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The Effect of Earnings Quality, Audit Committee, and Audit Tenure on Firm Value

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Abstract

Firm value is an important indicator of market confidence and corporate performance, particularly in the consumer non-cyclicals sector, where companies face changing market conditions, regulatory pressures, and increasing demands for credible financial reporting and effective corporate governance. Therefore, identifying financial reporting and audit-related factors that may influence firm value is increasingly important for investors, management, and other stakeholders. This study aims to empirically examine the effect of earnings quality, audit committee, and audit tenure on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during 2020–2024. The population of this study consisted of all consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the observation period. A quantitative associative research design was employed using secondary data obtained from annual reports and financial statements. Purposive sampling resulted in 13 companies with 65 firm-year observations. Panel data regression analysis was conducted using EViews 12. The results show that earnings quality, audit committee, and audit tenure simultaneously have a significant effect on firm value ($p < 0.001$), with an adjusted R^2 value of 0.9383. Partially, earnings quality has no significant effect ($\beta = -0.042980$; $p = 0.4615$), and the audit committee also has no significant effect ($\beta = 0.020315$; $p = 0.9773$). In contrast, audit tenure has a significant negative effect on firm value ($\beta = -0.118660$; $p = 0.0223$). Overall, the findings indicate that audit tenure represents a more influential factor in explaining firm value compared with earnings quality and audit committee size. Companies should therefore maintain auditor independence and appropriately manage audit tenure to strengthen financial reporting credibility and market confidence.

Keywords: *Audit Committee, Earnings Quality, Firm Value, Audit Tenure*

Introduction

Firm value represents an important indicator of corporate performance because it reflects how the market evaluates a company's ability to generate sustainable economic benefits for shareholders. A higher firm value generally reflects stronger market confidence in management's ability to manage corporate resources and make effective investment, financing, and dividend decisions. Consequently, maximizing firm value is not only associated with current profitability but also with the market's expectations regarding the company's future performance and prospects (Febrianti et al., 2024; Nur'aeni & Sari, 2023; Mudjiono & Osesoga, 2023).

Firm value is closely associated with stock market performance because changes in stock prices represent investors' responses to information regarding company performance and future prospects. An increase in stock prices generally indicates an improvement in market valuation, whereas a decline may reflect weakening investor confidence in the company's ability to create future economic benefits. Therefore, firm value is important not only for

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corporate management but also for shareholders because higher market valuation contributes to greater shareholder wealth (Sembiring et al., 2023; Herda et al., 2024).

One widely used measurement of firm value is Tobin's Q because it incorporates both market-based and accounting information and therefore provides a broader perspective on corporate valuation. Tobin's Q compares the market value associated with a company's assets with the value of the resources invested in those assets, thereby indicating how effectively the market evaluates the company's ability to utilize its resources and create value (Ferial et al., 2016; Dzahabiyya et al., 2020). The conceptual foundation of Tobin's Q suggests that, under equilibrium conditions, the market value of a company should correspond to the replacement cost of its assets (Dzahabiyya et al., 2020).

A Tobin's Q value greater than one indicates that the market values a company above the value of the resources invested in its assets, which is generally interpreted as a favorable assessment of its growth prospects and asset utilization. Conversely, a Tobin's Q value below one indicates that the company is valued relatively lower by the market and may signal that its assets have not generated market value optimally (Dzahabiyya et al., 2020). Accordingly, movements in Tobin's Q can provide useful evidence regarding changes in investors' perceptions of corporate performance and future prospects.

An empirical phenomenon relevant to this study can be observed in PT Gudang Garam Tbk (GGRM), one of the major companies in the consumer non-cyclicals sector, particularly in the cigarette industry. Although the consumer non-cyclicals sector is generally characterized by relatively stable demand, companies within this sector may still face substantial market and industry pressures. In the cigarette industry, these pressures include increasingly stringent regulations, continuous increases in excise taxes, and changes in consumer preferences toward healthier lifestyles. Such conditions may affect corporate financial performance, investors' expectations, and ultimately market valuation.

During the 2020–2024 period, the Tobin's Q value of PT Gudang Garam Tbk remained below one. The ratio increased from 0.349 in 2020 to 0.403 in 2021, declined to 0.378 in 2022, increased slightly to 0.399 in 2023, and subsequently fell substantially to 0.283 in 2024, representing the lowest value during the observation period. These figures were processed by the authors based on the company's financial statements published through the Indonesia Stock Exchange. The persistent Tobin's Q value below one and its sharp decline in 2024 indicate that market valuation did not fully reflect the value of the company's underlying assets and suggest weakening perceptions regarding its future prospects. This phenomenon demonstrates that firm value remains a relevant issue even among established companies operating in a relatively defensive business sector.

Changes in firm value may be associated with both financial reporting quality and corporate governance mechanisms. One relevant factor is earnings quality, because reported earnings provide information that investors can use to assess corporate performance and future economic prospects. High-quality earnings are expected to provide more reliable and relevant information and consequently reduce uncertainty in investment decision-making (Wairisal & Hariyati, 2021). However, empirical evidence regarding the relationship between earnings quality and firm value remains inconsistent. High-quality earnings have been reported to increase firm value because credible earnings information may strengthen investor confidence (Wairisal & Hariyati, 2021). In contrast, other studies indicate that earnings quality does not significantly influence firm value, suggesting that investors may consider market conditions, industry characteristics, and other financial indicators in addition to reported

earnings when assessing companies (Tanggo & Taqwa, 2020). Earnings quality reflects the extent to which reported earnings provide reliable information regarding the company's actual economic performance. High-quality earnings allow investors and stakeholders to evaluate the sustainability of corporate performance because accounting earnings are commonly used as a basis for assessing future prospects and investment decisions. Conversely, low-quality earnings may increase information asymmetry because reported financial performance may not fully represent the company's underlying economic condition.

The inconsistency of previous findings indicates that earnings quality remains an important issue in explaining variations in firm value. Although reliable earnings information may improve investor confidence and market perception, firm value may also be influenced by other financial and non-financial factors, including corporate governance mechanisms, business risks, and market conditions. Therefore, further examination of the relationship between earnings quality and firm value remains relevant, particularly in Indonesian consumer non-cyclicals companies.

The audit committee constitutes another corporate governance mechanism that may influence market perceptions of firm value. An effective audit committee is expected to strengthen financial reporting oversight, enhance transparency, monitor internal control, and protect shareholders' interests. These functions may reduce information asymmetry and improve investors' confidence in corporate reporting. Empirical evidence has shown that stronger audit committee mechanisms can contribute positively to firm value (Firdarini, 2023). Nevertheless, other evidence indicates that the existence of an audit committee does not necessarily translate into higher firm value, particularly when its structural presence does not adequately represent the effectiveness of its supervisory activities (Mirnayanti & Rahmawati, 2022). The audit committee may also influence firm value indirectly through improvements in sustainability reporting quality rather than through a direct market valuation effect.

The effectiveness of an audit committee is not determined solely by its formal establishment but also by its ability to perform monitoring responsibilities effectively. The quality of audit committee supervision may depend on factors such as independence, expertise, and active involvement in overseeing financial reporting activities. A properly functioning audit committee can strengthen corporate accountability and improve the reliability of information provided to external stakeholders.

The relationship between audit committee characteristics and firm value remains an important issue because investors do not only consider the existence of governance structures but also evaluate their effectiveness in ensuring transparency and accountability. Strong governance mechanisms may contribute to improved investor confidence because they indicate that companies have adequate supervision over financial reporting processes. Therefore, the audit committee may influence firm value through its role in strengthening reporting quality and reducing information asymmetry between management and external stakeholders.

Empirical findings regarding the relationship between audit committees and firm value remain inconsistent. Some studies indicate that stronger audit committee mechanisms contribute positively to firm value because effective monitoring reduces agency problems and improves governance quality. Conversely, other studies suggest that the existence of an audit committee does not automatically increase firm value because investors may consider broader aspects of governance implementation, including the effectiveness of supervision and the

actual contribution of the committee to improving corporate transparency (Firdarini, 2023; Mirnayanti & Rahmawati, 2022).

In the context of Indonesian listed companies, the audit committee plays an important role because it supports the implementation of good corporate governance and enhances the reliability of financial reporting. Nevertheless, compliance with governance regulations alone may not be sufficient to improve market valuation if the audit committee does not perform its supervisory role effectively. Therefore, examining the influence of the audit committee on firm value provides important evidence regarding the role of internal governance mechanisms in shaping investor perceptions. The third factor examined in this study is audit tenure, which refers to the duration of the professional relationship between an external auditor and a client company. Audit tenure involves a trade-off between auditor knowledge and auditor independence. A longer engagement may enable auditors to develop a deeper understanding of the client's operations, business risks, and accounting systems. However, an excessively long auditor–client relationship may create a familiarity threat that potentially reduces professional skepticism and auditor objectivity (Anwar, 2024).

Long-term economic relationships with clients may also create dependence that could affect auditors' objectivity in evaluating financial reporting and issuing audit opinions. Extended audit tenure may therefore weaken perceived auditor independence, particularly when auditors become economically dependent on important clients (Irianto, 2022; Pamungkas et al., 2022). At the same time, an excessively short audit engagement may limit auditors' understanding of client characteristics, indicating that the duration of the engagement needs to be appropriately managed. From the perspective of investors and stakeholders, auditor independence and audit quality are important factors in assessing the credibility of financial information. Audit quality provides assurance that financial statements have been examined objectively and that the information presented reflects the company's actual condition. Therefore, audit tenure becomes an important audit characteristic because it may influence stakeholders' perceptions regarding the reliability of financial reporting and the credibility of audited information (Sari et al., 2023; Anwar, 2024).

In the Indonesian context, audit tenure remains a relevant issue because the relationship between auditor familiarity and auditor independence requires an appropriate balance. A sufficient audit period may provide auditors with better knowledge regarding client operations, while an excessive audit relationship may increase concerns regarding objectivity and independence. Therefore, audit tenure may influence how investors evaluate the credibility of financial information and assess corporate value. Nevertheless, empirical findings regarding the relationship between audit tenure and firm value remain limited and inconsistent. Previous studies have mainly focused on the relationship between audit tenure and audit quality, while fewer studies examine how audit tenure influences market valuation directly. This research gap provides a basis for examining whether audit tenure affects firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange.

Existing empirical findings therefore reveal an important research gap. Earnings quality has been reported to improve firm value in some studies, whereas other studies have found no significant relationship (Wairisal & Hariyati, 2021; Tanggo & Taqwa, 2020). Similar inconsistencies occur in the audit committee literature, with evidence ranging from a positive direct effect to no direct effect and an indirect effect through sustainability reporting quality (Firdarini, 2023; Mirnayanti & Rahmawati, 2022). Meanwhile, audit tenure has been identified as relevant to firm value, but its effect depends on the balance between accumulated auditor

knowledge and the potential deterioration of auditor independence associated with a prolonged engagement (Sari et al., 2023; Anwar, 2024). These divergent findings indicate that the relationship between financial reporting quality, governance mechanisms, audit relationships, and market valuation has not yet produced uniform empirical conclusions.

The novelty of this study lies in examining earnings quality, audit committee, and audit tenure simultaneously within a single empirical model of firm value in Indonesian consumer non-cyclicals companies during the 2020–2024 period. Rather than examining financial reporting quality or governance mechanisms separately, this study integrates an earnings-related factor, an internal corporate governance mechanism, and an external audit relationship characteristic to explain variations in market-based firm value. The focus on the 2020–2024 period also enables the analysis to capture firm valuation during a period characterized by substantial changes in business conditions and market assessments. Furthermore, the empirical phenomenon of consistently low Tobin's Q observed in a major consumer non-cyclicals company provides a practical basis for examining whether these internal financial reporting and governance-related factors are associated with firm value.

Accordingly, this study aims to empirically examine the effect of earnings quality, audit committee, and audit tenure on firm value, both simultaneously and partially, in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during 2020–2024. The findings are expected to provide empirical evidence regarding the relative importance of earnings information, corporate governance oversight, and auditor–client relationship characteristics in explaining firm value and to provide relevant considerations for corporate management, investors, and other stakeholders in assessing the credibility of financial information and corporate market valuation.

Method

Research Design and Research Period

This study employed a quantitative approach with an associative research design to examine the effect of earnings quality, audit committee, and audit tenure on firm value. The quantitative approach was selected because this study used numerical data obtained from corporate annual reports and financial statements, which were analyzed statistically to identify relationships among the research variables. The dependent variable in this study was firm value, while earnings quality, audit committee, and audit tenure were treated as independent variables. The unit of analysis consisted of firm-year observations from companies operating in the consumer non-cyclicals sector and listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The research activities were conducted in 2025, covering the stages of data identification, data collection, data processing, statistical analysis, and interpretation of the research findings.

The conceptual framework of this study illustrates the relationship between independent variables and the dependent variable. Earnings quality, audit committee, and audit tenure were positioned as factors expected to influence firm value. Firm value was measured using Tobin's Q as an indicator reflecting market assessment of company performance and future prospects.

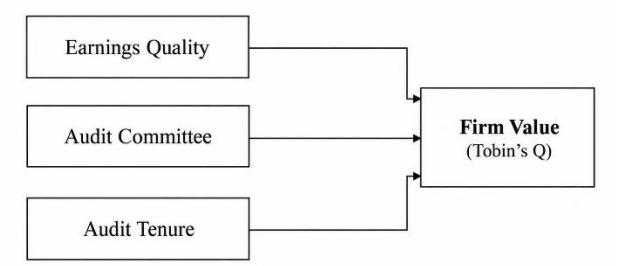


Figure 1. Research Model Framework

The research model explains that earnings quality, audit committee, and audit tenure were examined both simultaneously and partially to determine their influence on firm value.

Population and Sample Selection

The population of this study consisted of all consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 observation period. The sample was selected using a non-probability sampling method with a purposive sampling technique. This technique was applied because the research required companies that provided specific and complete information related to earnings quality, audit committee characteristics, audit tenure, and firm value. The data selection procedure was conducted by first identifying all companies included in the consumer non-cyclicals sector during the observation period. Subsequently, each company was evaluated based on predetermined selection criteria, and companies that did not fulfill the requirements were excluded from the research sample. The selection criteria included companies that remained consistently listed in the consumer non-cyclicals sector during 2020–2024, published complete annual reports and financial statements throughout the observation period, reported positive net income, and disclosed adequate information regarding audit committee composition and audit tenure. Based on these criteria, 13 companies were selected as the research sample. Since each company was observed for five consecutive years, the final dataset consisted of 65 firm-year observations.

Data Source and Data Collection Procedure

This study utilized secondary data obtained from annual reports, audited financial statements, and other relevant corporate disclosure documents. The data sources were obtained from the official website of the Indonesia Stock Exchange and the official websites of the sampled companies. Data collection was conducted using the documentation method by reviewing publicly available corporate reports and recording information required for each research variable. The data collection process involved identifying eligible companies, collecting annual reports and financial statements for the 2020–2024 period, extracting information related to earnings quality, audit committee, audit tenure, and firm value, organizing the collected data according to company and observation year, and verifying the completeness and consistency of the dataset before further analysis. This procedure was applied consistently to all sampled companies to ensure comparability across companies and observation periods.

Research Variables

Firm value represents the market perception of a company's performance and future prospects. In this study, firm value was measured using Tobin's Q because this measurement reflects the relationship between market value and the company's asset value. Earnings quality represents the extent to which reported earnings provide reliable information regarding the company's actual economic performance. The audit committee represents an internal

corporate governance mechanism responsible for supporting monitoring activities related to financial reporting and internal control. In this study, the audit committee variable was measured based on the number of audit committee members disclosed in the annual reports. Audit tenure represents the duration of the engagement relationship between an external auditor and a company, which was measured based on the length of consecutive audit assignments. All variables were measured consistently based on information obtained from annual reports and financial statements of the sampled companies during the observation period.

Research Procedures

The research procedures were conducted systematically through several stages. The first stage involved identifying the research problem and developing the research framework based on theoretical concepts and previous studies related to earnings quality, corporate governance, audit tenure, and firm value. The second stage involved determining the research population, establishing sample selection criteria, and collecting secondary data from annual reports and financial statements of selected companies. The third stage involved measuring each research variable according to the operational definitions and preparing the collected data into a panel dataset consisting of cross-sectional and time-series observations. The fourth stage involved conducting statistical analysis using panel data regression with Econometric Views (EViews) version 12. Before hypothesis testing, diagnostic tests were performed to evaluate the suitability of the regression model, including the Jarque–Bera test for residual normality, correlation analysis for multicollinearity assessment, the Breusch–Pagan–Godfrey test for heteroscedasticity detection, and the Durbin–Watson statistic for autocorrelation evaluation. The final stage involved interpreting the regression results to determine the relationship between earnings quality, audit committee, audit tenure, and firm value in accordance with the research objectives.

Data Analysis Technique

The data were analyzed using panel data regression with Econometric Views (EViews) version 12. Panel data regression was selected because the dataset combined cross-sectional data from multiple companies and time-series data from the 2020–2024 period. This method enabled the analysis of differences among companies and changes occurring over time. The regression analysis was conducted to determine the direction and magnitude of the relationship between earnings quality, audit committee, audit tenure, and firm value.

Hypothesis testing was conducted using a significance level of 5% ($\alpha = 0.05$). The simultaneous influence of earnings quality, audit committee, and audit tenure on firm value was examined using the F-test, while the partial influence of each independent variable was evaluated using the t-test. A probability value below 0.05 was considered statistically significant. In addition, the Adjusted R^2 value was analyzed to determine the proportion of variation in firm value explained by the independent variables. The results of these analyses were subsequently interpreted to answer the research objectives regarding the simultaneous and partial effects of earnings quality, audit committee, and audit tenure on firm value.

Results

Descriptive Overview and Sample Selection Results

This section presents the empirical results of the study regarding the effect of earnings quality, audit committee, and audit tenure on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Before conducting the regression analysis, the data selection procedure was performed to ensure that the selected companies met the predetermined research criteria. The sample selection process was conducted using purposive sampling by evaluating companies based on the availability of complete annual reports, financial statements, audit committee information, audit tenure disclosures, and financial performance data required for variable measurement.

The initial population consisted of all consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the observation period. Companies that did not remain consistently listed during 2020–2024, did not provide complete annual reports and financial statements, reported incomplete information regarding audit committee composition and audit tenure, or did not meet the financial criteria required for the analysis were excluded from the sample. Based on the selection procedure, 13 companies fulfilled all sampling criteria and were included in the final sample. Since each company was observed for five consecutive years, the final dataset consisted of 65 firm-year observations, which were subsequently analyzed using panel data regression.

The regression analysis was preceded by several diagnostic tests to assess the validity and suitability of the data for statistical analysis. These tests included the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation diagnostic.

Normality Test

The normality of the regression residuals was examined using the Jarque–Bera (JB) test. The test produced a probability value of 0.054229, which is greater than the 0.05 significance level. This result indicates that there is no sufficient evidence to reject the normality assumption. Therefore, the residuals of the regression model can be considered normally distributed.

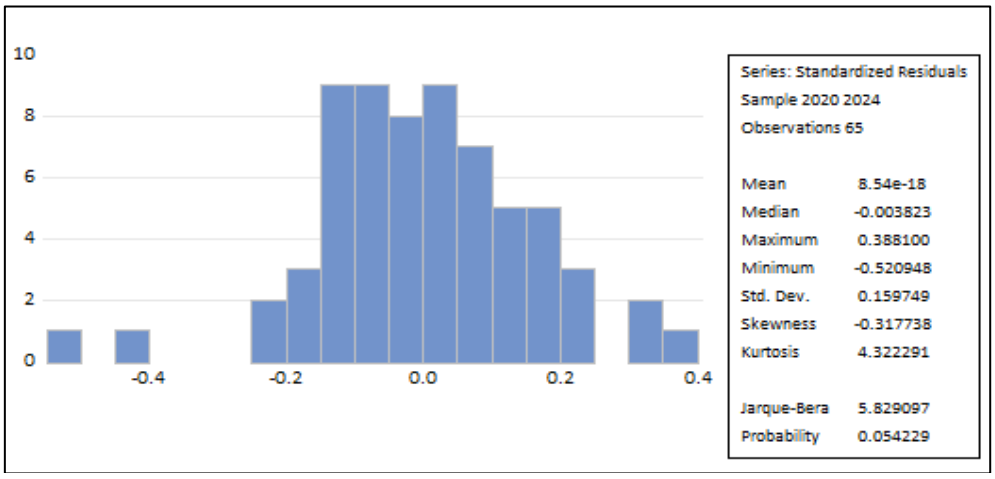


Figure 1. Normality Test

Multicollinearity Test

The multicollinearity test was conducted to determine whether strong correlations existed among the independent variables that could distort the regression estimates. The results are presented in Table 1, providing evidence of the correlation structure among the predictors.

Table 1. Multicollinearity Test

Variable	X1	X2	LX3
X1	1.000000	-0.086476	-0.002565
X2	-0.086476	1.000000	0.031162
X3	-0.002565	0.031162	1.000000

The correlation coefficients among the independent variables are substantially below 0.90. The highest absolute correlation between the predictors is only 0.086476, indicating that there is no indication of serious multicollinearity among the independent variables in the regression model.

Heteroscedasticity Test

The heteroscedasticity test was conducted using the Breusch–Pagan–Godfrey test to examine whether the variance of the regression residuals was constant. The results are presented in Table 2.

Table 2. Heteroscedasticity Test

Test Statistic	Value	Probability
F-statistic	0.366915	0.7771
Obs*R-squared	1.155673	0.7637
Scaled explained SS	0.597193	0.8971

The probability value of Obs*R-squared is 0.7637, which is greater than 0.05. Similarly, the probability values of the F-statistic and scaled explained sum of squares are also greater than 0.05. These results indicate that there is no evidence of heteroscedasticity in the regression model.

Autocorrelation Diagnostic

The Durbin–Watson statistic obtained from the panel regression model was 1.343359. This statistic is presented as a diagnostic indicator of potential serial correlation. However, because the available output does not provide the corresponding Durbin–Watson critical values or a separate panel-data serial-correlation test, no definitive conclusion regarding the absence or presence of autocorrelation is drawn solely from this statistic.

Panel Data Regression Analysis

Panel data regression analysis was conducted to examine the relationship between earnings quality, audit committee, audit tenure, and firm value. The regression results are presented in Table 3.

Table 3. Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.533082	0.783737	0.680179	0.4996
X1	-0.042980	0.057900	-0.742280	0.4615
X2	0.020315	0.710885	0.028577	0.9773
X3	-0.118660	0.050298	-2.359120	0.0223

Based on the variable labels reported in the regression output, the estimated model can be expressed as follows:

$$Y = 0.533082 - 0.042980X_1 + 0.020315X_2 - 0.118660X_3 + \varepsilon$$

where X1 represents earnings quality, X2 represents the audit committee, and X3 represents audit tenure.

The coefficient of earnings quality is -0.042980, indicating a negative relationship with firm value. However, the probability value of 0.4615 is greater than 0.05, showing that the relationship is not statistically significant. Therefore, the analysis does not provide sufficient statistical evidence that earnings quality affects firm value.

The audit committee has a positive regression coefficient of 0.020315. Nevertheless, its probability value of 0.9773 is substantially greater than 0.05. Thus, the audit committee does not have a statistically significant effect on firm value in the observed sample.

Audit tenure has a coefficient of -0.118660, with a t-statistic of -2.359120 and a probability value of 0.0223. Because the probability value is below 0.05, audit tenure has a negative and statistically significant effect on firm value. This finding indicates that a higher audit tenure is associated with lower firm value, holding the other variables in the model constant.

Model Fit and Coefficient of Determination

The goodness of fit of the estimated regression model is summarized in Table 4.

Table 4. Model Fit Statistics

Statistic	Value
R-squared	0.952765
Adjusted R-squared	0.938305
S.E. of regression	0.182570
F-statistic	65.8936
Prob(F-statistic)	0.000000
Durbin–Watson statistic	1.343359

The R-squared value of 0.952765 indicates that approximately 95.28% of the variation in firm value is accounted for by the estimated panel regression model. After adjustment for the number of parameters included in the model, the Adjusted R-squared value is 0.938305, indicating that approximately 93.83% of the variation in firm value is explained by the estimated model. The remaining approximately 6.17% is associated with factors not captured by the model. The model also produces an F-statistic of 65.8936 with a probability value of 0.000000, which is below the 0.05 significance level. Therefore, the estimated panel regression model is statistically significant overall. This indicates that the explanatory variables included in the model, together with the structure of the estimated panel specification, provide significant explanatory power for variations in firm value.

Partial Hypothesis Testing

The partial effects of the independent variables were evaluated using the probability values associated with their respective t-statistics at a significance level of 5%. For earnings quality, the coefficient is -0.042980 with a t-statistic of -0.742280 and a probability value of 0.4615 > 0.05. Thus, earnings quality does not have a statistically significant effect on firm value. For the audit committee, the coefficient is 0.020315 with a t-statistic of 0.028577 and a

probability value of 0.9773 > 0.05. Therefore, the audit committee does not have a statistically significant effect on firm value.

For audit tenure, the coefficient is -0.118660 with a t-statistic of -2.359120 and a probability value of 0.0223 < 0.05. Accordingly, audit tenure has a negative and statistically significant effect on firm value. Overall, the partial testing results demonstrate that earnings quality and the audit committee do not significantly affect firm value, whereas audit tenure has a significant negative effect on firm value.

Discussion

The Simultaneous Effect of Earnings Quality, Audit Committee, and Audit Tenure

The results indicate that earnings quality does not have a statistically significant effect on firm value, with a coefficient of -0.042980 and a probability value of 0.4615. Although the coefficient is negative, the relationship is statistically insignificant; therefore, there is insufficient evidence to conclude that changes in earnings quality are associated with changes in firm value in the companies observed. The finding suggests that earnings quality alone may not constitute a dominant consideration in market valuation. In principle, high-quality earnings should provide investors with more reliable information regarding current corporate performance and the sustainability of future earnings. Reliable earnings information is expected to reduce information asymmetry and strengthen investors' ability to evaluate a company. However, firm value is a market-based measure and may respond simultaneously to numerous financial and non-financial signals. Consequently, investors may consider profitability, cash flow, leverage, growth prospects, dividend policy, macroeconomic conditions, and sector-specific developments in addition to the quality of reported earnings (Asyik et al., 2023; Widowati, 2026).

This interpretation is relevant to the consumer non-cyclicals sector because market valuation may not be determined solely by accounting earnings. Companies in this sector may face variations in operating conditions, consumer demand, cost structures, regulation, and broader market expectations. Therefore, even when reported earnings contain useful information, such information may not be sufficiently dominant to produce a measurable independent effect on firm value. The reliability of financial information is also influenced by governance practices that reduce opportunistic reporting behavior and strengthen the credibility of corporate disclosures (Hutagaol-Martowidjojo et al., 2019; Asyik et al., 2023; Widowati, 2026). The result is consistent with previous studies showing that earnings quality does not necessarily have a significant direct effect on firm value (Tanggo & Taqwa, 2020). This consistency suggests that high-quality earnings information does not automatically translate into higher market valuation because investors may combine earnings-related information with other indicators when making investment decisions.

From the perspective of signaling theory, the insignificant result does not necessarily imply that earnings information is irrelevant. Rather, it may indicate that the signal conveyed by earnings quality is not sufficiently strong when considered independently from other financial and market information. Investors may interpret earnings together with broader indicators of corporate performance before forming a valuation judgment. Thus, the market value of a company may reflect a combination of signals rather than a direct response to earnings quality alone (Wairisal & Hariyati, 2021; Asyik et al., 2023; Wihelmina & Mahmudi, 2026). Practically, this finding suggests that companies should not rely solely on

improvements in reported earnings quality as a mechanism for increasing firm value. Management should also maintain strong operating performance, transparent disclosure, sound financial management, and credible governance mechanisms so that financial information is supported by broader evidence of sustainable corporate performance.

The Effect of the Audit Committee

The audit committee has a positive coefficient of 0.020315, but the probability value of 0.9773 indicates that the effect is not statistically significant. Therefore, the empirical results provide no sufficient evidence that the audit committee, as measured in this study, directly influences firm value. One important explanation for this finding relates to the measurement of the audit committee variable. In this study, the audit committee is proxied by the number of audit committee members. Although committee size is an observable governance characteristic, it does not necessarily capture the actual effectiveness of the committee's supervisory function. A larger audit committee does not automatically indicate stronger monitoring because effectiveness may also depend on members' financial expertise, independence, professional competence, meeting intensity, participation, and ability to challenge managerial decisions (Firdarini, 2023; Mirnayanti & Rahmawati, 2022; Sari et al., 2026).

The insignificant result should not be interpreted as evidence that audit committees are unimportant within corporate governance. Instead, it suggests that the structural presence or size of the audit committee alone may not be sufficient to influence investors' valuation of a company. The market may respond more strongly to the quality of governance practices than to the number of individuals formally serving on the committee (Firdarini, 2023; Sari et al., 2026). The finding is consistent with previous evidence indicating that the audit committee does not necessarily have a direct significant effect on firm value (Mirnayanti & Rahmawati, 2022; Sari et al., 2023). Other research has also suggested that the contribution of audit committees to firm value may operate through improvements in the quality of corporate disclosure rather than through an immediate direct effect on market valuation. These differences indicate that the relationship between audit committees and firm value may depend on how audit committee effectiveness is operationalized and on the governance mechanisms through which the committee performs its monitoring role.

From a governance perspective, the primary function of an audit committee is to support oversight of financial reporting, internal controls, external auditing, and compliance rather than to directly increase stock market valuation. Therefore, improvements in firm value may arise indirectly when effective audit committee supervision enhances reporting credibility, reduces information asymmetry, and strengthens stakeholders' confidence over time (Firdarini, 2023; Cristianty et al., 2026). The practical implication is that companies should not focus merely on complying with formal requirements regarding the number of audit committee members. Greater attention should be directed toward the quality and effectiveness of audit committee functions, including member competence, independence, financial expertise, active participation, and the quality of oversight performed. Future research may therefore obtain a more comprehensive understanding by measuring audit committee characteristics beyond committee size alone.

The Effect of Audit Tenure on Firm Value

Audit tenure is the only independent variable that shows a statistically significant partial effect on firm value. The coefficient of -0.118660, with a probability value of 0.0223, indicates

that audit tenure has a negative and statistically significant effect on firm value. Accordingly, longer audit tenure is associated with lower firm value within the observed sample, holding the other variables in the estimated model constant. Audit tenure reflects the duration of the professional relationship between an external auditor and a client company. A longer engagement can provide certain advantages because auditors accumulate greater knowledge of the client's business processes, accounting systems, internal controls, and industry characteristics. This accumulated knowledge may increase audit efficiency and improve the auditor's understanding of company-specific risks. However, excessively prolonged relationships may also create concerns regarding auditor independence because repeated interaction between auditors and management can increase familiarity. The negative relationship identified in this study can therefore be interpreted through the potential trade-off between client-specific knowledge and auditor independence. As audit tenure becomes longer, investors may become more concerned about familiarity threats and the possibility that professional skepticism could weaken. Extended audit relationships may consequently affect perceptions of the credibility and independence of the external audit function, particularly when investors consider auditor independence to be an important component of reliable financial reporting. Concerns regarding the potential weakening of auditor independence during prolonged engagements have also been discussed in previous audit research (Anwar, 2024).

This finding is consistent with evidence that audit tenure is relevant to firm value and supports the view that characteristics of the external audit relationship can influence market perceptions (Sari et al., 2023). The significant negative coefficient further indicates that investors may respond not only to financial performance information but also to factors associated with the credibility of the assurance process supporting that information. From the perspective of signaling theory, the auditor–client relationship can provide an indirect signal regarding the credibility of corporate financial reporting. Auditor independence strengthens the credibility of audited financial information, whereas an excessively prolonged relationship may create perceptions of familiarity that weaken the strength of this signal. Consequently, the negative association between audit tenure and firm value may reflect market concerns regarding the independence of the external assurance process rather than merely the duration of the engagement itself.

The result should not be interpreted to mean that shorter audit tenure is always superior. A very short engagement may also limit auditors' understanding of the client's operations and risks. Therefore, the implication of this finding is the importance of maintaining an appropriate balance between sufficient auditor knowledge and continued professional independence. Companies should manage external audit relationships in accordance with applicable auditor rotation requirements and governance principles while ensuring that changes in auditors do not compromise audit quality.

Implications of the Findings

Taken together, the findings demonstrate that the mechanisms associated with financial information and corporate governance do not necessarily influence market valuation in the same manner. The insignificant effect of earnings quality indicates that accounting earnings information alone may not be sufficient to shape firm value, whereas the insignificant effect of audit committee size suggests that formal governance structures should not be equated with effective monitoring. In contrast, the significant negative effect of audit tenure highlights the

importance of market perceptions regarding auditor independence and financial reporting credibility (Asyik et al., 2023; Firdarini, 2023; Sari et al., 2023; Cristianty et al., 2026).

Theoretically, these findings provide support for a more nuanced application of signaling theory. Not every corporate signal produces an equally strong market response. The effectiveness of a signal depends on its credibility, relevance, and the way investors interpret it together with other available information. Financial reporting quality, governance mechanisms, and audit characteristics may function as different forms of signals; however, investors may assign different levels of importance depending on the reliability and perceived credibility of each signal (Wairisal & Hariyati, 2021; Wihelmina & Mahmudi, 2026).

Practically, companies should therefore strengthen the credibility of financial reporting through comprehensive governance practices rather than focusing solely on individual structural indicators. Management should not rely only on improving reported earnings or fulfilling formal governance requirements, but should also ensure transparency, effective monitoring, and an appropriate auditor–client relationship to maintain investor confidence and support sustainable firm value (Mirnayanti & Rahmawati, 2022; Anwar, 2024; Jumaini et al., 2024). Particular attention should be given to maintaining effective audit oversight and an appropriate auditor–client relationship to preserve investor confidence and support sustainable firm value. Companies need to balance the benefits of auditor familiarity with the importance of maintaining auditor independence because both factors influence the credibility of financial reporting and stakeholders' perceptions of corporate information reliability (Pamungkas et al., 2022; Sari et al., 2023).

Conclusion

This study examined the effect of earnings quality, audit committee, and audit tenure on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The panel regression model was statistically significant ($F = 65.8936$; $p < 0.001$) with an Adjusted R^2 value of 0.938305, indicating that the model explains a substantial proportion of variations in firm value. The partial test results show that earnings quality does not significantly affect firm value ($\beta = -0.042980$; $p = 0.4615$), and the audit committee also has no significant effect ($\beta = 0.020315$; $p = 0.9773$). Meanwhile, audit tenure has a negative and statistically significant effect on firm value ($\beta = -0.118660$; $p = 0.0223$). These findings suggest that firm value is not influenced solely by earnings quality or the existence of an audit committee structure, but also by factors related to auditor-client relationships and perceptions of audit independence.

The findings imply that companies should strengthen audit governance by maintaining auditor independence and ensuring that long audit relationships do not reduce stakeholders' confidence in financial reporting credibility. Investors and stakeholders may consider audit-related characteristics as additional information when assessing company value and reporting reliability. This study is limited to 13 consumer non-cyclicals companies observed over five years and uses secondary data from annual reports and financial statements. Future research may expand the sample across industries and periods, incorporate broader audit committee characteristics such as expertise, independence, and meeting frequency, and include additional financial and governance variables to provide a more comprehensive understanding of firm value determinants.

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