

ABSTRACT

Earnings quality is a measure of how consistently a company can generate profits and reflects the true financial performance of the organization. A deep understanding of earnings quality is essential for investors, financial analysts, and other users of financial information. Good earnings information reflects effective resource management, which can enhance investor and creditor confidence in investing.

This study aims to analyze the impact of capital structure, investment opportunity set, and firm size on earnings quality in construction subsector companies listed on the Indonesia Stock Exchange during the period 2020-2023. The methodology employed is panel data regression with a sample of 19 companies and a total of 76 observations, utilizing Eviews 12 software.

The results indicate that simultaneously, all three independent variables significantly affect earnings quality, with an R-squared value of 62.83%. Partially, capital structure and firm size have a significant negative impact on earnings quality, while the investment opportunity set does not show a significant effect. These findings emphasize the importance of effective capital management and firm size in maintaining earnings quality. The researcher recommends that future studies include additional independent variables for a more comprehensive understanding. Furthermore, companies are advised to focus on managing their capital structure and firm size, as these factors influence earnings quality.

Keywords: *Capital Structure, Investment Opportunity Set, Firm Size, Earnings Quality.*