The company's measure of audit delay and its implications for investor reactions

(A Case Study Subsector Coal Mining Company Listed in Indonesia Stock Exchange Period 2013-2015)

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ABSTRACT

This research empirically influences the company's size to the audit delay and audit delay to the investor's reaction to new stone mining subsector company listed in Indonesia Stock Exchange year 2013-2015. Problems that occur in mining companies that company size Decrease due to the audit delay, and the response of investors due to the audit delay.

The research method is the analytical method used with the unit of analysis is studied the financial statements of coal mining companies listed on the Stock Exchange in 2013-2015. And a population of 115 research reports. Data analysis technique used is path analysis and assisted by SPSS version 20 application program.

The result of the research shows that firm size is significant to the audit delay with a negative correlation, and audit delay to investor reaction but not significant. Partially, company size has a significant effect on audit delay but the audit delay. Against investor reactions is not significant.

Keywords: Audit Delay, Investor Reaction and Company Size.

I. PRELIMINARY

1.1 Background

Companies that are already in the category go public in Indonesia has been progressing very rapidly resulting in the demand for auditing the financial statements of its increasing every year. Timeliness (timeliness) in preparing the financial statements and the audit report is one of the main conditions for an increase in the stock market price of the company went public category. Thus, the development company went public auditing becomes easy. This has led to auditing that an activity or a systematic process that takes time, resulting in serious delays in the earnings announcement and publication of financial statements in accordance with (Shulthoni, 2012). The phenomenon occurred, ie the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) recorded in the period January to March 2nd, 2011, recorded 50 issuers and public companies that receive administrative sanctions. These penalties due to late financial reports. (Source: www.bapepam.go.id)

1.2 Identification of Research Problem

Based on the background research that has been described above, the problem can be identified are:

1) Still the big companies that delayed the audit, which should

large companies can reduce the level of audit delay
2) They decrease the level of trading activity increased while the size of the company.
3) Still the company has increased audit delay, followed by the level of trading activity where it is not supposed to happen

1.3 Problem Formulation Research

Based on the background and identifikassi the problem, then the problem can be formulated as follows:

1) How Much Influence of company size on the Audit Delay.
2) How Much Influence of Audit Delay on investor reaction.

1.4 Purpose and Objective

1.4.1 Research Purposes

Purpose of this study was to investigate and gather data on how much the effect of size company audit delay and its implications for investor reaction Objective

Based on the identification of problems and the formulation of the problems mentioned above, the purpose of this study is as follows:

1) To demonstrate empirically the magnitude of the company's audit delay on coal mining company listed on the Stock Exchange.
2) To demonstrate empirically the extent of reaction of investors in mining companies listed on the Stock Exchange.

1.1 usability research

1.5.1 Practical Uses

The results of this study are expected to provide solutions and solving problems related to the size of the company, the audit delay and investor reaction.

1.5.2 Academic usability

The results of this study are used as the development of science through studies and concepts are expected to be proved anew the theories of previous studies regarding the size of the company audit delay and its implications for investor reaction.

II. LITERATURE, FRAMEWORK FOR THINKING AND HYPOTHESES

2.1 Literature review

2.1.1 Company size

2.1.1.1 Definitions Company Size

Company Size According to Hartono (2008: 254) are:

"The size of a company can be measured by the total assets / large property companies using logarithm total asset value calculation".

2.1.1.2 Calculation Company Size

According Harahap (2008: 307).The calculation of the size of the company using the natural logarithm of total assets. Why this is so, it is because the amount of total assets, respectively different companies even have a very big difference, which can cause extreme conditions, to avoid the normal data, the total assets of need in logaritmakan. Total assets acquired from the statement of financial position

2.1.2 *audit Delay*

2.1.2.1 Definitions Audit Delay

audit Delay according to Sulthoni Moch (2013: 237) states that the lack of progress in auditing a financial statement called the audit delay, the time period between the company's fiscal year to the date of the audit report is published is a long span of the audit process required by the auditor.

2.1.2.2 Indicators Audit Delay

According to Halim (2000: 4) audit delay is the length of time measured from the completion of the audit the books closing date until the date of issuance of the audit report. December to the issuance of the audit report.

According Kartika (2009: 156) Audit delay is the length of the audit completion time span measured from the date of closing of the financial year until the date of issuance of the audit report. Audit delay also may affect the timeliness of issuance of the audited financial statements is very important for companies that go public to the Capital Market Supervisory Agency (Bapepam).

2.1.3 Investor reaction

2.1.3.1 Definition of Investor Reaction

According Rachyu Purbowati (2008: 10) explains that the investor reaction can be measured by using the trading volume

activity. If using the trading volume, it can be dikatan that investor reaction will be visible from the existing trading volume on the stock exchange the company, when a large trading volume then the reaction of investors to the stock well and vice versa.

2.1.3.2 Indicator Investor reaction

Event study is a capital market-based accounting research who want to know the reaction of the capital market for their accounting of events surrounding the announcement date of the financial statements. There are two ways to find out the reaction of investors proxied by abnormal return (AR) cumulative and Trading Volume Activity (TVA), which is using the study of events and value relevance studies or association studies. Value relevance studies or association studies is research on the relationship of stock returns with accounting data during the accounting period (Dumontier and Raffournier, 2002; Beaver, 2002).,

2.2 Framework

2.2.1 Against Audit Firm Size Effect of Delay

According junaidi and Hartono (2010 :: 65), said large companies have better management in managing the company and capable of generating financial reports of quality when compared with small companies.

2.2.2 Effect of Reaction Against Delay Audit Investor.

This study attempts to measure the reaction of investors based association study that evaluated the effects of audit delay by investor reaction. Research Shulthoni (2012) measures the reaction of investors using abnormal return and trading volume activity by observing the event study the short-term (short windows).

2.3 Research hypothesis

According Sugiyono, (2016: 84) is a hypothesis is as follows:

"The hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems has been expressed in the form of statements".

Based on the framework above, the hypothesis in this study are as follows:

H1 : Company size significantly influence the Audit Delay

H2: Audit Delay significant effect on investor reaction

III. RESEARCH METHODS

3.1 Research methods

The method used in this research is descriptive and verification method, is used to test how much influence the quality of tax services and tax knowledge to motivate taxpayers meet tax obligations.

3.2 operationalization variable

According Suharsimi Arikunto (2013: 164) also explains that splitting into sub-variable variable called categorization, which break down the variables into the categories of data to be collected by researchers. Categories that had been described could be interpreted as an indicator. Based on the description that has been stated that it may be said that the operationalization of the variables is a way to identify and classify the variables into sub-variables that can be used as an indicator in a study conducted by researchers.

3.3 Data Sources and Data Collection Techniques

3.3.1 Data Sources

The data used in this study are:

1) Secondary Data

3.3.2 Mechanical Pengumpula Data

Data collection methods used in this study in two ways, namely Documentation (Documentation)and Library Studies (Library Reseach). The primary data collection is done by:

1.Studi Library (Library Research)

The theory derived from the literature, articles, journals, and the results of previous studies. This method is used to study and understand the literature contains research-related discussions.

2.Dokumentasi (documentation)

Data used in this study were collected by documenting the data collected through the Indonesia Stock Exchange.

3.4 Population Sample, Place and Time Research

3.4.1 Population

The population in this study is 60 L / K subsector coal mining company listed on the Indonesia Stock Exchange during the three years starting in 2013-2015. So the population in this study there were 60 L / K company for 3 years.

3.4.2 samples

samples taken by the authors is the annual financial statements have been audited data subsector coal mining company that has been registered in the Indonesia Stock Exchange years 2013-2015 on the basis that:

-Company has published its annual financial report in the year 2013 - 2015 through the official website of Indonesia Stock Exchange (IDX)

-Corporate present audited financial statements and reports are complete.

-Corporate who had complete data on company size (total assets), Audit Delay and Investor reaction.

3.4.3 Place and time of research

1. The Research To obtain data and information relating to the matter under study, the authors conducted research at PT. Indonesia Stock Exchange Representative Office Bandung located at Jl. PH.H Mustafa No. 33, Neglasari, Cibeunying Kaler, Bandung 40124, Indonesia by telephone: (022) 20,524,207.

2. Time Research The timing of the study began in October 2017 until February 2018.

3.5 Data Testing Methods

The design of hypothesis testing is used to test the effect of firm size Audit Against Delay and Its Implication Investor reaction is path analysis (path analysis). Path analysis test causal relationships that are structural of the independent variable on the dependent variable to consider the interrelationships between independent variables and the complexity of the model (Foster, et al, 2006: 90). Excellence using path analysis researchers can see the influence of the direct and indirect influence of the independent variable on the dependent variable.

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3.6 Data analysis method

Researchers analyzing the data that has been described by using the research methods used in this study is deskriptive method (qualitative) and verification (quantitative) with a quantitative approach. The steps described above adlah analysis as follows:

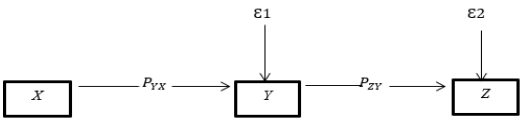
1. **Classic assumption test**
   a. **Normality test**

      Bahswa normality test to determine the data taken from the population normally distributed. Test Of Normality test using Kolmogorov-Smirnov normality in SPSS 20.0.

3.6.1 Quantitative analysis

1. Designing Line Diagram

The first to be done before the path analysis is to design the path diagram consistent with the hypothesis developed in the study. Based on the research title track analysis model in this study can be described as follows:



The first structure equation sub path

$Y = X + P_{YX}\varepsilon_1$

Line equation Second Sub Structure

$Z = Y + P_{ZY}\varepsilon_2$

Information :

Z : *Investor reaction*
Y : *audit Delay*
X : *Company size*
Pyx: Company Size path coefficients of the Audit Delay
Pzy : The path coefficients of the reaction Investor Audit Delay
Ɛ : Effect of other factors.

3.7 Hypothesis testing

a) Understanding hypothesis itself is statements which describes a relationship anatar two variables related to a particular case and a temporary assumption that needs to be tested true or untrue about the allegations in a research as well as having benefits for the research process to be effective and efficient. Hypothesis is an assumption or

conjecture about something that was made to clarify the matter and is required to do pengecekannya. If any assumptions or allegations specialize in the population, generally about population parameters, then the population is called the statistical hypothesis.

b) The first hypothesis in this study were tested using t and determinant coefficient. T statistical test is also known as individual significance test. This test shows how far the influence of the independent variable on the dependent variable partially. The hypothesis proposed as follows:

H_{01}; Company size does not affect the Pyx = 0 Audit Delay

H_{11} ; Company Size effect on Audit Delay Pyx ≠ 0

H_{03} ; *audit Delay* does not affect the Pzy = 0 reaction Investor

H_{13} ; *audit Delay* effect on Investor Reaction Pzy ≠ = 0

Each t calculation results are then compared with those obtained using real rates or significance level of 0.05 with the following conditions:t_{tabel}

Criteria for decision-making:

If ≥ in = 5%, then rejected and accepted.$t_{hitung}\ t_{tabel} H_O H_a$

If <on = 5%, then accepted and rejected.$t_{hitung}\ t_{tabel} H_o H_a$

IV. RESULTS AND DISCUSSION

4.1 Research result

4.1.1 Results Descriptive Analysis

4.1.1.1 Descriptive Company Size

In this study, the size of the company proxied by total assets, which shows the total wealth owned by the company. The following overview of the data mining subsector total assets of coal in Indonesia Stock Exchange during the period 2013 - 2015. (Table 4.1) It can be seen in Table 4.1 on average total assets of the sub-sector coal mining company in Indonesia Stock Exchange tends to decrease from year year. Among the 10 companies PT. Bumi Resources Tbk has the greatest total assets and PT. Perdana Karya Perkasa Tbk has the smallest total assets. Judging from the standard deviation greater than the average show that the size of the sub-sectors Coal mining company in Indonesia Stock Exchange is very varied.

4.1.1.2 Descriptive Audit Delay

Audit delay is the difference in time between the date of the financial reporting performed by the company with the date of issuance of the audited financial statements. Here's an overview of data mining company audit delay the coal subsector in Indonesia Stock Exchange during the period 2013 - 2015. (Table 4.2) It can be seen In Table 4.2 in average audit delay subsector coal mining company in Indonesia Stock Exchange tend to fluctuate from year to year. Among the 10 companies PT. Garda Tujuh Buana Tbk has the longest delay audits and PT. Bayan Resources Tbk has the shortest audit delay. Judging from the standard deviation value which is smaller than the average indicates that audit delay coal mining subsector in Indonesia Stock Exchange is quite homogeneous. The delay in the publication of the financial statements as a result of the audit delay is too long can lead to negative market reaction. Thus there is a tendency that the longer the company publish financial reports tend to have lower trading volume activity.

4.1.1.3 Reaction descriptive Investor

In this research, investor reaction proxied by the total trading volume, which shows the total number of shares traded during the year. The following overview of trading volume data subsector coal mining company in Indonesia Stock Exchange during the period 2013 - 2015. (Table 4.3) It can be seen in Table 4.3 can be viewed on the average trading volume subsector coal mining company in Indonesia Stock Exchange tend to fluctuate from year to year. Among the 10 companies PT. Bumi Resources Minerals Tbk has the highest trading volume and PT. Toba Bara Sejahtera Tbk has the lowest trading volume. Judging from the standard deviation greater than the average show that the volume of stock trading subsector coal mining company in Indonesia Stock Exchange vary considerably from one company to another company.

1) Hypothesis testing

Based on the processing results as presented in table 4.6obtained tcount size of the company to the audit delay of -2.704 with a significance value of 0.012. Then the value ttable at a significance level of 5% (α= 0.05) and degrees of freedom (n-2) = 28 is 2.048. Because tcount variable firm size is smaller than the negative ttable, then the error rate of 5% led to reject Ho and accept Ha. It can be concluded that the size of the company's influence on audit delay in mining coal subsector in Indonesia Stock Exchange. Visually chart the rejection and acceptance Ho on the test effect of firm size can be seen in the following figure.



4.2 Discussion

4.2.1 The influence of company size on the Audit Delay

Based on the results of processing to reject H0 hypothesis which means that company size affects the Audit Delay. This suggests that these results support the theory stated by point Aryati and Maria Theresia (2005: 43), says: "Large companies reported faster than small companies. It is caused by several factors: the companies themselves to be closely monitored by investors, pengawaas capital and governments to reduce audit delay ". Because large companies usually have a good internal control system, so as to reduce the error rate in the preparation of financial statements facilitates the auditor in auditing the financial statements.

The coefficient of determination shows that the size of the Company's considerable influence on the Audit Delay by 20.7% and 79.3% remaining variables are influenced by variables not examined in this study sepert Audit Fee, Financial Performance, Audit Opinion, the Audit Committee, Profitability , Internal Audit Solvency and others. Results / This test shows that the phenomenon occurs because the Company does not affect the size of the dominant. Results of testing the correlation coefficient in the category is strong enough or close enough between company size on the Audit Delay. Directions negative relationship between the size of the Company and the Audit Delay shows that companies with audit delay shows that companies with a larger total assets tend to have a shorter audit delay.

4.2.2 Delay influence on the reaction Investor Audit

Based on the results of processing hypothesis accept and reject Ho Ha, which means that the audit delay but no significant effect on investor reaction to the subsector Coal mining companies in Indonesia Stock Exchange. This suggests that these results support the theory expressed by Sulthoni (2012; 32) that The longer the time delay of the publication of the annual financial statement audit will lead to potential economic uncertainty is expected by the market.

The coefficient of determination shows that the Audit Delay effect but not significant to investor reaction. It is known that the audit delay only effect of 4.4% on the reaction of investors in the coal subsector mining company in Indonesia Stock Exchange, while the remaining 95.6% are influenced by variables not examined in this study such as Return Shares, Dividend Policy, Right issue (size, offer price), Size Company Growth (PBV), and Financial performance. This proves that the phenomenon occurs because the Audit Delay does not affect the reaction of investors is dominant.

The test results that the coefficient of the relationship between the audit delay (Y) by the reaction of investors (Z) of -0.210 and into the category of low or weak. Directions negative relationship between audit delay with investors' reaction shows that companies that audit delay longer it is likely to have*trading volume activity* lower, This study is in line with the results Much research. Sulhoni (2012) and Ayoeb Che Ahmad (2008), which states affect the Audit

Delay Investor reaction. Sulthoni (2012) Audit delay the lower the financial statements could affect market participants to more quickly react in the decision so that that information has value in the eyes of investors and stated that the financial statements is one form of information that is important for market players.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

Based on the results of research and discussion about the influence of the size of the company audit delay and its implications on investor reaction it can be concluded as follows.

a) On the average total assets persahaan coal mining subsector Dai Indonesia Stock Exchange tends to decrease from year to year. The size of the company provide a strong enough influence audit delay, which the company has a larger size generally faster in the publication of the financial statements compared with that size, smaller companies.

b) On the average audit delay subsector coal mining company in Indonesia Stock Exchange tend to fluctuate from year to year. Audit delay give a weak influence on the reaction of investors, where companies are faster to publish financial statements tend to have a higher trading volume activity,

5.2. *Suggestion*

After the author provides conclusions from the results of research on the influence of company size on the Audit Delay and Implications Investor reaction. So I give a few suggestions that can be used by mining companies listed on Indonesia Stock Exchange:

5.2.1 Practical advice

a) For subsekor coal mining company listed on the Indonesia Stock Exchange should continue to work in a professional manner and conduct periodic evaluation of the performance of each so as to control the dominant factors affecting the length of audit delay. In addition, the company should be able to provide the data required auditors to complete so that the auditor had no trouble in the inspection, the company does not complicate the auditor during the examination of financial statements, and the company provides the freedom for the auditor during the inspection so as not to cause delay in reporting by auditors that could lead to an audit delay for the company itself ..

b) For Auditor The results could provide information about the average audit delay subsector coal mining company, which factors greatly affect the size of the company audit delay. therefore, the auditor is advised to plan for field work properly and appropriately so that the audit process can be done effectively and efficiently so that audit delay can be minimized and financial reports can be published in a timely manner.

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