The Effect of Exchange Rate Differences and Inventory Turnover on Profit Quality and Their Impact on Firm Value in the Covid-19 Pandemic Era

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Abstract
The pandemic caused by Covid-19 has had an impact on the sustainability of companies in the world one of which is that sales have decreased along with restrictions on international export trading activities. Covid-19 makes it difficult to maintain consistency in generating profits, this shows that the industrial sector has its own way of surviving amidst a pandemic storm that has hit all countries in the world. The aims of this study are: (1) to determine the effect exchange rate differences during the covid-19 pandemic on profit quality conditions, (2) knowing the effect of inventory turnover during the pandemic Covid-19 on the condition of profit quality, and (3) knowing the quality of earnings has an impact on company value during the Covid-19 pandemic. The method used is a quantitative research method, where the information provided can come from in-depth analysis of data collected first-hand, or from data that is already available. The population in this study were 41 companies in the industrial sector category listed on BE I, and 28 companies as the sample. Researchers in this study used secondary data collection techniques available on the Indonesian Stock Exchange during the study period. The results of the study show that (1) exchange rate differences have a significant positive effect on earnings quality during the Covid-19 pandemic. The increase in exchange rates during the Covid-19 pandemic made it profitable for companies to increase profits, (2) inventory turnover had a positive effect on profit quality during the Covid-19 pandemic, the company's financial performance was able to manage inventory turnover so that it was able to break down costs, provide input flows money comes in and increases profits which attract investors to invest in the industrial sector, and (3) profit quality has a positive effect on company value during the co-19 pandemic.

Keywords : Exchange Rate, Inventory Turnover, Profit Quality, ROA, PBV

INTRODUCTION

On March 11, 2020, WHO declared the COVID-19 virus to be a pandemic. This virus first appeared in Wuhan, China, at the end of 2019. The spread of this virus pandemic was so fast from human to human, from one country to another that spread throughout the world, including Indonesia The entry of the Covid-19 outbreak into Indonesia was announced on March 2, 2020. The pandemic caused by Covid-19 has had an impact on the sustainability of companies in the world. The Covid-19 pandemic has resulted in many companies experiencing financial difficulties. The economies of almost all countries in the world are experiencing difficulties in economic activities such as problematic company cash flow caused by sales falling in a short time. (Wasito & Wuryastuti, 2020) .

Table 1. Middle Exchange Rates of Several Foreign Currencies Against Rupiah at Bank Indonesia and Gold Prices in Jakarta (Rupiah)

Foreign currency	Middle Exchange Rates of Several Foreign Currencies Against Rupiah at Bank Indonesia and Gold Prices in Jakarta (Rupiah)		
	2019	2020	2021
American Dollars	13 901.00	14 105.00	14 269.00
Australian dollars	9 739.00	10 771.29	10 343,60

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Hong Kong dollars	1 785.00	1819.34	1829.84
Singapore dollars	10 321.00	10 644.08	10 533,76
Gold [1]	-	-	-
Euro	15 589.00	17 330,12	16 126.84
Dutch guilders	-	-	-
British pound sterling	18 250.00	19 085.50	19 200,38
Malaysian ringgit	3 397.00	3 491.78	3 416,10
Japanese Yen	127.97	136,47	123.89

Source : Central Bureau of Statistics

In the chart in 2020 there is a decrease in the composite stock price index, and in 2021 there will be an increase and stabilization. Then Table 1 also explains that there has been an increase in exchange rates in 2020-2021, which is the year the Covid-19 outbreak is sweeping the world. Where the phenomenon of sales fell along with restrictions on international export trade activities which were affected by the co-19 pandemic. The company also bears a loss on the entire exchange rate of IDR 362 billion (Hendrapawoko, 2020) . The impact of the pandemic on the global economy also had an impact on the company's business in the second quarter of 2020. The company also suffered losses due to exchange differences in that period (Niken Tari, 2020) . Pressured by a loss in exchange rates, Bakrie & Brothers lost Rp 1.26 trillion, which caused the operating profit to be cut due to the high exchange rate of the rupiah against the US dollar. Losses from last year's exchange differences increased up to twelve times and were recorded at IDR 708.62 billion from 2017 which recorded a loss of IDR 54 billion (Ayuningtyas, 2019)

Table 2. Income from the Manufacturing Industry Sector

Manufacturing Industry GDP Growth Rate		
2019	2020	2021
3.8	-2.93	3.39

Source : Central Bureau of Statistics

From the data above, it can be seen that at the beginning of the pandemic, the industrial sector experienced a significant decline, but during the pandemic, it experienced a significant increase as well. In the description above, the authors conducted research on the industrial sector listed on the IDX during 2020-2021. The industrial sector is under development, the industrial sector is this industrial sector includes companies that sell products and services that are generally consumed by industry, not directly by consumers. The resulting products and services are final products and services rather than products that are reprocessed as raw materials. Of course, this includes manufacturers of aerospace, defense, building products and others. It can be concluded that the Covid-19 pandemic has made it difficult to maintain consistency in generating profits, this shows that the industrial sector has its own way of surviving amidst the pandemic storm that has hit all countries in the world.

Financial accounting answers these questions. It provides economic and financial information for investors, creditors and other external users. The information needs of external users vary considerably (Kieso, 2018). Exchange difference is the difference resulting from reporting the number of units of the same foreign currency in the reporting currency at different exchange rates. Exchange differences occur when there are differences in the exchange rate of the rupiah and foreign currencies which affect net worth (Putra, 2018) . PSAK 10 Exchange differences are differences resulting from reporting the same number of foreign currency units in different reporting currencies. The difference from the translation of monetary assets and

liabilities in foreign currencies at the balance sheet date and foreign exchange gains and losses arising from transactions in foreign currencies are credited or charged to the current year's statement of income. In previous research by Rofik & Syah (2020) concluded *Exchange rates strengthens the effect of fuel mix on PLN profitability, power losses affect PLN profitability negatively, the fluctuations of ICP and exchange rates affect PLN profitability*

Inventory turnover is a tool to measure the relationship between the volume of merchandise sold and the amount of inventory held during the current period (Warren, 2005) . Inventory turnover is the ratio used to measure how many times the funds invested in this inventory rotate in one period (Kasmir, 2017) . The results of research by Fuady & Rahmawati (2018) , inventory turnover affect profitability.

Profit quality as the ability of earnings to reflect the truth of company profits and help predict future earnings, taking into account the stability and persistence of earnings (Surifah, 2010) . So that the profit in the financial statements reflects the company's performance. Research by (Octaviani & Suhartono, 2021) states that the quality of earnings has a positive and significant effect on company value. Research by Salim & Susilowati (2019) states that the relationship between *the profitability (ROA) variable has a positive and significant effect on firm value (PBV)* Based on the background above, the objectives to be achieved in research in retail sector companies in Indonesia are as follows: (1) to determine the effect exchange rate differences during the covid-19 pandemic on profit quality conditions, (2) knowing the effect of inventory turnover during the pandemic Covid-19 on the condition of profit quality, and (3) knowing the quality of earnings has an impact on company value during the Covid-19 pandemic.

According to Arieftiara & Yanthi (2017) the contractual relationship between the agent and the principal as referred to in agency theory requires a reporting mechanism in which this reporting as the medium for the principal is responsible for all agent wealth management activities through financial reports. In the concept of profit quality, agency theory provides earnings management which is influenced by the existence of a conflict of interest between management (*agency*) and owners of capital (*principal).* arising because each seeks to achieve the opposite advantage, namely the company's profit, then the quality of basic earnings in the understanding in agency theory. PSAK 10 Exchange differences are differences resulting from reporting the same number of foreign currency units in different reporting currencies. The difference from the translation of monetary assets and liabilities in foreign currencies at the balance sheet date and foreign exchange gains and losses arising from transactions in foreign currencies are credited or charged to the current year's statement of income.

Purpose of inventory turnover according to Kieso (2018) *"Its purpose is to measure the liquidity of the inventory"* The quality of merchandise inventory and management's ability to carry out sales activities are shown by the inventory turnover ratio. Inventory turnover is the ratio used to measure how many times the funds invested in this inventory rotate in one period (Kasmir, 2017) . Furthermore Harmono (2017) states, company value is company performance which is reflected by share prices formed by demand and supply in the capital market which reflects society's assessment of company performance.

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Dongyang Zhang (2022), "Does COVID-19 make the firms' performance worse? Evidence from the Chinese listed companies". Results of research is about mechanism, this paper finds that the pandemics make the operation longer, increase the cost, and reduce the potential cash flows. In addition, the environmental tax can significantly weaken the adverse shocks.

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RESEARCH METHODS

This type of research uses quantitative research methods, where the information provided can come from in-depth analysis of data collected first-hand, or from data that is already available. Population The population in this study were 42 companies in the industrial sector category listed on BEI, and 21 companies as the sample. Researchers in this study used secondary data collection techniques available on the Indonesian Stock Exchange during the study period. The data needed is in the form of industrial sector company financial reports which include audited financial reports related to the object of research. Secondary data is presented in the form of data, tables, diagrams or any information that comes from the literature that is related to the research topic. The data analysis method that will be used in this study is the EViews 11 Program. Panel data (*Pooled Data*) or also called longitudinal data is a combination of *time series* and *cross section data*. *Time series data* is data collected from time to time on an individual. While *the cross section* is data collected at one time against many individuals. To estimate model parameters with panel data, several techniques are used (Wati, 2018). Includes several stages, namely; (1) determining the estimation model, (2) selecting the estimation model, (3) testing the classical assumptions, and (4) testing the hypothesis.

RESULT AND DISCUSSION

Description of Research Object

Descriptive statistics are performed to find the strength of the relationship between variables through correlation analysis, make predictions with regression analysis, and make comparisons by comparing the average sample or population data. The variables used are Exchange Rate Difference (SK), Inventory Turnover (PP), Profit Quality (ROA) and Firm Value (PBV). Data used by 21 industrial sector companies listed on the Indonesian stock exchange during the 2-year pandemic (2020-2021). The following are the results of the research descriptive statistics;

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Table 3. Descriptive Statistics

	PBV (Y)	SK (X1)	PP (X2)	ROA (Z)
Means	354350.3	0.809524	12.75721	0.042186
Median	0.559150	1.000000	4.157750	0.020200
Maximum	7884651.	1.000000	333.2192	0.678700
Minimum	-133985.7	0.000000	0.573300	-0.353800
std. de v	1630944.	0.397437	50.79349	0.160061
Observations	42	42	42	42

Source: Data processed with Eviews 11, 2023

Firm Value, (PBV) in table 3 descriptive statistics has a minimum value of -35.37%, namely the company PT Intraco Penta Tbk (INTA), while the maximum value is 78846556%, namely the company PT Bakrie & Brothers Tbk (BNBR). **Exchange rate differences, (SK)** in table 3 descriptive statistics have a minimum value of 0.00%, there are 4 companies namely PT Jembo Cable Company Tbk (JECC), PT Keramika Indonesia Association Tbk (KIAS), PT Singaraja Putra Tbk (SINI), and PT Berkah Prima Perkasa Tbk (BLUE) while the maximum value is 1%, there are 17 companies including PT Arita Prima Indonesia Tbk (APII), PT Arkha Jayanti Persada Tbk (ARKA), PT Bakrie & Brothers Tbk (BNBR), PT Cahayaputra Asa Keramik Tbk (CAKK), PT Communication Cable Systems Indonesia Tbk (CCSI), PT Sumi Indo Kabel Tbk (IKBI), PT Impack Pratama Industri Tbk (IMPC), PT Intraco Penta Tbk(INTA), PT Jasuindo Tiga Perkasa Tbk (JTPE) , PT Kabelindo Murni Tbk (KBLM), PT Kokoh Inti Arebama Tbk (KOIN), PT Modern Internasional Tbk (MDRN), PT Mulia Industrindo Tbk (MLIA), PT Tira Austenite Tbk (TIRA), PT Surya Toto Indonesia Tbk (TOTO) , PT Dosni Roha Indonesia Tbk (ZBRA), and PT Perdana Bangun Pusaka Tbk (KONI). **Inventory Turnover (PP)** in table 3 descriptive statistics have a minimum value of 57.33%, namely PT Arita Prima Indonesia Tbk (APII), while the maximum value is 333%, namely PT Dosni Roha Indonesia Tbk (ZBRA). **Profit Quality (ROA)** in table 3 descriptive statistics has a minimum value of -35.38%, namely the company PT Intraco Penta Tbk (INTA), while the maximum value is 67.87 % , namely the company PT Modern Internasional Tbk (MDRN).

Results of Data Analysis Methods
Estimation Model Determination
Common Effects
　　The Common Effect Model or *Pooled Least Square Model* is an estimation model that combines *time series data* and *cross section data* using the OLS (*Ordinary Least Square*) approach to estimate its parameters.

Table 4 *Common Effect* Equation 1

Variable	Prob
C	0.4971
SK	0.7699
pp	0.0852

Source: Data processed with Eviews 11, 2023
　　The results of table 4 *common effect* equation 1 is the result of regression to determine the effect of the independent variable on the *intervening variable* .

Table 5 *Common Effect* Equation 2

Variable	Prob
C	0.0000
SK	0.0926
pp	0.2007
ROA	0.6142

Source: Data processed with Eviews 11, 2023

From this equation it is known that the significant variable is more than 0.05. While the results in table 5 equation 2 which is the result of regression to determine the indirect relationship between the independent variable and the dependent variable through the *intervening variable* . From this equation it is known that the significant variable is more than 0.05.

Fixed Effects

The Fixed Effect Model is a model approach that uses dummy or dummy variables known as *the Least Square Dummy Variable* (LSDV) model.

Table 6 Fixed Effect Equation 1

Variable	Prob
C	0.0000
SK	0.0000
pp	0.0002

Source: Data processed with Eviews 11, 2023

The results of table 6 *Fixed Effect* equation 1 is the result of the regression to determine the effect of the independent variables on the *intervening variables* . From this equation it is known that the significant variable is less than 0.05, in the variable SK (Exchange Difference) and PP (Inventory Turnover).

Table 7 *Fixed Effect* Equation 2

Variable	Prob
C	0.0000
SK	0.0096
pp	0.0067
ROA	0.0051

Source: Data processed with Eviews 11, 2023

While the results in table 7 equation 2 which is the result of regression to determine the indirect relationship between the independent variable and the dependent variable through the *intervening variable* . From this equation, it is known that all significant variables are more than 0.05.

Random Effects

The Random Effect Model is a random effect model, the different parameters between regions and between times are included in the error, because of this the effect model is also called the error component model (Error Component Model).

Table 8 *Random Effect* Equation 1

Variable	Prob
C	0.0103
SK	0.0757
pp	0.5571

Source: Data processed with Eviews 11, 2023

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The results of *the random effect* table 8 equation 1 are the results of the regression to determine the effect of the independent variables on the *intervening variables* . From this equation it is known that the significant variable is more than 0.05.

Table 9 *Random Effect* Equation 2

Variable	Prob
C	0.0000
SK	0.1807
pp	0.0710
ROA	0.5916

Source: Data processed with Eviews 11, 2023

While the results in table 9 equation 2 which is the result of regression to determine the indirect relationship between the independent variable and the dependent variable through the *intervening variable* . From this equation it is known that the significant variable is more than 0.05.

Estimation Model Selection

Restricted F Test (Chow Test)

The Chow test is a test to determine which fixed effect or common effect model is more appropriate for estimating panel data. The results of testing the fixed effect model in equations 1 and 2 using the Chow test can be seen in the following table.;

Table 10 Chow Test Results

l mode	Prob. Chi-square cross sections	T alpha level (a = 5 %)	hypothesis	Final decision
Equation 1	0.0053	0.0000 < 0.05	H1 Accepted	***Fixed Effects***
Equation 2	0.0000	0.0000 < 0.05	H1 Accepted	***Fixed Effects***

Source: Data processed with Eviews 11, 2023

The results of *the chow test* in table 10 show that the probability value of the chi square cross-section in equations 1 and 2 is each smaller than alpha (0.05) so that H1 is accepted. Then the appropriate method for carrying out the regression test on equations 1 and 2 is *the fixed effect model* .

Lagrange Multiplier Test (LM)

The Lagrange Multiplier (LM) is a test to find out whether the *random effect model* or *the common effect model* is more appropriate to use.

Table 11. *Lagrange Multiplier* (LM) Test Results

l mode	Prob. Chi-square cross sections	T alpha level (a = 5 %)	hypothesis	Final decision
Equation 1	0.0318	0.0318 < 0.05	H1 Accepted	***Random effects***
Equation 2	0.5809	0.5809 > 0.05	H0 Accepted	***Common Effects Model***

Source: Data processed with Eviews 11, 2023

The results in table 11 of the lagrange multiplier test using the Breusch-Pagan method show that the Breusch-Pagan cross-section prob. value in equation 1 is less than 0.05 and equation 2 is greater than 0.05. So equation 1 uses *the random effect* and equation 2 *the common effect model.*

Hausman test

The Hausman test is a statistical test to determine whether the *Fixed Effect* or *Random Effect model* is more appropriate to use in panel data regression.

Table 12 Hausman Test Results

l mode	Prob. Chi-square cross sections	T alpha level (a = 5 %)	hypothesis	Final decision
Equation 1	0.0002	0.0002 < 0.05	H0 Accepted	*Fixed effect*
Equation 2	0.0107	0.0107 < 0.05	H0 Accepted	*Fixed effect*

Source: Data processed with Eviews 11, 2023

Table 12. The results of the Husman test with the Breusch-Pagan method show that the Breusch-Pagan cross-section prob. value in equations 1 and 2 is greater than 0.05 by 0.0000. So accepting H 0 which shows that the best estimation method in equations 1 and 2 is the *random effect model* .

Classic assumption test

Multicollinearity Test

Multicollinearity is performed when the regression model uses more than one independent variable.

Table 13 Multicollinearity of Equation 1

	SK	pp
SK	1.000000	-0.036365
pp	-0.036365	1.000000

Source: Data processed with Eviews 11, 2023

Based on Table 13, the results show that the correlation coefficient between variables is low, which is below 0.8. Based on the results it is concluded that there is no multicollinearity problem.

Table 14 Multicollinearity of Equation 2

	SK	pp	ROA
SK	1.000000	-0.742241	-0.563088
pp	-0.742241	1.000000	0.634748
ROA	-0.563088	0.634748	1.000000

Source: Data processed with Eviews 11, 2023

Based on Table 14, the results show that the correlation coefficient between variables is low, which is below 0.8. Based on the results it is concluded that there is no multicollinearity problem.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another.

Table 15 Heteroscedasticity in Equation 1

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.699409	0.150289	4.653771	0.0000
X1	-0.078409	0.047306	-1.657503	0.1039
X2	-0.047734	0.040222	-1.186785	0.2412

Source: Data processed with Eviews 11, 2023

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, the value X1 is 0.1039 and X2 is 0.2412 , which if the probability value is greater than 0.05 then it can be said that there is no heteroscedasticity.

Table 16 Heteroscedasticity in Equation 2

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.390349	0.335938	1.161966	0.2514
X1	-0.012171	0.010846	-1.122224	0.2677
X2	0.008635	0.015376	0.561542	0.5772
Z	1.691641	6.250631	0.270635	0.7879

Source: Data processed with Eviews 11, 2023

And in Table 16 the Prob values obtained are X1 0.2677, X2 0.5772 and Z 0.7879 which if the probability value is greater than 0.05 it can be said that there is no heteroscedasticity.

Hypothesis test

Hypothesis testing in this study uses hypothesis testing with a coefficient of determination, F test, T test and regression equation as for the explanation of each test.

Table 17 Hypothesis – Equation 1 *Fixed Effect Model*

***Dependent Variable* : ROA**

Variables	coefficient	std. Error	t-Statistics	Prob.
C	2.186317	0.188012	11.62863	0.0000
SK	.576556	0.131433	4.229973	0.0000
pp	3.711114	0.940222	3.947063	0.0002

R-squared	0.864206	Likelihood logs	- 62.36004
adjusted R-squared	0.833086	F-statistics	27.77057
SE of regression	0.764883	Prob(F-statistic)	0.000000
Sum squared residue	28.08218		

Source: Data processed with Eviews 11, 2023

Table 18 Hypothesis – Equation 2 *Fixed Effect Model*

***Dependent Variable* : PBV**

Variables	coefficient	std. Error	t-Statistics	Prob.
C	4.443273	0.603326	7.364633	0.0000
SK	0.348490	0.132550	2.629109	0.0096
pp	0.923787	0.335560	2.752976	0.0067
ROA	0.500322	0.175632	2.848693	0.0051

R-squared	0.771180	Likelihood logs	8.568119
Adjusted R-squared	0.723310	F-statistics	3.862737
SE of regression	0.229386	Prob(F-statistic)	0.002090
Sum squared residue	1.525918		

Source: Data processed with Eviews 11, 2023

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Determination Coefficient Test

Is to see how big the level of influence of the independent variable on the dependent variable partially. The results of the coefficient of determination in the study based on table 17 and table 18 can be seen in the following table:

Table 19 Coefficient of Determination (R²)

Model	R-Square	Adjusted-R Square
Equation 1	0.864206	0.833086
Equation 2	0.771180 _ _	0.723310

Source: Data processed with Eviews 11, 2023

Based on the results of the coefficient of determination in Table 19, the adjusted r square value in equation 1 is 0.864206 which indicates that the proportion of the influence of Exchange Differences (X1) and Inventory Turnover (X2) on Profit Quality (Z) in industrial sector companies listed on the Stock Exchange Indonesia for the 2020-2021 period is 83.33% while the remaining 16.67% is influenced by other variables not examined in the research.

The adjusted r square value in table 19 equation 2 is 0.771180 which indicates that the proportion of the influence of exchange rate differences and inventories on earnings quality and has an impact on financial statements. The industrial sector listed on the Indonesia Stock Exchange for the 2020-2021 period is 72.33%, while the remaining 27.67% is influenced by other variables not examined in the research.

F test

The F statistic test is a regression model suitability test to find out whether the results of the research model are feasible or not.

Table 20 Statistical Test Results F

Model	Prob. F	T alpha level (a = 5 %)	Final decision
Equation 1	0.000000	0.000000 < 0.05	There is model compatibility
Equation 2	0.002090	0.002090 < 0.05	There is model compatibility

Source: Data processed with Eviews 11, 2023

The F test was conducted to find out whether the regression model in this study was correct or not. The results of the F test as shown in table 20 show that the Prob value (F-Statistics) for equation 1 is 0.0000 <0.05, there is a model fit. Prob (F -Statistics) for equation 2 is 0.002090 <0.05, there is a model fit .

Partial T test

Partial T test is used to test the regression coefficients individually. T test results based on table 17 and table 18 , as follows:

1) Based on table 17, it is known that the prob value. Exchange rate difference variable (X1) < critical probability value (a = 10%) of 0.0000 < 0.1, this shows that the exchange rate difference affects earnings quality. Based on these statistical results, the first hypothesis proposed is declared accepted.

2) Based on table 17, it is known that the prob value. Inventory turnover variable (X2) < critical probability value (a = 10%) of 0 , 000 0 < 0.1, this shows that inventory turnover affects earnings quality. Based on these statistical results, the first hypothesis proposed is declared accepted.

3) Based on table 18, it is known that the prob value. Earnings Quality Variable (Z) < critical probability value (a = 10%) of 0.0051 < 0.05, this shows that earnings quality has a

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significant positive impact on the value of financial companies . Based on these statistical results, the first hypothesis proposed is accepted.

Regression Equation

This analysis is to determine the direction of the relationship between the independent variables and the dependent variable, whether each independent variable is positively or negatively related . In this study, there are 2 regression equations.

Panel Data Multiple Regression Analyst Equation 1

Based on the regression results in table 16 , the relationship between the exchange rate difference and inventory variables affects the quality of earnings with *the Fixed Effect Model* presented in the following equation ;

(ROA) = 2 .186317 + 2.576556 SK + 3.711114 PP

1) The constant c is 2.186317 , meaning that if the independent variable is exchange rate difference and inventory turnover is 0 (no change), then the quality of earnings in the industrial sector listed on the Indonesia Stock Exchange for the 2020-2021 period has a value of 2.186317 .

2) The regression coefficient of the company's exchange rate difference variable is 2.576556 indicating a positive direction. This means that if the exchange rate difference increases by 1 percent while other variables are constant, then the profit quality of industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period will increase by 257.65 percent.

3) The regression coefficient of the company's inventory turnover variable is 3.711114 indicating a positive direction. This means that if the company's inventory increases by 1 percent while other variables are constant, then the profit quality of industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period will increase by 371.11 percent.

Multiple Regression Analysis Panel Data Equation 2

Based on the regression results in table 15 , the relationship between the dependent variables , firm value and *the Fixed Effect Model* presented in the following equation:

Y (PBV) = 4.443273 + 0.348490 SK + 0.923787 PP + 0.500322 ROA

The above equation means that:

1) The constant c is 4.443273, meaning that if the independent variables influence exchange rates, inventory turnover and profit quality are 0 (no change), then the quality of financial reports for industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period has a value of 4.443273.

2) The regression coefficient of the company's exchange rate difference variable is 0.348490 indicating a positive direction. This means that if the company's exchange rate difference variable increases by 1 percent while the inventory turnover and profit quality variables are constant, then the company value of industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period will increase by 34.84 percent.

3) The regression coefficient of the inventory turnover variable is 0.923787 indicating a positive direction. This means that if the inventory turnover variable has decreased by 1 percent while the exchange rate difference and profit quality variables are constant, then the quality of financial reports for industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period will increase by 92.37 percent.

4) The regression coefficient of the earnings quality variable is 0.500322 indicating a positive direction. This means that if the earnings quality variable increases by 1 percent while the exchange rate difference and inventory turnover variables are constant, then the company

value of industrial sector companies listed on the Indonesia Stock Exchange for the 2020-2021 period will increase by 50.03 percent.

Discussion of Research Results

The Effect of Exchange Differences on Earnings Quality

The exchange rate difference has a significant positive effect on the quality of earnings, an increase in the exchange difference gives an increase in profit. The increase in the rupiah currency caused an exchange rate difference which caused an increase in non-business income so that the company's net profit increased. The increase in the company's net profit in financial reports attracted the interest of investors, making the quality of profits during the Covid-19 pandemic in the industrial sector very good. Increasing company profits from foreign exchange gains shows good financial performance, so that it has a positive influence on company value which is able to attract investors to invest their shares. PSAK 1 paragraph 28 gain or loss on exchange differences is recognized as income or expense which is part of the income from the normal activities of the company. Differences in exchange rates resulting from gains and losses of business activities whose transactions use foreign currencies. Agency theory by Jansen (1976) earnings quality provides earnings management which is influenced by the existence of conflicts of interest between management (*agency*) and owners of capital (principal) that arise because each seeks to achieve profits, namely company profits, then the basic earnings quality in understanding agency theory. The mechanism of agency theory requires financial reporting as the principal medium responsible for all agent wealth management activities. Reducing conflicts of interest between *agencies* or industrial sector companies and investors or principals during the pandemic can be subsided, because *the agency* is able to take responsibility for all activities in managing wealth. The results of this study are in line with research conducted by Zefriyenni & Efrida (2018) which states that reporting of profit exchange differences has a significant positive effect on earnings quality. And according to Rofik & Syah (2020) which states *that the exchange rate strengthens the effect to profitability* .

Influence of Inventory Turnover on Earnings Quality condition

Inventory turnover has a significant positive effect on earnings quality. The increase in profits due to increased inventory turnover makes the quality of profits in industrial sector companies very good. This increase in profit makes the operational performance excellent so that the company's valuation makes it attractive to investors. The profit from selling inventory obtained from inventory must be greater than the costs. Industrial sector companies need supplies because without supplies, companies will be faced with the risk that one day they will not be able to meet the needs of customers who demand goods/services. Kasmir (2017) states that low inventory turnover will cause companies to be unable to manage inventory items efficiently and productively. The inventory turnover period needs to be considered in order to find out how long it takes the company to spend inventory in the production process. The research shows that the level of inventory turnover during the Covid-19 pandemic in the industrial sector was not good. But the company's financial performance is able to properly manage to reduce costs for inventory turnover. A large inventory turnover rate, so that it has a positive influence on increasing profits which indicates that the company is in good condition, thereby inviting investors to invest in the industrial sector. The results of this study are supported by previous research conducted by Fuady & Rahmawati (2018) explaining that inventory turnover affects earnings quality.

Effect of Profit Quality has an impact on Firm Value

Earnings quality has a significant positive impact on firm value. High profits indicate good company prospects, so that investors will respond positively to this signal and the company's value will increase. This is understandable because companies that succeed in posting increased profits indicate that the company has good performance, so that it can create positive

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investor sentiment and can increase the company's stock price. Like the theory put forward by Harmono (2017) , company value can provide maximum shareholder benefits if the company's stock price increases, with the PBV indicator. This study shows the company's ability to earn profits by utilizing assets measured by ROA. With high profits, the level of investor confidence will increase, this will have an impact on increasing PBV. This shows that the more efficient the company, the higher the company's ability to generate profits for the company, so that it will have an impact on increasing PBV based on the company's share value. Earnings quality has an impact on firm value. This research is in line with the research of Salim & Susilowati (2019) which states that earnings quality (ROA) affects financial quality (PBV). The effect of financial reporting quality on acquisition profitability is more important for Yoo companies (2013)

CONCLUSION

The conclusions obtained from this study are as follows: (1) exchange rate differences have a significant positive effect on earnings quality during the Covid-19 pandemic. The increase in the exchange rate during the Covid-19 pandemic made it profitable for companies to increase net profit. This moment was used for companies to manage their foreign currency properly, using increased profits with income from exchange differences which were able to bring in investors to invest in the industrial sector, (2) sonship Inventory has a positive effect on profit quality during the Covid-19 pandemic. During the Covid-19 pandemic, the level of inventory turnover in the industrial sector was not good. However, the company's financial performance is able to manage inventory turnover so that it is able to break down costs, provide cash inflows and increase profits that attract investors to invest in the industrial sector, and (3) profit quality has a positive effect on company value during the Covid-19 pandemic. The higher the quality of the profits generated, the higher the company's value, this also shows an increase in stock prices. Making prospects for investors to invest in the industrial sector.

Based on the conclusions above, several suggestions can be put forward, such as for industrial sector companies listed on the IDX 2020-2021, especially PT Intraco Penta Tbk (INTA) to be better able to manage earnings quality, so that it can have an impact on company value, which can make good company value based on share price. And for future researchers, it is hoped that they can add other independent variables that are indicated to have an effect on earnings quality, such as cash turnover and accounts receivable turnover, and it is hoped that the period will be longer and the sample size will be larger in order to provide good results.

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