THE EFFECT OF OPERATING CYCLE AND DEFAULT RISK ON PROFIT QUALITY WITH GOOD CORPORATE GOVERNANCE AS A MODERATION VARIABLE

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Abstract
This study aims to examine the influence of operating cycle and default risk on profit quality with good corporate governance as a moderator. The research method used is an associative quantitative method. The data used in this study is panel data, which is a combination of time series data and cross section data. The population in this study is companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2019-2023. The determination of samples by purposive sampling technique was obtained from 16 companies with 80 observation data. The analysis technique and hypothesis testing were carried out by panel data regression analysis through EViews ver-12. Based on the results of the T test, it is known that the operating cycle has a significant effect on the quality of profits. On the other hand, default risk has no effect on the quality of profits. Meanwhile, good corporate governance cannot moderate the influence of operating cycle variables and default risk variables on profit quality.

Keywords: Operating Cycle, Default Risk, Good Corporate Governance, Profit Quality

1. Introduction

Financial reports are an important tool for companies to communicate their activities and conditions to users, including investors. These reports should be relevant to prevent wrong decisions, especially in investments. Investors tend to choose companies with positive profits, but the profits in the financial statements do not always reflect the actual conditions due to the potential for manipulation by management. The case related to the quality of PT Timah Tbk's (TINS) profit in 2019 shows a significant revision in the company's financial statements. Initially, the 2018 financial report showed an increase in net profit, but after being revised, the year's net profit dropped drastically compared to the previous year which affected investor confidence and stock prices, highlighting the importance of profit quality.

This phenomenon shows that if the profit is used by investors for decision-making, then the profit cannot explain the actual profit contained in the financial statements. If the quality of the financial statements presented is low, it becomes a challenge for users of financial statements to assess whether all the content contained in the financial statements is appropriate or vice versa. Including the profit element in it.

The quality of profits in financial statements can be used as an indicator of a company's ability to manage its resources. Dechow et al., (2010) mentioned three criteria for good profit quality, namely first, being able to reflect the company's operational performance, can also affect the quality of profit, second, being able to predict the company's operational performance accurately, and the last can be used as a measure to assess the company.

An effective Operating Cycle shows good management of inventory, receivables, and accounts receivable, based on the results of research according to research (Adela, 2020) shows that the Operating Cycle (Operating Cycle) has a significant effect on the quality of profits.

Default Risk, measured by leverage, also affects the quality of profits, where high debt increases risk and decreases the quality of profits (Erawati and Hasanah, 2022).

Good Corporate Governance is one of the factors that affect the quality of profits (Suaryana, 2008). Good Corporate Governance (GCG) plays a role in controlling management actions and ensuring quality financial reports, which increases investor confidence. Managerial ownership in GCG affects operations and management decisions, supporting better profit quality.

2. Theoretical Background

2.1 Agency theory

The agency theory was first proposed by Jensen and Meckling (1976) who explained that the agency relationship is a contract between the principal and the agent. This theory emphasizes the importance of the quality of profits reported by the company as an agent for the owner of the company (principal). Conflicts of interest between management and owners require owners to have reliable information for decision-making. Supervision of the management's financial statements is necessary to ensure reliability. If the reported profit does not reflect the actual condition, then the quality of the profit is low and can mislead the owner in decision-making.

2.2 Stakeholder theory

The Stakeholder Theory grew from the work of the Stanford research institute in 1963 which was later introduced to the public by R.E Freeman in 1984. (Freeman & McVea, 1984) defines a stakeholder as an individual or a group of people who have relationships that can affect or vice versa in an organization. Good Corporate Governance (GCG) is a principle that directs and controls the Company to achieve a balance between the Company's power and authority in providing accountability to Stakeholders in particular, and Stakeholders in general (Daniri in F. Sianturi, 2016).

2.3 Quality of profit

According to Boediono (2015) Quality profit is a profit that reflects the actual financial performance of the company. Profit quality provides an overview of the information presented to users of financial statements and is used as an assessment material for a company. According to Setianingsih (2013), the quality of profit can be measured by the ratio of operating cash flow divided by net profit.

2.4 Operating cycle

The Operating Cycle can be interpreted as a series of all transactions where a business generates its revenue and cash receipts from customers (Fanani, 2010).

2.5 Default risk

Default risk is a company's failure to pay interest or loan principal at the right time (Fersela et al., 2021). Default risk is a risk that is specific to each company that has the possibility to affect the company's profits and stock returns (Nuriyanto et al., 2020).

2.6 Good corporate governance

According to Sutedi (2011), Good Corporate Governance is a process and structure used by companies to increase business success in order to realize shareholder value in the long term while still paying attention to other stakeholders, based on laws and regulations and ethical values. The goal of Good Corporate Governance is to create added value for all interested parties.

2.7 Managerial ownership

Managerial ownership is defined as ownership of shares owned by the company's management, namely company shares owned by the board of directors or board of commissioners. The company's optimal performance will be realized by the ownership of shares by the manager, in addition to the manager will act more carefully in his work because they bear the consequences of every action they take (Mahariana and Ramantha, 2014).

2.8 Hypothesis formulation
2.8.1 The Effect of the Operating Cycle on Profit Quality

The Operating Cycle influences management to carry out data manipulation or profit management actions when the company cannot generate satisfactory profits for the principals. Companies that have a long operating cycle can cause uncertainty, estimation and estimation errors which can lead to lower accrual quality and low profit quality as well. This is supported by the results of research by Deasy Adela (2020) and Purwanti (2010) which stated that the operating cycle has a significant positive effect on profit quality. Similar to the research conducted by Rosyidah (2015) and Ardianti (2018) which stated that the Operating Cycle also affects the quality of profits because the longer and more complex the operating cycle, the higher the risk of uncertainty faced by the Company, this risk can encourage management to manipulate profits to meet certain targets or expectations. Based on this explanation, the hypothesis in this study is:
H1: It is suspected that the Operating Cycle affects the quality of profits

2.8.2 The Effect of Default Risk on Profit Quality

Default risk is a risk specific to each company so that it is likely to affect the amount of profit and return on the Company's shares. Default risk in this case is closely related to the company's debt and is proxied using leverage. High leverage indicates that the Company is financed with high debt, thus increasing the risk of bankruptcy. If the company has a high level of leverage, then there is a possibility of profit management actions that can affect the quality of profits to be low (Sulianti, 2021). This is supported by the results of research conducted by Kumalasari (2018) which states that leverage affects the quality of profits. Based on this explanation, the hypothesis in this study is:
H2: Suspected Default risk affects profit quality

2.8.3 The Effect of the Operating Cycle on Profit Quality with Good Corporate Governance as a Moderation Variable

According to the Corporate Governance Forum on Indonesia (FCGI), corporate governance is a set of regulations that govern the relationship between shareholders, company management, creditors, government, employees, and other internal and external stakeholders related to their rights and obligations or a system that controls the company (Effendi, 2016:3). Good corporate in this study is proxied with managerial ownership.

Banimahd et al. (2014) stated that there is a significant negative relationship between the Operating Cycle and the quality of profits. In other words, increasing in the Operating Cycle will result in a decrease in the quality of profits. The existence of a significant negative influence between the Operating Cycle on the quality of profits motivates managers to take opportunistic actions by conducting profit management to make the quality of profits shown by the company seem healthy and good so that investors are interested in investing their funds in the company. Based on this explanation, the hypothesis in this study is:

Q3: Suspected Good Corporate Governance Moderates the Relationship between the Operating Cycle and Profit Quality

2.8.4 The Effect of Default Risk on Profit Quality with Good Corporate Governance as a Moderation Variable

Default risk is the possibility that a company is unable or deliberately does not fulfill its obligations. According to Jensen & Meckling (1976), managerial ownership also helps in monitoring the company and reduces agency costs incurred by the company. Managerial ownership is considered to be able to reduce the opportunistic nature of management. The participation of managers in decision-making makes managers who tend to avoid risks will reduce the occurrence of debt (Maulida & Mahardika, 2018). Managerial ownership will make managers feel like they own the company and be careful in the use of debt so that they can minimize the risks posed (Sheisarvian et al, 2015). Based on this explanation, the hypothesis in this study is:

Q4: It is suspected that good corporate governance moderates the relationship between default risk and profit quality.

3. Methods

This study uses a type of quantitative method by taking several research samples from goods and consumption industry companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The research data was 16 companies selected by purposive sampling technique. Table 1 explains the criteria for the research sample, which are as follows.

Table 1. Criteria for research samples

No.	Criterion	Violation of Criteria	Sum
1	Consumer goods industry sector companies listed on the Indonesia Stock Exchange (IDX)		51
2	Companies that publish annual financial statements for the period 2019-2023	(6)	45
3	Companies that publish financial statements using Rupiah currency	0	45
4	Consumer goods industry companies that experienced profits in the annual financial statements for the 2019-2023 period	(17)	28
5	Consumer goods industry companies that own managerial shares in the 2019-2023 period	(12)	16
	Number of samples that meet the criteria		16
	Year of observation		5
	Total samples used in the study		80

Source: secondary data processed by researchers

The dependent or independent variable in this study is the quality of profit, while the independent or bound variables include the operating cycle, and default risk, as well as the moderating variable, namely good corporate governance which is linked to managerial ownership. The following definitions each variable are presented in table 2.

Table 2. Variable Operationalization

Variable	Indicators	Size	Scale
Dependent	Y: Quality of Profit	$Kualitas\ Laba = \dfrac{Operating\ Cash\ Flow}{Net\ Income}$	Ratio
Independent	X1: Operating Cycle	$Siklus\ operasi = \dfrac{piutang_t + piutang_{t-1}/2}{penjualan/360} + \dfrac{persediaan_t + persediaan_{t-1}/2}{harga\ pokok\ penjualan/360}$	Ratio
	X2: Default Risk	$DER = \dfrac{Total\ Utang}{Total\ Ekuitas}$	Ratio
	Z: Managerial Ownership	$KM = \dfrac{SPM}{SB}$	Ratio

Source: Secondary data is self-processed

In this study, the data analysis method was carried out by statistical analysis and data processing using EViews 12 software. In this study, the test was carried out by panel data regression analysis (data pool).

4. Results and Discussion

4.1 Descriptive Statistics

Descriptive analysis in this study was carried out on the existing sample data, both on independent variables, dependent variables, moderation variables and control variables carried out with the E-views version-12 analysis tool with the following outputs:

Table 3. Descriptive Statistics

	KL	OC	DR.	GCG
Mean	1.762765	167.3310	0.683392	0.149521
Median	1.198137	126.7527	0.537471	0.022548
Maximum	59.33190	761.0148	4.541859	0.660000
Minimum	-42.30424	71.54502	0.121670	8.66E-05
Std. Dev.	8.763690	121.4991	0.579340	0.206305
Skewness	1.972613	2.578454	3.825488	1.213238
Curtosis	32.40033	10.32793	25.66964	3.076698
Jarque-Bera	2933.148	267.6408	1908.166	19.64555
Probability	0.000000	0.000000	0.000000	0.000054
Sum	141.0212	13386.48	54.67134	11.96170
Sum Sq. Dev.	6067.379	1166201.	26.51516	3.362363
Observations	80	80	80	80

Source: EViews ver-12 (2024) data processing

The results of the descriptive statistical test show that from 80 samples during 2019-2023, there are significant variations in profit quality, Operating Cycle, Default Risk, and Good Corporate Governance (GCG).

1) Profit quality is measured by operating cash flow divided by net income, has a minimum value of -42.30424 and a maximum of 59.331901. The average value of 1.762765 with a standard deviation of 8.763690 indicates a high variation in the data.
2) The Operating Cycle measures the time to convert inventory and receivables into cash, with a minimum value of 71.54502 and a maximum of 761.0148. The average value of 167.3310 and the standard deviation of 121.4991 indicate quite good consistency.
3) Default Risk is measured by the Debt to Equity Ratio (DER), has a minimum value of 0.121670 and a maximum of 4.541859. An average value of 0.683392 and a standard deviation of 0.579340 indicate a consistent distribution of data and uniform default risk among samples.
4) Good Corporate Governance is measured by managerial ownership, having a minimum value of -8.66E-05 and a maximum of 0.660000. The average value of 0.149521 with a standard deviation of 0.206305 indicates high variability in GCG practices in the analyzed companies.

4.2 Panel Data Regression Model Analysis

The following are the output results of the three models and the application of the model selection applied to the panel data regression model in this study.

4.2.1 Common Effect Model (CEM)

Table 4. Common Effect Model (CEM) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.92304	6.307577	-3.634208	0.0005
OC	23.62741	6.306071	3.746772	0.0003
DR.	-0.005352	0.223415	-0.023957	0.9809
GCG	0.088018	0.292660	0.300752	0.7644

Source: Output EViews ver-12

Table 4 shows that the common effect model (CEM) has a constant coefficient of -22.92304, the Operating Cycle (OR) variable coefficient of 23.62741, the Default Risk (DR) variable coefficient of -0.005352, and the good corporate governance (GCG) variable coefficient of 0.088018.

4.2.2 Fixed Effect Model (FEM)

Table 5. Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.358548	14.41159	0.233045	0.8165
OC	-3.004716	14.49662	-0.207270	0.8365
DR.	0.201853	0.361591	0.558236	0.5787
GCG	0.886791	0.845260	1.049134	0.2983

Source: Output EViews ver-12

Table 5 shows that the fixed effect model (FEM) has a constant coefficient of 3.358548, an Operating Cycle (OC) coefficient of -3.004716, a Default Risk (DR) variable coefficient of 0.201853, and a Good Corporate Governance (GCG) variable coefficient of 0.886791.

4.2.3 Random Effect Model (REM)
Table 6. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.82538	6.253533	-3.649998	0.0005
OC	23.52801	6.252430	3.763019	0.0003
DR.	-0.003822	0.220924	-0.017299	0.9862
GCG	0.091393	0.290486	0.314620	0.7539

Source: Output EViews ver-12

Table 6 shows that the random effect model (REM) has a constant coefficient of -22.82538, an Operating Cycle (OP) variable coefficient of 23.52801, a Default Risk (DR) variable coefficient of -0.003822, and a Good Corporate Governance (GCG) variable coefficient of 0.091393.

4.3 Model Test Selection
Table 7. Chow Test

Effects Test	Statistics	D.F.	Prob.
Cross-section F	1.189855	(15,61)	0.3040
Cross-section Chi-square	20.531665	15	0.1525

Source: EViewsver-12 data processing (2024)

Based on the results of the Chow test, in table 7 it is obtained a probability of 0.1525 This shows that the probability value is greater than the significance level (0.05) so Ho for this model is accepted and Ha is rejected, so the better estimate used is the Common Effect Model (CEM) method then it is continued to the lagrange multiplier.

Table 8. Langrange Multiplier (LM)

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.260841	0.144986	0.405827
	(0.6095)	(0.7034)	(0.5241)
Honda	-0.510726	0.380771	-0.091892
	(0.6952)	(0.3517)	(0.5366)
King-Wu	-0.510726	0.380771	0.103987
	(0.6952)	(0.3517)	(0.4586)
Standardized Honda	0.005666	0.702975	-3.343796
	(0.4977)	(0.2410)	(0.9996)
Standardized King-Wu	0.005666	0.702975	-2.621958
	(0.4977)	(0.2410)	(0.9956)
Gourieroux, et al.	--	--	0.144986
			(0.5842)

Source: EViews ver-12 data processing (2024)

Based on the results of the lagrange multiplier test, in table 8, a probability of cross-section breusch-pagan of 0.6095 is obtained, indicating that the probability value is greater than the significance level (0.05) so it can be concluded that Ho for this model is accepted and Ha is rejected. The appropriate estimation model used is the Common Effect Model (CEM).

4.4 Model Conclusion
Table 9. Panel Data Regression Model Testing Conclusion

No.	Method	Testing	Result
1.	Chow-Test	Common Effect vs Fixed Effect	Common Effect
2.	Lagrange Multiplier	Common Effect vs Random Effect	Common Effect

Source: EViews ver-12 (2024) data processing output

4.5 Classical Assumption Test Analysis
In this study, the classic assumption tests used are the Normality Test, Multicollinearity Test, Heteroskedasticity Test and Autocorrelation Test.

4.5.1 Normality Test
In this study, the normality test against residuals was carried out using the Jarque-Bera test (J-B). In this study, the significance level used $\alpha = 0.05$. The basis for decision-making is to look at the probability numbers from the J-B statistics, with the following conditions:
1) If the probability value $p > 0.05$, then the assumption of normality is fulfilled.
2) If the probability value $p < 0.05$, then the assumption of normality is not met.

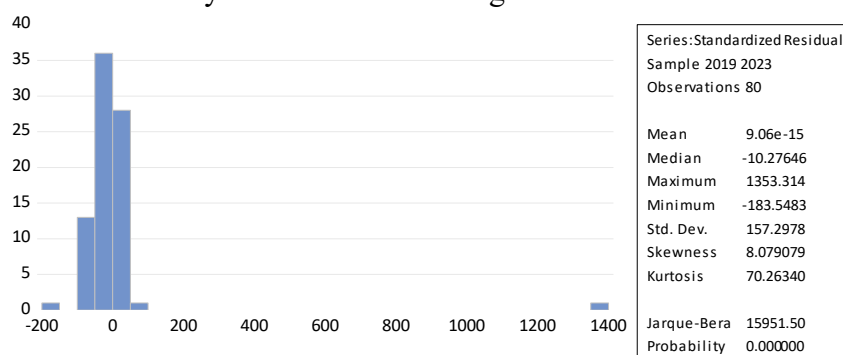The results of the normality test can be seen in figure 1 as follows:

Figure 1. Normality Test
Source: EViewsver-12 data processing (2024)

Based on the normality test in graph 1, the probability result of the J-B statistic is 0.000000. Since this p-value is smaller than the significance level of 0.05, all variables have an abnormal distribution. Therefore, the researcher transforms the data so that it can be used in the regression model. Kurniawan (2016) supports this approach as one of the ways to overcome data that is not normally distributed. The data transformation is shown in graph 2.
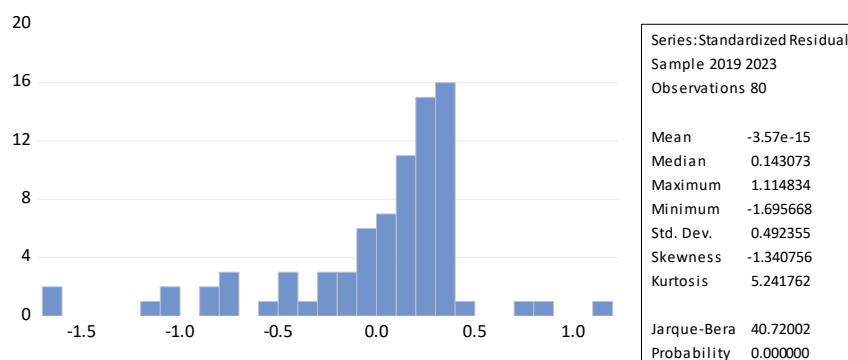

Figure 2. Test of Normality After Data Transformation
Source: EViewsver-12 data processing (2024)

Based on the results of the normality test after the transformation shows that the probability result of the J-B statistic is still 0.000000, the normality test after the data transformation is still not met in this study.

4.5.2 Multicollinearity Test
The following are the results of the multicollinearity test using EViews version 12:
Table 10. Multicollinearity Test

	OC	DR.	GCG
OC	1.0000	-0.330497	0.107578
DR.	-0.330497	1.00000	-0.164478
GCG	0.107578	-0.164478	1.00000

Source: EViewsver-12 data processing (2024)

Table 10 shows the operating cycle value of -0.330497 and default risk of 0.107578. The multicollinearity test showed that there was no high correlation between independent variables (not exceeding 0.80) according to Ghozali (2017:73). Therefore, it can be concluded that there is no multicollinearity between independent variables.

4.5.3 Heteroscedasticity Test
The results of the heteroscedasticity test can be seen in table 11 as follows:
Table 11. Heteroscedasticity Test

Heteroskedasticity Test: White			
Null hypothesis: Homoskedasticity			
F-statistic	0.788066	Prob. F(9,70)	0.6281
Obs*R-squared	7.360081	Prob. Chi-Square(9)	0.5997
Scaled explained SS	14.08789	Prob. Chi-Square(9)	0.1192

Source: EViewsver-12 data processing (2024)

From the results of table 4.14 above, it can be seen that the heteroskedasticity test white has a probability value of Obs*R-squared of 0.5997 where the value is greater than the significant level of 0.05. This proves that the regression model shows that heteroskedasticity does not occur. So that it can be used for further analysis.

4.5.4 Autocorrelation Test
One way to find out whether there is an autocorrelation in this study is the Durbin-Watson test (DW-Test).
Table 12. Durbin-Watson Autocorrelation Test

Root MSE	0.489268	R-squared	0.176031
Mean dependent var	0.594726	Adjusted R-squared	0.143506
S.D. dependent var	0.542404	S.E. of regression	0.501979
Akaike info criterion	1.508188	Sum squared resid	19.15067
Schwarz criterion	1.627289	Log likelihood	-56.32752
Hannan-Quinn criter.	1.555939	F-statistic	5.412173
Durbin-Watson stat	1.885209	Prob(F-statistic)	0.001986

Source: EViewsver-12 data processing (2024)

It is known that the Durbin-Watson (DW) value is 1.885209, so it can be concluded that there are no problems or symptoms of autocorrelation in this regression model.

4.6 Unmoderated Panel Data Regression Test Analysis

This study uses linear regression of panel data to explain the relationship between the variables studied, namely Operating Cycle and Default Risk to Profit Quality.

Table 13. Panel Data Regression Analysis without Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-23.01375	6.263041	-3.674533	0.0004
OC	23.73583	6.258465	3.792596	0.0003
DR.	-0.014584	0.219985	-0.066297	0.9473

Source: EViewsver-12 data processing (2024)

The profit quality value is -23.01375 if the operating cycle and default risk are zero. The regression coefficient of the operating cycle of 23.73583 shows that an increase of one unit in the operating cycle will improve the quality of profit by 23.73583. On the other hand, the default risk regression coefficient of -0.014584 indicates that an increase of one unit in the default risk will decrease the quality of profits by 0.014584, assuming the other variables remain constant.

Table 14. Panel Data Regression Analysis with Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-23.15273	6.371112	-3.634017	0.0005
OC	23.85764	6.364311	3.748661	0.0003
DR.	0.006200	0.234109	0.026485	0.9789
M1	-0.000452	0.064156	-0.007042	0.9944
M2	0.074710	0.296994	0.251554	0.8021

Source: EViewsver-12 data processing (2024)

Based on the results of the analysis, only the operating cycle (OC) has a significant influence on the quality of profits. The effect was positive and significant at a significance level of 5% (t-statistic 3.748661, probability 0.0003), indicating that an increase of one unit in OC would improve the quality of profits.

4.7 Hypothesis Test Analysis
4.7.1 Simultaneous Significance Test (Test F)

This test was carried out by comparing the value of Fcal with Ftable with an error rate of $\alpha = 0.05$ (5%). As for finding out the value of the Ftable, it can be done with the following calculations:

Ftabel = α; df = (n-k), (k-1)
        = 5%; df = (80-3), (3-1)
        = 0.05; df(77.2) = 3.115

Table 15. Test F

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.92304	6.307577	-3.634208	0.0005
OC	23.62741	6.306071	3.746772	0.0003
DR.	-0.005352	0.223415	-0.023957	0.9809
GCG	0.088018	0.292660	0.300752	0.7644

Source: EViewsver-12 data processing (2024)

From the results of the data above, it can be concluded that independent variables, namely Operating Cycle and Default Risk together affect the quality of profit.

4.7.2 Individual Parameter Significance Test (t-Test)

Based on the comparison of the tcount value and the ttable, the basis for decision-making is:

1) If the count is <, then H0 is accepted and Ha is rejected (no effect).
2) If the count is >, then H0 is rejected and Ha is accepted (there is an effect).

Decision making to reject or accept a hypothesis with a total of 80 data and with a significance level of 0.05, the value of the table is:

ttable = α; df = (n-k)
= 5%; df = (80-3)
= 0.05; df (77) = 1.665

Table 16. Test t

Root MSE	0.489268	R-squared	0.176031
Mean dependent var	0.594726	Adjusted R-squared	0.143506
S.D. dependent var	0.542404	S.E. of regression	0.501979
Akaike info criterion	1.508188	Sum squared resid	19.15067
Schwarz criterion	1.627289	Log likelihood	-56.32752
Hannan-Quinn criter.	1.555939	F-statistic	5.412173
Durbin-Watson stat	1.885209	Prob(F-statistic)	0.001986

Source: EViewsver-12 data processing (2024)

So the results of the t-test are as follows:

1) The ttable > tcount value (3.746772 > 1.665) and the probability value is 0.0003 < 0.05. So that there is an influence between the Operating Cycle variable on the quality of profits, or in other words Ho is rejected and Ha is accepted.
2) The ttable < calculation value (-0.023957 < 1.665) and the probability value is 0.9809 > 0.05. So that there is no effect between the Default Risk variable on the quality of profits, or in other words, Ho is accepted and Ha is rejected.

4.8 Determination Coefficient Test (R2)

The following are the results of the determination coefficient test:

Table 17. Determinant Coefficient Test

Root MSE	0.489268	R-squared	0.176031
Mean dependent var	0.594726	Adjusted R-squared	0.143506
S.D. dependent var	0.542404	S.E. of regression	0.501979
Akaike info criterion	1.508188	Sum squared resid	19.15067
Schwarz criterion	1.627289	Log likelihood	-56.32752
Hannan-Quinn criter.	1.555939	F-statistic	5.412173
Durbin-Watson stat	1.885209	Prob(F-statistic)	0.001986

Source: EViewsver-12 data processing (2024

Based on the table above, it shows that the Adjusted R-squared magnitude is 0.143506 or 14.3506%. This shows that the contribution of the independent variables of Operating cycle and Default risk is 14.3506% while the remaining 85.6494% is explained by other factors that are not studied in this study.

4.9 Moderating Regression Analysis (MRA) Test
  Here are the results of the MRA test:
Table 18. Moderating Regression Analysis (MRA) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-23.15273	6.371112	-3.634017	0.0005
OC	23.85764	6.364311	3.748661	0.0003
DR.	0.006200	0.234109	0.026485	0.9789
M1	-0.000452	0.064156	-0.007042	0.9944
M2	0.074710	0.296994	0.251554	0.8021

Source: EViewsver-12 data processing (2024)
  Based on the results of the MRA test value, it can be explained as follows:
1) Good Corporate Governance shows that it cannot moderate the influence of the Operating Cycle on the quality of profits. This can be seen from the t-statistical value of -0.007042 with a probability value of 0.9944 (greater than the significant level of 0.05).
2) Good Corporate Governance shows that it cannot moderate the influence of Default Risk on profit quality. This can be seen from the t-statistical value of 0.251554 with a probability value of 0.8021 (greater than the significant level of 0.05).

4.10 Discussion of Research Results
1) The Effect of Operating Cycle and Default Risk on Profit Quality
   Based on the results of the F test, it can be seen that the Prob value (F statistic) is 0.001986 < 0.05, which shows that all independent variables, namely the operating cycle and default risk simultaneously or together, have a positive effect on the quality of profits in companies in the consumer goods industry sector listed on the IDX for the 2019-2023 period.
2) The Effect of the Operating Cycle on Profit Quality
   Based on the results of the statistical hypothesis test data analysis, the operating cycle showed a positive significant result of 0.0003 < 0.05, with a statistic of 3.746772, meaning that the operating cycle had a positive effect on the quality of profit.
3) The Effect of Default Risk on Profit Quality
   Based on the results of the test data analysis, the t-test showed that there was no influence between default risk and profit quality. Where the probability value is 0.9809 > 0.05 with a default risk regression coefficient of -0.023957, it means that there is no influence that default risk gives on the quality of profit.
4) The Effect of the Operating Cycle on Profit Quality with Good Corporate Governance as a Moderation Variable
   Based on the MRA test showing the level of significance for the influence of the operating cycle on profit quality with the moderation of Good Corporate Governance which is 0.9944 (greater than the significant level of 0.05) with a t-statistical value of -0.007042, it can be concluded that the variable Good Corporate Governance does not moderate the relationship between the operating cycle and profit quality.
5) The Effect of Default Risk on Profit Quality with Good Corporate Governance as a Moderation Variable
   Based on the MRA test showing the level of significance for the influence of the operating cycle on profit quality with the moderation of Good Corporate Governance which is 0.8021 (greater than the significant level of 0.05) with a t-statistical value of

0.251554, it can be concluded that the variable Good Corporate Governance does not moderate the relationship between default risk and profit quality.

5. Conclusion

The operating cycle has a positive effect on the quality of profits, showing that the smoother the company's operating cycle, the better the quality of its profits. A smooth operating cycle means that the company is effective in managing inventory, receivables, and accounts payable, which reduces storage costs and obsolescence risk and increases cash inflow. On the other hand, default risk does not affect the quality of profits because management is able to manage financial risks well and implement risk mitigation measures, so that the potential for default does not have a direct impact on the quality of profits. Good Corporate Governance (GCG) as measured through managerial ownership is not able to moderate the influence of the operating cycle and default risk on profit quality. Managerial ownership is insignificant in influencing day-to-day operational decisions and operational efficiency, and does not provide a strong incentive to mitigate default risk, as managers focus more on long-term strategies and short-term targets such as annual earnings or stock prices rather than fundamentally improving earnings quality.

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