ABSTRACT
The objective of the research was to test the factors influencing the quality of earnings. The research was conducted on non-financial companies listed in BEI (Indonesia Stock Exchange) in 2016, based on the Fact Book published by the Stock Exchange. The main independent variables were the dividend (dividend-paying status), diversification (operating diversification status), and ownership of the firm (company ownership status). The dependent variable tested was earnings quality proxies by AAQ. AAQ had a negative correlation with the earnings quality. There are five control variables that also tested, namely PBV (External Growth Prospect), LEV (debt structure), AGE (Firm Maturity), HHI (Competitive Level in Industry), and CFO (Volatility of Operational Cash Flow). The results of the research demonstrated that the dividend-paying status had a significantly negative influence on the earnings quality proxies (AAQ). The status of operational and geographic diversification had significantly positive influence on the earnings quality proxies (AAQ). The research has failed to PROVE that the company ownership status had negatively influenced the earnings quality proxies (AAQ). The results of the tests found out that dividend and diversification were proven to have information about quality profit. Therefore, they are supposed to be used as the indicators of the earnings quality. The research has failed to PROVE that the status of firm ownership had negatively influenced the earnings quality (AAQ). The results of the tests found out that dividend and diversification were proven to have information about quality profit. Therefore, they are supposed to be used as the indicators of the earnings quality. The research has failed to PROVE that the status of firm ownership had negatively influenced the earnings quality proxies (AAQ). The results of the tests found out that dividend and diversification were proven to have information about quality profit. Therefore, they are supposed to be used as the indicators of the earnings quality.

Key Words: Earnings Quality, Dividend, Diversification and Firm Ownership

1. INTRODUCTION
1.1 Background
Profit is a very important component in the financial statements. Statement of Financial Accounting Concept (SFAC) No. 1 states that the earnings information in general is a major concern in assessing the performance or accountability of management, as well as helping the owners or other parties to do an assessment on earning power in the future. Kusuma (2006) in his research stated that, profit is a relevant indicator to assess the performance of a company. Therefore, profit is always associated as a measure of company performance, the managers often manipulate reported earnings for a particular purpose. As a result, the reported earnings become not qualified and may mislead users...
of financial statements, especially when making investment decisions. This profit manipulation action is very detrimental to financial report users, especially investors. Earnings needed by users of financial statements are income qualified. Quality earnings are not generated from earnings management which is the main cause of poor quality of earnings, allowing investors to make mistakes in making decisions (Siallagan and Machfoedz 2006; Setiyarini and Purwanty 2011; Sunarto, 2010). Dechow and Schrand (2004) revealed that, earnings quality is able to reflect the current operating performance, an indicator of a good operating performance in the future, and accurate in predicting the company's intrinsic value of the company. Quality Earnings are often associated with the distribution of dividends by a company to shareholders. Bhattacharya (1979) and Miller and Modigliani (1961) found that the distribution of dividends to signal the prospects of future corporate earnings to investors. Even the dividend can be a predictor of the quality of earnings for future periods (Bandi 2009). This finding implies that the dividends distributed today contain predictive information about earnings in future periods, while also showing that earnings are persistent. Vojtech (2012) describes the relationship of dividends to earnings quality through research results that found strong evidence that the dividend can be the solution to know earnings management practices. Vojtech assume that only companies that do not earnings management might pay dividends. This is in line with studies conducted by Kowerski (2013) who conducted research on the Warsaw Stock Exchange (WSE). Kowerski found that companies which distribute dividends have higher earnings quality than companies that do not distribute dividends. Skinner and Soltes (2009) also found the same thing. Another factor that could possibly lead to low earnings quality due to earnings management is diversification of the company. Diversified companies will have greater information asymmetry than the focused companies. This occurs because the diversified companies are less transparent compared to focused company (Rodriguez-Perez and Van Hemmen, 2010). These conditions can be an opportunity for managers to exploit existing information asymmetry by conducting earnings management, as revealed by Indraswari (2010) that company management with diverse business segments is proven to make earnings management by increasing profit. Company ownership can also provide a signal about the quality of earnings. Company with institutional ownership has indicated the ability to monitor the management, because the larger institutional ownership, the more efficient utilization of company assets and is expected to also act as a deterrent against waste conducted by the management (Faizal (2004). This is in line with Wahyudi and Pawestri (2006), which revealed that the higher the institutional ownership in a company, it will reduce the manager’s opportunistic behavior which could prevent the emergence of agency cost. Additionally, institutional ownership also have the ability to control the management through the monitoring process effectively (Ujiyantho and Pramuka, 2007).

1.2 Objectives of the Research
The objectives of the research were:
1. To analyze the effect of dividend distribution status on earnings quality proxy (AAQ).
2. To analyze the effect of operating diversification status on earnings quality proxy (AAQ).
3. To analyze the effect of the geographical diversification status on earnings quality proxy (AAQ).
4. To analyze the effect of the company ownership status on earnings quality proxy (AAQ).

2. LITERATURE REVIEW
2.1 Earnings Quality
Dechow and Schrand (2004) revealed that the earnings quality should be able to reflect the company's current operating performance, an indicator of a good operating performance in the future, and accurate in predicting the company's intrinsic value. High earnings quality play a role in decision-making as disclosed Dechow et al. (2009) that high earnings quality relevant in decision making. Thus, to produce the best decision, then the decision makers need of quality financial information. The financial information is said to be of quality if reported earnings quality also.

2.2 Dividend
According Wahyudin (2011), dividends are profits from the company to be distributed to shareholders. Thus, the dividend is one of the shareholder rights over corporate profits in return for their investment in the company. Although dividend is one of the rights of the shareholders, but the dividend is not something that must be distributed by the company.

2.3 Diversified Companies
To determine the level of diversification of the company, one measure that can be used is the number of the company's business segments. The amount of this business segment can be seen from the financial statements issued by the company. This report was required from 2001 by the Financial Accounting Standards Board issued SFAS No. 05 Revised 2000 regarding segment reporting (IAI, 2001). In accordance with these regulations the company has a variety of business and geographical segments shall make disclosures if each of the segments meet the criteria of sales, assets and operating income that meets certain requirements. Diversification in addition to aiming to maximize the size and diversity of the company should also be able to improve enterprise performance and reduce the risk of the company. However, according to El Mehdi and Seboui (2011) in the perspective of a conflict of interest between principal and agent, diversification can strengthen information asymmetry, leading to cultural diversity and encourages misallocation of investment.

2.4 Company ownership
a. Managerial ownership
Managerial ownership makes manager doubles as owner / shareholder as well as the active managers / managers participate in decision-making in a company. Managerial ownership is a manifestation of the principle of transparency of corporate governance. With the presence of the Management course will reduce conflicts of interest between shareholders and managers of the company, so as to manage the company management must be transparent. According Juniarti and Sentosa (2009), managers who own company shares certainly will align with the interests of the shareholders. While the
b. **Institutional ownership**

In general, institutions buy shares of companies in large numbers. Institutions that have a stake in a large amount will be taking an active role to supervise the managers in the use of accounting policies. Institutional investors use the information in the financial statements to determine their portfolio. This is in line with the findings of previous studies which stated that the market reaction to dividend announcement.

### 2.5 Conceptual Framework

![Conceptual Framework](image)

- Dividend-Paying Status (PDIV)
- Operating diversification status (DIVOP)
- Geographical Diversification Status (DIVG)
- Company ownership status (SKPER)
- Dependent Variable: Earning Quality - AAQ
- Control variables: - PBV - LEV - AGE - HHI - CFO

**Figure 2.1 Conceptual Framework**

### 2.6 Hypothesis

Based on the research background, theoretical basis and conceptual framework, the hypothesis of this study are:

1. Dividend-Paying status has a negative effect on profit quality proxy (AAQ)
2. Operating diversification status has a positive effect on profit quality proxy (AAQ)
3. Geographical diversification status has a positive effect on profit quality proxy (AAQ)
4. Company ownership status has a negative effect on profit quality proxy (AAQ)

### 3. RESEARCH METHODS

#### 3.1 Population and Sample

The research was conducted on non-financial companies listed on the Indonesian Stock Exchange (BEI) in 2016. The sample selection was done by purposive sampling method, the sample selection based on certain criteria. According to the Fact Book 2016, published by the BEI, there are 428 non-financial companies listed on the Indonesia Stock Exchange in the period. However, only 180 companies that meet the criteria for the sample. Details of sample selection can be described in Table 5.1 below:
### Table 3.1 Sample Selection Results

<table>
<thead>
<tr>
<th>Information</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-financial companies listed</td>
<td>428</td>
</tr>
<tr>
<td>The reported loss in 2016</td>
<td>77</td>
</tr>
<tr>
<td>Using Dollar</td>
<td>60</td>
</tr>
<tr>
<td>Data outlier</td>
<td>17</td>
</tr>
<tr>
<td>The financial statements are not available and incomplete</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total sample</strong></td>
<td><strong>180</strong></td>
</tr>
</tbody>
</table>

#### 3.2 Data Source

The data in this study are secondary data from the financial statements that are accessed from the official website of Indonesia Stock Exchange (BEI) www.idx.co.id.

#### 3.3 Operational definition

This study uses several independent variables, namely Dividend-Paying Status (DIV) were rated 1 if the company distributed dividends in year $t$, and 0 if not share, Operating diversification status (SDIVOP) were rated 1 if the company diversified its operations, and 0 otherwise, Geographical Diversification Status (SDIVG) were rated 1 if the company operates in several countries and 0 if the company operates in one country, and Company ownership status (SKPER) is a variable assessed 1 if the form of ownership of the company is institutional ownership, and 0 if the ownership of the company is individual ownership. While the dependent variable of this study is earnings quality proxies by AAQ (Firm-Specific Annual Absolute Value of the residually). AAQ has a negative correlation with the quality of earnings. AAQ proxy is calculated using the Dechow and Dichev (2002) model modified by McNichols (2002), namely as follows:

$$ CACC_{it} = B_0 + \beta_1 \text{CFO}_{it-1} + \beta_2 \text{CFO}_{it} + \beta_3 \Delta \text{SALE}_{it} + \beta_4 \text{PPE}_{it} + \varepsilon_{it} $$

Which is:

- **CACC** – current accruals, **CFO** – cash flows from operating activities, **ΔSALE** - changes in sales, and **PPE** – gross PPE. All variables are deflated by average total assets. The above equation is estimated on an annual basis per the industry to obtain residual values. AAQ is an absolute value of residuals ($\varepsilon_{i,t}$) obtained from the estimation equation. The greater the AAQ value shows the more abnormal discretionary accruals or indicates the existence of earnings management. Profit is said to be more qualified if the AAQ value is getting smaller.

- This study uses several control variables, namely internal growth prospects (PBV), external growth prospects (GROWTH), firm size (SIZE), debt structure (LEV), and firm maturity (AGE).

#### 3.4 Research model

This study was analyzed with multiple linear regression analysis using the help of statistical analysis software, namely IBM Statistics 19 as a means of regression models of the formulation. The research model that will be tested are:
\[
EQ_{i,t} = \alpha_0 + \alpha_1 \text{DIV}_{i,t} + \alpha_2 \text{SDIVOP}_{i,t} + \alpha_3 \text{SDIVG}_{i,t} + \alpha_4 \text{SKPER}_{i,t} + \alpha_5 \text{PBV}_{i,t} + \alpha_6 \text{LEV}_{i,t} + \alpha_7 \text{AGE}_{i,t} + \alpha_8 \text{HHI}_{i,t} + \alpha_9 \text{CFO}_{i,t} + \epsilon_{i,t}
\]

Which is:

- \( EQ_{i,t} \) = Earnings Quality proxies by AAQ.
- \( \text{DIV}_{i,t} \) = Dividend-Paying Status, which is rated 1 if the company distributed cash dividends in year t, and 0 otherwise.
- \( \text{SDIVOP}_{i,t} \) = Operating diversification status, which rated 1 if the company diversified operations, and 0 if not.
- \( \text{SDIVG}_{i,t} \) = Geographical Diversification Status, which is rated 1 if the company operates in several countries and 0 if the company operates in one country.
- \( \text{SKPER}_{i,t} \) = Company ownership status, which is rated 1 if the form of ownership of the company is an institutional ownership, and 0 if ownership of the company is individual ownership.
- \( \text{PBV}_{i,t} \) = the company's growth prospect which is proxied by the Price to Book Value.
- \( \text{LEV}_{i,t} \) = the company's debt structure which is proxied by debt to equity ratio.
- \( \text{AGE}_{i,t} \) = firm maturity proxied by the natural logarithm of the length of Companies listing (in months).
- \( \text{HHI} \) = level of competition in the industry proxied by the Herfindahl-Hersman Index (HHI)
- \( \text{CFO} \) = Operating cash flow volatility
- \( \alpha_0 \) = Constant.
- \( \alpha_1,2...9 \) = Coefficient of the independent variable.
- \( \epsilon_{i,t} \) = Variable interference firm i.

4. ANALYSIS RESULTS AND DISCUSSION
4.1 Classical assumption test
4.1.1 Normality test
Kolmogorov-Smirnov test (K-S) indicates the value of Asymp. Sig. (2-tailed) of 0.155, greater than the value of alpha 0.05 (0.155 > 0.05). Thus, we can conclude that the data of all the variables in our model normal distribution.

4.1.2 Heteroscedasticity test
Heteroscedasticity test done using Glejser test. The test results showed that the regression model is free from the problem of heteroscedasticity. This is indicated by the probability of significance throughout the study variables is greater than 0.05.

4.1.3 Multicollinearity test
This study detects multicollinearity problems by taking into account the value of Variance Inflation Factor (VIF). The test results showed VIF all variables in the research model is less than 10, so it can be concluded that the research model free from multicollinearity problems.
Table 4.1 Test Results Heteroscedasticity dan Multicollinearity

<table>
<thead>
<tr>
<th>variables</th>
<th>Sig</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIV</td>
<td>0.840</td>
<td>1.026</td>
</tr>
<tr>
<td>SDIVOP</td>
<td>0.102</td>
<td>1.120</td>
</tr>
<tr>
<td>SDIVG</td>
<td>0.382</td>
<td>1.093</td>
</tr>
<tr>
<td>SKPER</td>
<td>0.378</td>
<td>1.058</td>
</tr>
<tr>
<td>PBV</td>
<td>0.711</td>
<td>1.028</td>
</tr>
<tr>
<td>LEV</td>
<td>0.071</td>
<td>1.042</td>
</tr>
<tr>
<td>AGE</td>
<td>0.760</td>
<td>1.041</td>
</tr>
<tr>
<td>HHI</td>
<td>0.698</td>
<td>1.594</td>
</tr>
<tr>
<td>CFO</td>
<td>0.984</td>
<td>1.551</td>
</tr>
</tbody>
</table>

4.2 Hypothesis testing

4.2.1 Simultaneous significance test (test F)

F test significance probability value 0.000 > 0.05. This suggests that the independent variables simultaneously significant effect on the dependent variable.

4.2.2 Test the coefficient of determination (Adjusted R²)

Adjusted R² value is 0.243. That is, the earnings quality variable proxied by AAQ is able to be explained by the variables DIV, SDIVOP, SDIVG, SKPER, PBV, LEV, AGE, HHI and CFO of 24.3%, while the remaining 75.7% is explained by other variables that are not in model.

4.2.3 Partial significance test (t-test)

The main variables tested in this study is Dividend-Paying Status (DIV), Operating diversification status (SDIVOP), Geographical Diversification Status (SDIVG), and Company ownership status (SKPER). The whole of these variables is a dummy variable.

Based on Table 4.2, it is known that regression coefficient DIV amounted to -0.40 with significance probability of 0.002. Values of significance probability is smaller than the
alpha value of 0.05 (0.002 > 0.05). Thus, the first proposed hypothesis is accepted, the dividend payment status significant negative effect on earnings quality proxies (AAQ). These test results indicate that the quality of earnings of companies that distribute dividends (DIV = 1) is higher than the quality of earnings of companies that do not distribute dividends.

SDIVOP regression coefficient amounted to 0.032 with a significance probability of 0.014. SDIVOP variable regression coefficient is positive, while the significance probability is smaller than the value of alpha 0.05 (0.014 > 0.05). This suggests that the Operating diversification status (SDIVOP) significant positive effect on earnings quality proxies (AAQ). The results of this study also proves that the earnings quality of diversifying companies is lower than the earnings quality of companies that do not diversify operations (focused companies).

SDIVG variable regression coefficient of 0.033 with a significance probability of 0.032. SDIVG regression coefficient is known to be positive and the value of the variable significance probability is smaller than the value of alpha 0:05 (0.032 > 0.05). That is, the status of geographical diversification significant positive effect on earnings quality proxies (AAQ). Given AAQ relationship with the earnings quality is negative, the group of companies with higher AAQ have lower earnings quality, while lower AAQ companies have higher earnings quality.

This study failed to prove that the ownership of the company has a negative effect on earnings quality proxies (AAQ). Statistical analysis showed SKPER regression coefficient of 0.040 with a significance probability of 0.028. SKPER regression coefficient that is positive is not in accordance with the initial allegations. We expect the company's ownership status negatively affect earnings quality proxies (AAQ), which means the earnings quality of the company's with institutional ownership is higher than the earnings quality of companies with individual ownership. This allegation can not be substantiated, so that the fourth hypothesis is rejected. The results showed that the earnings quality of companies with individual ownership was higher than earnings quality companies with institutional ownership.

### 4.3 Advanced Testing

Tests on the status of the Dividend-Paying Status (DIV) over earnings quality comparisons between companies that distribute dividends to companies that do not distribute dividends indicate dividend contain information about the quality of earnings. To prove that the dividend eligible as an indicator of earnings quality, this study in-depth testing of the dividend. Companies that distribute dividends as 107 companies will be examined further. There are three features that further dividend will be tested.

The third feature is a dummy variable. These features are as follows:

1. The size of the dividend (DIV_SIZE), is used to test the quality of earnings comparisons between companies that distribute dividends in large numbers with the company making the distribution in small quantities. The size of the dividend rated 1 when the company distributed dividends in large numbers, and 0 otherwise.

2. The dividend change (DIV_CHANGE), is used to test the quality of earnings comparisons between companies that raised the dividend by the company that does not increase the size of the dividend. DIV_CHANGE rated 1 when the company raised its dividend from year t-1 to year t, and 0 if it does not increase the size of the dividend.
The dividend persistence (PDIV), is used to test the quality of earnings comparisons between companies that distribute dividends persistently with companies that do not pay dividends persistent. PDIV rated 1 if the company distributing the dividend in a row of year t-4 to year t, and 0 otherwise. Special tests on the persistence of the dividend distribution, this study uses AQ (Accrual Quality) as a proxy for the earnings quality. AQ is calculated by using the Dichev and Dechow (2002) model as modified by McNichols (2002). These three variables were tested, namely the size of the dividend (DIV_SIZE), an increase in the size of the dividend (DIV_CHANGE), and the dividend persistence (PDIV) is expected to partially negatively affect earnings quality proxies. Results of further testing are presented in Table 5.9 below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIV_SIZE</td>
<td>-.042</td>
<td>0.011</td>
</tr>
<tr>
<td>DIV_CHANGE</td>
<td>-.059</td>
<td>0.004</td>
</tr>
<tr>
<td>PDIV</td>
<td>-.050</td>
<td>0.019</td>
</tr>
</tbody>
</table>

Based on the analysis, it is known the size of the dividend, the dividend change, and the dividend persistence have a significant negative effect on earnings quality proxies. This shows that the company making the distribution of large amounts have higher earnings quality than the company making the distribution in small quantities. In addition, the increase in the size of the dividend indicates better earnings quality. In this case, the company that increase the dividend size have higher earnings quality than companies that do not increase the size of the dividend. The persistence of the dividend distribution also will return an indication of quality. Companies that distribute dividends persistently have higher earnings quality than companies that do not pay dividends persistent.

4.4 Discussion
4.4.1 The influence of dividend-paying status on earnings quality
Objective testing of the dividend is to prove whether the dividend eligible as an indicator of earnings quality or not. This study was able to prove the first hypothesis empirically that the dividend-paying status negatively affect earnings quality proxies (AAQ). This shows that companies that pay dividends have higher earnings quality than companies that do not pay dividends, given AAQ negatively related to earnings quality. The results are consistent with research Tong and Miao (2011), Skinner and Soltes (2009), Kowerski (2013), and Sirait and Siregar (2012).

The test results of dividend-paying status discovered two interesting things. First, earnings information the company that distributes dividends is more reliable than companies that do not distribute dividends. As we know that earnings quality is closely related to the earnings information that is reliable. These results indicate that the earnings reported by the company paying the dividends is more reliable because they tend to be free of earnings management, or presented in accordance with the actual situation. Reliable profits information can reduce the risk of investment mistakes that can harm investors.

Second, dividend are feasible as indicator of earnings quality. Tests on dividend-paying status found that companies which distribute dividends have higher earnings quality than companies that do not distribute dividends. This indicates that the dividend contains information about the quality of earnings. The dividend distribution may
indirectly provide a signal to the public about reliable earnings information. This is in line with Ali et al. (2007), which revealed that companies that pay dividends and increase the size of the dividend demonstrates the value the lower the risk of information (accuracy better profit information). More in-depth investigation conducted on dividend support the results of this test. Results of further testing consistently showed a positive relationship between dividend with earnings quality. The distribution of dividends, the distribution of dividend in large quantities, increasing the size of the dividend, and the dividend distribution persistent always correlate with better earnings quality. This indicates that the dividend eligible as an indicator of earnings quality.

4.4.2 Influence of operating diversification status on earnings quality
The second hypothesis has been demonstrated empirically. Based on test results, it was found that the operating diversification status has significant positive effect on earnings quality proxies (AAQ). This indicates that the company diversified its operations had lower earnings quality than companies that do not diversify operations. Diversified companies tend to have more complex organization resulting information asymmetry between shareholders and managers. Asymmetry of information is often used by managers to manage earnings that resulted in the quality of earnings is low. This study shows that the reported earnings of focused company tend to be more reliable than reported earnings diversified company. Therefore, the risk of investing errors in focused company is relatively small compared to the diversified company, because focused company financial statements are used as the basis for more reliable investment decision making. This study showed a negative relationship between diversification and earnings quality.

4.4.3 Influence of geographical diversification status on earnings quality
This study succeeded in finding that the geographical diversification status had a significant positive effect on earnings quality proxies (AAQ). This shows that companies that operate in several countries have lower earnings quality than companies that operate in one country. The third hypothesis test the consistency of ties between diversify the earnings quality of organizational complexity and a higher information asymmetry and wider deployment of assets. Companies operating in several countries have higher organizational complexity than companies that only operate in one country. Similarly, the information asymmetry between managers and investors will increase if the company operates in several countries. Organizational complexity and high information asymmetry can be utilized managers to manage earnings, so the quality of reported earnings to be low. The test results of the third hypothesis indicates that the financial statements of companies operating in the country tend to be more reliable than the financial statements that operate in several countries.

Based on the results of the second and third hypothesis testing, it is known that diversification consistently negatively related to earnings quality. The complexity of the organization, information asymmetry, and the rate of deployment of assets to trigger the low earnings quality, because these three factors can be used by managers to manage earnings. This study suggests that the diversification eligible as an indicator of earnings quality.

4.4.4 Influence of company ownership status of earnings quality
This study failed to prove empirically that the company ownership negatively affect the quality of earnings. Therefore, the assumption that earnings quality company with institutional ownership is higher than individual ownership can not be accepted. It is probably because institutional investors are more oriented to current earnings (Porter, 1992 in Ujiyantho and Pramuka, 2007). It forces managers to take action to increase short-term profits, such as making earnings manipulation. Cornett et al. (2006) also have the similar view of the concepts put forward by Porter. Cornett et al. argues that institutional ownership would make managers feel bound to meet profit targets of the investors, so they will still tend to engage in acts of earnings manipulation.

5. CONCLUSION
5.1 Conclusion
This study aims to examine feasibility of dividends, diversification, and company ownership as an indicator of earnings quality. Testing is done by comparing the earnings quality between group of companies according to the dividend-paying status, the of the operating diversification status, geographical diversification status, and the company ownership status. Based on test results, some conclusions can be drawn as follows:
1. The dividend-paying status has a significant negative effect on earnings quality proxies (AAQ). This shows that earnings quality companies that distribute dividends is higher than earnings quality companies that do not distribute dividends. Further testing is done consistently shown a positive relationship between dividend with earnings quality. So it can be concluded that dividends are feasible as indicators of earnings quality.
2. The operating diversification status significant positive effect on earnings quality proxies (AAQ). This indicates that the earnings quality of the company to diversify is lower than the company that do not diversify. This means that diversification is negatively related to the earnings quality.
3. The geographical diversification status significant positive effect on earnings quality proxies (AAQ). This indicates that the earnings quality of companies operating in several countries is lower than earnings quality companies operating in one country. Just like the operating diversification status, geographical diversification status is also found negatively related to earnings quality. Thus, it can be concluded that diversification is decent as an indicator of earnings quality.
4. This study failed to prove empirically that the ownership company status negatively affect earnings quality proxies (AAQ). So the assumption that earnings quality companies with institutional ownership is higher than the companies with individual ownership can not be accepted. This is most likely due to a more institutional orientation in current earnings, forcing managers to take action that can increase profits.

5.2 Limitations and Suggestions
This study does not in spite of its limitations. Some of the limitations in question are as follows:
1. Relatively short study period, ie one year. This is likely to cause the results less than the maximum because the data reflect only a short period.
2. Adjusted $R^2$ value is still relatively low. This shows that there are many other variables besides the variables in the model affect the quality of earnings.
3. Studied the form of dividends is limited to the cash dividend. From some of the above limitations and results of research done, there are some suggestions that researchers ask for some parties.
1. For issuers, it is recommended to evaluate the dividend policy and the policy of diversifying the company. This is because the dividend and diversification indicates earnings quality. The financial statements users to use both of these items to determine decisions, especially investment decisions.
2. For users of the financial statements, especially investors, are expected to not only focus on the profits to be reported, but also advised to give priority to the quality of earnings. Good indicator of earnings quality is dividends and diversification.

Some suggestions for subsequent research, are:
1. Study observation period should be longer, at least for five years, in order to maximize the results of research and accurate.
2. The next study is expected to examine the kinds of dividends such as stock dividends, stock splits, dividends property, etc, so it can be known whether the dividends in addition to the cash dividend is also consistently positively related to the quality of earnings.

REFERENCES