Indonesian Journal of Accounting and Governance *ISSN : 2579-7573*
Vol. 6, No. 2, December 2022 *E-ISSN : 2715-5102*
https://doi.org/10.36766/ijag.v6i2.327

THE ROLE OF AUDIT COMMITTEE IN MODERATING THE EFFECT OF EARNINGS MANAGEMENT AND TAX AVOIDANCE ON COMPANY VALUE

Dade Nurdiniah[1], Lucia Ari Diyani[2]

[1,2] Department of Accounting, Bina Insani University

Corresponding Author: dade@binainsani.ac.id

Abstract

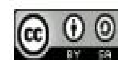
This study aims to determine the role of audit committee in moderating the impact of profit management and tax avoidance on the value of the business. The population of this study is all manufacturing companies listed on the Indonesian Stock Exchange, while thee research sample is of manufacturing company data, obtains on the Indonesian Stock Exchange in 2015-2019. The sample selection technique used does not affect, the number of obtains on samples was 28 and the number of observations of research data obtain affect. This study used multiple linear regression and moderate regression analysis with a Random Effects Model approach. The findings of this. The study indicates that earnings management has a negative effect on firm value, while tax avoidance as proxies study indicates effective managements no effect on firm value. Then the audit committee does not moderate the effect of earnings management on firm value, as well as the audit committee does not moderate the effect of tax avoidance on firm value.

Keywords: *audit committee, earnings management, firm value, tax avoidance*

1. Introduction

The development of the manufacturing industry in Indonesia plays an important role in efforts to increase the value of investment and exports, so that the manufacturing industry becomes the mainstay sector to accelerate economic growth which makes investors more interested in investing in manufacturing companies. The investor's perception of that corporation is called the value of Herawati & Ekawati (2016). One of the factors influencing the value of the enterprise is its ability to generate profits. Profit is often used as a

Article History
Received : 2022-12-27
Revised : 2023-01-01
Accepted : 2023-01-10



This is an open access article under the CC-BY-SA License

ISSN : 2579-7573
E-ISSN : 2715-5102

benchmark for evaluating company performance. But in reality, companies are often faced with various problems that can reduce profits which have an impact on decreasing company performance. If there is an unhealthy condition, the company will cover up the condition by doing earnings management. According to Assih & Gudono (2000) earnings management is a process that is Carrie Profit is often used as a reference to evaluate the company's performance still within the limits of the General Accepted Accounting Principle (GAAP) to obtain profits at the desired level. Earnings management occurs when managers make decisions in the preparation of financial statement transactions to change them according to certain objectives. This results in the amount of net income reported not being in accordance with the company's circumstances, thereby reducing the credibility of the company's financial statements and the financial statements cannot be used as the basis for shareholder decisions because they are considered misleading the shareholders in viewing the company's performance. This results in the low quality of earnings reported by the company and will have an impact on decreasing the value of the company.

There are several studies related to the effect of earnings management on firm value which are quite diverse. Research conducted by Arhdum et al. (2017), Nurhanimah et al. (2019), Putri (2019) states that earnings management has a positive and significant effect on firm value. This means that the greater the company's actions in carrying out earnings management, it will increase the value of the company. However, it is different from the research results obtained by Pernamasari & Mu'minin (2019), Suarmita (2017), Wahyuni & Budiasih (2019), Yorke et al. (2016) which state that earnings management has a negative effect on firm value, this means that the higher the earnings management, the lower the value of the company because earnings

ISSN : 2579-7573
E-ISSN : 2715-5102

management is not carried out with opportunistic actors and will cause the earnings information presented to not provide real profit information.

In addition to earnings management, another factor that is thought to affect firm value is tax avoidance. Taxes for Indonesia are the main source of government income for the development of the country, while for companies, taxes are costs that can reduce the amount of profit. The greater the net profit obtained by the company, the greater the tax to be paid. So to avoid the amount of tax to be paid, the company does tax avoidance. According to Laurel & Meita (2017), tax avoidance is a form of resistance to taxes, but companies are not subject to sanctions if implemented and planned properly. Companies do tax avoidance so that after-tax earnings are high which can attract the attention of potential investors.

In previous studies related to the effect of tax avoidance on firm value, the results were quite diverse. Research conducted by Herdiyanto & Ardiyanto (2015), Kurniawan & Syafruddin, (2017), Oktaviani et al. (2019), Wanami P & Merkusiwati (2019) reveal that tax avoidance has a positive effect on firm value. This shows that the higher the tax avoidance activity, the higher the firm value. The practice of tax avoidance is considered to still comply with tax regulations. As a result, the practice of tax avoidance will not reduce the interest of potential investors to invest their capital in the company without paying attention to the practices carried out by the company. In contrast to the results of research conducted by Fadillah (2018), Harventy (2016), Lestari & Ningrum (2018), Ridho (2019), Yorke et al. (2016) which state that tax avoidance has an effect on negative to firm value. This shows that the higher the tax avoidance activity, the lower the firm value.

Firm value is always closely related to corporate governance. Sulistyanto (2018) defines corporate governance as a system that regulates and controls the company so that the

ISSN : 2579-7573
E-ISSN : 2715-5102

company creates added value for all its stakeholders. Therefore, there are two things that must be emphasized in the concept of corporate governance, namely the rights of stakeholders that must be fulfilled and the obligations that must be carried out by the company. The rights of stakeholders that must be fulfilled by the company are that the company must provide information about the condition and performance of the company in a transparent, accurate and timely manner. For all shareholders to have the same rights, namely to get the same information (equity). A good corporate governance system should be capable of protecting stakeholders and debtors. To put in place a good system of supervision and control in a company, there has to be a party, namely the audit committee. By Otoritas Jasa Keuangan No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee Article 1 explains that the audit committee is a committee formed by and responsible to the Board of Commissioners in helping carry out the duties and functions of the Board of Commissioners. One of the requirements for Audit Committee members is to have at least one member with a background and expertise in accounting and/or finance.

This study adds the audit committee as a moderating variable, it is suspected that with the large number of audit committee members who have educational backgrounds and expertise in accounting and/or finance, they can monitor the actions of managers in carrying out earnings management and tax avoidance which may affect firm value. The aim of setting up an audit committee is to improve the effectiveness of an enterprise's supervisory and control system. The audit committee is responsible for overseeing the company's financial statements, overseeing external audits and observing the internal control system that can reduce the opportunistic nature of management by monitoring the company's financial

statements. This study places the audit committee as a moderating variable to assess whether the audit committee is able to strengthen or weaken the effect of earnings management and tax avoidance on firm value. Based on the background and phenomena related to this research, as well as the results from previous studies which were quite varied or inconsistent regarding the variables used, the researchers had an interest in conducting further research on the role of the audit committee in moderating the effect of earnings management and tax avoidance on the value of the company.

2. Literature Review

Jensen & William (1976) reveal agency theory is a contract or agreement between the principal (owner) and agent (management) by expecting the agent to perform some services and delegate authority in decision making in order to maximize the interests of the principal. Agency theory deals with solving problems that may arise in relations with agencies. The problem that occurs is the agency problem that arises when there is a conflict between the desires or goals between the principal and the agent and the principal is difficult to verify the behavior of the agent. Another problem relates to responsibility for the risks that arise when the principal and the agent have different attitudes towards risk (Eisenhardt, 1989). Managers may take actions that may be detrimental to the business in the short or long term. Management can use accounting as a tool of manipulation to achieve its interests, so that agency problems occur due to differences in interests between the grantor and the agent. Based on these conditions, company need a good corporate governance system. The actions of managers and the interests of the principal.

Earnings management is an action taken by management by manipulating earnings, which aims to improve the welfare of certain parties. Benefit management measures can be triggered due to the separation of roles and differences of interest between the

grantor and the agent. Management as the manager of the company has more information about the company than shareholders which can enable management to practice earnings management and will affect the value of the company. Research conducted by Yorke et al. (2016), Suarmita (2017), Wahyuni & Budiasih (2019) and (Pernamasari & Mu'minin, 2019) reveals that earnings management has a negative effect on firm value. This shows that if the company's management tries to practice the value of the company, it will cause the value of the company to decrease in the eyes of investors and potential investors because the reported profits do not reflect the actual state of the company. Based on the results of previous studies that have been described above, it can be determined the following hypothesis.

H_1: Earnings management has a negative effect on firm value

Tax avoidance is an act of tax avoidance by taking advantage of opportunities or loopholes so that it is considered legal for taxpayers. Based on the results of research conducted by Herdiyanto & Ardiyanto (2015) the results of tax avoidance as measured by CETR have a negative and significant effect on the measurement of firm value using Tobin's Q so that it can be interpreted that tax avoidance by companies can increase firm value positive on firm value. This positive influence is part of the research conducted by Kurniawan & Syafruddin (2017), Wanami P & Merkusiwati (2019), Ridho (2019) and Oktaviani et al. (2019). The positive effect arises because tax avoidance is considered legal, so many companies take this action to reduce the tax burden by taking advantage of the weakness of tax provisions. The higher the company's tax avoidance measure, the more value it can add to the company, which will have an impact on the well-being of investors. Based on the results of previous studies described above, it is possible to determine the following assumption.

H_2: Tax avoidance has a positive effect on firm value.

The achievement of corporate governance requires an effective audit committee. One of the benefits of establishing an audit committee is to supervise financial statements so that financial statements are transparent and accountable, in other words, the existence of an audit committee is able to reduce financial statement manipulation activities, one of which is earnings management which can reduce firm value. This study uses the percentage of the number of audit committee members who have expertise in accounting or finance to the total number of audit committee members with the assumption that the more members of the audit committee who have an educational background in accounting and/or finance, it will reduce earnings management actions taken. by the manager. Research Tanadi & Widjaja (2019) states that the existence of an audit committee can moderate the effect of earnings management on firm value because the audit committee contains members with backgrounds who are familiar with accounting and financial reporting methods. Based on the results of previous studies that have been described above, it can be determined the following hypothesis.

H_3: the audit committee is able to moderate the effect of earnings management on firm value.

The success of the audit committee members in carrying out their duties will have a positive impact on the implementation of governance within the company so that the existence of the audit committee will provide limits for managers to take actions that can reduce the value of the company. According to the Decree of the Chairman of BAPEPAM No. KEP-643/BL/2012 the number of audit committees within the company consists of at least 3 members who come from independent commissioners and parties from outside the issuer and are required to have at least one member with educational background and expertise in accounting and/or finance. If the number of members of the audit committee is not appropriate and there

https://doi.org/10.36766/ijag.v6i2.327
ISSN : 2579-7573
E-ISSN : 2715-5102

is no member of the audit committee who has an educational background in accounting and/or finance, it is assumed to increase the manager's actions to minimize profits for tax purposes. The audit committee is expected to increase the value of the company even though the company is proven to have avoided tax because the audit committee has a role to limit the behavior of managers to avoid tax. Tax avoidance activities are carried out as behavior in tax efficiency by exploiting the weaknesses of tax regulations. The above description allows us to establish the following hypothesis.

H_4: The audit committee is able to moderate the effect of tax avoidance on firm value.

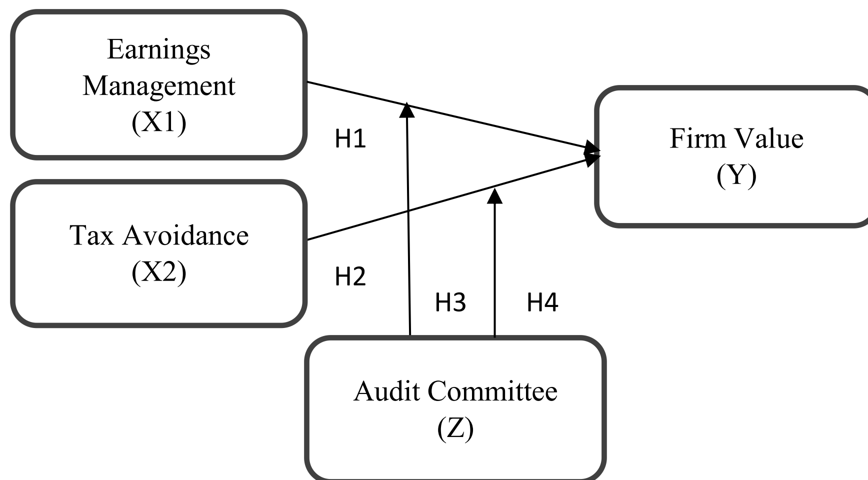


Figure 1
Conceptual Framework

Source: developed in research (2022)

3. Research Methods

This research is a research using quantitative methods in which the data to be used are expressed in numbers and then converted into information and secondary data. Secondary data in this study is an annual report presented by manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2019 period which can be accessed on the official website www.idx.co.id or by downloading on the respective websites. -each company. The population of this study is all manufacturing companies listed

https://doi.org/10.36766/ijag.v6i2.327
ISSN : 2579-7573
E-ISSN : 2715-5102

on the Indonesian Stock Exchange (IDX), while the research sample is all manufacturing companies listed on the. IDX during the 2015-2019 period and the sample collection technique uses purposive sampling.

The data analysis technique used in this study used panel data regression analysis, multiple linear regression analysis and moderated regression analysis (MRA). Before conducting a multiple linear regression analysis, the conventional hypothesis test was conducted first, namely the normality test, the multicollinearity test, the heteroscedasticity test and the autocorrelation test. To test the hypothesis, a t-test was used to see how much influence the independent variables used in the study had on predicting the dependent variable.

The dependent variable of the present study is the farm value (Y). The measure used for the firm value uses the Tobin Q ratio. The formula used to calculate the Tobin Q ratio, which is a proxy for the company value is as follows:

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

While the first independent variable is Earnings Management (X1). Earnings management is a manager's choice when determining accounting policies or concrete measures that affect earnings in order to achieve certain objectives (Scott, 2015: 445). The calculation formula used in the modified Jones' (1995) model, which is an approximation of earnings management, is:

Total Accrual (TAC)

$$TAC_{it} = NI_{it} - CFO_{it}$$

Total Accrual estimated by Ordinary Least Square

$$\frac{TA_{it}}{A_{it-1}} = \beta_1 \left(\frac{1}{A_{it-1}}\right) + \beta_2 \left(\frac{\Delta REV}{A_{it-1}}\right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}}\right) + \varepsilon$$

Nondiscretionary Accruals (NDA)

$$NDA_{it} = \beta_1 \left(\frac{1}{A_{it-1}}\right) + \beta_2 \left(\frac{\Delta REV}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}}\right)$$

Discretionary Accruals (DA)

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Then the second independent variable is Tax Avoidance (X2). Tax avoidance is a form of resistance to taxes, but companies are not subject to sanctions if they implement and plan them properly (Laurel & Meita, 2017). The measurement used for tax avoidance is the Cash Effective Tax Rate (CETR). The calculation formula for the Cash Effective Tax Rate (CETR) which is the proxy for tax avoidance is as follows:

$$CETR_{it} = \frac{Cash\ Taxes\ Paid_{it}}{Pretax\ Income_{it}}$$

The moderating variable in this study is the Audit Committee (Z). The audit committee according to the Financial Services Authority Regulation No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee. The measurement used in the audit committee is to use the percentage of the number of audit committee members who have expertise in finance to the total number of audit committee members. The calculation formula that becomes the audit committee proxy is as follows:

$$\text{Audit Committee} = \frac{Number\ of\ audit\ committee\ members\ in\ accounting\ and\ finance}{Number\ of\ audit\ committee\ members}$$

4. Results and Discussions

4.1 Results

4.1.1 Descriptive Statistics

Table 1 below depicts descriptive statistics of the variables used in this study.

Table 1
Descriptive Statistics

	FV	EM	CETR	AC
Mean	2.148723	-0.026368	0.273598	0.690476
Median	1.597302	-0.027404	0.255174	0.666667
Maximum	12.96242	0.278327	0.881661	1.000000
Minimum	0.098543	-0.197094	0.033461	0.250000
Std. Dev.	1.774923	0.068992	0.111976	0.224918
Obs.	140	140	140	140

Source: processed (2022)

Firm value (FV) proxied by Tobin's Q has a minimum value of 0.098543 and a maximum value of 12.96242. The value of the company's

Indonesian Journal of Accounting and Governance
Vol. 6, No. 2, December 2022
https://doi.org/10.36766/ijag.v6i2.327
ISSN : 2579-7573
E-ISSN : 2715-5102

standard deviation of 1.774923 produces an average value of 2.148723. Benefit management (EM) as an indicator with the modified Jones model (1995) has a minimum value of -0.197094 and a maximum value of 0.278327. The standard deviation of earnings management is 0.068992 resulting in an average value of -0.026368. Tax avoidance as a proxy for the cash effective tax rate has a minimum value of 0.033461 and a maximum value of 0.881661. The standard deviation value of tax avoidance is 0.111976 resulting in an average value of 0.273598. The audit committee is a moderating variable which is measured based on the percentage of the number of audit committee members who have expertise in finance to the total number of audit committee members. The audit committee has a minimum score of 0.250000 and a maximum score of 1.0000000. The audit committee's standard deviation value is 0.224918 resulting in an average value of 0.690476.

Prior to testing multiple linear regression analysis and moderating regression analysis in this study, the classical assumption test was carried out, through the stages of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Furthermore, a feasibility test was carried out consisting of Fixed Effect (FE), Common Effect (CE) and Random Effect (RE), and there were three panel data regression model tests, namely the Chow test, Hausman test and Lagrange multiplier test.

4.1.2 Multiple Regression Analysis

Based on the results of panel data regression, the most appropriate random effect model was obtained to present the regression model. The results of the calculation of multiple regression analysis assisted by EViews software can be seen in the following table:

Table 2
Multiple Linear Regression Test Results

Variable	Coefficient	t-Statistic	Prob
C	2.092706	3.260779	0.0014
EM	-4.227544	-2.959440	0.0036
CETR	0.086635	0.087257	0.9306
AC	-0.114642	-0.163753	0.8702
R-squared	0.061177	Mean dependent var	0.621924
Adjusted R-squared	0.040468	S.D. dependent var	1.028395
S.E. of regression	1.007371	Sum squared resid	138.0124
F-statistic	2.954104	Durbin-Watson stat	1.523923
Prob(F-statistic)	0.034844		

Source: processed (2022)

Based on the table, the results of the regression equation are as follows:

$$FV_{it} = 2{,}092706 + (-4{,}227544)\ EM_{it} + (0{,}086635)\ CETR_{it} + (-0{,}114642)\ AC_{it} + e$$

From the above equation, several conclusions can be drawn. The constant value (α) is 2.092706. This shows that if all independent variables are considered constant, then the firm value obtained is 2.092706. The earnings management variable regression coefficient (β1EMit) is -4.227544. This shows that if there is an increase of 1 unit in earnings management with the assumption that other variables are fixed, it will decrease the firm value by 4.227544 units. The regression coefficient of the tax avoidance variable (β2CETRit) is 0.086635. This shows that if there is an increase of 1 unit in tax avoidance assuming other variables remain constant, it will increase the company value by 0.086635 units. The regression coefficient for the audit committee variable (β3ACit) is -0.114642. This shows that if there is an increase of 1 unit on the audit committee with the assumption that other variables are fixed, it will decrease the value of the company by 0.114642 units.

4.1.3 *Moderated Regression Analysis* (MRA)

The results of the MRA calculation of the random effect model are in the following table:

https://doi.org/10.36766/ijag.v6i2.327
ISSN : 2579-7573
E-ISSN : 2715-5102

Table 3
Test Result Moderated Regression Analysis

Variable	Coefficient	t-Statistic	Prob
C	2.423557	2.627474	0.0096
EM	-6.596331	-1.595766	0.1129
CETR	-1.271809	-0.498216	0.6191
AC	-0.675808	-0.507786	0.6124
EM-AC	3.290488	0.581268	0.5620
CETR-AC	2.262374	0.561303	0.5755
R-squared	0.066046		0.604340
Adjusted R-squared	0.031196		1.023195
S.E. of regression	1.007109		135.9120
F-statistic	1.895188		1.536735
Prob(F-statistic)	0.099229		

Source: processed(2022)

Based on the table, the results of the moderated regression analysis equation are obtained as follows:

$$FV_{it} = 2,423557 + (-6,596331)EM_{it} + (-1,271809)CETR_{it} + (-0,675808)AC_{it} + (3,290488)EM*AC_{it} + (2,262374)\ CETR*AC_{it} + \varepsilon$$

From the above equation, several conclusions can be drawn. The constant value (α) is 2.423557. This shows that if all independent variables are considered constant, then the firm value obtained is 2.423557. The earnings management variable regression coefficient (β1EMit) is -6.596331. This shows that if there is an increase of 1 unit in earnings management with the assumption that other variables are fixed, it will decrease the value of the company by 6.596331 units. The regression coefficient of the tax avoidance variable (β2CETRit) is -1.271809. This shows that if there is an increase of 1 unit in tax avoidance with the assumption that other variables are fixed, it will decrease the value of the company by 1.271809 units. The regression coefficient for the audit committee variable (β3ACit) is -0.675808. This shows that if there is an increase of 1 unit on the audit committee with the assumption that other variables are fixed, it will decrease the value of the company by 0.675808 units. The regression

 ISSN : 2579-7573
E-ISSN : 2715-5102

coefficient for the variable EM_AC (β4EM_ACit) is 3.290488. This shows that if there is an increase of 1 unit in EM_AC assuming other variables are constant, it will increase the firm value by 3.290488 units. The regression coefficient for the variable CETR_AC (β5CETR_ACit) is 2.262374. This shows that if there is an increase of 1 unit in CETR_AC assuming other variables are constant, it will increase the firm value by 2.262374 units.

The probability value between audit committee testing in moderating the effect of earnings management on firm value is more than a significance value of 0.05, i.e. 0.5620 > 0.05, so it can be concluded that the audit committee as a moderating variable is not able to strengthen the effect of Earnings management on firm value. Then the probability value between audit committee testing in moderating the effect of tax avoidance on firm value is more than a significance value of 0.05 i.e. 0.5755 > 0.05 so it can be concluded that the audit committee as a moderating variable is not able to strengthen the effect of tax avoidance on firm value.

4.1.4 Hypothesis Testing

Here is an explanation of the meaning test or t-test analysis for each variable independent of the research model:

1) Earnings Management (EM), based on the results of multiple linear regression analysis that the independent variable earnings management (EM) has a t-statistic value of -2.959440 with a probability value of 0.0036. The t-statistic value obtained by the earnings management, variable is negative. The probability value obtained by the revenue management, variable is smaller than the meaning level of 0.05. These findings show that earnings management has. A negative effect on firm value, so it can be concluded that H1: Earnings management has a negative effect on firm value**.**
2) Tax Avoidance (CETR), based on the results of multiple linear

https://doi.org/10.36766/ijag.v6i2.327
ISSN : 2579-7573
E-ISSN : 2715-5102

regression analysis that the independent variable tax avoidance (CETR) has a t-statistic value of 0.087257 with a probability value of 0.9306. The t-statistic value obtained by the tax avoidance variable is positive. The probability value derived from the tax avoidance variable is higher than the significance level of 0.05. These results suggest that tax avoidance has no effect on the value of the business; therefore, it can be concluded that H2: Tax avoidance has a positive effect on the value of the business.

3) Earnings Management-Audit Committee (EM_AC), based on the calculation results of moderated regression analysis that EM_AC has a t-statistic value of 0.581268 and a probability value of 0.5620. The probability value is above the significance level of 0.05. These results indicate that the audit committee variable is not able to moderate the effect of earnings management on firm value, so it can be concluded that H3: The audit committee is able to moderate the effect of earnings management on firm value is rejected.
4) Tax Avoidance-Audit Committee (CETR_AC), based on the calculation results of the moderated regression analysis test that CETR_AC has a t-statistic value of 0.561303 and a probability value of 0.5755. The probability value is greater than the 0.05 significance level. These results indicate that the audit committee variable is not able to moderate the effect of tax avoidance on firm value, so it can be concluded that H4: The audit committee is able to moderate the effect of tax avoidance on firm value is rejected.

4.1.5 Coefficient of Determination Test (R^2)

The adjusted R-squared value of 0.040468 or 4.04% shows that during the 2015-2019 period the variation of earnings management variables and tax avoidance affects the firm value by 4.04%. While the

remaining 95.96% is explained by other variables not included in this study.

4.2 Discussions

4.2.1 The Effect of Earnings Management on Firm Value

From the results of the research described above, it is known that profit management has a negative impact on the value of the business. This is shown by the statistical value t of -2.959440 with a probability value of 0.0036 that is smaller than a significance value of 0.05. This means that the profit management actions taken by the company's leaders will have an impact that can reduce the company's value. This can be caused by the separation of roles and differences in interests between the principal and the agent which results in an unavoidable agency problem. Agency problems will result in reported profits not reflecting the line actual state of the company so that it has an impact on the low quality of earnings which will reduce the value of the company.

The results of this study are in with Wahyuni & Budiasih (2019), Pernamasari & Mu'minin (2019), Suarmita (2017), Yorke et al. (2016) which state that earnings management has a negative effect on the value of earnings. the company because the profit information presented does not provide real profit information and earnings management actions are considered detrimental to the company's external parties, both investors and creditors. However, the results of this study are not in Line with research conducted by Putri

ISSN : 2579-7573
E-ISSN : 2715-5102

(2019), Fahmi & Prayoga, (2018) and Nurhanimah et al. (2019).

4.2.2 The Effect of Tax Avoidance on Firm Value

Based on the results of the research described above, it is known that tax avoidance has no effect on firm value. This is evidenced by the t-statistic value of 0.087257 with a probability value of 0.9306 which is greater than a significance value of 0.05. This means that tax evasion by the company cannot affect the value of the company. This can be caused because investors do not take into account the amount of tax avoidance by the company because investors invest their capital in companies that have high profits and do not see the amount of tax paid by the company.

The results of this study are in line with Nurhanimah et al. (2019), Fahmi & Prayoga (2018) which states that tax avoidance has no effect on firm value. because the act of tax avoidance is considered to still meet the tax rules so that the practice of tax avoidance will not affect investors and creditors to invest their capital in the company. However, the results of this study are not in line with research conducted by Fadillah (2018), Harventy (2016), Ridho, (2019), Lestari & Ningrum (2018), Wanami P & Merkusiwati (2019), Kurniawan & Syafruddin, (2017), Herdiyanto & Ardiyanto (2015) and Oktaviani et al. (2019).

4.2.3 The Audit Committee is Able to Moderate the Effect of Earnings Management on Company Value

Based on the results of the research described above, it is known

ISSN : 2579-7573
E-ISSN : 2715-5102

that the audit committee is not able to moderate the effect of earnings management on firm value. This is evidenced by the t-statistic value of 0.581268 and the probability value of 0.5620 which is greater than the significance value of 0.05. This means that the large number of audit committee members who have a background in accounting and finance does not strengthen or weaken the effect of earnings management on firm value.

The analysis that the audit committee is unable to strengthen or weaken the relationship between the effect of earnings management on firm value is to comply with the regulations made by the Financial Services Authority no. 55/POJK.04/2015 in which the audit committee members consist of at least three people and must have at least one member with educational background and expertise in accounting and/or finance. Therefore, the performance of the audit committee is considered less effective and optimal in developing and implementing a supervisory process in the preparation of financial statements to minimize earnings management practices that can reduce firm value. The results of this study are in line with Kristanti & Patuh (2016) which states that Good Corporate Governance (GCG) as a proxy for the audit committee is not able to moderate the effect of earnings management on firm value because this is influenced by the characteristics of the sample company which shows a family relationship between

shareholders. , management, and commissioners, so that GCG control becomes less than optimal. This causes the existence of the board of commissioners and audit committee in the company to be less able to monitor the implementation of GCG, so they are unable to moderate the influence of earnings management on firm value.

4.2.4 The Audit Committee is Able to Moderate the Effect of Tax Avoidance on Company Value

Based on the results of the research described above, it is known that the audit committee is not able to moderate the effect of tax avoidance on firm value. This is evidenced by the t-statistic value of 0.561303 and the probability value of 0.5755 which is greater than the significance value of 0.05. This means that the large number of audit committee members who have a background in accounting and finance does not strengthen or weaken the effect of tax avoidance on firm value. The analysis that the audit committee is unable to strengthen or weaken the relationship between the effect of tax avoidance on firm value is because tax avoidance actions taken by managers are considered legal and do not violate the law by the audit committee because tax avoidance reduces the tax burden by exploiting weaknesses in tax provisions (loopholes).

5. Conclusion

Based on the results of testing and previous analysis, it can be concluded that profit management has a negative effect on the value of manufacturing companies. Tax avoidance has no effect on the value of manufacturing companies. The audit committee does not reduce the effect of profit management on the value of

manufacturing businesses. The audit committee does not mitigate the impact of tax evasion on the value of manufacturing businesses.

accrual earnings management decreases idiosyncratic risk. By utilizing discretionary accrual policies, managers manage earnings to encourage lowering company-specific risks. Meanwhile, the investment opportunity set does not affect idiosyncratic risk. Based on the additional test results, it is shown that companies with negative discretionary accruals values indicate that IOS decreases idiosyncratic risk. Furthermore, dividend policy has a positive effect on idiosyncratic risk. Dividend policy through increasing dividend payments by companies is considered less concerned with the company's business development through ownership of productive assets.

This study has limitations because it only examines food and beverage sector companies listed on the IDX. In addition, the existence of certain criteria in the selection of samples reduces the number of samples used in the study. Future research can use company data on consumer goods or manufacturing companies. This research indicates that the Indonesian Financial Services Authority should improve policies related to dividend payment arrangements made by listed companies in the form of restrictions on companies that can make dividend payment policies based on the financial statements of related companies.

References

Arhdum, Z., Taufik, T., & Ratnawati, V. (2017). Pengaruh Earning Management Dan Corporate Sosial Responsibility Terhadap Nilai Perusahaan Dengan Mekanisme. *Jurnal Akuntansi*, *6*(Oktober 2017), 100–118. https://doi.org/10.5465/amr.1989.4279003

Assih, P., & Gudono, G. (2000). Hubungan Tindakan Perataan Laba dengan Reaksi Pasar atas Pengumuman Informasi Laba Perusahaan yang Terdaftar di Bursa Effek Jakarta. *The Indonesia Journal of Accounting*

Research, *3*(1), 35–53. https://doi.org/DOI: http://doi.org/10.33312/ijar.36

Eisenhardt, K. M. (1989). Agency Theory : An Assessment and Review. *Academy of Management*, *14*(1), 57–74. https://doi.org/https://doi.org/10.5465/amr.1989.4279003

Fadillah, H. (2018). Pengaruh Tax Avoidance Terhadap Nilai Perusahaan Dengan Kepemilikan Institusional Sebagai Variabel Moderasi. *JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi)*, *4*(1), 117–133. https://doi.org/10.34204/jiafe.v4i1.1082

Fahmi, M., & Prayoga, M. D. (2018). Pengaruh Manajemen Laba terhadap Nilai Perusahaan dengan Tax Avoidance sebagai Variabel Mediating. *Liabilities (Jurnal Pendidikan Akuntansi)*, *1*(3), 225–238. https://doi.org/10.30596/liabilities.v1i3.2496

Harventy, G. (2016). Pengaruh Tax Avoidance Terhadap Nilai Perusahaan. *Jurnal Reviu Akuntansi Dan Keuangan*, *6*(2), 895–906. https://doi.org/https://doi.org/10.22219/jrak.v6i2.06

Herawati, H., & Ekawati, D. (2016). Pengaruh Perencanaan Pajak Terhadap Nilai Perusahaan (The Effect of Tax Planning on Firm Value). *Jurnal Riset Akuntansi Dan Keuangan*, *4*(1), 873–884.

Herdiyanto, D. G., & Ardiyanto, M. D. (2015). Pengaruh Tax Avoidance Terhadap Nilai Perusahaan. *Diponegoro Journal of Accounting*, *4*(3), 1–10. https://ejournal3.undip.ac.id/index.php/accounting/article/view/16817

Jensen, M., & William, M. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economic*, *3*(4), 305–360. https://doi.org/10.1177/0018726718812602

Kristanti, E. W., & Patuh, P. M. (2016). Pengaruh Good Corporate Governance sebagai Pemoderasi Hubungan Manajemen Laba Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi :*, *5*(3), 1–16. http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/276

Kurniawan, A. F., & Syafruddin, M. (2017). Pengaruh Penghindaran Pajak Terhadap Nilaiperusahaan Dengan Variabel Moderasi Transparansi. *Diponegoro Journal Ofaccounting*, *6*(4), 1–10. https://ejournal3.undip.ac.id/index.php/accounting/article/view/18199

Laurel, C., & Meita, I. (2017). Pengaruh Tax Avoidance Jangka Panjang Terhadap Kinerja Perusahaan Dengan Profitabilitas Sebagai Variabel Pemoderasi. *Kalbisocio: Jurnal Bisnis Dan Komunikasi*, *4*(2), 102–109.

ISSN : 2579-7573
E-ISSN : 2715-5102

http://research.kalbis.ac.id/Research/Files/Article/Full/LSA8U8LQGRV1CQ5KLGQ30XS79.pdf

Lestari, N., & Ningrum, S. A. (2018). Pengaruh Manajemen Laba dan Tax Avoidance terhadap Nilai Perusahaan dengan Kualitas Audit sebagai Variabel Moderasi. *Journal of Applied Accounting and Taxation*, *3*(1), 99–109. https://doi.org/https://doi.org/10.5281/zenodo.1305187

Nurhanimah, N., Anugerah, R., & Ratnawati, V. (2019). Pengaruh Earnings Management Dan Tax Avoidance Terhadap Nilai Perusahaan Dengan Struktur Kepemilikan Sebagai Moderating Variable Pada Perusahaan Kelompok Lq 45 Di Bei Tahun 2013-2016. *Journal of Applied Business Administration*, *3*(1), 1–13. https://doi.org/10.30871/jaba.v3i1.1281

Oktaviani, R. M., Susanti, D. T., Sunarto, S., & Udin, U. (2019). The effect of profitability, tax avoidance and information transparency on firm value: An empirical study in Indonesia. *International Journal of Scientific and Technology Research*, *8*(11), 3777–3780.

Otoritas Jasa Keuangan. (2015). POJK No 55 /POJK.04/2015 Tentang Pembentukan Dan Pedoman Pelaksanaan Kerja Komite Audit. *Otoritas Jasa Keuangan Jakrata*. http://www.ojk.go.id/id/kanal/iknb/regulasi/lembaga-keuangan-mikro/peraturan-ojk/Documents/SAL-POJK PERIZINAN FINAL F.pdf

Pernamasari, R., & Mu'minin, F. M. J. (2019). Studi Good Corporate Governance dan Manajemen Laba terhadap Nilai Perusahaan: Perusahaan Jakarta Islamic Index. *Jurnal Online Insan Akuntan*, *4*(1), 87–102. http://ejournal-binainsani.ac.id/index.php/JOIA/article/view/1113

Putri, H. T. (2019). Pengaruh Manajemen Laba Terhadap Nilai Perusahaan pada Industri Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2015-2017. *J-MAS (Jurnal Manajemen Dan Sains)*, *4*(1), 51–55. https://doi.org/10.33087/jmas.v4i1.70

Ridho, M. (2019). PENGARUH Tax Avoidance, Corporate Governance Index, Kebijakan Hutang dan Growth Opportunity Terhadap Nilai Perusahaan. *Accounting Global Journal*, *3*(1), 57–71.

Scott, W. R. (2015). *Financial Accounting Theory* (7th ed.). Pearson.

Suarmita, I. N. (2017). Pengaruh Manajemen Laba Dan Utang Pada Nilai Perusahaan Dengan Good Corporate Governance (GCG) Sebagai Pemoderasi. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, *6*(3), 935–962.

ISSN : 2579-7573
E-ISSN : 2715-5102

https://ojs.unud.ac.id/index.php/EEB/article/view/16981

Sulistyanto, H. S. (2018). *Manajemen Laba: Teori dan Model Empiris*. PT Grasindo. http://repository.unika.ac.id/22284/

Tanadi, T. S., & Widjaja, I. (2019). Analisis Pengaruh Manajemen Laba Terhadap Nilai Perusahaan Dengan Good Corporate Governance Sebagai Variabel Moderasi (Studi Kasus Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2017). *Jurnal Manajemen Bisnis Dan Kewirausahaan*, *3*(6), 01–06. https://doi.org/https://doi.org/10.24912/jmbk.v3i6.6088

Wahyuni, N. W. I. S., & Budiasih, I. G. A. N. (2019). Pengaruh Manajemen Laba Pada Nilai Perusahaan Dengan Agresivitas Pajak Sebagai Variabel Intervening. *E-Jurnal Akuntansi*, *29*(3), 1055–1070. https://doi.org/10.24843/eja.2019.v29.i03.p11

Wanami P, N. W. S. P., & Merkusiwati, N. K. L. A. (2019). Pengaruh Penghindaran Pajak pada Nilai Perusahaan dengan Kebijakan Hutang Sebagai Variabel Pemoderasi. *E-Jurnal Akuntansi*, *27*(1), 446–474. https://doi.org/10.24843/eja.2019.v27.i01.p17

Yorke, S. M., Amidu, M., & Agyemin-Boateng, C. (2016). The effects of earnings management and corporate tax avoidance on firm value. *International Journal of Management Practice*, *9*(2), 112–131. https://doi.org/10.1504/IJMP.2016.076741