question the company's capacity to pay its profits and obligations.

The fourth calculation is company measure, which portrays the estimate of a company. This permits the company to decide how simple it is for it to raise reserves from the capital advertise. Company measure features a major impact on administration choices in carrying out its operational exercises. Company estimates can be decided by the resources it possesses. Companies with expansive businesses and vital segments tend to decrease their benefits to decrease their visibility (FR Dewi & Fakhrurrozie, 2021) since the government will pay more consideration to expansive companies with key divisions. Speculators by and large have a more prominent belief in expansive companies. In any case, Rusmin's (2014) investigation appears that company measure has no impact on profit quality. It is accepted that large companies are able to move forward their execution indeed assist by moving forward the quality of their profit. Investigate (Heydari, 2015) appears that there's a coordinated and critical relationship between firm estimate and ERC. Inquire about by (Ihsan et al., 2018) appears that firm estimate contrarily impacts the profit reaction coefficient (ERC).

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II. LITERATURE REVIEW

Agency theory

Concurring to Jensen and Meckling (1976), the organization hypothesis may be a demonstration that clarifies the relevant relationship between the central and the operator, that's, between two or more individuals, a bunch, or an organization. The foremost is the party that has the correct to create choices for the long run of the company and who exchanges duty with other parties (operators). In Neighborliness 15, the CEO is the client and the head of the trade unit is the operator. This regularly happens in office hypothesis, where the specialist knows and gets the circumstance of the company/organization way better, so that an asymmetry of data may show up, which can trigger central activities that cannot determine whether the movement is performed by the specialist in a genuinely ideal way (Ikhsan and Ishak, 2005).

Signal theory

Signal theory was to begin with proposed by Bhattacharya in 1979. communicates profit hypothesis within the shape of profit data. This hypothesis shapes the premise of the profit signaling hypothesis. Agreeing with Scott (2012), an administration with way better data around the firm is empowered to communicate this data to potential speculators where the firm can increment

the esteem of the firm through its detailing by sending signals through its yearly report. The signaling hypothesis clarifies how a firm ought to flag users of monetary reports. Administration planning budgetary reports is anticipated to supply signals to shareholders approximately the firm's prospects. A profit report that gives a great flag is one that shows stable growth (Yoga & Tresno, 2014). The signaling hypothesis accepts that the data received by each party isn't the same. These parties are management and parties who are intrigued by the money-related data given by the company. Signaling hypothesis will appear how a company ought to flag to the clients of the budgetary explanations. This flag is data approximately what the company has produced.

Earning Quality

Earnings quality could be a relationship between bookkeeping profit and financial profit (Amin, 2016). The level of earnings quality is decided by the contrast between bookkeeping profit and financial profit. Profit is considered high quality when bookkeeping profits are near to financial profit. Changes in accounting earnings ought to reflect changes within the company's economy.

In this way, bookkeeping profit continuously has benefits for financial specialists who are more curious about financial profit. Concurring to (Ismaila et al., 2021), profit quality characterizes a marker of the quality of salary data displayed to the open and appears as the degree to which salary can impact decision-making. From the clarifications displayed above, it can be concluded that profit quality could be a central and imperative angle of bookkeeping, particularly money-related announcing. Money-related announcing may be a premise for decision-making for financial specialists, banks, and partners. On the off chance that the measures have an effect on the results within the introduction of earnings, the quality of the profit is impeded. On the off chance that the quality of the information displayed isn't solid, speculators, banks, and partners can not believe the bookkeeping industry. In this think about, profit quality is measured utilizing the profit reaction coefficient (ERC). The ERC permits clients of money-related reports to see whether the profit data reflects the company's circumstance so that it can be considered in decision-making. The ERC is an indicator of the level of stock showcase returns in reaction to unforeseen profit things detailed by stock guarantors. Agreeing with Scott (2015), the definition of the profit reaction coefficient (ERC) could be a coefficient utilized to degree the greatness of irregular stock advertise returns in reaction to unexpected profit detailed by the company that issued the stock. The nearness of unforeseen returns is sweet data that can lead to the effectiveness of the stock showcase, and the occurrence of unusual stock returns could be a sign that financial specialists are reacting to the nearness of unforeseen returns, which is sweet data for financial specialists (Scott, 2015).). The ERC can be utilized to determine the quality of profit in budgetary reports by deciding how useful the profit data in monetary reports is for decision-making. A moo ERC esteem reflects earnings information that's less significant to financial specialists when making choices. The higher the ERC esteem, the more enlightening and valuable the profit data in monetary articulations is to speculators. Scott (2015) states that there are a few variables that impact the justify reaction coefficient, to be specific:

a. Risk (beta) of stocks
   The higher the chance of the firm's anticipated future returns, the lower the firm's ERC esteem.
b. Capital structure
   The higher the obligation composition of a company, the lower the ERC esteem of the company.
c. Development openings
   The higher the company's benefit within the current development stage, the higher the company's ERC esteem.
d. Quality of yields
   The higher the quality of the company's detailed profit, the higher the company's ERC esteem.
e. Perseverance of benefits
   The higher the ERC esteem of the company, the higher the ERC esteem of the company will be in the event that speculators anticipate great or bad news to repeat in the future with respect to current profit.

Factors Affecting Earnings Quality

1. Leverage

Use is the sum of obligation utilized to back or buy the resources of the firm. Firms with a tall level of obligation, more prominent than value, can subsequently be alluded to as profoundly utilized firms. Use too alludes to the hazard and return coming about from the utilization of fixed-cost financing such as debt and favored stock (Gitman and Zutter, 2015) to realize the firm's objective of maximizing the riches of its proprietors. In terms of definition, the use proportion is for the most part utilized by firms as a benchmark to decide their position relative to commitments to the backer, evaluate their capacity to meet settled commitments, such as credit maturities and intrigued, and the adjust between surveying the esteem of the firm's resources, liabilities, and capital assets, as well as the degree of impact of liabilities on resource administration and surveying the measure of the firm's debt-financed resources.

2. Liquidity

Liquidity is the capacity of the company to meet its short-term commitments. Liquidity is one of the variables that decide the victory or disappointment of a company. The accessibility of cash and financing to meet the wants of the company, to decide the degree to which the company can control dangers. Liquidity too alludes to the capacity of the company to meet its commitments or obligations that must be settled instantly with its current resources. According to (Kasmir, 2018), liquidity could be a proportion that appears as the relationship between a company's fluid and current resources and its short-term liabilities.

Concurring to (Dewi, 2020), liquidity is the capacity of a company to reimburse its short-term obligations with the short-term resources it claims. A company that's able to reimburse its short-term obligations implies that it has great monetary execution in reimbursing its current obligations, dispensing with the requirement for administration to perform profit administration. The term liquidity itself is a financial term frequently utilized to allude to the monetary position or resources of a commerce organization.

3. Cash Flow

Ross, Westerfield, Jordan, Wong, and Wong (2015) state that free cash stream is another title for cash stream from resources, which is an amount of cash that's openly dispersed to creditors and shareholders since it isn't utilized to contribute in settled resources or for working capital. According to Brigham and Houston (2016), a free cash stream is the sum of cash that can be pulled back without influencing the firm's capacity to function and produce future cash streams. A positive free cash stream implies that the firm is creating more than sufficient cash to back progressing ventures through settled resources and working capital. On the other hand, a negative free cash stream implies that the firm does not have adequate inner sources of financing to back ventures within the shape of settled resources and working capital. Free cash stream requires three components specifically working cash stream, net ventures, and alter in net working capital. A working cash stream is a money stream produced by the ordinary operations of a commerce. Net speculation is the sum that went through to buy fixed assets less money utilized to offer settled resources. Changes in net current resources are the distinction between net current resources at the conclusion of the period and the start of the period, where net current resources comprise current resources less settled resources.

4. Company Size

Concurring with the office hypothesis, office costs are moderately higher for huge firms than for small firms. Firm measure may be a degree that can appear the measure of the firm in totally different ways, such as B. Add up to resources, convention estimate, advertise esteem, and others, which comprise three categories:

Huge firms, medium-sized firms, and small firms (Khoeriyah). , 2020). It is accepted that expansive firms have more data than small firms. Expansive firms can uncover more data to decrease office costs. Be that as it may, huge firms will too confront much more prominent political dangers than small firms (Kusumawati and Wardhani, 2018). Firm measure alludes to the scale of firm measure, which can be classified in different ways, counting deals level, adding up to resources, and adding up to value (Brigham and Houston, 2006).

Previous research

Previous research results serve as a reference for further development of research results. Previous studies have reached different conclusions. Therefore, it is very important to retest several variables used in previous studies to obtain more accurate and comprehensive results. Research by Mahboobe Hasanzade, Roya Darabi, and Gholamreza Mahfoozi (2020) indicates that leverage has no relationship with the earnings response coefficient. A study conducted by (Fah & Huei, 2016) titled " Effect of Voluntary Disclosure on Earnings Response Control for Profitability, Leverage, and Size" indicates that leverage and firm size influence the ERC. Research (Kristanti & Almilia, 2019) shows that leverage has no effect on the earnings response coefficient (ERC).

Research conducted by (SP Dewi & Puspaningsih, 2019) showed that leverage had no impact on the earnings response coefficient (ERC). Research conducted by (Ihsan et al., 2018) Research shows that firm size negatively influences the earnings response coefficient (ERC). Research conducted by (Indah Sari & Rokhmania, 2020) shows that the research results show that firm size and capital structure have no influence on the earnings response coefficient.

Research (Pimentel, 2016) shows that firm size influences the earnings response coefficient. Research (AnYohan, 2015) shows that liquidity has a significant impact on ERC. Research results by (Assagaf et al., 2019) show that liquidity influences the earnings response coefficient. Research (Wulansari, 2013) shows that liquidity has a positive and significant impact on the earnings quality of manufacturing companies listed on the Indonesia Stock Exchange. Research conducted by (Irawati, 2018) that the results of his research indicates that free cash flow has a significant impact on the earnings response coefficient. Meanwhile, studies by (Awawdeh et al., 2020) indicate that free cash flow has a significant impact on the earnings response ratio.

Based on the differences in previous research, the author describes the scope of this research.

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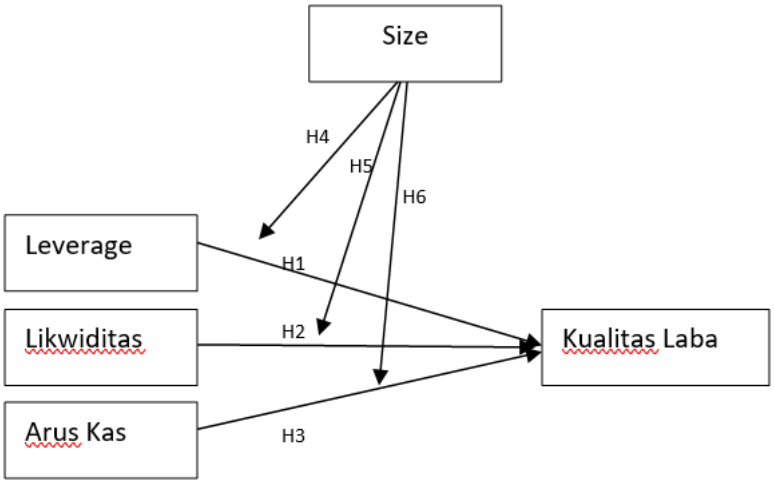

Figure 2.1 Research Framework

Hypothesis development

H1: Leverage has a significant impact on earnings quality

H2: Liquidity has a significant impact on the quality of results

H3: Cash flows have a significant impact on earnings quality

H4: Firm size may strengthen the relationship between debt and earnings quality

H5: Firm size may weaken the relationship between liquidity and earnings quality

H6: Firm size may weaken the relationship between the free cash flow variable and earnings quality

III. RESEARCH METHOD

This research is part of quantitative research involving the measurement of quantitative data and objective statistics through scientific calculations using statistical data analysis and interpretation. The variable relationship is causal in nature when the research data is in the form of numbers and the analysis uses statistics (Sugiyono, 2013). Researchers test a theory by setting specific hypotheses in detail. The population considered in this study is manufacturing companies listed on the Indonesian Stock Exchange during the period 2015-2019. Purposive sampling was used in this research. Purposive sampling is a technique for determining research samples in specific aspects in order to make the data obtained more accurate (Sugiyono, 2013). Data collection was carried out using documentation by consulting the annual financial reports of manufacturing companies listed on the Indonesian Stock Exchange via the website www.idx.co.id.

Table 3.1. Measurement of research variables

variable	indicator
Quality of yields	*Efficiency Response Coefficient* (ERC). Consists of four phases, including: a. Calculation *of Cumulative Abnormal Return (CAR)* $R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}}$ *b.* Calculation *of expected return* $R_t = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$ *c.* Calculation *of unforeseen income (EU)* $UE_{it} = \frac{E_{it} - E_{it-1}}{E_{it-1}}$ d. Calculation of the *earnings response coefficient* (ERC). $CAR_{il} = \alpha_0 + \alpha_1 EU_{il} + \varepsilon_{il}$

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Leverage	*TDTA* $=\frac{\text{Total Debt}}{\text{Total Assets}}$
liquidity	CR $=\frac{\text{Current Asset}}{\text{Current Liabilities}}$
Cash flow	AK= AKO / total assets
Company size	SIZE = Total active Ln

The test uses multiple regression analysis with earnings quality as the dependent variable, debt, liquidity and cash flow as the independent variables and firm size as the moderating variable. The regression equation used is:

$ERC_i = \alpha + \beta1\ LEV_i + \beta2\ LIK_i + \beta2\ AK_i + e$ ..... (1)
$ERC_i = \alpha + \beta1\ LEVEL_i + \beta2\ SIZE_i + \beta3\ LEVEL*SIZE_i + e$ ..... (2)
$ERC_i = \alpha + \beta1\ LIK_i + \beta2\ SIZE_i + \beta3\ LIK*SIZE_i + e$ ..... (3)
$ERC_i = \alpha + \beta1\ AK_i + \beta2\ SIZE_i + \beta3\ AK*SIZE_i + e$ ..... (4)

ERCi = performance quality
α = *interception*
$\beta1$- $\beta3$ = regression coefficient
LEV_i = leverage
LIK_i = liquidity
Battery = Cash Flow
$SIZE_i$ = company size
e = remainder / error

IV. RESULT AND DISCUSSION

Chow test, Hausman test, and LM test are used to select the best model among the three-panel regressions "Common effect", "Fixed effect" and "Random effect". The third edition of the EVIEWS 9.0 regression model produces the following results:

1. Chow Test

The Chow test (F-statistical test) is a test for selecting a common effects model (without dummy variables) or a fixed effects model.
Ho: The fixed effects model is no better than the common effects model.
Ha: The fixed effects model is better than the common effects model.
Significant values or p-values can be used to identify the optimal model. The fixed effect is an optimal model if the significance value is less than 0.05 and vice versa. The optimal model is the joint effect when the significance value is greater than 0.05.

Table 4.1. Food test results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.911890	(80,320)	0.0000

Source: Output eviews 9.0 version

Based on the Chow test results in Table 4.1, where Ho is rejected with a probability value of 0.0000 (5% signature), the fixed effect is the best model.

2. Hausman test

To determine which model is better, fixed effect or random effect, use the Hausman test. Here is the test procedure:
He said that the fixed effects model is not superior to the random effects model.
Ha said the fixed-effects model outperformed the random-effects model Significant values or p-values can be used to identify the optimal model. Fixed effect is an optimal model if the significance value is less than 0.05 and vice versa. The optimal model is the random effect when the significance value is greater than 0.05.

Table 4.2. Hausman test results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.888302	4	0.0278

Source: data from processed eviews 9.0

Based on the Chow test results in Table 4.2. Obtained a probability value of 0.0278 (Sig 0.05), Ho is ignored and the fixed effect is the best model.

3. LM (Lagrange multiplier) test.

The LM test comparison test is also used to compare common effects that pass the Chow test with random effects that pass the Hausman test. The LM test allows one to choose between the random effect estimation model and the common effect estimation model by testing the following hypothesis:

Ho : the common effects model outperformed the random effects model.

Ha : the random effects model is better than the random effects model.

The best model can be determined using the significance value or p-value. If the Sig value is 0.05, the random effect is accepted, making it the best model, and vice versa. Ho is accepted when the Sig value is greater than 0.05, making the common effect model the best.

Table 4.3. LM test results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	212.4592 (0.0000)	8.216139 (0.0042)	220.6753 (0.0000)

Source: data from processed eviews 9.0

Based on the results of the LM test in Table 4.3, which gives a probability value of 0.0002 (P less than 5%), Ho is rejected, making the random effect the best model.

Based on the results of the Chow and Hausman tests, the fixed effects model was selected twice from the above three tests, while the random effects model was selected only once from the LM test. Table 4.3 presents a summary of the results of the three tests.

Table 4.4. Summary of model selection

Uji	Chow Test		Hausman Test		LM Test	
Nilai Uji	P=0.0000<0,05		P=0.0278<0,05		P=0.0000<0,05	
Hasil	Fixed√	Common	Fixed√	Random	Random√	Common

Estimation results of the selected regression analysis (fixed effect)

The data were analyzed using the panel regression analysis model, which is consistent with the hypotheses and questions discussed above. The results of testing the panel regression model using the fixed effects model describing the influence of debt, liquidity, and free cash flow on the quality of earnings of manufacturing firms with firm size as a moderating variable are shown in the following Table 4.5 for the year 2015. Period 2019

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Table 4.5 Results of the moderation model of the fixed-effects regression analysis

Variabel	Moderasi 1			Moderasi 2			Moderasi 3		
Konstanta	-2.53273	0.0059	***	-2.16992	0.0185	**	-2.54611	0.000	***
Leverage	1.17386	0.0437	**	-	-		-	-	
Likuiditas	-	-		0.00896	0.6527		-	-	
Free Cash Flow	-	-		-	-		0.02361	0.020	**
Ukuran Perusahaan	0.13538	0.0030	***	0.12059	0.0063	***	0.14061	0.000	***
LEV*SIZE	-0.05199	0.0650	*	-	-		-	-	
LIK*SIZE	-	-		-0.00048	0.6022		-	-	
FCF*SIZE	-	-					-0.00037	0.507	
F Statistic		6.048786			5.865707			6.69956	
probabilitas		0.00000	***		0.00000	***		0.00000	***
R Square		0.609987			0.602651			0.634006	

Moderation Regression Model 1

Y = -2.532727 + 1.173857 X1 + 0.135377 X4 - 0.051989 X1*X4

1. Variable X1 with a value of 1.173857 and p-value between 0.0437 and 0.05 This finding indicates that the Earnings Response Coefficient (ERC) increases by (1.173857) for every 1% change in leverage and that the Leverage variable has a significant effect on Earnings Quality as measured by ERC. Therefore, hypothesis 1 is accepted.
2. Variable X4 with p-value 0.0030 <0.05 and positive coefficient (0.135377) These results indicate that every 1% change will increase ERC (0.135377) and there is a significant effect of the Company Size variable on Earnings Quality proxied by the Earnings Response Coefficient (ERC), so H4 is accepted
3. The effect of leverage on earnings quality proxied by the earnings response coefficient (ERC) is not significantly moderated by company size, as indicated by the negative coefficient of variable X1 * X4 (-0.051989) and p-value 0.0650> 0.05. Therefore, hypothesis H5 is rejected.
4. The Adjusted R square value or coefficient of determination is 0.509142 or 50.91%. Thus, the Earnings Response Coefficient (ERC), which is a proxy for Earnings Quality, shows that the Leverage and Company Size variables have a combined effect of 50.91%, with variables outside the scope of the study of 49.09%

Moderation Regression Model 2

Y = -2.169921 + 0.008958 X2 + 0.12059 X4 -0.000483 X2X4

1. The positive coefficient of variable X2 (0.008958) and p-value 0.6527>0.05 indicate that ERC will increase by (0.008958) for every 1% change in liquidity, and the Liquidity variable does not have a significant effect on Earnings Quality. Thus the second Hypothesis is not supported in this finding.
2. Variable X2 with a positive coefficient (0.008958) and a p-value of 0.6527>0.05 indicates that every 1% change will increase ERC by (0.008958) and there is no significant effect of the Liquidity variable on Earnings Quality. Which is proxied by the Earnings Response Coefficient (ERC) so that H2 is not supported
3. The negative coefficient of variable X2*X4 (-0.000483) and a p-value of 0.6022>0.05 indicates that every 1% increase in the interaction of liquidity and company size will result in an adjustment (-0.000483) so that it can be concluded that H6 is not supported because Company Size does not significantly reduce the effect of liquidity on Earnings Quality as indicated by the Earnings Response Coefficient (ERC).

4. The Adjusted R Square value, or the coefficient of determination, is 0.499909, or 49.99%. Measured by the Earnings Response Coefficient (ERC), this shows that the liquidity and company size variables have a combined effect of 50.01% on earnings quality, with factors outside the scope of the study amounting to 49.09%.

Moderation Regression Model 3

Y = -2.546113 + 0.023608 X3 + 0.140613X4 -0.00037 X3X4

1. H3 is supported in the study because the positive coefficient of Variable X2 (0.023608) and the p-value of 0.0202 <0.05 indicate that every 1% change in free cash flow will result in an increase in ERC of (0.023608). This shows that the Free Cash Flow variable has a significant effect on Earnings Quality as measured by the Earnings Response Coefficient (ERC), so H3 is accepted.
2. Variable X3*X4 with a negative coefficient (-0.00037) and a p-value of 0.0570>0.05 indicates that every 1% change will decrease ERC by (-0.00037) then it can be interpreted that Company Size does not significantly moderate the effect of Free Cash Flow on Earnings Quality proxied by the Earnings Response Coefficient (ERC), so H7 is not supported
3. The value of the determination coefficient or Adjusted R Square is 0.539372 or 53.93%. This means that the Free Cash Flow and Company Size variables have an influence of 53.93% on Earnings Quality proxied by the Earnings Response Coefficient (ERC) and the remaining 46.07% is influenced by variables outside the study

Table 4.6 Summary of hypothesis test results

Hipotesis	Koefisien	P-value	Kesimpulan
H1	1.173857	0.0437	Berpengaruh
H2	0.008958	0.6527	Tidak Berpengaruh
H3	0.023608	0.0202	Berpengaruh
H4	0.135377	0.0030	Berpengaruh
H5	-0.051989	0.0650	Tidak Berpengaruh
H6	-0.000483	0.6022	Tidak Berpengaruh

DISCUSSION OF RESEARCH RESULTS

1. The first results of the hypothesis test

The first analysis examines how leverage affects the earnings response coefficient. Debt affects the earnings response coefficient based on the hypothesis testing results. The significance value of 0.0437 (0.0437 < 0.05) shows this. This shows that the firm's earnings response coefficient is influenced by the level of debt. According to (Natalia & Ratnadi, 2017). Investors do want Not remarkable Risks to Enter and move away due to the level pupil corporate debt before an investment in the company. This result is also in harmony with Surveys (Dewi & Putra, 2017), which have revealed that Leverage has a significant influence on ERC. Leverage is a term that describes how continuing resources Leverage assets and capital can increase the owner's return to increase. Leverage has power, and management performance to increase or decrease. Too much influence can take away management's initiative and flexibility in pursuing more profitable prospects limit. Signaling theory to send a meaningful Leverage for Unfavorable Financial Reporting Calendar Market signals on this that we must make relatively weak Market reaction leads. That this either in the financial reports published Content high quality informative the quality will be or not, let's allow the weak parent Market response to derive.

If the meaning positive of the coefficient is taken into account, the level of the yield reaction coefficient increases with increasing Leverage Ratio. The same was also expressed by (Kurniawati, 2014). High debt allows companies to be profitable to the economy and debt to finance their own Activity commercial use. Continue can their value until present increase this himself investor learn more about the profitability of the company than about the use of debt focus. These lies remind this Investor not of the leverage a company focuses on, but of what the company's outlook and future performance will be.

2. Results of the second hypothesis test

There is no liquidity essential positive Effect on the result. Based on statistics The liquidity variable has information of no statistically significant positive effect, by which a significance threshold of 5% Significance value of 0.6527 > 5% of the results. It is attributed to this company is not able to use its assets effectively in managing the company's liquidity at high levels. What is happening negatively on its financial performance affects and to this lead this management can - it do that motivated will, profit management or Manipulation of profits to achieve the im Pursue designated Information winning to increase Financial reports. Financial reports. React SO investor negative high liquidity of a company. The results of This Voice survey are consistent with the

research of Dira (2014), which shows that low liquidity has an influence on the quality of income. The results This Voice survey is consistent with the results of Novi (2013), according to which the quality of the yield has no liquidity influence.

3. Results of the third hypothesis test

The research results revealed that free cash flow has a effect positive on the quality of profits effects. Without proper monitoring, a continuation may be above the cash flow size available because the managers do not make optimal use of available funds Or invest in the way that suits their personal advantage suits comes. It works focused on improving revenue management practices, to the quality of results in financial reporting to improve and make it possible to do, no matter which Inefficiencies when using cash flow hedging (Bukit and Iskandar, 2009). This result differs however, according to research d'Isnawati (2011), shows that Continuing with high free cash flow actually has a disadvantageous Influence on earnings quality management.

At this subject outside Market players I prefer to continue It has a significant cash flow available to investors and creditors to start a business. In question provide dividends to salary and debts to repay when free cash flow is weak. According to the research of Hastuti et al. (2018), free cash flow has a positive influence on the earnings response coefficient. A study by Irawati (2018) found that free cash flow has a significant influence on the earnings response coefficient.

4. Results of the fourth hypothesis test

The results This Investigation supports the precedent Assumption according to which size of the company is positive for the quality of the results affected because they show that the yield response coefficient is positive with company size correlated. Agency theory says that size Continues in Comparison to small Continue relative to higher Agency fees have. In the Comparison to large Continue to apply small Continue as less informed. About the lower agency fees, can size Continue more often information publish? However, is that also the policy Risks for larger companies are clearly higher than for small companies. According to the research of Rahmawati and Baridwan (2006), the size of the company has a large positive influence on the quality of the company's earnings. Improved. In this situation, big leaders pursue bigger incentives. Being given the quality of income with lower political cost control.

The results of this research also through The research conducted by Nofianti (2014), Diantimala (2008), and Murwaningsari (2008) support the hypothesis Results This research throughout support . Rofika (2013) conducted observations on a sample of companies manufacturers by, listed on the Indonesian Stock Exchange in 2012 were, and found that firm size had an influence on the profit response coefficient.

5. Results of the fifth hypothesis

According to the results of the fifth test, the size of the company influences the relationship between the quality of profits and the rate of indebtedness not significant. This shows that the connection between leverage and quality of earnings with the size of the firm does not increase. Opportunistic actions of managers can in both groups of companies, both large and small also in small business, due to information insufficient leverage effects appear. This determination stands in contradiction to the conclusions of (Marpaung, 2019), according to which the size of the company has proven positive and significant impact on the quality of results effects. The results of This Voice survey however with Surveys that show that the ratio of company size between Profitability and profit growth is not controlled (Agustin, Indah, and Kartika 2021; Ariyagraha and Suprihhadi 2018).

Based on the results of the fifth test, the connection between Profit Quality and Rate debt does not depend on a big part of the company size. This shows that the connection between the Quality of profits and rate debt with increasing Company size has no changes. Due to the lack of Use of information That can be both in a big way even in small Continue to opportunistic Managers ' actions come. The search results are returned Also there is no had not in this study significant Liquidity has an influence on the quality of earnings, as does the size of the company. This one Connection is not significantly improved. Another reason is that Type I agency theory contradicts the findings of this research. Large firms are subject to significant business risks and high operating costs, which partly explains why firm size has little influence on the relationship between liquidity and firm earnings quality. Contrary to expectations, firm size is not automatically correlated with high-quality liquidity. This may be due to management decisions that do not manage finances properly. This result is consistent with the findings of Wati & Putra (2017), Soly & Wijaya (2018), Jannah (2020), and Priyandani (2013), according to which firm size has no impact on earnings quality.

6. Results of the sixth hypothesis

The sixth test shows that the size of the firm influences the relationship between Earnings quality and free cash flow are not significant. Influenced. This shows that the connection between free cash flow and the quality of results due to the size of the company has not increased. Bad data for Managers can benefit from a free cash flow deter, opportunities both in large and even in small Continue to use.

This can be due to the fact being attributed to the fact that free cash flow is money that a company to shareholders and creditors exits, however not for working capital Or the purchase of fixed assets used become can (Bhandari and Adams, 2017).

The Role of Firm Size in Moderating the Relationship Between Leverage, Liquidity and Cash Flow and Earnings Quality of the Earnings Response Coefficient

Management gives shareholders who don't like cash through dividend payments Or Buybacks of actions. However, management invests in projects less profitable to improve the business. To its own advantage to develop more (Alnawaisch, et.al. 2017).
The research results support Rusmin (2014) that firm size has little influence on earnings quality. This is because it is believed that large firms are able to further improve their business performance by striving to increase their profit capacity. It is not guaranteed that a large firm will generate large operating cash flows. On the other hand, if the firm is unable to generate good operating profit, a small firm will tend to have a higher cash value if it operates more efficiently. Thus, firm size is not able to create the conditions to improve the relationship between free cash flow and earnings quality.

CONCLUSIONS

Based on the results of the hypothesis tests, the results of this research demonstrate that leverage has a significant and positive impact on earnings quality. This shows that the quality of a company's earnings increases proportionally to its leverage; there is no significant influence of liquidity on earnings quality. This means that the liquidity of the company has not yet become an important factor for management to take measures to improve the quality of earnings in a company's financial reports. Earnings quality is significantly influenced by free cash flow. This shows that a company's earnings are higher when its free cash flow is higher.
Firm size has been shown to significantly moderate the influence of debt on earnings quality. Large firms tend to have a greater influence on earnings quality than small firms. The relationship between liquidity and earnings quality is not influenced by the moderation of firm size. This shows that the relationship between earnings quality and liquidity is not mutually reinforcing for small and large firms. There is no effect of firm size on free cash flow on the earnings quality variable. This means that firm size has no influence on the ratio of free cash flow to Quality of earnings.

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