

**THE EFFECT OF THE AUDIT COMMITTEE AND  
THE INDEPENDENT BOARD OF COMMISSIONERS ON  
FIRM VALUE WITH FINANCIAL PERFORMANCE  
AS A MODERATING VARIABLE**  
(Empirical Study of Primary Consumer Companies on the  
Indonesia Stock Exchange for the 2018-2022 Period)

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*Abstract*

*Audit committees are the vanguards of financial oversight, ensuring that financial reporting is accurate and transparent. On the other hand, independent commissioners bring a wealth of external expertise to the boardroom, providing an additional layer of checks and balances. Their independence is instrumental in countering agency problems and enhancing decision-making processes. This study aims to examine the effects of audit committees and independent commissioners on firm value with financial performance as a moderating variable. The study utilizes a quantitative approach and employs associative methods. The type of data utilized in this research is secondary data. The data analysis method employed in this research includes panel data regression and Moderated Regression Analysis, utilizing the Eviews application version 10 and Microsoft Excel. The population for this study comprises primary consumer companies listed on the Indonesia Stock Exchange for the period 2018-2022. The data collection technique employed in this study was purposive sampling, resulting in a total of 25 research samples. The findings of the study indicate that the independent audit committee and board of commissioners collectively influence firm value. Individually, the audit committee shows no significant effect on firm value, whereas the independent board of commissioners does have a significant effect on firm value. Furthermore, the financial performance is found to moderate the relationship between the audit committee and firm value, while it does not have the capacity to moderate the relationship between the independent board of commissioners and firm value.*

**Keywords:** *Audit Committee, Financial Performance, Firm Value, Independent Board of Commissioners*

## 1. INTRODUCTION

The value of a company is crucial for its success, as an increase in company value leads to a rise in stock prices, reflecting enhanced shareholder prosperity. For managers, increasing company value attracts investors and raises stock prices, ultimately boosting the company's reputation and future prospects. Maximizing company value is vital, aligning with the company's objectives (Putri & Fitriasari, 2017). Company value serves as a gauge of investor evaluation on the company's resource management at the end of each fiscal year.

One of the factors affecting company value is the presence of an audit committee. The audit committee diminishes agency conflicts by safeguarding shareholder interests from potential earnings manipulation by management. Effective audit committees enhance managerial accountability transparency and thus investor trust. Oversight by the audit committee ensures performance achievement and enhances company value (Asyik & Thaharah, 2016). Research by Ayunia (2020), as well as (Valencia, 2019), indicates

the impact of audit committees on company value, contrasting with studies like Lisna (Christiani & Herawaty, 2019) that suggest no influence of audit committees on company value.

Another factor affecting company value is an independent board of commissioners. This board oversees company operations, with independent commissioners crucial due to potential conflicting interests in public companies. Independent commissioners advocate good corporate governance principles, as per agency theory (Jensen & Meckling, 1976), positioning them as the highest internal control mechanism to monitor top management policies (Khairani, 2019). According to agency theory, a larger number of independent commissioners aids top management control and effective monitoring, ultimately elevating company value. Studies by (Asyik & Thaharah, 2016) reinforce this notion. Research by (Valencia, 2019) and (Oktaviani, 2019) also highlight the influence of independent commissioners on company value, differing from studies by Karmina (2020) and Ratulangi Manado, et al. (2017), suggesting no impact.

Previous studies on company value remain relevant, given inconsistent findings. Therefore, this study aims to reevaluate company value based on prior research disparities, introducing financial performance as a moderating variable. Financial performance is a primary indicator for assessing a company's financial prowess, often through financial statements. Positive financial performance leads to higher company value (Fery, 2022). Maximizing company value is key to generating substantial profit and stakeholder welfare. Research by (Astuti, 2019) supports the impact of company performance on company value, unlike Mudidewi, et al. (2019), which suggests no relationship between company performance and company value.

## **2. LITERATURE REVIEW**

### **2.1. Agency Theory**

Agency theory explains that individuals are primarily motivated by self-interest, leading to conflicts of interest among them. This is also observed between owners (principals) and management (agents) within a company. On one hand, agents possess more information than principals, resulting in information asymmetry. In such conditions, agents can influence accounting figures presented in financial reports through profit manipulation (Oktapiani & Ruhayat, 2019). According to Jensen & Meckling (1976), agency describes a relationship where one or more individuals (principals) request others (agents) to perform tasks and delegate decision-making authority to agents.

### **2.2. Signaling Theory**

Asymmetric information theory, also known as signaling theory, is based on the notion that insiders within a company generally possess better information about the company compared to external investors (outsiders). Brigham and Houston (2001:36) state that signals are actions taken by company management that provide investors with insight into the company's prospects. When only managers are privy to company prospects while investors are not, information asymmetry arises. One way to reduce information asymmetry is by providing signals to external parties (Afridayani & Mua'rif, 2022).

(Jogiyanto, 2010) states that information disclosed by a company is considered an announcement that creates a signal for investors when making investment decisions.

When a company announces information, investors and other stakeholders analyze and interpret the given information as either positive or negative signals. Comprehensive, relevant, accurate, and timely information is needed for analyzing the company's past and future prospects before deciding to invest. If the information is perceived as a positive signal, investors will invest due to the appealing information, which subsequently affects the company's value.

### **2.3. Company Value**

Company value assesses the well-being of its owners. Company value can be observed in Financial Statements. Higher financial reporting quality reflects more company information in financial reports (Sitorus & Murwaningsari, 2019). The value of a company is depicted by the dividends or earnings gained from investment activities. Company resources are consistently maximized for the company's objectives. Continuous efforts are made to increase revenue and simultaneously strive for efficiency in all aspects (Mulyadi & Tambun, 2020).

### **2.4. Audit Committee**

An audit committee is a group of individuals chosen by a larger group to perform specific tasks or carry out particular duties. They are composed of several members of the company's board of commissioners who are responsible for aiding auditors in maintaining independence from management (Chrisdinawidanty et al., 2016).

### **2.5. Independent Board of Commissioners**

According to Agoes & Ardana (2014), an independent commissioner is "An independent board of commissioners and independent directors are individuals appointed to represent independent shareholders and are appointed solely based on their knowledge, experience, and professional expertise to fully carry out duties in the company's best interests."

### **2.6. Financial Performance**

Financial performance is a reflection of a company's achievements resulting from various activities. It can be understood as an analysis that examines how well a company has executed financial practices appropriately (Fahmi, 2012).

## **3. RESEARCH METHODS**

The method employed in this research is quantitative, utilizing secondary data sourced from the Indonesia Stock Exchange (BEI). The population of this study consists of primary consumer sector manufacturing companies listed on the BEI from 2018 to 2022. The research sample includes 25 companies that published both financial and sustainability reports from 2018 to 2022. The method used in this study is purposive sampling, where the researcher selects the sample as research subjects based on the following criteria:

- a. Manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange.

- b. Manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange that consistently published financial reports during the 2018-2022 period.
- c. Manufacturing companies in the industrial sector with positive earnings during the 2018-2022 period.
- d. Primary consumer sector companies using the Indonesian Rupiah as the currency in their financial reports during the 2018-2022 period.

The data analysis method used in this research involves descriptive statistical tests, classical assumption tests, determination coefficients, and hypothesis testing. To provide evidence related to the hypotheses formulated in this study, testing is conducted using Eviews10.

## 4. RESULTS AND DISCUSSION

### 4.1. Overview of Research Object

The general overview of the research object presents the procedure for sample selection and the research population. In this study, the method of sample determination employs purposive sampling technique, which is a method of selecting samples based on specific criteria, aiming to ensure that the chosen samples adequately represent the research conducted. The analysis method employed in this research is quantitative, utilizing software tools such as Microsoft Excel and Eviews version 10 for data testing. Based on the purposive sampling technique, the number of research samples can be observed in the following table:

**Table 1. Research Sample Selection**

|   |    |
|---|----|
| Total sample data from 13 companies for 5 years | 65 |
| Total sample data in this study                 | 65 |

### 4.2. Multiple Linear Regression Test

**Table 2. Multiple Linear Regression Test Results**

|                                    | <b>Y_PBV</b> | <b>X1_KA</b> | <b>X2_KI</b> | <b>Z_ROA</b> |
|------------------------------------|--------------|--------------|--------------|--------------|
| <b>Mean</b>                        | 2.863418     | 3.016000     | 0.420486     | 0.113577     |
| <b>Median</b>                      | 2.546180     | 3.000000     | 0.400000     | 0.095064     |
| <b>Maximum</b>                     | 9.593138     | 4.000000     | 0.600000     | 0.448148     |
| <b>Minimum</b>                     | 0.336875     | 3.000000     | 0.333333     | 0.009032     |
| <b>Std. Dev.</b>                   | 1.976821     | 0.125980     | 0.088221     | 0.088673     |
| <b>Skewness</b>                    | 1.020529     | 7.714678     | 0.443837     | 1.734063     |
| <b>Kurtosis</b>                    | 3.751847     | 60.51626     | 1.797304     | 6.033954     |
| <b>Jarque-Bera<br/>Probability</b> | 24.64163     | 18469.71     | 11.63771     | 110.5874     |
|                                    | 0.000004     | 0.000000     | 0.002971     | 0.000000     |
| <b>Sum</b>                         | 357.9273     | 377.0000     | 52.56071     | 14.19717     |
| <b>Sum Sq. Dev.</b>                | 484.5701     | 1.968000     | 0.965089     | 0.974992     |

### 4.3. Determination Coefficient Test

**Table 3. Determination Coefficient Test Result**

|                           |          |                    |          |
|---------------------------|----------|--------------------|----------|
| <b>R-squared</b>          | 0.177319 | Mean dependent var | 1.687158 |
| <b>Adjusted R-squared</b> | 0.132077 | S.D. dependent var | 0.972108 |
| <b>S.E. of regression</b> | 0.971974 | Sum squared resid  | 57.62868 |
| <b>F-statistic</b>        | 4.382871 | Durbin-Watson stat | 2.089859 |
| <b>Prob (F-statistic)</b> | 0.003960 |                    |          |

The coefficient of determination in the panel data regression model is indicated by the Adjusted R-squared value of 0.177328 or 18%. This means that 18% of the dependent variable, namely tax aggressiveness, can be explained or influenced by the independent variables, namely capital intensity, inventory intensity, and earnings management. While the remaining 82% is explained by other variables outside the research model.

### 4.4. F Statistical Test (Simultaneous Test)

**Table 4. F Statistical Test (Simultaneous Test) Result**

|                           |          |                    |          |
|---------------------------|----------|--------------------|----------|
| <b>R-squared</b>          | 0.177319 | Mean dependent var | 1.687158 |
| <b>Adjusted R-squared</b> | 0.132077 | S.D. dependent var | 0.972108 |
| <b>S.E. of regression</b> | 0.971974 | Sum squared resid  | 57.62868 |
| <b>F-statistic</b>        | 4.382871 | Durbin-Watson stat | 2.089859 |
| <b>Prob (F-statistic)</b> | 0.003960 |                    |          |

Based on the table, the F test results can be seen in Prob (LR statistic). The F test result is 0.003960 < 0.05 which means that capital intensity, inventory intensity, and earnings management simultaneously have an influence on tax aggressiveness in property and real estate companies listed on the IDX for the period 2017-2021.

Based on the comparison of F-count with F-table, the F-count or F-statistic is 4.383871, the number of samples (n) is 13 and the number of variables (k) is 4 (four) so that the numerator value is 3 (three) and the denominator value is 9. Based on this description, the F table with a significance level of 5 (five) percent found an F-table value of 3.86. This shows that the value of F-table < F-count (3.863 < 4.382871). This means that seen through the comparison of F-count with F-table, the independent variables, namely Capital Intensity, Inventory Intensity and Earnings Management, simultaneously affect Tax Aggressiveness.

#### 4.5. T Statistical Test (Partial Test)

**Table 5. T Statistical Test Results (Partial Test)**

| Variable | Coefficient | Std. Error | t-Statistic | Prob.  |
|----------|-------------|------------|-------------|--------|
| C        | 0.523800    | 2.001911   | 1.660695    | 0.2122 |
| X1_CAPT  | 0.148528    | 0.337555   | 1.316812    | 0.0615 |
| X2_INVT  | 0.185634    | 0.130414   | 2.721889    | 0.0197 |
| X3_MANJL | 0.031945    | 0.095048   | 0.116298    | 0.7379 |

Therefore, the influence of the independent variables and the dependent variable can be understood as follows:

- a. The second hypothesis proposed in this study aims to examine whether there is an influence of Capital Intensity (X1) on Tax Aggressiveness (Y) in Table 4.14. The probability level of Capital Intensity (X1) is 0.0615. Observing its probability value of 0.0615, which is greater than 0.05, and the calculated value of 1.316812 < t-table of 1.66864, it can be concluded that the Capital Intensity variable (X1) does not have a partial effect on tax aggressiveness.
- b. The third hypothesis proposed in this study aims to examine whether there is an influence of Inventory Intensity (X2) on Tax Aggressiveness (Y) in Table 4.16. The probability level of inventory intensity (X2) is 0.0197. Considering its probability value of 0.0197, which is smaller than 0.05, and the calculated value of 2.721889 > t-table of 1.66864, it can be concluded that the inventory intensity variable (X2) has a partial effect on Tax Aggressiveness.
- c. The fourth hypothesis proposed in this study aims to examine whether there is an influence of Earnings Management (X3) on Tax Aggressiveness (Y) in Table 4.16. The probability level of earnings management (X3) is 0.7379. Examining its probability value of 0.7379, which is greater than 0.05, and the calculated value of 0.116298 < t-table of 1.66864, it can be concluded that the earnings management variable (X3) does not have a partial effect on Tax Aggressiveness.

## 5. CONCLUSION

Based on the research findings, data collection, and secondary data analysis conducted, it is revealed that the variables of Capital Intensity, Inventory Intensity, and Earnings Management collectively exert an influence on Tax Aggressiveness. However, the combined contribution of these three variables to Tax Aggressiveness is only 18%, leaving approximately 82% influenced by other factors. This underscores the importance of considering other aspects that also impact a company's tax practices.

Furthermore, the research results indicate that Capital Intensity does not significantly affect tax aggressiveness, whereas Inventory Intensity has a positive impact on tax aggressiveness. On the other hand, Earnings Management is not found to have a significant influence on Tax Aggressiveness. These findings offer valuable insights for

companies to develop more effective and regulation-compliant tax strategies, as well as emphasize the significance of other influencing factors that should be taken into account in decision-making processes. This research provides a comprehensive understanding of the relationships between these variables, shedding light on potential avenues for improving tax-related practices in the corporate sector.

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