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The Effect of Earnings Management and Audit Quality on Company Value Creation With Risk as an Intervening Variable

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ABSTRACT
The purpose of this study is to examine the effect between earnings management and audit quality on company value creation by considering risk taking as an intervening variable.For this purpose, this study uses research data from companies listed on the Indonesia Stock Exchange, especially in the Miscellaneous Industry from 2018 to 2020. The structural equation model using the WarpPLS program was used to analyze the data.The findings of this study indicate that earnings management has a negative impact on corporate risk taking. Then, audit quality has an influence on the company's risk taking. Meanwhile, if risk is considered to test firm value, the findings show that the three components of earnings management, audit quality and risk have an influence on the creation of company value creation.The results of this study are expected to help analyze capital markets in developing countries, as well as provide an overview of strategies that companies can use to create corporate value.

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INTRODUCTION

Entering the current digitalization development, delivering information to investors for the purpose of creating company value is a condition that companies should pay attention to. The information provided will later be used by investors in analyzing the level of return and the potential risks that occur on the investment made. This is because, when investors carry out their investment activities, it is closely related to their understanding of the current condition of a company, which is reflected in the company's performance. Thus, the company will strive to improve its company performance, both operationally and financially, which is expected to be welcomed by investors. The company will try to increase the company's value in order to get a positive response from shareholders so that they are interested in investing their funds in the company (Romadhona et al., 2018) .

For To measure a company 's performance , investors can see the assessment indicators through the stock prices that have been circulated in the capital market. Khanna and Palepu (2010) in (Kim & Song, 2017) further describe the role of capital market development in producing more accurate information, collecting and distributing information and capital, and facilitating transactions. One of the print and electronic media that trades shares in Indonesia is the Indonesia Stock Exchange (IDX). Several companies in each industrial sector have also been registered with the IDX, to be able to trade their shares to

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investors. According to information obtained through the IDX Fact Book, the number of companies listed on the IDX is:

Table 1. Number of Issuers registered on the IDX

No	Sector	Time span						
		2015	2016	2017	2018	2019	2020	Mean
1	Agriculture	21	21	21	20	21	24	21.3
2	Mining	41	43	42	46	47	47	44.3
3	Basic Industry and Chemicals	65	65	66	72	71	80	69.8
4	Miscellaneous Industry	41	43	42	45	48	53	45.3
5	Consumer Goods Industry	38	39	38	49	52	63	46.5
6	Property, Real Estate and Building Cons.	54	58	58	69	76	97	68.7
7	Infrastructure, Utilities & Transportaton	51	51	55	70	74	80	63.5
8	Finance	86	86	88	91	91	94	89.3
9	Trade, Service & Investment	114	112	120	145	159	178	138
	Total Issuers	511	518	530	607	639	716	586.83

Source: IDX Fact Book 2015-2020

If we look at the company growth rate in table 1.1, the growth of *the Trade, Services & Investment sector* has an average of 138 higher than other sectors. However, to see which sector has succeeded in creating good company value, a certain measurement is needed. One measurement that can be used is using *the Price to Book Value* (PBV) measurement. The PBV ratio is used to measure the value of each company and helps conclude if its shares are under or overvalued, as well as to assess growth potential in relation to company value (Drakopoulou, 2016) . PBV measurement in each industrial sector listed on the IDX is also needed to find out how the company creates positive value among investors. The following is the PBV measurement in each company listed on the IDX:

Table 2. PBV of Issuers listed on the IDX

No	Sector	Time span						
		2015	2016	2017	2018	2019	2020	Mean
1	Agriculture	3.55	3.64	3.02	1.96	1.19	1.31	2.45
2	Mining	1.26	1.57	1.67	3.24	2.26	2.01	2.00
3	Basic Industry and Chemicals	1.94	1.51	5.83	1.87	1.54	1.63	2.39
4	Miscellaneous Industry	1.23	1.23	1.24	1.3	2.8	1.62	1.57
5	Consumer Goods Industry	2.06	5.4	5.58	5.65	4.17	3.83	4.45
6	Property, Real Estate and Building Cons.	1.83	1.63	1.78	2.19	2.22	1.58	1.87
7	Infrastructure, Utilities & Transportaton	2.35	-0.9	4.17	1.82	2.34	1.91	1.96
8	Finance	1.57	1.84	1.97	2.27	2.42	2.45	2.09
9	Trade, Service & Investment	1.94	1.88	2.37	1.87	2.56	2.12	2.12

Source: IDX Statistics 2015-2020

It can be seen in table 1.2 that the *Consumer Goods Industry sector* has an average over a period of 5 years of 4.18. With a PBV figure above 1, as explained (Christiana & Putri

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Pratami, 2018) , namely if a company has a PBV above 1 (> 1), then the company's stock price is considered higher than its book value which illustrates that the company's performance is getting better in the eyes of investors. While in the *Miscellaneous Industry sector* , in terms of creating Company value measured using PBV, it has the lowest figure compared to other sectors, with an average period of 6 years of 1.57.

Another phenomenon that occurs in the *Miscellaneous Industry sector* also seen from the decline in stock prices in this sector . The sectoral index performance that experienced a decline of up to 16.05% was the Miscellaneous Industry sector (Oktavia & Nugraha, 2021) . In fact, three of the six miscellaneous industry sectors are also priority sectors supported by the government's development to support the 4.0 era, namely the textile and garment sub-sector, the electronics sub-sector, and the automotive sub-sector, so that with the support provided by the government, it is hoped that this sector can continue to develop and create investment opportunities (Rahayu et al., 2020) .

With several phenomena occurring in the Miscellaneous Industry sector , investment opportunities that are expected to attract investors will be considered more by investors. Because the good or bad condition of a company, how the company can create value, is one of the things that is taken into account to get a positive response from investors. This is very important so that the company can show that its resources are used optimally in dealing with environmental changes (Faisal et al., 2018) .

There is one index that has high liquidity in the industrial environment of Indonesia, namely the LQ45 stock index. Not all companies can be included in the LQ45 index, because the LQ45 index uses 45 selected stocks based on stock trading liquidity and is adjusted every 6 months (Widyanto et al., 2019) . Several countries that have high levels of liquidity, such as Thailand (SET50), and Malaysia (KLCI), when compared to Indonesia, the development of PBV can be seen as follows:

Table 3. PBV calculation in some countries

Note	2015	2016	2017	2018	2019	2020
LQ45	5.42	4.44	4.22	2.93	3.77	3.52
SET50	1.77	2.02	5.31	4.32	4.14	3.87
KLCI	6.72	5.94	7.82	6.24	6.59	6.03

Source: Idx.com, Bursamalaysia.com, set.th.co (processed data)

As seen in table 1.3, the index that has a high level of liquidity in the Set50 index, which is *the top index companies* in Thailand, shows that the level of corporate value creation in 2015-2020 is superior to the LQ45. With an average PBV value reaching 3.87 at the end of 2020, which shows that the company's performance in the set50 index received a positive response from investors in making decisions to carry out their investment activities, when compared to investing in LQ45. Then, in *the top index companies* in Indonesia, namely LQ45, it can be seen that in terms of value creation in the LQ45 index, it shows a relatively lagging figure, when compared to the Set50 and KLCI indices. This can cause investors to consider their investment actions, if they refer to how the company creates a corporate value that is traded on the capital market.

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From a financial perspective, investor welfare can be created when the company's value experiences a significant increase (Perwito et al., 2020) . However, companies often find it difficult to create a positive level of welfare for investors. This can be seen, since 2020, in Indonesia in particular, where the Composite Stock Price Index (IHSG) has fallen to 18.84 percent. Conditions like this will encourage the company's management to try to increase the value of the shares, by implementing various methods. Such as one of them by implementing an accounting strategy, namely using profit management techniques, to be able to increase the creation of company value.

In a company, managers will try to show a dynamic and stable level of company performance for investors and the capital market. Knowing the importance of profit, company management is interested in managing profit in a meaningful way, using the wisdom provided by accounting standards (Kaushik & Kumar, 2018) . In various countries, accepted accounting standards allow managers to have various choices to choose different accounting methods to calculate the profit they have (Arayesh, 2017) .

Signal theory explains the motives of management signaling in conducting earnings management, used to signal its users about the company's performance (Yimenu & Surur, 2019) . If the signal given by the company is in accordance with the needs of investors, then profit information can be used as a basis for investors to make an assessment of the profits to be obtained. However, it is possible that the company will be faced with risks that will occur, if this profit information is not relevant to the conditions of demand and supply for shares.

In the study (Bansal et al., 2021; Wongchoti et al., 2020) showed that earnings management actions can affect the level of risk of rising or falling stock prices. However, this study does not explain accrual-based earnings management actions that can affect the level of stock return risk that will be received by the company, when using earnings management actions. In further research, researchers will use accrual-based earnings management measurements which are expected to explain the level of stock return risk, especially in the misscelanous industry sector in Indonesia.

One of the significant factors influencing investment decisions in a country is the risk-taking range, so most investment managers today pay attention to the accuracy of risk estimation and then risk management to reduce risk to a minimum (Sri & Solimun, 2019) . In relation to risk, there are audit quality factors that correlate with company risk. Auditors always want to see whether the risk management system and procedures are strong enough to prevent, detect, and control any risks that affect the performance of the client's system (Al-qatamin & Salleh, 2020) .

The results of the study (Bley et al., 2019; Huang et al., 2020) , prove that audit quality can affect the risk level of a company that has leverage problems, surplus or default on bank credit. In this study, a test will be conducted related to the level of stock returns received by the company, which is expected to affect the creation of company value, as well as the use of the audit function.

In each company, there tends to be a different level of risk. However, not all companies can reveal the importance of the level of risk faced by the company. In fact,

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information about company risk can increase the value creation of a company. Information about company risk can later help investors identify what type of risk the company will face and help investors measure the value of the company through stock price forecasting (Abdullah, 2018; Beretta & Bozzolan, 2004) .

Radić, (2015) and Hegde & Mishra, (2017) explain that corporate value can be created when companies design risk-taking strategies used by companies such as mergers and acquisitions. However, it is not explained how the impact of the company's risk-taking strategy is related to the level of stock returns that will be received by the company. Thus, researchers will try to further research related to the risk-taking strategy on the level of stock returns received, and whether the company in creating corporate value is able to increase the company's value. As important as risk-taking for company growth. Risk-taking is an important part of business, and company growth depends on operating at the right level of risk (Bhuiyan et al., 2021) .

In terms of corporate value creation, management requires quality auditor services to find out how the company delivers the quality of its financial information delivery. Auditors who have good audit quality will make investors believe in the information issued by the company which makes investors no longer hesitate to invest (Nafiah & Sopi, 2020) . The most important metrics for investors are trained, competent auditors, well-planned audits, and skeptical and independent auditors (Christensen et al., 2016)

Raygan et al., (2021) , shows how audit quality, especially the public accounting firm size index, influences the creation of corporate value , as measured by the difference between the market value of the company's common stock and the book value of the stock. Then, the results of Mangesti Sri et al (2019) research also explain that audit quality with the auditor's tenure index and share ownership concentration have an influence on the creation of corporate value.

In this study, researchers refer to the articles (Raygan et al., 2021; Sri & Solimun, 2019) which examines the relationship between audit quality and risk taking on value creation in a company. Then, this study will try to make an update by adding an independent variable, namely profit management. Company profit is one of the most important indicators of company performance because it can communicate information about the company's ability to create value to its stakeholders (Wijesinghe & Kehelwalatenna, 2017) .

However, this study also considers the risk taking of the company that will be accepted, if the company uses earnings management actions to increase the value of the company. The relationship between earnings management and stock returns is expected to be influenced by the systematic risk associated with the stock, the size of the stock, the nature of the stock (value and growth stocks) and the historical pattern of stock returns (Bansal et al., 2021) .

Literature Review

Agency Theory

Agency theory *explains* the relationship between one or more parties (principals) who have agreed with another party (*agent*) to provide services, authority to the agent to make

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decisions (Smulowitz et al., 2019) . According to Jensen and Meckling (1976), the agency relationship in a company is in the form of a contract between the owner (principal) and the manager (agent) in managing the use and control of company resources. The contract regulates the rights and obligations of the parties while still taking into account the overall benefits (Falendro et al., 2018)

Signaling theory

Starting from the explanation (Spence, 1973) who developed a signal theory to clarify information asymmetry in the labor market (Spence, 1973), and (Ross, 1977) further developed this theory as an effort to explain voluntary disclosure in corporate reporting. The theory argues that the existence of information asymmetry can also be used as a reason for good companies to use financial information to send signals to the market (Ross, 1977). Information disclosed by managers to the market reduces information asymmetry and is interpreted as a good signal by the market (Yimenu & Surur, 2019) . Signal theory shows that negative or positive information when described by the signaler will be useful for the recipient (Yasar et al., 2020) .

Creation of corporate value

To create value, we must first define the concept of value (Raygan et al., 2021) . The term value theory comes from neoclassical economics, where value theory is any explanation of the exchange value (or value in exchange), or price, of goods and services. (Windsor, 2017) . In economic theory, value creation for resources comes from value creation for end consumers (Knowledge, Wharton, 2016).

Profit management

Ronen and Yaari, (2008) in Alzoubi, (2018) provide three degrees and definitions of white, grey and black earnings management as, white, Exploiting the flexibility of accounting choices to the advantage of management to signal managers' private information about future cash flows.Grey. Choosing accounting treatment for opportunistic administrative purposes or options with better efficiency. Black, Fraud, deception and misleading financial reports.

Audit quality

Definition of quality, does not have a common concept around the choice of vocabulary that can be agreed upon by most people. According to Salehi et al., (2019) , quality is defined and measured to improve and control every aspect that can be considered as a characteristic of an entity; sometimes as an indicator or commodity; and sometimes as an indicator of excellence. Furthermore, IAASB (2011), in this view, the audit is said to be of quality based on a systematic view and the quality of input, process and output determines the quality of the audit, therefore the quality of all system components is taken into consideration.

METHOD

The population in this study is issuers/companies listed on the IDX, especially in the miscellaneous industry sector for the period 2017-2020 . The criteria determined to be used as samples are as follows : (1) not *delisted* and *listed* on the IDX , (2) report and publish

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financial reports, (3) listed companies sequentially within a period of 3 years , (4) its shares are actively traded, (5) it distributes or makes dividend payments, (6) it publishes available information, and can explain further research. On this basis, the determination of existing research data amounts to 156 companies .

In this study , the type of data used is quantitative data, namely data that can explain the magnitude of the value of the variables studied. For data sources in this study, secondary data is used, namely data obtained through other parties who have collected it first. The data sources used consist of; (1) Indonesia Capital Market Directory (ICMD) published in 2017 to 2020; (2) Annual reports for all companies selected as sample members, for 2017 to 2020; and (3) Bloomberg database with a time span of 2017 - 2020.

Model analysis to test the research conducted, researchers use Partial Least Square (PLS). The use of PLS to produce a prediction and evaluate its performance that allows the use of prediction results and these metrics can be used to evaluate and inform theory (Galit Shmueli et al, 2016). Furthermore, Ghozali (2015) explains that PLS is a powerful analysis because it does not assume that data must be on a certain measurement scale and also regarding the number of samples is relatively small (the minimum recommended ranges from 30 to 100).

The path analysis model of all latent variables in PLS consists of three related relationships, namely: 1) Inner Model which explains the relationship between latent variables (structural model). 2) Outer Model explains the relationship between latent variables and indicators (measurement model). 3) Weight relation explains where the case value of the latent variable can be estimated. Researchers use a Structural model (Inner Model) which is supported by the Pls and WarpPls approaches.

RESULTS AND DISCCUSION

Research Data Distribution

Based on the results of data collection, the number of companies listed on the Indonesia Stock Exchange (IDX), especially in the *miscellaneous industry* sector between 2017 and 2020 , in full as follows:

Table 4. Company profile in the Miscellaneous industry sector

	Machines and Heavy Equipment			**Textile, Garment**	
1	AMEN	Ateliers Mecaniques D'Indonesia Tbk.	1	ARGO	Argo Pantes Tbk.
2	ARKA	PT.	2	BELL	Trident Textile Industry Tbk.
3	GMFI	Garuda Maintenance Facility Aero Asia Tbk.	3	CNTB	Century Textile Industry (Serie B) Tbk.
4	KPAL	Steadfast Marine Tbk.	4	CNTX	Century Textile Industry (PS) Tbk.
5	KRAH	Grand Kartech Tbk.	5	ERTX	Eratex Djaja Tbk.
	Automotive and Components		6	ESTI	Ever Shine Textile Industry
1	breast milk	Astra International Tbk.	7	HDTX	Pan Asia Indo Resources Tbk.

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2	AUTO	PT.	8	INDR	Indo Rama Synthetics Tbk.
3	BOLT	Garuda Metalindo Tbk	9	MYTX	Asia Pacific Investments Tbk.
4	BRAM	PT.	10	PBRX	Pan Brothers Tbk.
5	GDYR	Goodyear Indonesia Tbk.	11	POLE	Golden Flower Tbk.
6	GJTL	PT.	12	POLY	Asia Pacific Fibers Tbk.
7	IMAS	Indomobil Sukses International Tbk.	13	RICH	Ricky Putra Globalindo Tbk.
8	INDS	Indospring Tbk.	14	SBAT	Prosperous Star Abadi Textile Tbk.
9	LPIN	PT.	15	SRIL	Sri Rejeki Isman Tbk.
10	TIME	Multistrada Directional Facilities Tbk.	16	SSTM	Sunson Textile Tbk.
11	NIPS	Nipress Tbk,	17	STAR	Star Petrochem Tbk.
12	PRAS	Prima Alloy Steel Universal Tbk.	18	TFCO	Tifico Fiber Indonesia Tbk.
13	SMS	Happy Sempuran Tbk.	19	TRIS	Trident International Tbk.
		Footwear			**Textile, Garment**
1	BRICK	Bata Shoes Tbk.	20	UCID	Uni-Charm Indonesia Tbk.
2	BIMA	PT.	21	UNIT	PT.
		Cable	22	ZONE	Mega Pioneers Tbk.
1	CCSI	Communication Cable Systems Indonesia Tbk.			**Electronics**
2	IKBI	Sumi Indo Cable Tbk.	1	JSKY	Sky Energy Indonesia Tbk.
3	JECC	Jembo Cable Company Tbk.	2	National University of Technology	Sat Nusapersada Tbk.
4	KBLI	KMI Wire and Cable Tbk.	3	SCNP	Harmonious Citra Nusantara Perkasa Tbk,
5	KBLM	PT.	4	SLIS	Perfect Eternal Style Tbk.
6	SCCO	Supreme Cable Manufacturing & Commerce Tbk.			
7	VOX	Voksel Electric Tbk.			

Source: IDX annual statistics 2017-2020

Then, by paying attention to the research sample criteria, research data can be obtained as follows:

Table 5 . Selection of research samples

Criteria	Total
Companies listed in the Misscellaneous Sector 2017-2020	193
Companies that did not publish a complete *annual report during 2017-2020*	(41)
Research Data	152

Source: processed data, 2022

Descriptive Statistical Analysis

The descriptive statistical analysis presented will discuss the minimum value, maximum value, average value, and standard deviation value of the research variables. The explanation in this case can be seen in the following table:

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Table 6 . Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EM2017	38	-16.51	7.80	-1.05	3.77
EM2018	38	-19.87	7.43	-1.07	4.09
EM2019	38	-15.57	6.45	-0.93	3.47
EM2020	38	-14.29	6.29	-0.88	3.29
QA2017	38	25.21	55.45	44.06	9.61
QA2018	38	25.31	58.04	46.95	7.24
QA2019	38	26.23	58.04	46.46	7.69
QA2020	38	26.13	57.98	46.84	7.21
RISK2017	37	1.21	4.25	2.33	0.85
RISK2018	38	1.28	4.34	2.30	0.84
RISK2019	38	1.21	4.30	2.37	0.86
RISK2020	38	1.18	4.54	2.29	0.84
PBV2017	38	-0.45	4.10	1.15	1.14
PBV2018	38	-6.24	4.73	1.04	1.71
PBV2019	38	-1.05	3.64	1.05	1.02
PBV2020	38	-0.49	6.28	1.16	1.04
Valid N (listwise)	25		s		

Source: Data results processed using SPSS, 2022

Based on table, the research variables used in this study can be described as follows:

a. Earnings Management, based on the results of statistical testing, the minimum value of the calculation of earnings management is -14.29. With an average value of >-1.07, it can be said that the test of earnings management has a relatively low number .
b. Audit Quality, based on the results of statistical testing, shows that the calculation of the audit quality variable has an average data distribution of 46. Only in 2017, the average audit fee expenditure and the size of the audit firm were relatively low when compared to 2018-2020.
c. Risk, based on the results of statistical testing, the minimum value of the calculation of the company's risk factor, reaches 1.18. With a maximum value of 4.54 with an average above 1.00, it can be concluded that the distribution of data on risk calculations is quite good.
d. Value creation, the results of statistical testing show that the value creation variable has a minimum value of -6.24 and a maximum value of 6.28. If referring to the minimum value, then the value creation in the *miscellaneous industry sector* is relatively low . However, by referring to the average value above >1, it can be said that the value creation in the *miscellaneous industry sector* is quite good.

Research result

In the research conducted by the researcher, to convey the data analysis process carried out, the researcher used the WarpPLS 7.0 approach, in order to explain the testing of various hypotheses proposed in this thesis research.

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Model analysis

To conduct the research model analysis, the researcher conducted model measurement with *confirmatory* factor analysis. From the results of the confirmatory factor analysis test, the following results were obtained:

Table 7. Confirmatory factor analysis test results

No	Indicator Code	*Loading Factor*	Type	SE	P Value
1	EM2017	0.916	Reflect	0.108	<0.001
2	EM2018	0.981	Reflect	0.105	<0.001
3	EM2019	0.993	Reflect	0.105	<0.001
4	EM2020	0.995	Reflect	0.105	<0.001
5	QA 2017	0. 760	Reflect	0.112	<0.001
6	QA 2018	0.904	Reflect	0.115	<0.001
7	QA 2019	0.864	Reflect	0.115	<0.001
8	QA 2020	0.828	Reflect	0.116	<0.001
9	RISK201 7	0.937	Reflect	0.107	<0.001
10	RISK201 8	0.991	Reflect	0.105	<0.001
11	RISK201 9	0.965	Reflect	0.106	<0.001
12	RISK202 0	0.963	Reflect	0.106	<0.001
13	PBV2017	0.614	Reflect	0.122	<0.001
14	PBV2018	0.778	Reflect	0.117	<0.001
15	PBV2019	0.973	Reflect	0.108	<0.001
16	PBV2020	0.934	Reflect	0.112	<0.001

Source: WarpPLS data processing results, 2022

The results obtained show that the *loading factor value* of all indicators presented above is more than 0.40 with *a P value* of less than 0.05. Therefore, it can be concluded that these indicators can still explain the variables well (Sholihin & Ratmono, 2013).Then, to strengthen the research variables used, the researcher conducted convergent, discriminant and reliability validity tests. The results can be seen in the following table:

Table 8. Validity and reliability test results

Testing	Parameter	Mark	Rule of thumb	Conclusion
	Average Variance Extracted			
	EM	0.945	> 0.50	Valid
Validity	QA	0.707	> 0.50	Valid
	RISK	0.929	> 0.50	Valid
	PBV	0.701	> 0.50	Valid
	Cronbach 's Alpha			
	EM	0.980	> 0.70	Reliable
	QA	0.860	> 0.70	Reliable
	RISK	0.974	> 0.70	Reliable
Reliability	PBV	0.846	> 0.70	Reliable
	Composite Reliability			

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Testing	Parameter	Mark	Rule of thumb	Conclusion
	EM	0.986	> 0.70	Reliable
	QA	0.906	> 0.70	Reliable
	RISK	0.981	> 0.70	Reliable
	PBV	0.901	> 0.70	Reliable

Source: WarpPLS data processing results, 2022

Based on the results of the validity test, the indicators of all constructs in this study, the Average Variance Extracted figure > 0.50. As explained by Chin (1988) and Otuo (2017) that the validity of the construct is confirmed, when the Average Variance Extracted figure must be 0.5 or higher.Then, for the data reliability test, the Cronbach's Alpha level > 0.70, indicates the level of reliability of the research variables used can be reflective, and can explain the research conducted . Cronbach's reliability analysis must be at least 0.50, or ideally more than 0.70, to ensure consistency and stability of the test results (Wei ta Fang, 2017). Furthermore, to strengthen data reliability, it can also be seen from the Composite Reliability level which is at the threshold of 0.70. According to the literature on factor loading values, the Composite Reliability value must be 0.7 or higher (Bagozzi and Yi, 1988, Muhammad Farhan Basser, 2019).

PLS SEM Analysis

In SEM PLS analysis, it is used to test the feasibility of the research model used. As for testing the research model is said to be feasible, it can be seen from the Average Path Coefficient , Average R-squared and Average adjusted R-squared significance values of less than 0.05, so it can be concluded that this research model is feasible. Next, the Average block VIF and Average full collinearity VIF show a score of less than 3.3 which means that this research model is also feasible. Furthermore, the Tenenhaus GoF score shows a score greater than 0.36 which means that this research model is still feasible. The results of Symson's paradox ratio , R-squared contribution ratio and Statistical suppression ratio also show that the model used in this study is feasible to use. More details can be seen in the following table:

Table 9 .Model Measurement

Test / Parameters	Mark	Limitation	Conclusion
Average Path Coefficient	0.291 (p<0.012)	P<0.05	Fit model
Average R-squared	0.294 (p<0.012)	P<0.05	Fit model
Average adjusted R-squared	0.244 (p<0.026)	P<0.05	Fit model
Average block VIF (AVIF)	1,246	Ideal<3.3	Fit model
Average full collinearity VIF (AFVIF)	1,271	Ideal<3.3	Fit model
GoF Tenenhaus (GoF)	0.491	Large >0.36	Fit model
Symson's paradox ratio (SPR)	1,000	Ideal=1	Fit model
R-squared contribution ratio (RSCR)	1,000	Ideal=1	Fit model
Statistical suppression ratio (SSR)	1,000	Accepted if	Fit model

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		>0.7	
Nonlinear bivariate causality direction ratio (NLBCDR)	0.900	Accepted if >0.7	Fit model

Source: WarpPLS data processing, 2022

After conducting the feasibility test of the research model, then hypothesis testing is carried out based on the WarpPLS output which can be explained in Figure 4.1. From the WarpPLS output results for hypothesis testing, the results obtained are that earnings management has a negative effect on corporate risk taking with a coefficient estimate of -0.11 and a significance level of 0.24. Then, audit quality has a positive effect on corporate risk taking with a coefficient estimate of 0.46 and a significance level below 0.01. Furthermore , corporate risk taking has a positive effect on corporate value creation with a coefficient estimate of 0.25 and a significance level of 0.04. After that, audit quality has a positive effect on corporate value creation with a coefficient estimate of 0.27 and a significance level of 0.03. Then, earnings management has a positive effect with a coefficient estimate of 0.36 and a significance level below 0.01 on corporate value creation. Then, the ability of audit quality, earnings management and risk in explaining corporate value creation variables is 0.37. The structural equation model in this study can be seen as follows:

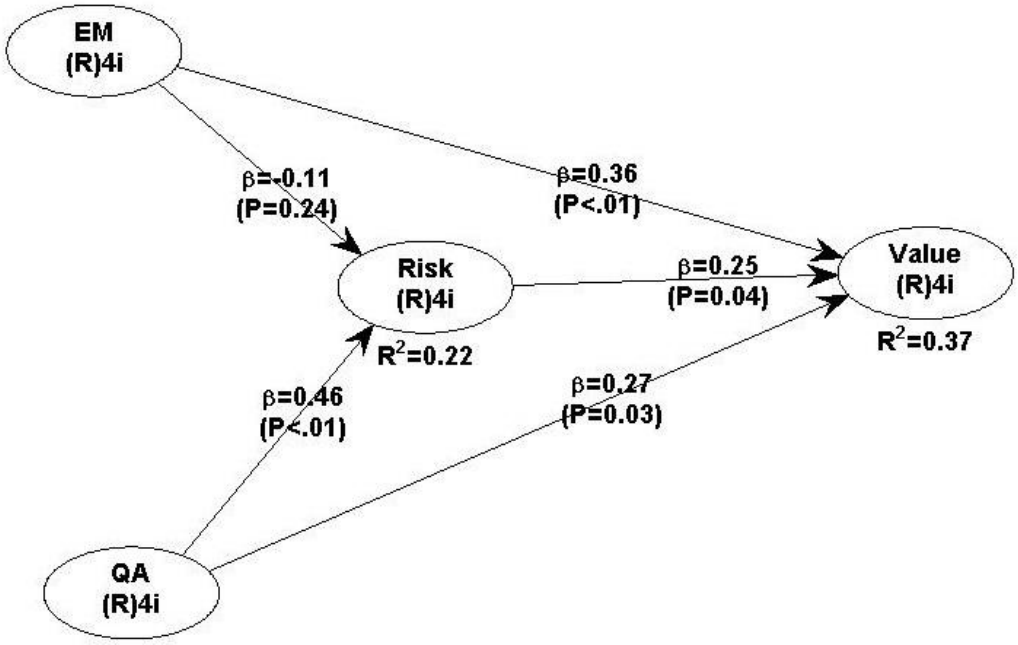

Figure 1. Structural Equation Model Research
Source: Data processing results using WarpPLS, 2022

Discussion

Hypothesis Testing

Based on the inferential statistical data analysis carried out using the WarpPLS program, the hypothesis can be tested in this study, the following explanation of statistical testing is presented as follows:

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Table 10. Hypothesis Equation Measurement

Influence	Coefficient	Significance	Conclusion
EM RISK →	-0.110	0.240	Rejected
QA RISK →	0.456	<0.001	Accepted
EM VC →	0.361	0.006	Accepted
QA VC →	0.273	0.033	Accepted
RISK VC →	0.253	0.045	Accepted
Rule of Thumb p-value <0.05			

Source: Data processing using WarpPLS, 2022

The researcher presents an explanation regarding hypothesis testing as follows:

The Influence of Earnings Management on Corporate Risk Taking

H $_1$ which states that earnings management has a positive effect on corporate risk taking, shows insufficient evidence for this hypothesis to be accepted . Referring to the research equation model used, the estimated value of the earnings management variable coefficient is -0.110 with a significance level of 0.240, which indicates a significance value above the rule of thumb of 0.05.Referring to Signaling Theory , to maintain that all publicly available information is reflected in stock returns, it seems that investors in the selected companies do not utilize earnings quality information, or they use other information when allocating their resources (Wijesinghe & Kehelwalatenna, 2017) . Managers engage in earnings management to avoid the adverse effects of information asymmetry. Managers do so to achieve a favorable market reaction in the form of higher stock prices, which, in turn, positively affects stock market returns (Wijesinghe & Kehelwalatenna, 2017) .

The Influence of Audit Quality on Corporate Risk Taking

H $_2$ explains that audit quality has a positive effect on corporate risk taking, proving sufficient evidence to be accepted . This is in accordance with the main structural equation model, where the estimated value of the audit quality variable coefficient is 0.456 with a significance level of <0.001, which means below the significance acceptance level of 0.05.In agency theory also explains that in this theory, it can produce a useful explanation of economic accountability theory, which helps explain the development of the audit function and by extension the quality of the audit process (David et al., 2018) . Thus, audit quality must be high to ensure that their client companies disclose better quality information in a timely manner to protect the company (Pham et al., 2017) .

The Influence of Earnings Management on Corporate Value Creation

H3 which states that earnings management has a positive effect on the creation of corporate value, shows sufficient evidence to be accepted . This is in accordance with the structural equation model of the research conducted, where the estimated value of the earnings management variable coefficient produced is 0.361 with a significance level of 0.006, which means below the significance acceptance level of 0.05.In the research conducted by (Lu, 2013; Tarmidi & Murwaningsari, 2019) explained that companies with higher accrual quality have a significant influence on the creation of corporate value. This is also supported by research that identifies *the* positive role *of Discretionary Accrual* in

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indicating future performance (Chen & Gong, 2019; Darmawan, 2020; Dechow et al., 2021; Robin & Wu, 2015) .

The Influence of Audit Quality on Corporate Value Creation

H4 which states that audit quality has a positive effect on the creation of corporate value, shows sufficient evidence to be accepted . This is because in the structural equation model, it explains that the estimated value of the audit quality variable coefficient is 0.273 with a significance level of 0.033, which is below the specified significance acceptance level, which is 0.05.Lennox (1999c) in (Alareeni, 2019) showed that opinions issued by large audit firms are more accurate and provide more informative signals of financial failure minimization than opinions of less experienced auditors. Signaling theory argues that companies with good performance send signals to the market through financial disclosure (David et al., 2018) . Companies are incentivized to signal through their choice of external auditors. Even voluntary disclosures that can be used as signals increase credibility with a quality audit.

The Influence of Corporate Risk Taking on Corporate Value Creation

H5 which states that corporate risk taking has a positive effect on corporate value creation, shows sufficient evidence to be accepted . This is in accordance with the structural equation model of the research conducted, where the estimated value of the coefficient of the corporate risk taking variable produced is 0.253 with a significance level of 0.045, which means below the significance acceptance level of 0.05.Agency theory explains that human resources and the desire of corporate management, they try to avoid taking risks and may even give up some high-risk investments by trying to create a positive *net present value* (Kempf et al., 2009) . Agency problems are an important factor in corporate risk decision making, and can cause managers to avoid taking risks (Jiraporn et al., 2015) . Previous studies have focused on the relationship between managers' agency problems and corporate risk taking (Baixauli-Soler et al., 2015; Su et al., 2017) .

CONCLUSION

Various previous studies on how companies can create positive value for investors have been conducted. Different from previous studies, this study aims to explain how companies' strategies increase company value, by considering the risks taken by the company when implementing the strategy. In this case, the researcher also provides an overview of the capital market in developing countries, which is expected to help review further the comparison of which industries create more company value, compared to other industries. The results obtained in this study can also be described as follows, earnings management has been proven to have a negative and insignificant effect on corporate risk taking. Thus, in this case, the use of earnings management strategies is not feasible, if viewed from its relationship with corporate risk.Audit quality has been proven to have a positive and significant effect on corporate risk taking. Therefore, when using audit services, it is expected to prioritize audit cost factors and the size of the audit firm, if the company refers to how the expected stock return rate is, to minimize the risk of losses that occur.Earnings management has a positive and significant effect on the creation of corporate value. In this

test, it explains that earnings management strategies can create corporate value. However, if considering corporate risk taking, the use of earnings management to provide signals to investors does not have a significant impact on the creation of corporate value.Audit quality has a positive and significant effect on the creation of corporate value. The results of this test show that the audit quality factor, in addition to being able to influence the company's risk taking, can also influence how the company creates value.Risk taking has a positive and significant effect on the creation of corporate value. By considering the stock return factor, it is expected to be associated with the company's achievement in creating corporate value.

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