Jurnal Ilmiah Akuntansi Universitas Pamulang
Vol. 14, No. 1, January 2026
ISSN 2599-1922

Received:23 November 2025; Revised: 16 December 2025; Accepted: 04 Januari 2026; Published: 30 January 2026

The Influence of Earnings Opacity on Cost of Equity with Earnings Persistence as a Moderating Variable

DIVANI AULIA[1a], FITRI ELLA FAUZIAH[1b]
Bachelor of Accounting Study Program, Nahdlatul Ulama Islamic University of Jepara, Jepara, Jawa Tengah, Indonesia
Email: divaniaulia24@gmail.com; fitriella@unisnu.ac.id

ABSTRACT

This research aims to understand and evaluate the role of earnings persistence as a moderating variable, as well as to examine the influence of earnings aggressiveness and earnings smoothing on cost of equity. Employing a quantitative research approach with secondary data sourced from financial statements of manufacturing companies listed on the IDX during the 2021-2023 period. The sample was selected based on purposive sampling criteria, yielding 114 data samples. Data analysis utilized multiple regression and absolute difference value test through SPSS 25. The results indicate that earnings aggressiveness and earnings smoothing demonstrate a significant positive influence on cost of equity. The main findings reveal that earnings persistence only moderate and weaken the relationship between earnings smoothing and cost of equity, but fails to moderate the relationship between earnings aggressiveness and cost of equity. This suggests that earnings persistence only reduces investor risk perception in earnings smoothing practices, but not in earnings aggressiveness practices.

Keywords: *Cost of Equity, Earnings Aggressiveness, Earnings Smoothing, Earnings Persistence, Earnings Opacity*

1. INTRODUCTION

Cost of equity is an essential element within a firms capital structure that reflects the minimum required rate of return demanded by investors on the funds they invest. On the other hand, from the firms perspective, cost of equity could be understood as the burden that must be fulfilled to obtain funds from external sources, manage those funds, and the consequences of using those funds. Meanwhile, from the investor's perspective, cost of equity represents the discount rate used to determine the present value of future cash flows (Nuraini & Purnomo, 2024). Equity can be obtained through stock issuance or the use of retained earnings (Malelak et al., 2025).

According to Listionargo et al. (2022), earnings constitute an essential element in financial statements, as they demonstrate the firm’s comprehensive

* Corresponding author’s e-mail: divaniaulia24@gmail.com

performance and serve as a key indicator in investment decision-making by stakeholders. Misinformation or information asymmetry often arises due to lack of earnings transparency by management, which can result in *earnings opacity* (Listionargo et al., 2022). *Earnings opacity* is a situation when a company's earnings presentation fails to convey an accurate and measurable picture of the actual distribution of economic benefits (Utami & Murwaningsari, 2024). According to Bhattacharya et al. in Listionargo et al., 2022, the degree of *earnings opacity* within a firm may be determined by two indicators *earnings smoothing* and *earnings aggressiveness*.

This study incorporates *earnings persistence* as the moderating variable, considering its crucial role as an indicator of earnings quality that can strengthen or attenuate the connection between *earnings opacity* and cost of equity. Conceptually, *earnings persistence* is a property of earnings that shows the extent to which current period earnings provide a picture or prediction of future earnings, and is an important indicator of earnings quality (Pirveli, 2020). Analysis of *earnings persistence* is important because more persistent earnings tend to provide more accurate predictions of a company's performance. This benefits investors in making investment-related decisions and assessing the firms potential performance in upcoming periods.

The phenomenon of cost of equity fluctuations in manufacturing companies registered on the IDX is an interesting aspect to examine. A case reflecting this phenomenon is UNVR, which experienced a significant decline in market share price since November 2023 due to boycott actions against products considered affiliated with Israel. In Q4-2023, the net profit of PT Unilever Indonesia Tbk (UNVR) was recorded to have decreased by 18.7% year-on-year, reaching Rp612 billion. This resulted in the 2023 annual net profit decreasing by approximately 11% compared to 2022, becoming Rp4.8 trillion. UNVR shares fell to Rp2,600 per share, recording the largest decline in more than 13 years, with market capitalization dropping drastically from Rp134.67 trillion at the beginning of the year to only Rp99.19 trillion (Firman et al., 2024).

This case is relevant to *earnings opacity* because the drastic performance decline creates pressure on management to engage in *earnings opacity* practices, either through *earnings smoothing* to minimize earnings fluctuations or *earnings aggressiveness* to compensate for performance decline. These practices increase *earnings opacity*, making it difficult for investors to assess the actual earnings quality. When investors perceive high *earnings opacity*, they demand higher rates of return to compensate for information risk, thereby increasing the firms cost of equity (Utami & Murwaningsari, 2024).

Previous studies still show varied results, as shown in research by Malau et al. (2020) which argues that *earnings opacity* proxied by *earnings aggressiveness* and *earnings smoothing* shows a significant positive influence on cost of equity. Yusfita & Murwaningsari (2024) also found similar results. Meanwhile, Listionargo et al. (2022) proved a significant positive influence of *earnings aggressiveness*, but *earnings smoothing* showed a negative insignificant impact on cost of equity. On the other hand, Delita & Mulyani (2018) stated that *earnings aggressiveness* exerts a significant negative influences cost of equity.

* Corresponding author's e-mail: divaniaulia24@gmail.com
http://openjournal.unpam.ac.id/index.php/JIA

This research is conducted because there are various results that are inconsistent with previous research affecting cost of equity. In addition, this analysis uses a more recent research period compared to previous research, namely 2021-2023, which is the post-COVID-19 pandemic economic recovery period, where many manufacturing companies faced financial pressure, high economic uncertainty, and financial distress conditions that potentially influence financial reporting practices and investor risk perception toward cost of equity. The unique conditions of this period provide a different context compared to previous research.

The contribution of this research is that there are several updates from previous findings by using a moderating variable, namely *earnings persistence*, which has not been widely discussed by previous research in the context of the nexus linking *earnings opacity* and cost of equity in Indonesia, using two proxies of *earnings opacity*, namely *earnings smoothing* and *earnings aggressiveness*. This approach differs from Malau et al. (2020) who used prudence as a moderating variable. Meanwhile, Delita & Mulyani (2018) measured *earnings opacity* solely through *earnings aggressiveness*.

2. LITERATURE REVIEW AND HYPOTHESES

Agency Theory

Based on agency theory proposed by Jensen and Meckling (1976), management acts as the agent, while the owner acts as the principal, both having different interests. This theory fundamentally highlights the contractual relationship between the party granting authority, namely the owner, investor, principal, or shareholder, and the party granted authority to manage the company, namely management as the agent (Kaharuddin et al., 2022). The difference in interests in this agency relationship can trigger agency problems between management and shareholders (Vidiarto & Cahyani, 2024).

According to Jaya (2014) in Oktapiani & Ruhiyat (2019), agency theory emphasizes that each party tends to be oriented toward personal interests that encourage conflicts between them, including between owners and agents of the firms. Agents have information advantages over principals, resulting in information asymmetry. When there is such information imbalance, agents have the potential to modify accounting values contained in financial statements through earnings manipulation actions. The relevance of this theory to the research lies in the condition of *earnings opacity* that occurs when there is information asymmetry or information imbalance between management and investors. *Earnings aggressiveness* and *earnings smoothing* practices are forms of agency conflict, where management tends to adjust earnings for personal interests such as maintaining their position. When investors detect these practices, they perceive increased information risk and demand more substantial return compensation, which ultimately increases the cost of equity (Sunarto et al., 2016).

* Corresponding author's e-mail: divaniaulia24@gmail.com
http://openjournal.unpam.ac.id/index.php/JIA

The Effect of Earnings Aggressiveness on Cost of Equity

Earnings aggressiveness demonstrates management's efforts to accelerate the acknowledgment of economic benefits and delay the acknowledgment of losses compared to when they should occur, resulting in large current year earnings. The level of compensation obtained by managers is generally influenced by the level of earnings generated, so this condition can encourage managers to inflate performance to achieve the earnings target that has been set with the principal (Andriani & Afriyenti, 2019). This aggressive earnings reporting creates high information risk because it impairs financial reporting quality, where investors face greater uncertainty in assessing the firms real performance and the credibility of expected future earnings. As compensation for the increased information risk, a higher rate of return will be expected by investors as a risk premium (Yusfita & Murwaningsari, 2024). Therefore, *earnings aggressiveness* is presumed to demonstrate a positive influence on the firms cost of equity. Previous research findings suggest that *earnings aggressiveness* shows a significant positive effect on cost of equity, such as research by Listionargo et al. (2022) concluding that *earnings aggressiveness* positively affects the cost of equity. Malau et al. (2019), Marpaung & Herawati (2020), and Yusfita & Murwaningsari (2024) base their arguments on an aligned theoretical framework stating that the *earnings aggressiveness* variable exerts a significant positive impact on cost of equity.

H1: *Earnings aggressiveness* is hypothesized to exert a significant positive impact on the cost of equity.

The Effect of Earnings Smoothing on Cost of Equity

Earnings smoothing is one form of *earnings opacity* where managers make earnings appear similar or stable over several reporting periods. Management conducts *earnings smoothing* to present sustainable earnings by minimizing unusual earnings fluctuations according to entity provisions and accounting standards (Malau et al., 2020). This practice can cause artificially stable accounting earnings to no longer reflect actual changes in company performance (Marpaung & Herawati, 2020).

Research results by Malau et al. (2019) suggest a positive influence of *earnings smoothing* on cost of equity. If earnings performance experiences growth and improvement, it is expected that this will be followed by an increase in dividend growth distributed to shareholders. If dividend growth is used as an indicator in determining the size of cost of equity, it is presumed *earnings smoothing* likely demonstrates a positive and significant impact on cost of equity. Investors tend to expect a greater investment return rate in return for the increased information risk due to *earnings smoothing* practices.

H2: *Earnings smoothing* is hypothesized to exert a significant positive impact on the cost of equity.

The Effect of Earnings Persistence in Moderating the Relationship between Earnings Aggressiveness and Cost of Equity

Earnings aggressiveness is management's effort by increasing accrual components and reducing expenses, thereby producing high earnings figures

* Corresponding author's e-mail: divaniaulia24@gmail.com

(Delita & Mulyani, 2018). Francis et al in Nuraeni et al. (2018) state that *earnings persistence* is employed as a measure of earnings quality, based on the assumption that earnings with a high level of sustainability are considered to reflect better earnings quality. Research results by Delita & Mulyani (2018) explain that the *earnings persistence* variable plays a weakening role as a moderating variable in the association between *earnings aggressiveness* and cost of equity. A high level of *earnings persistence* may reduce the impact of *earnings aggressiveness* on cost of equity by reducing the level of information opacity. Persistent earnings provide a signal that company performance has good predictive ability for future earnings, thereby reducing risk perception among investors. Investors assess that consistent earnings reflect sustainable fundamental components, despite the presence of aggressive accrual practices. Therefore, investors tend to demand lower risk premiums (Delita & Mulyani, 2018).

H3: *Earnings persistence* is hypothesized to moderate and weaken the relationship between *earnings aggressiveness* and cost of equity.

The Effect of Earnings Persistence in Moderating the Relationship between Earnings Smoothing and Cost of Equity

Earnings persistence is a component that is highly considered by investors in expecting high rates of return from their investments (Callista & Lukman, 2024). *Earnings persistence* as an indicator of earnings quality can attenuate the connection between *earnings smoothing* and the level of cost of equity that the entity must bear. Study results by Listionargo et al. (2022) explain that the *earnings persistence* variable can moderate the association between the *earnings smoothing* variable and cost of equity. High *earnings persistence* provides a signal to investors that *earnings smoothing* practices reflect the stability of sustainable financial performance, not merely short-term earnings manipulation. This positive perception reduces investor concerns about information risk and lowers return demands, thereby weakening the influence of *earnings smoothing* on the increase in cost of equity (Listionargo et al., 2022).

H4: *Earnings persistence* is hypothesized to moderate and attenuate the association between *earnings smoothing* and cost of equity.

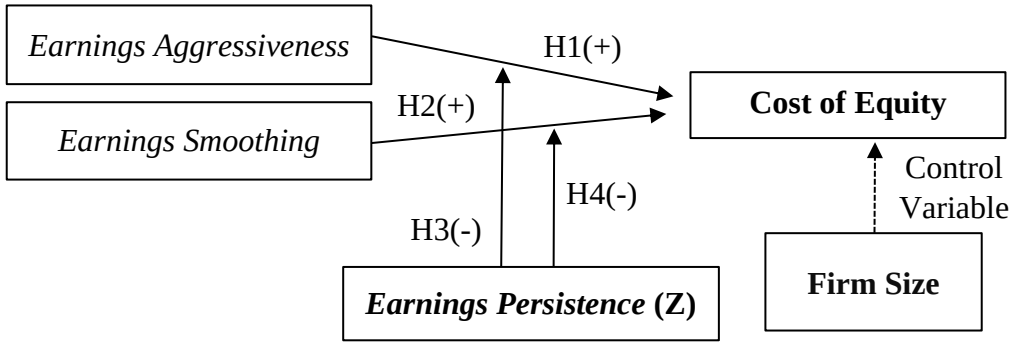

Figure 1. Theoretical Framework

* Corresponding author's e-mail: divaniaulia24@gmail.com

3. RESEARCH METHODS

The research method used is quantitative based on secondary data. Data sources are taken from financial statements and annual reports of manufacturing companies listed on the IDX, with a data collection period covering the years 2021 to 2023. The sample was selected using purposive sampling technique. The sampling criteria are: 1) Manufacturing firms registered on the IDX throughout 2021-2023; 2) Firms reporting financial information in Indonesian Rupiah (IDR) currency during the period 2021-2023; 3) Corporations that present financial statements throughout the period 2021-2023; 4) Companies that consistently distribute dividends throughout 2021-2023, thus obtaining 114 data samples.

Research Variables and Operational Definitions

Cost of Equity

This study places cost of equity as the dependent variable. Cost of equity is used as a measure in the investment decision-making process, as it represents the expected return that has been adjusted for risk level (Wicaksono et al., 2022). This study uses the *Constant Growth Valuation Model* to calculate cost of equity. The calculation of cost of equity refers to the formula used in research by Amelia & Yadnyana (2016), namely:

$$r_s = \frac{D_1}{N_s} + g$$

Where:

r_s : Cost of equity

D_1 : Expected dividend payment per share at the end of the current period, $D_1 = DPST_{t-1}(1+g)$, (DPS = total dividends / number of outstanding shares).

g : Dividend growth rate for period $t = (D_t - D_{t-1})/D_t$

D_s : Net proceeds from the sale of common stock, obtained from $N_s = Po - f$ (Po: current common stock price and f = *flotation cost*; costs that arise when issuing new shares; applied only when the company issues new shares).

Earnings Aggressiveness

Earnings aggressiveness in this study serves as an independent variable. *Earnings aggressiveness* is managements practice to adjust earnings by raising the value of accrual elements including inventory and simultaneously reducing expenses, so that earnings become higher (Listionargo et al., 2022). *Earnings aggressiveness* is quantified using an accrual quality proxy referring to research by Fikri & Febriyanto (2023). The formula for calculating *earnings aggressiveness* is:

$$EARN.AGRS_t = \frac{(\Delta CA_t - \Delta CL_t - \Delta CASH_t + \Delta STD_t - DEP_t + \Delta TP_t)}{TA_t}$$

Where:

$EARN.AGRS_t$: *Earnings aggressiveness* in period t or current period

ΔCA_t : Delta or change in *current assets* in year t (current $asset_t$ – current $asset_{t-1}$)

ΔCL_t : Delta *current liabilities* ($CL_t - CL_{t-1}$)

* Corresponding author's e-mail: divaniaulia24@gmail.com

$\Delta Cash_t$: Delta *cash* ($Cash_t - Cash_{t-1}$)
ΔSTD_t : Delta *short term debt* ($STD_t - STD_{t-1}$)
DEP_t : Depreciation for the current period
ΔTP_t : Change in *tax payable* for the current period ($TP_t - TP_{t-1}$)
TA_{t-1} : Total *assets* for the previous year

Earnings Smoothing

This study places *earnings smoothing* as an independent variable. *Earnings smoothing* describes management's efforts to minimize earnings fluctuations between periods so that the presented earnings appear stable and consistent. *Earnings smoothing* practices are carried out through the use of accounting policies to transfer earnings from periods with high profits to periods with lower profits (Yusfita & Murwaningsari, 2024). Marpaung & Herawati (2020) state that *earnings smoothing* can be measured using the formula:

$$ES = \frac{\sigma(\frac{NIBE}{Assets_{t-1}})}{\sigma(\frac{CFO}{Assets_{t-1}})}$$

Where:

ES : *Earnings smoothing*
$\sigma(\frac{NIBE}{Assets_{t-1}})$: Standard deviation of net income before extraordinary items divided by assets of the previous year
$\sigma(\frac{CFO}{Assets_{t-1}})$: Standard deviation of operating cash flow divided by assets of the previous year
CFO : Cash flow from operating activities
NIBE : *Net income before extraordinary items*
t : Current period
t-1 : Previous period

Earnings Persistence

This study uses a moderating variable, namely *earnings persistence*. *Earnings persistence* in this study reflects how far accounting earnings can demonstrate earnings sustainability in future periods (Siam, 2021). According to Eliana et al. (2021), persistent earnings reflect good earnings quality in a company. In this study, *earnings persistence* according to Lubis & Sari (2024) is measured using the following formula:

$$Earnings\ Persistence = \frac{EBT_t - EBT_{t-1}}{\text{Total assets}}$$

Where:
EBT_t : *Earnings Before Tax*
EBT_{t-1} : *Earnings before tax* previous period

* Corresponding author's e-mail: divaniaulia24@gmail.com

Firm Size

This research employs firm size as a control variable. Firm size is an indicator often employed by investors to measure the amount of assets and a firms performance. The size of the firm is generally determined founded on the total assets and total sales it possesses (Maulana & Rahayu, 2022). Measurement of firm size is generally done utilizing the natural logarithm (Ln) value of total assets (Wulandari & Nurmala, 2019). Referring to the study by Tsania et al. (2025), the measurement of firm size is formulated with the formula:

$$\text{Firm Size} = \text{Ln (Total Assets)}$$

Data Analysis Techniques

The analysis stage in this research includes descriptive statistics, classical assumption testing which includes normality test, multicollinearity, heteroscedasticity, and autocorrelation, as well as hypothesis examination employing multiple linear regression, and absolute difference value test to examine the moderating influence of *earnings persistence*. The absolute difference value test approach was chosen based on several methodological considerations. First, this method was introduced by Frucot & Shearon (1991) and reinforced by Sugiono (2004) as a valid alternative in identifying moderator variables, specifically to address the complexity of interpretation that arises in multiple interaction analysis. In addition, by using the absolute value of the difference between the independent and moderator variables that have been standardized, this method simplifies the interpretation of the direction and magnitude of the moderating effect compared to conventional interaction approaches that produce multiple interaction terms.

Data processing and analysis were conducted using SPSS version 25 software. The use of SPSS in this study is because SPSS can be used for panel data regression through the Common Effect approach or OLS/Multiple Linear Regression (Wijaya et al., 2024). Although software such as EViews is more often used for *Fixed Effect* or *Random Effect*, SPSS is very adequate for application in this study, and has been widely used in similar research such as in the research by (Listionargo et al., 2022).

4. RESEARCH RESULTS AND DISCUSSION

Descriptive Analysis

This research uses descriptive analysis to describe data from all variables examined. These variables include cost of equity as the dependent variable, *earnings aggressiveness* and *earnings smoothing* as independent variables, *earnings persistence* as the moderating variable, and firm size as the control variable.

Table 1. Descriptive Statistics Test

	N	Minimum	Maximum	Mean	Std. Deviation

* Corresponding author's e-mail: divaniaulia24@gmail.com

BE_Y	114	-.981	1.217	.05026	.492649
EA_X1	114	-.148	.243	-.01114	.058547
ES_X2	114	-.001	.102	.01064	.015992
SIZE	114	26.822	32.860	29.37376	1.572622
EP_Z	114	-.057	.107	.01032	.031803
Valid N (listwise)	114				

Source: Output SPSS25, 2025

Information obtained based on descriptive analysis results, this study involves 114 data samples. Data processing on the cost of equity variable (BE_Y) exhibits a minimum value of -0.981, a maximum of 1.217, with a mean value of 0.05026. *Earnings aggressiveness* (EA_X1) demonstrates a minimum of -0.148, a maximum of 0.243, and a mean of -0.01114. *Earnings smoothing* (ES_X2) displays a minimum value of -0.001, with a maximum of 0.102, and the mean is 0.01064. Firm size (SIZE) has a minimum of 26.822, with a maximum of 32.860, and a mean of 29.37376. *Earnings persistence* (EP_Z) exhibits a minimum of -0.057, a maximum of 0.107, and a mean of 0.01032.

Classical Assumption Test

Table 2. Classical Assumption Test

Classical Assumption Test	Output SPSS Value	Standard	Conclusion
Normality Test	Asymp. Sig. = 0.200	Sig Value > 0.05	Data is proven to be normally distributed
Multicollinearity Test	X1:VIF = 1.031 T = 0.970 X2:VIF = 1.086 T = 0.921 X3:VIF = 1.012 T = 0.988 Z : VIF = 1.073 T = 0.932	VIF <10 Tolerance > 0.1	Free from multicollinearity
Heteroscedasticity Test (Glejser Test)	X1:Sig = 0.535 X2:Sig = 0.387 X3:Sig = 0.659 Z : Sig = 0.887	Sig Value > 0.05	Free from heteroscedasticity
Autocorrelation Test (Durbin-Watson)	Dw = 2.043 Du = 1.7677 4-du = 2.2323	Du < dw < 4-du	Free from autocorrelation

Source: Output SPSS25, 2025

Tests for classical assumptions shows that the regression model satisfies all criteria, including normality assumptions and is free from multicollinearity, heteroscedasticity, and autocorrelation. Therefore, the data used can proceed to the regression analysis stage.

Hypothesis Testing Results

* Corresponding author's e-mail: divaniaulia24@gmail.com

Table 3. Summary of Hypothesis Testing Results

Individual Parameter Significance Test (Statistical t-Test)					
Model		Unstandardized Coefficients B	t	Sig.	Results
1	(Constant)	-.604	-.708	.480	
	EA_X1	1.758	2.260	.026	Accepted
	ES_X2	6.601	2.328	.022	Accepted
	SIZE	.020	.708	.481	
Moderation Model (Absolute Difference Value Test)					
Model		Unstandardized Coefficients B	t	Sig.	Results
1	(Constant)	.191	2.206	.029	
	Zscore(EA_X1)	.104	2.285	.024	
	Zscore(ES_X2)	.204	3.378	.001	
	Zscore(EP_Z)	-.083	-1.703	.092	
	ABSX1_Z	-.035	-.679	.499	Rejected
	ABSX2_Z	-.133	-2.148	.034	Accepted

Source: Output SPSS25, 2025

The first hypothesis is that *earnings aggressiveness* shows a positive influence on cost of equity. Table 3 shows the regression coefficient of the *earnings aggressiveness* is positive at 1.758 with a significance value of 0.026 < 0.05. Each increase in *earnings aggressiveness* by one unit causes an increase in cost of equity by 0.104 units. This demonstrates that *earnings aggressiveness* exerts a significant positive impact on cost of equity.

Hypothesis two posits *earnings smoothing* demonstrates a positive influence on cost of equity. Table 3 presents the regression coefficient for the *earnings smoothing* variable is positive at 6.601 at significance level of 0.022 < 0.05. The findings prove *earnings smoothing* exhibits a significant positive influence on cost of equity. Thus, each increase in *earnings smoothing* of one unit will increase cost of equity by 0.204 units. This suggests that *earnings smoothing* exhibits a significant positive influence on cost of equity.

The third hypothesis proposes that *earnings persistence* can weaken the influence of *earnings aggressiveness* and cost of equity. Table 3 indicates that the coefficient for the moderating variable ABSX1_Z (|ZX1 - ZZ|) shows a negative value of -0.035 at a significance level of 0.499 > 0.05. The results prove *earnings persistence* proves unable in significantly moderating the impact of *earnings aggressiveness* on cost of equity. This suggests *earnings persistence* is unable to strengthen or attenuate the nexus between *earnings aggressiveness* and cost of equity.

The final hypothesis posits *earnings persistence* is expected to attenuate the association linking *earnings smoothing* and cost of equity. Table 3 reveals that the regression coefficient of the moderating variable ABSX2_Z (|ZX2 - ZZ|) is negative at -0.133 at a significance level of 0.034 < 0.05. The findings confirm *earnings persistence* proves capable of significantly moderating the impact of *earnings*

* Corresponding author's e-mail: divaniaulia24@gmail.com

smoothing on cost of equity in a negative direction. In other words, *earnings persistence* attenuates the positive nexus between *earnings smoothing* and cost of equity, suggesting that when *earnings persistence* rises, the positive impact of *earnings smoothing* on cost of equity will decrease.

The Effect of Earnings Aggressiveness on Cost of Equity

The analysis conducted proves that *earnings aggressiveness* indicates a significant positive impact on cost of equity at a coefficient of 1.758 with a significance of 0.026 (<0.05), thus H1 is accepted. The outcome of the analysis confirm a high level of *earnings aggressiveness* is positively linked to a rise in cost of equity, indicating aggressive earnings reporting practices increase the risk borne by shareholders. These test results are reinforced by previous research findings, namely Listionargo et al. (2022), Marpaung & Herawati (2020), and Malau et al. (2019) which reveal a significant positive influence of *earnings aggressiveness* on cost of equity. This finding can be explained through the agency theory perspective, where *earnings aggressiveness* practices undertaken by management through early revenue recognition and delayed expense recognition create uncertainty regarding the quality of reported earnings. This condition causes investors to perceive higher information risk and lose confidence in the transparency of the firms financial statements, so they expect a greater required return to compensate for that risk, ultimately increasing the cost of equity.

The Effect of Earnings Smoothing on Cost of Equity

The study findings indicate *earnings smoothing* exerts a positive and significant impact upon the cost of equity, accompanied by a regression coefficient measuring 6.601 and a significance level of 0.022 (<0.05), thus H2 is accepted. These findings show *earnings smoothing* practices carried out by management actually increase the firms required return on equity capital. This condition can be explained because investors perceive *earnings smoothing* practices as a form of earnings adjustment that reduces the clarity of financial statement information. When reported earnings appear artificially stable and do not reflect actual changes in company performance, investors face higher information risk and difficulty in predicting the firms performance in future periods. As a consequence, investors will expect a greater investment return to compensate for existing uncertainty and information risk, thus ultimately increasing the firms cost of equity. The consistency of findings with the study by Malau et al. (2019) strengthens the empirical evidence that *earnings smoothing* demonstrates a positive and significant impact upon cost of equity.

The Effect of Earnings Persistence in Moderating the Relationship between Earnings Aggressiveness and Cost of Equity

The research findings prove that *earnings persistence* fails to moderate the impact of *earnings aggressiveness* on cost of equity, as shown by the absolute difference value test results obtaining a regression coefficient value of -0.035 with

* Corresponding author's e-mail: divaniaulia24@gmail.com

a significance level of 0.499 (>0.05), thus H3 is rejected. The analysis findings indicate that *earnings persistence* does not have significant ability to strengthen or weaken the influence of *earnings aggressiveness* on cost of equity. The inability of *earnings persistence* to moderate the nexus between *earnings aggressiveness* and cost of equity can be explained through the earnings quality hierarchy concept from Dechow et al. (2010), which shows there are levels in earnings quality indicators and the absence of manipulative practices is a basic requirement before other earnings quality indicators can function effectively. Francis et al. 2004 in Listionargo et al. (2022) suggest *earnings aggressiveness* practices engaged by management through accelerated revenue recognition and delayed expense recognition have created significant distortions in the earnings structure, so that even though earnings show high persistence, investors still perceive fundamental financial information opacity risk.

The Effect of Earnings Persistence in Moderating the Relationship between Earnings Smoothing and Cost of Equity

The studys results prove that *earnings persistence* can significantly moderate the nexus between *earnings smoothing* and cost of equity in a negative direction, as shown by the absolute difference value test results obtaining a regression coefficient value of -0.133, and a significance level of 0.034 (<0.05), therefore H4 is accepted. When *earnings persistence* is high, the impact of *earnings smoothing* on cost of equity becomes smaller. This finding indicates that *earnings persistence* functions as a moderating variable that diminishes the positive association between *earnings smoothing* and cost of equity, which means that when *earnings persistence* increases, the positive effect of *earnings smoothing* on cost of equity will decrease. This condition can be explained because when a company has persistent and sustainable earnings, investors tend to be more confident that the *earnings smoothing* practices carried out are not merely to hide performance volatility, but rather reflect fundamental business stability. Thus, high *earnings persistence* can reduce investor concerns about information risk and lower their demands for higher rates of return, thereby ultimately reducing the impact of *earnings persistence* on cost of equity (Pirveli, 2020). This study is consistent with Listionargo et al. (2022) which explains that *earnings persistence* as an earnings quality indicator is capable of mitigating the association between *earnings smoothing* and the firms required return on equity that is borne by the firm.

Control Variable Test Results

The study results prove that firm size as a control variable shows no significant impact on cost of equity at a significance of 0.481 (<0.05). From an agency theory perspective, large-scale companies show a tendency for lower agency costs, due to better supervisory functions and broader information access. However, this advantage can be eliminated when *earnings aggressiveness* and *earnings smoothing* practices increase. Investors will still demand a high risk premium regardless of firm size if they perceive earnings quality problems (Kaharuddin et al., 2022). This finding is consistent with the research conducted by Nurdiniah et al. (2021) which indicates firm size is not always exert a significant

* Corresponding author's e-mail: divaniaulia24@gmail.com

influence on cost of equity, especially when information quality factors and financial reporting transparency become the main concern of investors. This is in line with the study by Rohman & Ismanto (2020) finding that firm size fails to exert an influence on the cost of equity capital.

5. CONCLUSION AND SUGGESTION

The main focus of this research seeks to analyze the influence of *earnings opacity* proxied by *earnings aggressiveness* and *earnings smoothing* on cost of equity, as well as the role of *earnings persistence* as a moderating variable in manufacturing companies on the IDX for the period 2021-2023. The results of the examination of 114 data samples demonstrate *earnings aggressiveness* and *earnings smoothing* exert a significant positive impact on cost of equity, thus H1 and H2 are accepted. The main findings show that *earnings persistence* is only can weaken the influence of *earnings smoothing* on cost of equity, however does not moderate the association between *earnings aggressiveness* and cost of equity, thus H3 is rejected and H4 is accepted. This study presents several limitations, namely the limited research period of only three years, which potentially has not captured the long-term dynamics of the relationships between variables, especially in different economic conditions. In addition, in testing panel data, SPSS software is still used in data analysis.

Based on the research limitations, there are several recommendations that can be considered, namely that future research should extend the observation period to at least five to seven years to capture the long-term dynamics of the relationships between variables and test the consistency of research findings in various economic conditions. In addition, using more robust analysis software such as EViews which has better capabilities in handling panel data. For investors, the findings of this study can be used as a reference in assessing investment risk by paying attention to *earnings opacity* indicators as signals of earnings quality. Investors are advised to be more critical in analyzing earnings patterns and consider *earnings persistence* as additional information, especially in companies with high *earnings smoothing* practices. The findings of this research can provide input for regulators in strengthening supervision of financial reporting practices, particularly related to *earnings aggressiveness* and *earnings smoothing* have been proven to increase company cost of equity.

REFERENCES

Amelia, V., & Yadnyana, I. K. (2016). Pengaruh Good Corporate Governance, Kepemilikan Keluarga dan Kepemilikan Institusional pada Biaya Ekuitas Perusahaan Manufaktur. *E-Jurnal Akuntansi*, *16*(2), 1264–1289.

Andriani, L., & Afriyenti, M. (2019). Kualitas Akrual Memoderasi Earnings Opacity Terhadap Biaya Ekuitas. *Jurnal Eksplorasi Akuntansi*, *1*(3), 1363–

* Corresponding author's e-mail: divaniaulia24@gmail.com

1375. https://doi.org/10.24036/jea.v1i3.148

Callista, P., & Lukman, H. (2024). Determinants Of Earning Persistence In Consumer Cyclicals Sector In Indonesia. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, *11*(1), 101–112. https://doi.org/10.30656/jak.v11i1.6475

Dechow, P., Ge, W., & Schrand, C. (2010). *Understanding Earnings Quality: A Review of the Proxies, Their Determinants and Their Consequences Patricia*. *50*(3).

Delita, I., & Mulyani, E. (2018). Pengaruh Earnings Aggresiveness Terhadap Cost of Equity Dengan Persistensi Laba Sebagai Variabel Moderating (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2014-2016). *Wahana Riset Akuntansi*, *6*(1), 1193–1204. https://doi.org/10.24036/wra.v6i1.101941

Eliana, Salfadri, & Meyla, D. N. (2021). Pengaruh Persistensi Laba, Struktur Modal, dan Ukuran Perusahaan terhadap Kualitas Laba Studi Empiris di Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2015-2018. *Pareso Jurnal, Jurnal Pengembangan Ilmu Akuntansi Dan Keuangan*, *3*(1), 123–140.

Fikri, M. I., & Febriyanto, F. C. (2023). Pengaruh Earning Opacity, Ownership Structure Dan Capital Intencity Terhadap Tax Avoidance. *Jurnal Akuntansi Barelang*, *7*(2), 48–66. https://doi.org/10.33884/jab.v7i2.7153

Firman, M., Ekonomi, F., Uin, I., & Wahid, K. H. A. (2024). Strategi Public Relations Unilever Indonesia dalam Menjaga Reputasi Pasca Isu Boikot Pro-Israel. *Jurnal Ilmiah Ekonomi Dan Manajemen*, *2*(6), 171–178. https://doi.org/10.61722/jiem.v2i6.1319

Frucot, V., & Shearon, W. T. (1991). Budgetary participation, locus of control, and Mexican managerial performance and job satisfaction. *Accounting Review*, *66*(1), 80–99.

Kaharuddin, Mus, A. R., & Su'un, M. (2022). Effect of Earning Opacity on Tax Avoidance in Manufacturing Companies Listed on the Indonesia Stock Exchange. *Invoice Jurnal Ilmu Akuntansi*, *4*(1), 15–32. https://doi.org/10.26618/inv.v4i1.7279

Listionargo, D., Uzliawati, L., & Ismawati, I. (2022). The Effect of Earnings Opacity on Cost of Equity With Earnings Persistence as Moderating Variable. *Journal of Applied Business, Taxation and Economics Research*, *1*(5), 506–514. https://doi.org/10.54408/jabter.v1i5.92

Lubis, A. F., & Sari, S. P. (2024). Pengaruh Persistensi Laba, Profit Potensial, Struktur Modal, dan Kesempatan Bertumbuh Terhadap Kualitas Laba. *Indonesian Journal for the Economis, Management and Technology*, *8*(3), 1058–1071. https://doi.org/10.35870/emt.v8i3.2810

Malau, M., Murwaningsari, E., Mayangsari, S., & Aryati, T. (2019). Pengaruh Opasitas Laba, Asimetri Informasi, dan Keinformatifan Laba Terhadap Biaya Ekuitas di Perusahaan Manufaktur. *Jurnal Akuntansi Trisakti*, *6*(1), 43–54.

* Corresponding author's e-mail: divaniaulia24@gmail.com

https://doi.org/10.25105/jat.v6i1.4918

Malau, M., Murwaningsari, E., & Sekar Mayangsari. (2020). Prudence Measurement Is Moderating Earning Opacity, Information Asymmetry, and Earning Informativeness on Cost of Capital Three Factors Model. *International Journal of Business, Economics and Law*, *21*(5), 37–46.

Malelak, M. I., Melvern, M., & Gunawan, N. B. (2025). What Drives Capital Structure ? Evidence From Manufacturing Firms In Indonesia. *Journal of Management Small and Medium Enterprises*, *18*(2), 1515–1527. https://doi.org/https://doi.org/10.32493/jiaup.v7i2.3279

Marpaung, E. I., & Herawati, V. (2020). The Influence Of Earnings Aggresiveness And Smoothing On The Cost Of Equity. *South East Asia Journal Of Contemporary Business, Economics and Law*, *22*(1), 114–119.

Maulana, B. D., & Rahayu, Y. (2022). Pengaruh Ukuran Perusahaan, Likuiditas, dan Leverage terhadap Profitabilitas. *Jurnal Ilmu Dan Riset Akuntansi*, *11*(11), 1–14.

Nuraeni, R., Mulyati, S., & Putri, T. E. (2018). Faktor-Faktor yang Mempengaruhi Persistensi Laba (Studi Kasus pada Perusahaan Property dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2013-2015). *Accruals (Accounting Research Journal of Sutaatmadja)*, *2*(1), 82–112.

Nuraini, & Purnomo. (2024). Pengaruh Asimetri Informasi, Manajemen Laba, dan Pengungkapan Modal Intelektual Terhadap Biaya Ekuitas. *Jurnal Ilmiah Ekonomi Dan Manajemen*, *2*(1), 99–112. https://ejurnal.kampusakademik.co.id/index.php/jiem/article/view/665

Nurdiniah, D., Oktapriana, C., Meita, I., & Yanti, M. D. (2021). Impact of Leverage and Firm Size on Earnings Persistence with Managerial Ownership as Moderating Variables. *European Journal of Business and Management Research*, *6*(5), 132–139. https://doi.org/http://dx.doi.org/10.24018/ejbmr.2021.6.5.1080

Oktapiani, K., & Ruhiyat, E. (2019). Kualitas Laba: Investment Opportunity Set dan Komite Audit. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, *7*(2), 173–188. https://doi.org/10.32493/jiaup.v7i2.3279

Pirveli, E. (2020). Earnings Persistence and Predictability within the Emerging Economy of Georgia. *Journal of Financial Reporting and Accounting*, *18*(3), 563–589. https://doi.org/10.1108/JFRA-03-2019-0043

Rohman, M. S., & Ismanto, H. (2020). Determinan Biaya Modal Ekuitas: Studi Empiris Pada Perusahaan Properti, Real Estate dan Kontruksi Bangunan. *Journal of Applied Business and Economics*, *7*(2), 194–208. https://doi.org/10.30998/jabe.v7i2.5619

Siam, C. (2021). Pengaruh Systematic Risk, Earnings Persistence, Growth Opportunities, dan Capital Structure Terhadap Earnings Quality pada Perusahaan Sektor Industri Barang Konsumsi Di Bursa Efek Indonesia. *Jurnal*

* Corresponding author's e-mail: divaniaulia24@gmail.com

FinAcc, *6*(8), 1186–1197.

Sugiono, S. (2004). Konsep, identifikasi, alat analisis dan masalah penggunaan variabel moderator. *Jurnal Studi Manajemen Organisasi*, *1*(2), 61–70. https://doi.org/10.14710/jsmo.v1i2.4175

Sunarto, Oktaviani, P., & Hardiningsih, R. M. (2016). Kualitas Akrual Memoderasi Hubungan Earnings Opacity dengan Cost Of Equity. *Simposium Nasional Akuntansi XIX*.

Tsania, A. A. F., Mudjiyanti, R., Santoso, S. B., & Santoso, S. E. B. (2025). The Influence of Institutional Ownership , Profitability , and Company Size on Earnings Quality. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, *13*(2), 183–200. https://doi.org/10.32493/jiaup.v13i2.51986

Utami, R. J. K., & Murwaningsari, E. (2024). Opasitas Laba dan Asimetri Informasi Meningkatkan Biaya Modal. *Jurnal Ekonomi Trisakti*, *4*(2), 133–142. https://doi.org/10.25105/jet.v4i2.20294

Vidiarto, B. S., & Cahyani, Y. (2024). Pengaruh Penghindaran Pajak, Koneksi Politik, dan Beban Pajak Tangguhan terhadap Nilai Perusahaan. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, *12*(2), 197–212. https://doi.org/10.32493/jiaup.v12i2.41412

Wicaksono, G., Veronica, A., Anita, L., Ibrahim, F. N., Husain, S., Purwanti, A., MY, A. S., Hertati, L., Herman, H., & Nur, S. W. (2022). *Teori Akuntansi*. PT. Global Eksekutif Teknologi.

Wijaya, E., Suprayitno, D., Ladini, U., Nengsih, T. A., Sumiyarti, Sudrimo, S. N., Kusumastuti, S. Y., Nurhayati, & Hulu, D. (2024). *Buku Ajar Ekonometrika*. Sonpedia.com.

Wulandari, S., & Nurmala, P. (2019). Pengaruh Ukuran Perusahaan, Intensitas Rapat Komite Audit, dan Ukuran Komite Audit Terhadap Biaya Audit. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, *7*(2), 106–118. https://doi.org/10.32493/jiaup.v7i2.2718

Yusfita, M., & Murwaningsari, E. (2024). Faktor Faktor yang Mempengaruhi Biaya Ekuitas: Keagresifan Laba, Perataan Laba, Transparansi Laba, dan Risiko Pasar. *Jurnal Ekonomi Trisakti*, *4*(2), 123–132. https://doi.org/10.25105/jet.v4i2.20292

* Corresponding author's e-mail: divaniaulia24@gmail.com