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Moderation of Good Corporate Governance: Earnings Management and Firm Value Against Company Performance

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Abstract

We conducted this study to analyze and examine the influence of earnings management and firm value on firm performance. We also use the variable good corporate governance as a moderating variable to test both. The proxy used for earnings management is the modified jones, firm value using Tobins'Q, financial performance with Return on Assets (ROA), and the GCG proxy taken by researchers, namely the audit committee. The research uses a descriptive method using multiple linear regression analysis test equipment. Data collection was carried out using secondary data on food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. From the withdrawal of the target population, only 14 companies were obtained that met the criteria. The results of this study indicate that the company's value partially does not affect the company's financial performance, but earnings management affects the company's performance; earnings management moderated by good corporate governance affects the company's financial performance and firm value.

Keywords: Earnings Management, Firm Values, Company Performance, Good Corporate Governance, Audit Committee

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Introduction

The company's value is one of the metrics investors use to measure the company's year-to-year performance. A high business valuation shows investors are eager to purchase company shares (Ruwanti et al., 2019). Company owners desire high company value since it shows shareholder prosperity (Dewi & Widagdo, 2016). Similarly, the company's financial performance indicates the management's success rate in managing the company's financial resources (Endraswati, 2015).

Entities interested in the company will naturally do an accurate evaluation. Typically, this evaluation is based on the company's success as demonstrated by managerial performance. External parties interested in the company will also respond favorably to effective management. Financial reports are a source of information from external parties for evaluating a company's performance. Financial reports are a source of information from outside parties for evaluating corporate performance (Subanidja et al., 2016). The separation of duties or divergent interests between shareholders (principals) and firm managers (agents) can lead to agency problems (agency costs) that can arise from earnings management (Cho & Chun, 2016). Agency issues will suggest that the worth of a firm will improve if its owners can control management conduct so as not to waste company resources through incorrect investments or shirking responsibilities (Arhdum et al., 2017). Corporate governance is a framework that supervises, and controls corporations meant to create shareholder value.

The practice of effective corporate governance contributes to the company's high value. Institutional ownership, independent commissioners, management ownership, and audit committees can be surrogates for corporate governance practices (Rini & Ghozali, 2012). Institutional ownership is employed as an indication of the corporate governance process in this study. This is because institutional ownership can exert control over management through an efficient monitoring mechanism, reducing earnings management actions. A specific proportion of shares owned by institutions can influence the process of creating financial statements, which does not preclude actualization following management's interests (Arifani, 2015). Therefore, if the company implements an excellent corporate governance system, it is hoped that its performance will improve for the better; with improved company performance, it is hoped that the company's stock price will increase as an indicator of company value, thereby achieving company value.

Due to a lack of implementation of sound corporate governance principles, the decreasing economic stability in Indonesia is currently affecting the company's low value and financial performance (Rini & Ghozali, 2012). This will cause investors to lose faith in the return on investment they have received from the company (Endraswati, 2015). With one of the tools for strong corporate governance, monitoring firm managers can be more effective at enhancing company performance and value (Senda, 2016). Therefore, if the company implements an excellent corporate governance system, it is hoped that its performance will improve for the better; with improved company performance, it is hoped that the company's stock price will increase as an indicator of company value, thereby achieving company value.

Considering this occurrence, we analyze how excellent corporate governance moderates the effect of earnings management and firm value on company performance. Investors evaluating the company's year-to-year success use the company's valuation as one of the benchmarks. A high business valuation shows that investors are eager to purchase company shares. The higher the stock price, the greater the worth of the company.

Business owners desire a high corporate value since it represents the level of shareholder wealth (Afidah, 2016). The management of the company seeks to enhance the company's financial performance and market value through opportunistic earnings management practices. Therefore, the existence of corporate governance processes and control systems within the organization will limit Earnings Management. According to research by Sari Irawan, (2015), earnings management has a detrimental impact on firm performance. Good corporate governance, which moderates the relationship between earnings management and firm performance, has produced significant outcomes. Good corporate governance is an essential mitigating component in strengthening the negative association between earnings management and firm performance. The research findings (Afidah, 2016) indicate that financial success favors business value and that managerial ownership can temper this link.

Users of financial statements can find valuable profit information in financial reports. According to the Statement of Financial Accounting Concept (SFAC) No. 1, the primary focus of financial reports on knowledge management performance is often profit information. Profit information aids owners and other parties in estimating earnings power (profit power) to evaluate investment and credit risk. As the party compiling the financial statements and the entity whose performance is being measured, management must recognize the significance of this profit information. This permits managers to engage in earnings management, a sort of deviant conduct involving the presentation of profit information (Astuti, 2016).

This study employs signal theory to investigate why corporations are incentivized to give external parties financial report information. External parties include investors, creditors, and other information users (Afidah, 2016). Due to information asymmetries between the corporation and external parties, the company publishes information on its financial reports. Due to the lack of external knowledge of the company, they defend themselves by offering low pricing to the worried company. External parties do not have superior terms because external parties evaluate the company lower than they should and vice versa. Therefore, the corporation must offer external parties a signal, which might take the form of reliable financial information that does not reduce confusion regarding the company's prospects.

Agency theory, according to Jensen & Meckling (2019), is a contract between the principal (owner/shareholder) and the agent (management/manager) in which both the owner and manager maximize welfare. According to agency theory, agency relationships are formed when one or more individuals (principals) employ another individual (agent) to perform a service and then transfer decision-making authority to the agent. As firm managers, managers know more about internal information and future company prospects than owners (shareholders). Therefore, as a manager, the manager must inform the owner of the condition of the business. However, the given information is sometimes not received by the company's actual terms. This condition is referred to as information asymmetry (information asymmetry). The asymmetry between management (agent) and the owner (principal) can present managers with the opportunity to engage in earnings management (Sari Irawan, 2015).

Engineering financial statements is an effort by management to lower profits. Earnings management is a notion that management can employ to manage a company's financial statements so that these reports appear to be of high quality (quality of financial reporting). Mawati, (2017) defined earnings management as the manipulation of income to meet management-set goals. Astuti (2019) divides earnings management into two distinct categories: advantageous earnings management and opportunistic earnings management. In earnings management, management attempts to alter financial reporting to deceive shareholders interested in the company's performance or to influence contractual outcomes dependent on the reported accounting figures. Cho (2016) identifies three ways to manage earnings: growing profits, Big Bath, and Income Smoothing.

There are numerous fundamental concepts of evaluation: The value is decided for a specific time or period; the value must be determined at an acceptable price, and a specific group of purchasers has no bearing on valuation. According to Ernawati (2015), company value is the prospective price purchasers are prepared to pay if the firm is sold; the higher the company's value, the better the owner's wealth. In addition, Agus Sartono (2008) asserts that a company's value is its selling price as an operational firm. Maximizing business value (share price) differs from maximizing earnings per share.

Company performance is essential for the achievement of goals, the satisfaction of societal needs, and the fulfillment of managerial obligations. According to Fahmi (2012), performance evaluates how far the organization has progressed by applying proper and correct financial implementation guidelines. Financial performance is an evaluation of historical financial performance based on several financial evaluations. To obtain a company's financial situation that reflects its reality and future potential and whose performance will continue (Arifani, 2015). The following are the benefits of performance measurement: Effective and efficient manage the organization's operations through maximum employee motivation. Assist with personnel-related decisions, such as promotions, transfers, and terminations. Provide selection criteria for evaluating staff training programs and identify personnel research and development needs. Provides a basis for award distribution (Mulyadi, 2011).

According to Lestari (2017), ratio analysis is an analytical technique used to determine the relationship between some aspects of the balance sheet, income statement, or both. This means that, depending on the data included in the financial statements, both from the balance sheet and income statement, as well as both, various ratios can be generated and utilized as a guide for making decisions for the survival of the company. Financial analysts require multiple benchmarks to evaluate a company's financial status and performance. The ratio or index connecting two financial data is frequently used as a benchmark (Endraswati, 2015).

Corporate Governance entails the connection between firm management, boards of directors, shareholders, and other interested parties (Hartono & Nugrahanti, 2014). Governance relates to providing a framework for establishing company objectives, attaining objectives, and monitoring performance. Good corporate governance should offer the appropriate incentives for the business's board and management to pursue goals in the company's and its shareholders' best interests, permit effective monitoring, and encourage the company to use its resources more efficiently. Among the advantages acquired by implementing Corporate Governance is improving the decision-making process to make optimal decisions and increasing investor trust in the company's worth while minimizing instances of directors abusing their position of authority. Effective decision-making will raise the value of shares and the dividends shareholders receive. The amount of shareholder trust in the company rises, hence enhancing the company's favorable image. Additionally, consistent adoption of corporate governance will improve the company's financial reports (Puspitasari & Ernawati, 2015).

The separation of roles or divergent interests between shareholders (principal) and firm management (agent) can give rise to agency problems (agency costs) that can arise from earnings management (Arhdum et al., 2017). As the company's manager, management is privy to more important and timely information than shareholders. Consequently, information asymmetry emerges, enabling management to execute accounting initiatives focusing on profit to attain a particular performance. Financial performance indicates an organization's efficacy and efficiency in achieving its objectives. Financial performance is the capacity of financial management to attain its performance objectives. This demonstrates that bad company performance will prompt management to engage in earnings management by boosting accounting profits and vice versa; if a company is performing well, management will engage in earnings management by decreasing accounting profits (Hasty & Herawaty, 2017). (Astuti, 2019) states that earnings management actions will impact company performance; this is because earnings management is an action taken by management to report company profits to make it appear more attractive. This can be done in a variety of ways, including increasing or decreasing profits (increasing income or decreasing income), or reporting company profits so they appear stable, also known as income smoothing. Therefore, earnings management affects the performance of the organization.

H_1: Earnings management has a positive effect on company performance.

The company's value is one of the metrics investors use to measure the company's year-to-year performance. A high business valuation shows investors are eager to purchase company shares (Ernawati & Widyawati, 2015). Owners of a corporation demand a high enterprise value (Dj et al., 2016). The company's financial performance indicates its financial health throughout a specific period. The rate of management's success in managing the company's financial resources is measured by financial performance. The greater the financial performance implied by financial ratios, the greater the company's value (Hardian & Fun, 2016); Consequently, company value influences firm performance.

H_2: Firm value has a positive effect on company performance.

The presence of an audit committee within a corporation might boost investor confidence. According to Riniati (2015), the audit committee influences firm performance. Puspitasari and Ermawati (2015) have previously explored the relationship between ownership concentration and financial performance. His research demonstrates that if the audit committee focus grows, the financial performance will also improve (Arifani, 2016; Hartono & Nugrahanti, 2014). The audit committee is believed to act as the company's controller to produce a strong and rising performance.

H_3: Good corporate governance can moderate earnings management on company performance.

Good corporate governance is a system that regulates and controls corporations so they provide and improve shareholder value. It is considered that implementing effective corporate governance will raise the company's worth (Kusumaningtyas & Andayani, 2015). Independent commissioners can govern corporate governance procedures. From the standpoint of agency theory, risk-averse and self-interested agents would move resources from investments that do not increase company value to more profitable investments. Agency issues will show that the company's worth will grow if the owner can exert behavioral control. Klapper and Love (2012) discovered an excellent correlation between corporate governance and company success as assessed by return on assets (ROA) and Tobin's Q. The adoption of corporate governance at the business level has greater significance in emerging nations than in industrialized nations, according to a second significant result. This demonstrates that enterprises that execute effective corporate governance will benefit more in nations with insufficient legal environments.

H4: Good corporate governance can moderate the firm value on company performance.

Research Design and Method

This research is a type of quantitative research. We conducted this study on food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange (IDX). The sample was determined using purposive sampling with the following criteria: 1) Manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange from 2018 to 2020. 2) Companies that issue annual reports ending December 31 during the 2018, 2019, and 2020 observation periods. 3) Companies that have data on the Audit Committee. 4) Companies that present financial statements in rupiah. Based on these criteria, a total sample of 14 companies was obtained.

The data source used by the authors in this study is secondary data. These data refer to information collected from existing sources in the form of company data regarding corporate governance and other data. The method used in collecting this data is documentation data. Documentation is archival research that contains past events. The information that has been collected will be analyzed through several stages of testing. The first stage is to perform descriptive statistical tests. The second stage is the classical assumption test (normality test, multicollinearity test, heteroscedasticity test, autocorrelation test). The third stage is to test all the hypotheses proposed in this study and will be proven through a moderation test, simultaneous test (f test), partial test (t test), and test of the coefficient of determination.

Results and Discussion

Statistical Result & Discussion

The first stage in analyzing the research data is descriptive statistical analysis. The descriptive analysis describes each research variable's maximum, minimum, and average values . The tools used to describe the variables in this study are the minimum, maximum, average (mean), and standard deviation values. The results of the analysis are presented in table 1.

Table 1. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
EM	42	,25	16,96	4,9595	3,57145
NP	42	,24	1,27	,5705	,19497
KP	42	,01	,30	,0760	,06169
Valid N (listwise)	42				

Table 1. Descriptive statistics show that the earnings management (EM) variable, carried out using the modified Jones model, offers a minimum value of 0.25 and a maximum of 16.96. The average value of earnings management is 4.95 while the standard deviation is 3, 57. This shows the significant earnings management behavior carried out by companies in reporting profits by choosing accounting methods that can increase profits.

The second stage is to test the classical assumptions to see whether the assumptions required in the linear regression analysis are met. The classic assumption test in this study consists of a normality test used to determine whether the resulting errors have a normal distribution in a regression model. The normality test results using the Kolmogorov-Smirnov test in table 2 show a Z value of 0.732 with a significant level of 0.677. The Kolmogorov-Smirnov test results show a significance above 0.05, indicating that the residual data is normally distributed. Thus, the data is normally distributed, or the normality assumption has been fulfilled. Furthermore, a multicollinearity test was carried out to test whether the regression model found a correlation between the independent variables. If the VIF value exceeds ten or the tolerance is less than 0.10, multicollinearity symptoms are stated; conversely, if the VIF value is less than ten or tolerance is more than 0.10, then multicollinearity symptoms are not observed.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized
		Residual
N		42
Normal Parametersa,b	Mean	,0000000
	Std. Deviation	,06016768
Most Extreme Differences	Absolute	,232
	Positive	,232
	Negative	-,129
Kolmogorv-smirnov Z		,732
Asymp. Sig. (2-tailed)		,677

Source: Output SPSS, (2022)

Table 3. Multicollinearity Test Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	,093	,033		2,855	,007		
Earnings Management	,003	,003	,145	,928	,359	1,000	1,000
Firm Value	-,052	,049	-,165	- 1,058	,297	1,000	1,000

a. Dependent Variable: Company Performance

The results of the multicollinearity test based on Table 3 show that calculating the tolerance value does not indicate that there are independent variables with a tolerance value of less than 0.1, and none of the independent variables have a VIF value of more than 10. So, there is no difference between the independent variables. Furthermore, the autocorrelation test was carried out using the Durbin-Watson (DW) test. The autocorrelation test aims to test whether there is a correlation between confounding errors in period t and errors with period t-1 (previous) in a linear regression model. If there is a correlation, then there is called an autocorrelation problem. A good regression model is a regression that is free from autocorrelation.

Table 4. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted Square R	Std. Error of the Estimate	Durbin-Watson
1	,221[a]	,049	,000	,062	2,228

a. Predictors: (Constant), Firm Value, Earnings Management
b. Dependent Variable: Company Performance
Source: Output SPSS, (2022)

The results of the autocorrelation test are shown in table 4; the Durbin Watson (DW) value is 2.228. The DW value is 2.228, which is greater than the upper limit (du) 1.606 and less than 4-1.606 = 2.394, indicating no positive autocorrelation in this study. Furthermore, a heteroscedasticity test was carried out to test whether, in the regression model, there was an inequality of variance from the residuals from one observation to another using the Glejser test by regressing the absolute value of the residuals on the independent variables.

Table 5. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,035	,022		1,574	,123
	Earnings Management	,000	,002	,027	,170	,866
	Firm Value	,013	,033	,063	,393	,696

a. Dependent Variable: RES2
Source: Output SPSS, (2022)

The results of the heteroscedasticity test, as shown in Table 5, show that no variable has a significant probability value below 0.05. So, the regression model is declared free from heteroscedasticity symptoms.

The third stage is testing all hypotheses through regression analysis. The analysis technique used to test the first hypothesis (H_1) and the second hypothesis (H_2) uses multiple regression analysis by regressing the independent variables (earnings management and firm value) to the dependent variable (firm performance) while to test the third hypothesis (H_3), and the fourth hypothesis (H_4) uses moderation analysis with the whole residual approach or the absolute value difference test.

Table 6. Test Results for the Coefficient of Determination (R2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,819[a]	,681	,637	,0062

Source: Output SPSS, (2022)

The test results for the coefficient of determination (R2), as shown in Table 6, show an R-value of 0.681 or 68.1%. According to the correlation coefficient interpretation guidelines, this number is included in the category of strong correlation. This indicates that earnings management and firm value strongly influence company performance by 68.1%.

The test results for the coefficient of determination, a value of 2 (Adjusted R Square), and the regression model are used to determine how much the independent variable can explain the dependent variable. Table 6 shows that the value of 2 (Adjusted R Square) is 0.637. This means that 63.7% of the variation in company performance can be explained by earnings management and company value. At the same time, the rest can be explained by factors other than the independent variables.

Table 7. F Test - Simultaneous Test

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,008	2	,004	14,997	,000[b]
	Residual	,148	39	,004		
	Total	,156	41			

Source: Output SPSS, (2022)

The results of the Simultaneous F-test, as shown in table 7, show an F-count value of 14.997. To find out the value of the F table, df (N1) = k and df (N2) = nk are calculated, where k is the number of independent variables, and n is the number of samples. The value of df (N1) is two, and the importance of df (N2) is 42-2 = 40, so the F table obtained with a significant 0.05% is 3.23. Based on these calculations, it can be seen that the F-count is greater than the F-table or 14.997 is more critical than 3.23, so the independent variables have a significant influence simultaneously on the dependent variable. This is evidenced by the effective results of 0.000 <0.05. This means that the earnings management variable and firm value affect company performance.

Table 8. Results of the t test (Partial Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,093	,033		1,855	,007
	Earnings Management	,003	,003	,145	2,928	,359
	Firm Value	-,052	,049	,165	2,058	,000

Source: Output SPSS, (2022)

The results of the t test based on table 8, can be analyzed in the estimation model as follows:

$$ROA = 0{,}093 + 0{,}003\ EM + - 0{,}052\ NP + e$$

From the equation obtained, it can be explained that a constant value of 0.093 indicates that if the independent variables (earnings management and firm value) are zero, then ROA will occur at 0.093. The regression coefficient of the earnings management variable X1 is

0.003, indicating that every one-unit increase in the earnings management variable will increase ROA by 0.003. The regression coefficient of the firm value variable X2 is -0.052, indicating that every one-unit increase in the firm value variable will increase ROA by -0.052

The earnings management variable has a t-count of 1.885 and is greater than the t-table of 2.0226 with a significant level of 0.07, which is greater than 0.05. With a positive regression coefficient of 0.003, Ho is rejected, and Ha is accepted. This means that EM has a positive and significant effect on ROA. So that the first hypothesis (H1), which states that earnings management has a positive impact on company performance, can be declared accepted. The test results indicate that the company's performance will improve if earnings management increases.

The firm value variable has a t-count of 2.058, which is smaller than the t-table of 2.0226 with a significant level of 0.000 which is lower than 0.005, with a negative regression coefficient, so Ho is accepted, and Ha is rejected. This means that firm value has a negative and insignificant effect on ROA. So H2, which states that firm value positively impacts company performance, will be rejected.

To test the moderating variable, an interaction test is carried out through Moderated Regression Analysis, namely the application of multiple linear regression, where the equation contains an element of interaction (multiplication of two or more independent variables).

Table 9. Test Results for the Coefficient of Determination (R2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,975[a]	,950	,936	,06169

In table 9, the R-value is 0.950 or 95.0%. According to the correlation coefficient interpretation guidelines, this number is included in the moderate correlation category because it is in the interval of 0.80 – 1.000. This shows that earnings management and firm value have a powerful influence on company performance.

The test results for the coefficient of determination show that the Adjusted R square value is 0.936. Initially, the Adjusted R square value was 0.637, while after the company size variable moderated, the Adjusted R square value increased from 0.299 to 0.936. These results indicate that after the moderating variable, the ability of the earnings management variable and firm value to influence company performance increased from 0.637 to 0.936. Therefore, the ability of the independent variables of earnings management and firm value to impact company performance after being moderated by good corporate governance increased by 93.6%, while other variables explained the rest.

Table 10. F Test Results - Simultaneous Test

ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,008	2	,004	,997	,000[b]
	Residual	,148	39	,004		
	Total	,156	41			

a. Dependent Variable: Audit Committee
b. Predictors: (Constant), NP = KA, EM = KA

Source: Output SPSS, (2022)

The simultaneous test (f-test) results, as shown in table 10, show that the calculated F is 0.997. To find out the value of the F-table, we calculated the value of df (N1) = k and df (N2) = nk, where k is the number of independent variables and n is the number of samples. The df (N1) = two and df (N2) = 42-2 is 40, so the F-table value obtained with a significance of 0.05% is 3.23. Based on these calculations, the calculated F-value is greater than the F-table (0.997 > 3.23). These results indicate that the independent variables significantly influence the independent variables simultaneously (together). This is evidenced by the significant results of 0.000, which are smaller than 0.05. Therefore, earnings management and firm value simultaneously affect firm performance.

Table 11. Partial Test Results (t-test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,093	,033		2,855	,007
	Eanings Management	,003	,003	,145	2,928	,359
	Nilai Perusahaan	-,052	,049	,165	2,058	,000
	M1	,003	,003	,145	2,928	,359
	M2	,052	,049	,165	2,058	,000

a. Dependent Variable: Audit Committee

Source: Output SPSS, (2022)

The partial test results, as shown in table 11, show that the moderating variable M1 (earnings management = audit committee) has a t-count of 2.928, which is greater than the t-table of 2.022 with a significant level of 0.004, which is lower than 0.05 and the regression coefficient is positive of 0.003. This means that earnings management moderated by a good corporate governance audit committee has a positive and significant effect on financial performance, so the third hypothesis (H3) states that good corporate governance can moderate the effect of earnings management on company performance declared accepted.

The results of the t-test shown in table 11 show that the moderating variable M2 (company value = audit committee) has a t-count of 2.058, which is greater than the t-table of 2.022 with a significant level of 0.002, which is higher than 0.05. The regression coefficient is positive at 0.052. This means that the value of the company, which the good corporate governance audit committee moderates, has a positive and significant effect on company performance. Thus, H4, which states that good corporate governance can moderate the effect of firm value on firm performance, is accepted.

Discussion

Earnings management has a favorable and substantial effect on firm performance, according to the first hypothesis (H1). Astuti (2016) asserts that earnings management actions will affect company performance, as earnings management is an action taken by management to report company profits to make them appear more attractive by increasing or decreasing profits or to report company profits to make them appear stable. This study differs from previous research (Sari Irawan, 2015), which indicates that the more earnings management by management, the poorer the company's success, and vice versa.

The second hypothesis (H2) asserts that company value negatively impacts firm performance. According to the findings of this study, company value has a detrimental effect on firm performance. A company's value is deemed high if its performance is also high. The price of the company's shares reflects the value of the business. If the company value is high, then the company value is also good. The company's fundamental objective is to improve its value by boosting the wealth of its owners or shareholders (Endraswati, 2015; Senda, 2016).

The results of testing the third hypothesis (H3) indicate that earnings management moderated by an audit committee representing sound corporate governance has a substantial and significant impact on financial performance. Using audit committee independence as a moderating variable, the test results indicate that this variable can strengthen the influence of earnings management on firm performance. The audit committee in the finance department can boost investor confidence in a corporation. According to research (Riniati, 2015), the audit committee impacts firm performance. The greater the concentration of the audit committee, according to Arifani (2015), the better the financial performance. The audit committee substantially impacts the company's financial performance, as demonstrated by research findings (Hermiyetti & Katlanis, 2017). The audit committee's presence can serve as a company's performance and growth regulator. Effective audit committee performance in the research sample companies can increase the company's performance in generating profits, hence enhancing the company's quality and attracting investors. This study's findings corroborate Bernhart and Roseinstein's (1998) theory that the audit committee is one of the Good Corporate Governance (GCG) methods that can mitigate conflicts of interest and enhance corporate performance. This analysis validates studies (Rini & Ghozali, 2012) indicating that the audit committee has a considerably favorable effect on a corporation's profitability. In addition, study findings (Dewi & Widagdo, 2016) indicate that the audit committee has a considerable favorable impact on financial performance.

The results of testing the fourth hypothesis (H4) indicate that earnings management regulated by excellent corporate governance, represented by the audit committee, has a significant and meaningful impact on firm performance. Klapper & Love (2012) discovered a correlation between corporate governance and firm performance, as assessed by return on assets (ROA) and Tobin's Q. The application of corporate governance at the firm level is more meaningful in developing nations than in industrialized nations, which is another significant result. This demonstrates that enterprises implementing effective corporate governance will have more benefits in nations with insufficient legal environments. According to research (Sari Irawan, 2015), testing of good corporate governance, which moderates the relationship between earnings management and company performance, demonstrates significant results, indicating that good corporate governance is a significant moderating variable that strengthens the negative relationship between earnings management and company performance.

Conclusions

Our research indicates that earnings management has a favorable impact on a company's performance. The worth of a corporation has a detrimental effect on its performance. Meanwhile, earnings management and company value controlled by the solid corporate governance audit committee have a favorable and significant impact on the performance of Indonesia Stock Exchange manufacturing businesses in the food and beverage subsector. We recommend that future researchers employ a more comprehensive observation strategy while doing research with more diversified study samples, as opposed to limiting themselves to a select few banking institutions.

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