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The Effect of Accounting Earnings and Company Size on Abnormal Stock Returns in Food and Beverage Sub-Sector Manufacturing Companies

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Abstract

This study evaluates the simultaneous effect of accounting earnings and company size on abnormal stock returns in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange. The hypothesis tested is that accounting earnings have a positive influence on abnormal returns, while company size also has a positive influence on abnormal returns. This study uses a quantitative approach with multiple linear regression analysis to evaluate data from 41 companies selected using purposive sampling. The data used includes financial statements for 2018-2022, with the main variables being accounting earnings, company size, and abnormal return. The research findings show that accounting earnings has a negative and significant effect on abnormal returns, while company size has a positive and significant impact. This indicates that companies with higher net income tend to have lower abnormal returns, while companies with larger sizes have higher abnormal returns. Discussion of the results suggests that investors may view high accounting earnings skeptically, while firm size provides a positive signal of stability and operational capacity. The implications of this study include the importance of corporate managers considering how accounting earnings and firm size simultaneously affect stock performance in strategic decision-making. In addition, this research opens up opportunities for further studies that examine the interaction of other financial variables on abnormal returns. Future studies are recommended to use longitudinal data and qualitative approaches to deepen the understanding of the dynamics of stock performance.

Keywords: Accounting earnings; company size; abnormal return; stock performance; Indonesia Stock Exchange.

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Introduction

The stock market is more than just numbers and charts; the economy's pulse indicates the country's vitality and financial health. In Indonesia, the manufacturing sector, particularly food and beverages, stands firmly as a pillar of the economy, contributing significantly to the Gross Domestic Product (GDP) and fulfilling national consumption needs. The sector drives the domestic economy and has significant export potential, strengthening Indonesia's position in the global market. However, despite the importance of this sector, the challenges in analyzing stock performance, especially abnormal returns, are becoming increasingly complex. Fluctuations in accounting earnings and variations in company size create layers of complexity that affect abnormal stock returns. Accounting earnings, as a reflection of a company's financial performance, is often affected by various internal factors, such as management policies, and external ones, such as market conditions. On the other hand, firm size, which describes the scale of its operations and capacity, significantly influences investor perceptions and stock performance. Many previous studies have ignored the simultaneous interaction between accounting earnings and firm size. Most studies have only analyzed these variables separately, so there has yet to be a holistic understanding of how these variables affect abnormal stock returns simultaneously. This critical gap needs to be addressed to provide a more complete picture of the financial dynamics in the food and beverage sub-sector.

To understand the dynamics of stock returns, various studies have identified factors influencing stock performance, particularly in the food and beverage sub-sector. For example, research conducted by Ajizah and Biduri (2021) highlighted the significant influence of firm size, sales growth, profitability, and leverage on stock returns. Ajizah found that companies with larger sizes and strong sales growth show higher stock returns. The study also emphasizes the importance of profitability and leverage as determinants of stock performance. This study adds important insights into how these financial variables can affect stock returns in the context of the food and beverage manufacturing industry. Complementing these findings, Isendi et al. (2023) identified that debt-to-equity ratio, accounting earnings, and return on assets (ROA) significantly influence stock return variability. Isendi emphasized that accounting earnings, as an indicator of company performance, directly impacts investor perceptions and stock returns. This study reinforces that fundamental financial indicators are essential in determining stock performance. On the other hand, Athukorala and Patunru (2022) also showed that profitability and firm size play a crucial role in stock returns. However, they noted that earnings per share (EPS) and market valuation have no significant influence. These findings suggest that while EPS and market valuation are important indicators, they do not directly influence stock returns in the food and beverage sub-sector. Although these studies provide valuable insights, they have limitations. Many studies only explore one variable at a time, thus not considering the simultaneous interaction between the variables. For example, Ajizah and Biduri (2021) focus on firm size and sales growth without exploring how these factors interact with accounting earnings. Similarly, Isendi et al. (2023) and Chandra and Darmayanti (2022) do not examine how firm size can modulate the effect of accounting earnings on abnormal returns. These limitations suggest that although individual financial variables are essential, understanding their interactions could be improved, creating a need for more integrated research.

A significant gap in the current literature is the need to understand the simultaneous effect of accounting earnings and firm size on abnormal stock returns. Most existing studies, such as those conducted by Ajizah & Biduri (2021) and Isendi et al. (2023), have focused on the separate analysis of these variables. This creates a gap in the literature as the individual effects of accounting earnings and firm size must provide a complete picture of how these variables interact to affect stock performance. For example, accounting earnings may indicate financial performance, but its effect on abnormal returns is influenced by firm size. Similarly, firm size can influence market perceptions of a firm's stability and prospects, but this effect is influenced by how well the firm generates accounting earnings. This study underscores the importance of earnings and firm size in determining stock performance. However, the study also notes that understanding the interaction between these variables is still needed to provide a more holistic picture. This study seeks to fill that gap by exploring how accounting earnings and firm size simultaneously affect abnormal stock returns. As such, this study offers a more integrated and contextualized approach to understanding the dynamics of stock performance in the food and beverage sub-sector.

The main objective of this study is to evaluate the simultaneous effect of accounting earnings and company size on abnormal stock returns in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange. The research questions in focus are: First, what is the effect of accounting earnings on abnormal stock returns in this sub-sector? Second, how does company size affect abnormal stock returns in the same sub-sector? This research will provide a deeper understanding of the financial dynamics influencing stock performance in this vital sector by answering these questions. The novelty of this study lies in its integrative approach that examines the simultaneous influence of accounting earnings and firm size, something that has yet to be thoroughly explored in previous literature. Using a methodological approach that combines quantitative analysis and multivariate regression, this research seeks to capture the complexity of interactions between key financial variables. This method allows for a richer and more in-depth analysis of how accounting earnings and firm size affect abnormal returns, offering a new analytical framework that can be adapted for other sectors. The contribution of this research lies not only in the enrichment of existing literature but also in the development of analytical tools that can be used to understand the dynamics of stock performance in various industry contexts. As such, this research becomes an essential reference for academics and practitioners interested in a more integrated and in-depth stock performance analysis. It is a foundation for follow-up studies that can adapt these findings for different sectors and market conditions. This research emphasizes that examining the complex interactions between various financial variables is essential to understanding stock performance, not just in isolation fully.

Literature Review

Accounting earnings and Stock Performance

Accounting earnings have been widely recognized as a critical indicator of a company's financial performance. As a representative of net income after expenses, accounting earnings provides crucial insight into a company's ability to generate profits and maintain its operations. According to Mauliyah (2022), Accounting earnings is an essential source of information in business development, showing a positive correlation with abnormal business returns. This confirms that accounting earnings reflects a company's financial health and potential to create value for shareholders, making it one of the key performance metrics used by analysts and investors to assess a company's ability to create sustainable profits. (Moskalenko & Smagina, 2023; Puspitawati & Fitrios, 2023). The theoretical relationship between accounting earnings and abnormal returns is based on the premise that companies that report higher accounting earnings tend to show better stock performance. Abnormal returns, calculated as the difference between actual and expected returns, often reflect the market's reaction to a company's financial disclosures. (Mauliyah, 2022)A study by Moskalenko and Smagina (2023) and Puspitawati and Fitrios (2023) emphasizes that accounting earnings provide critical insights into a company's operational efficiency and success in generating profits, directly affecting investor perceptions and performance. This positive correlation between accounting earnings and abnormal returns underscores the importance of earnings information in predicting market reaction and future profitability, creating the basis for a significant relationship between internal financial performance and market perception. (Prasetyaningrum et al., 2022).

Empirically, research has consistently shown that accounting earnings significantly affect stock returns in various sectors. Chaniago & Siregar (2022) Found a solid positive relationship between accounting earnings and abnormal returns, confirming the predictive power of accounting earnings in various business sectors. Prasetyaningrum et al. (2022) also state that higher accounting earnings often lead to higher abnormal returns as the market reacts positively to solid financial performance disclosures. This finding is consistent with the analysis of Gumelar & Evianti (2022), Which asserts that accounting earnings are a crucial determinant in financial performance evaluation and stock return prediction. These findings underscore the importance of accounting earnings as a leading indicator for predicting stocks' performance based on a firm's financial disclosures. However, although accounting earnings are a significant predictor of abnormal returns, only some studies have adequately examined the potential interaction between accounting earnings and other important variables, such as firm size. Mauliyah (2022) and Chaniago & Siregar (2022)Do not fully explore how the combination of accounting earnings and firm size affects abnormal returns, suggesting a gap in understanding this complex interaction. These studies separate the influence of each variable without considering how they influence each other and shape overall stock performance. For example, research by Gumelar & Evianti (2022) Recognizes that while accounting earnings is an important indicator, its influence on stock returns can also be influenced by other factors, such as firm size, which reflects the scale of operations and the capacity of the firm to deal with market dynamics.

The effect of accounting earnings on stock returns should be seen in a broader context, including the company's economic dynamics and other external factors. Earnings reflect changes in the company's economic reality and efforts to increase economic capacity (Puspitaningtyas et al., 2018). (Puspitaningtyas et al., 2018). Sheikh (2015) found that accounting earnings is correlated with asset and equity returns, but there was no strong relationship between accounting earnings and abnormal returns. This research suggests that while accounting earnings is an important indicator, its effect on abnormal returns may be influenced by other variables that are not always reflected in accounting earnings. This suggests the need for a more integrated research approach that considers a range of financial variables to fully understand how accounting earnings affect stock performance.

Company Size and Stock Performance

Firm size is fundamental in evaluating a company's financial and operational performance. The definition of firm size includes a variety of metrics used to measure it, including total assets, sales, or market capitalization. Total assets indicate the total amount of assets owned by the company, which reflects the scale of operations and the capacity of the company to manage and utilize resources. On the other hand, market capitalization is calculated by multiplying the number of shares outstanding by the current share price, reflecting the company's market value. As another measure, sales show the revenue generated from the company's main business activities. (Nurani et al., 2022) Firm size provides an idea of a company's scale of operations, which often relates to its stability and ability to access the resources necessary for growth and expansion. (Toro, 2022). Theoretically, company size is seen to influence stock abnormal returns significantly. Larger companies tend to be more stable and have access to more significant resources, which may improve investor perceptions and influence abnormal returns. Large companies' higher operational and financial stability often makes them more attractive to investors, as the risks associated with market volatility are relatively lower than those of smaller companies. (Rolanda, 2023). According to Susanto & Syahputri (2022), Large companies are better able to handle market fluctuations, thereby reducing risk and increasing investor confidence, which is ultimately reflected in more stable stock returns. Large firms also have better access to capital and markets, allowing them to capitalize on growth opportunities and mitigate the negative impact of market shocks. (Haider et al., 2022).

Empirical studies show that company size significantly influences stock returns. Large companies in the pharmaceutical sector listed on the Indonesia Stock Exchange tend to have higher and more stable stock returns than small companies, mainly due to their stability and resources. (Rolanda, 2023). Daromes et al. (2022) also highlighted that larger firm size, measured through total assets and market capitalization, positively correlates with stock performance, mainly because large firms often have a better corporate reputation and higher financial stability. In addition, companies with larger sizes exhibit better stock returns due to their ability to utilize economies of scale and manage risks more effectively. (Maroef, 2022). The main findings of these studies emphasize that firm size, as an indicator of stability and operational capacity, is consistently positively correlated with stock returns. However, most studies evaluate the effect of firm size separately without considering its simultaneous interaction with other variables, such as accounting earnings. (Norisanti & Samsudin, 2022).. Research by Anggraini and Lestari (2022) shows that firm size measured through total assets affects abnormal stock returns but does not examine how firm size interacts with accounting earnings to affect stock performance holistically. This suggests that although firm size is a crucial variable, a more comprehensive approach that integrates various financial variables is needed to understand the factors influencing stock performance fully.

While previous studies have highlighted the importance of firm size in determining stock performance, they often do not consider how these variables influence stock returns. For example, a study by Toro (2022) Emphasizes that firm size, measured through market capitalization, significantly influences stock returns, but this study does not consider how accounting earnings moderate this influence. This study indicates that to gain a more comprehensive understanding of the effect of firm size on stock performance, it is essential to consider the simultaneous effect of other financial variables, such as accounting earnings, which also has a vital role in determining stock performance.

The literature suggests that firm size significantly influences stock returns, mainly due to large firms' excellent stability and operational capacity. However, more research is needed to understand how firm size interacts with other variables, such as accounting earnings, to influence stock returns. This study aims to fill that gap by exploring the simultaneous effect of firm size and accounting earnings on abnormal stock returns in the food and beverage manufacturing sub-sector listed on the Indonesia Stock Exchange. Thus, this study not only enriches the understanding of how firm size affects stock returns but also provides new insights into the complex interactions between financial variables in the specific context of the food and beverage manufacturing sector.

Simultaneous Effect of Accounting earnings and Company Size on Abnormal Return

Understanding the simultaneous effect of accounting earnings and firm size on abnormal stock returns is essential in a comprehensive stock performance analysis. In the accounting and finance literature, accounting earnings are often used as a reference to evaluate a company's financial performance. Similarly, firm size measured through metrics such as total assets, sales, or market capitalization also significantly influences stock performance. The need to integrate these two variables in stock performance analysis is based on the premise that the interaction between accounting earnings and firm size can provide deeper insights into the factors that influence overall stock returns. (Habibah, 2023). This is because firms of more significant size often have the stability and capacity to deal with market fluctuations. At the same time, accounting earnings indicate the operational efficiency and profitability of the firm (Mahmood & Khan, 2023). (Mahmood & Khan, 2023). Several studies have tried to analyze the simultaneous effect of accounting earnings and firm size, although the number still needs to be increased. Alliyah (2023) Accounting earnings and firm size affect stock returns in the consumer goods industry sector. However, this study does not explicitly explore how the two variables interact to affect abnormal returns. A study by Ghazali (2023) shows a significant effect of accounting earnings and firm size on stock prices but does not consider the simultaneous interaction between the two variables. Herliansyah (2023) His research emphasizes the importance of firm characteristics and size but needs to provide an integrated analysis of how accounting earnings and firm size affect stock returns. This suggests that despite recognizing the importance of these variables, in-depth research on their interaction still needs to be made available.

This gap in the literature reveals that an integrated analysis of the simultaneous effect of accounting earnings and firm size on abnormal returns is needed. Most of the literature tends to separate the impact of each variable without considering how they influence each other in affecting stock performance (Sharma et al., 2022). For example, research by Damayanti (2022) and Mubarok (2022) note the importance of these variables in financial performance analysis but need to explore how the combination of accounting earnings and firm size provides a more holistic perspective in predicting abnormal returns. This limitation creates a critical research gap, given that the simultaneous interaction of these variables may affect investor perceptions and, therefore, stock performance. This study aims to fill the gap by offering a more integrative approach that explores the simultaneous influence of accounting earnings and firm size on abnormal stock returns. This approach seeks to capture the dynamics of the interaction between accounting earnings, which reflect a firm's operational performance, and firm size, which provides an idea of a firm's operational stability and capacity. By combining these two variables in one analytical framework, this research is expected to provide a deeper understanding of how stock performance is affected by a combination of interrelated financial factors. (Ghazali, 2023). In addition, this approach also makes it possible to identify factors that influence stock performance in the food and beverage manufacturing sector, which has unique characteristics and different market challenges. (Alliyah, 2023). This study enriches the literature on stock performance analysis by emphasizing the importance of the simultaneous influence of accounting earnings and firm size. By offering a more comprehensive framework, this study not only fills the existing gap but also provides new insights that academics and practitioners can use to understand the factors that influence abnormal returns in the food and beverage sub-sector listed on the Indonesia Stock Exchange. Integrating these two variables is expected to provide a more holistic and relevant perspective in evaluating stock performance and assist in developing more effective and data-driven investment strategies.

Research Design and Method

This study uses a quantitative approach to examine the effect of accounting earnings and company size on abnormal stock returns in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. The secondary data is obtained from the company's financial statements on the Indonesia Stock Exchange website. The purposive sampling technique was used to select 41 companies based on specific criteria. Data was collected through the documentation method, and data analysis was carried out by multiple linear regression using SPSS 27 software to test the hypothesis. Classical assumption testing includes normality test with Kolmogorov-Smirnov, multicollinearity test with tolerance and VIF, autocorrelation test with Durbin-Watson, and heteroscedasticity test through scatterplot. The resulting regression model was interpreted to evaluate the influence of the independent variables on the dependent variable, and the F-test and t-test were used to assess the significance of the simultaneous and partial influence of the variables.

Results and Discussion

Results

The company's size results from multiplying the research period, namely for 3 years, the company's size in 2018 - 2022, with the number of sample companies, namely 41. The results of the descriptive analysis in this study are presented in Table 1 below:

Table 1. Descriptive Statistical Analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Net Profit	41	23.15	25.31	24.4072	.67944
Company Size	41	25.08	29.06	26.5305	1.00218
Abnormal Return	41	.01	1.99	.6769	.61857
Valid N (listwise)	41				

Table 1 shows the descriptive statistical analysis of the variables studied. The Net Profit variable has 41 observations with a minimum value of 23.15, a maximum of 25.31, an average of 24.4072, and a standard deviation of 0.67944, indicating a relatively homogeneous distribution around the mean. Company Size was also analyzed with 41 observations, showing a minimum value of 25.08 and a maximum of 29.06, with an average of 26.5305 and a standard deviation of 1.00218, which indicates a more significant variation compared to Net Profit. Meanwhile, the Abnormal Return variable with 41 observations has a minimum value of 0.01 and a maximum of 1.99, an average of 0.6769, and a standard deviation of 0.61857, which indicates a more diverse distribution of returns among the companies studied. This data provides an overview of the variation and distribution of net income, company size, and abnormal return in the food and beverage sub-sector. This is the basis for further analysis of the relationship between these variables.

Table 2. Results of Normality, Multicollinearity, and Autocorrelation Tests

Statistical Test	Results	Description
Normality Test		
Kolmogorov-Smirnov Test		
Asymp. Sig. (2-tailed)	0.200	Data is normally distributed
Multicollinearity Test		
Tolerance	Net Profit: 0.631	No multicollinearity
	Company Size: 0.631	
VIF	Net Profit: 1.584	
	Company Size: 1.584	
Autocorrelation Test		
Durbin-Watson	1.996	No autocorrelation

Based on the normality test results using Kolmogorov-Smirnov, the significance value of Asymp. Sig. (2-tailed) of 0.200 greater than 0.05, indicating that the residual data is usually distributed. The multicollinearity test shows that the Net Profit and Company Size variables have a tolerance value of 0.631 and a Variance Inflation Factor (VIF) value of 1.584, respectively. A tolerance value greater than 0.1 and a VIF smaller than 10 indicates no multicollinearity problem between the independent variables. In addition, the autocorrelation test resulted in a Durbin-Watson value of 1.996, which is between -2 and +2, indicating no autocorrelation in the regression model used. Thus, the regression model applied in this study has met the assumptions of normality, absence of multicollinearity, and absence of autocorrelation, making it suitable for further analysis.

A good regression model is one with heteroscedasticity or no heteroscedasticity (Ghozali, 2019). The way to detect the presence or absence of heteroscedasticity is to look at the plot graph between the predicted values of the dependent variable. The results of the heteroscedasticity test are presented in Figure 1.

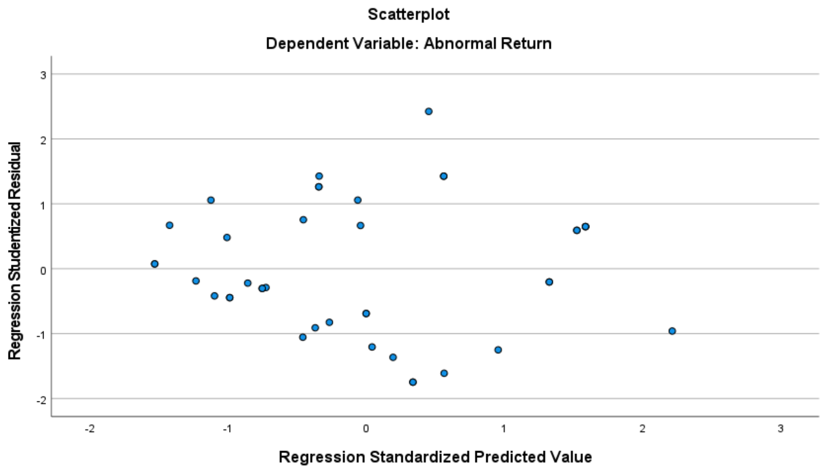

Figure 1. Scatterplot Graph

Figure 1 shows the residual scatterplot of the regression model used to predict Abnormal Returns with Company Size and Net Income as independent variables. The random distribution of residuals around the horizontal line on the Y-axis without forming a specific pattern indicates no heteroscedasticity. This suggests that the variability of the error term remains constant throughout the range of independent variables. Without heteroscedasticity, this regression model is valid and reliable for prediction, as the coefficient estimates are efficient, and the confidence intervals remain valid. Therefore, this model should be used to predict Abnormal Returns considering Company Size and Net Profit.

This report presents results from multiple linear regression analyses to examine the effect of net income and company size on abnormal returns. These results include the regression model, coefficient of determination (R^2) test, partial hypothesis test (t-test), and overall F test. The results of multiple linear regression analysis show that Net Income has a regression coefficient of -0.763 with a significance of 0.000, which means it has a negative and significant effect on Abnormal Return. Company Size has a regression coefficient of 0.293 with a significance of 0.003, indicating a positive and significant impact on Abnormal Return. The coefficient of determination (R^2) of 0.445 indicates that the Net Income and Company Size variables can explain 44.5% of the variability in Abnormal Return. The F test shows a significant value of 0.000, which is smaller than 0.05, indicating that this regression model can be used to predict Abnormal Returns with a significant influence from Net Income and Company Size.

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Table 3. Research Result

Statistical Test	Results	Description
Multiple Linear Regression Analysis		
Model	Unstandardized Coefficients	Standardized Coefficients
	B	Std. Error
(Constant)	11.517	2.723
Net Profit	-0.763	0.138
Company Size	0.293	0.094
Regression Equation	Y = 11.517 - 0.763 X1 + 0.293 X2	Shows the relationship between Net Income, Company Size, and Abnormal Return
Test Coefficient of Determination (R^2)		
Model Summary	R	R Square
1	0.667	0.445
Hypothesis Test (t-Test)		
Coefficients	Unstandardized Coefficients	Standardized Coefficients
	B	Std. Error
(Constant)	11.517	2.723
Net Profit	-0.763	0.138
Company Size	0.293	0.094
Hypothesis Test Results		
Net Profit	t = -5.510	Sig. = 0.000
Company Size	t = 3.125	Sig. = 0.003
F test		
ANOVA	Model	Sum of Squares
1	Regression	6.806
	Residuals	8.499
	Total	15.305

Discussion

Effect of Net Income on Abnormal Return

The results of hypothesis testing in this study reveal surprising facts: net income variable (X1) has a negative and significant effect on going concern audit opinion (Y). This finding is surprising because it contradicts the initial hypothesis that net income positively and significantly affects abnormal returns. This study shows that the higher a company's net income, the lower the abnormal return value. Conversely, low net income is associated with higher abnormal returns. This result does not align with many conventional assumptions and theories of market participants and academics. Signaling theory forms a strong basis in this study, explaining how net income information affects investors' perceptions of the company. In the context of this theory, net income is expected to provide a positive signal to the market about the company's financial performance, which in turn should increase investor interest and stock value. However, the results of this study challenge this view, indicating that higher net income is only sometimes translated as a positive signal by the market. Instead, it may signal concerns related to earnings management or potential problems in the company's operations that are not yet visible to the market directly. The market reaction to higher net income announcements leads to a decrease in abnormal returns, suggesting that investors are more cautious in assessing high net income.

This finding is also in line with the study of Fungki et al. (2023), Which found that stock returns, corporate governance, and financial performance significantly influence going-concern audit opinion. Fungki's research shows that going concern audit opinion is influenced by net income and other aspects of the company's financial performance. This reflects the complexity of assessing company performance and how different financial elements can affect auditors' and investors' perceptions of the company's viability. Salsabila et al. (2022) added that liquidity, profitability, solvency, and company growth affect going concern audit opinion. This study reinforces that other factors besides net income are important in determining the auditor's perception of the company's viability. Thus, higher net income does not necessarily signal good financial health and may be associated with risks that take time to be apparent. Bose et al. (2023) and Putra (2010) also make a significant contribution by showing that financial performance, specifically returns on assets, and the company's financial condition significantly negatively impact going concern audit opinion. These results align with this study's findings, which show that higher net income can negatively affect going concern opinion. This suggests that higher net income results from short-term strategies that may increase profits in the short term but are not sustainable in the long term, thus raising concerns for auditors and investors. The study by Rasyid (2024) Revealed that "liquidity, profitability, and solvency ratios showed significant fluctuations in the financial performance of insurance companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2019."

The implications of these findings are significant for company management, auditors, and investors. Company management must understand that high net income will only sometimes increase abnormal returns and may raise skepticism if not supported by solid operational performance and adequate transparency. Auditors should also be more careful in evaluating the company's viability based on net income and other financial and operational performance aspects. For investors, these results highlight the need for a more critical approach in assessing a company's financial statements, including an in-depth analysis of how net income is generated and whether it can be sustained in the future. Furthermore, these results open up opportunities for further research that can further explore the relationship between net income and abnormal returns and how other factors, such as earnings management, business strategy, and financial risk, affect this relationship. Future studies could explore how various components of financial statements, such as cash flows, liabilities, and investments, interact with net income to affect abnormal returns. Research could also expand the scope by including longitudinal data to see how net income and abnormal returns evolve, providing insights into long-term trends and the ongoing impact of corporate financial policies.

This research also has the potential to challenge traditional assumptions in finance and accounting theory about the relationship between net income and market value. In the context of increasingly complex and dynamic markets, this finding confirms the importance of a holistic analysis that considers the various factors that can affect financial performance and market perceptions. It also emphasizes the need for a more integrated approach to evaluating corporate performance, which involves an in-depth analysis of all elements of the financial statements and external factors that may affect a company's financial results. In a broader literature review, these findings also align with the view that financial markets are not always rational and can be influenced by various psychological and behavioral factors. This emphasizes the importance of understanding how multiple stakeholders interpret financial information and how their perceptions can affect investment decisions and market valuations of companies. As such, this study provides new insights into the relationship between net income and abnormal returns and contributes to a broader understanding of financial market dynamics and accounting. Overall, these findings emphasize the importance of a more critical and in-depth approach to analyzing the financial performance of companies. By challenging traditional assumptions about the relationship between net income and abnormal returns, this research paves the way for a richer and more comprehensive understanding of the factors influencing stock performance and market perceptions. It also highlights the need for a more innovative approach to financial performance evaluation and investment decision-making, considering a more comprehensive range of aspects of a company's financial and operational health.

Effect of Company Size on Opinion Abnormal Return

This study shows that the company size variable positively and significantly affects the company's abnormal stock return. This finding supports the second hypothesis, which states that the larger the company size, the abnormal returns will also increase. Conversely, companies with smaller sizes tend to have lower abnormal returns. In this context, firm size can be measured by looking at total assets, sales, equity, and number of employees. These metrics give an idea of the scale of operations and the capacity of the firm to manage resources to generate profits. Firm size is an important indicator that reflects stability and operational capacity. Signal theory, which is the basis of this study, explains that information about company size provides a signal to investors about the company's prospects and capabilities. In the capital market, companies with larger sizes tend to be considered more stable and have lower risks, thus attracting investors who are looking for safer investments with significant potential returns. (Marpuah et al., 2021; Nasution & Sari, 2020). Investors often see company size as a proxy for the company's stability and ability to survive and thrive in the long term. Therefore, a larger company size is a positive signal that increases investor interest and abnormal returns.

This finding is consistent with previous studies' results showing that firm size positively and significantly impacts firm value and stock price. For example, Marpuah et al. (2021) Found that companies with larger sizes tend to have higher firm values. Nasution & Sari (2020) Also, firm size positively affects stock price, indicating that large companies often have higher stock prices due to investors' perceptions of their stability and growth potential. These results reinforce the view that company size is vital in assessing stock performance and attracting investor interest. However, it should be noted that research by Pratama & Wiksuana (2016) and Suryani & Purbohastuti (2020), Although firm size positively and significantly impacts firm value, its effect on profitability and share price is more complex. These findings suggest that firm size is only sometimes the sole determinant of profitability and stock price. For example, Suryani and Purbohastuti (2020) Found that firm size significantly affects firm value but does not have the same impact on profitability. This suggests that other factors, such as operational efficiency, management strategy, and market conditions, also play an essential role in influencing profitability and stock price.

The implications of the results of this study are significant for company managers, auditors, and investors. For company managers, understanding that company size positively influences abnormal returns means there needs to be a greater focus on expanding and scaling up the company's operations. This could involve investing in assets, expanding markets, and increasing production capacity. Strategies to increase firm size include mergers and acquisitions, which can help develop the asset base and strengthen the firm's market position. In addition, managers must communicate clear and transparent information about firm size and growth strategies to investors to capitalize on the positive signals associated with firm size. For auditors, these results highlight the importance of considering firm size in going concern evaluation and risk analysis. Auditors need to understand how firm size can affect market perceptions and stock performance when evaluating a firm's viability. Larger company size provides a stronger signal of stability, but auditors must also ensure that size does not obscure hidden operational and financial risks. Therefore, auditors should conduct a more comprehensive and in-depth analysis of companies with large sizes to ensure that all potential risks have been adequately evaluated. Investors can also utilize these findings in their investment strategies. By knowing that company size positively influences abnormal returns, investors can focus more on companies with a larger scale of operations when making investment decisions. However, it is essential for investors to not only rely on company size as the only indicator but also consider other factors such as company management, market conditions, and business strategy. Investors must conduct in-depth due diligence to ensure their investments are based on comprehensive and accurate information.

In the future, this research opens up opportunities for further studies on the simultaneous effects of firm size and other variables on stock performance. Further research could explore how firm size interacts with other variables, such as accounting earnings, leverage, and cash flow, to influence abnormal returns. For example, a longitudinal study that observes the development of firm size and stock performance over time could provide deeper insights into the long-term trends and ongoing impact of firm expansion. This research could also extend the analysis to different industry sectors to understand whether the effect of firm size on abnormal returns varies among other sectors. In addition, future research could also examine how management strategies moderate the impact of firm size on abnormal returns, for example, how diversification strategies or operational focus affect the relationship between firm size and stock performance. This research can provide deeper insights into how companies can manage their size to maximize stock performance and attract investors. In a broader context, this research can contribute to developing a more comprehensive finance and accounting theory by integrating factors affecting stock performance. Overall, the findings of this study highlight the importance of firm size as a determinant of stock performance. By showing that firm size positively and significantly influences abnormal returns, this study adds a new dimension to understanding how a firm's scale of operations and capacity affects market perceptions and stock performance. The findings also provide a basis for developing more informative business and investment strategies, assisting companies and investors in making smarter, data-driven decisions. In a broader context, this research also paves the way for a more in-depth analysis of the factors influencing stock performance and how companies can utilize this information to increase their value in the capital market.

Conclusions

This study shows that accounting earnings negatively and significantly affects abnormal stock returns in food and beverage sub-sector manufacturing companies listed on the

Indonesia Stock Exchange. These results contradict the initial hypothesis that accounting earnings will increase abnormal returns, challenging the conventional view of the relationship between earnings and stock performance. Conversely, the higher the net profit, the lower the abnormal return. On the other hand, firm size has a positive and significant influence on abnormal returns, supporting the second hypothesis. Companies with larger sizes tend to have higher abnormal returns. Large companies, seen as more stable and able to manage risk better, tend to provide higher returns for investors.

This study adds value to science and practice by providing new insights into how accounting earnings and firm size interact simultaneously to affect stock performance. These findings are important for company managers in developing financial strategies that pay attention to how earnings and company size can be used to maximize returns for shareholders. For investors, these results suggest the need for a more critical approach in evaluating financial information, especially in looking at the signals from accounting earnings and firm size as potential stock performance indicators. By integrating these two crucial economic variables, this study provides a more holistic perspective on the financial dynamics within the food and beverage sub-sector, assisting companies and investors in making better decisions based on more comprehensive data.

However, this study has limitations that need to be considered. The focus on the food and beverage manufacturing sub-sector in Indonesia limits the generalizability of the results to other sectors or different economic contexts. In addition, the historical data used does not reflect current market conditions or recent company policy changes. The quantitative methods do not capture qualitative factors affecting abnormal returns, such as risk management or governance quality. Future research should expand the scope by considering other financial variables such as leverage and cash flow and using longitudinal and qualitative approaches to gain deeper insights into the factors affecting abnormal returns in various industry and market contexts.

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