

The Influence of Performance, Size, Debt on Report Lag in Food and Beverage Sector

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Abstract: Report lag is lag in finishing audit work. Report lags impact on loss to user of financial statements. The more lag occur, it make more times to publish the financial report. It means that user will wait longer to use it as tools for decision making. This study aims to analyze the effect of performance which is measured by company level of ability to make profit, how big a company is, which is measured by company size and level of debt on audit report lag or delay in food and beverage sub-sector manufactures companies listed on the Indonesia Stock Exchange for the period time of 2016 - 2018. The total numbers of sample observations were 30 company data. We choose the data using purposive sampling. Data analysis method used to test the hypothesis is ordinary least square on multiple regression analysis using SPSS Statistics version 22. The results of this study indicate that audit report lag affected by profit ability and debt level, while company size has no effect on audit report lag.

Keywords: performance, size, debt, report lag, food, beverage, sector

1. Introduction

The rapid development of the business world in this era of globalization requires companies to compete with each other to maintain business continuity. The competition will determine whether the company can survive or not. Companies that do not have good management or even do not have a planned competitive strategy will enable the company to lose and be eliminated from its business environment. In addition, companies are also required to be able to always develop and renew and have innovations in their business and products (both goods and services) in order to survive and develop their business.

But for now, competition that arises between companies is often negative and uses unhealthy methods. Many companies actually compete not by innovating with companies and products, but tend to bring down other companies (competitors). And besides that, nowadays it is not uncommon to find companies that dare to manipulate their company's financial statements with various objectives, such as attracting investors, avoiding

or reducing taxes to be paid or other things intended to benefit the company.

In Indonesia, the timely presentation of financial statements is an obligation for companies listed on the Indonesia Stock Exchange (IDX) to submit financial reports regularly. Since September 30, 2011, the FSA has tightened the regulations with the issuance of an attachment to the decision of the head of the OJK Number: Kep36 / PM / 2011 stating that the annual financial statements are accompanied by accountants' reports with the usual opinion that must be submitted to the FSA no later than the end of the third month (90 days) after the date of the annual financial statements. Audit delay that exceeds the time limit for OJK regulations certainly results in delays in the publication of financial statements. Delay in the publication of financial statements indicates there are problems in the issuer's financial statements so that it takes longer to complete the audit. In addition, delays in submitting the report will be subject to administrative sanctions in the form of fines based

on the provisions of Article 63 letter e Government Regulation Number 45 of 1995 which states, "Issuers whose Registration Statement has become effective are subject to a fine of Rp1,000,000.00 (one million rupiah) on every day of late submission of the report referred to in the condition that the total amount of the fine be no more than Rp. 500,000,000.00 (five hundred million rupiah)". (Financial Services Authority)

Delay in financial reporting will cause a negative reaction on the part of users, because the information contained in financial statements is very important considering the financial statements as an instrument of communication between management and external parties that contain important sources of information about the company's performance and prospects which are then used as a basis consideration in decision making. Delays in financial reporting will result in loss of information in the financial statements because they are not available when needed at the time of decision making. This can result in a decrease in investor confidence and will then have an impact on the selling price of shares in the capital market [1].

2. Literature Review and Hypothesis Development

2.1. Audit Report Lag

Audit delay or often also called audit report lag is the length of time span of audit completion as measured from the closing date of the financial year to the date the audit report is issued [2].

Companies that go public must submit their annual financial statements accompanied by auditor's opinion to Bapepam. Based on Capital Market regulations No. KEP 80 / PM / 1996 concerning the obligation to submit periodic financial statements, which requires every company listed on the capital market to submit the company's annual financial statements and independent auditor's reports to BAPEPAM no later than one hundred and twenty days from the date of end date of the book year. The regulation was then updated with the issuance of a BAPEPAM 38 Chairperson Decree Number: Kep-36 / PM / 2003 stating that the annual financial

report is accompanied by an accountant's report with the usual opinion that must be submitted to BAPEPAM no later than the end of the third month (90 days) after the date of the annual financial statement. If the company goes public or the issuer is late in submitting financial statements in accordance with the Decree of the Chairman of BAPEPAM Number: Kep-36 / PM / 2003, then there are sanctions determined by the stock exchange

2.2. Company Performance

The first factor that can affect audit delay is company performance. In this study, company performance is proxied by profitability. Profitability is the ability of a company to make a profit. Profitability which is proxied by the Profit Margin ratio is one indicator of management performance. The higher the PM it can be said that the better performance of management. Companies that suffer losses make auditors be more careful in the audit process [3]. The results of the study [4] showed that profitability significantly affected audit delay. This can be interpreted that companies that have a high level of profitability need faster time in auditing financial statements. Based on this believe, the hypothesis proposed is:

H1: Company performance influences audit report lag.

2.2. Company Size

The second factor that can affect audit delay is the size of the company the error rate of the financial statements, then makes it easier for auditors to audit the financial statements. Companies that have better internal control will facilitate the auditor so that this can reduce the auditor's error in working on the audit report. The results of the study [5] said that the larger the size of the company, the shorter the audit report lags. We write second hypothesis proposed is:

H2: Company size influences audit report lag.

2.3. Level of Debt

The third factor that can affect audit delay is the level of debt. The level of debt in our study is

proxies by solvability. Solvability according to [6] is the ability of a company to fulfill all financial obligations when the company is liquidated. The results of the study [7] show that solvency affects audit delay. This is because the level of the size of the debt owned by the company will cause the examination and reporting of the company's debt inspection take longer so that it can slow down the audit reporting process by the auditor. We write third hypothesis proposed is:

H3: Level of debt influences audit report lag.

3. Material and Methodology

3.1. Object and Sampling

The type of data used in this study is quantitative data that is data in the form of numbers and can be measured and tested by statistical methods. While the data source used is secondary data obtained from annual reports and financial statements of non-financial companies listed on the Indonesia Stock Exchange in 2016 to 2018.

The sample collection method in this study is included in the purposive sampling because it has

been determined beforehand with the criteria to be taken, the criteria are:

1. Manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.
2. The company which published the independent auditor's report for the period 31 December 2016-2018.
3. Companies that do not have zero (0) or negative earnings.
4. Financial statements present the rupiah in financial reporting.
5. Food and beverage sub-sector manufacturing companies.

3.2. Data Analysis Method

This study uses multiple linear regression to analyze the effect of each independent and dependent variable. Hypothesis testing is done by SPSS version 22.

3.3. Measurement Variables

The following is the measurements of the variables used in this study:

Table 1. Quantitative Measurement

Variable	Measurement
Audit Report Lags [3]	Day of audit report – Day of closing the book
Company Performance [8]	Return on Asset: earnings after tax / total asset
Company Size [9]	Natural logarithm (total asset)
Level of Debt [10]	Debt to total asset: total debt / total

4. Research Result

4.1. Normality Test

According to [11] in the Multivariate Analysis Application book with the IBM SPSS 23 Program that the normality test aims to test whether in the

regression model, the dependent variable and the independent variable both have normal distribution or not. A good regression model is if both have normal or near normal distribution

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	5.70025553
	<hr/>	
Most Extreme Differences	Absolute	.125
	Positive	.104
	Negative	-.125
<hr/>		
Kolmogorov-Smirnov Z		.684
Asymp. Sig. (2-tailed)		.738
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a. Test distribution is Normal.		
<hr/>		
b. Calculated from data.		

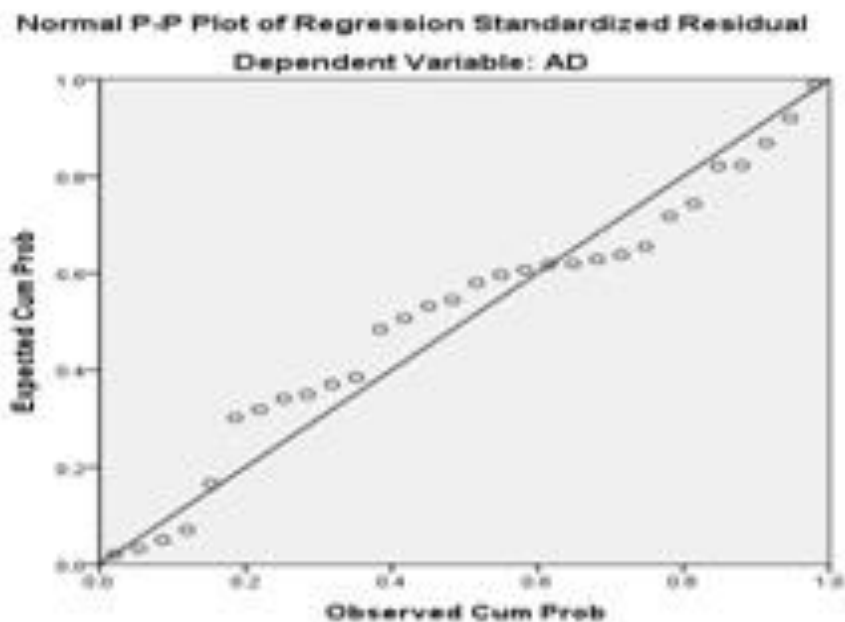


Figure 1. Normal Probability Plot

From the results of the normality test using Kolomogorov-smirnov which has been processed in table 2 it is known that the Asymp. Value is below. Sig. (2-tailed) is 0.738. The meaning of which is greater than the real fixed tariff (α) which is 0.05. This shows that the data used are normally distributed. Thus, the data obtained from the sample companies is feasible to be used in this study. From Figure 1 it shows that the spread of data around the diagonal line and follows the direction of the diagonal line, it shows that the regression model has fulfilled the normality assumption.

4.2. Multicollinearity Test

According to [12] in the Multivariate Analysis Application book with the IBM SPSS 23 Program that, the multicollinearity test aims to test whether in the regression found the presence or absence of correlations between independent variables, a

good regression model should not occur a correlation height among independent variables.

In table 3 it can be seen that the profitability variable (ROA) has a tolerance value of 0.620 and a VIF value of 1.614. The company size variable (SIZE) has a tolerance value of 0.625 and a VIF value of 1,601. And the solvency variable (DAR) has a tolerance value of 0.950 and a VIF value of 1.052.

Based on the results that have been processed in table 3, it can be concluded that all independent variables, the profitability variable, company size and solvency have a tolerance value greater than 0.10 and a VIF value smaller than 10. So it can be concluded that there is no multicollinearity between the independent variables in the model regression so that this regression equation is feasible to use for further analysis.

Table 3. Multicollinearity Test

Model		Coefficients ^a	
		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	.620	1.614
	SIZE	.625	1.601
	DAR	.950	1.052

a. Dependent Variable: AD

4.3. Autocorrelation Test

According to [12] in the Multivariate Analysis Application book with the IBM SPSS 23 Program that the autocorrelation test is aimed at testing whether in a linear regression model there is a correlation between the error in the t period and the residual period t - 1 (previous).

From the results of the autocorrelation test in table 4.10 it is known that the Durbin Watson value in this regression model is 2,247 with n = 30, k = 3, the value of $d_u = 1,213$ is obtained so that $4-d_u = 2.78$. The value of d meets the criteria $d_u < d < 4-d_u$, i.e. $1,213 < 2,247 < 2.78$. It can be concluded that the regression model of this study is free from autocorrelation and can be accepted.

Table 4. Autocorrelation Test

d_n	D	$4-d_n$	Conclusion
1.213	2.247	2.78	No auto correlation

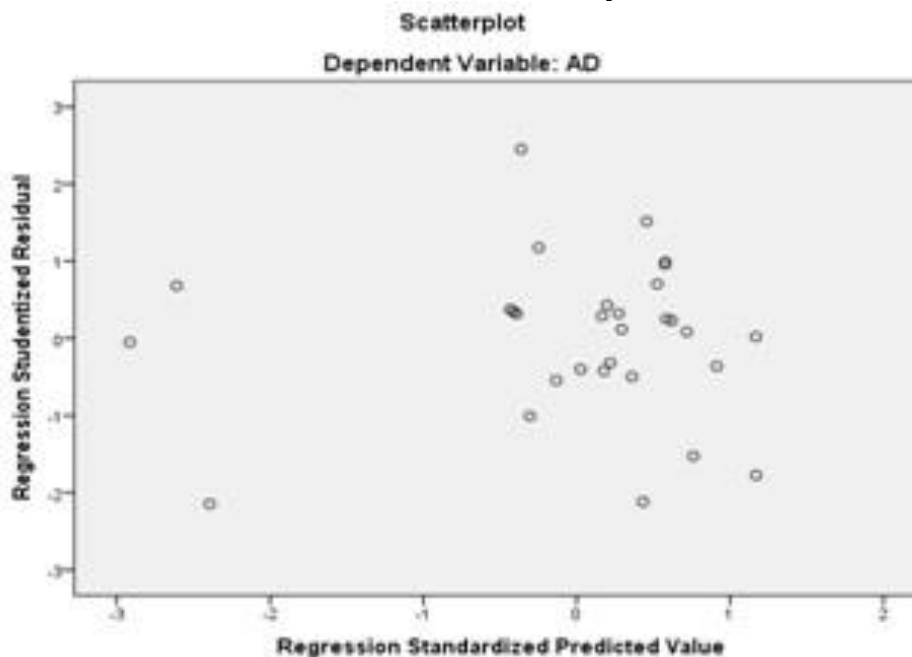
4.4. Heteroscedasticity Test

According to [11] in the Multivariate Analysis Application book with the IBM SPSS 23 Program that, heterokedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. If the variance from one observation residual to another observation is fixed, then it is

called homoscedasticity and if different is called heteroscedasticity.

From the image that has been processed in Figure 2, it appears that the points spread randomly and spread well above and below. It can be concluded that there is no heteroscedasticity in the regression model, so that the regression model is feasible to use.

Table 5. Heteroscedasticity Test



4.5. Determination of Coefficient

From the table above it can be seen that the value of R is 0.796, R Square 0.634 and Adjusted R2 is 0.592. R value of 0.796 proves that the independent variable on the dependent variable has a strong influence while the R Square value of 0.634 and the adjusted R2 value of 0.592 or 59.2% is the result of profitability, company size

and solvability that affect audit delay, while the remaining 40, 8% is influenced by other factors which prove that the independent variable on the dependent variable has a weak influence. The closer to 0, which means that shows the weak influence of independent variables (Profitability, Company Size and Solvency) on the dependent variable (Audit Delay).

Table 6. Determination of Coefficient

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.796 ^a	.634	.592	6.02014	2.247
a. Predictors: (Constant), DAR, SIZE, ROA					
b. Dependent Variable: AD					

4.5. Partial Hypothesis

According to [11] the statistical test t basically shows how far the influence of one explanatory / independent variable individually in explaining the variation of the dependent variable.

Based on table 7, it can be interpreted as follows:

1. Effect of Profitability on Audit Delay.

From the table above it is known that the t count is 3,956 and the significance value is 0.001. Also known is the value of table with df = 26 of 2,055. This shows that the t-count is smaller than the table (3,956 > 2,055) so it can be concluded that profitability has a significant effect on audit delay.

This can be interpreted that companies that have a high level of profitability need faster time in auditing financial statements.

Companies that have a higher level of profitability require time in auditing financial statements more quickly because of the desire to deliver good news as soon as possible to the public. They also give reasons that auditors who face companies that suffer losses tend to be more careful in conducting the auditing process.

The results of this study are also supported by [13] which shows that profitability significantly influences audit delay. Profitability in investments and other financial actions is very important to obtain the desired return even beyond the expectations of users of financial statements. Profitability in this study uses ROA, companies with high ROA means the company has used its assets efficiently so that it can generate high profits for the company and shareholders.

2. Effect of Company Size on Audit Delay.

From the table above it is known that the t count is 0.452 and the significance value is 0.655. Also known is the value of table with df = 26 of 2,055. This shows that t count is greater than table (0.452 < 2.055) so it can be concluded that company size does not significantly influence audit delay. This is because large companies are monitored by investors, capital supervisors, and the government so that there is a tendency to reduce audit delay. In addition, the audit process becomes easy because large companies have adequate internal control systems.

The results of this study are in line with [14], research conducted by [13] states that company size has no significant effect on audit delay. But it is not in line with [15] that company size has a significant effect on audit delay. This is because the larger the company, the company has a good internal control system so that it can reduce the error rate of financial statements, and then facilitate the auditor in auditing the financial statements. Although the results of this study are supported by [16] which shows that solvency has a significant effect on audit delay. The level of the size of the debt owned by the company will cause the examination and reporting of the examination of the company's debt longer and thus slow down the audit reporting process by the auditor.

3. Effect of Solvency on Audit Delay.

From the table above it is known that the t count is 4.081 and the significance value is 0.000. Also known is the value of t table with df = 26 of 2,055. This shows that t count is greater than table (4,081 > 2,055) so it can be concluded that solvency has a significant effect on audit delay.

The high proportion of total liabilities to total assets may also make auditors need to increase caution and more careful audit in relation to the survival of the company. According to [17] auditing a debt account will take a long time because it has to find the source of the high proportion of debt held by the company and requires a lot of time in confirming parties (debt holders) related to the company.

Multiple linear regression equation for this study, as follows:

$$AD = 95.441 - 44.191 ROA - 0.110 SIZE - 29.998 DAR + \epsilon$$

The regression equation above can be interpreted as follows:

1. Constants (α)

The coefficient value for the constant is 95.411. This constant value shows that if the Profitability,

Company Size and Solvency variables are 0, the Audit Delay dependent variable value is 95,411.

2. Profitability (ROA) of Audit Delay.

ROA coefficient value is -44,191. This means that a 1% increase in the profitability variable then audit delay will decrease by -44,191 assuming the other variables are fixed.

3. Company Size (SIZE) of Audit Delay.

The coefficient value of SIZE is -0.110. This means that an increase of 1% of the company size variable then audit delay will decrease by -0.110 assuming the other variables are fixed.

4. Solvency (DAR) of Audit Delay.

DAR coefficient value is -29,998. This means that an increase of 1% solvency variable then audit delay will decrease by -29.998 assuming the other variables are fixed.

Table 6. T Test

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	95.411	6.832		13.965	.000
	ROA	-44.191	11.172	-.596	-3.956	.001
	SIZE	-.110	.244	-.068	-.452	.655
	DAR	-29.998	7.350	-.496	-4.081	.000

a. Dependent Variable: AD

Conclusion and Suggestion

5.1. Conclusion

1. Profitability which is posited by ROA has a significant effect on audit delay. This is evidenced by the significance value in the hypothesis test of 0.001 which is smaller than 0.05.

2. Company size which is classified as SIZE has no significant effect on audit delay. This is evidenced by the significance value in the hypothesis test of 0.655 which is greater than 0.05.

3. Solvency which is posited by DAR has a significant effect on audit delay. This is evidenced by the significance value in the hypothesis test of 0,000 which is smaller than 0.05.

5.2. Suggestion

1. Academics

Based on the limitations stated above, here are suggestions for future researchers:

- a. Further research is suggested to be able to use other sector companies, such as manufacturing companies listed on the

IDX so that the research results can be generalized more.

- b. Future studies, should extend the research period, for example 5 years.
- c. It is expected to be able to add or use other independent variables in order to explain more broadly which has an influence on audit delay.

2. Companies

It is better to pay attention to the factors that influence audit delay so that it can help the auditor's work by providing the data needed to be on time.

3. Auditor

As input material to find out the factors that influence audit delays so that financial statements can be published as soon as possible. In addition, help the public accounting profession in an effort to improve the efficiency and effectiveness of the audit process by controlling the dominant factors that cause audit delay.

4. Investors

Investors are advised to pay attention to the factors that influence audit delay in making decisions to invest in a company because companies with long audit delays tend to make dividend announcements more slowly than companies that have short audit delays.

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