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Determinants of earnings quality: the role of the audit committee as a moderator

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ABSTRACT

Purpose: This research aims to examine and analyze the influence of capital structure, liquidity, profit growth, company size, and profitability simultaneously and partially on profit quality and audit committees in companies in the consumer cyclical industrial sector listed on the Indonesia Stock Exchange for the 2021 - 2022 period.

Methodology/approach: Research approach with Partial Least Structure Equation Modeling with a two-stage approach test model using the SmartPLS 3.2.9 application. (Bahasa Indonesia.

Findings: The test results show that Capital Structure, Liquidity, Profit Growth, Company Size, and Profitability have no effect on the Quality of Profits in Consumer Cyclical Sector Companies. In addition, the moderation test results show that the Audit Committee is unable to moderate the relationship between these factors.

Practical and Theoretical Contribution/Originality: This research provides a significant contribution to understanding the factors that influence the quality of company profits in the Consumer Cyclicals sector in Indonesia. Limitations of this research include the short observation period, namely 2021-2022, and the focus only on Consumer Cyclicals sector companies on the Indonesian Stock Exchange.

Research Limitation: This may limit the generalizability of research results to other sectors or different periods. In addition, using an audit committee moderating variable based on the number of members may not fully reflect the effectiveness of the supervision carried out by the committee.

Keywords: Audit Committee; Capital Structure; Earnings Growth; Liquidity; Profitability.

INTRODUCTION

The Consumer Cyclical sector, often referred to as the non-essential consumer goods industry, comprises companies that produce and distribute products and services highly influenced by economic conditions. The development of the consumer cyclical industry in Indonesia tends to fluctuate, following economic growth (Bappenas, 2021).

This industry is significantly affected by economic recessions, which can lead to a decline in revenue and profit quality. The performance of the consumer cyclical sector is closely tied to recession or booming conditions. During a recession, people have less disposable income, making consumer cyclical expenses—categorized as non-essential—among the first to be cut. Conversely, when the economy recovers, the demand for consumer cyclical goods and services typically rebounds. In the stock market, companies in the consumer cyclical sector are often the first to experience downward pressure on stock prices during economic contractions. Conversely, they are also the first to see price increases when the economy enters a booming phase (Guest User, 2022).

Profit serves as a source of information derived from financial statements, reflecting a company's performance and providing stakeholders with critical data for decision-making within a given period. High-quality profit enables stakeholders to assess the company's performance positively (Hartoko & Astuti, 2021). Earnings quality refers to the reliability of a company's profit information presented in financial statements, indicating how well it can influence decision-making and assist investors in evaluating a company's performance (Cecilia & Farah, 2023). It reflects the extent to which reported earnings accurately represent the company's actual profitability and their usefulness in predicting future earnings. Additionally, earnings quality encompasses the stability, persistence, and lack of variability in reported profits (Marpaung, E.I, 2019).

The phenomenon highlighted in this study is the recorded loss in 2022. PT Sepatu Bata Tbk (BATA) reported a loss of IDR 105.91 billion throughout 2022, representing a significant increase of 106.85% compared to the previous year's net loss of IDR 51.20 billion. Despite recording an increase in gross profit, several expenses weighed on revenue, resulting in a net loss of IDR 105.91 billion for the year. Meanwhile, the operating loss reached IDR 60.63 billion, up from IDR 58.21 billion in the previous year. The pre-tax loss amounted to IDR 68.14 billion, a slight increase from IDR 64 billion, and the loss for the year stood at IDR 106.12 billion, up 207% from the previous year's IDR 51.23 billion. BATA's total equity was recorded at IDR 319.76 billion, down from IDR 426.92 billion. Total liabilities reached IDR 404.30 billion, skyrocketing by 79% compared to IDR 225.81 billion in 2021. According to management, this rise in liabilities was primarily due to an increase in trade payables to third parties by IDR 19.8 billion and an increase in trade payables to related parties by IDR 74.7 billion (Adventy & Artha, 2022).

PT Sri Rejeki Isman, or Sritex, began to sink in 2022 as debts piled up and its stock trading was suspended. Sritex faced negative equity due to liabilities exceeding assets, leading to very poor earnings quality. This posed a significant risk to the company as it edged closer to bankruptcy. Bank loans and bonds with interest accounted for over 85% of its total liabilities, creating a risk for the company due to the obligation to pay interest, which could erode profitability.

As a result of its massive debts, Sritex's trading has been suspended and is at risk of delisting. As of September 2022, SRIL's total liabilities amounted to $1.6 billion, equivalent to IDR 24.66 trillion (exchange rate: IDR 15,500/USD). This amount was predominantly comprised of interest-bearing debts such as bank loans and bonds (Tim Riset, 2022). This

phenomenon highlights that a decline or deterioration in earnings quality in financial statements can harm external parties and other stakeholders relying on financial reports for decision-making. Users of financial statements must understand the importance of high-quality earnings. A company's earnings are considered of high quality if the financial statements reliably represent the company's true performance and are not influenced by the interests of management or investors. Earnings quality refers to earnings that accurately reflect the company's operational profitability (Yoanita & Fifi Devi, 2021).

Capital structure refers to the amount of equity and liabilities used to finance a company (Anggrainy & Septiono, 2019). Capital structure is a variable measurable through leverage, aiming to provide information on the extent to which a company's funding allocation is sourced from debt. Research employing capital structure as an independent variable has been conducted (Syawaluddin & Supriyanto, 2019), which demonstrated that capital structure influences earnings quality. A high capital structure in a company indicates poor condition, as more of the company's assets are financed through debt rather than equity. If this occurs, the worst-case scenario is that the company might default or fail to repay its debts (Sari & Wiyanto, 2022).

Liquidity refers to a company's ability to settle its short-term obligations using its current assets (Wijaya, F.C, 2020). A company's liquidity is measured by its ability to meet short-term liabilities when they fall due (Marpaung, E.I., 2019). A high liquidity ratio encourages managers to present reliable financial information that accurately reflects the company's performance (Nandika & Sunarto, 2022). Research conducted by (Warianto & Rusiti, 2016) found that liquidity negatively affects earnings quality. However, these findings contradict those of (Prasetyo & Wulandari, 2021) who concluded that liquidity positively impacts earnings quality (Yuliana & Fauziah, 2022).

Earnings growth is a variable that describes a company with future growth prospects. Companies can gain time to develop and grow faster while also having a high earnings response coefficient. This condition demonstrates that the greater the company's growth opportunities, the higher its chances of achieving or increasing profits in the future. In this way, the faster a company grows, the higher the quality of its earnings (Anggrainy & Septiono, 2019). Earnings growth reflects a company's performance in improving sales growth and operational efficiency to increase profits (Margarita & Ningrum Lita, 2019). A company's earnings growth can indicate that its management is developing effectively and successfully directing the company's resources to function efficiently and effectively.

Company size can be observed from its total assets; the larger the total assets, the larger the company (Wijaya, F.C, 2020). This is because large companies are perceived as being better able to improve their performance by enhancing their earnings quality. Large companies are also believed to have more extensive information compared to smaller companies (Safitri & Afryenti, 2020). Research conducted by (Riska et al., 2024) and (Erawati & Wuarlela, 2022) supports this statement, showing that company size has a significant positive effect on earnings quality. Similarly, research by (Safitri & Afryenti, 2020) confirms that company size influences earnings quality (Safitri & Afryenti, 2020). Company size refers to the scale of a company, which can be classified in various ways, including revenue, total assets, and total equity. The natural logarithm of total assets (Ln Total Assets) is often used, as it indicates that companies with larger total assets are relatively more stable and capable of generating higher profits than companies with fewer or smaller total assets.

Profitability is a measure of a company's ability to generate profit based on sales, assets, or equity (Erawati & Sari, 2021). Profitability is used to assess a company's ability to earn

profit relative to its total assets (Santioso & Lie, 2020). A higher level of profitability indicates that the company is capable of generating higher profits (Tisnawati & Magdalena, 2022). This aligns with research by (Santioso & Lie, 2020), which found that profitability positively influences earnings quality. However, (Hakim & Naelufar, 2020) found that profitability does not affect earnings quality.

The audit committee is a committee that assists the board of commissioners in overseeing a company's operations to enhance the effectiveness of good corporate governance implementation (Agustin & Rahayu, 2022). The audit committee is responsible for strengthening the supervisory function of the board of commissioners (Supomo & Amanah, 2019). Research conducted by (Nadirsyah & Muharram, 2016), (Nirwana Sari & Suryanto, 2016), (Pertiwi et al., 2017) concluded that the audit committee has a positive and significant effect on earnings quality. Conversely, studies by (Reyhan, 2014), (Yushita et al., 2013) and (Rilo & Laksito, 2017) found that the audit committee does not influence earnings quality.

This study uses the audit committee as a moderating variable. The audit committee is considered capable of influencing the earnings quality of a company, which is one of the critical pieces of information available to the public and can be used by investors to assess the company. Investors, as external parties, cannot directly observe the quality of a company's information systems. Therefore, their perception of the audit committee's performance will affect their assessment of the company's earnings quality. The audit committee is a committee consisting of three or more members who are not part of the management or the company itself, tasked with examining and assessing the fairness of the reports prepared by the company.

The objective of this study is to determine and analyze the simultaneous and partial effects of Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability on Earnings Quality, as well as the role of the Audit Committee in moderating the relationship between these factors and earnings quality in consumer cyclical companies listed on the Indonesia Stock Exchange for the 2021–2022 period.

The benefits of this study for investors are that it is expected to serve as a reference in making decisions before investing by considering factors such as Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability, which can influence Earnings Quality. For Company Management, this research is expected to be beneficial in helping analyze and evaluate the company's Earnings Quality and provide input for assessing the company's financial performance. For Future Researchers, the results of this study are expected to be useful and serve as a reference for subsequent research on the topic of Earnings Quality.

METHOD

This study involves consumer cyclical industry sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2022 period, with a total population of 142 companies. The sampling technique used is purposive sampling, a method that selects samples based on specific criteria relevant to the research objectives (Sugiyono, 2019). The sample criteria include companies with complete and published annual financial statements on the IDX during the 2021–2022 period, companies with an active audit committee as stated in the annual report, and companies that operated consistently during the study period. Based on calculations using the Slovin formula with a 5% margin of error, the minimum required sample size is 105 companies. This sampling technique was chosen to ensure that only companies meeting specific criteria are analyzed in this study.

The dependent variable in this study is earnings quality, which is measured using the quality of income ratio. This ratio is calculated by comparing operating cash flow with net income, where a higher ratio indicates better earnings quality (Schipper & Vincent, 2003). The independent variables used in this study are capital structure, liquidity, earnings growth, company size, and profitability. Capital structure is measured using the Debt-equity ratio (DER), which shows the ratio of the company's debt to its equity (Hery, 2016)). Liquidity is measured using the Current Ratio (CR), which is the ratio of current assets to current liabilities of the company (Brigham & Houston, 2019). Earnings growth is measured by the percentage change in net income from year to year, reflecting the company's ability to increase its profits (Gitman & Zutter, 2012). Company size is measured by the natural logarithm (Ln) of the company's total assets (Hery, 2020), and profitability is measured using Return on Assets (ROA), which indicates the amount of net income generated from the company's assets (Brigham & Houston, 2019). The moderating variable in this study is the audit committee, which is measured by the number of audit committee members reported in the company's annual report (DeZoort et al., 2002). This study uses a moderating regression equation to test the relationship between the independent variables and earnings quality, with the audit committee as the moderating variable.

This study uses a quantitative descriptive method to explain specific phenomena through quantitative data. The research object consists of companies in the cyclical industry sector listed on the Indonesia Stock Exchange (IDX) during the period from 2021 to 2022. The data used is secondary data obtained from the companies' annual financial reports, which were downloaded from the official IDX website (www.idx.co.id). Data collection was carried out in two stages. The first stage is a literature review, where relevant literature, journals, articles, and other sources are studied to build the theoretical foundation (Dr. Arif Rachman dkk., 2024). The second stage is the documentation study, which involves collecting the annual financial reports of the companies being studied, which have been published on the IDX (Heryana, 2020).

Data analysis is performed using the SmartPLS application to test the relationships between latent variables and measure the effect of independent variables on earnings quality, both simultaneously and partially. The SmartPLS method is used to handle models with multiple latent variables, while the absolute difference test is used to evaluate the effect of the moderating variable (audit committee) on the relationship between independent and dependent variables.

RESULTS AND DISCUSSION

The sample mean is presented to provide an overview by observing the average (mean) value of the data tested in the study. Based on the data obtained from the financial reports of companies in the Consumer Cyclicals sector listed on the Indonesia Stock Exchange (IDX) used as the research sample for the 2021-2022 observation period, the average (mean) values of the companies for each variable used in this study can be seen in Table 2 below:

Table 1.
Sample Mean

Variable Name	Mean
Earnings Quality	6252195,373
Capital Structure	28,939
Liquidity	4,136
Profit Growth	196,896
Company Size	26,278
Profitability	13,313
Audit Committee	2,899

Source: Data processed by the author, (2024)

Based on Table 1, the observations of Consumer Cyclical sector companies listed on the Indonesia Stock Exchange during the 2021-2022 period can be explained as follows:

1.   The earnings quality variable has an average value of 6,252,195.373. High-quality earnings are indicated by a slope close to or exceeding the value of one. A slope close to or greater than one signifies that the unexpected stock movement aligns with the company's unexpected earnings movement **Invalid source specified.** Based on the research results, the average value for Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period is above one, indicating a positive market reaction to the published earnings information and a very high level of earnings quality.

2.   The capital structure variable, proxied by the leverage level, has an average value of 287.939. A higher leverage level indicates lower earnings quality (Kadek, Prawisanti & Dira, 2014). Thus, it can be concluded that Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period have high leverage levels and are assessed as not maintaining a balance between their assets and liabilities financed by company debt.

3.   The liquidity variable, proxied by the Current Ratio (CR), has an average value of 4.136. The industry average for a good current ratio is 200% or 2:1 of current assets to current liabilities **Invalid source specified.** Therefore, it can be concluded that Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period are in a liquid condition and capable of meeting their short-term obligations on time using their current assets.

4.   The earnings growth variable has an average value of 196.896. Based on the results obtained annually during the observation period, the companies demonstrate good earnings growth. Accordingly, Consumer Cyclicals sector companies listed on the Indonesia Stock Exchange during the 2021-2022 period exhibit strong financial performance, reflecting their potential for continued earnings growth.

5.   The company size variable has an average value of 26.278. According to Law No. 20 of 2008, micro-enterprises have a net worth of up to IDR 50,000,000, small enterprises between IDR 50,000,000 and IDR 500,000,000, medium enterprises between IDR 500,000,000 and IDR 10,000,000,000, and large enterprises above IDR 10,000,000,000. With an average value of 26.278, equivalent to IDR 11,524,558,525,166, this indicates that Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period fall into the large enterprise category as their average value exceeds IDR 10,000,000,000.

6.   The profitability variable, proxied by Return on Assets (ROA), has an average value of 13.313. The industry average for ROA is 30% **Invalid source specified.** This indicates that the average profitability of Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period is above the industry average, demonstrating their ability to utilize assets to generate profits.

7.   The audit committee variable has an average value of 2.899. Thus, it can be seen that the average number of audit committee members for Consumer Cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2022 period is 2.899.

The Outer Model test can be conducted using the Variance Inflation Factor (VIF) test, which aims to examine whether there is any correlation between variables in this study. The VIF test can be observed from the Collinearity Statistics (VIF) values. The results of the Outer Model test are presented in the following table:

Based on Table 2, it can be seen that the independent variables, namely Capital Structure, Liquidity, Earnings Growth, Company Size, Profitability, and the moderating variable, Audit Committee, have VIF values < 5. Therefore, it can be concluded that this study passes the Outer Model test.

In the model feasibility test, four model fit tests must be fulfilled: SRMR, Chi-Square, NFI, and RMS_Theta. The results of the model feasibility test are presented in the following table:

Variable Name	Collonierity Statistics (VIF)	Description
Capital Structure (X1)	1,000	Passes Outer Model Test
Liquidity (X2)	1, 000	Passes Outer Model Test
Profit Growth (X3)	1, 000	Passes Outer Model Test
Company Size (X4)	1, 000	Passes Outer Model Test
Profitability (X5)	1, 000	Passes Outer Model Test
Audit Committee (Z)	1, 000	Passes Outer Model Test

Table 2. Results of the Outer Model Test

Source: Data processed by the author, (2024).

Feasibility Index	Cut-off Value	Model Result	Description
SRMR	≤ 0,08	0,000	Model Fit
Chi-Square	0	-0.001	Model Fit
NFI	> 0,90	1,000	Model Fit
RMS Theta	Mendekati nol	0,197	Model Fit

Table 3. Model Feasibility Test

Based on Table 3, it can be observed that the SRMR value is ≤ 0.08 (0.000 ≤ 0.08), the Chi-Square value is 0, the NFI value is > 0.90 (1.000 > 0.90), and the RMS_Theta value is close to 0 (0.197). Therefore, it can be concluded that this research model meets the model fit indices.

The Inner Model equation derived from this research testing is as follows:

$$\eta = 0.138 \text{ Capital Structure} - 0.009 \text{ Liquidity} +$$

$$0.566 \text{ Earnings Growth} - 0.022 \text{ Company}$$

$$\text{Size} - 0.060 \text{ Profitability} - 0.180 \text{ Audit Committee}$$

$$- 0.596 \text{ Interaction X1\_Z} + 0.042 \text{ Interaction X2\_Z} - 0.377$$

$$\text{Interaction X3\_Z} - 0.001 \text{ Interaction X4\_Z} - 0.014$$

$$\text{Interaction X5\_Z}$$

R-Square measures the extent to which the model explains the variation in the dependent variable. Based on the table of model feasibility results, the Adjusted R-Square value obtained is -0.044 < 0.25, indicating a weak influence. This shows that Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability have no significant effect on the Audit Committee.

The significance test can be observed from the path coefficients obtained through the bootstrapping process. The results of the significance test are presented in the following table:

Table 4.
Results of the Significance Test

Path Coefficients	Original Sample (O)	P Values
Capital Structure → Earnings Quality	0,472	0,004
Liquidity → Earnings Quality	0,481	0,002
Earnings Growth → Earnings Quality	-0,168	0,132
Company Size → Earnings Quality	0,048	0,628
Profitability → Earnings Quality	0,027	0,630
Audit Committee → Earnings Quality	0,083	0,132
Interaction X1_Z → Earnings Quality	0,015	0,006
Interaction X2_Z → Earnings Quality	0,108	0,013
Interaction X3_Z → Earnings Quality	0,173	0,046
Interaction X4_Z → Earnings Quality	-0,094	0.382
Interaction X5_Z → Earnings Quality	0,039	0,510

Based on the results of the significance test in the table above, the following conclusions can be drawn:

1.   The analysis results indicate that the variables Capital Structure and Liquidity have a significant influence on Equity of Income, with T-statistics of 2.909 and 3.052, respectively, and P-values below 0.05, indicating a significant relationship. Conversely, the variables Earnings Growth, Company Size, and Profitability do not show a significant influence, with P-values above 0.05 and low T-statistics of 1.505, 0.485, and 0.482, respectively. Although the Audit Committee has a T-statistic of 1.506, its influence on Equity of Income is also not significant due to a P-value of 0.132. Thus, the most influential factors on Equity of Income in this analysis are Capital Structure and Liquidity. Other variables, including Earnings Growth, Company Size, Profitability, and the Audit Committee, do not have a significant impact.

2.   Based on the test results, the interactions X1_Z and X2_Z show a significant influence on the dependent variable, with P-values of 0.006 and 0.013, respectively, which are less than 0.05. This indicates that both interactions are statistically significant at the 95% confidence level. The interaction X3_Z is also significant, with a P-value of 0.046, which is close to the 0.05 significance threshold. In contrast, the interactions X4_Z and X5_Z are not significant, with P-values of 0.382 and 0.510, respectively, which are greater than 0.05. Therefore, only three out of the five interactions have a significant influence on the dependent variable.

The research results indicate that capital structure does not have a significant effect on earnings quality. This means that the capital structure variable has a very significant impact on the company's value in the following years. Capital structure, measured by leverage, is a variable used to determine the extent to which a company's assets are financed by its debt.

The study also shows that the Audit Committee does not moderate the relationship between capital structure and earnings quality. Leverage, which measures capital structure, is a variable used to determine the extent to which a company's assets are financed by debt. The debt owned by a company is related to the profits that the company will earn (Artha Mezya Amara Putri & Hotman Tohir Pohan, 2023). The higher the company's debt, the more dynamic the company becomes. Increased investment indicates prospects for future profits. Management will be more motivated to improve performance to ensure that the company's debts can be met, which in turn positively impacts the company's development (Fathur Izani & Kuntadi, 2022).

Based on the interaction results between Liquidity (X2) and the moderating variable Audit Committee (Z), the p-value of 0.013 indicates that the moderating effect is significant on the dependent variable. With a p-value below 0.05, it can be concluded that the Audit Committee successfully moderates the relationship between Liquidity and Earnings Quality in a significant way. This means that the presence of the Audit Committee influences how a company's Liquidity contributes to Earnings Quality. This statistical test supports the role of the Audit Committee in enhancing the positive impact of Liquidity on Earnings Quality, highlighting the importance of internal oversight in maintaining the quality of financial reporting. The effectiveness of the Audit Committee's oversight can minimize the potential financial imbalances caused by poorly managed liquidity.

A company with high liquidity can more effectively maintain the quality of its earnings when supported by good oversight from the Audit Committee. This moderating role

indicates that managing liquidity alone is not enough, but requires a robust oversight mechanism to ensure a positive impact on earnings quality. With an active Audit Committee in place, financial decisions related to liquidity can be better directed to maintain the stability and accuracy of profit reports. These results emphasize the importance of collaboration between financial management and oversight in achieving optimal financial outcomes.

The analysis results show that the interaction between liquidity (X2) and the moderating variable of the Audit Committee (Z) with the dependent variable, which is earnings quality, has a p-value of 0.013. This value is smaller than the significance threshold of 0.05, meaning that the interaction between liquidity and the Audit Committee significantly influences earnings quality. This indicates that the presence of the Audit Committee strengthens or moderates the effect of liquidity on the company's earnings quality. The better the liquidity, moderated by the Audit Committee, the greater the positive impact on earnings quality. These results emphasize the important role of the Audit Committee in overseeing liquidity to enhance the accuracy and integrity of profit reports.

These findings imply that companies with good liquidity can improve their earnings quality when supported by an effective Audit Committee. The Audit Committee plays a key role in ensuring that liquidity management is not only efficient but also in line with proper accounting principles, which ultimately affects the quality of earnings reporting. Company management should strengthen the function of the Audit Committee to maximize the benefits of liquidity on earnings quality, reduce the risk of reporting errors, and increase stakeholder trust. Additionally, regulators and policymakers may consider enhancing requirements for Audit Committee oversight, particularly in liquidity management. By doing so, companies can achieve better transparency and maintain long-term financial stability.

In this study, it was found that company size does not influence earnings quality. When a company is large, the risk of losses increases, which could damage the company's image and lower its earnings quality. On the other hand, when a company is small, the financial information, especially earnings information, is often of lower quality, and investors are less likely to respond to that earnings information, resulting in lower earnings quality. Therefore, the size of the company does not guarantee an improvement in earnings quality. As a result, company size does not influence earnings quality (Nugroho & Radyasa, 2020).

The research also shows that the Audit Committee is unable to moderate the relationship between company size and earnings quality. Company size is related to earnings quality, as large companies are perceived to generate higher profits and have a stronger sustainability in improving their financial performance. If investor confidence in large companies is high, the quality of their earnings tends to be higher as well (Syarif M Helmi dkk., 2023).

This study found that profitability does not influence earnings quality. The higher a company's profitability, the better the signal it sends to investors to maintain their shares in the company. As profitability increases, earnings quality strengthens.

The research also shows that the Audit Committee is unable to moderate the relationship between profitability and earnings quality. Profitability reflects the company's ability to generate profits and the efficiency of asset use, which are important aspects for investors or owners when evaluating a company's performance (Sholihah & Suryaningrum, 2021). Profitability also influences earnings smoothing actions taken by the company, where earnings smoothing is one of the methods used by companies in earnings management (Saputra & Kubertein, 2023).

This section includes the characteristics of the subject/object/sample/respondents, data analysis results, instruments, hypothesis testing results (if any), answers to research questions, findings, and interpretations. If possible, graphs for each research variable can be provided. Descriptive statistics values (e.g., Mean, SD, Maximum, Minimum) and their interpretations should be presented. At the end of the section, the hypothesis testing results and discussions should be thoroughly presented. In the discussion section, the text should compare the findings with previous studies. Research implications and future directions may also be included.

CONCLUSION

Based on the results of the research conducted, it can be concluded that Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability do not have a significant effect on earnings growth in Consumer Cyclicals Sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2022. Furthermore, the Audit Committee was also unable to moderate the relationship between Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability on Earnings Quality in these companies during the same period.

This study has several limitations that should be considered for the development of future research. First, this study is limited to companies in the consumer cyclical sector listed on the Indonesia Stock Exchange from 2021 to 2022, so the results may not be generalizable to other sectors or different periods. Second, this study only uses the variables of Capital Structure, Liquidity, Earnings Growth, Company Size, and Profitability, which means that there may be other variables that could affect earnings quality but were not included in this study. Third, the use of the Audit Committee as a moderating variable may not fully reflect all mechanisms that could potentially influence earnings quality, as the focus was only on the Audit Committee as one moderating factor.

Based on the identified limitations, future research is expected to broaden the scope of sectors and extend the period for more comprehensive and representative results. Additionally, it is recommended to consider other variables that might affect earnings quality, such as dividend policies, interest rates, or other macroeconomic factors. Future studies could also explore in more depth the role of the Audit Committee and other governance mechanisms specifically, including analyses of the board of commissioners or risk management, which may contribute to improving the company's earnings quality.

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