ABSTRACT

This study aims to analyze and obtain empirical evidence of the effect of earnings quality on debt debt with corporate governance proxied by the board of commissioners, audit committee and audit quality as moderating. This study uses secondary data from annual reports on the manufacturing sector listed on the Indonesia Stock Exchange from 2014 to 2018.

The dependent variable in this study is the cost of debt, and the independent variable is earnings quality. This study uses the moderating variable, namely corporate governance, with the proxy of the board of commissioners, audit committee and audit quality. The sampling technique used in this study was purposive sampling with a total of 452 final observations. The research hypotheses were tested using the Moderating Regression Analysis (MRA) analysis tool.

The results showed that the independent variable, namely the quality of earnings, had no effect on the cost of debt. The moderating variable, namely corporate governance with the proxies of the board of commissioners and the audit committee, was not able to strengthen the negative effect of earnings quality on the cost of debt, while audit quality was able to strengthen the negative effect of earnings quality on the cost of debt. The results of the Moderating Regression Analysis (MRA) test by comparing the first, second and third regressions, provide information that the results of the second regression on the audit quality variable are significant ($\beta_2 \neq 0$) and the results of the third regression are not significant ($\beta_3 = 0$), so it can be concluded that audit quality is a type of moderating predictor (Predictor Moderation). This explains that the audit quality variable is related to the earnings quality variable and the cost of debt, but does not interact with the cost of debt variable.

Keywords: *earnings quality, cost of debt, corporate governance, board of commissioners, audit committee, audit quality.*