The Effect of Good Corporate Governance, Investment Opportunity Set, And Free Cash Flow on The Earnings Quality and The Firm value (Property Sector and Real Estate) During The Covid-19 Pandemic

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***Abstract*—This study aims to determine the effect of GCG, IOS and FCF on the quality of company profit and value during the Covid-19 pandemic. With the increasing number of investors, the investment and the growth in real estate sector industry properties will increase. This research used basic research with a quantitative approach. The population in this study was real estate and property companies listed on the Indonesia Stock Exchange (IDX) in 2020-2021 and it used the purposive sampling method. The data type used in this research was secondary data. The data analysis techniques were statistical test equipment with the analysis stages in this study was started from descriptive statistical analysis, classical assumption test, and hypothesis testing. The research hypothesis test used multiple linear regressions' test without moderation and multiple regressions test that included moderating variables by multiple regression analysis techniques. The results showed that the variable Good corporate governance, which are independent commissioner's board and managerial ownership had a significant negative effect on earnings quality however free cash flow had a significant positive effect on earnings quality. While the variables of audit committee, institutional ownership, and investment opportunity set and leverage didn't have significant effect on earnings quality. The SIZE's variable strengthened the relationship between earnings quality and firm value.**

Keywords—Good Corporate; Governance; Investment Opportunity Set; Free Cash Flow; Earnings Quality; Firm value

I. INTRODUCTION

The property and real estate sectors companies have been affected by the COVID-19 pandemic. In the property and real estate business in Indonesia, during the PSBB, business activities were very sluggish and some business players suffered losses. In 2020, the performance of the real estate (property) industry experienced positive growth of 2.32 percent, but the growth of the real estate industry in 2020 was still smaller than the growth of the real estate industry in 2019 and earlier. If growth had decreased, it would have impacted on company profits.

Profit is one of the main goals of the company. Many investors entrust their capital in a company in the hope of receiving financial benefits in the future. To assess the company's performance, investors can view information from the company's financial statements. There are several factors in assessing the company's performance, apart from the increase in profit which shows an indicator of the company's ability to fulfill its obligations to investors, shareholders and others. The value of the company also reflects on the wealth or assets owned by the company. Good corporate value will attract investors to join the company.

Competition in attracting investors is very competitive, so companies must present complete financial statements. Investors observed financial performance as a tool to evaluate invested investments. On the other hand, the company's management wants the financial statements presented to external parties to look good. This can be a motivation for management to manipulate financial statement data with the aim to attract the attention of external parties.

Good corporate governance (GCG) is a company's effort to improve good governance. The GCG mechanism as a system that regulates and controls the company is expected to provide supervision to the management in managing the company so that it can convince the principals that they will get a return on the funds invested. In addition, according to Boediono (2005), the GCG mechanism has the ability to produce financial report which contained earnings information.

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Investment Opportunity Set (IOS) is a choice of future investment opportunities that can affect the growth of company assets or projects that has positive NPV. IOS has an important role for companies because IOS is an investment decision in the form of assets in place combination and future investment options, in which IOS effected the Firm value (Nurul Hidayah, 2015)

Free cash flow (FCF) is one of the several factors which can influence earnings management practices. The opportunity for earnings management practices is increasing when the company has a high FCF. That is being done by increasing the presented profits in order to cover non optimal management actions in utilizing the company's wealth (Bukit and Iskandar, 2009). This study aims to determine the effect of GCG, IOS and FCF on the quality of company profit and value during the Covid-19 pandemic. By increasing the number of investors therefore the investment and the property growth in real estate sector industries will increase.

II. LITERATURE REVIEW

A. State Of The Art

The research state of the art is taken from several previous research examples as a guide or example for current research. Research conducted by Paulina, Nora S Hendriyeni (2021) with the title "FCF and Leverage on Earnings Management With GCG as Moderator (Transportation Sector)". The results show that free cash flow has a negative and significant effect on earnings management and leverage does not affect earnings management. Through the Moderated Regression Analyze (MRA) test, it is known that good corporate governance (with audit committee proxy) is not able to moderate the effect of free cash flow on earnings management and the effect of leverage on earnings management. Research conducted by the title Lisa Polimpong (2021) "The Effect of Good Corporate Governance on the Quality of Corporate Earnings (Study on Consumer Goods Sector Companies in the Indonesia Stock Exchange 2016-2018), results found are managerial ownership and audit committees influence in earnings quality while other variables have no effect.

The difference between the current research with the previous one is the used research sample which is property and real estate sector in service companies. The base year of sampling is only 2 years (2020-2021) when the COVID-19 pandemic began. The used research variables are different from previous studies therefore the development of hypothesis testing is different.

B. Good Corporate Governance

Good corporate governance (GCG) is a set of regulations that regulate relationship between shareholders, managers, creditors, government, employees and other stakeholders in order to balance rights and obligations (FCGI, 2006). According to The Indonesia Institute for Corporate Governance (IICG, 2012), Corporate Governance (CG) is a series of mechanisms to direct and control a company so that the company's operations run accordingly with the expectations of stakeholders.

Corporate governance includes the relationship between the involved stakeholders and the objectives of the company's management. The main parties in corporate governance are shareholders, management, and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other creditors, regulators, the environment, and the public.

C. Investment Opportunity Set (IOS)

According to Myers (1997) Investment Opportunity Set (IOS) is an investment decision in the form of an assets combination in place (assets in place) and future investment options with a positive Net Present Value (NPV) which will affect the value of the company. According to Gaver and Gaver (1993), IOS is the value of the company which amount depends on the expenditures set by management in the future, which at this time are investment options that are expected to generate greater returns.

D. Free Cash Flow

Free cash flow or free cash flow means cash flow that is actually available for distribution to all investors (shareholders and debt owners) after the company has placed all its investments in fixed assets, new products, and working capital needed to maintain ongoing operations. (Brigham & Houston, 2007). Ross et al (in Yogi and Damayanthi, 2016) defines free cash flow as company cash that can be distributed to creditors or shareholders and it is not used for working capital or investment in fixed assets. So free cash flow can be concluded as the remaining cash which owned by the company after the company finances all the investments and working capital for its operational activities in the context of business development.

E. Earnings Quality

Suwardjono (2014) explains that profit is an increase of assets in the period time due to the productive activities that can be divided or distributed to creditors, the government, shareholders (in the form of interest, taxes, and dividends) without affecting the integrity of shareholder equity. Bellovary et al. (2005) in Dalimunthe (2015) defines earnings quality as the ability of earnings to reflect the truth of the company's earnings and help to predict future earnings, by considering the stability and persistency of earnings.

There are various approaches to determine the level of earnings quality. Dechow et al. (2009) classifies earnings quality measures into three aspects, namely, statistical properties of earnings, investor responsiveness to earnings, and external indicators of financial reporting quality. In this study, the researchers use earnings quality measures especially the first category of the grouping of earnings quality measures by Dechow et. al. (2009) in Mustaqomah (2011). The used of earnings quality measurement is discretionary accruals. Because discretionary accruals are the accruals model that is most often being used in assessing the quality of accounting.

F. Firm value

The indicator used as a parameter to measure Firm value is Tobin's Q which is one of the most rational ratios and this ratio is considered to provide the best information, because this ratio can explain various phenomena in the company activities that compared the market value of a listed company's stock. In the financial market at the replacement value of the asset, Tobin's Q includes all elements of the company's debt and share capital, not only the company's equity that is included but all of the company's assets (Sianturi 2015).

G. Leverage

Sartono (2014) in Savitri and Priantinah (2019) reveals that Leverage shows the used proportion of debt to finance its investments. The greater the Leverage ratio means the higher the company's debt. Companies which have large debts have a tendency to violate debt agreements if being compared to companies that have smaller debts (Mardiyah, 2005 in Naftalia 2013). Companies that violate potential debt will face various possibilities such as the possibility of accelerated maturity, increased interest rates, and debt renegotiation terms (Beneish and Press, 1995 in Naftalia 2013).

H. Company size

Company size will affect the company's funding structure. Companies tend to require larger funds than smaller companies. The additional funds can be obtained from the issuance of new shares or additional debt. The company size used in this study is the natural log proxy of the total assets. Total assets are used as a proxy for company size considering that the company's total assets are relatively more stable compared to the number of sales and market capitalization values (Guna and Herawaty, 2010).

I. Framework of thinking

Based on the description above, the framework of thought in this study can be seen as follows:

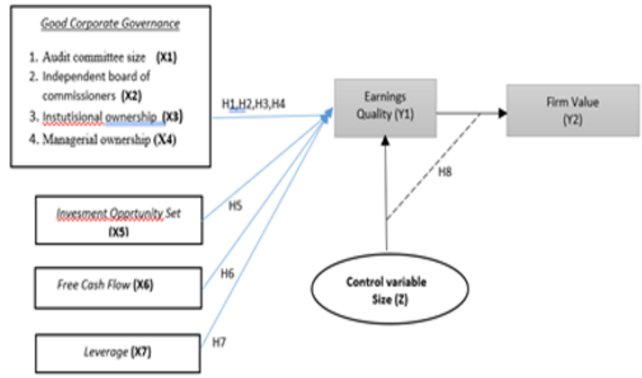

Image 1. Research Framework

J. Research Hypothesis

H1: The audit committee effects on earnings quality
H2: Independent board of commissioners effects on the earnings quality
H3: Institutional ownership affects earnings quality
H4: Managerial ownership affects earnings quality
H5: Investment opportunity Set affects earnings quality
H6 : Free cash flow affects earnings quality
H7 : Leverage affects earnings quality
H8: Size moderates the effect of earnings quality on firm value

II. RESEARCH METHODS

This type of research is basic research with a quantitative approach which is used hypotheses with statistical test tools to conclude it by using causal hypothesis. The variables in this study include managerial ownership, institutional ownership, independent board of commissioners, audit committee, investment opportunity set, cash flow, leverage, firm size which were analyzed using multiple regression analysis to determine their effect on earnings quality and firm value.

A. Types and Sources of Data

The type of data used in this study is secondary data in the form of financial statements for 2020-2021. The data source is obtained from the annual reports of property and real estate service companies listed on the Indonesia Stock Exchange (IDX) for 2020-2021. The place of research is in Kupang City (IDX Kupang City Branch) or can be accessed on the www.idx.co.id website, and download the published financial reports from the official websites of each company. The research will be carried out for 6 months, starting from May-October 2022.

B. Population and Sample

The population in this study only includes service companies, especially the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) during the period 2020 and 2021. The sampling method used in this study is purposive sampling after completing the criteria in the presentation of annual company financial statements.

1. Service companies which go public and are still listed on the Indonesia Stock Exchange in the property and real estate sector during the 2020-2021 periods.
2. Companies which issue their financial statements and audited annual reports for the period that finished in December 31st during the 2020-2021 observation period.
3. The company's financial statement data and data for the calculation of variables are fully available to the annual reporting of 2020-2021.
4. The company issues their financial statements in rupiah.

Based on the predetermined sample criteria, the number of samples in this study was 94 companies, with an observation period of 2 (two) consecutive years from 2020-2021.

Table 1. Selection Criteria of Research Subject Samples

Criteria	Total
Service companies which go public and are still listed on the Indonesia Stock Exchange in the property and real estate sector during the 2020-2021 periods.	162
Companies which aren't issued their financial statements for the period that finished in December 31st during the 2020-2021 observation period	(46)
The company's financial statement data and data for the calculation of variables aren't fully available to the annual reporting of 2020-2021.	(22)
The company aren't issues their financial statements in rupiah.	(0)
Total sampled companies	94

Source: data from www.idx.co.id that has been processed

C. Data Analysis Techniques

Analysis stages in this study started from descriptive statistical analysis, classical assumption test, hypothesis test. Testing the research hypothesis using multiple linear regression without moderation and multiple regression testing by including moderating variables. Moderation testing uses multiple regression analysis (MRA) techniques, namely multiple regression techniques used to maintain sample integrity and control the influence of moderator variables (Aguinis, 2004).

D. Analysis Model

The model used in this study is multiple regression analysis. In order to test the hypotheses that have been formulated in this study, two different regression equations will be used, which are:

$$DACC = \beta 0 + \beta 1KA + \beta 2DKI + \beta 3KM + \beta 4KI + \beta 5IOS + \beta 6FCF + 7LEV + \beta 7SIZE + e \quad (1)$$

$$Q = \beta 0 + \beta 8DA + \beta 9SIZE + \beta 10DA.SIZE + e \quad (2)$$

Information:

DACC	= Discretionary accruals (Earnings Quality)
Q	= Tobin's q (Firm value)
β0	= Constant
β1….9	= Regression coefficient
KA	= Audit committee size
DKI	= Independent board of commissioners
KM	= Managerial ownership
KI	= Institutional ownership
IOS	= Investment Opportunity Set
FCF	= Free cash flow
LEV	= leverage ratio
SIZE	= Company size
e	= Coefficient of error

V. RESULTS AND DISCUSSION

A. Descriptive Statistical Analysis

In this study, there are 2 dependent variables which being used, namely earnings quality (DA) and firm value (Q). The independent variables include the size of the audit committee (KA), independent board of commissioners (DKI), managerial ownership (KM), institutional ownership (KI), investment opportunity set (IOS), free cash flow (FCF), and leverage (LEV). And the control variable is firm size (SIZE).

The results of descriptive statistical analysis for the dependent variable earnings quality have an average value of 0.9085 with a standard deviation of 0.57939 (0.57939 <0.9085) and the firm value variable has an average value of 0.9218 with a standard deviation of 0.71599 (0.9218 < 0.71599), this shows that the quality variable The company's profit and value are around the average value over the 2020 and 2021 observation periods.

The independent variables of the audit committee (0.373> 3.11), managerial ownership (15.80223> 7.6902) and free cash flow (0.76076>0.7100), have a standard deviation value greater than the mean value, this indicates that the high fluctuation of the data used during the observation period is carried out, while for the independent board of commissioners variables (0.1125<0.412), institutional ownership (17.42021<71.1155), investment opportunity set (0.90079<0.9789) and leverage (0.26117<0.4027), the standard deviation value is smaller than the mean value which indicates that data is around the mean value.

The control variable in this study is firm size, the average value of the SIZE variable is 26.5673 with a standard deviation of 3.53477 which means the standard deviation is smaller than the mean (3.53477 < 26.5673), this means that the firm size data is around the average value flat.

B. Classical Assumption Test

Normality test is done by analyzing the distribution of data that is normally distributed or not. To get more valid results, the Kolmogorov-Smirnov non-parametric statistical test is used. The data is said to be normal if the significant value is greater than 0.05. Kolmogorov Smirnov statistical test results, that the data is normally distributed. This is indicated by the Kolmogorov-Smirnov significance value which is above 0.05, which is 0.127 (0.127 > 0.05). Furthermore, to support the results of the statistical test, a normality test was also carried out through analysis of histogram graphs and normal probability plots. After the normality test, the data distribution was normally distributed. This is shown from the data distribution that forms a bell (Histrogran Graph) and the data points follow a diagonal line (probability plot).

Testing for the existence of multilinearity in this study is to use the tolerance value and variance inflation factor (VIF) in the regression model. If the tolerance value is more than 0.10 and the VIF is less than 10, this indicates that there is no multicollinearity. Based on the results of testing the tolerance value of each variable is more than 0.10 and the variance inflation factor (VIF) is less than 10, this shows that there is no multicollinearity.

Autocorrelation test using Durbin-Watson. If (4-d)>du then there is no autocorrelation. Durbin Watson's value is (4-1.205)>1.80192 or 2.795>1.80192, this means that the regression model does not indicate an autocorrelation.

Heteroscedasticity testing. The regression model in this study is free from heteroscedasticity symptoms because there is no certain pattern in the scatterplot graph. The points on the graph are relatively spread out both above the Y axis and below the Y axis (there is no particular pattern).

C. Hypothesis Testing

1. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to measure the effect of more than one predictor variable (independent variable) on the dependent variable. The results of the coefficient of determination of the regression model obtained an adjusted R square value of 0.490. This shows that the independent variables of audit committee size, proportion of independent commissioners, managerial ownership, institutional ownership, investment opportunity set, free cash flow, and leverage ratio, are able to explain changes in earnings quality variables by 49.0% while the rest is influenced by other factors. which were not researched.

Table 2. Multiple Linear Regression Analysis Results

Variabel	Prediksi Arah	Koefisien	T	Sig
(Constant)	+	1.100	2.542	0.13
Audit committee size (KA)	+	0.053	.440	.661
Independent board of commissioners (DKI)	+	-1.064	-2.408	.018
Managerial ownership (KM)	+	- 0.006	-2.014	.047
Institutional ownership (KI)	+	0.004	-1.343	.183
Investment Opportunity Set (IOS)	+	0.036	.732	.466
Free Cash Flow (FCF)	+	0.0496	8.169	.010
Leverage (LEV)	+	-0.16	-.082	.935
Adjusted R-Square		0.490		
F		13.751		
Sig		0.000		

Source: SPSS data processing results

Based on the results of multiple linear regression above, the resulting regression equation model is:

$$DA = 1.100 + 0.053KA - 1.064DKI - 0.006KM - 0.004KI + 0.036IOS + 0.496FCF - 0.16LEV + e$$

Based on the results of the statistical test above, it is known that the F value is 13.751 with a significance level of 0.000 (<0.05). This means that the independent variables are audit committee size, proportion of independent commissioners, managerial ownership, institutional ownership, investment opportunity set, free cash flow, and leverage ratio. jointly have a significant effect on the dependent variable, namely the quality of earnings. This shows that the regression model in this study is completely acceptable and used to predict.

The results of multiple linear regression analysis with the t statistic test show the effect of each independent variable on the dependent variable. The results of hypothesis testing are presented in table 3 below:

Table 3. Hypothesis Test Results

Hipotesis	t	Sig.	Results
H1	.440	.661	Rejected
H2	-2.408	.018	Received
H3	-1.343	.183	Rejected
H4	-2.014	.047	Received
H5	.732	.466	Rejected
H6	8.169	.010	Received
H7	-.082	.935	Rejected

Source: SPSS data processing results

2. Moderate Regression Analysis

The results of the coefficient of determination of the Moderate Regression Analysis (MRA) model obtained an adjusted R square value of 0.989. This shows that the independent variable earnings quality and control variable SIZE, are able to explain changes in the firm value variable of 98.9% while the remaining 1.1% is influenced by other factors.

Table 4. Moderate Regression Analysis Results

Variabel	Prediksi Arah	Koefisien	T	Sig
(Constant)	+	1.008	16.374	.000
Earnings quality (DA)	+	-1.036	-16.294	.000
SIZE	+	-0.37	-2.383	.019
DA.SIZE	+	0.06	92.190	.000
Adjusted R-Square		0.989		
F		2892.185		
Sig		0.000		

Source: SPSS data processing results

Based on the results of the Moderate Regression Analysis (MRA) above, the resulting regression equation model is:

$$Q = 1.008 - 0.036DA - 0.037SIZE + 0.036DA.SIZE + e$$

Based on the results of the statistical test above, it is known that the F value is 2892.185 with a significance level of 0.000 (< 0.05). This means that the independent variable earnings quality and the control variable SIZE jointly have a significant effect on the dependent variable, namely firm value. This shows that the regression model in this study is completely acceptable and used to predict.

The results of the Moderate Regression Analysis (MRA) with the t statistical test above show the SIZE variable which moderates the effect of earnings quality with firm value, which is indicated by a t value of 92,190 with a significance level of 0.000. Because the significance is below 0.05 (0.00<0.05), it means that the SIZE variable moderates the relationship between earnings quality variables and firm value so that H8 is accepted.

D. Discussion Results

The Effect of the Audit Committee on Earnings Quality.

The existence of an audit committee within the company can play significant role in the company's internal control and supervision. The results showed that there wasn't significant effect between the size of the audit committee and earnings quality. It is possible because the company has not been able to optimize the performance of the audit committee but only as a fulfillment of requirements. Thus it has not been interpreted as a need for healthy company management therefore the role of the audit committee has not been significant to the supervision of the company's financial reporting (Kalbers, 1996 in Nina Pertiwi 2012).

The results of Silfi's research (2016) show that the audit committee has a negative relationship with earnings quality. However, the results of different studies conducted by Nina Pertiwi (2012) and Nela, Anissa (2014) show that the size of the audit committee does not significantly affect earnings quality. Thus, this study validates the results of previous studies that the size of the audit committee does not have a significant effect on earnings quality.

The Influence of the Proportion of Independent Commissioners on Earnings Quality.

In agency theory, differences in interests make management as an agent who has more information than the owner (principal) can commit fraud against the financial statements it presents. Therefore, the existence of an independent board of commissioners is expected to carry out a strict supervisory function on the actions of the management.

Based on the results of the analysis, it can be concluded that the independent board of commissioners has a significant negative effect on earnings quality, this is because the proportion of the presence of independent commissioners in the company is still a minority so that it cannot maximize the function of the independent commissioner in supervising the performance of the resulting directors, whether it is in accordance with the interests of shareholders. or not.

The results of this study are in line with research conducted by Angga (2018) and Alves (2014) which state that independent commissioners have a significant negative effect on earnings quality. However, Nadirsyah and Muharram (2015) stated that independent commissioners had a significant positive effect on earnings quality, while according to Setianingsih (2013) and Marisatusholekha and Budiono (2014) independent commissioners had no effect on earnings quality.

The Effect of Institutional Ownership on Earnings Quality.

Institutional ownership is thought to have the ability to reduce the incentives of self-serving managers through intense levels of oversight. Institutional ownership can suppress the tendency of management to use discretionary in financial statements so as to improve the quality of reported earnings.

Based on the results of the analysis, it can be concluded that institutional ownership has no significant effect on earnings quality. This could be due to the fact that the shares owned by other institutions are not individuals so that there is a lack of supervision over the performance of management in obtaining profits.

Anissa Amalia M (2014) that institutional ownership has a negative effect on earnings quality. However, it is different from the research conducted by Eka (2018) and Kiki et al (2019) and pilimpong (2021) which shows that institutional ownership has no effect on earnings quality.

Effect of Managerial Ownership on Earnings Quality.

According to Tisnawati (2013:35), managerial ownership is share ownership by the company's management. Diyah and Erman, 2009 (in Puspitowati, Anissa 2014) explain that managerial ownership is the proportion of shareholders from the management who actively participate in making company decisions (directors and commissioners).

Based on the results of the analysis, it can be concluded that managerial ownership has a significant negative effect on earnings quality. This can be caused because the management has not optimized its performance, in other words, the management is still acting for personal interests and benefits, not acting in the interests of the principal. The results of the study are in accordance with research conducted by Setianingsih (2013) and Pilimpong (2021) where managerial ownership has a significant negative effect on earnings quality.

The Effect of Investment Opportunity Set on Earning Quality.

Companies that have high investment opportunities will produce high quality earnings as well. Because the IOS value depends on the expenditures set by management in the future (future discretionary expenditure) which at this time are investment choices that are expected to generate a return that is greater than the cost of capital (cost of equity) and can generate profits. Therefore, the company in the investment selection must be right.

The results showed that IOS had no significant effect on earnings quality. This is because the research period was carried out during the covid-19 pandemic which resulted in management being very careful in spending so that the profit generated was not maximal.

This study supports research conducted by Yulianti (2020) which states that the opportunity set (IOS) has no effect on earnings quality. The results of the same study by Narita, Salama Taqwa (2020) Investment opportunity set has no significant effect on the quality of company earnings. However, it is different from the results of research conducted by Tao (2019) which shows that the IOS variable has an effect on earnings quality.

Effect of free cash flow on earnings quality.

Based on the results of the analysis, it can be concluded that Free cash flow (FCF) has a significant positive effect on earnings quality. This study supports the research conducted by Nona et al. (2021) concluded that there was a significant effect of Free Cash Flow on the quality of company earnings and research by Nugrahani, Endang (2019) concluded that free cash flow (FCF) had a positive effect on earnings quality.

Free cash flow (FCF) is the center of the manager's focus in determining the value of the company because the value of a company's operating activities depends on the free cash flow expected by the company for the company's future sustainability. White et al. (2003:68) reveals that the greater the free cash flow available in a company, the healthier the company is because it has cash available for growth, debt payments, and dividends. It can also be interpreted that the smaller the FCF value the company has, the more unhealthy the company can be.

Effect of Leverage on Earnings Quality.

Leverage is a measuring tool commonly used for capital structure, because it is to determine the company's ability to use its assets and sources of funds financed by company debt.

Based on the results of the analysis, it can be concluded that leverage has no significant effect on earnings quality. Leverage has no significant effect on discretionary accruals because the level of leverage of a company is not the main thing for investors in making investment decisions.

This study supports the research conducted by Nona et al. (2021) conclude that there is no significant effect of leverage on the quality of company earnings and Sadiah, Maswar Patuh (2015) The mode structure (LEV) has no significant effect on earnings quality and has a negative coefficient which indicates a non-unidirectional relationship. Because companies that have a high level of leverage can lead to the possibility of experiencing financial difficulties, so that the quality of profits generated by the company is low.

Size moderates the relationship between Earnings Quality and Firm Value.

Company size is the amount of assets owned by the company. Large companies tend to act cautiously in managing the company and tend to manage earnings efficiently. Based on the results of the analysis, it can be concluded that Size as a control variable strengthens the relationship between earnings quality and firm value. This shows that the amount of assets owned by the company and the quality of earnings owned by the company will increase the value of the firm.

E. Conclusion

Based on the results of the analysis and discussion, the conclusions that can be drawn from this research are as follows:

1. The variable Good Corporate Governance, which is independent commissioner’s board and managerial ownership, had a significant negative effect on earnings quality however free cash flow had a significant positive effect on earnings quality. Meanwhile the variables of the audit committee, institutional ownership, and

investment opportunity set leverage didn't have significant effect on earnings quality.

2. Investment Opportunity set's variable has no effect on earnings quality.
3. The free cash flow variable has a significant positive effect on earnings quality. This shows that free cash flow is available.
4. Leverage ratio variable has no effect on earnings quality.
5. The SIZE's variable strengthens the relationship between earnings quality and firm value.

F. Suggestion

1. For further researchs, for audit committee variables and the independent commissioner's proportion can be used for other specific proxies, such as audit committee transparency, number of meetings, characteristics and competence of independent commissioners.
2. In the further research, it is recommended to take a wider sample, for example taking from all sectors of companies listed on the IDX, not only the property and real estate sector but also the research period within a period of more than 5 years.
3. Futher researchers can examine other independent variables that can influence earnings quality such as profit growth, profitability and the role of BAPPEPAM

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