THE INFLUENCE OF PROFITABILITY, SOLVENCY AND COMPANY SIZE TO AUDIT REPORT LAG (Case Study at Manufacturing Companies the Consumer Goods Sector Listed in Indonesia Stock Exchange Period 2014-2018)

Banowaty Ayu¹, Bunga Indah Bayunitri²

^{1,2} Widyatama University, Bandung, Indonesia.

E-mail: Banowaty.Ayu@widyatama.ac.id¹, bunga.indah@widyatama.ac.id²

ABSTRACT

The purpose of this study was to determine the effect of profitability, solvency, and company size on audit report lag. This research was motivated by a case of delayed reporting of financial statements to companies listed on the Indonesia Stock Exchange that has an impact on the decline in investor confidence in the company. The research method used the explanatory method. The independent variables in this study are profitability, solvency, and company size, while the dependent variable is the audit report lag. The data used secondary data, obtained through the company's annual financial statement data as research objects. The sample in this study were 10 companies from the population, as many as 50 companies. Hypothesis testing is done by multiple linear regression analysis using the IBM SPSS Statistics 20 program. The results showed that the profitability, solvency, and size of the company affect the audit report lag.

Keywords: audit report lag, company size, profitability, solvency.

INTRODUCTION

Manufacturing companies have a major influence on the Indonesian economy because of the number one industry's role in driving national and international economies towards free trade (Badan Pusat Statistik, 2020). Free trade will further tighten competition between companies, to face these challenges the company management is trying to get more funds for its operational activities by selling company stock ownership to investors (McCahery, Sautner & Starks, 2016).

When investors invest, they need to be supported by good financial statements and have the information value needed by users of financial statements. The characteristics of the usefulness of financial statements consist of comparing, comparing, verifying, and

understanding (Ikatan Akuntan Indonesia, 2018). Timeliness means the availability of information for decision-makers at the right time so that it can influence their decisions. However, some information can continue on time even in the long term after the end of the reporting period, for example, some users may need to identify and assess trends (Ikatan Akuntan Indonesia, 2018).

The delay in the delivery of information causes a decrease in investor confidence. This can affect the selling price of shares in the capital market. In general, investors consider the delay in financial reporting a bad sign for the company's health condition. Companies with poor health usually tend to make management mistakes. The level of profit and survival of the company is disrupted, ultimately requiring a level of accuracy and accuracy at the time of the audit. This causes audit delay to increase (Natonis & Tjahjadi, 2019).

The submission of audited financial statements from the issuer has been clearly regulated. Based on the decision of the directors of the Jakarta Stock Exchange, the deadline for submitting Financial Statements is that the Annual Financial Statements must be submitted in the form of Audited Financial Statements, not later than the end of the 3rd (third) month after the date of the Annual Financial Statements (Keputusan Direksi PT Bursa Efek Jakarta Nomor: Kep-306/BEJ/07-2004 Nomor III. Laporan Berkala).

Audit Lag Report is the time span in completing the audit work until the date of the audit report. The audit process can be measured by auditors based on the length of days needed from the closing date of the company's books (financial statement) as of December 31 until the date stated on the independent auditor's report. (Chalmers, Hay & Khelif, 2019).

Profitability is a ratio to see the company's ability to generate profit (profitability) at the level of sales, assets, and certain share capital. The higher the PM, ROA, and ROE, the better (Al-Thuneibat, Al-Rehaily & Basodan, 2015).

Solvency is a ratio that describe the company's ability to fulfill its total obligations. The higher the ratio of total debt / total assets, the riskier (not good) (Brigham & Houston, 2010). High solvency ratios indicate that the company is not good, in this case, auditors will require more time in carrying out the audit process to gather more competent evidence to ensure the fairness of its financial statements (Pizzini, Lin & Ziegenfuss, 2015).

Company size is the size of a company that is shown or valued by total assets, total sales, total profits, tax expenses, and others (Brigham & Houston, 2010: 4). The size of the company is one of the functions of the speed of financial reporting because the results of financial statements that have been audited faster. The audit process becomes easy because large companies have adequate internal control systems (Chalmers, Hay & Khelif, 2019).

The existing phenomenon indicates an audit report lag problem caused by company size, profitability, solvency. Therefore, based on the problem formulation described previously, the researchers conducted a study on the effect of company size, profitability, solvency on audit report lag.

METHOD

The research method used in this research is the descriptive analysis method because, in addition to wanting to get a picture of professional competition, affective commitment, and job satisfaction, it also wants to get a picture of the influence of the determining research variables.

This type of research uses explanatory. In this study the type of data used secondary data. Secondary data used is the total balance of accounts in the financial statements used to calculate the value of profitability, solvency and company size. And panel data are timeseries and cross sectional data.

The time dimension used is time series (annual). The data source used for secondary data comes from the financial statements of each sample of the consumer goods industry sector obtained from the IDX website and related company websites. In this study the object of research is profitability measured by Return on Assets (ROA), Solvency measured by Debt to Equity Ratio (DER), Company Size is measured by the Natural Logarithm of the company's total assets.

The sample used in this study was by non-probability sampling with the sampling technique used in the study was the purposive judgment sampling technique. Based on the purposive judgment sampling technique the researcher determines the criteria used in selecting a research sample, the criteria include:

1. Consumer goods manufacturing companies listed on the IDX for 5 consecutive years 2014-2018.
2. Consumer goods manufacturing companies that issue complete annual financial reports accompanied by audited reports and information that can be used in research from 2014-2018.
3. Companies that have positive profits.

Table 1. The Companies Name

No	Codes	Companies Name
1	ADES	AkashaWira International TbkTbk
2	CEKA	PT WilmarCahaya Indonesia Tbk
3	DLTA	Delta Djakarta Tbk
4	DVLA	Darya-VariaLaboratoriaTbk
5	GGRM	GudangGaramTbk
6	ICBP	Indofood CBP SuksesMakmurTbk
7	KLBF	Kalbe FarmaTbk
8	SIDO	PT IndustriJamu Dan FarmasiSidoMunculTbk
9	TCID	Mandom Indonesia Tbk
10	ULTJ	Ultra Jaya Milk Industry Tbk

RESULTS AND DISCUSSION

In the test results of the validity of the above table, the calculated r value has a value greater than r table = 0,34 then declared valid. Reliability testing obtained the value of the reliability coefficient for the variable X (0.809) and Y (0.923), has a greater value > 0.60 , then declared reliable.

The regression equation model formed based on the results of the study are as follows:

$$Y = 3,539 + 0.129 X_1 + 0.079 X_2 + 0.070X_3$$

$b_0 = 3,539$ means that if the variables X_1 , X_2 , X_3 are zero (0), then the Y variable will be worth 3,359.

$b_1 = 0.129$ means that if the profitability variable (X_1) increases by one unit and the other variable is constant, then the Y variable will increase by 0.129.

$b_2 = 0.079$ means that if the Solvency variable (X_2) increases by one unit and the other variables are constant, then the Y variable will increase by 0.079.

$b_3 = 0.070$ means that if the Company Size variable (X_3) increases by one unit and the other variables are constant, then the Y variable will increase by 0.070.

Table 2. The Result of Hypothesis Testing.

Variables	B	p-value	Hypothesis testing
profitability	0.373	0.007	Accept
Solvency	0.334	0.012	Accept
Company Size	0.338	0.013	Accept

Based on data analysis, the results of hypothesis testing show that the significance value of the profitability variable (X_1) is $0.007 < 0.05$ (significant level of research significance). Besides that, it can also be seen from the result of the comparison between t count and t table which shows t count value of 2,831, while t table of 2,012. From these results it can be seen that t count $> t$ table is $2.831 > 2.012$, it can be concluded that H_a accepted, meaning that the Profitability variable influences the Audit Report Lag variable. In the Solvency variable (X_2) of $0.012 < 0.05$ (the significance level of research significance). Besides that, it can also be seen from the results of the comparison between t count and t table which shows t count of 2.615, while t table of 2.012. From these results it can be seen that t count $> t$ table is $2.615 > 2.012$, so it can be concluded that H_a accepted, meaning that the Solvency variable influences the Audit Report Lag variable. Besides that, it can also be seen from the results of the comparison between t count and t table that shows the t count value of 2.597, while t table of 2.012. From these results it

can be seen that $t \text{ count} > t \text{ table}$ is $2.597 > 2.012$, it can be concluded that H_a accepted meaning that the Company Size variable influences the Audit Report Lag variable.

The results of testing the coefficient of determination show that the R^2 value is 0.274 which means that the variability of the dependent variable is the Audit Report Lag that can be explained by the independent variables namely Profitability, Solvency and Company Size in this study amounting to 27.4%, while the remaining 72.6% is explained by other variables outside the research model.

The results of the data calculation show that the proposed hypothesis is proven to be significant; this indicates that there is a positive influence of company size, profitability, solvency on audit report lag. The results of the study support previous research conducted by Arifuddin & Usman (2017), Mutiara, Zakaria & Anggraini (2018), and (2018) also research by Yendrawati & Mahendra (2018).

CONCLUSION

The first hypothesis indicates that the level of profitability (Return On Assets) ratio has an influence to audit report lag. The second hypothesis indicate that the level of solvency (Debt to Equity) ratio has an influence to audit report lag. The third hypothesis indicate that company size has an influence to audit report lag. The research results indicate that audit report lag can increase by optimizing company size, profitability, and solvency. However, the study results are still inadequate where there are still some aspects that have not to study, which indicate by the magnitude of other factors that have not to study. For this reason, further research needs to determine what factors can affect audit report lag.

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