

# THE INFLUENCE OF COMPANY SIZE, AUDIT OPINION, PROFITABILITY AND SOLVENCY ON AUDIT DELAY (CASE STUDY ON A CIGARETTE COMPANY LISTED ON THE INDONESIAN STOCK EXCHANGE)

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**Abstract:** The Influence of Company Size, Audit Opinion, Profitability and Solvency on Audit Delay (Case Study of a Cigarette Company Listed on the Indonesian Stock Exchange). This research aims to determine the influence of company size, audit opinion, profitability and solvency on audit delay. This research was conducted on 5 cigarette companies listed on the Indonesia Stock Exchange (BEI) during the 2017-2022 period using secondary data collection methods, namely the companies' annual financial reports. The number of samples obtained in 6 years was 30 observations using the purposive sampling method. The independent variables in this research are company size, audit opinion, profitability and solvency. The dependent variable is audit delay. The method used in this research uses multiple linear regression analysis. The research results show that partially profitability has no significant effect on audit delay, while company size and solvency have a significant effect on audit delay in a positive direction and audit opinion has a significant effect on audit delay in a negative direction. Simultaneously, company size, audit opinion, profitability and solvency have a significant effect on audit delay.

**Keywords:** Audit Delay, Company Size, Audit Opinion, Profitability and Solvency.

## Introduction

A company is said to go public if it has issued its shares on the Indonesian Stock Exchange (BEI). The purpose of a company issuing shares is to increase the company's capital assets for operational activities. In addition, it provides the opportunity for the wider community to participate in company equity ownership. Because of the purpose of issuing shares, the company has an obligation to the public or society to provide annual financial reports every period (Ratnasari & Yennisa, 2017).

According to the Decree of the Chairman of BAPEPAM No. Kep-36/PM/2003, No. 1 concerning the Obligation to Submit Periodic Financial Reports, states that periodic financial reports accompanied by an accountant's report are submitted to BAPEPAM no later than the end of the third month after the date of the annual financial report. The demand for compliance with timeliness in submitting public financial reports in Indonesia has been regulated in Law no. 8 of 1995 concerning Capital Markets. Even though Bapepam has tightened regulations regarding annual financial reporting, in reality there are still many companies going public that are late in submitting their annual financial reports. The time difference between the date of the financial report and the opinion on the financial report, which means the auditor needs a long time to

complete the audit. Delays in financial reporting will result in the loss of information from the financial reports because it is not available when needed when making decisions.

According to (Amani & Waluyo, 2016) examination of financial reports by independent auditors which aims to assess the accuracy of the presentation of financial reports takes quite a long time. This is due to the large number of transactions that must be audited, the complexity of transactions, and poor internal control, which causes long audit delays. Delays in inspection can affect the accuracy of the information released, thereby affecting the level of uncertainty and the importance of the information released. This is because the resulting financial reports have a longer lifespan and may no longer be relevant to newer company conditions. The slower the validator performs validation, the slower the validation delay. And when the audit delay gets longer, the publication of financial reports will be even more delayed (Aprilly & Nursasi, 2021).

According to (Adiraya & Sayidah, 2018) large companies are more consistent and timely in publishing their financial reports than small companies. Company size is the size of a company, which can be viewed and classified in various ways, including total assets, share market value, etc. To be able to trust the financial reports prepared by the company, auditors must combine the interests of financial report users and financial report preparers. The auditor's statement makes the information contained in the company's financial statements reliable by users of the financial statements. Audit opinion is a factor that can also influence audit delay. An audit opinion is a statement by an auditor about the accuracy of a company's financial statements, in all material respects, and is based on the fact that the financial statements have been prepared in accordance with generally accepted accounting principles.

Profitability shows a company's ability to generate profits over a certain period of time. One of the ratios that is often used as a measure of a company's financial performance is Return On Assets (ROA) and Return On Equity (ROE). According to (Wijaya, 2019) Return On Assets (ROA) is a ratio that measures a company's ability to generate profits, because this ratio represents the company's operational performance. Return On Assets (ROA) is an approach that can reflect the company's profitability. High and low profitability can affect audit delay, where companies that have high profitability are said to have good news and will report their financial reports more quickly compared to companies that experience losses which are considered bad news.

Solvency is one of the factors that influences audit delay. Solvency analysis measures a company's ability to fulfill all its obligations, which is represented by DER (Debt to Equity Ratio). Debt to Equity Ratio (DER) is a measure of the proportion of debt in a company's capital structure. This ratio is important for measuring a company's business risk which increases when total liabilities are added. This research was conducted on cigarette companies listed on the Indonesian stock exchange. There are 5 cigarette companies listed on the Indonesian Stock Exchange (Lembarsaham.com 2022). Researchers chose tobacco industry companies because the tobacco industry is a strategic industry and has the aim of realizing national resilience. The cigarette industry is also one of the sectors that has the greatest influence on Indonesia's economic growth through taxes and customs duties. From the data contained in the annual reports of cigarette companies listed on the Indonesian Stock Exchange, a phenomenon was found in HMSP companies, in 2017 the size of the company increased by 0.08% while the audit delay was 15 days slower. Then in 2019, company size decreased by 0.03% while audit delays were 9 days faster. in the GGRM company in 2018, profitability decreased by 0.01%, while the audit delay was 1 day faster. In 2020, profitability decreased by 0.04%, while audit delays were 6 days slower. in the GGRM company in 2021, solvency increased by 0.18% while audit delays were 2 days faster. In 2020 for HMSP companies, solvency increased by 0.21%, while audit delays were 9 days faster. It can be seen that changes in increasing and decreasing the value of company size, audit opinion, profitability and solvency can influence audit delay. Some of these

companies have long audit delays, up to a delay of more than 90 days before the standard audit report is issued. This will affect the publication of financial reports, so the longer the audit report is published, the longer the information will be published to interested parties. Based on the description above, the researcher is interested in taking the research title: "The Influence of Company Size, Audit Opinion, Profitability and Solvency on Audit Delay (Case Study of a Cigarette Company Listed on the Indonesian Stock Exchange)".

**Method**

**Types of research**

The type of research used in this research is associative research using a quantitative approach.

**Time and Place of Research**

This research was carried out from January to August 2023. This research was conducted at cigarette companies registered on the IDX. Data was taken via the official IDX website at [www.idx.co.id](http://www.idx.co.id).

**Research Population and Sample**

The population in this study was all 5 cigarette companies registered on the IDX in 2017-2022. The sample was selected based on the purposive sampling method and there were 5 companies that met the requirements, for 6 years of publication of company financial reports so that the total data used was 30 research data.

**Procedure**

The data used is secondary data obtained from the official website of the Indonesian Stock Exchange at [www.idx.co.id](http://www.idx.co.id) and other secondary data used in this research are articles, journals and other literature related to this research.

**Data analysis technique**

**Data**

The data in this research is secondary data. Data was obtained using the documentation method.

**Data analysis technique**

This research uses secondary data obtained from the official website of the Indonesian Stock Exchange. The data analysis method used is descriptive statistical analysis. Then with the classical assumption test, namely the normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test. Multiple linear regression analysis test, the Hypothesis Test used is the Partial Test (t Statistical Test) and Simultaneous Significance Test (F Statistical Test). To measure how big the influence of the independent variable is on the dependent variable, use the Coefficient of Determination ( $R^2$ ).

**Result and Discussion**

**1. Descriptive Statistical Analysis**

There were 5 cigarette companies that fulfilled purposive sampling for 6 years of publication of financial reports so that the amount of data used was 30 data. The descriptive statistical analysis presented in this research includes Minimum Value, Maximum Value, Mean (M), and Standard Deviation (SD). The following are the results of descriptive statistical analysis of research data:

**Table 1. Descriptive Analysis Results**

	N	Min	Max	Mean	Std. Dev
X <sub>1</sub>	30	16.00	28.41	21.4010	5.03

X <sub>2</sub>	30	0	1	0.70	0.46
X <sub>3</sub>	30	0.00	0.29	0.0973	0.08
X <sub>4</sub>	30	0.05	8.76	0.8193	1.52
Y	30	65	494	101.70	75.08

Source: SPSS output, data processed 2023

**2. Classic assumption test**

The classical assumption test in this research consists of the normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test.

**a. Normality test**

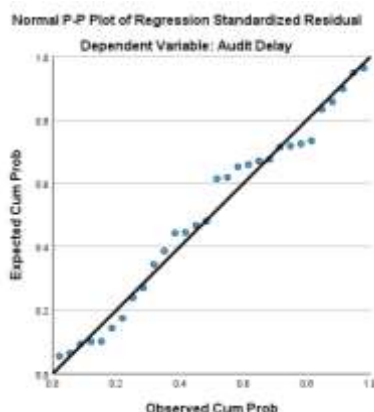
The results of the normality test can be seen in the table below:

**Table 2. Normality Test Results**

Asymp. Sig. (2-tailed) <sup>c</sup>	0.200 <sup>d</sup>
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Source: SPSS output, data processed 2023

Apart from using statistical calculations, the normality of the data can be seen with the *PP* Normality Plot image, as follows:



**b. Multicollinearity Test**

The results of the multicollinearity test can be seen in the table below:

**Table 3. Multicollinearity Test Results**

Model	Tolerance	VIF
Company Size	0.825	1,212
Audit Opinion	0.886	1,129
Profitability	0.831	1,203
Solvency	0.918	1,089

Source: SPSS output, data processed 2023

Based on the table above, it shows that all independent variables have a *Tolerance value*  $\geq 0.10$  and a VIF value  $\leq 10$ . Thus, it can be concluded that all independent variables in this study do not have multicollinearity.

**c. Autocorrelation Test**

The results of the autocorrelation test can be seen in the table below:

**Table 4. Autocorrelation Test Results**

Durbin-Watson	Information
1,649	No conclusions can be drawn

Source: SPSS output, data processed 2023

Based on the table above, it can be seen that the value of  $1.1426 < 1.649 < 1.7386$  cannot be concluded for the autocorrelation test. However, this problem can be solved by carrying out a run test in table 4 below:

**Table 5. Test Run Results**

Asymp. Sig. (2-tailed)	0.193
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Source: SPSS output, data processed 2023

The results of the Runs Test in the table above can be seen that the Asymp.Sig value =  $0.193 > 0.05$ , which means that the data in this study does not experience symptoms of autocorrelation / there is no correlation between the independent variables.

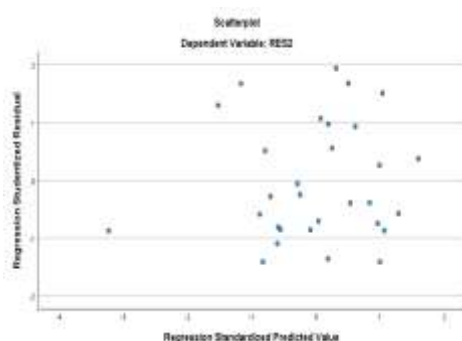
**d. Heteroscedasticity Test**

The results of the heteroscedasticity test can be seen in the table below:

**Table 6. Heteroscedasticity Test Results**

Model	Sig.
Company Size	0.774
Audit Opinion	0.780
Profitability	0.559
Solvency	0.584

Source: SPSS output, data processed 2023



From the table above it can be seen that all independent variables have a significance probability value greater than 0.05. Thus, it can be concluded that heteroscedasticity does not occur in the regression model.

### 3. Multiple Linear Regression Analysis

The results of the Multiple Linear Regression Analysis can be seen in the table below:

**Table 7. Results of Multiple Linear Regression Analysis**

	B	T
Company Size	1,643	2,976
Audit Opinion	13,331	2,318
Profitability	-5,184	-0.155
Solvency	46,528	26,879

Source: SPSS output, data processed 2023

From the table above it can be seen that the results are entered into the multiple linear regression equation so that the following equation is known:

$$Y = 38,242 + 1,643$$

### 4. Hypothesis testing

#### a. Partial Hypothesis Testing (t Test)

$t\text{-table} = t(\alpha/2 ; nk-1) = t(0.025;25) = 2.060$
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The following is an explanation of the influence of each independent variable on the dependent variable.

The Company Size variable (Ln Total Assets) has a significance of 0.006 , which means it is smaller than 0.05 (0.006 < 0.05), while the t-count value obtained is 2.976. This calculated t value is greater than the t-table 2.060 (2.976 > 2.060) with the direction of the regression coefficient in this study having a positive sign, namely 2.976. Based on these values, it can be concluded that company size (Ln Total Assets) has a significant effect on *audit delay* in a positive direction, meaning that the higher the company size, the more likely the company is to experience audit delays.

*Audit Opinion* variable has a significance of 0.029, which means this value is smaller than 0.05 (0.029 < 0.05), while the t-count value obtained is -2.318. This calculated t value is smaller than the t-table value of 2.060 (2.318 > 2.060) with the direction of the regression coefficient in this study having a positive sign, namely 2.318. Based on these values, it can be concluded that *audit opinion* has a significant effect on *audit delay* in a positive direction.

The Profitability variable has a significance of 0.878, which means this value is greater than 0.05 (0.878 > 0.05), while the t-count value obtained is -0.155. This calculated t value is smaller than the t-table value of 2.060 (-0.155 < 2.060) with the direction of the regression coefficient in this study being negative, namely -0.155. Based on these values, it can be concluded that profitability has no significant effect on *audit delay* but has a negative direction.

The Solvency variable has a significance of 0.001, which means this value is smaller than 0.05 (0.001 < 0.05), while the t-calculated value is 26,879. This calculated t value is greater than the t-table value of 2.060 (22.778 > 2.060) with the direction of the regression coefficient in this study being positive, namely 22.778. Based on these values, it can be concluded that solvency has a significant effect on *audit delay* in a positive direction

**b. Simultaneous Hypothesis Testing (F Test)**

The results of the Multiple Linear Regression Analysis can be seen in the table below:

**Table 8. Results of Multiple Linear Regression Analysis**

Model	F
Regression	215.151

Source: SPSS output, data processed 2023

Based on the table above, it can be assessed that the multiple regression test shows a calculated F result of 215,151 with a significance level of 0.001, far below 0.05, where the calculated F value (215,151) is greater than the F table value of 2.76 (df1 = 5-1 = 4 and df2 = 30-4-1 = 25). This means that the variables company size, *audit opinion*, profitability and solvency have an effect on *audit delay* (H1 is accepted).

**5. Coefficient of Determination (R<sup>2</sup>)**

The results of the Coefficient of Determination (R2) can be seen in the table below:

**Table 9. Results of the Coefficient of Determination (R2)**

Model	R
1	0.986 <sup>a</sup>

Source: SPSS output, data processed 2023

In the table above, it can be seen that the results of the overall regression analysis show an R value of 0.986, indicating that the correlation or relationship between the variables company size, *audit opinion*, profitability and solvency (independent variables) with the *audit delay variable* (dependent variable) has a very strong level of relationship, namely amount:

- D = R<sup>2</sup> x 100%
- D = 0.986 x 100%
- D = 98.6%

This moderate level of relationship can be seen from the guideline table for providing an interpretation of the correlation coefficient.

**Conclusion**

Based on the problem formulation, research results and discussion, the following conclusions can be drawn:

1. Partially, company size has a significant effect on audit delay in a positive direction in cigarette companies listed on the Indonesia Stock Exchange in 2017-2022. This shows that with increasing company size, this is followed by an increase in Audit Delay, this is because the larger the company size, the more audit procedures that must be carried out because large companies have wider activities, the volume of activity increases, the quantity of transactions within the company is higher.
2. Partially, audit opinion has a significant effect on audit delay in a positive direction in cigarette companies listed on the Indonesia Stock Exchange in 2017-2022. This shows that if a company has a fair audit opinion without exceptions and with exceptions, the lower the tendency for the company to experience audit delays (not experiencing audit delays). When an auditor gives an opinion that does not meet the requirements for the financial report being audited, the audit delay will be indicated to be longer.

3. Partially, profitability has no significant effect on audit delay but the direction of the coefficient is negative for cigarette companies listed on the Indonesia Stock Exchange in 2017-2022. This shows that the lower the profitability, the more companies experience audit delays. Companies that have high profitability will accelerate the publication of their financial reports, because this is good news for investors in making decisions.
4. Partially, solvency has a significant effect on audit delay in a positive direction in cigarette companies listed on the Indonesia Stock Exchange in 2017-2022. This shows that the high debt ratio owned by the company makes it take longer for auditors to complete their audit work.
5. Simultaneously, company size, audit opinion, profitability and solvency have a significant effect on audit delay in cigarette companies listed on the Indonesia Stock Exchange in 2017-2022.

### Suggestion

Based on the research conclusions contained in this study, the suggestions given include:

1. From the results of this research, the influencing variables are company size, audit opinion and solvency. In this way, auditors are expected to be more careful about these factors so that audit delays can be reduced to a minimum and financial reports can be published on time.
2. It would be better for the capital market regulatory body to make a stricter policy regarding financial report reporting deadlines, so that annual financial reports can be published on time.
3. For further research, it is recommended to add factors that are thought to influence audit delay, such as KAP reputation, company age, complexity of financial reports and others.
4. Future researchers can use other types of companies on the Indonesian Stock Exchange apart from cigarette companies.

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