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The Effect of Good Corporate Governance on Corporate Values with Profit Quality as Intervening Variable

(Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2015-2017)

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ABSTRACT: *The implementation of Good Corporate Governance can improve the quality of financial statements, so that it will affect the achievement of the desired company performance. This study aims to examine the effect of Good Corporate Governance, which includes managerial ownership, institutional ownership, the composition of the board of commissioners and audit quality on corporate value. Sample of this study is 21 manufacturing companies, especially the consumer goods industry sector that listed on the Indonesia Stock Exchange in 2015 - 2017. Corporate value as dependent value in this study is measured by Tobin's Q.13 hypothesis have been tested using Partial Least Square (PLS). The results of this study showed that managerial ownership directly has a significant effect on profit quality, but it doesn't have a significant effect on corporate value. Indirectly, managerial ownership has a significant effect on corporate value through profit quality. For the number of board commissioners, it also has a significant value on profit quality but it doesn't have a significant effect on corporate value. Indirectly, the number of board commissioners has a significant effect on corporate value with profit quality.as an intervening variable. Related with institutional ownership variable, it does not have a significant effect on profit quality. Institutional ownership variable has a significant effect on corporate value both directly and indirectly. In this study, audit quality has a significant effect on corporate value, but it does not have a significant effect on profit quality. Audit quality doesn't have significant effect on corporate value with profit quality as an intervening variable. Finally, profit quality has a significant effect on corporate value. It can be concluded that several independent variables have significant effect on corporate value and others are not. Based on those findings, it can be suggested to use all manufacturing companies as a sample for the next research.*

KEYWORDS*: managerial ownership, institutional ownership, board of commissioners, audit quality, earnings quality and corporate value.*

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I. INTODUCTION

Research Background

Good Corporate Governance (GCG) is a system for directing and controlling a company. The implementation of Good Corporate Governance can improve the quality of financial statements, so that it will affect the achievement of the desired company performance. Ionescu (2012) states that companies in Venezuela can reduce capital costs and increase market value when improving corporate governance (CG) practices.Financial statement quality must be able to provide relevant and useful information in making economic decisions and investment decisions for investors, as well as adhering to generally accepted accounting principles and free from fraud and fraud (Kusumaningtyas, 2015). The quality of earnings in particular and the quality of financial statements in general is important for those who use financial statements because they are useful for investment decision making (Schipper and Vincent, 2003).

The concept of ownership structure is an important subject in the broad concept of corporate governance (Fazlzadeh et al., 2011). The relationship between ownership structure and performance has been an important and ongoing subject of debate in the company's financial literature (Uwuigbe and Olusanmi, 2012). The GCG mechanism is usually characterized by managerial ownership, institutional ownership, and independent commissioners (Herawati, 2008; Kusumaningtyas, 2015).Jiang and Anandarajan (2009) stated that institutional investors are parties who can monitor agents with large holdings, so that managers' motivation to manage earnings is reduced. However, empirical evidence regarding the effect of share ownership by institutional investors on earnings quality is also inconsistent. Like the results of the research of Puspitowati and Mulya (2014) which states that institutional ownership has a negative influence on earnings quality. This means that if institutional ownership is high, the quality will be lower. This study shows the limitations of the application of GCG mechanisms to corporate supervision. Navissi and Naiker (2006) predict that large institutional investors have a positive influence on firm value.

Independent commissioners in the company's organizational structure usually consist of a board of commissioners from outside the company whose function is to balance decision making. Highaudit quality will produce reliable financial reports as a basis for decision making (De Angelo, 1981).Based on the explanation above, this study aims to examine the effect of Good Corporate Governance on corporate value by including profit quality as intervening variable.

II. LITERATURE REVIEW

Agency Theory

Agency theory is a concept that explains the relationship between shareholders as principals and management as agents. Principals are parties that provide benefits to other parties, namely agents to carry out all activities on behalf of the principal in his capacity as a decision maker (Jensen and Smith, 1985). It can be said that management is a party contracted by shareholders to work in the interests of shareholders. Because they are chosen, the management must account for all its work to shareholders.According to Weston and Copeland (1992), the aim of agency theory is to improve the ability of individuals (both principals and agents) in evaluating the environment in order to facilitate the allocation of results between principals and agents in accordance with employment contracts. Masdupi (2005)suggested several ways that could be done in reducing agency problems.

Good Corporate Governance

According to the Forum for Corporate Governance in Indonesia (FCGI) in Muid (2009) the definition of corporate governance is a set of rules governing the relationship between shareholders, managers of the company, creditors, government, employees, as well as other internal and external stakeholders relating to their rights and obligations or in other words a system that controls the company. Blair (1995), defines corporate governance as the overall assets of legal, cultural, and institutional arrangements that determine what can be done by public companies, who controls, how control is carried out, and how risk and return from activities carried out by the company are allocated.Good Corporate Governance is corporate governance that explains the relationship between various participants in the company that determine the direction of company performance. Good corporate governance implementation and in accordance with applicable regulations will make investors give a positive response to the company's performance and the company's market value (Yasmeen and Hermawati, 2015).

Managerial ownership

Managerial ownership is a situation where the manager owns the company's shares or in other words the manager as well as the company's shareholders. In the financial statements, managerial ownership is shown by the large percentage of company share ownership by managers. The existence of managerial ownership, the relationship between managers and shareholders is described as the relationship between agent and principal (Schroeder et al., 2001). Managerial parties in a company are those who actively play a role in making decisions to run the company. These parties are those who sit on the board of commissioners and the board of directors of the company (Wahidahwati, 2002).

Institutional Ownership

Institutional ownership is a company stock owned by an institution (insurance companies, banks, investment companies and other institutional ownership) (Midiastuty and Machfoedz, 2003). Institutional ownership has the ability to control management through an effective monitoring process so as to reduce management's actions in managing earnings. Through institutional ownership mechanisms, the effectiveness of management of company resources by management can be known from information generated through market reactions to earnings announcements. Certain percentages of shares owned by an institution can affect the process of preparing financial statements (Buediono, 2005).

Board of Commissioners

Supervision of the board of commissioners on management performance can reduce fraud and opportunistic behavior of management because the board of commissioners oversees management's performance so that it acts in the interests of the owner, namely increasing return (profit) and welfare of the owner. Therefore, managers will try to improve the efficiency of the use of company resources to generate more profits.This is supported by the results of research conducted by Al-Amameh, (2014); Jacking andJohl (2009), which examines GCG, ownership structure and bank performance. GCG which is proxy by the size of the board of commissioners has a positive influence on company performance as measured by ROA.Thegreater the size of the board of commissioners, will improve the company's financial performance. The board of commissioners is more diverse, providing a combination of expertise, knowledge and skills (Al-Amameh, 2014).

Audit Quality

Audit quality as a possibility (joint probability) where an auditor will find and report violations that exist in his client's accounting system. De Angelo (1981) argues that audit quality is directly related to the size of the audit company. External auditors have a fairly high role in order to maintain the quality of financial statements including corporate profits Therefore, the right audit opinion, will provide confidence to users of financial statements that the profits presented in the company's financial statements can be trusted as a picture of the company's performance or value.

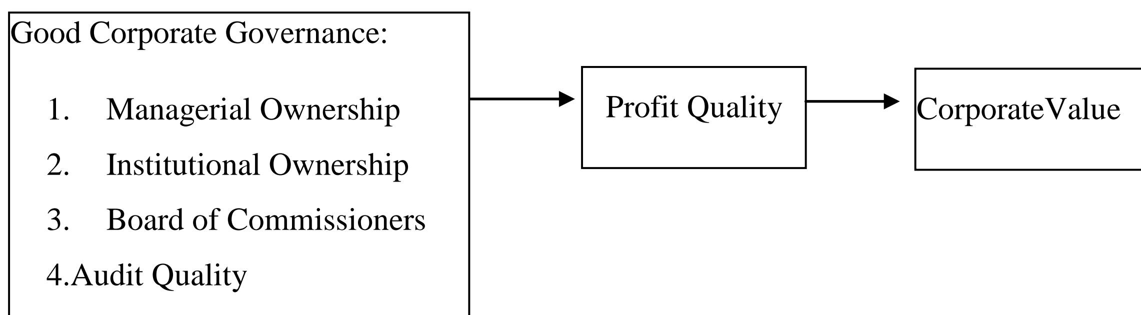
Profit Quality

Profit quality is the level of difference between reported net income and actual earnings, so that quality earnings reflect the company's actual financial performance without any manipulation. The recorded profit that is not in accordance with the actual profit condition cannot predict the actual financial performance so that it becomes irrelevant and reliable to be used as a basis for decision making.The income statements presented in the company's financial statements must be really well presented, because the earnings reports affect the company's value. The earnings report will be used by investors in making decisions to invest (Jonathan and Machdar, 2018).

CorporateValue

Corporate value is a value that shows the reflection of equity and the book value of the company, both in the form of market equity, the book value of total debt and the book value of total equity. Good GCG implementation and in accordance with applicable regulations, will make investors give a positive response to the company's performance (Kusumaningtyas, 2015). According to Soliha and Taswan (2002: 3), corporate value is an investor's perception of the company, which is often associated with stock prices. The high stock prices are directly proportional to the value of the company as well.Corporate value is usually measured by Price Book Value (PBV). Corporate Value is defined as investor perceptions of the level of success of a company that is associated with stock prices. High stock prices make the value of the company also high (Sujoko and Soebiantoro, 2007). Corporate value is an important indicator for investors to value the company as a whole.

Research Framework



Hypothesis Development

The Effect of Managerial Ownership on Profit Quality

The proportion of shares owned by the manager requires the manager not only to have interests as agents but also as principals, so that managers can act in accordance with principal expectation. Managerial ownership can minimize the opportunistic nature of the agent and is able to prevent the information asymmetry in the financial statements, one of which is earnings management practices. The greater the ownership of management in the company, the better the quality of financial report, because management will tend to improve its performance. Therefore, the hypothesis in this study is:
H1: Managerial Ownership has a significant effect on profit quality

The Effect of Institutional Ownership on Profit Quality

Institutional ownership has the ability to control management through an effective monitoring process so as to reduce management's actions in managing earnings. Through institutional ownership mechanisms, the effectiveness of management of company resources by management can be known from information generated through market reactions to earnings announcements. The percentage of certain shares owned by an institution can influence the process of preparing financial statements that does not rule out the possibility of influencing accrualization in the interests of management (Boediono, 2005). Institutional ownership can reduce the tendency

of management to utilize discretionary in financial statements so as to provide reported earnings quality. So the hypothesis in this study is:
H2: Institutional Ownership has a significant effect on profit quality

The Effect of the Board of Commissioners on Profit Quality

The board of commissioners has the duty to oversee the company's performance and provide input to the board of directors. In addition, the board of commissioners plays a role in monitoring the implementation of GCG and making changes if necessary. With the supervision of the board of commissioners on management performance can reduce fraud and opportunistic behavior of management because the board of commissioners oversees management's performance so that it acts in the interests of the owner, namely increasing return (profit) and welfare of the owner. Therefore, managers will try to improve the efficiency of the use of company resources to improve profit quality. This is supported by the results of research conducted by Al-Amameh, (2014); Jacking andJohl (2009), which examines GCG, ownership structure and bank performance, which is proxy by the size of the board of commissioners has a positive influence on company performance. So the hypothesis in this study is:
H3: The Board of Commissioners has a significant effect on profit quality

The Effect of Audit Quality on Profit Quality

Audit quality as a possibility (joint probability) where an auditor will find and report violations that exist in his client's accounting system. De Angelo (1981) argues that audit quality is directly related to the size of the audit company. External auditors have a fairly high role in order to maintain the quality of financial statements including corporate profits. The higher the quality of audits, the transparency of corporate management accountability can be trusted, so that it will increase the confidence of capital market players (Kusumaningtyas, 2015), which in turn can improve company performance which is reflected by better profit quality. So the hypothesis in this study is:
H4: Audit Quality has a significant effect on Profit Quality

The Effect of Profit Quality on Corporate Value

The income statements presented in the company's financial statements must be really well presented, because the earnings reports affect the corporate's value. The earnings report will be used by investors in making decisions to invest (Jonathan and Machdar, 2018)

Abedini, Ranjbar, andMozaffari (2014) states that earnings quality influences the attitude of the capital market for changes in cash balances because the research results show that companies with high profit quality have high abnormal returns as well. Darjezi, Khansalar, and Holt (2015) found that information contained in earnings quality has an influence on the capital market on stock returns because earnings quality is the most important part of a company's future returns and is strongly influenced by the use of accrual discretionary and nondiscretionary by management, which can increase the value of the company. Therefore, the hypothesis of study is:
H5: Profit Quality has a significant effect on Corporate Value

The Effect of Managerial Ownership on Corporate Value

The greater the manager's ownership, the manager will strive to increase the company's profit (alignment of interest) because the manager has a share of the profits obtained (Jensen andMeckling, 1976) in Tertius and Christiawan (2015). Thus, the interests between agents and owners will be in line, namely increasing the value of the company. This is supported by research conducted by El-Chaarani (2014) which measures internal ownership based on manager ownership, resulting in internal ownership having a positive and significant effect on bank financial performance. The manager's ownership in the research is an important factor influencing GCG and bank performance (El-Chaarani, 2014). So the hypothesis is:
H6: Managerial ownership has a significant effect on Corporate Value

The Effect of Institutional Ownership on Corporate Value

Through institutional ownership mechanisms, the effectiveness of management of company resources can be known from information generated through market reactions to earnings announcements. Certain percentages of shares owned by an institution can affect the process of preparing financial statements in the interests of management (Buediono, 2005). According to Kusumaningtyas (2015) the greater the ownership of financial institutions, the greater the sound power and drive to optimize corporate value. So the hypothesis is:
H7: Institutional ownership has a significant effect on Corporate Value

The Effect of Board Commissioners on Corporate Value

Supervision of the board of commissioners on management performance can reduce fraud and opportunistic behavior of management because the board of commissioners oversees management's performance so that it acts in the interests of the owner, namely increasing return (profit) and welfare of the owner. Therefore, managers will try to improve the efficiency of the use of company resources to generate more profits. According to Kusumaningtyas (2015) the board of commissioners in a company is more focused on the monitoring function of the implementation of the directors' policies. The role of the commissioner is expected to minimize agency issues that arise between the board of directors and shareholders. So the hypothesis is:
H8: The board of commissioners has a significant effect on the corporate

The Effect of Audit Quality and Corporate Value

De Angelo (1981) argues that audit quality is directly related to the size of the audit company, with a proxy for the size of the audit company. The results of his research indicate that large audit companies will try to present greater audit quality compared to smaller audit firms, because a large audit company if it does not provide high audit quality will lose its reputation, and if this happens it will incur a greater loss by losing clients. According to Kusumaningtyas (2015) the higher the audit quality, the transparency of corporate management accountability can be trusted, so that it will increase the trust of capital market players, which in turn will have an impact on the company's value.So the hypothesis is:
H9: Audit quality has a significant effect on corporate value.

The Effect of Managerial Ownership on Corporate Value through Profit Quality

The greater the manager's ownership, the manager will strive to increase the company's profit (alignment of interest) because the manager has a share of the profits obtained (Jensen andMeckling, 1976) in Tertius and Christiawan (2015). Thus, the interests between the agent and the owner will be in line namely increasing the value of the company. This is supported by research conducted by El-Chaarani (2014) which measures internal ownership based on manager ownership, resulting in internal ownership having a positive and significant effect on bank financial performance. The manager's ownership in the research is an important factor influencing GCG and bank performance (El-Chaarani, 2014).Therefore, the hypothesis is:
H10: Managerial ownership has a significant effect on Corporate Value through Profit Quality

The Effect of Institutional Ownership on Corporate Value through Profit Quality

Institutional ownership has the ability to control management through an effective monitoring process so as to increase profits as a company performance. Certain percentages of shares owned by an institution can affect the process of preparing financial statements in the interests of management (Buediono, 2005).The ownership of shares by institutional investors such as insurance companies, banks, investment companies and ownership by other institutions will encourage increased optimal oversight of management performance. According to Kusumaningtyas (2015) the greater the ownership of financial institutions, the greater the sound power and drive to optimize corporate profits and value. Therefore, the hypothesis is:
H11: Institutional Ownership has a significant effect on Corporate Value through Profit Quality

The Effect of Board of Commissioners on Corporate Value through Profit Quality

With the supervision of the board of commissioners on management performance can reduce fraud and opportunistic behavior of management because the board of commissioners oversees management performance to act in the interests of the owner, namely increasing return (profit) and welfare of the owner, which in turn can increase company value. Therefore, managers will try to improve the efficiency of the use of company resources to generate more profits. This is supported by the results of research conducted by Al-Amameh, (2014); Jacking andJohl (2009), that the size of the board of commissioners has a positive influence on company performance as measured by ROA. Thegreater the size of the board of commissioners, will improve company performance due to the resource dependency theory, the large number of commissioners increase access to various resources on the external environment and have a positive impact on the company value. Therefore, the hypothesis is:
H12: Board of commissioners has a significant effect on corporate value through Profit Quality

The Effect of Audit Quality on Corporate Value through Profit Quality

De Angelo (1981) argues that audit quality is directly related to the size of the audit company, with a proxy for the size of the audit company. De Angelo (1981) argues that audit quality is directly related to the size of the audit company. External auditors have a fairly high role in order to maintain the quality of financial statements including corporate profits. So that with the accuracy of the audit opinion, will provide confidence to users of financial statements that the profits presented in the company's financial statements can be trusted as a picture of the company's performance or value. Therefore, the hypothesis is:
H13: Audit quality has a significant effect on corporate value through profit quality

III. RESEARCH METHOD

This study uses mining companies listed on the Indonesia Stock Exchange as a population. Sampling is done purposively (purposive sampling), namely in the acquisition of information using certain considerations (Indriantoro and Supomo, 2002: 131). The sample used in this study was manufacturing companies, especially the consumer goods industry sector which was listed on the Indonesia Stock Exchange (IDX) in 2015 - 2017.Data were analyzed using Partial Least Square (PLS).

Operational Variables

1. Managerial ownership. This variable measured by the percentage of company share owned by managers.
2. Institutional ownership. This variable is measured by the percentage of company share owned by institutions, such as insurance companies, banks, investment companies and other institutional ownership.
3. Board of Commissioners. This variable is measured by the percentage of the number of members of the board of commissioners from outside the company of all members the board of commissioners.
4. Audit quality. Audit quality is directly related to the size of the audit company. This study used the size of the audit company to proxy the audit quality. There two categories of accountant public company that used in this study, they are The Big Four and Non Big Four. Audit quality is measured using dummy variables (Siallagan and M. Achfoeds, 2006). The value of Big Four is 1 and Non Big Four is 0
5. Profit quality. This variable is measured by Earning Quality (EQ) with the formula:

$$EQ \frac{Operating\ \ Cash\ Flow\ Ratio}{Net\ Profit}$$

6. Corporate value. This variable is calculated using the Tobin's Q formula.

$$Q = \frac{(EMV + Debt)}{TA}$$

Description:

Q : Company Value

EMV: Equity Market Value (EMV = Closing Price X Number of Shares Outstanding

Debt : Book Value of Total of Debt

TA : Total of Assets

IV. RESEARCH RESULTS AND DISCUSSION

Hypothesis test

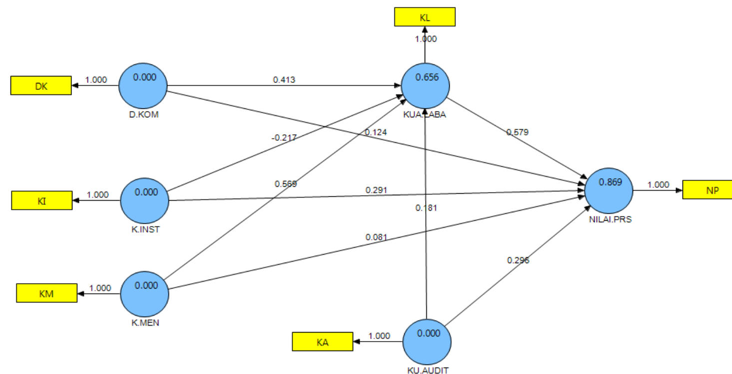


Figure 1: The Result of SmartPls

Interpretation of Research Results

1. Hypothesis 1: Managerial ownership (KM) has a significant effect on profit quality(KL). The test results show that managerial ownership has a significant effect on earnings quality with a coefficient value of 0.569 and a sig value of 0.03 less than 0.05. Thus hypothesis 1 is accepted.
2. Hypothesis 2: Institutional Ownership (KI) has a significant effect on profit quality (KL). The test results show that institutional ownership has no significant effect on profit quality with a coefficient value of -0.217 and a sig value of 0.08 greater than 0.05. Thus hypothesis 2 is rejected.

3. Hypothesis 3: The Board of Commissioners (DK) has a significant effect on profit quality (KL). The test results show that the composition of the board of commissioners has a significant effect on profit quality with a coefficient value of 0.413 and a sig value of 0.03 less than 0.05. Thus hypothesis 3 is accepted.
4. Hypothesis 4: Audit Quality (KA) has a significant effect on Profit Quality (KL). The test results show that audit quality has no significant effect on profit quality with a coefficient value of 0.181 and a sig value of 0.14 greater than 0.05. Thus hypothesis 4 is rejected.
5. Hypothesis 5: Profit Quality (KL) has a significant effect on Corporate Value (NP). The test results show that the profit quality has a significant effect on corporate value with a coefficient value of 0.579 and a sig value of 0.00 less than 0.05. Thus hypothesis 5 is accepted.
6. Hypothesis 6: Managerial ownership (KM) has a significant effect on corporate value (NP). The test results show that managerial ownership has no significant effect on corporate value with a coefficient value of 0.081 and a sig value of 0.40 greater than 0.05. Thus hypothesis 6 is rejected.
7. Hypothesis 7: Institutional ownership (KI) has a significant effect on corporate value (NP). The test results show that institutional ownership has a significant effect on corporate value with a coefficient value of 0.291 and a sig value of 0.01 less than 0.05. Thus hypothesis 7 is accepted.
8. Hypothesis: The board of commissioners (DK) has a significant effect on company value (NP). The test results show that the board of commissioners has no significant effect on company value with a coefficient value of 0.124 and a sig value of 0.21 greater than 0.05. Thus hypothesis 8 is rejected.
9. Hypothesis 9: Audit quality (KA) has a significant effect on Corporate Value (NP). The test results show that audit quality has a significant effect on Corporate Value with a coefficient value of 0.296 and a sig value of 0.00 smaller than 0.05. Thus hypothesis 9 is accepted.
10. Hypothesis 10: Managerial Ownership (KM) has a significant effect on Corporate Value (NP) through Profit Quality (KL). The test results show that the direct effect of managerial ownership on firm value is 0.081, while the indirect effect of managerial ownership on firm value through profit quality is 0.324 (0.569 x 0.57), meaning that the value of indirect influence is greater than direct influence. This shows that indirectly Managerial Ownership through Profit Quality has a significant effect on Corporate Value. Thus hypothesis 10 is accepted.
11. Hypothesis 11: Institutional Ownership (KI) has a significant effect on Corporate Value (NP) through Profit Quality (KL). The test results show that the direct effect of institutional ownership on corporate value is 0.291, while the indirect effect of institutional ownership on firm value through profit quality is 0.124 (0.217 x 0.57), meaning that the value of indirect influence is less than the direct effect. This shows that Institutional Ownership indirectly through Profit Quality does not significantly influence Corporate Value. Thus hypothesis 11 is rejected.
12. Hypothesis 12: The Board of Commissioners (DK) has a significant effect on Corporate Value (NP) through Profit Quality (KL). The test results show that the direct influence of the board of commissioners on the value of the company is 0.124, while the indirect effect of the board of commissioners on the value of the company through earnings quality is 0.235 (0.413 x 0.57), meaning that the value of the indirect effect is greater than the direct effect. This shows that the board of commissioners indirectly through Profit Quality has a significant effect on Corporate Value. Thus hypothesis 12 is accepted.
13. Hypothesis 13: Audit Quality (KA) has a significant effect on Corporate Value (NP) through Profit Quality(KL). The test results show that the direct effect of audit quality on firm value is 0.295, while the indirect effect of audit quality on firm value through profit quality is 0.103 (0.181 x 0.57), meaning that the value of the indirect effect is smaller than the direct effect. This shows that indirectly audit quality through Profit Quality has no significant effect on Corporate Value. Thus hypothesis 13 is rejected.

V. DISCUSSION

The test results show that managerial ownership has a significant effect on profit quality. This finding supports the research of Oktaviani et al. (2015), that managerial ownership affects profit quality.This can be explained that the greater management ownership in the company, then management will tend to try to improve its performance through the quality of reported earnings of the company.Institutional ownership has no significant effect on earnings quality. This result supports the research of Oktaviani et al. (2015), where institutional ownership has no effect on earnings quality, which can be explained that institutional ownership with a small percentage is not able to suppress the tendency of management to utilize discretionary in financial statements so that it affects the reported earnings quality company.

The SmartPlstest show that the composition of the board of commissioners has a significant effect on earnings quality. These results support research conducted by Oktaviani et al. (2015) that the board of commissioners has a significant effect on earnings quality. This finding also support with the results of Mustaqomah's research (2011) where the existence of a board of commissioners can reduce earnings management practices, which in turn can improve the quality of reported earnings of companies.This study

found that audit quality has no significant effect on earnings quality. This result do not support the research of Oktaviani et al. (2015). This can be explained that the quality of audit that are proxy by audits conducted by the Big Four Public Accountants does not affect the quality of corporate earnings. This was also explained by Kusumaningtyas, 2015 that large audit companies would try to present better audit quality. Because a large audit company if it does not provide high audit quality will lose its reputation, and if this happens it will incur a greater loss by losing clients. Thus the company audited by KAP the big four results of its independent audit report will be of higher quality, which means the company's profit quality is better and can be trusted.

The test results show that Profit Quality has a significant effect on Company Value. According to Li (2014) in Jonathan andMachdar (2018), which states that earnings quality is one of the important factors to know the value of a company. The results of this study are in line with the results of Jonathan andMachdar's research (2018) which states that earnings quality influences firm value. This can be explained that the reported profits of the company provide high returns to shareholders, thus making the value of the company increase because investors get high profits from their investment returns.According to DechowandDichev (2009), companies that have good earnings quality can estimate the characteristics of the earnings process that are relevant for decision making. So, managers as managers of companies must be able to make earnings reports that in financial statements have good quality. According to Chan, Jegadeesh, Chan, andLakonishok (2006), a measure of earnings quality can predict future stock price movements, so that stock prices will directly affect company value. This study found that managerial ownership has no significant effect on firm value. The results of this study support the results of Kusumaningtyas (2015) research which states that managerial ownership has no significant effect on firm value. Theoretically with the ownership of shares in management, will increase the motivation of management to work better in improving company performance. Management will be more careful in making decisions so as not to harm the company. The greater the manager's ownership, the manager will strive to increase the company's profit (alignment of interest) because the manager has a share of the profits earned.

The results of statistic test show that institutional ownership has a significant effect on firm value. This finding support research conducted by Kusumaningtyas (2015) which states that institutional ownership has a significant effect on firm value. The large percentage of share ownership by this institution will attract investors to invest in the company because there is a belief in the high level of supervision over the company's management, which in turn will affect the company's financial performance and company value. Fazlzadeh et al. (2011) and Uwuigbe and Olusanmi (2012), also found that ownership of shares owned by institutions positively influenced the value of the company. Ownership of shares by the institution is considered capable of being an effective monitoring mechanism in every manager's decision. The high institutional ownership will influence the financial reporting process, so that it can give a positive reaction to prospective investors in assessing the company.The test results show that the board of commissioners has no significant effect on company value. The results of this study support research conducted by Kusumaningtyas (2015) which states that the independent board of commissioners does not significantly influence the value of the company. It can be interpreted that the independent board of commissioners cannot be maximal in providing oversight of the board of directors. There is a possibility that the independent commissioner in the company is only a formality to meet the regulations of the Indonesia Stock Exchange, so the position of the independent commissioner is not really as an independent supervisor of the policies of the directors imposed in the company. It can also be explained that the existence of an independent commissioner does not affect the value of the company because independent commissioners who may not play an active role, cannot directly control the policies and actions of company managers, so they cannot maximize the target value of the company.

The test results show that audit quality has a significant effect on Company Value. This can be explained that the quality of audits that are proxy by auditing the company's financial statements conducted by the Big Four can support the confidence of investors and shareholders in the fairness of the published financial statements. So investors in deciding on investments have considered the quality of the company's financial statements, which is indicated by financial statements that have been audited by a large trusted public accountant firm. The results of this study also mean that audit quality affects the high stock market value of the company. The results of this study do not support research conducted by Kusumaningtyas (2015). This study found that the direct effect of managerial ownership on firm value is 0.081, while the indirect effect of managerial ownership on firm value through earnings quality is 0.324 (0.569 x 0.57), meaning that the value of indirect influence is greater than direct influence. This shows that indirectly Managerial Ownership through Profit Quality has a significant effect on Company Value.In the end, the greater the ownership of management in the company, the management will tend to try to improve its performance and the quality of financial reporting reported by managers will be better, thus increasing investor confidence which has an impact on increasing the company's stock market value.

The statistic test show that the direct effect of institutional ownership on firm value is 0.291, while the indirect effect of institutional ownership on firm value through earnings quality is 0.124 (0.217 x 0.57), meaning that the value of indirect influence is less than the direct effect. This shows that Institutional Ownership

indirectly through Profit Quality does not significantly influence Company Value. The results of this study do not support the research of Oktaviani et al. (2015), where institutional ownership has no effect on earnings quality, it can be explained that institutional ownership with a small percentage is not able to suppress the tendency of management to utilize discretionary in financial statements so that it affects the earnings quality reported by the company. With a small percentage of institutional ownership, these shareholders do not have sufficient information on the company, so they are less able to monitor management performance and have no active opportunity to make decisions on general meeting of shareholders.

The statistic test show that the direct influence of the board of commissioners on the value of the company is 0.124, while the indirect effect of the board of commissioners on the value of the company through earnings quality is 0.235 (0.413 x 0.57), meaning that the value of the indirect effect is greater than the direct effect. This shows that the board of commissioners indirectly through Profit Quality has a significant effect on Company Value. This is supported by the results of research conducted by Al-Amameh, (2014); Jacking andJohl (2009), that the size of the board of commissioners has a positive influence on company performance, the greater the size of the board of commissioners, will improve company performance due to the resource dependency theory, that with a larger number of boards improve access to various resources to the external environment, so that it is expected to improve the quality of company profits and subsequently have a positive impact on company value. For the last hypothesis, this study found that the direct effect of audit quality on firm value is 0.295, while the indirect effect of audit quality on firm value through earnings quality is 0.103 (0.181 x 0.57), meaning that the value of the indirect effect is smaller than the direct effect. This shows that indirectly audit quality through Profit Quality has no significant effect on Company Value. This can be explained by the auditing of the company by the Big Four, does not directly affect the quality of earnings that can increase the value of the Company

VI. CONCLUSION

Results of this study indicate that managerial ownership has a significant effect on profit quality, but it does not have that in corporate value. In this study, managerial ownership doesn't have a direct significant effect on corporate value, but it has indirect effect on corporate value. Opposite with managerial ownership, institutional ownership has no effect on profit quality but it has on corporate value. Indirectly, institutional ownership does not effect on value of company. Similar with managerial ownership, board of commissioners has significant effect on profit quality but it does not on corporate value. Indirectly or through profit quality, board of commissioners has a significant effect on corporate value. For audit quality, it does not have significant effect on profit quality, but it has that on corporate value. Indirectly (through profit quality), audit quality does not have effect on corporate value

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