

ABSTRACT

The study aims at analyzing and obtaining empirical evidences about the impacts of corporate governance structure and ownership structure on earnings quality. This study also analyses the effect of institutional ownership on causal relationships between managerial ownership and earnings quality.

The population of the study is 430 companies listed on the Indonesia Stock Exchange. By employing purposive sampling technique, the study identifies 242 companies as samples. Documentation technique was used to collect data while regression technique with moderating variable was employed to analyze data. Classical assumption tests performed by the study are multicollinearity, linearity, autocorrelation, heteroscedasticity, and residual normality.

By treating earning persistence as a proxy for earnings quality, the composition of commissioner board significantly affects earnings quality at α of 5% level (model 1). Nevertheless, the composition of commissioner board does not affect earnings predictability (model 2) and market outcomes (model 3) at α of 5% level. Moreover, managerial ownership significantly affects the earnings quality (model 1), earning predictability (model 2), and market outcomes (model 3) at α of 5% level. However, the sign of coefficient in model 2 is not in line with predicted sign. The number of audit committee significantly affects earnings quality at α of 5% level. Nevertheless, this variable does not affect earning predictability and market outcomes at α 5% level. Institutional ownership does not affect earnings quality, earning predictability, and market outcomes at α of 5% level. However, institutional ownership as a moderating variable significantly strengthens the influence of managerial ownership on earnings quality. Lastly, earnings quality on the basis of accounting using both persistence measurement and earnings predictability significantly impact on market outcomes as a measurement of market-based earnings quality.

Key words: *earnings quality, corporate governance, managerial ownership, institutional ownership, earnings persistence, earnings predictability, market outcomes.*