The Effect of Earning Management, Profitability, and Firm Size on Audited Financial Statement Timeliness

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Abstract:- The purpose of this study is to obtain empirical evidence regarding the effect of earning management, profitability, and firm size on audited financial statement timeliness at trading, service, and investment companies listed in Indonesia Stock Exchange during 2015-2017. The sampling method used in this study to collect research sample is purposive sampling method, with the result that 41 companies were included in the research sample. Data used for this study is obtained from audited financial statement for the year ended December 31st during 2015-2017 collected as the research sample. Data used for this study is obtained from audited financial statement for the year ended December 31st during 2015-2017. Binary logistic regression is used to test the hypothesis using SPSS 23.0. This study’s result shows that earning management and profitability have significant effect on audited financial statement timeliness, while firm size does not have significant effect on audited financial statement timeliness.

Keywords:- Audited Financial Statement Timeliness, Earning Management, Profitability, Firm Size.

I. INTRODUCTION

Otoritas Jasa Keuangan (OJK) states that Indonesia’s capital market has developed very rapidly. The rapid development of the Indonesian capital market invites investors from both inside and outside the country to invest in Indonesia. At present, the capital market has become one of the long-term funding sources for the government, for example for infrastructure development. Indonesia’s capital market which is starting to develop will certainly increase competition and challenges, not only from within the country, but also globally.

The tight competition in the Indonesian capital market requires companies to have high competitiveness and be more transparent in terms of financial statements. According to PSAK 1 of 2015, financial statements are a structured presentation of the financial position and financial performance of an entity. Financial statement is a part of the financial reporting process. The objective of the preparation of the financial statements done by companies is as a form of corporate accountability to corporate stakeholders, both internal parties (company management and employees) and external companies (creditors, investors, governments, suppliers, customers, and the wider community). Financial statements as a form of corporate responsibility give signals to stakeholders regarding company performance, in accordance with Signaling Theory. In addition to being used as a form of corporate responsibility, financial statements also play an important role in knowing the performance and financial condition of the company, as a basis for preparing company operational planning, and can be used as a basis for decision making and assisting management in controlling the company.

The financial statements of the public’s companies that are available on the capital market have important functions for the stakeholders of the companies. Information which is contained in the financial statements can help stakeholders in decision making. The importance of financial statements as information that helps in making decisions requires companies to prepare financial statements properly in accordance with the applicable regulations. One of the criteria for a good financial statement is that a financial statement has to be relevant. Financial statements are called relevant when the information in the financial statements can help the financial statements’ users to evaluate the past or present events and predicting the future, so that it can influence user decisions. Good financial statements must be able to help users in making decisions. The function of financial statements as a basis for making decisions requires companies to submit their financial statements in a timely manner. If the company is late in submitting its financial statements, the information in the financial statements becomes irrelevant and cannot be used as a basis for users to make decisions.

Public companies in Indonesia have an obligation to deliver their financial reports in time in accordance with the Directors of the Jakarta Stock Exchange Decree Number Kep-306 / BEJ / 07-2004 concerning Regulation Number IIE concerning Obligation to Submit Information Chapter III.1.6.2, namely annual financial reports must be submitted in the form of annual financial statements, no later than the end of the third month after the period end of the annual financial report. However, there are still many public companies that are not timely in submitting their annual financial reports, thus causing asymmetry of information between management (agents) and stakeholders (principal). The company does not pay attention to the principal needs of the information which is presented by the company in financial statements, where the information must be relevant to be used as a basis for decision making. This is in accordance with the Agency Theory.
There are several factors that can affect timeliness of audited financial statements, namely earnings management, profitability, and firm size. These variables were chosen because of differences in the results of previous studies. This research was conducted to reexamine whether earnings management, profitability, and firm size affect the audited financial statement timeliness.

II. LITERATURE REVIEW

A. Agency Theory

Agency theory is a theory that studies the conflicts that occur between the principal and the agent. Agency theory describes shareholders as principals and company management as agents. Company management is a party employed by shareholders to work in the interests of shareholders (Scott, 2015). The shareholders then delegate some of the power to company management to make decisions. Therefore, company management must account for all its efforts to shareholders. However, often individuals in the company (agents) tend to act for their own sake. The power to take decisions delegated by the principal to the agent is often misused by the agent to achieve the goal in the agent's personal interest. This encourages the emergence of conflicts of interest among the principal and the agent.

The management of the company as an agent is a party that is in the company directly, so that the management of the company knows more about the ins and outs of the company compared to shareholders who rarely even directly in the company, when the agent has more information about the company than the principal, there is a situation of information imbalance (asymmetry information).

B. Signaling Theory

Signaling theory explains that good financial statements are signals or signs that the company is operating well (Ross, 1977). The management of the company knows more about the ins and outs of the company compared to the stakeholders of the company. This happens because company management is the party that runs the company's operations directly. According to Brigham and Houston (2013), asymmetry information is a situation where company management knows more and better information about the company compared to shareholders or company investors. The signal process (information delivery) aims to reduce the asymmetry information received by the company's stakeholders (Scott, 2015). Publication of the company's financial statements is one form of the company's business in providing signals to the public and reducing the asymmetry of information that occurs.

C. Audited Financial Statement Timeliness

Audited financial timeliness statement can be assessed from the date of submission of audited annual financial statements. The company is said to be on time when submitting audited annual financial statements no later than the end of the third month after the date of the annual financial report. The company is said to be not timely if it submits audited annual financial statements beyond the limit of three months after the date of the annual financial report (Directors of the Jakarta Stock Exchange Decree Number Kep-306 / BEJ / 07-2004).

D. Earning Management

Earning management is the effort of the company's management to intervene in the company's financial statements, thus affecting the information contained in financial statements. According to Scott (2015), earnings management can be done with 4 types of patterns, namely taking a bath, income minimization, income maximization, and income smoothing. Earning management can be measured using Discretionary Accruals using the Modified Jones model. Company management always expects good corporate performance results. When the results obtained do not meet expectations, company management will tend to do earnings management. Companies that conduct earnings management on their financial statements tend to be late in submitting annual financial reports. Companies need time to intervene in financial statements, whether it is raising, decreasing, or leveling profits, so companies that conduct earnings management need more time to complete financial statements. The financial statements that are completed later will delay the implementation of the audit process, and then end in the late submission of annual financial reports. This is reinforced by the results of the study of Seni and Mertha (2015) which states that earnings management has a negative effect on audited financial statement timeliness. However, this is not in line with the research results of Noviansyah (2016) which states that earnings management does not affect the audited financial statement timeliness.

E. Profitability

Profitability is one dimension of a company's financial performance that can show the company's ability to generate projects (Nurfauziah, 2016). Profitability shows the ability of a company to generate profits, which can be seen from the rate of return (return) obtained by the company from asset turnover. The profitability of a high company is considered good news for the public, and conversely low profitability or loss of a company is considered bad news for the public (Ha, Hung, and Phuong, 2018). Several types of ratios that can be used to measure profitability according to Gitman and Zutter (2015) are Gross Profit Margin, Return on Assets, Return on Equity, and Per Share Earnings. This study uses Return on Assets (ROA) to measure the level of profitability. The high profitability of the company shows a good condition of the company, so it gives a good signal to the users of corporate financial information. The good condition of the company which is described by high profitability is considered good news for the public, this shows that the company does not have things that are hidden from the public, so that the submission of company financial statements is not hampered and can be delivered on time. On the contrary, the low profitability of the company shows that the condition of the company is not good, so
that it gives a bad signal to the users of corporate financial information. Poor company conditions usually hinder the delivery of company financial statements because of things that the company wants to hide from external companies to maintain the company's image. This is reinforced by the results of Hung and Phuong (2018), Pradipta and Suryono (2017), Gulec (2017), and Marathani (2013) which state that profitability has a positive effect on audited financial statement timeliness. However, this is not in line with the results of research by Sufiyati (2017), Riswan and Saputri (2015), and Mardyana (2013) which states that profitability does not affect audited financial statement timeliness.

F. Firm Size

Firm size or company size is related to the amount of resources owned by a company. The size of a company can be seen from several aspects, total assets, total sales, and the number of workers (Riswan & Saputri, 2015). This study uses Ln Total Assets to measure company size. This means the greater the assets (assets) owned by a company, the greater the size of the company. Companies that have a lot of assets have more information sources, more accounting staff, have more sophisticated information systems, have strong internal control systems, and get more supervision of investors, regulators, and also public spotlight. In addition, large companies will receive greater attention than small companies, so the company will strive to maintain the company's image in the eyes of the public. Companies that have large sizes will be able to deliver financial reports in a timely manner because they have more information sources, more accounting staffs, more sophisticated information systems, and strong internal control systems. In addition, companies that have a large size will maintain the company's image because of the supervision of investors, regulators, and public spotlight, so that the company will deliver financial reports in a timely manner. This is reinforced by the results of research by Sufiyati (2017), Pradipta and Suryono (2017), Gulec (2017), and Marathani (2013) which states that firm size has a positive effect on audited financial statement timeliness. However, this is not in line with the results of research by Riswan and Saputri (2015) which states that firm size does not affect the audited financial statement timeliness.

The framework in this study is illustrated below:

![Illustration 1 Framework](image)

The hypotheses of the models built above are as follows:
- **H1:** Earning management has a negative effect on audited financial statement timeliness
- **H2:** Profitability has a positive effect on audited financial statement timeliness
- **H3:** Firm size has a positive effect on audited financial statement timeliness

III. METHODOLOGY

The population of this study is all trade, service and investment companies listed on the Indonesia Stock Exchange during 2015-2017. The data to be used in this study is panel data using purposive sampling technique in sampling. The criteria used in selecting samples are:

a. Trading, service and investment companies registered on the Indonesia Stock Exchange for 4 consecutive years, namely in 2014-2017
b. Companies that submit annual financial reports in full in the 2014-2017 accounting period
c. Financial statements of trading, service and investment companies that expire on December 31 which have been audited by public accountants
d. Trading, service and investment companies that have not suffered losses during 2015-2017
e. Trading, service and investment companies that do not carry out delisting and relisting during 2015-2017
f. Trading, service and investment companies that present financial statements in Rupiah
g. The financial statements of trading, service and investment companies that contain the required data are in accordance with the operationalization of the variables in this study
h. Companies whose annual financial report submission dates for 2015-2017 are listed on the IDX. The number of companies that meet the sample selection criteria are 41 companies.

The variables used in this study are financial audited timeliness statement (Y) as the dependent variable and earnings management (X1), profitability (X2), and firm size (X3) as independent variables.

**Audited Financial Statement of Timeliness**

Audited financial statements of timeliness in this study were measured using a dummy variable (Noviansyah, 2016, p. 3), where:

a. Companies that are timely in submitting annual financial reports are valued at one
b. Companies that are not timely in submitting annual financial reports are assessed as zero

e. **Earning Management**

Earning management in this study was measured using Discretionary Accruals using the Modified Jones model. The model is written as follows (Noviansyah, 2016, p. 4):

\[ TAC_{it} = NI_{it} - CFO_{it} \]

Total value of accruals (TAC) can be estimated using the Ordinary Least Square (OLS) regression equation as follows:
\[
\frac{TAC_{i,t}}{TA_{i,t-1}} = \alpha_1 \left( \frac{1}{TA_{i,t-1}} \right) + \alpha_2 \left( \frac{\Delta SALES}{TA_{i,t-1}} \right) + \alpha_3 \left( \frac{PPE_{i,t}}{TA_{i,t-1}} \right)
\]

Non-discretionary accruals can be calculated with the following formula, by re-entering the coefficient \(\alpha\) that has been obtained:

\[
NDA_{i,t} = \alpha_1 \left( \frac{1}{TA_{i,t-1}} \right) + \alpha_2 \left( \frac{\Delta SALES - \Delta REC}{TA_{i,t-1}} \right) + \alpha_3 \left( \frac{PPE_{i,t}}{TA_{i,t-1}} \right)
\]

Discretionary Accruals (DA) can further be calculated with the following formula:

\[
DA_{i,t} = \frac{TAC_{i,t}}{TA_{i,t-1}} - NDA_{i,t}
\]

Information:
- \(DA_{i,t}\) : Discretionary Accrual for a company in period \(t\)
- \(NDA_{i,t}\) : Non-Discretionary Accrual for a company in period \(t\)
- \(TAC_{i,t}\) : Total accruals for a company in period \(t\)
- \(NI_{i,t}\) : Net income / net profit of a company in period \(t\)
- \(CFO_{i,t}\) : Cash flow from operating activities of a company in period \(t\)
- \(TA_{i,t-1}\) : Total assets of a company in period \(t-1\)
- \(\Delta SALES\) : Changes in a company’s earnings in period \(t\) compared to period \(t-1\)
- \(\Delta REC\) : Change of a company’s receivables in period \(t\) compared to period \(t-1\)
- \(PPE_{i,t}\) : Property, Plant and Equipment company I in period \(t\)

Profitability in this study is measured using Return on Assets (ROA). ROA is calculated by using the formula shown below (Bassiouny, 2016, p. 93):

\[
ROA = \frac{Net\ Income}{Total\ Assets}
\]

Firm size in this study was measured using Ln Total Assets (Bassiouny, 2016, p. 93):

\[
Size = Ln Total\ Assets
\]

All research data will be analyzed using descriptive statistical tests to see an overview of the research sample. The research data will be processed using the SPSS version 23.0 program using the method of multiple logistic regression (binary logistic regression) using a confidence level of 95%.

The tests carried out in this study included multivariate testing simultaneously and separately, which was carried out after conducting feasibility testing of the regression model which consisted of Case Processing Summary tests, Overall Model Fit tests, Hosmer and Lemeshow Test, Nagelkerke R Square test, and prediction accuracy test. Then it will be tested simultaneously and see the partial test on the Variables in the Equation table.

IV. RESULTS

A. Descriptive Statistics Test

Descriptive statistical tests were conducted to obtain an overview of the research data. The results of this test will provide an overview of the characteristics of the data from the sample used. Descriptive statistical test of the dependent variable, namely audited financial timeliness statement which is a dummy variable using the frequency test. Descriptive statistical tests will be conducted on independent variables, namely earnings management, profitability, and firm size by looking at the mean, standard deviation, minimum value, and maximum value. The mean is the average value of all samples analyzed during the study period. The minimum value is the lowest value of all study samples during the study period. The maximum value is the highest value of all research samples during the study period. While the standard deviation is a value that shows the level of variation in the distribution of research sample data (Yamin & Kurniawan, 2009). The results of the descriptive statistical test can be seen in the following two tables:

<table>
<thead>
<tr>
<th>TIMELINESS (Y)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0</td>
<td>77</td>
<td>62.6</td>
<td>62.6</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>46</td>
<td>37.4</td>
<td>37.4</td>
</tr>
<tr>
<td>Total</td>
<td>123</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 1:.- Dependent Variable Descriptive Statistics Test Results (Frequency Test)

Based on the results of descriptive statistical tests using frequency tests on timeliness statement audited financial variables in Table 1, it can be seen that from 123 research samples used, 77 companies were not on time in submitting annual financial reports and a number of 46 companies on time in submitting annual financial reports.

The number of companies that were not on time in delivering annual financial reports reached 62.6% of the total study sample, while the number of companies that were on time to submit annual financial reports reached 37.4% of the total study sample.
Table 2: Independent Variables Descriptive Statics Test Results

Based on table 2, the results of the descriptive statistical test states that the earning management variable has a minimum value of -0.27452 and a maximum value of 0.63397. Earning management has an average value of 0.01244 and a standard deviation of 0.10205.

Result from the descriptive statistical test in Table 2 shows that the profitability variable has a minimum value is 0.00024 and maximum value is 0.41101. The average’s value of the profitability is 0.05219 and the value of standard deviation is 0.04944.

Result from the descriptive statistical test in Table 2 shows that the firm size variable has a minimum value of 17.66056 and a maximum value of 25.13318. Firm size has an average value of 21.65406 and a standard deviation of 1.63467.

B. Case Processing Summary

This test is conducted to check whether there are data / research samples that are not taken into account in testing. This test is done by looking at the case processing summary. If the total percent obtained in this test reaches 100%, it means that all data / research samples have been taken into account in testing (Yamin & Kurniawan, 2009, p. 97). The Case ProcessingSummary test results are as follows:

<table>
<thead>
<tr>
<th>Unweighted Cases</th>
<th>N</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selected Cases</td>
<td>123</td>
<td>100.0</td>
</tr>
<tr>
<td>Included in Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing Cases</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Total</td>
<td>123</td>
<td>100.0</td>
</tr>
<tr>
<td>Unselected Cases</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Total</td>
<td>123</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3: Case Processing Summary Test Results

The test results in Table 3 show that the amount of data / research samples (N value) is 123 data. Included in analysis a number of 123 and a total percent of 100 means that there are 123 data, that is, the entire study sample (100%) has been calculated in the analysis. Missing cases amount to 0 and total percent by 0 means that there are no research data / samples that have no value or are not taken into account in the analysis.

C. Overall Model Fit

The Overall Model Fit test is done to assess the feasibility of the regression model by looking at the overall model (overall model fit). This test is done by looking at the Log Likelihood value of -2. The value of Likelihood Log 2 is seen from 2 conditions, namely in the condition before the independent variable is entered into the regression model (initial condition) and in the condition after the independent variable is entered into the regression model (final condition). This test was conducted with the aim to compare the regression model between before and after the independent variables entered into the regression model (Ghozali, 2016).

-2 Likelihood log in the initial conditions seen from the Iteration History table in Block 0: Beginning Block. -2 The Likelihood log in the final condition is seen from the Iteration History table in Block 1: Method = Enter. If there is a decrease in the value of the Log Likelihood -2 from the initial condition to the final condition, it means that the regression model after the independent variables entered into the regression model is good. The test results of the Fit Overall Model can be seen in the following table:
To assess the compatibility of the study is conducted to show the magnitude of the influence of all the independent variables used in this study on the dependent variable. In addition, the Nagelkerke R Square value also illustrates how much the independent variable can explain the variation of the dependent variable (Ghozali, 2016). The results of testing Nagelkerke R Square are as follows:

**Table 4: Overall Fit Model Test Results**

| Block 0: Beginning Block | 162.616 |
| Block 1: Method = Enter  | 152.201 |

The test results in Table 4 show that -2 Log Likelihood in Block 0 has a value of 162.616. Whereas -2 Log Likelihood Log in Block 1 has a value of 152.201. There was a decrease in the Log Likelihood value of -2, from an initial value of 162.616 to 152.201. The decrease in the value of the Likelihood Log 2 -2 is 10.415. This decrease in the Likelihood Log value -2 indicates that the regression model is better after the independent variable is entered into the regression model, so that it can be concluded that the model is fit or suitable for use in the study.

**D. Hosmer and Lemeshow Test**

Hosmer and Lemeshow Test was conducted to see whether the model we use using 3 independent variables is in accordance with empirical data (Yamin & Kurniawan, 2009). This test is used to assess the compatibility among the regression model and the original data. If the significance value is less than or equal to 0.05, then Ho is rejected because there are significant differences between the model and the original data. If Ho is rejected, it means that the regression model is not fit because the regression model cannot explain the data. If the significance value is greater than 0.05, then Ho is not rejected because the model is able to explain the original data, so the regression model is fit and acceptable (Ghozali, 2016). The results of the Hosmer and Lemeshow Test are as follows:

**Table 5: Hasil Hosmer and Lemeshow Test**

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12.420</td>
<td>8</td>
<td>.133</td>
</tr>
</tbody>
</table>

The test results in Table 5 show that the significance value of the regression model used in this study is 0.133. The significance value obtained from this test is greater than 0.05 (0.133> 0.05). The result states that the regression model can be used to predict research data. So that it can be said that the regression model is suitable for further research.

**E. Nagelkerke R Square**

Nagelkerke R Square testing is a test conducted to obtain a coefficient of determination. This test was conducted to show the magnitude of the influence of all the independent variables used in this study on the dependent variable. In addition, the Nagelkerke R Square value also illustrates how much the independent variable can explain the variation of the dependent variable (Ghozali, 2016). The results of testing Nagelkerke R Square are as follows:

**Table 6: Determination Coefficient Test Results**

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>152.201</td>
<td>.081</td>
<td>.111</td>
</tr>
</tbody>
</table>

The test results in Table 6 show that the Nagelkerke R Square value is 0.111, which means it is 11.1% variation of the timeliness statement audited financial variables explained by earnings management, profitability, and firm size variables. While the rest, which is equal to 88.9% is explained by other variables that affect audited financial statement timeliness. It can be concluded that the ability of the independent variable to explain the dependent variable of 11.1% and there are other factors outside the regression model (factors not examined) of 88.9% which explain the dependent variable.

**F. The Accuracy of Predictions Test**

Prediction accuracy tests were conducted to see the level of predictive power from the research regression model used. Prediction accuracy tests will produce a classification matrix that describes the level of predictive power from the research regression model used. The classification matrix is used to assesthe estimated number of true and false research data. This matrix measures the accuracy of the level of data of the company's dependent variable regarding timeliness audited financial statements, where the value of 0 is given to companies that are not on time in submitting annual financial reports and value 1 is given to companies that are timely in submitting annual financial reports.

There are 2 possible errors that can occur in testing the accuracy of these predictions, namely companies that are timely in submitting annual financial reports but are predicted not to be on time and companies that are not on time in submitting annual financial reports but predicted on time. The regression model used in the study can be said to be a good model if the accuracy value of the predictions is more than 50%. If the value of predictive accuracy is less than 50%, then the regression model used in the study is stated to be incorrect or not good. The results of the prediction accuracy test for timeliness audited financial statements are as follows:

**Table 7: Prediction Accuracy Test Results**

<table>
<thead>
<tr>
<th>Observed TIMELINESS</th>
<th>Predicted TIMELINESS</th>
<th>Percentage Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>69</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td></td>
<td>67.5</td>
</tr>
</tbody>
</table>
The test results in Table 7 show that from 77 company data that are not timely in submitting annual financial reports, it is predicted that a number of 69 data have been accurately predicted and a number of 8 data are not accurately predicted (having a prediction accuracy rate of 89.6%). Whereas, from 46 company data that are timely in delivering annual financial reports, it is predicted that a total of 32 data have been accurately predicted and 14 data are not accurately predicted (have a prediction accuracy rate of 30.4%). The overall percentage result (overall percentage) of predictive accuracy shows a result of 67.5%, where this value is greater than 50% and close to 100%, which means that the logistic regression model used has good predictive ability.

G. Multivariate Test
Multivariate testing is carried out in 2 stages. The first stage, multivariate testing was carried out simultaneously to determine the level of significance of the influence of the independent variables on the dependent variable used in the study. If the significance value is greater than 0.05, it means that the independent variable does not significantly influence the dependent variable significantly. If the significance value is greater than 0.05, it means that the independent variable does not significantly influence the dependent variable significantly. Conversely, if the significance value is smaller than 0.05, it means that the independent variable has a significant effect on the dependent variable. The results of multivariate testing simultaneously can be seen in the following table:

<table>
<thead>
<tr>
<th>Variable Independent</th>
<th>Sig</th>
<th>Information</th>
<th>Ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning Management (X1)</td>
<td>0.009</td>
<td>Sig &lt; 0.05</td>
<td>Accept</td>
</tr>
<tr>
<td>Profitability (X2)</td>
<td>0.006</td>
<td>Sig &lt; 0.05</td>
<td>Accept</td>
</tr>
<tr>
<td>Firm Size (X3)</td>
<td>0.776</td>
<td>Sig &gt; 0.05</td>
<td>Reject</td>
</tr>
</tbody>
</table>

Table 8:- Simultaneous Multivariate Testing

The results of multivariate testing simultaneously in Table 8 show that earnings management variable (X1) has a value of significance of 0.013. The value of significance is smaller than 0.05 (0.013 < 0.05), meaning that earnings management variables significantly influence the audited financial statement timeliness. In addition, the results of multivariate testing simultaneously indicate that the profitability variable (X2) has a value of significance of 0.009. The value of significance is smaller than 0.05 (0.009 < 0.05), meaning that profitability variables also significantly influence audited financial statement timeliness. Firm size (X3) variable has a significant value of 0.776. The significant value is greater than 0.05 (0.776 > 0.05), meaning that firm size does not significantly influence audited financial statement timeliness.

The second stage, after conducting multivariate testing simultaneously, carried out multivariate testing separately. This test was conducted to obtain greater confidence in the results obtained from multivariate testing simultaneously. Separate multivariate testing is done by removing the independent variables from the test in stages. The independent variable issued first is the independent variable which has the greatest significance value, namely the firm size variable. The results of multivariate testing separately can be seen in the following table:

<table>
<thead>
<tr>
<th>Variable Independent</th>
<th>Sig</th>
<th>Information</th>
<th>Ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning Management (X1)</td>
<td>0.009</td>
<td>Sig &lt; 0.05</td>
<td>Accept</td>
</tr>
<tr>
<td>Profitability (X2)</td>
<td>0.006</td>
<td>Sig &lt; 0.05</td>
<td>Accept</td>
</tr>
</tbody>
</table>

Table 9:- Separate Multivariate Testing

The results of multivariate testing separately show that earnings management variable (X1), has a significance value of 0.009, where the value is smaller than 0.05. This shows that earnings management variables have a significant effect on audited financial statement timeliness. Likewise with the profitability variable (X2), where the significance value is smaller than 0.05, which is equal to 0.006. This shows that the profitability variable has a significant effect on audited financial statement timeliness.

The results of multivariate testing simultaneously and separately show consistent results, where earnings management variables (X1) and profitability (X2) have a significance value smaller than 0.05. It can be concluded that earnings management and profitability variables significantly influence audited financial statement timeliness. While the firm size (X3) variable has a significance value greater than 0.05. So it can be concluded that the firm size variable does not significantly influence audited financial statement timeliness.

H. Omnibus Tests of Model Coefficients
Omnibus Tests of Model Coefficients were conducted to determine the significance of the effect of earning management, profitability, and firm size simultaneously (together) on audited financial statement timeliness. Simultaneous test results using the Omnibus Tests of Model Coefficients are as follows:

<table>
<thead>
<tr>
<th>Omnibus Tests of Model Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Step 1</td>
</tr>
<tr>
<td>Block</td>
</tr>
<tr>
<td>Model</td>
</tr>
</tbody>
</table>

Table 10:- Simultaneous Test Results

Based on Table 10 state that the significance value of the simultaneous testing is 0.015. This value is smaller than 0.05 (0.015 < 0.05), meaning that all the independent variables used in this study simultaneously (together) significantly influence the dependent variable. It can be concluded that earning management, profitability, and firm size simultaneously influence the audited financial statement timeliness. The magnitude of the effect of the independent variables simultaneously on the dependent
variable can be seen in the value of Nagelkerke R Square, which is equal to 11.1% (Table 6).

I. Variables in the Equation

Partial testing is done to determine the direction and significance of the influence of each independent variable on the dependent variable. The partial test results for each independent variable on the dependent variable can be seen from the variables in the equation table. Partial test results can be seen in the following table:

<table>
<thead>
<tr>
<th>Variables in the Equation</th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EARNINGSMANAGEMENTX1</td>
<td>-5.87</td>
<td>2.367</td>
<td>6.148</td>
<td>1</td>
<td>.013</td>
<td>.003</td>
</tr>
<tr>
<td>PROFITABILITYX2</td>
<td>12.542</td>
<td>4.776</td>
<td>6.895</td>
<td>1</td>
<td>.009</td>
<td>279860.956</td>
</tr>
<tr>
<td>FIRMSIZEX3</td>
<td>.035</td>
<td>.123</td>
<td>.081</td>
<td>1</td>
<td>.776</td>
<td>1.036</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.895</td>
<td>2.642</td>
<td>.515</td>
<td>1</td>
<td>.473</td>
<td>.150</td>
</tr>
</tbody>
</table>

a. Variable(s) entered on step 1: EARNINGSMANAGEMENTX1, PROFITABILITYX2, FIRMSIZEX3.

The test results partially show that the profitability variable has a B value of 12,542 with a significance value of 0.009, where this value is smaller than 0.05 (0.009 <0.05). It can be interpreted that profitability has a significant positive effect on audited financial statement timeliness. This indicates that the H2 of this study was accepted.

The test results partially show that the firm size variable has a B value of 0.035 with a significance value of 0.776, where this value is greater than 0.05 (0.776> 0.05). It can be interpreted that firm size does not significantly influence audited financial statement timeliness. This shows that the H3 of this study was rejected.

V. DISCUSSION

The testing of the hypothesis in this study was conducted to determine whether earnings management is proxied by Discretionary Accruals, profitability that is proxied by Return on Assets (ROA), and firm size that is proxied by Ln Total Assets as an independent variable affecting timeliness audited financial statements as the dependent variable. This research was conducted on trade, service and investment companies listed on the Indonesia Stock Exchange (IDX) during the period 2015-2017. All tests needed in this study have been carried out, so conclusions can be drawn on the results that have been obtained.

A. Effect of Earning Management on the Audited Financial Statement Timeliness

The first hypothesis is earning management has a negative effect on timeliness financial audited statements. The test partially shows the results that earnings management variables proxied by Discretionary Accruals have a coefficient of -5.681. The coefficient value is negative, which means that the influence given by the independent variable on the dependent variable is negative. In addition, the results of hypothesis testing show a significance value of 0.018. The significance value is
smaller than 0.05, which means that the influence of the independent variable on the dependent variable is significant. It can be concluded that earnings management has a significant negative effect on timeliness audited financial statements, so the first hypothesis (H1) of this research is accepted. The practice of earnings management increases the company's delay in submitting annual financial reports. Companies that conduct earnings management on their financial statements need time to intervene in financial statements. So, companies that conduct earnings management will need more time in completing the preparation of financial statements. This can cause companies to be late in submitting annual financial reports. This study’s result are in accordance with the results of previous studies conducted by Seni and Mertha (2015). However, this study’s result contradict the results of previous studies conducted by Noviansyah (2016).

B. Effect of Profitability on the Audited Financial Statement Timeliness

The second hypothesis is profitability has a positive effect on audited financial statement timeliness. The partial test shows the results that the profitability variable that is proxied by Return on Assets (ROA) has a coefficient of 11,417. The coefficient value is positive, which means that the influence given by the independent variable on the independent variable is positive. In addition, the results of hypothesis testing show a significance value of 0.026. The significance value is smaller than 0.05, which means that the influence of the independent variable on the dependent variable is significant. It can be concluded that profitability has a significant positive effect on timeliness audited financial statements, then the second hypothesis (H2) of this research is accepted. The high profitability of a company increases the company's timeliness in submitting annual financial reports. The high profitability of the company shows the good condition of the company. Companies with good financial conditions do not have things that are hidden from the public. Therefore, the delivery of company financial statements is not hampered because companies tend not to delay the delivery of good news to the public. Thus, the submission of annual financial reports can be carried out in a timely manner. This study’s result are in accordance with the results of previous studies conducted by Hung and Phuong (2018), Pradipita and Suryono (2017), Gulec (2017), and Marathani (2013). However, this study’s result contradict the results of previous studies conducted by Sufiyati (2017), Riswan and Saputri (2015), and Mardyana (2013).

C. Effect of Firm Size on the Audited Financial Statement Timeliness

The third hypothesis is that firm size has a positive effect on audited financial statement timeliness. Partial testing shows that firm size variables that are proxied by Ln Total Assets have a coefficient of 0.035. The coefficient value is positive, which means that the influence given by the independent variable on the independent variable is positive. In addition, the results of hypothesis testing show that the significance value is 0.776. The significance value is greater than 0.05, which means that the influence of the independent variable on the dependent variable is not significant. It can be concluded that the firm size does not significantly influence timeliness audited financial statements, so the third hypothesis (H3) of this study is rejected. The size of the firm does not increase the timeliness of the company in delivering annual financial statements significantly. Large size companies do not necessarily deliver their annual financial reports in a timely manner because large companies have more and more complex information that must be included in financial statements. Small companies are not necessarily late in delivering their financial statements because information that must be processed into financial statements is relatively simple. Although the firm size does not significantly influence the audited financial statement, the direction of the hypothesis testing is in accordance with the hypothesis that has been formulated. The size of the firm size increases the timeliness of submitting annual financial statements, but the effect is not significant. This study’s result are in accordance with the results of previous studies conducted by Riswan and Saputri (2015). However, this study’s result contradict the results of previous studies conducted by Sufiyati (2017), Pradipita and Suryono (2017), Gulec (2017), and Marathani (2013).
VI. CONCLUSION

Based on the results of tests that have been conducted, only earnings management and profitability variables have a significant effect on the audited financial statement of timeliness in trading, service and investment companies listed on the Indonesia Stock Exchange during 2015-2017. While the firm size variable does not significantly influence the audited financial statement timeliness.

Earning management variables that are proxied by Discretionary Accruals have a significant negative effect because companies that conduct earnings management on their financial statements need time to intervene in financial statements, so companies will need longer time to complete the preparation of financial statements. This can cause companies to be late in submitting annual financial reports.

The profitability variable that is proxied by Return on Assets (ROA) has a significant positive effect because the high profitability of the company shows the good condition of the company, so the company does not have things that are hidden from the public. Therefore, the delivery of company financial statements is not hampered because companies tend not to delay the delivery of good news to the public.

Firm size variables that are proxied by Ln Total Assets have no significant effect because large companies are not necessarily more timely in submitting their annual financial statements. Large companies do have more resources that can help in delivering financial reports in a timely manner, but large companies also have more complex financial information. This causes large companies to need more time to prepare financial statements, so that it can lead to delays in the submission of annual financial reports.

- **Limitations in this study include:**

1. Measurement of independent variables is only done by using a proxy for each independent variable, so it cannot provide certainty that the proxy can properly describe the independent variable
2. This research is only carried out on companies engaged in the trade, services, and investment sectors, so that this study cannot be applied to companies other than the sector under study due to differences in company characteristics in each sector
3. This research was only conducted on the 2015-2017 period, so that this study’s result cannot be used as a reference regarding the factors that influence the general / overall audited financial statement timeliness
4. Research is only conducted on earnings management, profitability, and firm size variables, where the three variables do not cover all variables that can affect audited financial statement timeliness.

Based on the limitations contained in this study, the suggestions that can be given for further research include:

1. Researchers can then use other independent variables that are more appropriate and can better reflect the independent variables more accurately.
2. Researchers can further expand the research period, so that the research carried out is not only limited to 3 years
3. Researchers who can then expand the sector of the company under study, so that they can expand the research sample so that the results of the study describe the condition of the industry as a whole and can be applied in general
4. Researchers can then add independent variables that have not been used in this study to look at other factors that can affect audited financial statements timeliness.

REFERENCES


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