EFFECT OF COMPANY SIZE, AND FINANCIAL RATIO ON AUDIT REPORT LAG

MUCRIANA MUCHRAN
Muhammadiyah University Makassar

ABSTRACT

Financial statements are those statements which include the income statement, balance sheets, statement of retained earnings and the statement of sources and uses of funds. The income statement includes the trading account and the profit & loss account of the business concern and the balance sheet includes the assets and liabilities of the business. Audit report lags are quiet familiar term across the corporate which affect the in time assembly of financial statements. The audit report lag is often called the audit delay in some studies, and is defined as the time difference between the end of the fiscal year to the date of publication of the audit firm or in other words, the time period required to issue audit reports. Timeliness of companies in publishing financial reports to the general public depends on the timeliness of auditors in completing its audit work (audit report lag). There are several factors connected to audit report lag as well as financial statements. The purpose of this paper was to determine the effect of firm size, income, profitability, and debt to equity ratio in its influence simultaneously on audit report lags. The method used is quantitative research with regression analysis. The results of simultaneous test were done using analysis of multiple linear regressions with variables of firm size, income, profitability and debt to equity ratio on audit report lag. This study is expected to put in insight and knowledge both in theory and practice to analyze this finance reports.

Keywords: company size, financial ratio, audit report lag, financial statements
INTRODUCTION

The financial statements have been prepared with a variety of specific purposes. Ersa (2013) indicates that the objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a variety of report users in making economic decisions. According to the American Accounting Association (AAA) (in Suwardjono, 2014: 151) financial reporting purposes is to support in making decisions. Presentation of the complete financial will make it easier for stakeholders to assess the financial position of the company (Chaerul, et.al. 2009; Rosmawati & Supriyati 2012; Alit, 2015; Suwardjono 2014). Stability of the company is well evaluated through the financial statements. Companies need to look into the audit lag seriously to avoid delay in its public disclosure. Financial statements reflect the profit and profitability.

The profitability ratio is defined by Kashmir (2014), as the company's ability to make a profit. One of the profitability ratio formula that can be used in assessing the ability of the company achieve profitability is Return on Investment (ROI). Research has been carried out by some previous researchers, indicates that the size of the company, (in Greta 2012) has no effect on audit report lag. This is consistent with research Alit (2015), Novice and Hartono (2010). But contrary to that the research conducted by Elen and Anggaraini (2012), Rosmawati and Supriyati (2012), states the size of the company's has strong positive influence on audit report lag. Tine and Sukirman (2014) argued that the income effect on audit report lag, this is consistent with research Elen and Anggareni (2012). But the research conducted by Rosmawati and Supriyati (2012), Kristanti (2014) found no effect of income on audit report lag. But the observationrose by Novice and Budi (2010), indicates that the profitability has its effect on audit report lag. As for the variable debt to equity ratio, it is (in research Greta, 2012) argued that the debt-to equity ratio does not affect the audit report lag. It is inversely proportional to the results of research and Rosmawati (2012), Beautiful et al (2014), and Kristanti (2014). We can observe a lot of inconsistencies in the findings of authors in relation to the budget lag and it is based on late submission of company financial statements, despite getting penalized for the delay, the practice is repeating continuously especially among company ies in the Makassar region of
Indonesia. Hence this particular study focus on effects of Company Size, Income, Profitability, and Debt to Equity Ratio of Audit Report Lag in Companies Listed in Indonesia Stock Exchange”.

LITERATURE REVIEW

Financial report

The financial report is an overview of all activities of the company during a certain period. In SFAS No. 1 (Revised 2009) paragraph 9 revealed that the financial statements are a structured representation of the financial position and financial performance of an entity. While Kashmir (2010: 66) states that the financial statements are an obligation of all companies and they have to make and report it in a given period because the financial statements, serve as a basis for the parties concerned in determining companies future plans. American Accounting Association (AAA) (in Suwardjono 2014, p. 151) defines financial reporting purposes as to make decisions relating to the use of resources (natural, physical, human, and financial) which are are limited, direction and control of resources, effective management of people, organization, and report the resources entrusted to the management, as well as provide convenience and control the functioning of the social aspects.

Components of Financial Statements

The definition of the income statement has also spoken in Chaerul, et al (2011: 22), the statements of income (income statements) a summary of income and expenses for a specific period of time, such as one month or one year. Chaerul, et al (2011: 22), indicates that statement of owner's equity (statement of owners equity) is a summary of changes in equity of owners that occur during a specific time period, such as one month or one year.

Financial ratios

The financial statements presented by the company would be implausible if the figures contained therein compare between one components on another. The point is to be able to know the progress or
decline of the company within a certain period. To be able to compare its components must use the financial ratios that have been set. Irham (2012: 49), financial ratios are good to study see the comparison between the amounts contained in the financial statements by using the formulas, which are representative to apply.

**Audit concept**

Before discussing further audit, the need to understand the meaning and purpose of the audit itself. According to Amir (2013, p. 4), the Audit is the collection and evaluation of evidence about information to determine and report the degree of correspondence between the information with the criteria established. Audits should be conducted by people who competent and independent. While in Sukrisno (2014: 04). While Bhayangkara (2015: 08) states that the purpose of financial audit is to obtain assurance that the financial statements presented by the company (management) was prepared in a through and generally accepted accounting practice and it presents the actual financial condition of the company on the date of reporting and performance management in the period.

**Conceptual framework**

Variables used in this study consisted of the independent variables and the dependent variable. Where the dependent variable is the audit report lag while being the independent variable is the size of the company, income, profitability and debt to equity ratio.

In Novice and Budi (2010) write that the size of the size of the companies affected by the operational complexity, and the variable intensity of corporate transactions.

While Kristianti (2014) states that the bigger a company, the more also information contained in the company. A lot of information will lead to increasing the scope of the audit, and consequently the time needed for the completion of the auditor's annual audit for financial statements will delay or there is audit delay.
Profitability can indicate a company's success in generating profits. In Novice and Bob (2010) writes that companies that have a higher level of profitability that takes in auditing financial statements faster because of the necessity to bring good news to the public as soon as possible. In Greta (2012) wrote that the high debt to equity ratio reflects the company's high financial risk.

Hypothesis

Based on the description that has been noted previously in this study, the hypothesis is:

H₁ Size of the company influence the audit report lag
H₂ income lag effect on the audit report
H₃ Profitability affect the audit report lag
H₄ ratio Debt to equity affect the audit report lag
H₅ Company Size, Income, Profitability, and Debt to Equity Ratio simultaneously affect the Audit Report Lag.

RESEARCH METHODS

Profitability can indicate a company's success in generating profits. In Novice and Bob (2010) writes that companies that have a higher level of profitability that takes in auditing financial statements faster because of the necessity to bring good news to the public as soon as possible. In Greta (2012) wrote that the high debt to equity ratio reflects the company's high financial risk.

Research approach

The approach followed by the researcher is quantitative research, that to make use of the data from financial statements of the company. Quantitative research also involves data collection that is typically numeric and the researcher tends to use mathematical models as the methodology of data analysis. Additionally, the researcher uses the inquiry methods to ensure alignment with statistical data collection.
methodology. In this study, the data used is quantitative data for use of data financial data as the basis of measurement to determine the relationship of the independent variables on the dependent variable. Which in this study, the variable size and variable income is measured by a dummy that is giving a score (0-1), the variable profitability and debt to equity ratio was measured by using a ratio. The population in this study are all companies listed on the stock exchange Indonesia, totaling 525 companies.

Analysis Descriptive Statistics

Sugiyono (2013: 207), descriptive statistics are statistics used to analyze data in ways that describe or depict the data that has been collected as it is without intending to apply to general conclusions or generalizations. Were included in the descriptive statistics include the presentation of data through the table.

Inferential Statistical Analysis

In Sugiyono (2013: 207), inferential statistics is a statistical technique used to analyze the sample data and the results apply to the population. These statistics are called statistical probability, because the conclusions apply to a population based on sample data that truth is chance (probability). One conclusion from the data sample to be applied to the population it has a chance of error and truth (belief) that is expressed in a percentage.

Multiple linear regression equation in this study are:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 + \beta_4 X_4 + \Sigma \]

RESULTS AND DISCUSSION

The value of tolerance that is generated for the variable size of the company for 0935 and the variance inflation factor (VIF) it amounted to 1.070, the value of tolerance to variable income amounted to 0.932 and the variance inflation factor (VIF) it amounted to 1.073, the value of tolerance to variable profitability amounted to 0.999 and the variance inflation factor (VIF) it amounted to 1.001, the value of the
variable tolerance *debt to equity ratio* amounted to 0.990 and the *variance inflation factor* (VIF) it amounted to 1.010.

Table 1 Test Results Heteroskedasticity

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>19 837</td>
<td>3293</td>
<td>6.023</td>
<td>.000</td>
</tr>
<tr>
<td>Company size</td>
<td>-6789</td>
<td>3309</td>
<td>-.106</td>
<td>-2052 .041</td>
</tr>
<tr>
<td>Profit and loss</td>
<td>-1049</td>
<td>2145</td>
<td>-.025</td>
<td>-.489 .625</td>
</tr>
<tr>
<td>Profitability</td>
<td>-2192</td>
<td>1,825</td>
<td>-.060</td>
<td>-1201 .231</td>
</tr>
<tr>
<td>Debt to equity ratio</td>
<td>.917</td>
<td>.279</td>
<td>.163</td>
<td>3.291 .001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: RES2

Based on the test results Table 1 shows that the value varies significantly between variables. Significant value variable size companies amounted to 0.041 less than 0.05 indicating that occurs, a significant value of the variable income amounted to 0.625 more value of 0.05 which indicates that there, significant values of 0.231 profitability variable is greater than 0.05 which indicates that there is no, the value of the variable significant *debt to equity ratio* of 0.001 is less than 0.05, which indicates that there heteroskedasticity. This indicates that there are two variables X who did not experience and two others suffered variables.

**Data Analysis Research**

This section describes the results of data analysis using descriptive statistical analysis tools and inferential statistical analysis used in the study. This analysis gives an overview of the data to be processed or have been processed in detail. Here's an explanation of each statistical analysis.
Analysis Descriptive Statistics

Descriptive statistics were used to summarize the description of a numerical data that can be seen from the mean, standard deviation, maximum, drinking and so on. The following tables present the descriptive statistics in this study.

Table 2 Descriptive statistics

<table>
<thead>
<tr>
<th>Statistic</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Error</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company size</td>
<td>398</td>
<td>0</td>
<td>1</td>
<td>.95</td>
<td>.011</td>
<td>.224</td>
</tr>
<tr>
<td>Profit and loss</td>
<td>398</td>
<td>0</td>
<td>1</td>
<td>.86</td>
<td>.017</td>
<td>.343</td>
</tr>
<tr>
<td>Profitability</td>
<td>398</td>
<td>-1.12</td>
<td>7:49</td>
<td>.0677</td>
<td>.01959</td>
<td>.39090</td>
</tr>
<tr>
<td>Debt to equity ratio</td>
<td>398</td>
<td>-10.06</td>
<td>20:15</td>
<td>1.4496</td>
<td>.12727</td>
<td>2.53904</td>
</tr>
<tr>
<td>Audit report lag</td>
<td>398</td>
<td>15</td>
<td>174</td>
<td>77.55</td>
<td>1.034</td>
<td>20 633</td>
</tr>
</tbody>
</table>

In Sugiyono (2013: 207), inferential statistics is a statistical technique used to analyze the sample data and the results apply to the population. These statistics are called statistical probability, because the conclusions apply to a population based on sample data that truth is chance (probability). One conclusion from the data sample to be applied to the population it has a chance of error and truth (belief) that is expressed in a percentage. Based on the table indicates that the observation data (N) of 398 corporate data.
Variable Size Companies

The average size of the company has total assets of more than Rp.100.000.000.000 this because the average value of 0.95, close to 1 with a standard deviation of 0.224.

Inferential Statistical Analysis

Inferential statistical analysis used in this research is multiple linear regression analysis were processed using SPSS version 22. This analysis aims to look at the effect of the variable firm size, income, profitability and debt to equity ratio to an audit report lag. The following tables present data on multiple linear analyses in this study.

Table 3 Analysis and Regression Coefficients Regression Equations

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>99</td>
<td>4662</td>
<td>423</td>
</tr>
<tr>
<td></td>
<td>Company size</td>
<td>-11</td>
<td>4,685</td>
<td>-.123</td>
</tr>
<tr>
<td></td>
<td>Profit and loss</td>
<td>-13</td>
<td>3,037</td>
<td>-.223</td>
</tr>
<tr>
<td></td>
<td>Profitability</td>
<td>-</td>
<td>2584</td>
<td>-.025</td>
</tr>
<tr>
<td></td>
<td>Debt to equity ratio</td>
<td>.066</td>
<td>.395</td>
<td>.008</td>
</tr>
</tbody>
</table>

a. Dependent Variable: AUDIT REPORT LAG

Based on Table 4.4 it can be seen regression coefficient of firm size (X1), income (X2), profitability (X3), and debt to equity ratio
(X_4), the audit report lag (Y) respectively - 11.348 (X_1), -13.408 (X_2), -1.295 (X_3), 0.066 (X_4) and the constants of 145.769. The regression equation thus formed is detailed below.

\[ Y = 99.875 - 11.348 - 13.408 - 1.295 + 0.066 + \Sigma \]

The model suggests that there are three regression coefficients which are negative, i.e. the coefficient of firm size, income, and profitability. This indicates that the negative influence of the variable firm size, income and profitability on audit report lags. But there is also a regression coefficient is positive that the coefficient of debt to equity ratio. This indicates that the positive influence of variable debt to equity ratio on audit report lag.

From the above presentation it is explained that the variable size of the company has a negative regression coefficient amounted to -11.348. This indicates that if the size of the company rose by 1%, then the audit report will lag decreased by 11.348%. Variable income had a negative regression coefficient amounted to -13.408 which means that when income rises by 1%, then the audit report will lag decreased by 13.408%. Variable profitability have a negative regression coefficient of -1.295, which means that when profitability rose by 1%, then the audit report lag will be decreased by 1.295%.

Variable debt to equity ratio has a positive regression coefficient of 0.066, which means that if the debt to equity ratio rose by 1%, then the audit report lag will increase by 0.066%.

**Hypothesis Testing Results**

Testing the hypothesis in this study using multiple linear analysis model (multiple regression analysis), this model was tested through t statistical test, a statistical test F and test the coefficient of determination.

**Test statistic t**

T statistical test used to see if the variable firm size, income, profitability and debt to equity ratio variable effect on audit report
lag. If the value of t is greater than t table then H0 Ha accepted and rejected, and if t is less than t table then H0 rejected and Ha accepted. The following table t statistical test results in this study.

Table 4 Test Results Statistics t

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>99 875</td>
<td>4662</td>
</tr>
<tr>
<td>company size</td>
<td>-11 348</td>
<td>4.685</td>
</tr>
<tr>
<td>profit and loss</td>
<td>-13 408</td>
<td>3.037</td>
</tr>
<tr>
<td>profitability</td>
<td>-1295</td>
<td>2584</td>
</tr>
<tr>
<td>debt to equity ratio</td>
<td>.066</td>
<td>.395</td>
</tr>
</tbody>
</table>

a. Dependent Variable: AUDIT REPORT LAG

T statistical test result shows the results of each - each independent variable on the dependent variable as below.

**Hypothesis test results first: the size of the company's influence on audit report lag.**

Table 4 has shown that the size of the company measured by using a dummy has a negative t value of -2.422 which is greater than t table viz., 1.965. Because t is greater than t table which means that Ha received and H0 rejected. Then the variable firm size affects the audit report lag, negatively.
Hypothesis test results 2: the income effect on audit report lag.

In Table 4 shows that income is measured using a dummy has a negative t value that is equal to -4.415 greater than t table 1.966. Because the value of t is greater than t table which means that $H_a$ received and $H_0$ rejected. Then the variable income lag affects the audit report lag, negatively.

Hypothesis test results 3: profitability lag effect on the audit report.

Profitability is a third variable as independent variables in this study. Based on the data presented in Table 4 has shown that the t value for the variable negative profitability of -0.501 which is smaller than t table 1.966. Because the t value is smaller than t table value, the hypothesis is rejected and the profitability variable has no effect on audit report lag.

The results of hypothesis testing 4: debt to equity ratio lags effect on the audit report.

Variable debt to equity ratio is the fourth variable as the independent variable. Based on the data that has been presented, has positive t value to variable debt to equity ratio that is equal to 0.168, which is smaller than t table 1.966. Because the t value is smaller than t table, $H_0$ is accepted and $H_a$ is rejected, the variable debt to equity ratio has no effect on audit report lag.

The statistical test F

F statistical test was conducted to determine the effect of independent variables together - equal to the dependent variable. If the calculated F value is greater than the value of F table then $H_0$ rejected and $H_a$ accepted. Where it has been known that the independent variables consist of firm size as ($X_1$), profit and loss as ($X_2$), profitability as ($X_3$), debt to equity ratio as ($X_4$), and the audit report lag as Y. The following table which shows the results of statistical tests F.
Variable *debt to equity ratio* is the fourth variable as the independent variable. Based on the data that has been presented, has positive t value to variable *debt to equity ratio* that is equal to 0.168, which is smaller than t table 1.966. Because the t value is smaller than t table, H₀ is accepted and Hₐ is rejected, and the variable *debt to equity ratio* has no effect on *audit report lag*.

**Hypothesis test results 5: company size, income, profitability, and debt-equity ratio simultaneously affect the audit report lag.**

The results of the five hypotheses can be seen in Table 4.6. On the table shows that the value of F count equal to 8.251 while its value amounted to 2.394 F table. This indicates that the value of F count is greater than the value of F table. Because the value of F count is greater than the value of F table means Hₐ accepted and H₀ is rejected, subsequently the variable firm size, income, profitability and *debt to equity ratio* together - the same effect on the *audit report lag*, where its influence is significantly positive.

**CONCLUSION**

Research aimed to examine the factors - factors that affect *audit report lag*. Independent variables used in this research is the size of the company, income, profitability and *debt to equity ratio*. Tests carried out using multiple linear analysis and processed with SPSS version 22.
Sample used as many as 199 types of services non-bank company in 2013 and 2014 that present financial statements denominated in rupiah.

The results of analysis as well as the preceding discussion can be summarized as follows:

1. Based on the results of the partial test (t test) that has been done by using multiple linear analysis of the obtained results for the varied size of the company has significant effect on audit report lag. The results of this study are consistent with the research conducted by Elen and Anggaraini (2012), Rosmawati and Supriyati (2012). However, these results are inversely proportional to the results of research conducted by Alit (2015), Novice and Hartono (2010), and Greta (2012).

2. Based on the results of the partial test (t test) which was done using multiple linear analysis indicates that variable income has significant effect on audit report lag. The results of this study are consistent with the research conducted by Tine and Sukirman (2014), Elen and Anggareni (2012). But inversely related to the research conducted by Rosmawati and Supriyati (2012), Kristanti (2014).

**SUGGESTIONS**

The results of the five hypotheses can be seen in Table 4.6. On the table shows that the value of F count equal to 8.251 while its value amounted to 2.394 F table. This indicates that the value of F count is greater than the value of F table. Because the value of F count is greater than the value of F table means $H_a$ accepted and $H_0$ rejected, subsequently the variable firm size, income, profitability and debt to equity ratio together - the same effect on the audit report lag, where its influence is significantly positive.

1. Expected in further research on audit report lag in order to deliver the results that much more qualified to consider the following suggestions:

2. Future studies are expected to add or select the type of sectors and other companies listed on the Indonesia Stock Exchange (BEI) as samples.
3. Future studies are expected to add a longer *time series* of the study so that the sample data used is accurate.
4. Future studies are expected to add more independent variables such as the number of share ownership or variables which were related to external factors.

**REFERENCE**


Compass (2014). This He Issuer Kena 49 Sanctions BEI. Http://investasi.kontan.co.id. (Access date: February 23, 2016).


Decision of the Chairman of Capital Market Supervisory Agency and Financial Institution Number: Kep-431 / BL / 2012 concerning the submission of annual reports of issuers or public companies.