The Effect of International Standards of Organization, Quality of Internal Auditors, and Management Contracts on Earning Quality

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Abstract

The purpose of this study was to determine the effect of international standard of organization, quality of internal auditors, and management contracts on earnings quality in manufacturing companies listed on the Indonesia Stock Exchange. The time period of the study is 4 years, namely the period 2018–2021. The population of this study includes all manufacturing companies listed on the Indonesia Stock Exchange in the 2018–2021 period. The sampling technique uses purposive sampling technique. Based on predetermined criteria obtained 9 companies. The type of data used is secondary data obtained from the Indonesia Stock Exchange website. The analytical method used is panel data regression analysis using the EViews 9.0 data processing program The results showed that international standard of organization has a significant positive effect on earnings quality, while the quality of internal auditors and contract management negatively affects earnings quality.

Key words: earning quality, international standard of organization, quality of internal auditors, and management contract

Introduction

Profit is one of the measures to assess the success of a company. Accounting profit is the difference between income and expenses from the company’s operating results (Basuki, 2016). Profit is used by external parties as an indicator to measure the company’s operational performance (Warianti, 2014). The quality of profit is the degree of difference between the reported net profit and the actual profit, so that a quality profit reflects the actual financial performance of the company without any manipulation. Recorded profit that is not in accordance with the actual profit condition cannot project actual financial performance so that it becomes irrelevant and reliable to be used as a basis for decision making (pertwi, 2017). The impact of a good Earning Quality report will also affect the company’s activities in absorbing shares to be optimal, so that the level of taking on these shares becomes better. This causes the company to be able to compete in the globalist era because many potential investors are interested in investing in the company.

The quality management system (QMS) is a set of documented procedures and standard practices for system management aimed at ensuring the suitability of a process and product to certain needs or requirements. Those needs or requirements are determined or specified by customers and organizations. The QMS defines how organizations consistently implement quality management practices to meet customer and market needs (Semuel & Zulkarnain,
This is because consumers greatly increase their demands for quality, and this tendency will hopefully be strengthened by competition pressures in the future. New technologies have allowed the product to provide better functionality and a higher level of appearance. As a result of consumers’ increasing demands for quality, and the development of new product technologies, many existing quality assurance techniques and practices need to be changed as necessary (Hadi Firmansyah, 2015).

Business management that is focused on flexibility and quality with global insights can be reflected in the quality management system (QMS) run by business organizations. One of the quality management system standards that have developed in developed and developing countries is the ISO 9001 quality management system (QMS). This standard is a means or tool to achieve quality goals that are expected to be able to answer the challenges of globalization where the ultimate goal is to achieve organizational effectiveness and efficiency. The acquisition of ISO 9001 QMS certification in an organization means that the organization has implemented an internationally recognized quality management system (Antariksa & Setiawan, 2014).

Rosnidah (2013), stated that the quality of audits of internal auditors is still in the spotlight because internal auditors are in the organization and are paid by the organization so that the independence of internal auditors is sometimes still in doubt. As an internal party of the company, some activities in the audit process carried out may be more in favor of the profits obtained by the company which allows to cover all company activities that are not good. The quality of internal audits in the company as an indicator of control against all frauds and mistakes that are prone to be made by the company’s management. If the quality of internal audit is not good, then it indicates that the internal control function in the company is also low.

Therefore, the more qualified the auditor who audits a company’s financial statements, then investors assume that the quality of the financial statements is also getting better. Auditors provide opinions on financial reports, especially profit information so that the profit information reported by the company becomes more credible which will have an impact on the high quality of the company’s profits.

According to Jawat (2014), a management contract is an activity to manage a contract so that the contract can be used as a tool to control the implementation of work. Mchopa (2015), states that successful and efficient management contract practices are those that meet the needs of the company’s stakeholders.

Therefore, by conducting a good management contract, it will form a good company image and influence stakeholders in responding positively to published profit information so that it will have an impact on the high quality of the company’s profits.

Literature Review and Hypotheses

Stewardship Theory

According to Donaldson and Davis (1991), the theory of stewardship is a theory that describes a situation in which managers are not motivated by individual goals but rather target key outcomes for the benefit of the organization. This theory has a psychological and sociological basis that has been designed where executives as stewards are motivated to act according to the wishes of the principal. In addition, the behavior of stewards will not leave their organization because they are trying to achieve their organizational goals company.

The relationship between stewardship theory in this study lies in the quality of internal auditors. The role of the auditor here is an independent function that exists in an organization and has the aim of testing and evaluating the results of the company’s operational activities carried out by the company itself such as the preparation of financial reports. The results of the preparation of financial statements made by the finance department will be audited first by internal auditors before being reported and published to each stakeholder to prevent a manager from manipulating data in the company’s financial statements. Thus, the company’s goal of obtaining quality company profits will be achieved.

Positive Accounting Theory

According to Watts & Zimmerman (1978), the greatest impetus of positive accounting theory in accounting is to explain (to explain) and foresee (to predict) the choice of management standard through analysis of the costs and benefits of certain financial disclosures in relation to various individuals and the allocation of economic resources. The theory of positive accounting is based on the existence of the postulate that managers, shareholders, and regulatory apparatuses are rational and that they seek to maximize their usefulness which is directly related to their compensation, and of course their well-being as well. The choice of an accounting policy by some of these groups depends on the relative comparison of the costs and benefits of alternative accounting procedures in such a way as to maximize their usefulness. Magdalena (2018) in her research stated that Positive Accounting Theory emphasizes whether the accounting theory proposed in the accounting literature can explain the accounting practices carried out and predict the causes of the current phenomenon and its influence in the future.
The relationship of positive accounting theory in this study lies in the Quality of Profit, a management attitude that strives to achieve the company's goal of getting maximum and good company profits. To achieve this goal, a manager cooperates with his staff in choosing an accounting method for each company's operating activities. Managers seek to choose more efficient and effective accounting methods to increase the company's profits without releasing to the three hypotheses of positive accounting theory so that with the selection of the right accounting method will have an impact on the profit set by the company, the manager must choose an accounting policy that is in accordance with the goals of the company so that the financial statements presented will be of high quality. Quality financial statements will make the company's image good, thus influencing investors to respond positively to both the profit information reported by the company and will improve the quality of the company's profits.

**Theory of Stakeholders**

Stakeholders are groups or individuals that can influence and or be influenced by the achievement of a certain goal (Freeman, 1984). The theory of stakeholders states that a company is not an entity that only operates for its own interests but must provide benefits to the stakeholders of the company so that the company's goals will be achieved (Natasya, 2016). The main group of stakeholders consists of customers, workers, local communities, suppliers and distributors, and shareholders. In addition, other groups and individuals that include stakeholders are the media, the general public, business partners, future generations, past generations (founders of an organization), academics, competitors, private organizations or activists, representatives of stakeholders who can be unions or trade associations, shareholders (creditors and bondholders), governments, regulators and policymakers (Suwandi & Daromes, 2017). In other words, companies in operating need help from outside parties, one of which is the support of the community.

The relationship between stakeholder theory and this research also lies in management contracts, namely contracts or agreements made by companies with company stakeholders. management contracts are activities to manage a contract so that the contract can be used as a means of controlling the implementation of work. With a management contract, the company's goals will be easily achieved, because with the contract the needs of each contract maker will be fulfilled. Successful and efficient contracts are those that meet the needs of the company's stakeholders. Therefore, by conducting a good management contract, it will form a good company image and influence stakeholders in responding positively to published profit information so that it will have an impact on the high quality of the company's profits.

**Earning Quality**

The earning quality is something central and important in the world of accounting because based on the quality of profit, the accounting profession is at stake. Investors, creditors and other stakeholders make decisions, one of which is based on financial statements, if the quality of profits presented is unreliable, stakeholders can no longer believe in the accounting profession (Warianto, 2014).

According to Dichev (2016) Earning Quality is a condition where the profit is sustainable and able to predict future profit is said to be quality when there is no gap between accruals and cash flows, or in other words, accruals can reflect cash that will be realized appropriately, as well as consistency in the selection of accounting policies in each of its reports.

Freeman (1984) stated that stakeholders would use information obtained from the company's financial statements as a consideration in making decisions. Investors can use the information obtained from the company for consideration in determining investments. Investors are usually more interested in companies that are able to make high profits. Companies with higher Earning Quality will be rated higher in the stock market. The quality of profits is also invaluable for companies that need capital market access to raise funds.

**International Standard of Organization**

ISO is an international standards-setting body consisting of representatives of the national standards body of each country. At first the abbreviation of the institution was IOS not ISO, but now it uses the abbreviation ISO more, because ISO is a word derived from the Greek isos which means equal. This use can be seen in the word isometric or isonomy (Antariksa & Setiawan, 2014).

ISO was first established in Geneva, Switzerland, on February 23, 1947. ISO is an organization that summarizes a number of interests in the formulation of industrial and commercial standards independently. Although initially ISO institutions did not specifically design standards used in trade, in their journey the need for standards was inseparable from the requirements of the world of trade (Semuel & Zulkarnain, 2014).
Quality of Internal Auditors

According to Rosnidah (2013), internal auditors conduct assessments, evaluations, and provide recommendations independently and objectively on the activities of the company or organization so that the organization can achieve its goals. The function of an auditor is to ensure that the financial statements are presented by the management of the company in accordance with the main function of the financial statements. The main function of the financial statements presented by the company is as a form of accountability of the company’s management to the owner and the decision-making function by parties interested in the company or organization. Internal auditors are formed from the audit committee contained in a company, which aims to ensure that the process of preparing the company’s financial statements has been carried out reasonably and in accordance with applicable standards.

The quality of the audit can be explained as an accurate information generated by the auditor to parties related to the company, especially investors. Management requires audit services so that the level of trust of external parties, especially investors, in the accountability of company management is higher. Meanwhile, investors need audit services so that they increasingly believe that the financial statements reported by the management can be trusted as the basis for decision making (Ginting, 2014). With the increasing quality of auditors who audit the financial statements of a company, investors assume that financial statements, especially about profit information, become quality

Contract Management

According to Jawat (2014), a management contract is an activity to manage a contract so that the contract can be used as a guideline and as a means of controlling the implementation of work. Therefore, it is necessary to manage, prepare, and administer contracts. guidelines and as a means of controlling the implementation of work (Jawat, 2014). Therefore, it is necessary to manage the preparation and administration of work contracts. Successful and efficient contract management practices are those that meet the needs of the company’s stakeholders (Mchopa, 2015). The employment contract is also the legal basis for the owner and contractor, so that if one of the parties commits negligence in the contract, it can receive consequences (Tumembow, 2016).

An employment contract is drawn up in Indonesian and in the case of an employment contract with a foreign party, it is made in Indonesian and English. The description of the work formulation includes the scope of work, the value of the work, and the time limit for implementation (Jawat, 2014). Every commercial company or government agency has a procurement policy which is stated in the form of standard contract clauses. The claustrophobic "small plate" contract, the terms of a standard contract, usually consists of pages of print and attached to the specific contract in question (Tumembow, 2016).

Employment contracts are basically used as a tool to divert risks. The emergence of a contract begins with an agreement that is protected by law from both parties. However, in the stage of carrying out work when in the field, there are still often some obstacles such as errors in the application of the employment contract which result in the work not running according to initial expectations, either caused by the negligence of the first party or the second party in fulfilling their obligations and responsibilities. So that this has an impact on the consequences of 'losses' that can be accepted by both parties (Eksandy & Milasari, 2016). Therefore, by conducting a good management contract, it will form a good company image and influence stakeholders in responding positively to published profit information so that it will have an impact on the high quality of the company’s profits.

Hypothesis Development

The Effect of ISO on Earning Quality

ISO is an international standards-setting body consisting of representatives of the national standards bodies of each country. ISO was formed to increase international trade relating to changes in goods and services. Although initially ISO institutions did not specifically design standards used in trade, in the course of the need for standards were inseparable from the requirements of the world of trade. The success of ISO in 1987 made ISO the fairest rated standard in world trade (Semuel & Zulkarnain, 2014).

The application of ISO will improve company performance because with ISO the company’s activities become planned and structured. This is in accordance with research conducted by Antariksa & Setiawan (2014) which explained that ISO certification was found to be related to an increase in financial performance as measured by an increase in employee performance, an increase in sales revenue, a decrease in the cost of goods sold and an increase in the turnover ratio of certified companies’ assets. Research from Semuel & Zulkarnain (2014) explained that the application of ISO is able to significantly improve employee performance through a culture of company quality as a mediation which causes company profits to increase.

There has not been much research on the effect of ISO on profit quality, but when viewed from research conducted by Antariksa & Setiawan (2014) and Semuel & Zulkarnain (2014) regarding ISO, it shows that the application of ISO can increase company profits through improving company performance. The improvement in the company’s
performance itself can be seen from the increase in employee performance and financial performance. Companies that have many ISO certificates will make the company’s image good in the eyes of the public. The public will believe that the products produced are of high quality. This will affect stakeholders in the assessment of the income information report produced is considered quality. Along with the trust of stakeholders in profit information, the quality of the profits produced will be good. Based on this description, the hypothesis that will be proposed is:

H1: ISO positively affects Profit Quality

The Effect of Internal Auditor Quality on Earning Quality

Internal audit is an examination carried out by the company’s internal auditor, both on financial statements and accounting records of the company, as well as compliance with predetermined top management policies and compliance with government regulations and the provisions of applicable professional ties (Rosnidah, 2017). Internal auditors will conduct assessments, evaluations and provide recommendations independently and objectively on the activities of the company / organization so that the organization can achieve its goals.

In research, Rosnidah (2017) and Ariany (2017) explained that an auditor can be said to be qualified if he has good independence and competence when auditing a financial statement. Thus, the higher the independence and competence of an auditor, the higher the quality of the audit, and vice versa.

Not many have done research on the quality of auditors on the quality of profits, but when viewed from research conducted by Rosnidah (2017) and Ariany (2017) regarding the quality of internal auditors, explaining that a qualified internal auditor will produce quality audit results by providing an opinion on financial reports, especially information reported by the company to be more credible and will affect the increase in positive responses from the market to the reported profit information. This will cause the quality of the company’s profit to be better. Based on this description, the hypothesis that will be proposed is:

The Effect of Management Contracts on Profit Quality

A management contract is an activity to manage a contract so that the contract can be used as a guideline and as a means of controlling the implementation of work. Therefore, it is necessary to manage the preparation and administration of contracts (Jawat, 2014). In the employment contract there is completeness of specifications and clauses about the work, so that the employment contract becomes a guideline for the overall implementation of the project. The application of the work contract is expected to make it easier for owners and contractors to carry out their obligations in the implementation of the project. The employment contract is also the legal basis for the owner and contractor, so that if one of the parties commits negligence, it can accept the consequences. (Tumembow, 2016)

Research conducted by Jawat (2014) explained that management contracts are used as guidelines and as a tool to control the implementation of work so that cooperation between companies is maintained. Meanwhile, according to Tumembow (2016) explained that the employment contract is the legal basis for the owner and contractor, so that if one of the parties commits negligence and violations, it can accept the consequences. This will have an impact on the public’s appraisal of the company will be bad.

There have not been many studies that explain the effect of Management Contracts on the quality of profits. However, when viewed from research conducted by Jawat (2014) and Tumembow (2016) on work contracts, it can be concluded that the Company must carry out management contracts properly in order to avoid mutually agreed sanctions. By doing a good management contract, the company’s image in the community becomes good. Thus the stakeholders’ assessment of the profit information report becomes good. This will cause the company’s profit to be of high quality. Based on these arguments, the hypothesis proposed is as follows:

H3: Management Contracts have a positive effect on Profit Quality

Conceptual Framework

The theoretical basis of the variables studied in this study is grouped into the following conceptual framework:
Method

Earning Quality (Y)

Earning Quality measured using Earnings Response Coefficient (ERC) can be measured through several stages of calculation, namely:

Cumulative Abnormal Ratio (CAR)

According to Pitria (2017) the calculation of cumulative abnormal return (CAR) for each company is an accumulation of the average abnormal return over a 7-day event period, namely 3 days before (t−3) the date of the announcement of shares (earnings), 1 day (t) at the time of the announcement of shares (earnings) or the publication of the company’s annual financial statements and 3 days after (t+3) the date of announcement of shares (earnings), using the following formula:

\[
\text{CAR}_{it} = \sum_{t=-3}^{t=+3} \text{AR}_{it}
\]

Source: Pitria (2017)

Where:

\( \text{CAR}_{it} \) = Cumulative abnormal return of company I on 3 days before the stock announcement 3 days after the stock announcement.

\( \text{AR}_{it} \) = Abnormal return of company I on day t

\( \text{AR}_{it} = \text{R}_{it} - \text{R}_{mt} \)

Source: Pitria (2017)

To obtain the return of individual shares of each company during the event period by using the following formula:

\[
\text{R}_{it} = \frac{p_{it} - p_{it-1}}{p_{it-1}}
\]

Source: Pitria (2017)

Where:

\( \text{R}_{it} \) = Daily stock return of company I on t day

\( p_{it} \) = The closing price of the company’s shares on t day

\( p_{it-1} \) = Closing price of company I shares on day t-1

To calculate return market (Market) daily each company during the period of events with using the following formula

\[
\text{R}_{mt} = \frac{(\text{JCI}_t - \text{JCI}_{t-1})}{\text{JCI}_{t-1}}
\]

Source: Pitria (2017)

Where:

\( \text{R}_{mt} \) = Daily market return on t day

\( \text{JCI}_t \) = Composite Stock Price Index on t day

\( \text{JCI}_{t-1} \) = Composite Stock Price Index on day t - 1

Unexpected Earnings (EU)

Unexpected earnings (EU) is a proxy of earnings per share (earnings per share) which shows the results of a company’s performance over a certain period using the following formula:

\[
\text{CAR}_{it} = \alpha + \beta \cdot \text{EU}_{it} + \epsilon_{it}
\]

Source: Pitria (2017)
Where:

\[ \text{CAR}_{it} = \text{Cumulative abnormal return of the company in the period of the period } \pm 3 \text{ days from the publication of the financial statements.} \]

\[ \alpha = \text{Constants} \]

\[ \beta = \text{Coefficient indicating ERC} \]

\[ \text{UE}_{it} = \text{Unexpected Earnings company i in period t} \]

\[ \epsilon_{it} = \text{Component error company i in period t} \]

The independent variables in this study were environmental performance (X1), company image (X2) and media exposure (X3). The definition and measurement of each variable is as follows:

**International Organization for Standardization (ISO)**

ISO is an international standards-setting body consisting of representatives of the national standards bodies of each State. The application of ISO will improve the company’s performance because of the company because with the ISO the company’s activities become structured (Semuel & Zulkarnain, 2014). Therefore companies are required to follow the standards that have been issued by ISO.

In this study, ISO was measured using the number of ISO certificates obtained by the company under study. The highest number of ISO certificates in an enterprise in a given period, is used as a divider to obtain the ratio for ISO variables. Because the greater the number of ISO certificates obtained, it reflects that the company’s performance is increasingly quality so that it will form a good company image and influence stakeholders in responding to profit information published by the company and can be considered in making decisions. The formula used to search for ISO is as follows:

\[ \text{ISO} = \frac{\sum_{\text{SertifikatISO} \text{PerusahaanSampel}}}{\sum_{\text{SertifikatISO} \text{PerusahaanSampelTertinggi}}} \]

**Quality of Internal Auditors (KAI)**

Internal audit is an examination carried out by the company’s internal audit department, both on financial statements and accounting records of the company, as well as compliance with predetermined top management policies and compliance with government regulations and the provisions of applicable professional ties (Rosnidah, 2017). Audit quality can be explained as an accurate information generated by the auditor to parties related to the company, especially investors. The company must have a qualified auditor so that information about the company’s financial statements becomes quality, because the audit results from qualified and competent internal auditors will produce good audit quality.

In this study, the quality of internal auditors was measured using the number of certificates obtained by an auditor in a company, both national and international certificates in the annual report of each sample company in the corporate governance section. The highest number of internal auditor certificates in a company in a certain period, is used as a divisor to obtain the ratio value for the quality variable of the internal auditor. Because it is suspected that the more certificates obtained by an internal auditor, it reflects that the internal auditor is more qualified so that it will influence stakeholders to respond positively to the profit information published by the company. The formula used is as follows:

\[ \text{KAI} = \frac{\sum_{\text{SertifikatAuditorInternal}}}{\sum_{\text{SertifikatAuditorInternalTerbanyak}}} \]

Source: Eksandy & Milasari (2018)

**Contract Management (KM)**

According to Mchopa (2015), successful and efficient management contract practices are those that meet the needs of the company’s stakeholders, achieve optimal conditions and values in terms of the allocation of scarce taxpayer resources, ensure rational and efficient available funds, stimulate valuable competition and manage potential risks and obligations to buyers thereby improving the delivery service of goods or services.

In addition, the company must also carry out transformations and new breakthroughs to attract the attention of other companies so that it will cause a new employment contract, which can influence stakeholders to invest. That way, the company will be more superior in competition with an increasing market share (Eksandy & Milasari, 2016). This makes the company’s image good in the eyes of the community and can influence investors in decision making.

In this study, management contracts were measured using the number of agreement agreements or employment contracts performed by the companies studied with other companies on defects in the financial statements of each
sample company. The number of agreement agreements or employment contracts is the highest in an enterprise in a certain period, then it is used as a divisor to get the value of the ratio for the variable management contract. Because it is suspected that the more the number of agreement agreements or work contracts made, it reflects that the company's performance is of higher quality so that it will form a good company image and affect stakeholders in responding positively to the profit information published by the company. The formula used is as follows:

\[
KM = \frac{\text{JumlahPerjanjian/KontrakKerja}}{\text{JumlahPerjanjian/KontrakKerjaTertinggi}}
\]

### Overview of Research Objects

**Population**

The population in this study is Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2015 – 2018. There are two sampling methods, namely probability sampling and nonprobability sampling.

**Sample**

Manufacturing companies listed on the Indonesia Stock Exchange that have met the criteria as a research sample of 9 companies during the 4 years of research, so that the amount of data used in this study is 36 observational data.

### Model Research

In this study, the research model was described with the help of statistical data processing software, namely EViews 9.0. The panel data regression model can be written as follows:

\[
KL_{it} = \alpha + \beta_1ISO_{it} + \beta_2KAI_{it} + \beta_3KM_{it} + \epsilon_{it}
\]

Where

- \(KL_{it}\) = Variable Profit Qualification
- \(\alpha\) = Constants
- \(\beta_{1,2,3}\) = Independent Variable Regression Coefficient
- \(ISO\) = International Organization Variable Standard
- \(KAI\) = Internal Auditor Quality Variables
- \(KM\) = Variable Contract Management
- \(i\) = Company
- \(t\) = Time
- \(\epsilon\) = Residual/Error

### Results & Discussion

#### Results

**Fit Test Model**

This test was carried out to determine its effect along with the variable independent on the study on the cauldron bag. The results of this Fit Test Model (Fit Test Model) obtained a value F-statistics (8.860501) \(\geq\) F Table (2.90) and Prob values (F-statistics) 0.0000202 \(\leq\) 0.05 then it can be concluded that Ha is accepted, which means that the independent variables in this study consisting of iso, quality of internal auditors, and management contracts together have an influence on the quality of profits.

<table>
<thead>
<tr>
<th>Table 1. Fit Test Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistics</td>
</tr>
<tr>
<td>Prob(F-statistics)</td>
</tr>
</tbody>
</table>

**Adjusted R\(^2\) Test**

The Adjusted R-squared value is 0.40542, meaning that the variation in changes in the ups and downs of Earning Quality can be explained by ISO, the quality of internal auditors (KAI), and management contracts (KM) by 40 percent, while the remaining 60 percent is explained by other variables that were not studied in this study.
Table 2. Adjusted R² Test

<table>
<thead>
<tr>
<th></th>
<th>R-squared</th>
<th>Mean dependent var</th>
<th>S.D. dependent var</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.453752</td>
<td>-0.008278</td>
<td>0.157944</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.402542</td>
<td>-0.008278</td>
<td>0.157944</td>
</tr>
</tbody>
</table>

Table 3. Hypothesis Test (t Test)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.294566</td>
<td>0.119836</td>
<td>-2.458077</td>
<td>0.0196</td>
</tr>
<tr>
<td>ISO</td>
<td>0.257165</td>
<td>0.109137</td>
<td>2.356357</td>
<td>0.0247</td>
</tr>
<tr>
<td>Kai</td>
<td>-0.205562</td>
<td>0.083394</td>
<td>-2.464956</td>
<td>0.0193</td>
</tr>
<tr>
<td>Miles</td>
<td>-0.134807</td>
<td>0.032870</td>
<td>-4.101255</td>
<td>0.0003</td>
</tr>
</tbody>
</table>

Hypothesis Test (t Test)

The results of the t-Test explain the significance of the influence of the free variable partially on the bound variable. Based on the table above, it shows that:

a. The value of t-statistic iso (ISO) is 2.356357, while t table with a rate of \( \alpha = 5\% \), \( df_1 (k-1) = 3 \), \( df_2(n-k-1) = 32 \) obtained the table t value of 2.03693. Thus, the t-statistic ISO (2.356357) \( \geq \) t Table (2.03693) and the Prob value. 0.0247 \( \leq \) 0.05, it can be concluded that the ISO variable in this study has a significant influence on the quality of profits (KL).

b. The t-statistic value of the quality of the internal auditor (KAI) is -2.464956, while t Table with a level of \( \alpha = 5\% \), \( df_1 (k-1) = 3 \), \( df_2(n-k-1) = 32 \) obtained the table t value of 2.03693. Thus, the t-statistic quality of internal auditors (KAI) (-2.464956) \( \geq \) t Table (2.03693) and prob values. 0.0193 \( \leq \) 0.05, it can be concluded that the quality variables of internal auditors (KAI) in this study have a significant influence on the quality of profits (KL).

c. The value of t-statistical contract management (KM) is -4.101255, while t Table with a rate of \( \alpha = 5\% \), \( df_1 (k-1) = 3 \), \( df (n-k) = 32 \) gets the table t value of 2.03693. Thus, the t-statistics contract management (KM) (-4.101255) \( \leq \) t Table (2.03693) and Prob values. 0.0003 \( \geq \) 0.05, it can be concluded that the Management Contract (KM) variable in this study has a significant effect on the quality of profits (KL).

Discussion

a. The ISO variable, which is proxied by the number of ISO certificates in the sample company, shows that investors believe that by using iso the company’s performance will be good, this will also affect the improvement of the company’s financial performance. Companies that have a large number of iso certificates will have a good image in the eyes of the public, because the public believes that with the existence of iso certificates, the company already has high quality standards and the products it produces will also be of high quality. With a high level of public trust in the company, this will also affect the level of sales of the company so that the profit obtained by the company will be good. The better the profit obtained by the company, the investor’s assessment of the company will be good and this will affect investors in making decisions to invest their capital. Thus, the company’s profit becomes quality.

b. 2) The Internal Auditor Quality Variable, which is proxied by the number of certificates obtained by an internal auditor in a company in the annual report in the corporate governance section, has a Prob value. 0.0193 \( \leq \) the significance level (0.05) and t-statistic (-2464956) \( \geq \) t Table (2.03693), thus H2 is rejected which means that the quality of internal auditors negatively affects the quality of profits. This result is contrary to the hypothesis proposed that the more qualified the internal auditor of a company, the better the quality of profit obtained by the company will be good. The sample company selected in this study is a manufacturing company that has a good image because the sample company is an economic market leader company from other similar companies. Thus, the company should not need to require a high level of quality of internal auditors to increase the trust of stakeholders with a large number of personnel. Because this can affect the assessment of stakeholders on the company, and suspect that there is poor corporate governance in it. These allegations arise due to the company’s efforts to improve the quality of internal auditors, so the costs incurred by the company to carry out training programs and professional certificates of internal auditors are even higher. This makes stakeholders give a negative assessment of the profit information published by the company.

c. Management contract variables the results of this analysis show that the management contract variable negatively affects the quality of profits. With fierce economic competition in this day and age, many companies are doing everything possible to get as many cooperation agreements / contracts as possible with other companies and stakeholders so that the company’s goal of getting company profits can be realized quickly. With the number of cooperation contracts, the company’s focus in carrying out the cooperation contract has been reduced and so that the cooperation contract continues to run, not a few companies also commit fraud by manipulating the...
information data needed in the cooperation contract. Because this can affect the stakeholder’s assessment of the company, and stakeholders suspect that any financial information reported is the result of data manipulation carried out by the company. Thus, the more contractual agreements, the lower the stacoldor’s assessment of the company becomes negative. In addition, if the report only contains information about the agreements made by the sample company with other companies without providing definite information about the company’s financial performance in the current year, then the report does not provide enough information to stakeholders about the amount of company’s profit in the future so that stakeholders cannot estimate how much return the company gets from the company.

Conclusion

Law enforcement on Intellectual Property Rights, namely regarding Film Piracy, has been regulated by Law Number 28 of 2014 concerning Copyright. In the Copyright Act, there are 2 ways to claim rights that have been violated, namely civil and criminal. Although there is already a law that regulates copyright, law enforcement against film piracy does not work properly because it is influenced by community and cultural factors, where many people still do not know and realize the importance of copyright.

References


