Research.

The Effect of Profitabilty, Profit Growth, and Investment Opportunity Set (IOS) on Profit Quality with the Audit Committee as a Moderating Variable

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Abstract. This research purposes to determine the effect of profitabilty, profit growth, and investment opportunity set (Ios) on profit quality with the audit committee as a moderating variable on profit quality in companies in 2017-2021 (Researchon Manufacturing Companies listed on the Indonesia Stock Exchange). This research uses quantitative research methods. The data source that researchers use is secondary data. The secondary data that researchers use are in the form of financial reports of manufacturing companies listed on the Indonesia Stock Exchange obtained through the link www.idx.co.id and other related websites. The population in this researchare manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021. The sampling technique used in this article is purposive sampling with a total of 64 companies with a period of 5 years and a total of 320 company data. The analysis method used in this research is multiple regression analysis using IBM SPSS Statistics Ver. 25. According to the research results, Profitabilty, profit growth and Profitabilty moderated by the audit committee have an effect on profit quality. Meanwhile, IOS, profit growth moderated by the committee, and IOS moderated by the audit committee have no effect on profit quality.

Keywords: Profitability, profit growth, IOS, audit committee, profit quality

INTRODUCTION

Profit is an indicator that can be used to measure how well a business is performing operationally. Profit information indicates whether the company is successful or unsuccessful in meeting its predetermined operating objectives (Parawiyati, 1996). Profit are used by creditors and investors to assess management performance, calculate profit power, and forecast future profit (Siallagan, 2006).

The importance of profit information makes managers conduct various strategies and tactics to make financial statements appear as effective as possible for users of profit information. (Jensen, 1976). One of the known frauds is that PT Tiga Pilar Sejahtera Food has inflated funds of $5 trillion in the form of receivables, inventories, and fixed assets for the 2017 fiscal year (Christian and Jullystella, 2021).

In addition, companies that are indicated to have low profit quality occur at PT Garuda Indonesia, which posted a net profit in its 2018 financial statements, with one of its partnerships PT Mahata Aero Terknologi. The cooperation is worth US$ 239.94 million or nearly Rp 3.48 trillion. The funds were booked in the first year, recognized as revenue, and included in other income, when in fact it is still a receivable with a validity period of 15 years.

Many parties use financial statements to assess company performance, but with this act of manipulation the financial statements do not show the facts. The number of scandals that have occurred indicates that the quality of financial reporting, which includes profit from public companies, cannot be considered high quality. The focus of users of financial statements is the quality of profit to make the right decisions and predict the profitabilty of the company. Quality profit represent the fundamental profit process of the company that is relevant to the particular decision made by the decision maker (Dechow, Ge and Schrand, 2010).

According to Irawati (2012), quality profit are profit in financial statements that actually describe the company's financial performance and are able to show the company's actual performance. Bellovary, et al (2005) state that profit quality is the ability to determine the truth of a company's profit and predict future profit. Profit quality can be effectd by several factors. The focus of this research is to see how the effect of Profitabilty, Profit Growth, and Investment Opportunity Set (IOS) on profit quality. in addition to these three hypotheses, the audit committee also effects profit quality so that the audit committee is used as a moderating variable.

Several researches have been conducted in testing the hypothesis in this researchwith different results such as Ardianti (2018) and Warrad (2017) research which shows that Profitabilty effects profit quality. This research is different from the research of Priyanti and Wahyudin (2015) who did not find a relationship between profitability and profit quality. Then for the variable profit growth as conducted by Mardiana et al. (2022) the results of their research show that profit growth has a positive effect on profit quality, while research according to Tiara Tri Amanda (2023) found that profit growth in companies has no effect on profit quality. Likewise, Variable Investment Opportunity Set (IOS) that research conducted by (Narita and Taqwa, 2020), (Maulia and Handojo, 2022), (Wulandari et al., 2021), (Rofiqoh et al., 2020) and Hadi Almurni (2020) show the results that the investment opportunity set (IOS) factor has no effect on profit quality.

This researchhas objectives, namely: to determine the effect of Profitabilty, profit growth, and Investment Opportunity Set on profit quality with the audit committee as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021. This research is a development of research conducted by Silaban and Harefa (2021). According to the background explanation above, which provides different results of previous research (inconsistent results), researchers are interested in conducting research to examine the factors that effect profit quality, and present the audit committee as a moderating variable.

LITTERATURE RIVIEW

Agency Theory

Agency theory is a theory that explains the relationship between external parties and management. According to Jensen & Meckling (1976) states that agency theory There are two parties involved: agents (managers) and principals (shareholders). People who give or invest funds in a business and give powers that must be fulfilled within a certain period of time according to the demands of shareholders are called shareholders (principals). Meanwhile, the one who receives and supervises the capital or funds put in by the shareholders is management.

Signaling Theory

Signal theory was first coined by Spence (1973) in a researchentitled Job Market Signaling. This theory involves insiders such as managers, who act as signal providers, and outsiders such as investors who act as outsiders who receive information. According to Spence (1973), management seeks to provide important information to investors by sending certain signals about the condition of the company.

Hypothesis Development

The Effect of Profitability on Profits Quality

Profitabilty is the ability to what extent a company generates profits from operational activities that are managed. It is important for the company to be in a profitable condition in order to achieve its goals, so Profitabilty is one aspect that needs significant consideration in influencing the quality of profit. It will be difficult for businesses to attract outside funds if they do not make a profit. According to Reyhan's research (2014), Profitabilty has a positive effect on profit quality, because a company's profit will be better if it is profitable because the higher the Profitabilty, the higher the quality of its profit. If a business is profitable, it shows that the business can generate high quality revenue or profit.

H1: Profitability effects profit quality

The Effect of Profit Growth on Profits Quality

According to Irmayanti (2011) profit growth is the percentage change in profit in a particular year. According to Priyanti and Wahyudin (2015) the potential for profit growth indicates strong financial performance, which can also provide opportunities for improving the quality of the company's profit. The ability of a company to increase profits indicates that its financial performance is good and has the potential to develop greater profits which indicates that a company's profit growth can have an impact on the quality of its profits. When the company experiences profit growth which is characterized by an increase in profits from year to year, it means that it shows that a company is able to compete with other companies which assumes that when the company's profits continue to increase, it means that the company is good or in good condition which also effects the quality of profit.

H2: Profit Growth effects the quality of profits

The Effect of Investment Opportunity Set on Profits Quality

IOS is indicated to effect profit quality because IOS (Investment Opportunity Set) implies the value of assets and the value of the company's opportunity to grow in the future. Companies with a high level of investment opportunities usually generate a high level of profit as indicated by the opening of new branches of the company and increasing or enlarging the amount of investment. In addition, a high level of profit usually signals the future growth of the company, as growing businesses usually have lower dividend payments. The company's future profit are strongly effectd by the existence of growth prospects characterized by investment opportunities (Investment Opportunity Set). Thus, the market will react more strongly to companies that offer business investment prospects (Sufiyati, 2018).

H3: Investment opportunity effects the quality of profits

The effect of profitability moderated by the audit committee on Profits quality

Khairina Rosyadah (2021) states that Profitabilty as measured using ROA has a positive effect on profit quality. Companies that have good profitability are able to improve the quality of profit owned by the company because profitability is a measure of the company's ability to earn profits. A company that manages to maintain profitability is certainly certain to be able to run its business well because when the company is able to run its business well, it means that the company is able to work optimally to obtain maximum profit.

The size of the existing audit committee will work together in resolving the obstacles in the financial statements (Li and Mangena, 2014). With the large size of the audit committee, diverse understanding, experience and skills can be used by the audit committee to enhance its role, namely in supervision, thereby reducing the possibility of experiencing profit manipulation. And this is in line with agency theory which states that large boards can include more independent members, which ultimately leads to better control and management and improved quality of financial statements which leads to improved profit quality (Al-Sayani, Mohamad Nor and Amran, 2020).

H4: The audit committee moderates the effect of profitability on Profits quality

The effect of profit growth moderated by the audit committee on Profits quality

According to Irmayanti (2011) profit growth is the percentage change in profit in a particular year. According to Priyanti and Wahyudin (2015) the potential for profit growth indicates strong financial performance, which can also provide opportunities for improving the quality of the company's profit. The ability of a company to increase profits shows that its financial performance is good and has the potential to develop greater profits which indicates that the profit growth of a company can have an impact on the quality of its profits. Research by Arif (2020) found that profit growth has an effect on profit quality.

The audit committee, one of whose tasks is supervision in company management, is expected to be able to minimize the practice of profit manipulation so that the final results of the financial statements are of high quality and effect quality profit as well. According to the Financial Services Authority Regulation (POJK) Number 55 /POJK.04/2015 which contains provisions that the audit committee consists of at least three members from independent commissioners and from outside the company (OJK, 2015).

H5: The audit committee moderates the effect of Profits growth on Profits quality

The effect of the Investment Opportunity Set (IOS) moderated by the audit committee on Profits quality

Investment Opportunity Set (IOS) is a development opportunity or opportunity selection technique to find possible investment options in the future. If a company wants future growth, it must be according to a strategy or pay attention to the Investment Opportunity Set (IOS) problem. A company will conduct or conduct growth operations in its business plan if it wants to have the possibility of high-quality investment, which of course the company cannot only run by itself if it only expects the company's personal funds but also requires funding from outside sources (Dewi, 2018).

The audit committee is used to monitor management, which is in accordance with agency theory that management as an agent who can act for their personal affairs and not for the affairs / interests of the principal or shareholders (Beasley et al., 2009) argue that the board and audit committee are in place to monitor management to prevent opportunistic behavior from management, so the audit committee is between the agent and the principal who is independent and this is one of the roles of the audit committee. From some of the explanations above, the maximum audit committee size in the end the information generated in the financial statements can be accounted for by the management of the level of credibility, seeing that the minimum audit committee size is three, which will facilitate the work and duties of the board of commissioners to assess company performance.

H6: The audit committee moderates the effect of the Investment Opportunity Set

RESEARCH METHODOLOGY

Population and Samples

This research uses quantitative research methods. The data source in this researchis secondary data. The secondary data that researchers use is in the form of financial statement data for manufacturing companies listed on the Indonesia Stock Exchange obtained through related websites. The population in this researchare manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021, totaling 226 companies with sampling using purposive sampling technique.

Data Collection Technique

Documentation studies and literature studies/library studies were used as data collection techniques in this research. Data collection through documentation studies. This means that it is conducted by researching, classifying and analyzing secondary data in the form of notes, financial reports and other information related to the scope of this research.

Data Analysis Technique

1. Descriptive Statistics
2. Normality Test
3. Multicollinearity Test
4. Heteroscedasticity Test
5. Autocorrelation Test
6. Multiple Linear Regression Analysis
7. Moderated Regression Analysis (MRA) analysis

Operational Definition and Variable Measurement

Table 1
Operational Definition and Variable Measurement indicators

Variable	Operational Definition	Measurement
Quality of Profits (Y)	Profits quality can be defined as the Profits generated by the company which shows that the Profits do show the true condition of the company. (Pratiwi, 2021)	$CARit = \propto 0 + \propto 1\ UEit + \varepsilon it$
Profitabilty (X1)	By comparing net income to total assets, the company's ability to generate profits can be assessed using the return on assets (ROA) ratio. (Octalianna dan Rahayuningsih, 2013).	ROA = $\frac{Net\ tProfit}{Total\ Assets}$
Profit growth (X2)	Profit growth is a ratio that shows the company's ability to increase net profit higher than last year. (Hadi, 2018).	Profit growth **=** $\frac{Nett\ Profit\ t\ year - Nett\ Profit\ t\ year{-}1}{Nett\ Profit\ t\ year{-}1}$
Investment Opportunity Set (X3)	Investment Opportunity Set (IOS) is the value of the company's current investment opportunities in the hope that its investment decisions will develop in the future. (Pratiwi, 2021)	IOS= $\frac{\text{Number of shares outstanding x closing share price}}{\text{Total equity}}$
Audit committee (Z)	According to OJK, the audit committee is a committee formed and remains in contact with the board of commissioners to support the board of commissioners in coordinating and ensuring the efficiency of the internal control system and the implementation of the responsibilities of internal and external auditors.	ACSIZE = Number of audit committees in the company

Data analysis technique

Table 2
Hasil uji Deskriptif statistik

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality of Profit	320	-4.18	3.92	.0207	.80290
Profitabilty	320	-.02	.92	.0932	.12027
Profit Growth	320	-17.76	28.85	.3834	2.41498
IOS	320	.00	28.87	1.7621	2.22201
Audit Committee	320	3.00	4.00	3.0437	.20486
Valid N (listwise)	320				

Source: Data processing using SPSS

From Table 2 above, an overview of each of the related variables can be drawn as follows: The lowest dependent variable of profit quality (Y) is -4.18, this is obtained from the value of profit quality, the highest value is 3.92. While the average value (mean) is 0.0207 and the standard deviation is 0.80290. The independent variable Profitabilty (X1) has the lowest value of -0.02, the highest value is 0.92. While the average value (mean) is 0.0932 and the standard deviation is 0.12027. The independent variable profit growth (X2) has the highest value of 17.76, the highest value of 28.85. While the average value (mean) is 0.3834 and the standard deviation value is 2.41498. The independent variable IOS (X3) has the lowest value of 0.00, the highest value of 28.87. While the average value (mean) is 1.7621 and the standard deviation is 2.22201. The audit committee moderation variable (Z) has a minimum value of 3.00, a maximum value of 4.00. While the average value (mean) is 3.0437 and the standard deviation is 0.20486. This shows that the audit committee has an average value> standard deviation of 0.20486, meaning that the audit committee data has spread evenly.

Classical Assumptions Test

1. Data Normality Test Results

The normality test is conducted to check whether in the regression between the dependent variable, the independent variable or both are normally distributed or not. The following are the results of the one sample Kolmogorov smirnov test of the data studied:

Table 3
One sample Kolmogorov test results

Test Statistic			.057
Asymp. Sig. (2-tailed)			.072[c]
Monte Carlo Sig. (2-tailed)	Sig.		.442[d]
	99% Confidence Interval	Lower Bound	.430
		Upper Bound	.455

Source: Data processing using SPSS

From Table 3 above, it can be seen that the number of one sample kolmogrov test values is normally distributed because it has a significance value above 0.05, namely 0.072 and the significance of monte carlo is 0.442. So the data in this researchis normal.

2. Multicollinearity Test

According to Ghozali, (2016: 103) the multicollinearity test purposes to test whether there is a correlation between independent variables in the regression model. To detect the presence or absence of multicollinearity, analysis is used through the tolerance value and its opposite, the Variance Inflation Factor (VIF) value. It is said that there is no multicollinearity if the tolerance value> 0.1 and VIF < 10. The following are the multicollinearity test results from this research sample:

Table 4
Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.558	.284		1.966	.051		
	Profitabilty	-1.183	.369	-.223	-3.211	.002	.760	1.316
	Pertumbuhan Laba	-.145	.029	-.317	-4.902	.000	.874	1.144

	IOS	.021	.015	.091	1.406	.161	.867	1.154
	Komite Audit	-.156	.092	-.103	-1.692	.092	.986	1.015

From Table 4 above, namely the multicolonierity test, it can be seen that the variables, namely Profitabilty, Profit Growth, IOS, and Audit Committee have a Tolerance value greater than 0.10 and a VIF value of less than 10. In conclusion, the research sample does not occur multicolonierity problems.

3. Heteroscedasticity test

To determine whether the regression function has uneven variance or inequality of variance, the heteroscedasticity test is used. To check or detect certain patterns on the scatter graph, SRESID and ZPRED are used which can help determine whether there is a heteroscedasticity problem or not in the research.

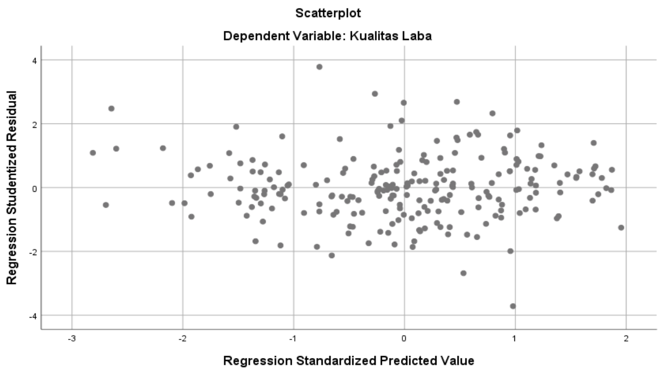

Figure 1
Heteroscedasticity Test Result
Source: Secondary Data Processed with SPSS, 2023

From Figure 1 above, namely the scatterplot graph in the heteroscedasticity test, it can be seen that the dots do not accumulate or in the sense of spreading. So it can be concluded that in this researchthere is no heteroscedasticity problem. And to prove that there really is no heteroscedasticity problem, the researcher in this case conducted a park test. The following is a table of park test results:

Table 5
Park Test Results
Coefficients[a]

Variable		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8.270	2.446		-3.381	.001
	Profitabilty	3.833	3.175	.092	1.207	.229
	Pertumbuhan Laba	-.226	.254	-.063	-.889	.375
	IOS	.093	.126	.053	.738	.461
	Komite Audit	1.221	.794	.103	1.537	.126

a. Dependent Variable: LnRES_1

Table 5 Park test shows that the Sig. (2-tailed) of each independent variable is greater than 0.05 or above 5%. It can be concluded that this researchis free from heteroscedasticity problems.

4. Autocorrelation Test

According to Ghozali (2011), the autocorrelation test purposes to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previous). The following are the results of the autocorrelation test using the Dorbin-Watson test (DW test):

Table 6
Durbin Watson Test Results
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.436[a]	.190	.176	.26911	1.870

According to Table 6, the autocorrelation test results show a Durbin-Watson statistical value of 1.870 (1.806 < 1.870 < 2.194). This proves that the research regression model used does not occur autocorrelation problems.

Multiple Linear Regression Analysis

Regression analysis can prove the relationship between two or more variables and prove the direction between the independent and dependent variables (Ghozali 2011). The following are the results of the regression analysis in this research:

Table.7
Results of Multiple Linear Regression Analysis
Coefficients[a]

Variable		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.081	.031		2.584	.010
	Profitabilty	-1.126	.369	-.212	-3.055	.003
	Pertumbuhan Laba	-.143	.030	-.313	-4.820	.000
	IOS	.020	.015	.088	1.352	.178
a. Dependent Variable: Kualitas Laba						

Y = 0.081 + (-1,126) X1 + (-0.143)X2+ (0.020)X3

The regression equation above can be explained as follows:

a. The value of a of 0.081 is a constant or a state when the profit quality variable has not been effectd by others, namely the profitability variable (x1), profit growth (x2) and IOS (x3). If the independent variable does not exist, the profit quality variable does not change.
b. The Profitabilty regression coefficient of -1.126 indicates that if Profitabilty increases by one unit, then profit quality will increase by -1.126. Unit with the assumption that other things are constant.
c. The regression coefficient of Profit growth of -0.143 indicates that if Profit growth increases by one unit, then profit quality will increase by -0.143. Units assuming other things are constant.
d. The IOS regression coefficient of 0.020 indicates that if IOS increases by one unit, then profit quality increases by -0.020. Units assuming other things are constant.

Moderated Regression Analysis (MRA)

MRA is a special application of multiple linear regression in which the regression equation contains an element of interaction (multiplication of two or more independent variables). To test hypotheses 4, 5 and 6, the MRA test is used. The following are the results of the moderated regression analysis of this research sample:

Table 8
Moderated Regression Analysis (MRA) Analysis Results

Coefficients[a]

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.084	.031		2.658	.008
	Profitabilty	24.981	12.478	4.707	2.002	.047
	Profit Growth	-.534	.428	-1.173	-1.249	.213
	IOS	-.575	.394	-2.545	-1.460	.146
	Audit Committee	-.156	.092	-.103	-1.792	.092
	Profitability*KA	-8.689	4.149	-4.907	-2.094	.037
	Profit Growth *KA	.129	.140	.862	.918	.359
	IOS*KA	.198	.131	2.639	1.512	.132

a. Dependent Variable: Profit Quality

According to the table above shows the results of the moderation regression analysis, the multiple linear regression equation is obtained as follows:

$Y = 0.84 + 24{,}981X1 + (-0{,}534)X2 + (0{,}575)X3 + (-8{,}689)X1Z + 0{,}129X2Z + 0.198X3Z.$

Hypothesis Test

a.) F Test (Simultaneous)

The F-test purposes to determine the joint effect between the independent variable and the dependent variable by comparing the F-count value with the F-table value between the independent variable and the independent variable. The results of the F statistical test can be seen in the Anova table below:

Table 9
F Test

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.929	6	.655	9.055	.000[b]
	Residual	15.839	219	.072		
	Total	19.768	225			

In the second equation, the F-count value is 9.055> F-Table 2, 258, with a significance value of 0.000 <0.05. So it can be concluded that the model used in the researchmeets the requirements or criteria of the F test.

b) Statistical t-Test

This t-test purposes to determine the magnitude of the effect of each independent variable individually (partially) on the independent variable. The t test can be presented in the following table:

Table 10
t Test Results

Variable	B	T	Sig.
Profitabilty	-1.126	-3.055	.003
Profit Growth	-.143	-4.820	.000
IOS	.020	1.352	.178
Profitabilty*KA	-8.689	-2.094	.037
Profit Growth *KA	.129	.918	.359
IOS*KA	.198	1.512	.132

Hypothesis testing as seen in Table 11 shows the results that the significance level of Profitabilty is 0.003 <0.05 which means H1 is accepted. For profit growth, the significance value is 0.000 <0.05, which means H2 is accepted. The significant level of Investment Opportunity Set (IOS) is 0.178, which means that the significance value is 0.178> 0.05, which means H3 is rejected. Furthermore, namely between Profitabilty *KA has a significance of 0.037 which means that the significance value of 0.037 <0.05, which means H4 is accepted. The researchers can conclude that the audit committee (KA) can moderate the effect of Profitabilty on profit quality. The significant level of Profit Growth *KA is 0.359, which means that the significance value is 0.359> 0.05, so H5 is rejected, it can be concluded that the audit committee (KA) cannot moderate the effect of profit growth on profit quality. The significant level of IOS *KA is 0.132> 0.05 which means H6 is rejected. Researchers can conclude that the Investment Opportunity Set (IOS) moderated by the Audit Committee (KA) has no effect on profit quality.

Coefficient of Determination Test

The following are the results of the coefficient of determination test from this research sample:

Table 11
Equation coefficient of determination test results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.446[a]	.199	.177	.26893

While in the second equation the Adjusted R Square value between Profitabilty (X1), Profit Growth (X2), IOS (X3), the interaction between Profitabilty with Audit Committee (X1Z), Profit Growth with Audit Committee (X2Z), and IOS with Audit Committee (X3Z) on profit quality (Y) is 0.177 (17.7%). It can be seen that there is an increase from equation 1. So it can be explained that the relationship between Profitabilty (X1), Profit Growth (X2), IOS (X3), the interaction between Profitabilty with Audit Committee (X1Z), Profit Growth with Audit Committee (X2Z), and Investment Opportunity Set with Audit Committee (X3Z) on profit quality (Y) is 0.177 (17.7%) and the rest is explained by other variables.

RESULTS AND DISCUSSION

The Effect of Profitability on Profit Quality

In accordance with the results of the research, it can be concluded that Profitabilty proxied by Return On Asset (ROA) has a significant effect on Profit Quality (ERC). This can be seen with a significance value of 0.003 <0.05. So that H1 is accepted and it can be concluded that Profitabilty has a significant and negative effect on profit quality. This researchhas succeeded in proving the effect of Profitabilty on profit quality.

Profitability which is according to loan and investment returns can be used as a tool to assess how effective management is performing. The measure of profitability is receiving Return On Assets because from this estimate, investors want to know how company management will use its assets to provide profits. High profitability can effect the quality of profits. When high company profits are obtained, management will not manipulate profits, so that the profits generated and reported in the financial statements are quality profits. This research is in line with research by Ardianti (2018) and Warrad (2017) which found that profitability effects profit quality. Meanwhile, this research is in contrast to research conducted by Priyanti and Wahyudin (2015) which results that profitability has no effect on profit quality because profitability cannot trigger a market response to profit information, this shows that profitability does not contribute to investors in assessing market conditions. .

The Effect of Profit Growth on Profit Quality

According to the research results, it can be concluded that Profit Growth has a significant effect on Profit Quality (ERC). With a significance level of 0.00 <0.05, the regression coefficient is negative -1.249. So H2 is accepted and it can be concluded that Profit Growth has a significant effect on profit quality. So the hypothesis which states that profit growth effects profit quality is accepted in line with research by Sumertiasih and Yasa (2022). This implies that the quality of a company's profit tends to increase in proportion to the rate of profit growth. These results are consistent with signaling theory, which states that increasing annual profit growth is a positive indicator for investors and shows that the business is performing well. Because, the company's income shows that the public can receive the goods and/or services it has. The quality of a company's profit will most likely increase along with its profits or profits.

The Effect of Investment Opportunity Set (IOS) on Profit Quality

According to the research results, it can be concluded that the Investment Opportunity Set (IOS) has no significant effect on Profit Quality (ERC). This is indicated by a significance value of 0.178 > 0.05 with a regression coefficient of -1.460. So H3 is rejected and it can be concluded that the Investment Opportunity Set (IOS) has no significant effect on profit quality. The effect of the investment opportunity set is not significant on profit quality because the investment opportunity set is not the center of attention of investors in making investment decisions. So investors don't pay too much attention to the value of the company's investment opportunity set, but pay more attention to the company's profit figures. This research is in line with research conducted by, (Wulandari et al., 2021), (Rofiqoh et al., 2020) and (Hadi and Alwarni, 2020) showing that the investment opportunity set (IOS) has no effect on profit quality.

The effect of profitability moderated by the audit committee on profit quality

According to the results of this research, it can be concluded that profitability moderated by the audit committee has an effect on profit quality. This is indicated by a significant value of 0.037 <0.05. So H4 is accepted and it can be concluded that profitability moderated by the audit committee has an effect on profit quality. This means that the audit committee is able to improve the quality of company profits when the company's profitability is high and the audit committee can reduce the quality of profits when the company is at a time when profitability is low. According to the characteristics of the audit committee, the duties of the audit committee include reviewing the accounting policies implemented by the company, assessing internal control, reviewing the external reporting system and compliance with regulations. So that the existence of this audit committee can strengthen the effect of profitability on profit quality. This can indicate that efficient management and effective operations are more trustworthy with the existence of an audit committee, which can improve the quality of profits in the company. And when a company's profitability is high, the level of manipulation of its financial reports will be low.

The Effect of Profit Growth moderated by the audit committee on Profit Quality

According to the results of this research, it can be concluded that profit growth moderated by the audit committee has no effect on profit quality. This is indicated by a significant value of 0.359 > 0.05. Which means that H5 is rejected and it can be concluded that profit growth moderated by the audit committee has no effect on profit quality. This means that the audit committee is unable to moderate the effect of profit growth on profit quality. An effective audit committee should strengthen profit growth by ensuring the integrity and quality of financial reports. However, there are several situations where the existence of an audit committee can weaken profit growth, namely if the audit committee is too conservative or does not fully understand the innovative strategies implemented by the company for profit growth, this can limit the company's ability to record actual profits. If audit committee members have conflicts of interest or are too close to company management, this can effect their objectivity and hinder actual profit growth. In addition, the audit committee, which is measured by the number of audit committee members in one year, is not able to strengthen the effect of profit growth on profit quality because the audit committee is unable to reduce the occurrence of fraudulent financial reporting processes in companies that have high profit levels.

The effect of the Investment Opportunity Set (IOS) moderated by the audit committee on profit quality

According to the results of this research, it can be concluded that the Investment Opportunity Set (IOS) moderated by the audit committee has no effect on profit quality (ERC). This is shown to be significant at 0.132 > 0.05 with a positive regression coefficient of 1.512. Therefore, H6 is rejected and it can be concluded that the Investment Opportunity Set (IOS) moderated by the audit committee has no effect on profit quality. An audit committee that is ineffective or uncritical of the investment opportunity set (IOS) can weaken its effect on profit quality. IOS includes potential investments and projects that can increase company value. In this context, the existence of an audit committee has no effect on profit quality, this could be because of an ineffective audit committee which can result in a lack of adequate supervision over the planning and implementation of these projects. This may result in inaccurate or incomplete financial information related to investments, thereby effecting the quality of reported profit. Errors or uncertainty in measuring the value of investment projects can harm the reliability of a company's financial statements. In addition, if there are indications that the audit committee weakens the effect of the investment opportunity set, it could be caused by certain factors such as a lack of adequate involvement in investment assessment or a lack of transparency in the company's own financial reporting.

CONCLUSIONS AND RECOMMENDATIONS

This research purposes to determine the effect of profitability, profit growth and investment opportunity set (IOS) on profit quality with the audit committee as a moderating variable listed on the Indonesia Stock Exchange for the 2017-2021 period. The research sample was selected using a purposive sampling technique, obtaining 64 companies that met the criteria. The data analysis methods used are multiple regression analysis and moderated regression analysis. From the analysis and hypothesis testing of profit quality proxied by CAR, it can be concluded that profitability, profit growth and profitability moderated by the audit committee have a significant effect on profit quality. Meanwhile, investment opportunity set (IOS), profit growth moderated by the audit committee, and investment opportunity set (IOS) moderated by the audit committee have no effect on profit quality.

This research has limitations, including: (1) The research object is limited to only manufacturing, while other industrial fields were not taken as samples, (2) The moderating variable used in this research is only the audit committee, even though there are many other variables that effect profit quality.

Recommendations that can be given in this research according to the research findings that have been conducted are as follows:

1) It is hoped that in future research we can measure these variables by using other proxies and adding moderating variables related to profit quality in addition to the independent variables. The variable currently in use.
2) To expand the research object, it is recommended that further research be conducted in other company sectors.

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