



Intellectual Capital: Its Role in Strengthening the Influence of Accounting Conservatism and Liquidity on Earnings Quality

Ratieh Widhiastuti^{1*}, Ida Nur Aeni¹, Wisudani Rahmaningtyas², Novita Della Putri¹, Indah Khoirunnisa¹

¹ Accounting Education Department, Universitas Negeri Semarang, Indonesia

² Office Administration Education, Universitas Negeri Semarang, Indonesia

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Abstract

This study examines the impact of accounting conservatism and liquidity on earnings quality and the moderating effect of intellectual capital. Using panel data from 100 profit-generating infrastructure companies listed from 2020 to 2024, the research employs descriptive statistics and moderated regression analysis. The results show that accounting conservatism significantly improves earnings quality, indicating that conservative reporting provides a stronger credibility signal to stakeholders. Conversely, liquidity has no significant effect on earnings quality. Intellectual capital also fails to moderate the effects of either accounting conservatism or liquidity on earnings quality, suggesting that its organizational placement and measurement may not directly influence financial reporting behavior. Theoretically, this study contributes to refining signal theory in the context of earnings reporting by demonstrating that only conservatism, rather than liquidity or intellectual capital, serves as a reliable signal of earnings quality. In practice, the findings highlight the need for firms to strengthen conservatism-based reporting policies to enhance stakeholder trust and underscore the importance of developing more precise metrics for evaluating intellectual capital in relation to financial reporting outcomes.

Abstrak

Penelitian ini mengkaji dampak konservatisme akuntansi dan likuiditas terhadap kualitas laba, serta efek moderasi modal intelektual. Menggunakan data panel dari 100 perusahaan sehat di sektor infrastruktur yang terdaftar pada tahun 2020–2024, penelitian ini menggunakan statistik deskriptif dan analisis regresi moderasi. Hasil menunjukkan bahwa konservatisme akuntansi secara signifikan meningkatkan kualitas laba, yang menunjukkan bahwa pelaporan konservatif memberikan sinyal kredibilitas yang lebih kuat kepada para pemangku kepentingan. Sebaliknya, likuiditas tidak memiliki efek signifikan terhadap kualitas laba. Modal intelektual juga gagal memoderasi efek konservatisme akuntansi maupun likuiditas terhadap kualitas laba, yang menunjukkan bahwa penempatan dan pengukurannya di organisasi mungkin tidak memiliki pengaruh langsung terhadap perilaku pelaporan keuangan. Secara teoritis, studi ini berkontribusi pada penyempurnaan teori sinyal dalam konteks pelaporan laba, yang menunjukkan bahwa hanya konservatisme, alih-alih likuiditas atau modal intelektual, yang berfungsi sebagai sinyal kualitas laba yang andal. Secara praktis, temuan tersebut menyoroti perlunya perusahaan untuk memperkuat kebijakan pelaporan berbasis konservatisme untuk meningkatkan kepercayaan pemangku kepentingan, dan menggarisbawahi pentingnya mengembangkan metrik yang lebih tepat untuk mengevaluasi modal intelektual dalam kaitannya dengan hasil pelaporan keuangan.

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* Corresponding Author.

ratieh.widhiastuti@mail.unnes.ac.id. Ratieh Widhiastuti

INTRODUCTION

Profit is one of the financial report indicators used by investors as a measure of a company's performance in decision-making (Safitri & Afriyenti, 2020; Zadeh et al., 2022). The profit or loss component in the financial report contains information on the amount of profit or loss obtained by the company. Kepramareni et al. (2021) explained that profit quality is considered high if it is close to the initial plan or exceeds the target of the initial plan. Shareholders rely more on profit figures than on other performance indicators such as cash dividends, cash flow, and changes in profit (Barth & Schipper, 2008). Dechow et al. (2010) stated that when profit figures are of high quality, they can provide more information about the company's financial performance. Quality profit information must be relevant in decision making, can provide information related to financial conditions, and can be used to measure company performance (DSAK, 2025). Transparency of financial reporting is an essential issue because investors need accurate and relevant information in making investment decisions, as well as to ensure the security of their investments (Erawati et al., 2023; Marzuki & Wahab, 2016).

However, there have been various cases of earnings manipulation in Indonesia, which indicate that earnings information may not always reflect economic reality. Such distortions create information asymmetry and weaken investor trust. This issue aligns with signaling theory, which emphasizes that management must provide credible signals, particularly through transparent and reliable financial performance indicators. The signal theory developed by Spence (1973) is defined as an effort to describe a problem accurately to other parties by providing information. Profits in the financial report are a positive signal to stakeholders from management. Quality accounting profit, which does not contain elements of manipulation, is a positive signal for management in informing the company's financial condition and for investors regarding the potential for profit from the investment. A positive signal from profit will be dangerous if management manipulates the financial data in the financial report.

Accounting conservatism is viewed as a mechanism that reduces managerial opportunism by requiring earlier recognition of losses than gains (Ball et al., 2000; P. S. Kurniawan & Wahyuni, 2018; Levitt, 1998; Marzuki & Wahab, 2016). Prior research has shown mixed findings regarding its effect on earnings quality. Some studies conclude that conservatism enhances earnings quality, while others find negative or insignificant effects, suggesting inconsistent findings in the literature. Based on previous research conducted by Angelina (2020), Kurniawan & Suryaningsih (2018), and Safitri & Afriyenti (2020), accounting conservatism has a positive effect on earnings quality. One way to prevent financial statement manipulation is to choose conservative financial statements (Suryani, 2016). Meanwhile, according to research by Islamiati (2023) and Magdalena & Trisnawati (2022), conservatism has an adverse effect on earnings quality. This is different from the results of research (e.g. Azizah & Khairudin, 2022; Helina & Permanasari, 2017) which stated that accounting conservatism does not significantly affect earnings quality.

Liquidity likewise plays an important role in shaping earnings quality because firms with strong short-term financial positions are less likely to engage in opportunistic reporting. Yet empirical studies on the impact of liquidity on earnings quality yield inconsistent results. Liquidity levels significantly affect the reporting of profits in financial statements. Financial reporting based on actual conditions makes profits, which are components of financial statements, increasingly qualified (Nandika & Sunarto, 2022). Suppose a company's liquidity ratio is low. In that case, the value of profit will also decrease, because managers will tend to convey financial information that does not reflect the actual situation to continue attracting investors and users of financial statements.

Several previous studies have shown that there are still differences in results (inconsistencies) regarding the influence of accounting conservatism and liquidity on earnings quality. This inconsistency makes researchers interested in presenting a moderating variable as a factor that strengthens or weakens the impact of the independent variable on the dependent variable. The moderate variable used in this study is intellectual capital. Intellectual capital can moderate the influence of profitability on firm value (Wibowo & Yuliana, 2020) and the influence of liquidity, leverage, and profitability on firm value (Budiningtyas & Hutabarat, 2024). The results of several studies show that intellectual capital can have a moderating role on various variables.

To address these inconsistencies, this study introduces intellectual capital as a moderating variable. Intellectual capital—encompassing human, structural, and relational resources—can enhance managerial capabilities, financial decision-making, and organizational prudence. Intellectual capital is a knowledge-based resource that describes intangible assets that, when utilized optimally, can enhance the quality and competitive advantage of the company. Intellectual capital is one of the key factors that can impact a company's profit quality. Companies with high intellectual capital will increase their assets and positively impact their profits. Intellectual capital encompasses various cognitive, behavioral, and competency aspects that influence how companies manage their finances and risks.

Prior studies suggest that intellectual capital may enhance corporate governance mechanisms and financial reporting processes; however, its moderating role between conservatism, liquidity, and earnings quality has not been thoroughly explored. However, previous studies have not examined whether intellectual capital can strengthen the effect of accounting conservatism and liquidity on earnings quality in the infrastructure sector. This constitutes the main research gap addressed in this study. The infrastructure sector is chosen because it is highly capital-intensive, involves long-term contracts, carries high financial risk, and is closely linked to government strategic projects. These characteristics make financial reporting quality crucial and make this sector uniquely relevant for examining earnings quality, conservatism, liquidity, and intellectual capital simultaneously.

Accordingly, the objectives of this study are: 1. To examine the effect of accounting conservatism on earnings quality. 2. To analyze the influence of liquidity on earnings quality. 3. To test whether intellectual capital strengthens the relationship between accounting conservatism and earnings quality. 4. To test whether intellectual capital strengthens the relationship between liquidity and earnings quality.

Accounting conservatism is a fundamental principle in financial reporting that emphasizes prudence—recognizing expenses and liabilities earlier and recognizing income only when it is realized. Conservatism reduces managerial discretion and limits opportunities for earnings manipulation. According to Watts (2003), conservatism protects stakeholders by ensuring that earnings are reported cautiously, thereby increasing reliability. Prior studies such as Angelina (2020); Kurniawan & Wahyuni (2018); Safitri & Afriyenti (2020) found that accounting conservatism positively contributes to improving earnings quality. More conservative firms tend to report earnings that reflect actual performance with a lower risk of overstatement.

The study by Amanda & Erinoss (2023) stated that companies that can fulfill their responsibilities to show that the company is in good condition can be used by management as a healthy signal from the company to the market or investors. If the market has received the signal well, the company's profit quality will also be good. In signaling theory, high liquidity can positively impact earnings quality by signaling the company's financial health, reducing incentives for earnings manipulation, enhancing transparency, and improving market perception. Companies with high liquidity indicate they have sufficient resources to perform accurate earnings measurement and recognition. Good liquidity suggests that the company can manage risks more effectively and report earnings more accurately and sustainably, thereby improving the quality of reported earnings.

Liquidity reflects a company's capability to meet short-term obligations. Strong liquidity provides a positive financial signal to investors and reduces incentives for earnings manipulation. Firms with high liquidity tend to be more transparent because they face lower pressure to inflate profits. Empirical studies, including Amanda & Erinoss (2023); Ardianti (2018); Kepramareni et al. (2021); Tita & Pohan (2022); Utomo et al. (2020), found that liquidity enhances earnings quality by promoting more accurate reporting of financial performance.

Accounting conservatism can prevent a manager from excessively manipulating earnings to make the company's performance appear more favorable than it actually is. A manager's manipulative actions can harm investors because the profits reported in the financial statements do not accurately reflect the company's actual condition. Signal theory explains that management provides signals in the form of information about the company's condition to external parties through the financial statements it publishes.

Intellectual capital (IC) encompasses intangible resources, including human expertise, organizational systems, and customer relationships. IC enhances decision-making quality and internal controls, contributing to better financial reporting. Firms with high intellectual capital are better positioned to apply accounting conservatism effectively because they have stronger managerial capability to implement prudent accounting practices. Prior studies (Angelina, 2020; Kalalo & Sofian, 2022; C. Kurniawan & Suryaningsih, 2018; Widjaja, 2023) (Kalalo & Sofian, 2022; Widjaja, 2023) highlight the positive influence of intellectual capital on earnings quality. Applying high accounting conservatism in companies can enhance the quality of the company's profits, as the principle minimizes the exaggeration of financial statements. Thus, intellectual capital may strengthen the positive effect of conservatism on earnings quality.

The relationship between liquidity and intellectual capital with profit quality is based on signaling theory. Companies that generate profits from their operations will provide a positive signal in their financial statements. Liquidity and intellectual capital jointly contribute to a firm's operational stability. High intellectual capital enhances a firm's ability to efficiently utilize its liquid assets, thereby improving financial decision-making and risk management. Firms with strong IC capabilities tend to utilize their resources more efficiently, thereby increasing transparency and profit quality. Prior studies Kalalo & Sofian (2022); Safitri & Muliati (2023); Utomo et al. (2020); Widjaja (2023) support the idea that intellectual capital contributes to the production of higher-quality financial reporting.

The high intellectual capital of a company increases its current assets and investments, enabling it to meet its short-term obligations. The higher the level of intellectual capital, the greater the company's liquidity. High intellectual capital and liquidity will provide a positive signal for users of financial statements. Companies with substantial intellectual capital may be able to allocate their liquidity more wisely to generate higher-quality profits by utilizing resources more efficiently. Therefore, intellectual capital will strengthen the influence of liquidity on profit quality.

Table 1. Summary of Hypotheses

Code	Hypotheses Statement
H ₁	Accounting conservatism has a positive effect on earnings quality.
H ₂	Liquidity has a positive effect on earnings quality.
H ₃	Intellectual capital strengthens the association between accounting conservatism and earnings quality.
H ₄	Intellectual capital strengthens the effect of liquidity on earnings quality.

METHOD

This study uses a quantitative approach. The research data used is panel data sourced from the company's annual report. The annual report was downloaded from the company's official website. The research population consists of all public companies in the infrastructure sector that generated a profit between 2020 and 2024, resulting in 100 units of analysis. This study is limited to healthy companies because the research context will analyze the quality of the earnings reported by these companies. The dependent variable is earnings quality, and the independent variables are accounting conservatism and liquidity. Intellectual capital is presented as a moderating variable in the research model. The analysis tool consists of descriptive analysis and moderated regression analysis. The research data was processed using Eviews. The detailed operational definitions of each variable are presented in Table 1. The research model equation is written as follows.

$$EQ_{i,t} = \beta_0 + \beta_1 AC_{i,t} + \beta_2 LQ_{i,t} + \beta_3 AK_{i,t} * IC_{i,t} + \beta_4 LQ_{i,t} * IC_{i,t} + \varepsilon_{i,t}$$

Table 2. Operational Definition of Research Variables

Variables	Indicator/Measuring Instrument	Reference Source
Dependent Variable: Earning Quality (EQ)	Earnings Quality (KL) = Operating Cash Flow/Net Profit	(Safitri & Muliati, 2023)
Independent Variables: Accounting Conservatism (AC)	$KA = [(Net\ Income + Depreciation - Operating\ Cash\ Flow) \times (-1)] / Total\ Assets$	(Dirman, 2020)
Liquidity (LQ)	$Current\ Ratio\ (CR) = Total\ Non-Fixed\ Assets / Total\ Short-Term\ Liabilities$	(Amanda & Erinos, 2023)
Moderating Variables: <i>Intellectual Capital (IC)</i>	$VA = OUTPUT - INPUT$ $VACA = VA/CE$ $VAHU = VA/HC$ $STVA = SC/VA$ $VAIC = VACA + VAHU + STVA$	(Magdalena & Trisnawati, 2022)

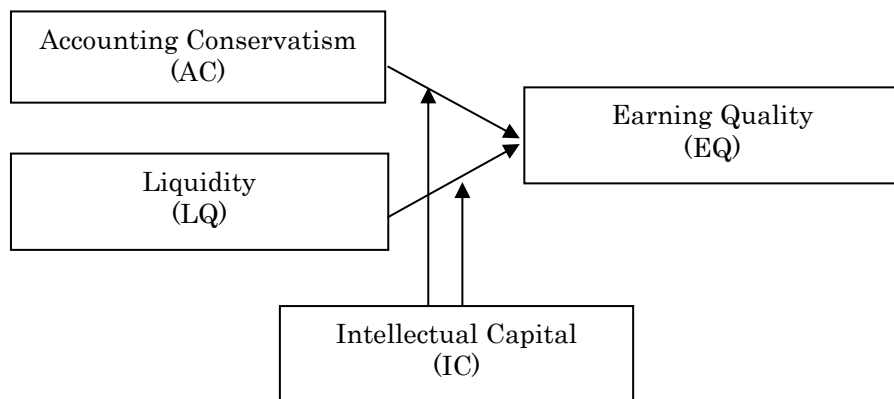


Figure 1. Research Model

RESULTS AND DISCUSSION

The descriptive statistical analysis shows that EQ has an average of 1.90, which falls within the high category. The mean value is smaller than the standard deviation (3.78), indicating that the distribution of EQ data is uneven or has a reasonably significant data deviation. AC has an average value of -0.34, which falls within the low category (optimistic accounting). The standard deviation is 0.29, higher than the average, indicating that AC has poor data distribution or a reasonably significant degree of data deviation. Liquidity (LQ) has an average of 1.87, which places it in the illiquid category, and a standard deviation of 2.02. The liquidity variable's mean value, which is lower than its standard deviation in this study, indicates an uneven distribution or a reasonably significant deviation. IC has an average of 27.59, which places it in the top performers category, and a standard deviation of 19.43. The study results show that IC data is distributed homogeneously, or that the distribution between companies is not much different. The minimum value is 4.68, and the maximum value is 79.70.

The model testing results from the moderation regression showed that the p-value from the Chow test was 0.000, indicating that the most appropriate model between the common-effect and fixed-effect models was the fixed-effect model. Based on the results of the Chow test, the next step was to conduct a Hausman test. The Hausman test yielded a p-value of 0.0001, indicating that the fixed-effects model was the most appropriate of the two. Based on the decision-making criteria, the test was complete, and there was no need to continue the Lagrange Multiplier (LM) test. It can be concluded that the most suitable model for this study is the fixed effect model. Because the FEM model was chosen, this study only tests for multicollinearity, heteroscedasticity, and autocorrelation. All research data have met the classical assumptions, so the model is considered suitable. Diagnostic tests performed: Multicollinearity test using VIF, heteroscedasticity test using

Breusch–Pagan, autocorrelation test (Durbin–Watson). All model diagnostics confirm that the chosen regression model is appropriate for the data.

Table 3. Results of Descriptive Statistical Analysis

	Company	Mean	Maximum	Minimum	Std. Dev.
EQ	100	1.902	18.030	-17.430	3.782
AC	100	-0.340	0.093	-0.960	0.289
LQ	100	1.868	9.900	0.193	2.020
IC	100	27.587	79.700	4.677	19.427

Source: Data Processing Results, 2025

Table 4. Regression Model Test Results

	Chow Test			Hausman Test		
	Statistics	Chi-Sq.df	Prob.	Chi-Sq. Stat	Chi-Sq.df	Prob
Cross Section F	4,4163	(20.76)	0.000	-	-	-
Cross-section Chi-square	77,1112	20	0.000	-	-	-
Random cross-section	-	-	-	20.385	3	0.001

Source: Data Processing Results, 2025

The regression using the Fixed Effect Model (FEM) shows strong model fit, as reflected in an R^2 of 0.6016, indicating that approximately 60% of the variation in earnings quality can be explained by accounting conservatism, liquidity, intellectual capital, and the interaction variables. The adjusted R^2 of 0.4741 suggests that after accounting for the number of predictors, the model still explains nearly 47% of the variance, indicating adequate explanatory power for panel data involving multiple firm-level characteristics. The F-statistic of 4.719 ($p < 0.05$) confirms that the independent variables jointly explain earnings quality.

Table 5. Results of Moderation Regression Testing

	Coefficient	Std. Error	t-Statistic	Prob.
c	8.088502	2.262138	3.575601	0.0006
AC	19.59290	7.279409	2.691551	0.0088 ***
LQ	-0.248414	0.496745	-0.500084	0.6185
AC*IC	-0.017279	0.160855	-0.107422	0.9147
LQ*IC	0.018206	0.020248	0.899168	0.3714
R-squared	0.601616			
Adjusted R-squared	0.474133			
F-statistic	4.719195			

Source: Data Processing Results, 2025

Accounting Conservatism Has a Positive Impact on Earnings Quality

Based on the study's results (Table 5), the coefficient of determination is 0.19593, with a p-value of $0.009 < 0.05$, indicating that AC has a significant effect on EQ. This relationship suggests that the company's profit quality value increases due to accounting conservatism. This statement can be interpreted as saying that the higher the company's accounting conservatism, the better the quality of the profit it generates. Conversely, if the company implements less accounting conservatism, the quality of its profits will also be low. So the first hypothesis in this study, namely, accounting conservatism has a positive effect on profit quality, is accepted (H1 is accepted).

The influence of accounting conservatism on earnings quality is positive, consistent with signal theory. Signal theory explains the role of management as a signal provider to other parties, such as investors, creditors, and other users of financial statements, and as a signal recipient (Spence, 1973). The application of the principle of accounting conservatism in a company provides a positive reaction from users of financial statements. The existence of accounting conservatism within a company encourages management to be more cautious when presenting financial statements. It prevents management from overstating profits and assets and reporting the company's debts as understated.

Accounting conservatism also protects users of financial reports, especially investors, from investment errors arising from misinterpretation of company profit information (Abd-Elnaby & Aref, 2019; Rickett et al., 2016). The presentation of profit information that is determined conservatively is considered a positive signal because there is little possibility that profit information shows an unreasonable condition. The company's application of the principle of accounting conservatism benefits both internal and external parties, as it tends to prioritize common interests over one-sided or personal interests.

The results of this study are supported by Angelina (2020), Julianingsih et al. (2020), Kurniawan & Suryaningsih (2018), and Safitri & Afriyenti (2020), Ji et al. (2016) who stated that accounting conservatism has a positive effect on earnings quality. The study indicated that companies that apply accounting conservatism in preparing their financial reports are less likely to commit fraud during the reporting process, as the recording is carried out under the principle of prudence, which aims to prevent the inaccurate presentation of earnings.

Liquidity Has a Positive Impact on Profit Quality

The test of the influence of LQ on EQ has a determinant coefficient of -0.248 and a p-value of 0.619 (> 0.05). This means that H2 is rejected because liquidity has not been proven to affect EQ. This study contradicts signal theory. Signal theory explains that internal parties of the company have more information about the company's condition than external parties, aiming to reduce the occurrence of asymmetric information communicated through published financial reports. The company's management acts as a signal-giver to external parties, such as investors, creditors, and other users of financial reports, serving as signal recipients. The company's managers will continue to strive to improve performance and claim that the company is developing well to impress external parties. This means that managers do not always provide accurate signals or information to external parties.

Several contextual and methodological considerations may explain this finding. High liquidity signals financial stability, but it does not guarantee prudent or transparent earnings reporting. Managers in liquid firms may still engage in earnings management for performance or compensation motives. Liquidity is measured using the current ratio, which may not capture the nuances of financial flexibility, such as working capital management or the quality of current assets. While signaling theory posits that liquidity should provide positive signals to investors, the insignificant result suggests that liquidity may not be a reliable signal without reinforcement from other factors such as governance quality or disclosure practices.

The results of this study are in line with studies conducted by Kurniawan & Suryaningsih (2018), Magdalena & Trisnawati (2022), Nandika & Sunarto (2022), Putri et al. (2023), Safitri & Amin (2024). This study suggests that the level of company liquidity, whether high or low, does not impact the quality of earnings presented by the company's management. Low liquidity indicates the company's inability to meet its short-term debt obligations. The low liquidity ratio is also attributed to the company's high level of short-term debt.

Intellectual Capital Moderates the Effect of Accounting Conservatism on Earnings Quality

Based on the results of the interaction of the AC variable with IC, it has a coefficient value of -0.0173 with a probability value of $0.912 > 0.05$, indicating that IC cannot strengthen the influence of AC on EQ (H3 is rejected). IC values such as employee expertise, brand reputation, and technological innovation cannot always be measured reliably in the context of accounting conservatism. This results in the IC assessment's inability to influence AC, leading to a cautious approach to calculating assets and liabilities.

Based on signal theory, good intellectual capital refers to the knowledge and capabilities possessed by a company that will also provide a good signal to investors. Maximizing the use of intellectual capital will increase the company's implementation of accounting conservatism. The study's results challenge the prevailing view that the existence of intellectual capital cannot continuously enhance the influence of accounting conservatism on earnings quality. Accounting conservatism emphasizes caution in reporting costs and losses more than it does the company's intellectual capabilities. This situation demonstrates that having substantial intellectual capital

does not automatically make a company more conservative in its earnings reporting.

The data show that intellectual capital value is mainly in the top-performing category. Although the company has superior knowledge and intellectual resources, the influence of intellectual capital on accounting conservatism, and thus on earnings quality, is not significant. Although the company has superior knowledge and intellectual resources, it does not automatically produce more conservative financial reports or better profits. Information on intellectual capital in the sample companies remains general; it is not yet known whether the condition of intellectual capital directly influences the determination of policies and the preparation of financial reports. Accounting conservatism and intellectual capital operate on different dimensions in accounting and financial reporting, which may render intellectual capital ineffective in enhancing the influence of accounting conservatism on earnings quality.

The results of this study are limited by the research's focus on measurement rules and recognition criteria, whereas intellectual capital encompasses knowledge resources, innovation, and human expertise. These domains may not intersect directly in their influence on earnings quality. Although theory suggests that intellectual capital enhances signaling credibility, the empirical evidence here indicates that IC alone does not reinforce conservative reporting as a signal of quality.

High levels of intellectual capital do not necessarily lead companies to manage their financial statements more conservatively, prioritizing caution in recognizing profits and losses. The results of this study align with research conducted by Indra & Trisnawati (2020), Julianingsih et al. (2020), Nopiyani (2018), Putri et al. (2023), and Safitri & Muliati (2023), which suggest that intellectual capital does not impact earnings quality. The existence of intellectual capital in a company cannot moderate the effect of accounting conservatism on earnings quality.

Intellectual Capital Moderates the Effect of Liquidity on Earnings Quality

Based on the results of the interaction of liquidity variables with IC, the coefficient value is 0.018 with a probability value of $0.371 > 0.05$. Based on the results of this study, it can be interpreted that IC is unable to strengthen the influence of liquidity on EQ (H4 is rejected). Although intellectual capital can help companies manage resources better, the ability to meet short-term financial obligations (liquidity) is not always balanced with an increase in the quality of profit reports.

This study's results contradict the signal theory concept, which explains that high liquidity usually indicates that a company can easily meet its financial obligations. The basic assumption in signal theory explains that higher liquidity can indicate a company's ability to manage its cash flow well. The intellectual capital variable, which has a role in determining the relationship between liquidity and earnings quality, is also not in line with the predictions of signal theory. This may be due to additional complexity in assessing earnings quality or other factors that influence investor perceptions and analysis of the company. Substantial intellectual capital should increase positive signals related to earnings quality. Intellectual capital can indicate that a company can make strategic decisions, develop innovation, and maintain a competitive advantage.

The data shows that the intellectual capital value is mostly in the top performance category. Although the company has superior knowledge and intellectual resources, the influence of intellectual capital on liquidity in improving profit quality is not significant. Substantial intellectual capital should help companies be more resilient in the face of unexpected market changes or business environments. Still, the ability to adapt and manage risks is expected to support the company's long-term liquidity. Still, it has not been able to exert its influence. This is because the measurement of intellectual capital in research remains general and not specific to intellectual capital directly related to profit quality.

The high level of intellectual capital implementation is unable to maximize the company's performance in managing assets to pay off short-term debt (liquidity) and improve profit quality. The results of this study are in line with research conducted by Indra & Trisnawati (2020), Julianingsih et al. (2020), Putri et al. (2023), and Safitri & Muliati (2023) which states that intellectual capital does not affect profit quality. The existence of intellectual capital in this company is not able to moderate the effect of liquidity on profit quality.

CONCLUSIONS AND SUGGESTIONS

This study concludes that accounting conservatism has a positive and significant impact on earnings quality, whereas liquidity does not. In addition, intellectual capital is unable to moderate the effect of either accounting conservatism or liquidity on earnings quality. These findings suggest that conservative reporting practices significantly contribute to earnings reliability, whereas liquidity and intellectual capital may not play a significant amplifying role in this context.

The findings reinforce the relevance of signal theory by demonstrating that conservative accounting serves as a credible signal of transparent and prudent financial reporting. However, the non-significant influence of liquidity and the inability of intellectual capital to function as a moderator challenge some prior theoretical assumptions. This suggests that not all firm attributes traditionally considered as positive signals translate into higher earnings quality. Intellectual capital, in particular, may only enhance earnings quality when directly integrated into financial reporting processes or embedded within governance structures. These insights refine existing theories by highlighting the contextual nature of signaling effectiveness.

From a managerial perspective, the results emphasize the importance of strengthening conservative reporting practices to improve earnings credibility. Companies may need to evaluate and refine their accounting policies, internal control systems, and managerial oversight mechanisms to ensure the consistent application of conservative accounting principles. For policymakers and regulators, these findings support the development of guidelines that encourage prudent reporting behavior and discourage earnings manipulation. For investors, the study suggests that conservative firms are more likely to produce reliable earnings information, whereas liquidity alone should not be used as a primary indicator of reporting quality.

This research is limited to infrastructure-sector firms, which may restrict the applicability of the findings to other industries with different financial characteristics and reporting behaviors. Future research should consider cross-sectoral comparative studies to assess whether the relationships found here remain consistent across manufacturing, finance, and technology sectors. Researchers may also explore the mediating effects of variables such as audit quality, corporate governance strength, or managerial competence to better understand the mechanisms linking conservatism, liquidity, and earnings quality. Additionally, intellectual capital can be examined as an independent variable to evaluate its direct influence on reporting outcomes, or future studies may adopt longitudinal or mixed-method approaches to capture deeper contextual dynamics.

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