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Profitability, Liquidity, Size, Reputation of Public Accounting and Timeliness Reporting Financial Statement: An Analysis of Manufacturing Company Overview in Indonesia

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Abstract: **This study aims to find empirical evidence about the factors that affect the timely delivery of the financial statement of manufacturing companies listed on profitability, liquidity, size, and the reputation of the public accounting firm on the timelines of financial statements. The population of this research is manufacturing companies listed on the Indonesia Stock Exchange. The sampling method uses purposing sampling with the study period of 2015 to 2018 and obtained as many as 568 companies. The data analysis technique used is logistic regression. The results of this study indicate that the profitability and reputation of the accounting firm have a significant positive effect on the timeliness of financial reporting,while liquidity and company size does not affect the timeliness of financial reporting**.

Keywords : profitability, liquidity, size, the reputation of the public accounting firm, timeliness

I. INTRODUCTION

Information on company financial statements must be submitted on time, complete financial information including income statements, equity statements, changes in financial position statements, cash flow statements, notes to financial statements. Financial statements are important for providing company information for the benefit of parties outside the company, namely: shareholders or investors, the government, and other parties.

Financial statements are the main tools for conveying financial information to the public, financial statements describe the company and the company's quantitative in terms of money. Financial statements that are presented include financial position statement, income statement, cash flow statement, change in equity, and notes to financial statements [1].

The demand for compliance with the timeliness in financial statements submission of public companies in Indonesia is regulated in Law number 8 in 1995 concerning the capital market, which states that all companies registered in Bapepam are required to periodically submit financial statements to Bapepam and publish them to the public. Then reinforced by regulation Number XK6 Attachment to the Decree of the Chairman of Bapepam Number: KEP-431 / BL / 2012 which states that Issuers or Public Companies whose registration statements have become effective are required to submit an annual report to Bapepam and LK no later than 4 (four) months after the financial year is over.

Many factors affect the timeliness of delivering financial statements including profitability, liquidity, company size, and the reputation of accounting firms. The first factor is that profitability is the company's ability to generate profits in the future, the profitability of a company is important information for investors as a consideration to investing the funds [2]–[5].The research that conducted by [6]–[8]revealed that profitability has a positive and insignificant effect on the timeliness of financial statements submission. Meanwhile, the research conducted by [9] and [10]states that profitability has a significant positive effect on the timeliness of financial statements submission.

Liquidity is a company's ability to meet its short-term obligations, a company by fulfilling its short-term obligations, the liquidity ratio is also often called the working capital ratio which is used to measure how liquid a company is [11]. Research conducted by [12] and [13] states that liquidity has a positive and insignificant effect on the timeliness of financial statements submission. However, research conducted by [9]states that liquidity has a negative and insignificant effect on the timeliness of financial statements submission.

Company size is total sales, market capitalization, asset value, number of workers, and so on. The size of a large company is associated with high company performance because it has high management performance and the use of better technology so that it will make the company on time in corporate financial reporting [6]. Research conducted by [3] states that company size has a negative and insignificant effect on the timeliness of financial statements. However, research conducted by [14] and [10] states that company size has a significant positive effect on the timeliness of financial statements submission.

The reputation of a large public accounting firm with a good reputation, usually this accounting firm affiliated with a universal accounting firm oraccounting firm that is affiliated with Big 4 will tend to submit their financial reports on time [14]. Research conducted by [15] states that a public accounting firm's reputation has a negative and insignificant effect on the timeliness of financial report submission, while [7] research states that a public accounting firm's reputation has a positive and insignificant effect on the timeliness of financial statements submission.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

Signaling theory shows the existence of information asymmetry between company management and the parties with an interest in the information released by company management. The information asymmetry appears when management does not fully convey information that can affect the value of the company to the capital market. The signaling theory mention that how companies should provide signals to users of financial statements [16].

Hypothesis Development

Profitability is a ratio to measure the company's ability to generate profits at the level of sales, assets, and certain share capital. The ratio used in this research is Return On Total Asset (ROA). This ratio measures the company's ability to generate net income based on certain asset levels [5]. Based on the signaling theory, companies that get high profits will make the management immediately submit their financial reports to the principal or the public because they relate to the compensation that will be received. So that companies with a high level of profitability will provide positive signals or good information for investors so that investors will be interested in investing their funds in that company.Research conducted by [9] and [14] states that profitability has a positive effect on the timeliness of financial reporting. Based on this explanation, the hypothesis in this study is,

H_1: Profitability has a positive effect on the timeliness of financial reporting.

Liquidity is the company's ability to meet its short-term obligations. The liquidity of a company can be seen from the comparison of current assets and current debt, where companies with high liquidity tend to have a high ability to meet their short-term obligations [17]. Based on the signaling theory, companies with high levels of liquidity will submit their financial reports in a more timely manner to the public, where the available information will be able to provide input for the public in the making of economic decisions. This is a good signal for users of financial statements or investors.Research conducted by [16][8][4], [14] states that liquidity has a positive effect on the timeliness of financial statements, so the hypothesis in this study is,

H_2: Liquidity has a positive effect on timeliness.

Companies that have large assets, have more information sources, have many employees, sophisticated information systems, have a strong internal control system and external supervision will make the company submit its financial statements more on time [3]. Based on the signaling theory, companies with large resources and supporting components such as employees and sophisticated information systems will provide positive signals to attract investors in the making of economic decisions, so they will invest their funds in the company. Research conducted by [16] and [14] states that company size has a positive effect on the timeliness of financial reporting. Based on this explanation, the hypothesis in this study is,

H_3: Company size has a positive effect on timeliness.

Companies that use accounting firm services to audit the company's annual financial statements. Large companies will tend to use reputable auditors that they perform audits more efficiently so they will produce fairness information in their financial statements [14]. Based on the signaling theory, companies that use accounting firms affiliated with the Big Four will make good financial statements and the fairness in their financial statements also will give a positive signal to the public. This is because accounting firm Big Four and accounting firms affiliated with Big Four are considered capable of doing their audit work more effectively and can be completed on time, so that the company will immediately submit its financial statements in a more timely manner.

Research conducted by [14] and [13] revealed that the reputation of an accounting firm has a positive effect on the timeliness of financial reporting, so the hypothesis in this study is,

H_4: The reputation of an accounting firm has a positive effect on the timeliness of financial reporting.

III. RESEARCH METHODS

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2018. 568 data were obtained from the population. To take the sample was using a purposive sampling method. The following is a table of population and research samples:

Table 1. Research Samples

No	Note	15	16	17	18	Total
1	Manufacturing companies listed on the IDX 2015-2018	143	144	146	163	596
2	Companies that have incomplete data	(4)	(11)	(4)	(9)	(28)
	Total	139	133	142	154	568

Types and Source of Data

The data used in this research is secondary data. The data came from manufacturing companies that listed on the Indonesia Stock Exchange (IDX) in 2015-2018. The data was obtained from www.idx.co.idin 2015-2018 and the variables used in this study were: Profitability, Liquidity, Company Size, and Public Accounting Firm Reputation.

Variable Measurement

In this study, the timeliness of financial reporting is the dependent variable. The timeliness of financial reporting is measured by using dummy variables.

Profitability

Return on assets (ROA) is the ratio between net income after tax to the company's total assets statement.

$$ROA = \frac{Net\ Income\ After\ Taxes}{Total\ Aset}$$

Liquidity

Comparison of current assets to current debt.

$$CR = \frac{Total\ Current\ Assets}{Total\ Current\ Debt}$$

Company Size

Company size is measured using Ln (Total Asset) in the company.

$$SIZE = LN\ (Total\ Asset)$$

Public Accounting Firm Reputation

Public Accounting Firm reputation is measured using dummy variables.Number0 : Accounting Firm non-bigfour*and* number 1 : Accounting Firm big four.

Data Analysis Method

Logistic Regression. Logistic regression is used to analyze data because the dependent variable is dichotomous (on time and inaccurate).

Hosmer and Lemeshow.

The feasibility test of the logistic regression model can be done through the goodness of fit test with a Chi-Square value. If the sig value> 0.05, the hypothesis is accepted, so the empirical data has fit the model. However, if the sig value <0.05, the hypothesis is rejected because the empirical data does not fit the model, so the model is said to be not fit.

Coefficient of Determination

The value of the coefficient of determination in the logistic regression model is shown by the Nagelkerke R Square value. The use of Cox and Snell R Square analysis is to determine the extent to which the model explains the independent variables, while Nagelkerke R Square is a modification of Cox and Snell R Square to ensure that the value varies from 0 to 1.

The Regression Coefficient Testing

Several things that need to be considered in the regression coefficient test include: (1) the significance level used is 5%. (2) the criteria for acceptance and rejection of the hypothesis are based on the significance of the p-value (probability value) if the p-value (significant) is> 5% then the alternative hypothesis is accepted. The regression model used is as follows:

$$Ln = \frac{TW}{1-TW} \quad = \alpha + \beta_1 ROA + \beta_2 CR + \beta_3 SIZE + \beta_4 KAP + e$$

Explanation:

$= \frac{TW}{1-TW}$ =Timeliness of Financial Reporting
ROA = Profitability (*Return on Asset*)
CR = Liquidity (*Current Ratio*)
SIZE = Company Size
KAP= Public Accounting Firm Reputation
e = *Error*

IV. RESULTS AND DISCUSSION

Hosmer and Lemeshow's testing

Table 2. Hosmer and Lemeshow's testing

Step	Chi-square	Df	Sig.
1	11.264	8	.187

Source : Results of SPSS Data Processing

It can be seen that the output of the Hosmer and Lemeshow Test shows the Chi-square value of 11.264 with a significant level of 0.187. Based on a significant value of more than 0.05, it can be concluded that the model is able to predict the value of observations or it can be said that the model is acceptable.

The Whole Model Testing

Table 3. Comparison of Value -2LL Beginning and End of 2LL

-2LL Beginning (*Block Number =0)*	238,643
-2LL Beginning (*Block Number =1)*	213,377

Source: Results of SPSS Data Processing

Testing on Block Number 0 obtained a -2 log likelihood value of 238.643. While in Block Number 1, the value of -2 log likelihood is 213.377. This shows that there is a decrease in the value of -2 likelihood. Derivation of the -2 likelihood value model indicates a good regression model or a model that is hypothesized fit with the data.

Coefficient of Determination

Table 4. Test Results of Cox and Snell R Square and Nagelkerke R Square

step	-2Log likelihood	Cox &Snell R Square	Nagelkerke R Square
	247,010[a]	,045	,128

Source : Results of SPSS Data Processing

The Cox and Snell R Square value is 0.045 and the Nagelkerke R Square value is 0.128. This means that the variable timeliness can be explained by the variables of profitability, liquidity, company size, and the

PublicAccounting Firm Reputation of 12.8% while the remaining 87.2% is explained by variables outside the research model.

Hypothesis Testing

Tabel 5. Hypothesis Testing

		B	S.E.	Wald	DF	SIG.
Step 1a	ROA	5.312	1.965	7.306	1	.007
	CR	.208	.162	1.654	1	.198
	SIZE	-.166	.086	3.741	1	.053
	RKAP	1.139	.569	4.012	1	.045
	Constant	6.647	2.428	7.495	1	.006

Source : Results of SPSS Data Processing

The results of the hypothesis test above show that for the profitability variable (ROA) the beta coefficient value is 5.312 with a significant value of 0.007 which is smaller than 0.05. So that this value can be interpreted that profitability has a significant positive effect on the timeliness of financial statements submission. So it can be concluded that H1 which states "profitability has a positive effect on the timeliness of financial reporting "is accepted".

The liquidity variable (CR) obtained a beta coefficient value of 0.208 with a significant value of 0.198 which is more than 0.05. So that this value can be interpreted that liquidity has a positive and insignificant effect on the timeliness of financial reporting, so it can be concluded that H2 which states that "liquidity has a positive effect on the timeliness is rejected".

The company size variable (SIZE) obtained a beta coefficient value of -0.166 with a significant value of 0.053 which is more than 0.05. So that this value can be interpreted that company size has a negative and insignificant effect on the timeliness of financial statements submission. So it can be concluded that H3 which states "company size has a positive effect on the timeliness of financial report submission" is rejected".

The public accounting firm reputation variable (RKAP) obtained a beta coefficient value of 1.139 with a significant value of 0.045 which is smaller than 0.05. So that the value can be interpreted that the reputation of the public accounting firm has a significant positive effect on the timeliness of the submission of the financial statements. It can be concluded. H4 which states "The reputation of an accounting firm has a positive effect on the timeliness of financial reporting" is accepted.

Discussion

Profitability and the timeliness of financial reporting.

The results of hypothesis testing show that profitability (ROA) affects the timeliness of financial reporting. Companies that have high profitability will tend to submit their financial reports on time, because high companies also tend to provide high dividends to investors so that they will attract investors to fund their funds back.Based on the signaling theory, companies that get high profits will make management immediately submit their financial reports to investors or the public because they relate to the compensation that they will receive so that companies with high profitability will get positive signals that will have an impact on investors to fund their funds back.The results of this study are in line with research conducted by [18]which shows that liquidity has a significant positive effect on the timeliness of financial reporting.

Liquidity and Timeliness of Financial Statements Submission.

The results of hypothesis testing show that liquidity (CR) has no effect on the timeliness of financial reporting. The size of a company's ability to pay its short-term debt has no effect on the accuracy of the company's financial reporting, both companies that have high and low levels of liquidity will try to deliver the company's financial reports on time. It could be that a company with a high level of liquidity cannot pay its short-term debt to investors so that short-term debt becomes the company's long-term debt.This is not in accordance with the signal theory, companies with high and low short-term liabilities will both submit their financial reports on time, so that companies with the ability to pay large short-term obligations do not always get positive signals from investors, they could be companies with long-term capabilities. in short, it gives a positive signal to investors to donate funds to the company.The results of this study are in line with research conducted by [15] and [12] which shows that liquidity has a positive and insignificant effect on the timeliness of financial reporting.

Company Size and Timeliness of Financial Statements Submission

The results of hypothesis testing show that company size (SIZE) has no effect on the timeliness of financial reporting. A company that is on-time does not consider the characteristics of the company itself, both large and small companies will deliver their financial reports on time because it has been regulated by Bapepam, that large and small companies must submit financial reports on time and investors are not right to put pressure on the large companies only.This is not in accordance with the signal theory, large companies have many sources of information, more accounting staff, sophisticated information systems, have strong internal controls, the existence of investor supervision, regulators, and the public spotlight will give positive signals to investors, but on Basically, large and small companies alike will submit their financial reports on time.The results of this study are in line with research conducted by [7] which states that company value has a negative and insignificant effect on the timeliness of financial reporting.

The Reputation Of An Accounting Firmand The Timeliness Of Financial Reporting

Hypothesis test results show that the reputation of an accounting firm affects the timeliness of financial reporting. The betterthe reputation of an accounting firm from the Big 4 that is used by a company to audit its financial statements, the better the company will submit its financial reports to investors in a more timely manner.

Financial reports that are audited by a reputable and affiliated with accounting firm Big 4 will be able to be trusted more by the public or investors that the financial statements have been properly audited and verified, so that companies will be more motivated to submit their financial statements as soon as possible. This is in accordance with the signal theory, the company will provide a positive signal to investors by providing information about the company's financial statements to the public in a more timely manner and in accordance with the truth so that there is no misinformation. Company information will be very important and needed by the public for making investment decisions.

The results of this study are in line with research conducted by [14] and [13] which shows that the reputation of public accounting firms has a positive and significant effect on the timeliness of financial report

V. CONCLUSIONS AND SUGGESTIONS

Based on the results of the tests that have been done, the following conclusions can be drawn as follows: 1). profitability has a significant positive effect on the timeliness of financial reporting, 2). liquidity does not affect the timeliness of financial reporting, 3). company size does not affect the timeliness of financial reporting, and 4). the reputation of the public accounting firm has a significant positive effect on the timeliness of financial reporting.

Limitations.1).The results of this study indicate that the independent variable on the dependent variable is 0.128 which means that the variables used in this study only affect the timeliness of financial reporting by 12.8%. This shows that there are other variables that can affect the timeliness of financial reporting, and 2).This study only uses 4 variables including: profitability, liquidity, company size and reputation of the Public Accounting Firm. However, of the 4 variables, only 2 variables affect the timeliness of financial reporting, namely: Profitability and Reputation of the Public Accounting Firm.

Suggestions that can be given for further research are as follows: 1).the sample used can be added back so that it is not limited to manufacturing companies listed on the Indonesia Stock Exchange, 2). future research can add research variables such as auditor opinion, ownership structure and leverage, and 3). it is expected to extend the research period so that it will produce better results than previous studies.

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