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Effect of Accrual Quality on Earnings Quality (Case Study on Enterprises Registered in The Indonesian Securities Exchange 2010 – 2014)

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Abstract. In accounting economics we know about the Accrual Basis that regulates all records of each transaction both cash and non-cash, and in the Akrua recording itself there are two (2) influencing factors, namely Innate Accrual and Discretionary Accrual. In accrual recording in a company is very influential in determining the quality of earnings that can be obtained. By presenting the data, we can see how far the recording affects the profit of a company in its recording. The purpose of this research is to find out whether each company records accruals correctly or vice versa. The author conducts research using the financial statements of manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange with a span of five (5) years, from 2010 - 2014. The results of the study regarding the effect of accrual quality on earnings quality state that accrual quality, both discretionary and innate indeed affects the earnings quality of a company. Therefore, the company's management policy also determines both the quality of accruals and the quality of the company's earnings. Companies with low accruals show good earnings quality because management's actions that report smaller profits are a form of conservative accounting application.

Keywords: accrual quality, discretionary accrual, innate accrual, profit quality