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Application of Tax Accounting: The role of Earnings Quality moderates Firm Value which is affected by Tax Avoidance, Financial Leverage and Executive Bonus

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Abstract

The purpose of this study is to analyze tax avoidance, financial leverage, and executive bonus to firm value with earnings quality as a moderating variable. This study uses panel data (pooled data) with the population used including all companies listed on the Indonesia Stock Exchange in the period 2014 to 2017 selected by purposive sampling which is part of the non-probability sampling method. The selected criteria include companies conducting initial public offerings (IPOs) after January 1, 2010, by eliminating the population of companies which are the financial, banking and property sectors, real estate, building construction, aviation, shipping, oil and gas, and mining, companies that have profit before tax (pre-tax income) is negative, and companies that do not have complete data, namely financial statement data and annual reports for the 2014–2017 period. From the results of this study, it was found that Tax avoidance harms firm value, Financial leverage has a positive effect on firm value, Executive bonus has a positive effect on firm value, Earnings quality does not affect firm value, and Earnings quality strengthens the negative effect of tax avoidance on firm value, Earnings quality does not moderate the effect of financial leverage on firm value, earnings quality does not moderate the effect of executive bonus on firm value.

Keywords: Tax Accounting, Tax Avoidance; Financial Leverage; Executive Bonus; Firm Value; Earnings Quality

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Introduction

Understanding the financial situation and condition based on accounting information is the goal of financial statement analysis because company valuation is an important goal for the majority of users of financial statements (Subramanyam & Wild, 2010). Manipulation of accounting information based on positive accounting theory is carried out because of certain motives underlying management behavior, namely opportunistic actions. Opportunistic behavior is what underlies the agency problem that occurs. Opportunistic behavior explains that managers as agents will choose various accounting policies to maximize benefits for

themselves. Three hypotheses underlie the occurrence of opportunistic behavior, namely the existence of incentives given to management (bonus plan hypothesis), maintaining company value so that it always looks good in the eyes of creditors (debt covenant hypothesis), and minimizing political costs incurred by the company (political cost hypothesis). The three hypotheses above are an indication of management's opportunistic behavior (agency problem).

This study wants to examine how users of financial statements react to accounting information (capital market research) which results in agency problems that are carried out by companies to maximize their interests (Godfrey et al., 2010). This study aims to provide recommendations for the Directorate General of Taxes (DGT) agencies by knowing how the market reaction (market reaction) to agency problems that occur in Indonesia so that it can be used to make policies and regulations according to market conditions in Indonesia to secure state revenues. This is under the objectives of positive accounting theory research which examines behavioral accounting about how users of financial statements, both accountants and non-accountants, are affected and affect (two ways feed back) applicable accounting practices so that they can be used as study material and considerations for regulators. (Godfrey et al., 2010).

Several previous studies have tried to examine how the hypotheses in positive accounting theory can affect firm value. Research related to the political cost hypothesis was conducted by Wang (2010) which explains that tax avoidance will affect the firm value if the company has good transparency. Hanlon and Slemrod (2009) examine market behavior towards tax avoidance by companies. The results of the study state that tax avoidance can be assessed positively or negatively by the market. In contrast to the research conducted by (Chasbiandani & Martani, 2012) on companies listed on the Indonesia Stock Exchange where tax avoidance has a positive effect on firm value. However, research conducted by (Anggoro & Nurseto, 2018) shows that in Indonesia tax avoidance harms firm value.

Research conducted by Rayan (2008) related to the debt covenant hypothesis about how the market assesses company debt based on the theory agency Managers have a motive to maintain the value of the company according to the agreement. Rayan (2008) examined the effect of financial leverage on firm value and found that financial leverage hurt firm value. In contrast to the research conducted by Cheng and Tzeng (2011) which examined the effect of financial leverage on firm value and showed that financial leverage positive effect on firm value. In line with the research conducted by Rizkia et al (2013) on companies listed on the Indonesia Stock Exchange where financial leverage has a positive effect on firm value.

Bruce et al (2007) researched the effect of executive bonuses on firm value related to how the market reacts to bonuses given by companies to management based on agency theory where managers have a motive to increase company value to get bonuses so that there is a tendency for managers to use various policies to achieve that target. The results of research by Bruce et al (2007) show that executive bonuses have a significant positive effect on firm value. This research is in line with research by Wallsten (2000) and Baskara & Astika (2017) conducted in Indonesia but differs from Basuroy et al (2014) and Sudiyatno & Puspitasari (2010) which show that executive bonuses do not affect firm value.

Gaio & Raposo (2011) conducted research on the effect of earnings quality on firm value in 38 countries. The results showed that earnings quality had a significant positive effect on firm value. Good earnings quality indicates the absence of agency. The results of this study

are in line with research conducted by (Bitner & Dolan, 1996) and (Chan et al., 2001). Research in Indonesia conducted by Lestari and Pamudji (2013) also showed similar but different results from research (Jonathan & Machdar, 2018) which showed earnings quality did not affect firm value. Research conducted (Siallagan & Machfoedz, 2006) in addition to using earnings quality as an independent variable also uses earnings quality as a moderating variable to test other independent variables on firm value. The results showed that earnings quality had a positive effect on firm value but not as a moderator. There are several models to measure earnings quality using discretionary accruals, including the Jaggi et al (2009), Kothari et al (2005), and Jones (1995) models.

This study examines how the capital market reacts to accounting information originating from agency problems carried out by companies according to the framework of positive accounting theory and how it affects firm value, with earnings quality that gives a signal to the market regarding earnings management carried out by the company. This study positions earnings quality as an independent variable and a moderating variable to determine the market reaction to earnings management by the company because good earnings quality is considered an indication of the lack of agency problems that occur in the company (Siallagan & Machfoedz, 2006).

Based on several studies that have been previously disclosed, there are differences in research results related to the effect of tax avoidance, financial leverage, executive bonuses, and earnings quality on firm value. The difference in the results of this study is one of the reasons for researching the effect of these various variables on firm value. In addition, the selection of the variables of tax avoidance, financial leverage, and executive bonus in this study aims to test the existing hypothesis based on the framework of positive accounting theory. The earnings quality variable is positioned as an independent variable and also a moderating variable that can strengthen or weaken the influence of other variables. Although several studies have been conducted to examine the effect of tax avoidance, financial leverage, executive bonuses, and earnings quality on firm value, the authors have not found research in one research model that has ever been conducted in Indonesia.

Based on agency, three hypotheses can encourage management as an agent to take opportunistic actions. One of the hypotheses in agency theory is the political cost hypothesis which states that the larger the company, the management will try to minimize the political costs that must be paid by the company, one of which is taxes. The market does not like risk, so if there is opportunistic behavior to minimize the tax burden, it will reduce market interest in the company because it is seen as a negative action through increased risk. In line with this theory, research conducted by Desai and Dharmapala (2009) provides research results that tax avoidance harms firm value. The similarity of the results of this study was also obtained by Hanlon and Slemrod (2009).

H_1: Tax avoidance negative effect on firm value.

Based on agency, the second hypothesis is the debt covenant hypothesis which states that managers will take opportunistic actions through the selection of accounting policies so as not to violate agreements with creditors such as maintaining the value of shares that are used as a guarantee (covenant). However, the market views continuing to increase financing

through debt to a certain extent as efficiency. This is in line with research conducted by Cheng and Tzeng (2011) which shows that financial leverage has a positive effect on firm value. Research in Indonesia by Rizkia et al. (2013) also show similar results where the test results state that financial leverage has a positive effect on firm value.

H_2: Financial leverage has a positive effect on firm value.

Based on agency, the third hypothesis is the bonus plan hypothesis which states that managers will take opportunistic actions to achieve the targets set by the company. to get a bonus. One of the targets determined is the value of the company's shares so the main purpose of the bonus is to motivate management to be in line with what is desired by shareholders. In addition, the provision of bonuses is a positive signal that the company is performing well as research conducted by Bruce et al. (2007) examined the effect of executive bonuses on firm value. The results of this research show that executive bonuses have a positive effect on firm value. This research is in line with research conducted by Scott (2000) and research by Baskara (2016) conducted in Indonesia. Based on positive accounting theory and the results of previous studies.

H_3: Executive bonus positive effect on firm value.

Earnings management can affect earnings reported by management. practices management will result in lower quality of reported earnings. Earnings can be said to be of high quality if earnings can be used by users of financial statements to make the best decisions and can be used to explain or predict stock prices and returns (Bernard and Stober, 1998). Therefore, the market prefers companies that have high earnings quality because they reflect the actual conditions of the company's performance. In line with this, Binter and Dolan (1996) conducted a study between earnings quality and firm value and showed that earnings quality had a positive effect on firm value.

H_4: Earnings quality positive effect on firm value.

Based on agency theory, one of the hypotheses that cause opportunistic behavior is the political cost hypothesis. In the political cost hypothesis, the manager is the agent while the government is the principal. Managers as agents have deviant motivations by minimizing the political costs paid to the government as the principal such as minimizing taxes through tax avoidance. As with the first hypothesis, the market will react negatively because tax avoidance is seen as a negative action that will increase the risk to the company. However, this is not necessarily an opportunistic behavior. In this regard, the quality of earnings is a material consideration for users of financial statements that guide opportunistic actions through earnings management carried out by the company. If the quality of the company's earnings is high, it means that the earnings management carried out in the company is low and provides an indication that managers do not take opportunistic actions and vice versa. The existence of high earnings quality can provide a positive signal for the market related to the profits presented to suppress the negative effect of tax avoidance on firm value.

H_5: Earnings quality will weaken the negative effect of tax avoidance on firm value.

Based on agency theory, one of the hypotheses that cause opportunistic behavior of deviant management (agency problem) is the debt covenant hypothesis. In the debt covenant hypothesis, the manager is the agent while the creditor is the principal. Managers have opportunistic actions to choose various accounting policies to meet the requirements so as not to violate agreements with creditors. However, the second hypothesis, shows that the presence of high debt makes the market like it according to research by Cheng and Tzeng (2011) which shows that financial leverage has a positive effect on firm value. Modigliani and Miller (1958) explain that an increase in debt will increase the value of the company because of the influence of taxes in the form of a tax shield. The existence of high earnings quality for companies with high financial leverage indicates that the financing or debt carried out by the company has a lower risk than for companies with low earnings quality because low earnings quality indicates that the company is carrying out earnings management.

H_6: Earnings quality will strengthen the positive influence of financial leverage on firm value.

Based on agency theory, one of the hypotheses that cause deviant management's opportunistic behavior (agency problem) is the bonus plan hypothesis. In the bonus plan hypothesis, managers will take opportunistic actions to achieve the targets set by the company to get bonuses. According to the third hypothesis, the market likes bonuses because it will encourage managers to be in line with what shareholders as principals. Low earnings quality indicates opportunistic actions taken through earnings management to achieve certain goals. Companies with high bonuses and high earnings quality indicate that companies in achieving the target to get bonuses, do not take opportunistic actions through earnings management, the bonuses obtained are obtained without manipulation so that it will strengthen the positive effect of the bonus signal given to management.

H_7: Earnings quality will strengthen the positive effect of executive bonus on firm value.

Research Design and Method

This type of research is quantitative research conducted by processing the data and then the analysis is continued to obtain conclusions from the data. The conclusion that will be obtained from the research results is a form of influence between the independent variable, the moderating variable, and the dependent variable. The type of data used in this study is secondary data. Sugiyono (2017) defines secondary data as a collection of data that is indirectly sourced from other parties. This study uses panel data (pooled data), namely data in a cross-sectional unit that is observed within a certain time series (time series) .data Cross-sectional is data sourced from one or several research objects in the same period, while time series data is a set of data sourced from one research object taken at different times. In this study, the population used includes all companies listed on the Indonesia Stock Exchange in

the period 2014 to 2017. The sampling in this study used purposive sampling which is part of the non-probability sampling method.

Table 1. Research Sample

Criteria	Number	Sizes
Listed on the IDX as of 9 April 2018	577	Companies
Listed on the IDX after 1 January 2010	-203	Companies
Companies in the financial, property, shipping, aviation, mining, and oil and gas sectors	-142	Companies
with profits before tax (pretax book income) negative	-122	Companies
Elements and/or information in financial statements are incomplete	-22	Companies
Number of samples	88	Companies
Year	4	Years
Total Observation	**352**	**Sample**

In this study, the first data analysis or processing technique will be descriptive statistical analysis. According to (Sekaran, 2015) the descriptive method was carried out to find out and be able to explain the characteristics of the variables studied in the situation. Then the analytical techniques used (Sugiyono, 2017) in descriptive statistical techniques include the presentation of data through tables, graphs, pie charts, pictograms, mode calculations, mean, median, decile calculations, percentiles, and calculation of the spread of data through the calculation of the average and standard deviation, as well as percentage calculations. There are several regression models (Gujarati & Porter, 2012) namely Common Effect Model (Ordinary Least Square / OLS), Fixed Effect Model (Fixed Effect), and Random Effect Model (Random Effect). This research uses Eviews 9 as a tool to perform statistical tests by performing the Chowtest Hausman, and the Breusch-Pagan Lagrange multiplier. test Classical assumption test was carried out with normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. (Ghozali, 2016) states that the classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on ordinary least squares (OLS) to determine whether the data is feasible to be analyzed using the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The panel data regression test uses several analyzes including the coefficient of determination, simultaneous significance test (F-test), and individual parameter significance test (t-test).

Results and Discussion

Statistical Result & Discussion

Based on Table 2 the R-squared value for model 1 shows that the variation in firm value can be explained by the independent variables in model 1 of 99.86% and model 2 of 99.69%. The rest, which is 0.14% in model 1 and 0.31% in model 2, is explained by other factors outside the research model. The adjusted R-squared is used to evaluate the regression model as presented in table 2.

Table 2. Analysis of the Coefficient of Determination

No	Dependent	Variable Independent Variable	Value R^2	Value Adjusted R^2
1	TOBINSQ	DTAX + DER + ITRENLB + DFIN	0.998613	0.998127
2	TOBINSQ	DTAX + DER + ITRENLB + DFIN + DTAX*DFIN + DER*DFIN + ITRENLB*DFIN	0.996974	0.995867

Based on Table 2, the variation in firm value can be explained by the independent variables in model 1 of 99.81% and model 2 of 99.58%. The rest, which is 0.19% in model 1 and 0.42% in model 2, is explained by other factors outside the research model.

Table 3. F-Test Results

No	Dependent	Variable Independent Variable	Value Prob> TobinsQ	Conclusion
1	DTAX	+ DER + ITRENLB + DFIN	0.000000	Simultaneous
2	TobinsQ	DTAX + DER + ITRENLB + DFIN + DTAX*DFIN + DER*DFIN + ITRENLB* DFIN	0.000000	Simultaneous

Based on table 3 the results of the simultaneous significance test, the F-statistical 0.000000 in model 1 and 0.000000 in model 2. This value is smaller than the significance level (0.05) so that H0 is rejected and H1 accepted which indicates that all independent variables in the study simultaneously (simultaneously) affect the dependent variable. The results of the partial significance test (t-test) for model 1 used in the study are presented in table 4.

Table 4. Results of Model 1 t-Test

Variables	Coefficient	Two-tailed Prob.	One-tailed Prob.	Information
DTAX	-0.448510	0.038700	0.019350	Hypothesis accepted
DER	0.074299	0.000600	0.000300	Hypothesis accepted
ITRENLB	0.000343	0.003400	0.001700	Hypothesis accepted
DFIN	0.133105	0.304100	0.152050	The hypothesis is rejected

. Based on table 4, the results of the t-test on model 1 show that hypotheses one to three are accepted, but the fourth hypothesis is rejected. The partial effect of the independent variables of tax avoidance, financial leverage, executive bonus, and earnings quality is as follows.

Research model 1 (one) used in this study which describes the regression equation is as follows:

$$TOBINSQ_{it} = 1.752967 - 0.448510\, DTAX_{it} + 0.074299\, DER_{it} + 0.000343\, ITRENLB_{it} + 0.133105\, DFIN_{it}$$

The regression equation constant for this study is 1.752967. This value indicates that if the independent variables, namely tax avoidance (DTAX), financial leverage (DER), executive bonus (ITRENLB), and earnings quality (DFIN) are constant or zero, then the firm value (TOBINSQ) will be 1,752967. β_1 is the coefficient of the independent variable tax avoidance (DTAX). The coefficient value of β_1 is -0.448510. This value indicates that if the company practices tax avoidance of one DTAX unit, the firm value will decrease by -0.448510 TOBINSQ using the ceteris paribus (other factors that affect the firm value are considered constant). β_2 is the coefficient of the independent variable financial leverage (DER). The coefficient value of β_2 is 0.074299. This value indicates that if financial leverage increases by one DER unit, the firm value will increase by 0.074299 TOBINSQ using the ceteris paribus (other factors that affect the firm value are considered constant). β_3 is the coefficient of the executive bonus (ITRENLB). The coefficient value of β_3 is 0.000343. This value indicates that if the company provides an executive bonus of one ITRENLB unit, the firm value will increase by 0.000343 TOBINSQ using the ceteris paribus (other factors that affect the firm value are considered constant). β_4 is the coefficient of the independent variable earnings quality (DFIN). The value of the coefficient β_4 is 0.133105. This value indicates that if the company experiences a decrease in earnings quality or an increase in discretionary accruals by one unit of DFIN, the firm value will decrease by 0.133105 TOBINSQ using the ceteris paribus (other factors that affect the firm value are considered constant).

Research model 2 used for regression equation analysis using moderating variables is as follows.

$$TOBINSQ_{it} = \alpha_{it} + \beta_1 DTAX_{it} + \beta_2 DER_{it} + \beta_3 ITRENLB_{it} + \beta_4 DFIN_{it} + \beta_5 DTAX_{it} * DFIN_{it} + \beta_6 DER_{it} * DFIN_{it} + \beta_7 ITRENLB_{it} * DFIN_{it} + \varepsilon_{it}$$

The multiplication variables are DFIN and DTAX, DFIN and DER, and DFIN and ITRENLB are interaction variables that describe the moderating effect of DFIN on the relationship between DTAX, DER, and ITRENLB to TOBINSQ. To determine the type of moderation, the following can be seen in table 5 below.

Table 5. Type of Moderation

No	Test Result	Moderation
1	β_4 non-significant β_5 significant	Pure Moderation (Pure Moderator)
2	β_4 significant β_5 Significant	Pseudo Moderation (Quasi Moderator) Pseudo-moderation is a moderating variable that moderates the relationship between the independent variable and the d ependent variable which is also the independent variable
3	β_4 significant β_5 non-significant	Moderation Predictor (Predictor Moderator) A moderation predictor is a moderating variable that only a cts as a predictor variable (independent) in the relationship formed
4	β_4 non-significant β_5 non Significant	Moderation Potential (Homologiser Moderator) Potential moderating is a variable that has the potential to

be a moderating variable

Source: Azis (2005)

Moderated Regression Analysis MRA through interaction, testing was carried out with a partial significance test (t-test) on the model 2 studies that are presented in table 6.

Table 6. Results of Model 2 T-Test

Variables	Impact	Coefficient	2-tailed Prob.	Description
DFIN	-	0.86928	0.01025	-
DFIN*DTAX	Strengthens	11.23883	0.03120	Hypothesis rejected
DFIN*DER	Weakened	-0.24036	0.08510	Hypothesis rejected
DFIN*ITRENLB	Weakened	-0.00407	0.14360	Hypothesis rejected

Source: Processed from the Eviews 9

Based on Table 6, the results of the t-test on model 2 of the study indicate that the fifth to seventh hypotheses are rejected. The fifth hypothesis that examines the effect of earnings quality (DFIN) in moderating the relationship between tax avoidance (DTAX) and firm value (TOBINSQ) is a moderator because the probability value is less than = 5% (0.05). However, the hypothesis is opposite to the hypothesis proposed in this study, thus making the fifth hypothesis rejected.

Discussion

Effect of tax avoidance on firm value

The results of this study state that tax avoidance harms firm value. In contrast to research conducted by (Wang, 2011) which shows that tax avoidance has a positive effect on firm value. Meanwhile, research conducted by (Chasbiandani & Martani, 2012) in Indonesia shows that tax avoidance has a positive effect on firm value. The difference between the results of this study and that of (Chasbiandani & Martani, 2012) is that the object of the previous study used a sample of companies from 2001 to 2011 listed on the Indonesia Stock Exchange (IDX). Based on this research data, if further analysis is carried out, the negative effect of tax avoidance on firm value illustrates that the sample companies that carry out tax avoidance reflected in their financial statements through the disclosure of tax expenses based on PSAK 46 concerning income tax. Accounting information in the form of tax expense is a signal to the market regarding the level of company compliance with regulations and the market will respond to this through firm value. PSAK 46 regulates the disclosure and presentation of current tax expense and deferred tax expense of a company so that it can be seen how much the difference between accounting profit and tax profit is as an indication of tax avoidance by the company. behavior tax avoidance indicates the emergence of tax awareness to not take advantage of the gap between taxation and accounting rules used to carry out tax avoidance or as evidence of increasing the quality of the DGT agency in carrying out tax supervision.

Effect financial leverage on firm value

The results of this study indicate that financial leverage has a positive effect on firm

value. The results of the study are the following research conducted by (Cheng & Tzeng, 2011), (Rizqia & Sumiati, 2013), and (Dimisyqiyani et al., 2017) which show that financial leverage has a positive effect on firm value. However, the findings of this study are different from research conducted by (Puspitasari, 2013) which shows that financial leverage does not affect firm value. The difference in research results obtained with research (Puspitasari, 2013) is possible because it uses food industry companies listed on the IDX in 2007-2011 while the object in this study uses all companies listed on the IDX in 2014-2017. This is understandable because the food industry is not the main sector that can represent all companies listed on the IDX. The results of this study indicate the positive effect of financial leverage on firm value because the value of financial leverage of the object of this study is around 98%. This figure is still relatively low if you look at the indicator figures set by the Directorate General of Taxes that companies with high debt and classified as thin capitalization companies are companies that have a debt to equity (DER) value of 4 (four) compared to 1 (one) or around 400% according to the Regulation of the Minister of Finance Number 169/PMK.010/2015 concerning Determination of the Amount of Comparison between Debt and Equity. Thus, the average financial leverage of the research object, which is around 98%, is still relatively low, so the addition of financial leverage still has a positive effect on firm value. This shows that increasing debt or increasing financial leverage to obtain funds will increase the effect of the tax shield where the interest expense from debt is a burden that can be calculated in tax calculations (deductible expense).

Effect executive bonus on firm value

The results of this study confirm that an executive bonus has a positive effect on the firm value of the company. In line with research (Wallsten, 2000), (Bruce et al., 2007), and (Basuroy et al., 2014). Research in Indonesia conducted by (Baskara & Astika, 2017) also shows the same results, namely executive bonuses' positive effect on firm value. Research (Sudiyatno & Puspitasari, 2010) shows different results which state that executive bonuses do not affect firm value. The difference between the results obtained in this study and the research (Sudiyatno & Puspitasari, 2010) is possible because the object of research (Sudiyatno & Puspitasari, 2010) uses manufacturing industrial companies listed on the BEI in 2004-2006 while the object in this study uses all companies listed on the IDX in 2014-2017 with purposive sampling method. The results showed that the higher the executive bonus, the higher the firm value of the company. This positive effect indicates that the bonus is a win-win solution because, in addition to improving the welfare of management, shareholders or the company will also get benefits in to form of maximizing shareholder wealth by increasing the firm value of the company. Based on the bonus plan hypothesis, the bonus makes management make various efforts and the selection of various accounting policies to achieve targets to obtain bonuses that have been set by the company so that the interests of management and owners are aligned.

Effect of earnings quality on firm value.

The results of this study indicate that earnings quality does not affect firm value, in contrast to the hypothesis proposed in this study where earnings quality has a positive effect on firm value. However, the results of this study are in line with research conducted by

(Jonathan & Machdar, 2018) which shows that earnings quality does not affect firm value. In contrast to the results of research conducted by (Bitner & Dolan, 1996), (Chan et al., 2001), and (Gaio & Raposo, 2011). Research in Indonesia conducted by Siallagan and (Siallagan & Machfoedz, 2006) also shows that earnings quality has a positive effect on firm value. This research is different from the results of this study which shows that earnings quality does not affect firm value. This difference may occur because the previous studies used a sample of companies in the research year where profits are still the most used information in decision-making by market users. While this study uses a sample of companies from 2014-2017 where there has been a shift in financial management principles from "profit is the king" to "cash is the king" and now becomes "stakeholder is the king". The shift in principle is described by (Dartnal et al., 2017). Although earnings quality has no significant effect on firm value, the results of the study show that discretionary accruals have a positive coefficient. If 's discretionary accruals increase, the firm value increase. This illustrates that the market likes companies that do income increase to display higher profits than they should. However, along with the shift in principles in financial management (Dartnal et al., 2017), earnings quality that reflects earnings management through income increasing and income decreasing to manipulate earnings are no longer significant for market users in making decisions. Therefore, companies should consider reporting reported earnings according to actual conditions without any earnings management that biases the objectives of financial statements.

Moderation of earnings quality on the effect of tax avoidance with firm value.

The results of this study indicate that the earnings quality variable strengthens the negative effect of tax avoidance on firm value, contrary to the hypothesis proposed, namely earnings quality weakens the negative effect of tax avoidance on firm value. Related to this, research conducted by (Desai & Dharmapala, 2009) states that tax avoidance hurts firm value. The discrepancy between the results of this study and the proposed hypothesis can be caused by the quality of earnings which no longer has a significant effect on users of financial statements in making decisions in the form of firm value so that it will reduce the positive signal for the market. These results are because the principle of "profit is the king" has begun to change to "cash is the king" and is now "stakeholder is the king" so it may be understood why profit is now less used in decision-making (Dartnal et al., 2017). In addition, the opposite direction of the results of the study states that earnings quality strengthens the negative effect of tax avoidance on firm value. The results of this study are possible because tax avoidance carried out by the company will increase the risk that the market does not like so it will reduce the firm value of the company. The existence of risk from this management behavior should bring benefits to shareholders. Research (Wijaya & Wibawa, 2010) shows that dividends have a positive effect on firm value which illustrates that the market likes dividends. Therefore, benefits obtained through tax avoidance but are not enjoyed by shareholders through dividends based on accrued earnings will make firm value in the market decline.

Moderation of earnings quality on the influence of financial leverage with firm value.

Earnings quality can be used as a tool to monitor and evaluate creditors of the company. Based on the debt covenant hypothesis, companies with high debt levels tend to choose various kinds of accounting policies to keep the company from violating pre-determined debt

covenant contracts so that the manipulation is reflected in the low quality of the company's earnings and vice versa. The existence of earnings quality is expected to strengthen the positive influence of financial leverage on firm value because high earnings quality indicates that the addition of financial leverage does not make the company perform opportunistic behavior which is reflected in discretionary accruals the company's low. Research conducted by (Dimisyqiyani et al., 2017) is in line with the results of this study which states that there is a positive relationship between financial leverage and firm value. The increase in profit is expected to strengthen the positive influence of financial leverage on firm value. However, the results of this study indicate that the earnings quality variable does not moderate the effect of financial leverage on firm value. This shows that earnings quality is not able to moderate the effect of positive market assessments related to the increase in the level of financial leverage carried out by the company.

Moderation of earnings quality on the effect of executive bonus with firm value

High earnings quality is an indication that companies tend not to do earnings management, which is reflected in the low discretionary accruals. This can have a positive influence on the market assessment of the award of executive bonuses to management. Research conducted by (Bruce et al., 2007) and (Baskara & Astika, 2017) shows that executives' bonuses positive effect on firm value. The existence of earnings quality is expected to strengthen the positive effect of executive bonuses on firm value. This is following the results of testing the fourth hypothesis that earnings quality does not affect firm value. The market no longer relies on profit in assessing the firm value of the company. ineffective effect of earnings quality is due to a shift in financial management principles from "profit is the king" to "cash is the king" and now becomes "stakeholder is the king" so it may be understood why now profit is less used in decision making (bdo.co, 2017). The implication is that earnings quality is not able to give a positive signal for the company to the market.

Conclusions

From this study, several conclusions can be drawn, including Tax avoidance harms firm value, Financial leverage has a positive effect on firm value, Executive bonuses positive effect on firm value, Earnings quality has no effect on firm value, and Earnings quality strengthens the negative effect of tax avoidance on firm value, earnings quality does not moderate the effect of financial leverage on firm value, earnings quality does not moderate the effect of executive bonuses on firm value. This study uses a balanced data panel so that in the selection of samples through purposive sampling many companies are eliminated due to not having one or more data and/or elements needed for measuring research variables. Therefore, of all the companies listed on the IDX that successfully met all the criteria in the purposive sampling, 88 companies were listed. Then to overcome the problem of data normality to obtain a research model that meets the assumptions of the Best Linear Unbiased Estimate (BLUE), sample companies that have outliers are winsorized so that they maintain a sample of 88 companies. Furthermore, to overcome the problem of heteroscedasticity, cross-section weight to perform panel data regression. This study also uses a fixed effect model that makes

the adjusted R-squared value high. An adjusted R-squared value does not mean that this research model is near perfect. The R-squared value obtained using the fixed effect model with cross-section weight is an R-squared which can open up opportunities for other variables in the regression process.

Suggestions from this study are the importance of companies considering various factors in making decisions because the results of this study indicate that the firm value of the company is influenced by tax avoidance, financial leverage, and executive bonuses. Related to this, investors need to pay attention to accounting information from financial statements regarding how tax avoidance is carried out, the company's financial leverage, and the provision of executive bonuses to management so that investors can mitigate and consider the company's choices in making investment decisions. Further research can use financial and banking sector companies, as well as companies that receive special treatment in the field of taxation to capture and expand the nature of research variables on firm value in other sectors listed on the IDX.

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