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Audit Committee and Value Relevance of Public Company in Indonesia

Lely Kumalawati[1*], Vaisal Amir[1] , Halleina Rejeki Putri Hartono[1]
Politeknik Negeri Madiun, Indonesia
e-mail:lely@pnm.ac.id
*Coresponding Author

ABSTRACT

Background: The role of audit committees in corporate governance has garnered significant attention in modern financial practices, especially regarding their influence on the value relevance of public companies. **Objectives:** This study aims to examine the moderating effect of audit committees in strengthening the value relevance of financial statements in predicting stock prices. **Methods:** The population of this study is all companies listed on the Indonesia Stock Exchange (IDX). The research period will be conducted for 24 years, from 2001 to 2024. Data analysis will be conducted using a statistical approach consisting of descriptive statistics, classical assumption tests, model feasibility tests, and research hypothesis tests. The hypothesis testing process in this study is carried out using causal step OLS testing. This study will use a 95% confidence level and a one-tailed test. **Results:** The results showed that cash, inventory, liabilities, company size, and company age were able to predict company value through earnings per share, but receivables were not able to predict company value through earnings per share. Furthermore, the study failed to find any effect of audit committee size in predicting company value through earnings per share, and there was no empirical evidence regarding its role in strengthening the value relevance of financial information in predicting earnings per share.

Keywords: Audit committe; Financial statement; Public companies; Value relevance
JEL Classification: M40; M41.

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INTRODUCTION

The concept of value relevance in accounting information is pivotal for understanding its significance in equity valuation, wherein earnings per share (EPS) plays a crucial role. Value relevance refers to the degree to which accounting information corresponds with stock market valuation, typically indicated by stock prices or market capitalization. Various studies substantiate the claim that EPS, alongside other accounting metrics, serves as a significant predictor of stock price movements.

For instance, the research conducted by Ibrahimi and Baghdadi elucidates that the value relevance of accounting information is closely tied to its capacity to forecast stock price changes, thereby affirming the necessity of understanding profitability indicators such as EPS within financial statements (Ibrahimi & Baghdadi, 2024). This relationship between accounting information and stock prices is further supported by Bawono et al., who emphasize the importance of linking financial statements to market responses, concluding that relevant accounting metrics provide a measure of performance and can affect an issuer's share price directly (Bawono et al., 2020). Additionally, in the context of the Nigerian banking sector, Olaoye and Ekundayo underscore that EPS, in conjunction with other accounting data, influences the variations in share prices, highlighting that these metrics are critical for investors when making valuation assessments (Olaoye & EKUNDAYO, 2022).

Furthermore, the research by Khomidah and Setiawan on the ASEAN banking industry emphasizes that effective accounting practices and transparency significantly elevate the relevance of information in the market (Khomidah & Setiawan, 2022). This idea resonates with the findings of Sharma et al., who demonstrate that consistent reporting practices improve EPS's predictability regarding stock prices (Sharma et al., 2022). Such insights indicate that well-structured accounting information, including EPS, enhances investors' decision-making capabilities, aligning their expectations of future earnings with current stock valuations.

Moreover, Adhikari's investigation into Nepalese hydropower companies highlights a positive correlation between reliable accounting information and stock price movements, suggesting that transparency in financial reporting underpins investor confidence (Adhikari, 2023). The notion that EPS, as part of broader accounting disclosures, serves as a catalyst for market reactions is echoed in the works of Akani et al., although their findings suggest no significant relationship between EPS and market reaction, indicating some nuance in the literature (Akani et al., 2023).

In assessing the broader implications of accounting information disclosure, Puspa et al. provide evidence that the synergistic effect of EPS, book value, and operational cash flows collectively shapes stock price dynamics, reinforcing the notion that multiple accounting variables enhance value relevance (Puspa et al., 2022). Their findings highlight the multifaceted nature of information signals and how they affect investment perceptions and market realities.

To explore the repercussions of corporate governance and accounting conservatism, another aspect of the value relevance discourse, Talawa and Badwan illustrate how governance frameworks help stabilize stock prices by ensuring that accounting information remains reliable and relevant during turbulent market conditions (Talawa & Badwan, 2024). This link between governance quality and accounting reliability further supports the idea that informed governance enhances the utility of EPS as a valuation metric, hence influencing stock market behavior.

In contrast, inherent challenges such as information asymmetry and the quality of accounting data play a significant role in mediating the relationship between EPS and stock prices. Research by Tiron-Tudor and Achim uncovers that increased accounting quality leads to more efficient price discovery in capital markets, thereby positively affecting stock price informativeness (Tiron-Tudor & Achim, 2019). With investors relying on earnings figures, this study illustrates how effective governance and foundational accounting practices can significantly heighten the perceived value relevance of EPS.

In synthesis, the interplay between accounting information, particularly EPS, and stock price relevance is underscored by multiple studies demonstrating that reliable, transparent financial reporting serves as a bedrock for investor trust, market stability, and ultimately accurate stock valuation. The correlation between EPS, other accounting measures, and stock market behavior is integral to effective investment decision-making and enhances the fidelity of market valuations.

The role of audit committees in corporate governance has garnered significant attention in modern financial practices, especially regarding their influence on the value relevance of public companies. As guardians of the integrity of financial reporting, audit committees take on a critical role in mitigating agency problems between management and shareholders. The interplay between audit committee characteristics—such as independence, expertise, size, and frequency of meetings—and firm value is a burgeoning field of study, revealing insights into how governance structures can enhance or detract from market perceptions of a firm's worth.

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Research has shown that audit committees with a higher degree of independence are better positioned to fulfill their oversight responsibilities effectively. They serve to bolster the confidence of investors, thereby potentially enhancing firm value. For instance, Leng illustrates that independent audit committees minimize conflicts of interest, leading to a more stringent review process of financial statements, ultimately influencing the value relevance attributed by investors (Leng, 2022). Similarly, the work of Özcan confirms that independence and activity levels of audit committees enhance the quality of financial reporting processes, and this effect is linked to improved market perceptions of firm value (Özcan, 2021).

Compounding this, the frequency of audit committee meetings is a marker of governance effectiveness. Ofoeda asserts that meeting intensity as a primary characteristic of audit committees positively correlates with firm performance (Ofoeda, 2017). This finding aligns with the conclusions drawn by Sarpal, which highlight that the active engagement of audit committee members correlates with enhanced firm performance as perceived by the market (Sarpal, 2017). Frequent, well-structured meetings allow audit committees to address issues proactively, further strengthening the integrity of financial reports, which significantly impacts stock market valuations.

Moreover, the expertise of audit committee members emerges as a vital characteristic influencing both audit quality and firm value. Research by Kieback et al. provides empirical evidence that audit committees with members possessing financial expertise effectively mitigate agency problems, leading to enhanced stakeholder trust and higher firm valuation (Kieback et al., 2022). This underscores the necessity for firms to strategically consider the qualifications of their audit committee members as a part of their governance framework.

Though the characteristics of audit committees play a pivotal role, it is critical to assess the interplay with broader corporate governance systems. Oncioiu et al. argue that effective governance frameworks, which include well-functioning audit committees, correlate positively with metrics of firm performance such as Tobin's Q (Oncioiu et al., 2020). Similarly, the research by Mahdy et al. finds that an adept audit committee can help decrease information asymmetry and enhance corporate transparency, thus positively impacting stakeholders' perceptions of the firm's value (Mahdy et al., 2022). This interaction between audit committees and corporate governance highlights the necessity for a comprehensive approach to understanding their influence on firm value.

As the corporate landscape continues to evolve, the need for clarity around the characteristics and impacts of audit committees cannot be overstated. Historical data and regulatory frameworks demonstrate a qualitative shift in market expectations surrounding disclosures and governance standards. The implications of these factors on audit effectiveness, as discussed by Merter and Özer, illustrate that adherence to best practice guidelines in audit committee composition directly relates to enhancing reporting timeliness and reliability, thus supporting firm value over time (Merter & Özer, 2024). Consequently, refining the role and functionality of audit committees remains imperative for firms striving to optimize their market positioning.

Emerging research also highlights the moderating effects of external variables, such as the economic environment and regulatory landscape, on the relationship between audit committee characteristics and firm value. For instance, the study by Wijaya and Ratnasari indicates that financial performance is an intermediary variable that can enhance overall firm valuation when bolstered by a robust audit committee framework (Wijaya & Ratnasari, 2023). This suggests that the direct association between audit committees and firm value may be mediated by internal financial health, necessitating a holistic view that incorporates both internal dynamics and external influences.

The relevance of audit committees extends beyond immediate firm performance, influencing investor sentiments and market perceptions over the long term. Increased scrutiny by regulatory bodies regarding the effectiveness of audit committees has catalyzed a shift toward more stringent governance practices within firms. The work conducted by Park illustrates how effective audit committees maintain higher financial reporting quality, which is positively recognized by capital markets (Park, 2022). In this context, enhanced governance leads to trust-building with investors, resulting in increased firm value.

Furthermore, an analysis of corporate responses to market conditions highlights the adaptive quality of audit committees in reinforcing governance standards. For instance, certain audit committee characteristics, such as size and diversity, have been related to improved outcomes in firms facing economic downturns, as elucidated by Hesarzadeh et al. (Hesarzadeh et al., 2022). The ability of audit committees to adapt and strengthen governance during evolving challenges reinforces their significant role in maintaining and enhancing firm value during uncertain times.

METHOD

The population of this study is all companies listed on the Indonesia Stock Exchange (IDX). The study will span 24 years, from 2001 to 2024. The observation period of 2001-2024 was chosen because it provides the most recent data, allowing researchers to obtain a variety of data across the 24-year period. The sample selection process for this study used purposive judgment sampling. This study will utilize secondary data, namely annual reports and stock prices from companies listed on the Indonesia Stock Exchange from 2001 to 2024. Data will be collected using documentation techniques from the Indonesia Stock Exchange website, company websites, or other official websites containing research information.

This study has several variables: the dependent variable (Y), which is the information relevance value; the independent variables (X), which are the size of the board of commissioners and the size of the audit committee. Furthermore, this study also uses control variables, namely company size and company age. The dependent variable in this study is the relevance value of accounting information. This variable was measured using the modified Ohlson model in the study by Nguyen & Dang (2023). The modified Ohlson model equation is as follows:

$$P_{it} = \beta_0 + \beta_1 CASH_{it} + \beta_2 RECEIV_{it} + \beta_3 FINANCE_{it} + \beta_4 INVENT_{it} + \beta_5 NOCA_{it} + \beta_6 LIAB_{it} + \beta_7 EPS_{it} + \varepsilon_{it}$$

The data analysis conducted in this study will utilize a statistical approach consisting of descriptive statistics, classical assumption tests, model feasibility tests, and research hypothesis testing. The hypothesis testing process in this study will be conducted using the causal step OLS test. This study will use a 95% confidence level and a one-tailed test. The causal step regression equation model used to test the research hypotheses is as follows.

$$P_{it} = \beta_0 + \beta_1 CASH_{it} + \beta_2 RECEIV_{it} + \beta_3 FINANCE_{it} + \beta_4 INVENT_{it} + \beta_5 NOCA_{it} + \beta_6 LIAB_{it} + \beta_7 EPS_{it} + \varepsilon_{it} \quad \text{.....(1)}$$

$$P_{it} = \beta_0 + \beta_1 CASH_{it} + \beta_2 RECEIV_{it} + \beta_3 FINANCE_{it} + \beta_4 INVENT_{it} + \beta_5 NOCA_{it} + \beta_6 LIAB_{it} + \beta_7 EPS_{it} + \beta_8 SIZEAUDIT_{it} + \beta_9 Size_{it} + \beta_{10} Age_{it} + \varepsilon_{it} \quad \text{.....(2)}$$

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$$P_{it} = \beta_0 + \beta_1 CASH_{it} + \beta_2 RECEIV_{it} + \beta_3 FINANCE_{it} + \beta_4 INVENT_{it} + \beta_5 NOCA_{it} + \beta_6 LIAB_{it} + \beta_7 EPS_{it} + \beta_8 CASH * SIZEAUDIT_{it} + \beta_8 RECEIV * SIZEAUDIT_{it} + \beta_9 FINANCE * SIZEAUDIT_{it} + \beta_{10} INVENT * SIZEAUDIT_{it} + \beta_{11} NOCA * SIZEAUDIT_{it} + \beta_{12} LIAB * SIZEAUDIT_{it} + \beta_{13} EPS * SIZEAUDIT_{it} + \beta_{14} SIZE_{it} + \beta_{15} AGE_{it} + \varepsilon_{it} \text{.....(6)}$$

Where:

P_{it}	= stock price of company i after 3 months ending in fiscal year t
β_0	= Constant
β_{1-7}	= Coefficient
CASH	= number of cash shares outstanding
RECEIV	= receivable
FINANCE	= investment
INVENT	= inventory
NOCA	= non current assets
LIAB	= liabilities
EPS	= earning per share
SIZEAUDIT	= Committe audit size

RESULT AND DISCUSSION

The sampling process in this study was conducted using a purposive sampling method based on the criteria described in the methods section. Based on the results of the sampling process, 31 companies were selected as sample companies, spanning a seven-year study period. Therefore, the total number of observations in this study was 217. The following table presents the data from the sampling process used in this study.

Table 1. Research Sampling Process

Information	Total
Total companies listed on the IDX in the period 2001-2024	249
Companies that do not present complete research data	(218)
Companies whose financial reports are not available on the official BEI website or the Company website	(72)
Number of companies that are research samples	**31**
Number of Observations (31 x 7 years)	**217**

Source: data processed

The 217 observations indicate that this study met the minimum number of observations required for panel regression testing. Sample selection was based on the availability of complete data for the research variables for the period 2017 to 2023. Using a purposive sampling method, only companies meeting the data criteria and relevant to the research focus were included in the analysis.

The next test was descriptive statistics. This test aims to provide a comprehensive overview of the research data collected in this study. Table 2 below shows the output of the descriptive statistics data processing.

Table 2. Descriptive Statistical Test Results

	Mean	Median	Minimum	Maximum
y_eps	207.445	133.000	-3.000	959.000
x1_cash	16739353.954	5758675.000	448000.000	1.418e+08
x2_receive	4.323e+08	3482694.000	23557.000	6.542e+09
x3_invent	4784672.571	2168781.000	93727.000	47639885.000
x4_noca	25985655.336	7063242.000	121749.000	2.795e+08
x5_liabilitas	18435727.954	3847900.000	161935.000	1.953e+08
x6_size	42223863.636	13788227.000	847007.000	4.457e+08
x7_age	45.263	45.000	-7.000	94.000
m1_komiteaudit	3.194	3.000	2.000	8.000

Source: Output STATA

The table above shows that earnings per share (EPS) has an average value of 207,445, meaning that the sample companies generally generated a profit of around Rp207 per share. The lowest (minimum) EPS value was -3,000, indicating that some companies experienced losses (loss per share). Meanwhile, the highest (maximum) value reached 959,000, indicating that some companies were very profitable. The median value of 133,000 is lower than the average, indicating that most companies earned below-average earnings per share, but there were a few companies with very high profits, causing the average to be higher. This indicates that there are significant differences in the ability of sample companies to generate profits, or in other words, the variability in profitability between companies is quite high. The table above shows that the cash variable (x1_cash) shows an average of Rp20,745,170,880, which means that in general the companies in the sample have cash and cash equivalents of around Rp20.7 billion. The minimum value of Rp448,000 indicates that some companies have very little cash, while the maximum value of Rp141,800,000 indicates that there are companies with very large cash, reaching Rp141 million. The median value of Rp5,758,675,000 is lower than the average, indicating that most companies have less than average cash, but there are some companies with very large cash, causing the average value to be high. The significant difference between the minimum and maximum values also indicates a significant imbalance in cash holdings between companies, which can be caused by differences in business scale, industrial sector, or financial strategy of each company. Cash is used to determine how strong a company's financial position is in meeting short-term obligations. Companies with high cash are usually more flexible in making business decisions or facing financial risks.

The table above shows that the receive variable (x2_receive), which describes accounts receivable, has an average of Rp432,300,000 and a median of Rp348,269,400. This indicates that in general, companies in the sample have accounts receivable of around Rp432 million, and half of the sample has accounts receivables below Rp348 million. The lowest (minimum) value of Rp23,557,000 indicates that there are companies with very small accounts receivables, while the highest (maximum) value reaches Rp6,542,000,000,000 or around Rp6.5 trillion, which indicates the presence of companies with very large accounts receivables. The very large difference between the minimum and maximum values indicates significant differences in the management and volume of accounts receivable between companies, possibly due to differences in operational scale, credit policies, and industry types. Accounts receivables reflect sales that have not been paid by customers. The greater the company's receivables, the greater the potential for future cash receipts, but also the risk if customers fail to pay on time.

The table above shows that the inventory variable (x3_invent) reflects the amount of inventory held by a company. Descriptive statistics show that the average inventory value is

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IDR 478,467,257, with a median value of IDR 2,168,781,000. The minimum value of IDR 93,727,000 indicates a company with very low inventory, while the maximum value of IDR 4,763,988,500,000 (approximately IDR 4.76 trillion) indicates a company with very large inventory. The significant difference between the minimum and maximum values indicates significant inequality in inventory holdings between companies. This could be due to differences in business sectors, production strategies, or business models; for example, manufacturing companies tend to hold larger inventories than service companies. Inventory represents goods available for sale or use in production. High inventory can mean that the company is ready to meet market demand, but it can also indicate a buildup of unsold goods.

The table above shows that the NOCA variable (x4_noca) describes a company's net operating cash flow. NOCA is the difference between current assets and current liabilities related to operations. The average NOCA value in the sample was IDR 2,598,565,336 (approximately IDR 2.6 billion), with a median value of IDR 706,324,200. This indicates that most companies generate significant cash from operating activities. The minimum value recorded was IDR 121,749,000, indicating some companies have very low operating cash flow, while the maximum value reached IDR 279,500,000, indicating companies with very large operating capacity. The large difference between the minimum and maximum values indicates significant variation in companies' ability to generate cash from operating activities, which is likely influenced by business scale, industry sector, and operational efficiency of each company. NOCA is useful for measuring a company's ability to maintain smooth short-term operations. The table above shows that the liabilities variable (x5_liabilities) represents the company's total debt or obligations to other parties. The average liability value in the sample companies was Rp18,435,727,954 (approximately Rp18.4 billion), with a median of Rp3,847,900,000. The lowest (minimum) value was Rp161,935,000, indicating that some companies had very small liabilities, while the highest (maximum) value reached Rp195,300,000, indicating that some companies had very large liabilities. The very large gap between the minimum and maximum values and the average value that was much higher than the median indicate significant inequality in the debt structure between companies, which could be caused by different company scales, industry types, and financing strategies. The right amount of debt can be a good source of financing, but if too much debt, it can burden finances and increase the risk of default.

The table above shows that the size variable (x6_size) describes company size, measured by the natural logarithm of total assets. The average size value in the sample was Rp42,223,863,636, with a median of Rp13,788,227,000. The lowest value was Rp847,000, while the highest was Rp445,700,000. This indicates a wide range of company sizes in the sample, from companies with smaller assets to large companies with significantly higher assets. This difference in size values between companies indicates that the study involved companies of varying business scales, from medium to large. Company size is often associated with financial strength, operational capacity, and resilience in facing market changes.

The table above shows that the age variable (x7_age) describes the company's age, calculated from the date of incorporation to the year of the study. The average age of companies in the sample was 45 years, with a median of 45 years. The youngest company was -7 years old, while the oldest was 94 years old. This indicates that the sample comprises companies with a wide range of business experience and maturity, ranging from new companies to companies that have been operating for nearly a century. This variation reflects the varying levels of stability and operational experience among the companies analyzed. Company age reflects experience and stability, with older companies typically being more established and having stronger operational systems.

The table above shows that the audit committee variable (x8_ka) describes the number of audit committee members a company has. The average number of audit committee members in the sample was 3,194, with a minimum and median value of 3, and a maximum value of 8. These results indicate that most companies comply with the minimum requirement of the Financial Services Authority (OJK) regulations, which requires a minimum of 3 audit committee members. The maximum value of 8 indicates that some companies have increased the number of audit committee members beyond the minimum requirement, likely as a means of strengthening their oversight and corporate governance (GCG) function. The audit committee is part of the oversight structure within a company, playing a role in ensuring transparency and accountability in financial reporting.

The next test is the classical assumption test, which is conducted to ensure that the existing regression model meets the BLUEs criteria. The classical assumption test in this study uses several types of tests: normality, autocorrelation, multicollinearity, and heteroscedasticity.

The first classical assumption test is the normality test, which uses the Kolmogorov-Smirnov test (K-S test). Table 3 below presents the results of the K-S test conducted in this study.

Table 3. Normality Test Results

Smaller Group	D	p-value
Uresi_ln	0.0472	0.381
Cumulative	-0.0700	0.120
Combined K-S	0.0700	0.239

Source: Output STATA

The residuals from the model (with ln_y_eps as the dependent variable) met the assumption of normality, based on the Kolmogorov-Smirnov test, with a p-value of 0.381. The results of the normality test using the Kolmogorov-Smirnov test on the model residuals showed a p-value of 0.381. Because the p-value is greater than the 0.05 significance level, it can be concluded that the residuals are normally distributed. Thus, the classical assumption of residual normality has been met in this regression model.

The second test is the multicollinearity test, which aims to verify the absence of multicollinearity among the independent variables. The diagnostic criteria indicate that multicollinearity can be ignored if the following conditions are met: (1) Variance Inflation Factor (VIF) <10, and (2) Tolerance value >0.1. Table 5 below presents a summary of the results of the multicollinearity tests conducted in this study.

Table 4. Multicollinearity Test Results

Variable	VIF Before NOCA (X4) Removed	VIF After NOCA (X4) Removed
Cash	1.52	`1.48
Receiveable	1.11	1.11
Inventories	2.16	1.70
NOCA	66.07	-
Liabilities	62.45	3.27
Size	3.27	3.11
Ages	1.06	1.05
Audit Committee	1.70	1.35

Source: Output STATA

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The results of the multicollinearity test show that the variables x4_noca and x5_liabilitas have a very high correlation of 0.9865, which is close to a perfect value (1), indicating the presence of extreme multicollinearity. This is reinforced by the Variance Inflation Factor (VIF) values which are also very high, namely 66.07 for x4_noca and 62.45 for x5_liabilitas, far exceeding the general tolerance threshold of 10. Therefore, it is recommended to choose one of x4_noca or x5_liabilitas and exclude the other from the model, because both carry almost the same information. Keeping both in the model can cause the regression estimation results to become unstable, the standard error increases, and the coefficients become biased and invalid, so this decision is important to maintain the validity and reliability of the regression model.

The results of the multicollinearity test show that all VIF values <10, so there are no serious multicollinearity problems, even the average VIF is only 1.87, which is very safe. The removal of x4_noca is very helpful. Based on the results of the multicollinearity test using the Variance Inflation Factor (VIF) value, it is known that all independent variables have VIF values below 10, with the highest value of 3.27 and the average VIF value of 1.87. This shows that there is no indication of multicollinearity in the regression model, so it can be concluded that the model is worthy of further analysis.

Based on the regression results, the Durbin-Watson value was 1.83. This value ranges from 1.5 to 2.5, indicating no autocorrelation issues in the model. A Prob value > F of 0.0000 indicates overall model significance. The Adjusted R-squared value of 0.3089 indicates that approximately 31% of the variation in ln_y_eps can be explained by the independent variables used. These results indicate that variables x1_cash, x3_invent, x5_liability, ln_x6_size, and x7_age significantly influence ln_y_eps at the 5% significance level, while variables x2_receive and m1_auditcommittee remain insignificant. Thus, the classical assumption regarding autocorrelation has been met.

The final test is the heteroscedasticity test, which is conducted to examine whether there are differences in variance between residuals from various observations. The heteroscedasticity test in this study was conducted using the Glejser test. Table 7 below presents the results of the Glejser test that has been carried out.

Table 5. Glejser Test Results

Variable	Before Robust Std. Error		After Robust Std. Error	
	t	P>[t]	t	P>[t]
Cash	-.127	0.27	-3.34	0.001
Receiveable	-2.49	0.014	0.93	0.351
Inventories	-1.19	0.235	-10.21	0.000
Liabilities	-0,64	0.523	7.15	0.000
Size	1.57	0.117	-1.96	0.052
Ages	-4.39	0.000	3.94	0.000
Audit Committee	-0,76	0.446	-1.57	0.118
Constant	0.22	0.826	4.55	0.000

Source: Output STATA

Based on the results of the Glejser test, it was found that the variable x2_receive has a significance value below 0.01 (p = 0.000), and the variable ln_x6_size is significant at the 5% level (p = 0.024). This indicates that there are indications of heteroscedasticity in the model, so that violations of the classical assumption of homoscedasticity cannot be ignored. Therefore, regression with robust standard errors is used as a solution.

The Glejser test was conducted using the absolute value of the residuals as the dependent variable to detect potential heteroscedasticity in the regression model. Based on Table 8, the

test was conducted using the robust standard error approach as a corrective measure for the possible heteroscedasticity detected in the previous model. Using robust standard errors does not eliminate heteroscedasticity but aims to produce more accurate coefficient estimates and standard errors that are less biased against violations of the residual homogeneity assumption.

The regression results show that several variables, such as x1_cash and x5_liability, remain significant even after the robust correction. The x1_cash variable has a coefficient of -1.23e-08, a t-test of -3.34, and a p-value of 0.001, indicating significance at the 1% level. The x5_liability variable is also significant at the 5% level with a coefficient of 2.62e-08, a t-test of 2.12, and a p-value of 0.035. Meanwhile, other variables, such as x2_receive, x3_invent, m1_komiteudit, and other control variables, did not show statistical significance.

The R-squared value of 0.3313 indicates that approximately 33.13% of the variation in the absolute value of the residuals can be explained by the independent variables in the model. The Root MSE value of 1.2623 indicates the residual error rate of the model. Therefore, even though the model has been corrected using robust standard errors, there are still variables that significantly affect the residuals, supporting previous findings that this model contains indications of heteroscedasticity. Therefore, using robust standard errors is an appropriate step to maintain the validity of the estimation results.

Table 6. Summary of Research Hypothesis Test Results

Correlation	Coefficient	Sig.	Hipotesis
Cash → Earning per share (EPS)	-0.0000141	0.001	H1 accepted
Receivable → Earning per share	0.0000000425	0.560	H2 rejected
Inventory → Earning per share	-0.0000000868	0.000	H3 accepted
Liabilities→ Earning per share	0.0000000264	0.006	H4 accepted
Size → Earning per share	-0.2275694	0.022	H5 accepted
Age → Earning per share	0.0247256	0.000	H6 accepted
Audit Committee → Earning per share	-0.151	0.268	H7 rejected
Cash * Audit Committee → Earning per share	0.000	0.193	H8 rejected
Receivable * Audit Committee → Earning per share	-0.000	0.473	H9 rejected
Inventories * Audit Committee → Earning per share	0.000	0.225	H10 rejected
Liabilities * Audit Committee → Earning per share	-0.000	0.378	H11 rejected
Size * Audit Committee → Earning per share	-0.000	0.577	H12 rejected
Ages * Audit Committee → Earning per share	0.017	0.273	H13 rejected

Source: Output STATA

In Equation Model 1, the basic regression results indicate that cash, inventory, liabilities, company size, and company age significantly influence earnings per share. A significance value of 0.001 for the cash variable indicates that cash has a significant negative effect on earnings per share, thus rejecting hypothesis H_1. This result indicates that a large amount of cash sitting idle can actually reduce the efficiency of asset utilization and lower investor perceptions of earnings per share. Unproductive cash can lead to the perception that management is not allocating funds optimally, negatively impacting market valuation.

Meanwhile, the accounts receivable variable showed a significance value of 0.560, indicating no significant effect on earnings per share. Therefore, hypothesis H_2 was rejected. This suggests that the size of accounts receivable is not a primary consideration for investors in assessing a company's performance or prospects, particularly in the manufacturing industry,

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which generally has a longer receivables cycle. The quality of receivables is also not always reflected in their nominal value, so its direct effect on earnings per share is less visible.

The inventory variable showed a very significant negative effect on earnings per share, with a significance value of 0.000. This supports hypothesis H_3. This finding suggests that higher inventory levels result in lower earnings per share. High inventory levels can reflect inefficiencies in stock management, potential inventory buildup, or the risk of obsolete goods not being quickly converted into revenue. This can undermine market confidence in a company's operational efficiency.

The liabilities variable showed a significant positive effect on earnings per share with a significance value of 0.006, thus accepting hypothesis H_4. This means that the use of debt in the capital structure can send a positive signal to investors if used optimally to drive growth. In some contexts, increased liabilities reflect creditor confidence and a company's ability to manage external financing, which ultimately can increase earnings per share.

Firm size, as measured by the natural logarithm of total assets, had a significant negative effect on earnings per share with a significance value of 0.022. This finding indicates that not all large companies receive positive market evaluations. Hypothesis H_5 was accepted because the significance met the criteria. This may be due to inefficiencies within large companies or low relative growth, which makes investors more attracted to smaller, faster-growing companies.

Finally, the firm age variable showed a significant positive effect on earnings per share with a significance value of 0.000. Hypothesis H_6 was accepted. The longer a company has been in existence, the higher the level of market trust in it. Long-established companies are perceived to have a better reputation, operational experience, and business stability than newer companies. Overall, this model is simultaneously significant (Prob > F = 0.0000) with an Adjusted R-squared value of 0.3117, which means that approximately 31.17% of the variation in earnings per share can be explained by the independent variables used in equation model 1.

Meanwhile, the audit committee variable did not show a significant effect on earnings per share, with a significance value of 0.268. This means that the existence of an audit committee alone is not sufficient to influence investor perceptions of earnings per share. This likely occurs because the audit committee's role is not yet optimal or is not yet seen as a direct determinant of value by the market. Therefore, hypothesis H_7 is rejected in this model.

On the other hand, all interactions between the audit committee and financial variables did not show a significant effect on earnings per share. Therefore, hypotheses H8 through H13 were rejected, as no significant moderating effect of the audit committee on the relationship between financial variables and earnings per share was found.

These findings indicate that the audit committee has not yet functioned as a mechanism for strengthening financial relationships and earnings per share. Although audit committees are normatively responsible for oversight and governance, in practice in Indonesian manufacturing companies, their existence is likely still administrative and symbolic, rather than strategic and substantive in managerial decision-making. This aligns with previous literature findings that audit committee effectiveness is influenced by factors such as independence, meeting frequency, member expertise, and commitment to good corporate governance (GCG) principles.

The coefficient of determination (R^2) of Model 3 is 0.363, and the adjusted R^2 is 0.307, meaning that approximately 36.3% of the variation in earnings per share (EPS) can be explained by this model. This value is relatively moderate and indicates that, despite incorporating moderating interactions, approximately 63.7% of the remaining variables outside the model influence earnings per share.

Therefore, these findings open up opportunities for further research to explore other, more non-financial variables, such as environmental reputation (ESG performance), the level of corporate innovation, and other external oversight mechanisms such as the role of external auditors, institutional ownership, and the influence of the board of commissioners. Future research could also consider measuring audit committee effectiveness with more detailed indicators such as meeting frequency, attendance rate, and members' financial backgrounds.

CONCLUSION

The purpose of this study was to demonstrate the role of the number of audit committee members in strengthening the value relevance of financial information in predicting a company's stock value. The results showed that cash, inventory, liabilities, company size, and company age were able to predict company value through earnings per share, but receivables were not able to predict company value through earnings per share. Furthermore, the study failed to find any effect of audit committee size in predicting company value through earnings per share, and there was no empirical evidence regarding its role in strengthening the value relevance of financial information in predicting earnings per share. In short, the influence of audit committees on the value relevance of public companies involves various characteristics and systemic interdependencies.

The results of this study can be used as a baseline information, while still considering the limitations of the study. A limitation of this study is the high number of companies that had to be eliminated from the sampling process due to not meeting the predetermined sampling criteria. Future research should continue to explore these dynamics, examining how emerging trends in corporate governance and regulatory pressures shape audit committee effectiveness and their overall influence on the value creation process.

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