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The effect of profitability, capital structure and leverage on financial performance with audit committee as moderating variable audit committee as a moderating variable

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Article Info	ABSTRACT
Keywords: Profitability; Capital Structure; Leverage; Financial Performance; Audit Committee.	This research aims to analyze and obtain empirical evidence regarding Profitability, Capital Structure, Leverage on Financial Performance with the Audit Committee as a moderating variable. The novelty of this research is to test whether the audit committee can moderate the effect of profitability, capital structure, and leverage on financial performance. The data used in this study are panel data of 11 companies listed on the Indonesia Stock Exchange for the period 2018-2022. Data processing is done with WarpPLS 8.0. The results showed that Profitability, Capital Structure, Leverage had a significant effect on Financial Performance with the significance of P-Value = 0.001, 0.001 and 0.011 smaller than 0.050. Respectively, The Audit Committee can be a moderated variable for the relationship between Profitability and Capital Structure on Financial Performance with a significance value of P-Value = 0.002 & 0.007 respectively, while the Audit Committee didn't moderate the relationship between Leverage and Financial Performance with a significance value of P-Value = 0.197.
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INTRODUCTION

The establishment of an entity or company in Indonesia has the aim of being able to produce its best financial performance, so that it will have an impact on company value. Good company value ultimately provides prosperity for shareholders. The value of a company can be measured by the market value determined by the investor. For companies that have been recognized by the Indonesian public, the market value of the Company is determined by the supply and demand procedures on the exchange which can be reviewed at the stock price. The rapid development of the business world, accompanied by the use of advances in education and technological innovation, causes competition in business, so that proper governance is needed for companies to face competition.

The Company's financial performance is an illustration of the level of success achieved by the Company in its operational activities, the Company's financial performance is a primary and very crucial factor to assess the overall performance itself starting from the

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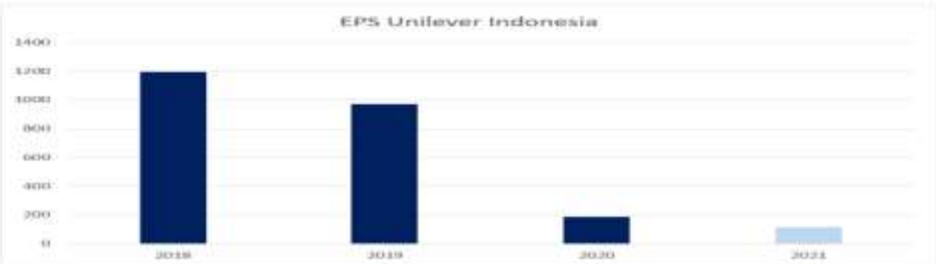
assessment of assets, debt, liquidity, profitability and so on. The performance of a company can be assessed by analyzing its financial statements. [1] The financial performance of a company can be measured by analyzing financial statements. [2] says that financial statement analysis activities are one of the media for receiving more, better, accurate news, and used as material in the decision-making process. Financial statement analysis is a very crucial tool for obtaining news related to the company's financial position and the results that have been achieved in connection with the selection of the company's strategy that has been determined. In addition, by analyzing the company's financial statements, company leaders can find out the financial situation and the results that will occur that have been achieved in the past and at the current time [3].

[4] said every company is required to grow and develop sustainably in order to gain the trust of stakeholders for that the company must pay attention to its financial performance regarding the company's achievement to generate profits so as to receive investor confidence [5]. To find out the company's financial condition, investors can see the presentation of the financial position of its financial performance in earning profits [3]. Measurement of financial performance as measured using Return on Asset (ROA) is to assess the company's potential to generate profits from the use of company assets. Research conducted by (Lestari, 2021) calculates the performance of several companies on the IDX with the codes APEX, ARTI, ELSA, ENRG, ESSA, MEDC, PKPK and RUIS there is financial performance that fluctuates from 2016 to 2020 when measured using Current Ratio and Inventory Turnover. The event also explains that there are no companies that continue to increase from year to year and there are also no companies whose performance continues to decline from year to year when measured using the above ratios because financial performance can be determined by various factors.

Several studies have been conducted regarding the financial performance of various companies from various industrial sectors. From various studies conducted, it was found that the financial performance of the Unilever company had decreased. The phenomenon of declining financial performance due to economic growth, especially in the consumer-goods sector, is classified as a defensive sector, the decline in people's purchasing power, man y sectors have experienced a decline in financial performance. UNVR's EPS ratio for 3 years has decreased quite sharply, in 2018 UNVR EPS 1194.89; in 2019 972.74; in 2020 188.02 and 2021 114.93 (Third Quarter-2021). EPS is influenced by the amount of profit earned and the number of shares outstanding in each company.



Source: Indopremier Sekuritas (2023).

From the Financial Report for the Third Quarter - 2021, UNVR's performance was not good enough, from UNVR net sales fell 7.48% to IDR 30.02 trillion. UNVR's EBITDA also fell 16.13% in the third quarter period of 2021, this was due to the challenges of the Covid-19 pandemic wave. Rising commodity prices make the production costs of UNVR products higher.

Afira et al., (2023) reveal that profitability is one of the ratios that affect company value. profitability ratio is the company's ability to earn profits in relation to sales, total assets as well as own capital in the company. Profitability is the level of net profit that can be achieved by the company when carrying out its operations. Profitability is the level of net profit that can be achieved by the company when carrying out its operations. Company profitability can be reviewed through profitability ratios such as Return on Asset (ROA), Return on Equity (ROE), and Return on Investment (ROI). Profitability ratios that function and are often used to predict stock prices or stock returns are ROA or ROI [7]. Profitability is related to the company's capacity to generate profits, which are indicated by profits earned from sales and investment income based on an increase in company profitability will result in an increase in stock prices [8].

Every company needs capital which will be an obstacle in its fulfillment is the source of the capital provider, namely internal or external. The capital collected from these various sources will become the capital structure. which is collected from various sources [8].

Debt or leverage can be used to increase company value. However, the use of debt that is too large will reduce the company's net profit, because it will also cause a large interest expense. If the company tends to use funding sources from debt, there is also a large risk of bankruptcy that will be experienced by the company. Leverage is a ratio that measures how much the company uses funding from debt, companies with low DAR will have a small risk of loss when the economy experiences a downturn. according to the period of repayment, these liabilities are generally classified as current liabilities, long-term liabilities and other liabilities. Equity is the owner's right to the company's assets or assets which constitute net worth [9].

According to Shanti, (2020) The existence of an audit committee is also very important for the survival of the company. The audit committee generally has direct access to every control element in the company. So that a communication mechanism is needed between the audit committee and various parties, in other words, the smoother the communication, the better the company's control performance.

Literature Review

Agency Theory

The relationship between agency theory [11]and this research is that owners and managers need to raise or find a way out to improve the company's financial performance and achieve its goals. Cooperation between owners and governance to understand how the financial performance of a company was. Allows 2 sides to feel the results of achieving the expected financial performance or take provisions proportional to their authority if any good performance is achieved or if the company's performance goals are not achieved. The more profit increases, the more the share load or profit increases, the distributor is calculated to be successful, and the performance increases, the incentive increases [12].

The Effect of Profitability on financial performance

Profitability is a tool to measure the Company's financial performance which will be carried out by management to manage the Company's assets which are determined by the profits generated by the Company. Profitability uses Return On Equity (ROE) measurement. According to [14] and the results of this study indicate that Return on Equity has a significant positive effect on stock returns.

H1: Profitability has a positive effect on Financial Performance.

Effect of Capital Structure on financial performance

Capital structure is an option to determine the source of funding in the Company through long-term liquidity and existing capital. Capital structure shows the proportion of the use of debt to finance its investment, so that by knowing the capital structure, investors can know the balance between risk and return on their investment. In component, the capital structure is the balance of two sources of capital, namely own capital and foreign capital. The LTDER measurement technique is used to determine the financial condition based on the analysis of financial statements, so that the deficiencies in the company can be known. [15] according to [8] and his research explains that there is an influence of capital structure on financial performance.

H2: Capital structure affects financial performance.

Leverage effect on financial performance

Debt can be used to increase the value of the company. However, the use of too much debt will reduce the company's net profit, because it will cause a large interest expense. If the company is more likely to use funding sources from debt, then there is also a large risk of bankruptcy that will be experienced by the company. What happens is that the higher and the amount of leverage, the company can provide confidence and trust to investors that the company can maximize the use of external capital in the development of a company with an increase in the Company's financial performance. [16] The risk of bankruptcy that will be experienced by the company due to the use of too much debt can be overcome by debt policy [17] based on research from [18] leverage has a significant effect on financial performance.

H3: Leverage has a positive significant effect on financial performance.

The Audit Committee relationship moderates the effect of profitability on financial performance

The audit committee is a committee formed by and responsible to the Board of Commissioners to help carry out the duties and functions of the Board of Commissioners (Bapepam-LK Regulation number IX.I.05). The audit committee is a committee consisting of individuals who are independent and not involved in the day-to-day duties of management who manage the Company and have the experience to carry out the supervisory function effectively. The Good Corporate Governance Guidelines do not regulate the number of Audit Committee members in a company but must be adjusted to the complexity of the

Company while still paying attention to the effectiveness of decision making. However, it is later stated in Bapepam-LK Regulation Number IX.I.05 that the Audit Committee consists of at least 3 (three) members from Independent Commissioners and External Parties of Issuers or Public Companies [19] In this case, the size of the audit committee in the company affects and can moderate financial performance and there are still very few studies that use the audit committee variable as a moderating variable.

H4: The audit committee can moderate the effect of profitability on financial performance.

The Audit Committee Moderates the Effect of Capital Structure on Financial Performance

Audit committee means a committee created by and responsible to the Board of Commissioners to help carry out the duties and functions of the Board of Commissioners (Bapepam-LK Regulation number IX.I.05). The audit committee is a committee consisting of individuals who are independent and not involved with the day-to-day duties of the management who manage the Company and who have the experience to carry out the supervisory function effectively. Bapepam-LK Regulation No. IX.I.05 that the Audit Committee consists of at least 3 (three) members from Independent Commissioners and outside the Issuer or Public Company [19]. Capital structure is a description of the form of the company's financial proportion, namely between the capital owned from debt and own capital (shareholder's equity) which is the source of financing a company. This study uses the long term debt to Equity ratio (LTDER). This ratio measures how much of the company's assets are financed by debt. Based on agency theory, managers want to gain trust through the procurement of assets through debt. This is because a company that is given a debt facility means that it is proof of trust in the company and makes financial performance considered good by the principal. However, the audit committee which functions as a supervisor of company activities can assess what the company is doing in financing assets through debt is appropriate or not. So that in this case the more

H5: The audit committee can moderate the effect of capital structure on financial performance.

The Audit Committee relationship moderates the effect of profitability, capital structure and leverage on financial performance.

Audit committee means a committee created by and responsible to the Board of Commissioners to help carry out the duties and functions of the Board of Commissioners (Bapepam-LK Regulation number IX.I.05). The audit committee is a committee consisting of individuals who are independent and not involved with the day-to-day duties of the management who manage the Company and who have the experience to carry out the supervisory function effectively. Bapepam-LK Regulation No. IX.I.05 that the Audit Committee consists of at least 3 (three) members from Independent Commissioners and outside the Issuer or Public Company [19]. [20] states that the leverage ratio is a ratio used in measuring the extent to which the company's activities are financed with debt. Financing through debt compared to equity indicates that managers get trust from other parties. Therefore, the performance of the manager as an agent will increase in front of the principal. However, financing through debt can increase the risk of bankruptcy if not

properly controlled, therefore the audit committee as a supervisor can control agent activities in improving financial performance through debt financing. The more audit committees, the better the supervision. Therefore, the greater the number of audit committees can moderate the relationship between leverage and financial performance.
H6: The audit committee can moderate the effect of leverage on financial performance.

METHOD

The research design used in this research is quantitative research. This study uses data in the form of financial reports of consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) on the page www.idx.com in 2018-2022. The population in this study are several companies in the consumer goods sector in the food and beverage subsector and household needs listed on the Indonesia Stock Exchange (IDX) in 2018-2022. The sampling technique in this study used purposive sampling method which uses the following criteria:

Table 1. Research Sample Criteria

No.	Description	Total
1	Goods and consumption sector companies in the food, beverage and household needs subsectors listed on the Indonesia Stock Exchange in the 2018-2022 period.	57
2	Goods and consumption companies in the food & beverage sector and household needs listed on the Indonesia Stock Exchange that experienced losses in the 2018-2022 period.	(46)
The total of firms that can be sampled		11
Research year		5
Total research data		66

Source: Data at Sportsbook 2023

The dependent variable in this study is financial performance (Y) and the independent variables are Profitability (X1), Capital structure (X2), and Leverage (X3). In this study there is also a moderator variable, namely the audit committee (Z). Data processing using WarpPLS 8.0 software with the measurement of each variable used is in table 2.

Table 2. Operational Measurement

No	Variable	Measurement
1.	Financial Performance	This financial performance is proxied by ROA which represents the company's profitability, which is the result of profit from maximizing the company's assets as a whole. In this study, the profitability ratio is needed to measure how efficient the company is in generating profits. [21] So,

		the following is one to measure the profitability ratio, namely: $ROA = \frac{\text{Net Income}}{\text{Total Assets}}$
2.	Profitability	Profitability is a measure of the company's ability to earn profits in relation to sales, total assets and own capital. High profitability adds value to the company's value which is reflected in its share price [6] $ROE = \frac{\text{Net Profit}}{\text{Total Equity}}$
3.	Capital structure	The capital structure is a description of the form of the company's financial proportion, namely between the capital owned which comes from long-term debt (long term liabilities) and own capital (shareholder's equity) which is the source of financing a company. This study uses the debt to equity ratio (LTDER). long term debt to equity Ratio (LTDER), this ratio measures how much of the company's assets are financed with debt. The higher this ratio, the greater the number of loans used to generate company profits [22] .The capital structure ratio can be calculated using the formula: $LTDER = \frac{\text{Total Long–tem Debt}}{\text{Total Equity}} \times 100\ \%$
4.	Leverage	Leverage is a ratio used to evaluate the extent to which the company's assets are financed by debt. Leverage in this study is measured by the debt to asset ratio (DAR). Debt to asset ratio (DAR) is a ratio used to measure how much total own capital is financed by total debt [23]. The debt to asset ratio (DAR) ratio can be formulated as follows: $DER = \frac{\text{Total Debt}}{\text{Total Asset}} \times 100\ \%$

5.	Audit Committee	The audit committee is a certain committee that assists the supervisory duties of the board of commissioners in managing the company, one of which is supervision in terms of the company's financial reporting. The size of the audit committee is the number of audit committee members in the company, calculated by calculating the total audit committee members in one year [24]. The audit committee in this study was calculated using the following proportion: Audit Committee = number of Audit Committee members during the year

To test the hypotheses H1 to H6, the regression equation model is used as follows:

ROA = α + β1ROE + β2DAR + β3DER + β4AC + β5AC*ROA + β6AC*DAR + β7AC*DER + e

Information:

ROA : Financial Performance
ROE : Profitability
LTDER : Capital structure
DAR : Leverage
AC : Audit Committee
α : Constant
β : Coefficient
e : Error

RELUST AND DISCUSSION

Descriptive statistics

Table 3. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean
ROE	66	4,11	105,24	19,40
LTDER	66	1,66	80,45	25,69
DAR	66	9,79	68,19	38,32
ROA	66	1,49	42,39	10,79
AC	66	2,00	4,00	3,00

ROE = Profitability; LTDER = Capital structure; DAR = Leverage; ROA = Financial Performance; AC = Audit Committee

Based on Table 3. above, the maximum value of financial performance is 42.39 which is a company with MLBI code in 2018. The minimum value of financial performance is 1.49,

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namely companies with the code BUDI in 2018; and the company's average financial performance is 10.79. The maximum profitability is worth 105.24 companies with MLBI code in 2019. The minimum value of profitability is 4.11, which is a company with the code BUDI in 2018; and the company's average profitability is 19.40. The maximum Capital Structure is 80.45, which is a company with GOOD code in 2020. The minimum value of Capital Structure is 1.66, which is a company with ULTJ code in 2022; and the company's average Capital Structure is 25.69. The maximum leverage is 68.19, which is the company with the MLBI code in 2022. The minimum Leverage value is 9.79, which is a company with CEKA code in 2022; and the company's average leverage is 38.32. The maximum number of Audit Committees is 4, namely companies with MLBI code. The minimum value of the Audit Committee is 2, namely companies with the code ULTJ; and the average of the company's Audit Committee is 3.

Evaluation of Outer Model and Convergent Validity

The first evaluation of the outer model is convergent validity. To measure convergent validity, it can be seen from the value per outer loading (reflective indicator) and T-Statistics on the outer weight (formative indicator). While for formative indicators it can be seen from the weight value per indicator whether it is significant or not significant [25] . Following are the output values of the significance of weight and VIF.

Table 4 Output Indicator Weight and VIF Results

	ROE	DAR	DER	ROA	AC	AC*ROE	AC*DAR	AC*DER	Type	P value	VIF	WLS
ROE	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	0.000	1
DAR	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	0.000	1
DER	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	0.000	1
ROA	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	Formative	<0.001	0.000	1
AC	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	Formative	<0.001	0.000	1
AC*ROE	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	Reflective	<0.001	0.000	1
AC*DAR	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	Reflective	<0.001	0.000	1
AC*DER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	Reflective	<0.001	0.000	1

ROE = Profitability; LTDER = Capital structure; DAR = Leverage; ROA = Financial Performance; AC = Audit Committee

Source : WarpPLS 8.00 (2023)

Based on the results of the output above, it can be seen that the reliability indicators of all construct items forming Profitability, Capital Structure, Leverage, Financial

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Performance and audit omite are valid using P value indicator weight <0.001 and <0.05, Variance Inflation Factor (VIF) value per indicator obtained <5 which can be concluded that there is no collenearity problem between indicators which means that it has met the recommended requirements, hence the fit model [25].

Evaluation of the Inner Model

Table 5. Results of the Fit Model

Rule of thumb	Coefficient	P-Value	Result
Average path coefficient (APC)	0,348	P=0,001< 0,05	Meet the Criteria
Average R-squared (ARS)	0,774	P=0,001< 0,05	Meet the Criteria
Average adjusted R-squared (AARS)	0,746	P=0,001< 0,05	Meet the Criteria
Average block VIF (AVIF)	acceptable if <= 5, ideally <= 3.3	4,844 < 5	No multicollinearit y occurs
Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3.3	2,590 > 5	No multicollinearit y occurs
Tenenhaus GoF (GoF)	small >= 0.1, medium >= 0.25, large >= 0.36	0,889	Large
Adjusted R Squared	small >= 0.1, medium >= 0.25, large >= 0.36	0,746	Large
Q-squared coefficients	Q>0	0,796	Model Has Predictive Value

Source : WarpPLS 8.00 (2023)

The results show the output of the fit model and Quality Indicates it can be seen that the model is said to be fit because the Average path coefficient (APC), Average R-squared (ARS), and Average adjusted R-squared (AARS) have a significance value of <0.05. The research model also does not have multicollinearity problems because the Average block VIF (AVIF) and Average full collinearity VIF (AFVIF) values have a value of < 3.3. Tenenhaus GoF (GoF) has a value of 0.877 which means the model is large. Based on the output of Warppls 8.0, the Adjusted R Squared value is 0.746, this means that the effect of the research variable is 74.6% and the remaining 25.4% is influenced by other variables outside this research model. Then the value of Q Squared is 0.796 >0 this indicates that the model is fit [25].

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Hypothesis test

Regression analysis is to measure the influence between variables and obtain direction from the independent variable on the dependent variable [25]. The results of the regression analysis using a significance level of 5% are shown in Table 7:

Figure 2. Hypothesis Testing Results

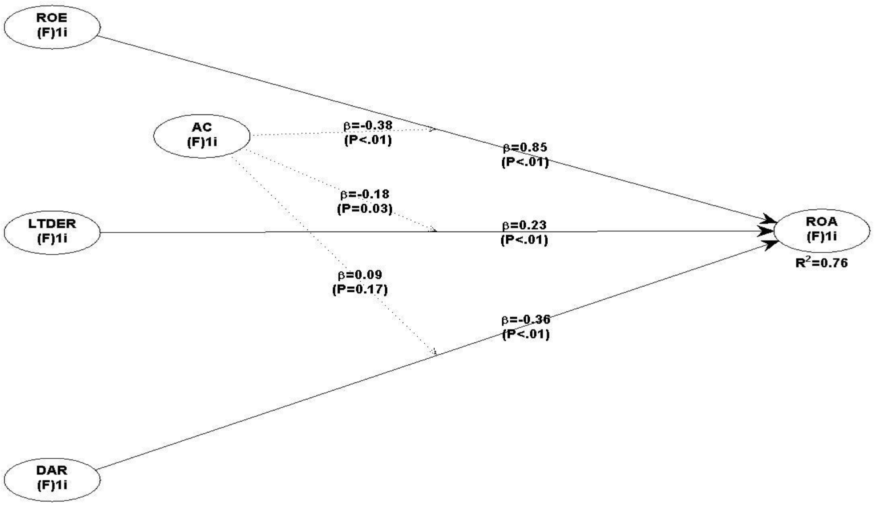

Table 7. Significance and Coefficient Results

	Path Coefficient	P-Value	Relation between Variables	Result
ROE->ROA	0,737	0,001	Significant Positive	Accepted
LTDER>ROA	0,632	0,001	Significant Positive	Accepted
DAR->ROA	0,221	0,011	Significant Positive	Accepted
AC*ROE -> ROA	-0,283	0,002	Significant	Accepted
AC*LTDER -> ROA	0,237	0,007	Significant	Accepted
AC*DAR -> ROA	0,080	0,197	Not Significant	Rejected

Source : WarpPLS 8.00 (2023)

Description: ROE = Profitability; LTDER = Capital structure; DAR = Leverage; ROA = Financial Performance; AC = Audit Committee

The Effect of Profitability on Financial Performance

The results of testing the first hypothesis of Profitability to Financial Performance based on output coefficient and significance showed a p value of 0.001 less than 0.05 and a coefficient of 0.737. These results show that Profitability has a significant effect on Financial Performance so hypothesis 1 is accepted. This result means that the greater the profitability of the company, the higher the Financial Performance. The results of this study are in line with [26] which found that Profitability has a positive and significant influence on Financial Performance.

Financial performance shows the company's ability to generate profits at a certain level of sales so that the company's financial performance is also getting better. The results of research conducted by [26] show that profitability has a significant influence on performance in the company. According to agency theory [28] managers as managing agents of companies have a tendency to increase company profitability. When the company's profitability rises, the manager's financial performance as an agent is getting better.

The Effect of Capital Structure on Financial Performance

The results of testing the second hypothesis of Capital Structure to Financial Performance based on output coefficient and significance showed a p value of 0.014 less than 0.05 and a coefficient of 0.632. These results show that Capital Structure has a positive and significant effect on Financial Performance so hypothesis 2 is accepted. This result means that the larger the company's Capital Structure, the higher the Financial Performance. The results of this study are in line with [27] which found that Capital Structure has a significant influence on Financial Performance.

Capital structure is a description of the form of the company's financial proportion, namely between the capital owned which comes from debt and its own capital (shareholder's equity) which is the source of financing for a company. This study used long term debt to equity ratio (LTDER). Long Term Debt to Equity Ratio (LTDER), This ratio measures how much of the company's assets are financed with debt. According to agency theory, managers want to gain trust through the procurement of assets through debt. This is because a company that is given a debt facility means it is proof of trust in the company. This makes financial performance considered good by the principal.

The Effect of Leverage on Financial Performance

The results of testing the third hypothesis of Leverage on Financial Performance based on output coefficient and significance showed a p value of 0.001 less than 0.05 and a coefficient of 0.221. These results show that Leverage has a significant positive effect on Financial Performance so hypothesis 3 is accepted. This result means that the higher the company's leverage, the higher the financial performance. The results of this study are in line with [28] which found that Leverage has a significant effect on Financial Performance.
[29] states that the leverage ratio is a ratio used to measure the extent to which a company's activities are financed with debt. The results showed that the higher the company's leverage level, the more influential it was on financial performance. This is because according to agency theory, principals assess that financial performance is at a poor level if more is funded by debt compared to equity/capital deposits. This is because it can increase the risk of bankruptcy.

Audit Committee moderates the effect of Profitability on Financial Performance

The results of testing the fourth hypothesis Audit Committee Relationship moderated the effect of profitability on financial performance based on output coefficient and

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significance showing a p value of 0.001 less than 0.05 and a coefficient of -0.283. These results indicate that the Audit Committee can moderate the relationship between Profitability to Financial Performance so that hypothesis 4 is accepted. This result means that the Audit Committee can influence the relationship of Profitability to Financial Performance.

The results of testing the fourth hypothesis Audit Committee Relationship moderated the effect of profitability on financial performance based on output coefficient and significance showing a p value of 0.001 less than 0.05 and a coefficient of -0.283. These results indicate that the Audit Committee can moderate the relationship between Profitability to Financial Performance so that hypothesis 4 is accepted. This result means that the Audit Committee can influence the relationship of Profitability to Financial Performance.

The profitability ratio is a ratio to assess the company's ability to seek profits or profits in a certain period. This ratio also provides a measure of the level of management effectiveness of a company as indicated by the profits generated [20]. The audit committee can moderate profitability to financial performance. This means that the increasing Audit Committee can weaken the relationship between profitability and financial performance. This is because the audit committee has a controlling role in the benefits obtained by the company. In agency theory, managers as agents always want to make a profit through company resources to improve financial performance to gain the trust of principals. However, the methods carried out by agents are not necessarily in accordance with applicable rules, so this is where the role of the audit committee in controlling efforts to increase profitability to improve financial performance.

The Audit Committee moderates the effect of Capital Structure on Financial Performance

The results of testing the fifth hypothesis Audit Committee Relationship moderating the effect of Capital Structure on financial performance based on output coefficient and significance showed a p value of 0.007 smaller than 0.05 and a coefficient of 0.237. These results indicate that the Audit Committee can moderate the relationship between Capital Structure to Financial Performance so that hypothesis 5 is accepted. This result means that the higher the number of Audit Committees can strengthen the relationship between Capital Structure and Financial Performance. The results of this study are in line with those that find that the higher the number of Audit Committees can weaken the relationship between Capital Structure and Financial Performance.

Capital structure is a description of the form of the company's financial proportion, namely between the capital owned which comes from debt and its own capital (shareholder's equity) which is the source of financing for a company. This study used long term debt to equity ratio (LTDER). This ratio measures how much the company is financed with long-term debt with its own capital. Based on agency theory, managers want to gain trust through financing through long-term debt. This is because a company that is given a long-term debt facility means that it is proof of trust in the company. This makes the financial performance considered good by the principal. This is because according to agency theory, principals assess that financial performance is at a good level if it is increasingly funded by long-term debt compared to equity / capital deposits. This is because agents are trusted by other parties. The audit committee as a supervisor considers that the level of long-term debt to equity is still in a reasonable stage, so the audit committee supports the company's financing through long-term debt. Therefore, the Audit Committee provides supervision, namely strengthening managers to finance companies from long-term debt sources.

Audit Committee moderates the effect of Leverage on Financial Performance

The results of testing the sixth hypothesis Audit Committee Relationship moderating the effect of Capital Structure on financial performance based on output coefficient and significance showed a p value of 0.197 smaller than 0.05 and a coefficient of 0.080. These results indicate that the Audit Committee was unable to moderate the relationship between Leverage to Financial Performance so hypothesis 6 was rejected. This result means that the large or small number of Audit Committees cannot affect the relationship of Leverage to Financial Performance.

[29] states that the leverage ratio is a ratio used to measure the extent to which a company's activities are financed with debt. The results showed that the higher the company's leverage level, the more influential it was on financial performance.

This means that the increasing Audit Committee does not necessarily improve the Company's Financial Performance. This shows that the large or least number of Audit Committees does not affect the Company's Financial Performance. The results of this study can occur that a large number of Audit Committees do not guarantee supervision of the Company's Financial Performance and the existence of Audit Committees within the company is only a condition that the company is required to have an Audit Committee of at least 3 people.

CONLUSION

This study aims to analyze and obtain empirical evidence on Profitability, Capital Structure, Leverage on Financial Performance with the Audit Committee as a moderation variable. The results showed that Profitability, Capital Structure, Leverage had a significant effect on Financial Performance with the significance of P-Value = 0.001, 0.001 and 0.011 respectively smaller than 0.050. The Audit Committee can be a moderating variable of the relationship between Profitability and Capital Structure to Financial Performance with a significance value of P-Value = 0.002 &; 0.007 respectively, but the Audit Committee cannot moderate the relationship of Leverage to Financial Performance with a significance value of P-Value = 0.197. This research is expected to be useful both practically and theoretically. Practically, it is for the public, especially investors, to be considered for investment in companies that have high value caused by good financial performance such as profitability, capital structure, leverage. For companies, it is expected to be the basis for managing the company to perform well. The theoretical benefit is to contribute to the reference of knowledge regarding financial performance. This research has limitations, namely examining only limited companies listed on the IDX in the consumption sector consecutively and the 2018-2022 research period. This research opens up research opportunities using other variables about Financial Performance.

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