



The Effect of Company Size, Profitability and Company Age on the Timeless of Financial Reporting

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ABSTRACT

This research seeks to evaluate how financial reporting timeliness is influenced by three key variable – company size, profitability, and company age. Timely financial reporting holds significance in the realm of corporate finance, as it enables stakeholders to make more informed decisions. The study focuses on companies listed on the stock exchange that have released financial reports in recent years, specifically examining properties and real estate firms listed on the Indonesia Stock Exchange between 2019 and 2021. To examine the correlation between the independent variables (company size, profitability, and company age) and the dependent variable (timeliness of financial reporting), the study employs various statistical analyses, including linear regression. The research follows a quantitative descriptive approach, involving descriptive statistical data analysis, classical assumption testing, multiple linear regression tests, hypothesis testing, and coefficient of determination test. The result indicate that all independent variables have a simultaneous effect on the timeliness of financial reporting. Partially the variables of company size company size and profitability have a negative effect, whereas the age of the company has no effect on the timeliness of financial statements. This suggests that fundamental factors associated with a company play a crucial role in determining the accuracy of its financial reports

INTRODUCTION

Properties and Real Estate sectors are one of the important sectors that exist in a country and is one of the sectors that gives a signal to fall or build a country. This explains that more and more companies are engaged in properties and real estate. The sector of industrial properties and real estate stands out as a dominant force among the companies listed on the Indonesia Stock Exchange (IDX). The considerable presence of companies engaged in properties and real estate, coupled with the current economic conditions, has intensified competition within this sector. Consequently, companies are striving to enhance their performance to achieve their respective objectives in this competitive landscape.

The property industry and real estate are experiencing rapid growth, evident from the escalating number of companies being listed on the Indonesia Stock Exchange (IDX). In the 1990s the number of registered companies was only 22 companies, but entered the 2000s to 2022 the number of companies registered became more than 80 companies (www.idx.co.id). The property and real estate yields a wide array of products, including housing, apartments, shop houses, office houses (Rukan), office buildings, and various commercial spaces such as shopping centers, malls, plazas, and trade centers. The following data on the growth of the Properties & Real Estate industry recorded in 2010 - 2022



Figure 1. Growth Growth of Industry Properties & Real Estate

In Figure 1 it can be seen that the GDP (Gross Domestic Product) of the real estate industry has increased in 2019 to 2020, while the annual real estate growth in 2019 to 2020 has decreased. In 2020 to 2021 GDP Industry Real Estate experienced an increase, and the growth of the annual real estate in 2020 to 2021 also increased. This research was conducted on Properties & Real Estate companies on the Indonesian Stock Exchange on the grounds that the development of the Indonesian economy has now been in the direction of the improvement, this is proven by the government with vital infrastructure development and can support the development of the Indonesian economy. One sector that will benefit from the quality of infrastructure is a business in the Properties & Real Estate.

Companies must be able to maintain good performance, and carry out activities effectively and efficiently. No exception also with companies engaged in Properties & Real Estate, companies must have goals and objectives to be achieved. One of the goals of the company is to make maximum profit, so that

the company can immediately publish financial statements to shareholders or the public as an important basis in making investment decisions (Indra & Arisudhana, 2017).

Based on the decision of the Kep-346/BL/2011 regarding the presentation of financial statements, public companies listed on the Indonesia Stock Exchange are mandated to submit their annual financial statements to Bapepam and Financial Institutions (LK). Additionally, these companies are required to make public announcements no later than the conclusion of third month after the reporting date. The annual financial statements must adhere to financial accounting standards and undergo an audit conducted by public accountants registered with Bapepam and LK. The disclosed annual financial statements should include, at a minimum, the statement of financial position (balance sheet), comprehensive statement, and cash flow statements, and the accountant's opinion (Keputusan Ketua Bapepam, 2011)

Annual financial statements are useful for parties concerned with report information, such as management, investors, creditors, and government because the financial statements of a company contain information about profits generated by the company (Permatasari & Saputra, 2021). Where it is one of the basis in making decisions to buy or sell ownership owned by investors if earnings information experiences delays in their delivery to the public it will cause negative reactions from capital market participants (V. Yulianti, 2020). Delay in reporting, indirectly also interpreted by investors as a bad signal for the company. This shows that the earnings information from the published financial statements will cause an increase or decrease in the company's share price.

Financial statements submitted to Bapepam must be accompanied by an audit report by a public accountant. Consequently, even after the company finalizes its financial statements, an independent auditor must undertake an audit process. The duration of the audit process is a critical factor, as a prolonged period increases the likelihood of the company submitting financial statements late to Bapepam and others users. The examination of financial statements is time-intensive due to factors such as the extensive volume of transaction, transaction complexity, and inadequate internal controls. These factors contribute to a delay in financial reporting timeliness. The time discrepancy between the financial statement date and the period covered in the report on 2019 until 2021 reflects the duration required for audit completion. This situation is commonly referred to as the timeliness of financial reporting.

Many aspects that might affect the timeliness of financial reporting on a company. The study considers several factors, including the size of the company, profitability and age. Company size, measured by total assets or overall wealth, is a primary focus of this research. The dimension of company size is frequently employed in initial research stages. According Pournali et al. (2013), larger companies exhibit a negative impact on the timeliness of financial reporting. This phenomenon is attributed to the notion that larger companies typically possess more effective internal control mechanisms.

Companies with robust internal control systems aim to facilitate auditors, reducing the likelihood of errors in their audit reports. However, contrary to some prior research (Indra & Arisudhana, 2012; Yahya & Cahyana, 2020), the size of the company does not exert a significant influence on the

timeliness of financial reporting. The study's findings indicate that whether a company is large or small does not impact the duration of financial reporting. This is attributed to the evaluation of company size using total assets, which is considered more conventional than market value or sales level. Consequently, the size of the company does not play a role in affecting the timeliness of financial reporting.

The second factor that may impact the timeliness of financial reporting is profitability, representing a company's ability to generate profits. A. Yulianti (2011), argues that profitability does not influence the timeliness of financial significantly, as the demands from concerned parties are not substantial enough to prompt companies to expedite the publication of their financial statements. In contrast, other studies (Lestari, 2010; Yahya & Cahyana, 2020) suggest that profitability does not affect the timeliness of financial reporting. Companies with higher levels of profitability tend to prioritize swift publication, aiming to enhance their public value.

A company receiving a qualified opinion comment faces challenges in addressing the persistent inefficiency in the timeliness of financial reporting. This issue arises from the extended duration of the audit process, as it involves negotiations with clients and consultations with senior audit partners. In contrast to companies receiving unqualified opinions, those with favorable audit assessments tend to have shorter financial reporting timelines. This is because such companies are less likely to delay release of financial statements containing positive news.

The final factors expected to impact the timeliness of financial reporting is the age aspect of the company is the duration of the company operating. According to research findings by Witjaksono & Silvia (2014), the age of company does not have a significant effect on the timeliness of financial reporting. Companies with a lengthy operating history do not necessarily ensure faster audit settlements due to the inherent complexity of financial statements.

In contrast, research by Indra & Arisudhana (2012) suggest that the age of the company influences the duration of financial reporting, specially in the context of negative effect. The longer the company's age, the more likely the timeliness of financial reporting will be shorter. This is attributed to the perception that companies with longer operating histories are deemed more proficient and experienced in collecting, processing, and producing necessary data promptly.

The Southeast Asian property market experienced major developments in 2014 due to fundamental macroeconomic forces. The country of Indonesia is experiencing developments in the property zone driven by the rapid development of the middle class in 2013 which experienced an increase of 37% from 2004 to 56.7%. Investors view this as a profitable investment opportunity. The increase in direct investment funds from both local and foreign reached 30 billion USD, this prompted an increase in the average selling price of company land due to the ability to increase demand. There is an MP3EI program (Master Plan for the Acceleration and Development of the Indonesian Economy) is the Indonesian government's flagship program in the property and real estate sector, this also supports investors' interest in investing their shares in the property and real estate sector. Developments in the property and real estate sector in Indonesia continue to be rapid, so that investors' need for timely financial reports

continues to increase and the timeliness of financial reporting is expected to continue to increase.

The research focuses on property and real estate company objects in 2019-2021, the selection period is intended to analyze the development of property and real estate companies during the research period. The research aims to analyze the influence of company size, profitability and company age on the timeliness of financial reporting. Hypothesis development is needed in this research to prove the research results. A hypothesis is a temporary assumption about the research that will be carried out based on theory and previous research.

The Company size is gauged using the total assets owned by the company. This metric can impact the precision of financial report submissions, a requirement for companies listed on the Indonesia Stock Exchange aiming to attract investors and secure investments for their capital. Large companies tend to have sophisticated systems and professional management that supports the accuracy of submitting financial reports, so the research hypothesis is stated in the first hypothesis, namely the positive influence of company size on the accuracy of submitting financial reports. This hypothesis is supported by research (Azhari & Nuryatno, 2019; E Janrosl, 2018; Maulana, 2022) .

The second hypothesis is the positive influence of profitability on the timeliness of submitting financial reports. Profitability or the company's profit level as measured by return on assets shows the company's success in generating profits which reflects the level of effectiveness achieved by the company's operations (E Janrosl, 2018) . The higher the profits generated by the company indicate that the company's performance is getting better, so that the company can provide this information in a timely manner to convey it to interested parties (Anissa et al., 2020; Astuti & Erawati, 2018) .

The third hypothesis is the positive influence of company age on the accuracy of submitting financial reports. This allegation is based on research conducted by (Martha & Gina, 2021) . Timely submission of financial reports by companies that have been operating for a long time or have a high company age shows the company's maturity in facing challenges in the business world. The longer a company operates, the richer its experience becomes so that it has expert and professional resources, which has an impact on the company's ability to minimize emerging risks.

METHODOLOGY

The research method uses quantitative descriptive research with data analysis methods using descriptive statistical analysis, classical assumption tests, coefficient of determination tests. The research population focuses on property and real estate companies for the 2019-2021 period.

The operational definition of variables is as follows:

- a. The dependent variable is a factor that is impacted by other variables. In this study, the dependent variable is the timeliness of financial reporting within property and real estate companies listed on the Indonesia Stock Exchange from 2019 to 2021. The timeliness of financial reporting is defined as the duration required by an independent auditor to conclude the audit process, measured from the year-end closing date of December 31 to the date specified

in the independent auditor's report. This measurement is conducted quantitatively in terms of days.

Timeliness of financial reporting = Audit Report Date - Financial Report Date (Suwardjono, 2011)

b. Independent variables are variables that influence other variables. Other variables in this research include:

1. Company Size (X1)

Company size refers to the magnitude of a company, which is evaluated based on the extent of its wealth, specifically the total assets it possesses. The total assets owned by a company serve as a determining factor for its overall size.

2. Profitability (X2)

Profitability signifies a company's capacity to generate earnings within a specific timeframe. In this study, profitability is assessed through the Return on Assets (ROA) ratio, calculated by dividing net profit by total assets.

$$ROA = \frac{Net\ Profit}{Total\ Assets}$$

3. Company Age (X3)

Company age is determined by the duration a company has been in operation, calculated from its founding date to the closing date of its financial books. In this research, company age is measured by the length of time the company has been in operation since the company was founded until the company closed its books. The book closing calculation in this research uses the company's book closing years in 2019, 2020 and 2021.

Company Age = Year the books were closed - Year the company was founded (Indra & Arisudhana, 2012)

RESULT

The results of descriptive statistical tests show minimum, maximum, mean and standard deviation values. Where the greater the standard deviation value, the greater the real value deviates from what is expected. The test results in Table 1 show that the standard deviation values for all variables show values less than the mean value, which means that there is no data deviation for the research variables. The following are the results of descriptive statistical tests:

1. Results of Descriptive Statistical Tests

	N	Minimum	Maximum	Mean	Std. Deviation
Size	66	17.08	24.83	22.1270	1.69974
ROA	66	.00	.20	.0417	.03921
Age	66	6	49	29.41	12,659
Timeless	66	41	238	95.98	34,656
Valid N (listwise)	66				

Table 2. Results of Multiple Linear Regression Tests

Variable	Coefficient	Std. error	T statistic	Significant
Constant	221,700	52,969	4,185	0,000
Size	-4,801	2,393	-2,006	0.049
ROA	-230,767	106,078	-2,175	0.033
Age	-0.336	0.331	-1.015	0.314

In table 2, the regression equation can be explained as follows:

$$Y = 221.7 - 4,801 \text{ Size} - 230,767 \text{ ROA} - 0.336 \text{ Age} + e$$

The constant value of 221.7 shows positive results in the same direction between the independent variable and the dependent variable. This shows that if all independent variables (Size, ROA, Age) have a value of zero percent or have not changed, then the accuracy value of the financial statements is 221.7. The independent variable has a negative sign, indicating that the direction of influence of size, ROA and Age is opposite to the accuracy of financial reports.

Table 3. F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12417.094	3	4139.031	3,909	.013 ^b
Residual	65649.891	62	1058,869		
Total	78066.985	65			

Table 3 shows that simultaneously the variables company size, profitability and company age influence the accuracy of financial reports. These results are proven by a significance value of 0.13, less than a significance value of 0.05.

Table 4. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,399a	,159	.118	32.54027

Table 4 shows the contribution level of the size, ROA and Age variables in influencing the accuracy of financial reports with the contribution level of the three variables being 11.8 percent. The remaining 88.2% can be explained by other variables outside the research variables.

DISCUSSION

Based on the first hypothesis, company size has a positive effect on the timeliness of financial reporting, meaning that the larger the company size, the more accurate the level of financial reporting will be on time or audit delays will not occur. This aligns with the findings of the conducted research, as indicated by a significance value of 0.049, which is below the 0.05 threshold, and a t-value of -2.006 compared to the t-table value of -1.199897. The research results are in line with (Azhari & Nuryatno, 2019; E Janrosl, 2018) . Which means that the results of research on property and real estate company objects for the 2019-2021 period show that the larger the company size, the more the company makes delays in submitting financial reports. This is possible due to the Covid-19

pandemic which has caused many companies to see their asset values decrease and this has had an impact on asset valuation so that delays in submitting financial reports can occur.

Research by Maulana (2022) are different from research results which show that company size has a positive effect on the accuracy of submitting financial reports. The bigger a company then the company will be more timely in submitting financial reports, because the bigger the company, the more it has resources, more staff sophisticated accounting and information systems and has an internal control system strong so that it will be faster to complete financial reports. Furthermore, the research results contradict (Astuti & Erawati, 2018) which states that company size does not affect the accuracy of submitting financial reports.

The second hypothesis states that there is a significant influence of profitability on the timeliness of financial reporting. The research results show that profitability as a proxy for return on assets has a negative and significant effect on the timeliness of financial reporting. The test results show significant values equal to $0.033 < 0.05$ and tcount value - 2.175 and ttable value - 1.9817 which means that company size has a significant negative effect on the timeliness of financial reporting. This proves that the management of companies that gain profits will use this good information to provide signals to investors to support the continuity of management's current position and higher compensation for management, so that management is able to submit financial reports on time. The results of this research are in line with (Purba, 2020).

The age of the company has no effect on the accuracy of submitting financial reports as in the research results which show a significance value of 0.314 more than 0.05. These results show that there is no relationship between the company's length of time and the timely submission of reports. The research results are also in line with research conducted by (Anissa et al., 2020; Astuti & Erawati, 2018; Indra & Arisudhana, 2012; V. Yulianti, 2020). This research shows that the age of the company does not influence the timeliness of the publication of financial reports, which indicates that the age of the company is not a measure for investors in choosing a company, so that investors and the market will tend not to pay attention to the company's delay in publishing financial reports.

Based on the results of the fourth hypothesis, it shows a significance value of $0.013 < 0.05$ (5%) which means that company size, profitability and company age simultaneously or together influence the timeliness of financial reporting.

CONCLUSION AND RECOMMENDATION

Based on the research findings and discussion regarding the impact of company size, profitability, and company age on the timeliness of financial reporting within property and real estate companies listed on the IDX from 2019 to 2021, the results indicate that the company size variable negatively influences the accuracy of financial reports. Conversely, profitability has a positive impact on the accuracy of financial reports, while company age does not exhibit a significant effect on report accuracy. When considered collectively, the variables of company size, profitability, and company age significantly influence the accuracy of financial reports, with a coefficient of determination value of 11.8%. The implications of this research show that companies that submit financial reports on time are more dominantly influenced by fundamental factors, namely

the number of assets and the company's profit level. Meanwhile, external factors, in this case the age of the company, have no impact on the accuracy of financial reports. It is hoped that companies will pay more attention to fundamentals or internal factors than external factors. Because internal improvements to the company can improve the company's image externally.

SUGGESTION

This research has limitations, including the research period which only used a period of three years, and the focus of the object was only on property and real estate companies so the research sample was limited. Suggestions for future researchers, it is hoped that they can increase the number of samples, as well as continue the research by using variables outside the research variables such as Good Corporate Governance, tax avoidance, or other variables outside the variables studied.

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