CORPORATE GOVERNANCE AND COMPANY ATTRIBUTES ON THE FINANCIAL REPORTING TIMELINESS: EVIDENCE FROM LISTED COMPANIES IN BURSA EFEK INDONESIA

by

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ABSTRACT

Timeliness and corporate governance are considered a critical and important factors which affect the usefulness of information made available to external users. The purpose of this study is to examine the effect of corporate governance (Board of Director and Audit Committee size) and company attributes (Company Size and Company Sector) that affect financial reporting timeliness of the listed companies on the Bursa Efek Indonesia (BEI) in the Republik Indonesia. The study applied the agency theory and formulated four hypotheses that guided the analysis. The study sample comprised of 175 listed companies on the BEI. To achieve the study's objectives, the collected data were analysed by using SPSS version 19. This study finds a positive relationship but not significant between company size and financial reporting timeliness, but a negative relationship between board of directors size, audit committee size and company sector with financial reporting timeliness. However, the size of board of directors is not significant. The study also recommends the steps to improve financial reporting timeliness in Bursa Efek Indonesia.

Key Words: Corporate Governance, Board of Directors, Audit Committee Size, Company Size, Company Sector.

ABSTRAK

Ketepatan melapor dan tadbir urus korporat dianggap sebagai faktor kritikal dan penting yang memberi kesan kepada manfaat maklumat yang disediakan kepada pengguna luaran. Tujuan kajian ini adalah untuk mengkaji kesan tadbir urus korporat (saiz lembaga pengarah dan jawatankuasa audit) dan atribut syarikat (saiz syarikat dan sektor syarikat) memberi kesan kepada ketepatan masa laporan kewangan dalam syarikat tersenarai Indonesia di Bursa Efek Indonesia di Negeri Kesatuan Republik Indonesia. Kajian ini menguna teori agensi dan merumuskan empat hipotesis yang berpandukan analisis. Sampel kajian terdiri daripada 175 syarikat tersenarai Indonesia dari Bursa Efek Indonesia. Bagi mencapai objektif kajian, data yang diperolehi dianalisa dengan menggunakan perisian SPSS versi 19. Analisa kajian menunjukkan hubungan positif tetapi tidak signifikan antara saiz syarikat dengan ketepatan masa laporan kewangan tetapi hubungan yang negative antara saiz lembaga pengarah, saiz jawatankuasa audit dan sektor syarikat dengan ketepatan laporan kewangan. Walaubagaimanapun, saiz lembaga pengarah adalah tidak signifikan. Kajian ini juga mencadangkan langkah-langkah untuk meningkatkan ketepatan masa pelaporan kewangan syarikat tersenarai di Indonesia dan cadangan penyelidikan masa depan.

Kata Kunci: Tadbir Urus Korporat, Lembaga Pengarah, Jawatankuasa Audit Saiz, Syarikat Sektor, Saiz Syarikat.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Timeliness of financial reporting is one of the financial reporting qualities. Thus, timeliness is an important attribute because it influences the decisions made by the financial report users, such as investors. Further, the role of the board of directors and audit committee size are identified as significant in determining the timeliness of financial reporting (Cohen, Krishnamoorthy, and Wright, 2004; Olajumoke, 2010). Therefore, this study regards the role of these agents in financial reporting quality or timeliness of financial reporting.

This chapter presents, the background of study in Section 1.2. Section 1.3 reveals the problem statement of this study. Furthermore, Section 1.4 and Section 1.5 states the research questions and research objectives that the researcher would like to achieve at the end of this study. In Section 1.6, the researcher expects the significant study that would make the differences to prior studies. Finally, chapter summary is illustrated.

1.2 Background of the Study

Transparency is the most important components of financial reporting. The Organisation for Economic Co – operation and Development (*OECD*) (1998) also considered transparency as one of the elements of good corporate governance. Kulzickt (2004) viewed transparency from a user's perspective and divided it into several aspects: accuracy, consistency, appropriateness, completeness, clarity, timeliness, convenience, and governance and enforcement. One of the transparency aspects is the timeliness of financial reporting. In addition, the Accounting Principles Board (APB) (1970) considered timeliness as one of the qualitative objectives of financial reporting disclosure. Later, APB Statement No. 4 (1970) was superseded but the Financial Accounting Standard Board (FASB) continued to recognise the importance of timeliness in its Concept Statement No. 2 (1980).

The literature on the timeliness of corporate annual financial reporting is of two main types (Owusu-Anshah, 2000). The first type is concerned with the impact of timely reporting on the variability of stock returns (e.g. Chambers & Penman, 1984). The second type is mainly concerned with the patterns; reporting lag and the factors influencing timely reporting behaviour (see for example, Dyer & McHugh, 1975). This study focuses on the second type of timeliness.

According to Abdelsalam and Street (2007); Afify (2009) and Holthausen, and Watts (2001), timeliness is a necessary qualitative characteristic of relevant financial information and it receives more attention from accounting regulators and listing authorities around the world. The extent literatures on the timeliness of financial statements are numerous due to the fact that timeliness acts as an important aspect of financial reporting. McGee, Tarangelo and Gelman (2009) and Beyer, Cohen, Lys, and Walther (2010), on the other hand revealed the results that one of the qualitative attributes of financial reporting as identified by the Accounting Principles Board (APB) in the United States was timeliness of financial reporting.

Timeliness is a unique characteristic of information management system in financial reporting quality (Jun, Yang, & Kim, 2004; Nelson, Todd, & Wixom, 2005; Wittenberg-Moerman, 2008). When taking critical decisions on their investment portfolios, timely availability of financial reports would allow the information users realise their objectives. Therefore, Ghosh (2013); Chorafas (2011) and Kaufman (2009) recommended that at the end of every accounting period, the financial reports should be published immediately.

Tarullo (2008) stated that companies that issue their annual reports on January 1 are extremely timely but there is a probability that some of the information in the reports could be defective, missing or incomplete compared to carefully prepared reports that takes a little more time for the company to put together before releasing to the public a few weeks or months later. So, in general, it is better to disclose information sooner rather than later, although there are some trade-offs (Tarullo, 2008). According to Gigler and Hemmer (1998), there is an inverse relationship between the financial reporting and the timeliness as accounting information becomes less relevant with the passage of time (Atiase, Bamber & Tse, 1989; Hendriksen & Van Breeda, 1992; Lawrence & Glover, 1998).

The most important element is often done by investors to survive in proper financial reporting is a work done in the stock capital market. Referring to Alexander and Britton (2000) in their research findings supported the timely provision of information to the users. Turel (2010) viewed timeliness of financial statements as a strong determinant of financial reports quality. The study argued that the disclosure regulations irrespective of whether one chooses to call timeliness an objective of accounting or an attribute of useful accounting information has gained popular support in accounting literature with a consensus that timeliness is a necessary condition to be satisfied if financial statements are to be useful.

There are some cases that are extreme in the financial report, issued a year or two after the end of the fiscal year. However, the practice is unethical in the environment of modern technology. Eventhough the reports may fairly reflect the financial position of the company, the information is stale by the time it reaches the public. In order to produce a good report, companies must do a thorough job in preparing the report, conduct both internal and external checks by the auditors and above all promptly release the report to the public before it becomes stale (Lawrence & Glover, 1998). According to McGee and Yuan (2008), somewhere between one day and a year or two could be accepted as optimum delay between year-end and the issuance of the annual financial reports.

Some of the regulatory securities commission and the stock exchange have a rule which guidance in gathering financial reports which may be delayed before publishing to the public is done. Marty (2007) studied the periodic financial reporting and found that if companies improve the timeliness, the result shows the improves expected profit.

A comprehensive review of the literature on audit committee and financial reporting by Bédard and Gendron (2010), show that there is a link between audit committee and timeliness of financial reporting but the synergy appeared inconclusive. Study shows that the voluntary establishment of an audit committee reduces audit delay in Egypt (Afify, 2009). Lee (2008) found that audit committee influence audit timeliness.

After the occurrence of a wide range of corporate failures and a global financial crisis in the world, leading a business the company can cause topical issues of corporate governance. According to Arjoon (2004), there is growing concern for up to date business transactions information by the stakeholders. This will necessitated the management implementation of routine timely and credible financial reports. Interestingly, with the various authorities and also the authorities who apply, instituting a system of checks and warn internally to facilitate the smooth running of the company organisation and also prevents the failure against the problems in the application of corporate governance which become daily affairs in the company of both public and private.

The need for timely information particularly as it affects the financial health of an organisation is paramount in the emerging economies. This is because other sources which are non-financial statement such as media releases, news conferences and financial analysts forecasts are not well grounded and the regulatory bodies cannot provide required effective monitoring unlike the practice in advanced countries (Ahmed, 2003). According to the International Accounting Standards Board (2008), timeliness of financial reports is the "availability of information needed by decision makers for useful decision making before it loses its capacity to influence decisions".

Networks and computers are the producer of most of the information required for the audit. The use of this computer can also make the work of auditor becomes easier; this is due to the computer that is used as a tool for audit, audit of automated systems and data are automatically generated. However, the auditor is required to truly understand and learn the business environment and also understand the business targets and objectives. The other important uses of computers and networks by auditors are in audit administration and regulations (Hoo, Piovoso, Schnelle, & Rowan, 2003; Moorthy, Mohammad, Gopalan & San, 2011; Speklé, 2001).

By expanding their horizontal knowledge automatically knowledge in the use of computers, a better improvement over the performance of auditors will be supported by recommunication devices and information technology world that turns into an analog system and produce a required information in a timely, effective and reliable. Automated tools are effective means of increasing the productivity of auditors in the discharge of audit function (Arend, Econcept, & Steiner, 2003). Deegan (2002); Owen, Swift, Humphrey and Bowerman (2000), suggested that with the use of audit tools and software, auditors are complying with the work ethics in the prevailing emerging environment.

The objective for the audit is to check the figures contained in the financial reports and being inserted under the accounting standards applicable in the State (Eccles, & Holt, 2005; Murthy & Groomer, 2004; Zeff, 2007). The auditor's report is an independent examination and expression of opinion on the financial reporting of companies (Ballou, Heitger, & Landes, 2006; Carmichael, 2004; Craswell, Stokes & Laughton, 2002).

To be useful, financial reports must include the qualitative characteristics of accounting data, appropriate comparability, can be verified in a timely manner, and be understandable (Framework for Financial Reporting, 2010). Al-Ajmi (2008) stated that accounting agencies and users of accounting information confirmed that the financial reports are of great importance for the company and thus greater importance to beneficiaries of financial reporting. The timeliness of the reports audited financial statements of the companies is an important aspect of information provided to users breakers to take the appropriate decision at the appropriate time (Al-Ajmi, 2008; Aljifri & Khasharmeh, 2010; Al-Ghanem & Hegazy 2011; Fagbemi & Uadiale, 2011).

Furthermore, the persistence of the historical factors, such as trade protection, entry barriers to competition, oligopoly, and the lack of well developed capital market, influenced accounting practice in Indonesia (Sudarwan & Fogarthy, 1996). Sukarhasono and Gaffikin (1992) add that the weakest feature accounting in Indonesia was the maintenance of the general account and timeliness of balance sheets. Regulatory agency also recognised the importance of timeliness of financial reporting in Indonesia. This can be seen from the regulation released by capital market supervisory agency about timeliness of financial reporting, (*Undang-undang (UU) No. 8 Tahun 1995, KEP-80/PM/1996,* and *KEP-36/PM/2003*). The first regulation is that the listed companies have to submit their financial report to the capital market supervisory agency. Thus, the listed companies must submit their financial report within 120 days. In 2003, the listed companies have to release their financial report within 90 days.

Generally, most develop countries uses financial statements as a reference and source of accounting information available to the users of the financial statements which have been audited by the company's internal audit. Carslaw and Caplan, (1991) and Fagbemi and Uadiale (2011) represent the timing of financial reporting time that will be the declaration of the company's financial reports for each investors and beneficiaries of these reports to take appropriate decisions in a timely manner.

The delay in the financial reporting usually will affect the efficiency of the company, leading to a lack of trust of companies financial report (Al- Ghanem & Hegazy, 2011; Ismail & Chandler, 2004; Leventis et al., 2005;). On the contrary, the financial reports in a timely manner will improve the decision-making and reduce the variation in the data, which then leads to the improving in the efficiency of the company (Debreceny, Gray & Rahman, 2003; 2005; Fagbemi & Uadiale, 2011; Jaggi & Tsui, 1999; Owusu Ansah & Leventis, 2006;).

Currently, the issue of the timeliness financial reporting is still a serious problem in Indonesia. For example, in 2009, there were about fifty companies who submitted their financial report late to the Indonesia Security Exchange Committee (Detik, 2009). Based on the preliminary study for 2007 financial reports, 1.98% of the companies released their financial report in the first month, 13.37% in the second month, 75.74% in the third month, and 9.4% after the third month. In addition, Hilmi and Ali (2008) documented that 133 (15.13%) Indonesian companies' financial reports from 2004 to 2006 (879 financial reports as the sample for their study) were submitted after the expected date.

Indonesia Financial Accounting Standard No. 1 (IAI, 1998), for example, states that timeliness is an essential aspect of financial reporting. In addition, it clearly stated that in order to be relevant, the accounting information must be on time. In fact, the Indonesia Securities Exchange Commission released regulations regarding the time when listed companies must submit their financial reports (Bapepam, 1996). In 1996, it used to be 120 days after the fiscal year end. However, the regulation has changed to 90 days in 2003 (Bapepam, 2003) and the listed companies, even then, have to submit their audited financial reports.

From the above background of the study, the purpose of the study is to examine the relationship between corporate governance and company atributes of listed company in Bursa Efek Indonesia in Indonesia on the timeliness of financial reporting.

1.3 Problem Statement

Financial Reporting Timeliness (FRT) is the interpretation or exhibit attached to the financial report, embodied in a report that contains the facts, opinions, details required or useful in the interpretation of the report (Baydoun & Willett, 1995). Mansour (2011) showed that the timing of the financial reports should be disclosed in the financial information within 70 days after the end of the fiscal year.

Regarding to Gadenne and Williams (2006) and Maurer (2003), this is due to the fact that this period gives the relative flexibility of the timing of the issuance of financial reports to investors and beneficiaries of the company, but this flexibility depends on several elements linked to the time of the issuance of financial reports.

A lot of researches found that studies found various factors with respect to the timeliness of financial reporting in some countries. For example, Jaggi and Tsui (1999) and Ng and Tai (1994) study timeliness of financial reporting in Hong Kong, Ashton, Willingham and Elliot

(1987), and Newton and Ashton (1989) in Canada, in Pakistan by Hossain and Taylor (1998), Zimbabwe (Ansah & Owusu, 2000), Bangladesh (Ahmed, Imam & Khan, 2001), France (Soltani, 2002), Malaysia (Abdullah, 2006; Ahmad & Kamaruddin, 2003), Indonesia (Ahmad, Alim & Subekti, 2005; Ali & Hilmi, 2008), Australia (Lai & Cheuk, 2005), Greece (Leventis, Weetman & Caramanis, 2005; Leventis & Caramanis, 2005), Spain (Enrique Bonsón & Ponte, 2008), Korea (Lee & Jahng, 2008), Egypt (El-Bannany, 2008) and Bahrain (Al-Ajmi, 2008).

However, there are based on various characteristics of boards of directors and audit committee issues: composition, independence, knowledge and expertise, effectiveness, power and duties and responsibilities (Cohen et al., 2004). In addition, other actors, such as external and internal auditors also affect the financial reporting quality (Cohen et al., 2004). Therefore, the external and internal auditors and the audit committee and the board characteristics is a proxy which affects the concept of corporate governance financial reporting to the quality of a company. Thus, this study is to examine the affect of the board of directors size, audit committee size, company size and company sector on the timeliness of financial reports in Indonesia.

One of the classic difference in Indonesia is the method of construction of corporate governance. Indonesia has just implemented the corporate governance concept in 1999. It is evidenced by forming National Committee for Corporate Governance (NCCG) in 1999, later changed to National Committee for Governance (NCG) in Indonesia.

Badan Pengawas Pasar Modal (BAPEPAM) and Lembaga Keuangan (LK) (2011) stated that mandatory annual financial reports should be submitted to BAPEPAM and LK and announced to the community at the latest at the end of the third month after the date of the annual financial statements.

1.4 Research Questions

Based on the research problem, two research questions are formulated. The research questions are as follow:

1. What is the status on Financial Reporting Timeliness (FRT) of listed companies on Bursa Efek Indonesia (BEI)?

2. What is the relationship between coorporate governance attributes (Board of Directors size and Audit Comittee size), Company Attributes (Company size and Company Sector) and Financial Reporting Timeliness (FRT) of listed company in Bursa Efek Indonesia?

1.5 Research Objectives

The research objectives of this study are as follow:

1. To determine what is the status on Financial Reporting Timeliness (FRT) of listed companies on Bursa Efek Indonesia (BEI).

2. To determine what is the relationship between Coorporate Governance attributes (Board of Directors size and Audit Comittee size), Company Attributes (Company size and Company Sector) and Financial Reporting Timeliness (FRT) of listed company in Bursa Efek Indonesia (BEI).

1.6 Scope of Research

The scope of this study includes the investigation of the relationship between corporate governance (board of director size and audit commitee size) and company attributes (company size and company sector) the Financial Reporting Timeliness (FRT). The independent variables are the corporate governance and company attribute while the financial reporting timeliness is the dependent variable. The population is limited to companies listed on the Bursa Efek Indonesia for the year 2013.

1.7 Significances of Study

This study expects to provide some contributions as follows:

a. Indonesia security commission or authority can use the results of this study to develop corporate strategy and planning process so as to improve of the timeliness of financial reporting in Indonesia.

b. Increased awareness of the relationship between size of board of director and audit committee with financial reporting timeliness.

c. Increased the awareness of the relationship between company size and company sector with financial reporting timeliness.

1.8 Definition of Terms

Financial Reporting Timeliness

Difference between the end of fiscal year and the date of auditor sign the Audit Report.

Corporate Governance

The system which guide and monitored the operations of the company at all levels in order to accomplish the organisational objectives and meet the required standards of integrity, responsibility and candour (Hammad, 2008).

Board of Directors Size

The number of the board of directors within the company. Board size is represented by the number of board of director's on the board of a listed company. Over time, one of the disadvantages associated with a large board size has been the problem with communication and coordination (Wu, Wu & Liu, 2008).

Audit Committee Size

It is the number of members of the audit committee as listed in the company.

Company Size

The total assets of a particular company are commonly used to measure the size of a company. Therefore, this study used the total assets to measure the size of the company.

Company Sector

According to Chad Langager (2015), the terms industry and sector are often used interchangeably to describe a group of companies that operate in the same segment of the economy or share a similar business type A sector is one of a few general segments in the economy within which a large group of companies can be categorised. For example, the basic materials sector is the segment of the economy in which companies deal in the business of exploration, processing and selling the basic materials such as gold, silver or aluminum which are used by other sectors of the economy. However, sector in this study comprised of the company listed under Bursa Efek Indonesia for 2013.

1.9 Organisation of the study

The study is organised as follows:

Chapter 1: Introduction

The introduction highlights the background and problem statement of the study, research question, objectives of the study, scope of study, significant of study and definition of terms.

Chapter 2: Literature Review

This chapter discusses the literature review on financial reporting timeliness, corporate governance and company attributes. The last section discusses the underlying theory related to this study.

Chapter 3: Research Methodology

The third chapter describes the research framework, hypothesis development and the method employed in the study.

Chapter4: Research Findings

The fourth chapter includes the analysis of the annual report in this study by using SPSS (version 19). Based on the analysis, finding are extracted from this study.

Chapter 6: Conclusion and Recommendations

The final chapter concludes of the study and offers recommendations. The study further conclude with future research system.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter intends to review studies on corporate governance (board size and audit committee size) and company attributes (company size and company sector) and financial reporting timeliness.

2.2 Financial Reporting Timeliness

The preparation of financial reports for companies is the system of communication between the administration and the users of the financial reporting. This is in order to report on the results of the commercial activities of the companies and revealing the reliability, accountability, and credibility of its work (Hedberg & Malmborg, 2003).

An important qualitative attribute of financial statements is timeliness. Both analytical and empirical evidence suggest that decisions based upon financial statement information may be affected by the timeliness of information releases (Carslaw & Kaplan, 1991).

According to Younes (2011), the timing of financial reporting is the difference between the date at which corporate financial reports are published and the end of fiscal year, as the larger the discrepancy in timeliness, the lesser would be the financial information.

Financial reporting timeliness has become important recently due to the different forcing factors, like growth and expansion in the form of regulation of a company, the shift in focus from the concept of "shareholders" to "stakeholders" and an increase in company's life needs to media, legislation and adjustment in the laws of disclosure in different countries (Al-Hayale, 2010). When a trust of financial markets shake and investors disappeared due to various scandals, then those cases will increased the importance of financial reporting related to timeliness.

Recognising the importance of theoretical and practical promptly revelation of financial information for companies, regulatory bodies globally have set time limits for acceptable and legal within organisations that are reporting companies to disclose financial obligations to the various stakeholders (Sutton, 2002). The reporting of financial results was faster in some countries than others. It was established that in some Anglo-Saxon countries, especially in Belgian companies, financial results reporting takes longer time (DeCeuster & Hunters, 1993). Annaert (2002) also found and submitted that companies did not report their financial results on time.

Wallace (1993) mentioned that providing timely information in the reports of the companies assume greater importance in developing economies. This is often ascribed to the lack of development in the sources of the statement of non-financial information that is, media releases, press conferences as well as the expectations of financial analysts and the effectiveness of the regulatory bodies as compared to the developed countries. The financial information users should have easy and quick access to the information needed in order for them to make sensible decisions. In this context, the timely availability of the information and its contents is very important to users of financial information, where the prices of shares of the listed companies are usually based on the disclosure of this information (Shapiro & Varian, 2013). Dogan (2007) pointed out that the financial results revelation, which are the key predictors of the performance of a company, is a prominent factor that indicates the value of the company.

Ansah (2000) argued that the prompt disclosure of financial information is well crucial in order to prevent the trading activities of insider, the disclosure of non - official information in the market which may affect the stock prices to reveal the true values. Therefore, Leventis and Weetman (2004) recommended that the disclosure period of the financial information of the companies should be specially planned to reduce these activities that are harmful to the effectiveness of the capital market.

Jaggi and Tsui (1999) stated that investors need the information at the appropriate time to reduce the deployment of asymmetric information, financial and investment growth of society as a whole. Ismail and Chandler (2003) believe the delay is unnecessary in the release of the results of the financial statements in greater inefficiency in the market. In another opinion, Ahmad and Kamaruddin (2001) mentioned that timely manner decreases the importance of the information content on its own. Additionally, Ashton (1987) suggested reports on the timing of firms that delay increases the insecurity connected to the investment decisions.

There are many scandals which occurred in the capital markets around the world when investors have no access to information at the appropriate time (Jensen, 2004). Thus, the publication of information in a timely manner is a key element for the capital market to work well (Bernanke, 2009). It helps to attract capital and maintain the confidence of investors in the capital market (Leventis, 2005). This also contributes to the immediate and effective performance of the stock market as a function of pricing and evaluation (Circles & Penman, 1984; Givoly & Balmont, 1982; Lee, 2001).

The process of timeliness in reporting the financial statements is organised with the help of legislation, resolutions and pre-requisites such as the Securities and Exchange Commission Stock Market (SEC) (Di Domenico, 2010). Going by requirements of the American Society of Securities (ASS), financial information should be disclosed to the relevant users within the range of 90 days after the fiscal year ended and 45 days of periodic reports (Keating & Frumkin, 2003; Prohs, 2001). While in Turkey, in accordance to item number 48, promulgated by the Capital Market Authority, the disclosure of financial reports publicly is within 10 weeks from the end of timely financial and periodic data within 6 weeks of the end of the timely financial and for bank is 8 weeks (Dogan, 2007).

Shukeri and Islam (2012) indicated that timeliness of company's annual financial reports to be a key factor impeding the timeliness of the information that is published for external users. More so, the period of the review process strongly affects the timing of the preparation of the financial reports of companies. The study focus more on the factors influencing the timely release of the audit report.

The international accounting standards and pre-requisites of disclosure are applied in Australia, but both the pre-requisites of Australia and international standards differ for disclosure of financial reporting and the reason is that some definitions and measurements available in the international standards of financial reporting are discarded (Adnan & Bakar, 2009; Hossain, 2008; Perera, Rahman & Cahan, 2003; Schnider, 2003). The reason of this is timely disclosing the financial information for the user of financial information; that is the disclosure of financial reports after 10 weeks as of financial year end (Cheng, 2005).

Institute of Chartered Accountants of Canada (2005) has conducted a study titled "improve the quality of information in the financial reports". The study resulted that the current quality of financial information in various countries and the different perspective of the user of information is highly demanded by the user of financial information and timely cooperating reports. This study has shown that Canadian law stipulates the need to issue the financial reports of companies within 8 weeks of the end of the fiscal year.

In England, timeliness of financial reports is considered utmost important (Aloke & Martien, 2007). The study pinpointed that the general form of business report must be developed timely and make it available to the user of information in order to analyse the business risk in advance and disclosing financial reports after 10 weeks of the end of financial year. Therefore, it must focus on providing information regarding future vision comprising of management, risks, unsure operations, and opportunities.

Study by Younes (2011) aimed to evaluate and analyse the legal framework surrounding the time for the preparation of financial reports in Egypt. The issue faced by the timely financial reports in the companies listed on the Egyptian Stock Exchange (ESE), through the publishing of their denominational during the 3 months of the end of the financial year rather than 6 months in order to provide a timely manner the financial reports.

As for the case in Jordan, the regulators allows the period of 70 days after end of the financial year (Al-Akra, Jahangir & Marashdeh, 2009). This period will give the relative flexibility to manage the disclosure of financial information to the users, but this depends on some of the elements that are related to the report contents, financial disclosure and other essentials that effect on the financial reports and the features of the markets which affect the company activities (Mokhtar & Zakaria, 2009).

In Mansour (2011) study, the timing of the financial reports are the disclosure of financial information within 70 days after the end of the fiscal year. Paragraph No. 48 of the Code of Amman Stock Exchange (2008) stated that the companies listed on the Amman Stock

Exchange to issue their financial reports in a period must not exceeding 70 days from the end of the fiscal year.

The general purpose of the financial reporting is to make available the financial information related to the entity which is reporting and the information is considered good for both current and potential, creditors, and lenders in the decision making process of providing resource to the entity-consequently investors (Cabedo & Tirado, 2004; Hooks & Davey, 2002). They are being considered the basic users to whom the general purpose financial reports are directed. However, in some cases, not all the information in the financial reports make available as needed by the creditors, current and potential investors, and lenders (Conceptual framework for financial reporting of IASB, 2010).

Study by McGee & Yuan (2008) examines the timeliness and corporate governance related to financial reporting in China. They revealed that counting the amount of days that spanned between the end of the year and date which independent auditor's report was used to measure the timeliness of financial reporting for many of the Chinese companies.

The timing of financial reporting is of great importance for people who have interests within the company (Hooks & Davey, 2002). Therefore, the financial reporting in a timely manner is of very great importance (Lee & Son, 2009). Givoly and Palmon (1982) also suggest that the delay in financial reporting reduces the level of the interest earned from these reports.

Table 2.1: Previous Research on Financial Reporting Timeliness

Author(s), Year	Variables	Findings
Givoly & Palmon (1982)	Financial Reporting Timeliness	Delay in financial reporting reduces the level of the interest earned from these reports.
Givoly & Balmont (1982)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.

Author(s), Year	Variables	Findings
Circles & Penman (1984)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Ashton (1987)	Financial Reporting Timeliness	Reports on the timing of firms that delay increases the insecurity connected to the investment decisions.
DeCeuster & Hunters (1993)	Financial Reporting Timeliness	It was established that in some Anglo-Saxon countries, especially in Belgian companies, financial results reporting takes longer time.
Jaggi and Tsui (1999)	Financial Reporting Timeliness	Information at the appropriate time to reduce the employment
Ahmad and Kamaruddin (2001)	Financial Reporting Timeliness	Mentioned that timely manner decreases the importance of the information content on its own.
Lee (2001)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Prohs (2001)	Financial Reporting Timeliness	Financial information should be disclosed to the relevant users within the range of 90 days after the fiscal year ended and 45 days of periodic reports
Hooks & Davey (2002)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Hooks & Davey (2002)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Ismail and Chandler (2003)	Financial Reporting Timeliness	Believe the delay is unnecessary in the release of the results of the financial statements in greater inefficiency in the market.
Keating & Frumkin (2003)	Financial Reporting Timeliness	Financial information should be disclosed to the relevant users within the range of 90 days after the fiscal year ended and 45 days of periodic reports
Cabedo & Tirado (2004)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well
Cheng (2005)	Financial Reporting Timeliness	The disclosure financial reporting within 14 weeks from the end of timely financial year.
Leventis (2005)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Dogan (2007)	Financial Reporting Timeliness	This study found financial information should be disclosed to users within the range of 90 days after the fiscal year ended and 45 days of periodic reports.

Author(s), Year	Variables	Findings
Al-Akra, Jahangir & Marashdeh (2009)	Financial Reporting Timeliness	As for the case in Jordan, the regulators allows the period of 70 days after end of the financial year
Bernanke (2009)	Financial Reporting Timeliness	Financial Reporting Timeliness is a key element for the capital market to work well.
Mansour (2011)	Financial Reporting Timeliness	This study showed that the timing of the financial reports should be disclosure of financial information within 90 days after the end of the fiscal year and 45 days of periodic reports.
Younes (2011)	Financial Reporting Timeliness	Study aimed to evaluate and analyse the legal framework surrounding in time for the preparation of financial reports in Egypt. Through the publicising of their denominational during the 3 months of the end of the financial year rather than 6 months in order to provide timely manner.

2.3 Corporate Governance and Financial Reporting Timeliness

Corporate Governance is defined as the system which guide and monitor the operations of the company at all levels in order to accomplish the organisational objectives and meet the required standards of integrity and responsibility (Candour & Hammad, 2008). Richard (2001) stated that proper application of corporate governance requires commitment to a set of principles that form the basic rules of good administrative practice which are :

a. Shareholders' equity. This principle is achieved through the exercise of the right to register and transfer of ownership the stock, attend the general assembly, vote and elect a board of directors, obtain information on a regular basis and in a timely manner, to exercise control, to get the return of profits.

b. Gender equity in treatment. The equality of all shareholders, within each category, in terms of ensuring the foregoing rights, providing the necessary information for them, treat them equally, and compensation in cases of infringement on their rights.

c. The role of stakeholders. These are the owners of the bonds, banks, creditors, suppliers, customers, and workers. It must be for those active role in monitoring the performance of the company, while ensuring their rights.

d. Disclosure and transparency. It is the accuracy and comprehensiveness of disclosure information related to the financial reports and as well as the company's performance, in accordance to the Accounting and Auditing Standards International (IFRS), or applicable accounting rules and need to ensure the delivery and timely information to its users.

e. The board of directors' responsibilities. This principle is to determine the structure of the board directors and the tasks assigned to members, including the provision of necessary information, reliable, and compliance with the laws and the interests of all relevant parties in the company.

In this study, corporate governance attributes are measured by Board of Director size and Audit Committe size.

Cohen (2002), made an argument that in situation in which the structure of governance related to client and effective implementation of both efficient monitoring and strategic perspective; there is a possibility for both audit work become efficient, this will then leads to less extent of tests of details and greater assurance of the timely financial report.

Good and Seow (2002) study examined the impact of corporate governance in the financial reporting standard in the process of governance applied on Singapore's economic units. The study sample consist of 22 listed companies in the financial market in Singapore from 1998 to 2001 (Good & Seow, 2002). The outcome of the study confirmed the role of corporate governance in the financial reporting timeliness (Good & Seow, 2002).

Another study by Dahmash (2005) aimed to clarify the linkage between corporate governance and the financial reporting timeliness in telecommunications sector in Jordan. He concluded that there are significant and positive correlation between corporate governance and financial reporting timeliness.

They further compared their outcomes with that of non-Chinese companies in developed market economies to examine if there were significant difference. This study also investigates the sets of accounting standards used (IFRS, US GAAP or Chinese accounting standards) as well as the independent audit firms that issued the audit opinion in order to determine which audit firms and accounting standards adopted (McGee & Yuan, 2008).

2.3.1 Board of Directors Size and Financial Reporting Timeliness

Board of directors is a group of individuals that the shareholders of the company elected to manage the affairs of the business by meeting on periodic basis as well as represent the shareholders' interests (Grant, 2003; Lipton & Rosenblum, 2003; Mace, 2008). They are also referred to as the governing body of a corporation (Bethoux, Didry & Mias, 2007; Schipani & Liu 2007). They have the overall authority regarding the decisions made by the company, but usually limit their decisions to the following areas: adopting and revising bylaws, issuance of stock, naming members to various committees, issuance of dividends, employing or sacking senior managers, and establishing the company's overall direction. Included in the board of directors are chief executive officer of the company, and people outside the organisation but with special skills and knowledge that could be of assistance to the company (David, 2011).

Board of Director size is represented by the number of board of director's on the board of a listed company (Corbetta & Salvato, 2004). Over time, the issue of large board size has been the problem with communication and coordination since the presence of a large board makes it difficult to monitor in comprise with a small board size because a larger size of board causes less participation, is less organised, and difficult to make any agreement (Andres & Vallelado, 2008; Kroszner & Strahan, 2001). However, Wu, Wu & Liu (2008) finds a negative significant relationship between audit report lag and board size, the finding suggest that when more directors on board will create more positive outcome, less conflict of interest and thus improve the financial reporting delay since they are responsible to ensure the financial report published timely.

Gibbins, Mc Cracken and Salterio (1990) also stated that the size of the board of directors has a significant impact on the financial reporting date. The study showed that the size of board members is of great significance to the timing of the issuance of financial reporting. This is because when the number of board members are few, they will be finished validation of the financial reporting shortly, and therefore the issuance of financial reports will be in a timely manner (Gibbins et al., 1990).

Clatworth (2012) focused in private companies that rely on supplying the long-term debt and short term, which depends on the financial statements of the case demand that may affect total issuance of the financial statements. The study highlighted the presence of a high degree of influence on the timing of the financial reports and board of director size.

Fama and Jensen (1983) and Wu and Liu (2008) documented that the members of board may enhance the value outside the company by making available the services of monitoring, and are expected to be the protector of the interests of shareholders through monitoring and surveillance. Studies by Afifi (2009), O'Sullivan (2000) and Salleh (2006) found that the larger percentage of autonomous directors on the board will enable effective monitoring on the behaviour of management. Therefore, it reduces the risks inherent which at the end, reduce the audit more and thus reduce audit delay.

Abdelsalam and El-Masry (2008) stated that there are negative correlation between board of directors size and timelines of financial reporting in financial company. Clatworthy (2010) on the other hand find that the size of the board of directors has significant and enhance financial reporting timeliness.

Abdullah (2006) investigated the roles of the composition of the members of board on the timeliness of reporting. The composition of the members are considered related with financial reports timeliness (Abdullah, 2006).

Hashim and Rahman (2010) observed the relationship of the procedures of corporate governance and lag of audit reports in almost 288 listed in Bursa Malaysia companies in the period of 2007 to 2009. The result of this study revealed that there was negative and significant relationship between board of directors and audit report lag.

Another study in Iran by Moradi, Salehi and Mareshk (2013) indicated that the effects of the factor such as board of director were meaningful on the timeliness of the financial reporting. The statistical coefficients revealed that increase in the quantity of board of director improved the timeliness of reporting (Ball & Shivakumar, 2005; Gao & Kling, 2012). Based on these arguments, the researcher showed that there are significant and positive connection between board of directors size and financial reporting timelines. Table 2.2 summarise the previous studies of board of directors on financial reporting timeliness.

Table 2.2: Previous Research of Board of Directors Size on Financial Reporting Timeliness

Author(s), Year	Variables	Findings
Fama and Jensen (1983)	Board of directors size, Financial Reporting Timeliness	Members of board may enhance the value outside the company by Financial Reporting Timeliness.
Kroszner & Strahan (2001)	Board of directors size, Financial Reporting Timeliness	Board of Director size is represented by the number of board of director's on the board of a listed company.
Corbetta & Salvato (2004)	Board of directors size, Financial Reporting Timeliness	Board of Director size is represented by the number of board of director's on the board of a listed company.
Abdullah (2006)	Board of directors size, Financial Reporting Timeliness	This study found out that board of directors size is negatively significantly associated with the timeliness of financial reporting.
Wu, Wu & Liu (2008)	Board of directors size	This study finds a negative significant relationship between audit report lag and board size.
Abdelsalam & Elmasry (2008)	Board of directors size, Financial Reporting Timeliness	This study found that there are negative correlation between board of directors size and timelines of financial reporting in financial company.
Andres & Vallelado (2008)	Board of directors size, Financial Reporting Timeliness	Board of Director size is represented by the number of board of director's on the board of a listed company.
Clatworthy (2010)	Board of directors size, Financial Reporting Timeliness	This study found that the board of directors size has negative significance and enhance financial reporting timeliness.
Hashim and Rahman (2010)	Board of directors, Financial Reporting Timeliness	The result of this study revealed that there was negative significant relationship between board of directors size, and audit report lag.
Clatworth (2012)	Board of directors size, Financial Reporting Timeliness	The study highlighted the presence of a high degree of influence on the timing of the financial reports and board of director size.
Moradi, Salehi and Mareshk (2013)	Board of directors size, Financial Reporting Timeliness	This study found that there are significant and negative connection between board of directors size and financial reporting timelines.

2.3.2 Audit Committee Size and Financial Reporting Timeliness

The audit committee is establish with the aim of making sure accuracy related to financial reports (Buchalter & Yokomoto, 2003; Felo and Solieri, 2009). The function of audit committee is being recognised of utmost importance in all over the world in making financial reports even before scandal related to finance occurred in last decade (Habbash, 2010).

One of the important components of corporate governance mechanism is the audit committee (Ashbaugh, Collins & Lafond, 2006; Carcello, Hollingswort & Klein, 2006). It consists of the audit committee size. Thus, the agency theory was applied for this study. It is expressed in the results that the audit report was delayed and influenced by the audit committee size.

The audit committee's function spelt out in section 359 (6) in Bursa Efek Indonesia as:

a. Make sure if the company policies of accounting and reporting are according to the legal and agreed ethical practices.

b. The planning and scope requirement of audit must be reviewed.

c. The issues of management in conjunction of external auditors and departmental responses must be reviewed.

d. It must be observed with the efficiency of accounting and internal control system of a company.

e. Regarding the appointments, remuneration related to external auditors, and removal, recommendations must be made to the audit board.

f. The internal auditor must be authorised for making investigations related to the practices of the company which may be considered of committee's interest

Audit committee is being appointed by a company to liaise between the external auditors and board of directors (Pass, 2004; Sarens & Beelde, 2006; Smith, 2003). The audit committee responsibility is to ensure that the company carries out its activities in judicious manner has majority of non-executive directors as its members (Habbash,2010).

A study by Apadore and Mohd Noor (2013) aimed to analyse the linkage between the features of audit committee size and audit report delay amongst companies listed under Bursa Malaysia. The study sampled 180 companies listed under Bursa Malaysia between 2009 and 2010. The outcomes revealed that on the average, it takes some companies about 100 days to finish their audit report, while minimum and maximum days of completion falls between 26 days and 148 days respectively. The result bring forth that audit committee size are extensively associated with audit report delay.

Nor, Shafie and Hussin (2010) analysed the association between the size of audit committee and the timeliness of financial reporting. Among the different feature related to audit committee are of audit committee size (De Andres, Azofra & Lopez, 2005; Defond, Hann & Hu, 2005; Krishnan & Visvanathan, 2007). The results show that larger bench of audit committee will produce audit reports on time (Nor, Shafie & Hussin, 2010). The size of audit committee and the audit committee which had at least four meetings, have negative relation with delaying of audit report.

Study by Givoly and Palmon (1982) showed that the cause of the delayed financial reporting is due to weaknesses in the audit committees size, forcing them to further have meetings to review the financial reporting, which may affects the timing of financial reporting and increasing the number of days required to sign the financial reports. Previous research found a significant relationship between audit committees size and the timing of financial reporting, prompting the researchers to do more studies on this subject.

Bédard and Gendron (2010) revealed the relationships between size of audit committee with the timeliness of financial reporting are being considered more strong in the United States than other countries. However, the studies conducted by Li and Haniffa (2008) and Xie, Davidson and Dadalt (2003) showed that there is a negative and significant relationship between timeliness of financial reports and audit committee size. Li and Haniffa (2008) show that the level of corporate disclosure is significantly influenced by the audit committee size. Xie, Davidson and Dadalt (2003) in their study also found that frequency of audit committee meeting often lead to low discretionary accruals. In addition Abbott et al. (2004), Persons (2009) and Vafeas, (2005) discovered that when audit committee embarks on higher and frequency of activity, it will bring about financial reporting timeliness, lower incidence of financial restatement, or reporting a small earnings increase.

Table 2.3: Previous Research of Audit Committee Size on Financial Reporting Timeliness

Author(s), Year	Variables	Findings
Study by Givoly and Palmon (1982)	Audit Committee Size, Financial Reporting Timeliness	Showed that the cause of the delayed financial reporting in due to weaknesses in the audit committees size,
Dadalt (2003)	Audit Committee Size, Financial Reporting Timeliness	This study found that there is a negative and significant relationship between timeliness of financial reports and audit committee size.
Xie, et al. (2003)	Audit Committee Size, Financial Reporting Timeliness	Show a negative relationship between audit committee size and timeliness of financial reports.
Lin, et al. (2006)	Audit Committee Size, Financial Reporting Timeliness	The study found a negative association between audit committee size and financial reporting timeliness.
Persons (2009)	Audit Committee Size, Financial Reporting Timeliness	Document that audit committee size activity is negatively significantly related to a lower incidence of financial restatement
Al-Najmi, J. (2010)	Timeliness of Annual Reports, Audit Committe Size	The corporate governance proxies audit committee size were found to be the determinants of the period between the auditors' signature dates and the publication date.
Bédard and Gendron	Timeliness of Annual Reports, Audit	Revealed the relationships between size of audit committee, with the timeliness of

(2010)	Committe Size	financial reporting are being considered more strong in the United States than other countries.
Shukeri & Islam (2012)	Timeliness of Annual Reports, Audit Committe Size	Audit committe size play a significant role in the timeliness of the financial reporting.

2.4 Company Attributes and Financial Reporting Timeliness

According to Chad Langager (2015), the terms industry and sector are often used interchangeably to describe a group of company that operates in the same segment of the economy or share a similar business type. A sector is one of a few general segments in the economy within which a large group of companies can be categorised. For example, the basic materials sector is the segment of the economy in which companies deal in the business of exploration, processing and selling the basic materials such as gold, silver or aluminum which are used by other sectors of the economy.

The private sector is a larger sector in free enterprise economies, such as in the United States, in which the government imposes relatively few restrictions on businesses. In countries with more government control, such as China, the public sector makes up the larger part of the economy (Wigmore, 2013).

The public sector might provide services that non-payer cannot be excluded from (such as street lighting), services which benefit all of society rather than just the individual who uses the service (such as public education), and services that encourage equal opportunity (WebFinance, 2015),

In this study, company size and company sector is used to measure company attributes.

2.4.1 Company Size and Financial Reporting Timeliness

Total assets are used to determine the size of a company by most of previous studies One of important factors that affect audit delay is company size (Abdulla, 1996; Aston et al., 1987; Courtis, 1976). The size of a company is usually measured by the total assets of a particular company. Courtis (1976), Davies and Whittred, (1980), Dyer and McHugh (1975), Givoly and Palmon (1982), and Owusu-Ansah (2000) have documented the existence of an inverse association among company size and on time financial reporting. In contrast, Abdulla (1996), Aston et al., (1987), Courtis (1976), found a significant relationship between company size and timeliness of financial reporting. Most of the studies used total assets as a proxy of company size (Aston et al, 1987; Zaitul, 2010).

Abdullah (1996, Ashton et al., (1989) and Newton and Ashton (1989) study found a negative association among financial reports and company size. This finding may not be detached from the fact that the company under studied has considerable resources and employ required competent hands that will perform internal functions effectively. In addition, big organisations have resources that can be used to pay relatively higher audit fees and are able to settle the charges shortly after the end of the year (Ahmad, 2003). Importantly, the likelihood of big companies delaying report rendition less than those of smaller organisations. Dyer and McHugh (1975) believe that big organisations have greater incentives to make financial reporting effective and reduce delay in reporting since they are strictly observed by unions, investors, and regulatory bodies.

Another study by Akle (2011) examined the relationship of financial reporting timeliness and corporate governance for the listed companies on Egyptian stock exchange from 1998 to 2007. The study further determines the function of corporate governance level on the timeliness of corporate financial reporting and the connection between company sector and company size among others (Akle, 2011). The outcomes revealed that publicly listed companies in Egypt take a reduced amount of timeliness to disclose their yearly financial reporting since the application of corporate governance principles, the average number of days gap amid the end of the financial year and the public disclosure of the yearly report recorded tremendous improvement by decreasing to 72 days in 2007 from 134 days in 1998 (Akle, 2011).

A study by Apadore and Mohd Noor (2013), analyse the linkage between the features of company size, and audit report delay amongst companies listed under Bursa Malaysia. The study sampled 180 companies listed under Bursa Malaysia between 2009 and 2010. The outcomes revealed that on the average, it takes some companies about 100 days to finish their audit report, while minimum and maximum days of completion falls between 26 days and 148 days respectively. The result bring forth that audit committee size are extensively associated with audit report delay.

Wang and Song (2006) in their study stated that financial reporting in a timely manner is also important for small investors, since the delay in the financial reporting will affect small investors and their annual output. Moreover, companies that have big business always exposed to high pressure from investors to issue financial reports on time and without any delay (Sengupta, 2004).

In China, some studies have shown that the authorities have the ability to regulate the timing of the issuance of annual financial reports and through the development of laws that require companies to issue financial reports in a timely manner. For instance, Haw, Qi, and Wu, (2006) found that the authorities in the States have the responsibility of obliging big companies to issue financial reports in a timely manner and China was the example of interference by the authorities oblige companies to issue financial reports in a timely manner.

There are new factors that may affect the timing of financial reporting in companies, such as the size of the company the timing of financial reporting (Givoly & Palmon, 1982). For example, audit committes size is of great importance to the timing of the financial reporting in a timely manner. The increase meetings of the audit Committee will thereby increase the number of meetings needed to complete to review financial reports and this will leads to the delay of financial reporting on time (Aktas & Kargin, 2011).

Ashton et al. (1989) examined the factors affecting the timeliness by using the audit delay as a proxy for timeliness of financial reporting. The result shows that companies' size and company sector industry type to the audit delay. However, the adjusted R square is relatively low, meaning that there are other variables (outside its model) that may influence the audit delay.

Abdullah (1996) established negative correlation between delay the audit and the size of the company, which implies the larger the size, the less the delay. The reason may be the considerable resources of a company that have the efficacy to recruit individuals for the purpose of controlling the internal functions correctly. In addition, large companies have excess of resources at their disposal to set higher for the purpose of paying the charges shortly after the end of the year companies (Ahmad, 2003). Thus, it is likely that the delay in reporting audit exercise of large companies is less than if compared with smaller firms. Dyer and McHugh (1975) stated that the larger firm's management get more incentives for minimising delay in audit because they are monitored closely by investors, unions and regulatory bodies.

Atiase (1989) studies found that the reporting of financial results of the large companies was faster than the smaller ones. However, Davies and Whittred in 1980 on Australian companies argued and concluded that both smaller and larger companies have significantly made more reports in a timely manner more than medium-sized companies.

Krishnan (2005) has made a hypothesis that the quality of audit is related with size of company. Moreover, the study made an argument that the company's size is considered relevant because it point out the maximum amount of risky wealth. The companies with larger size are more dependent of external finances and thus these firms are considered more sensitive to the requirements of both current and potential investors who might make a demand of adequate audit procedures. Moreover, the companies with larger size have high analysis, which may have effect on different decisions of audit.

In a study of 47 companies listed on the Zimbabwe Stock Exchange, Owusu-Ansah (2000) reported that company size is associated with variation in financial reporting timeliness.

Therefore, the company size is being considered to has an influence on the timeliness of financial reports. Various reasons have been investigated in support of timelines and the size of company association. First, large companies have excessive resources for making the internal control system strong in the organisation and face no problem in frequent audit (Owusu-Ansah, 2005).

All of these will cause ease in conduction audit with a transactions of greater number in a short time. Second, large companies are of more concern for general public and get more pressure from media analysts for the purpose of releasing financial reports on time (Owusu-Ansah, 2005; Ahmed, 2003). Respectively, the larger the size of a firm, the shorter will be the time of financial reporting.

Thirdly, the company size is being considered an attribute influencing the accounting practice quality in term of timeliness. The larger the company size, the better would be the procedures of internal control. Therefore, there are less expectation of delay of reports in companies of larger size (Hope & Langli, 2008).

It is valid to demand the larger size of company with high quality of financial reporting. The size is being considered associated with high agency costs (Chow, 1982), which can be reduced with high quality of audit. As the company reaches a larger size, the duties related delegation of companies become vital and the reduction of monitoring increases the moral risk and opportunistic behaviour (Loosemore, 2006; Stiles & Taylor, 2001; Zhang, 2012).

Table 2.4: Previous Research Effect of Company Size on Financial Reporting Timeliness

Author(s), Year	Variables	Findings
Dyer and McHugh (1975)	Financial Reporting Timeliness, Company Size	Documented the existence of an inverse association among company size and on time financial reporting.
Courtis (1976)	Financial Reporting Timeliness, Company Size	Found a significant relationship between company size and timeliness of financial reporting.
Davies and Whittred (1980)	Financial Reporting Timeliness, Company Size	Documented the existence of an inverse association among company size and on time financial reporting.
Givoly and Palmon (1982)	Financial Reporting Timeliness, Company Size	Documented the existence of an inverse association among company size and on time financial reporting.
Ashton, Willingham, & Elliot, (1987)	Financial Reporting Timeliness, Company Size	Total assets typically used in previous studies of delay audit to measure the size of the company.
Abdullah (1996)	Financial Reporting Timeliness, Company Size	The presence of negative correlation between delay the audit and the size of the company.
Owusu-Ansah, S. (2000)	Financial Reporting Timeliness, Company Size	The empirical data indicate that audit reporting lead time is negatively and significantly associated with the timeliness with which sample companies

		release their preliminary annual earnings announcement, but not with the timeliness of their audited annual reports. Plausible explanations for these findings along with the limitations of the underlying research are provided.
Ahmad, Kamarudin, (2003)	Financial Reporting Timeliness, Company Size	Large companies have more resources to pay relatively higher audit fees and are able to settle the charges shortly after the end of the year.
Owusu-Ansah (2005)	Company Size, Financial Reporting Timeliness	The size of a company has been found to influence the timeliness of financial reporting. Several reasons have been adduced to support the relationship between timeliness and company size. First, large firm have more resources to institute and enforce strong internal control system in their organizations and can afford continuous audit.
Hope & Langli (2008)	Company Size, Financial Reporting Timeliness	The size of a company has been identified in prior literature as an attribute having likely impact on the quality of accounting practice in terms of timeliness. The big the size, the more likely they are to have strong internal control procedures. Thus, fewer control weaknesses that could cause reporting delays are expected in large.

2.4.2 Company Sector

There are new factors that may affect the timing of financial reporting in companies, such as company sectors (Givoly & Palmon, 1982). Ashton et al. (1987) investigated the determinants of timeliness of financial reporting measured by audit delay. The result shows that the audit delay is significantly associated with company sector.

Iyoha (2012) study showed the effect of the timing of the financial reporting of the company in Nigeria on the basis of a sample of financial reports for the years 1999 to 2008 from 61 companies. The results showed that there are significant differences in the timeliness of financial reporting between the company sectors in Nigeria. The study also demonstrated that the banking sector in Nigeria issued their financial reports in time faster than the banking sector.

2.5 Underlying Theory

To conceptualise the research framework, agency theory is used to explain the relationship between Board of Director Size, Audit Committe Size, Company Size and Company Sector with Timeliness of Financial Reporting.

2.5.1 Agency Theory

Jensen and Meckling (1976) argues that there is a potential conflict of interest between managers and shareholders, due to the separation of ownership in control. Most business relationship are fundamentally an agent – principal relationship in nature. Agency relationship occurs when one party in a transaction called principal, hire another party called agent, to perform some duties and delegates decision making authority to the agent. The separation between ownership and control of corporation tends to give rise to conflict of interest between agent and principal. Furthermore, agents tend to have the ability to operate in their own self-interest rather than in the best interests of the shareholders because of asymmetric information. Such information asymmetry may allow an agent to engage in opportunistic behaviour. This is the reason why conflict of interest in the concern agency theory.

In their seminal work on Agency Theory, Jensen and Meckling (1976) defined agency as:

"a contract under which one or more (principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent".

The Agency Theory has been widely applied to different economics-related disciplines such as accounting, external financial auditing, and finance (Ettridge, Simon, Smith & Stone, 1994; Thornton, 1985; Wallace, 1985; Watts & Zimmerman, 1978). The economics-driven model is based on assumptions that make it to be a different model of human motivation and behaviour. Such assumptions regard all players to be rational in their duties and that individuals who take actions will maximise their official opportunities and personal interests, regardless of any moral guidelines to the contrary (Thornton, 1985).

In its purest sense, agency theory is also based on the assumption that individuals in the course of making decisions will consider all required information and will be rational. In an efficient market, assumptions can be made flexible in order to explain the importance of contracting services and accounting practices. However, contracting with auditors, accountants and others has become the means of monitoring in an imperfect market – and making visible – agency costs to principals who cannot know everything at any one point in time see for example Watts and Zimmerman (1986).

2.6 Chapter Summary

This chapter discussed the financial reporting timeliness, corporate governance attributes (board of directors size and audit committe size) and company attributes (company size and company sector) and underlying theory with regards to the objective of the study.

CHAPTER 3

RESEARCH FRAMEWORK AND METHODOLOGY

3.1 Introduction

This chapter discusses the research framework and methodologies employed in this study to achieve the research objectives and to test the hypotheses. The key issues discussed in this chapter are research framework, hypotheses development and method used.

3.2 Research Framework

According to Smyth (2004), research framework is constructed with a combination of ideas and theories that help researchers identify problems and develop questions form relevant literature. A research framework shows the link that exists between a dependent variable and independent variables. A dependent variable is data measured, predicted, or monitored by the researcher and is expected to be affected a manipulation of the independent variables, whereas an independent variable is the one manipulated by the researcher to affect or change the dependent variable. Specifically, four variables are examined based on the research topic entitled "Corporate Governance and Company Attribute on Financial Reporting Timeliness in Bursa Efek Indonesia."

The dependent variable is financial reporting timeliness, and it relies on the following independent variables that might affect financial reporting timeliness which are board of directors size, audit committee size, company size and company sector, as shown in Figure 3.1.

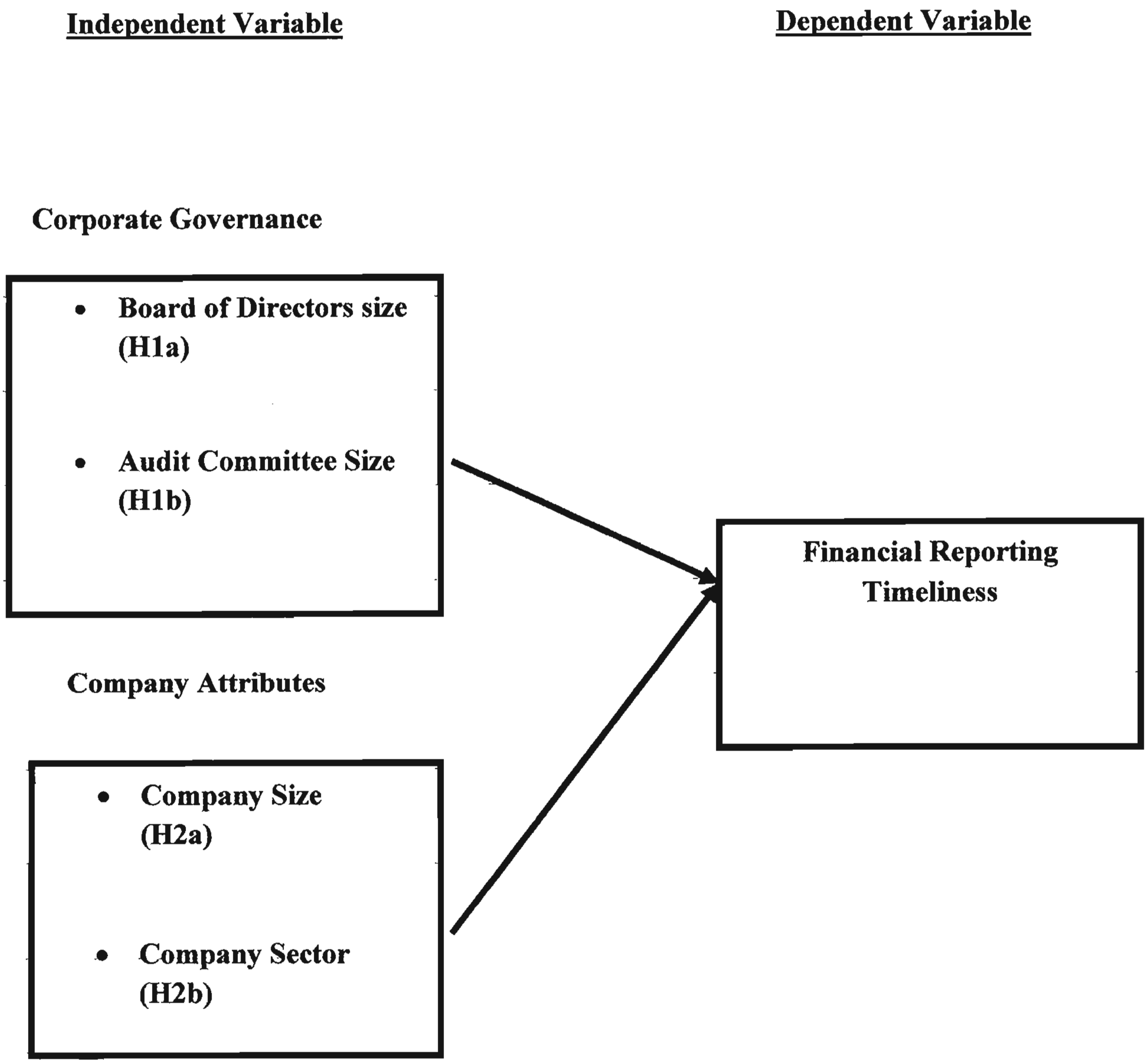

Figure 3.1: Research Framework

3.3 Hypotheses Development

After reviewing literature on the Board of Director size, Audit Committe Size, Company Size, Company Sector and Timeliness of Financial Reporting, research framework are then formulated by the following hypotheses:

3.3.1 Relationship between Board of Directors Size and Financial Reporting Timeliness

According to Abdelsalam and El-Masry (2008), there are a negative and significant relationships between board of directors size and timelines of financial reporting in a financial company. Clatworthy (2010) find that the size of the board of directors have a negative relationship with financial reporting timeliness.

Another study in Iran by Moradi, Salehi & Mareshk (2013) indicated that board of director size were meaningful on the aptness of the financial reporting. The statistical coefficients shows that increase in the board of director improved the timeliness of reporting. Hence, the researcher proposes the following hypothesis:

H1a; There is a negative relationship between board of directors size and financial reporting timeliness.

3.3.2 Relationship between Audit Committee Size and Financial Reporting Timeliness

Lee, Mande and Son (2008) and Xie, Davidson and Dadalt (2003) in the course of their studies highlighted the relationships that exist between audit committe size and timeliness of financial reports. Li et al. (2008) show that the audit committee size has a negative effect on the timeliness of financial reports. Similarly, Abbott et al. (2004); Persons (2009); Vafeas

(2005) found that when audit committee size are large, it will negatively related to reporting financial timeliness. Other researchers has found a negative and significant relationship between the audit committee size and financial reporting timeliness (Hashim & Abdul Rahman, 2011). Hence, the researcher proposes the following hypothesis:

H1b; There is a negative relationship between audit committee size and financial reporting timeliness.

3.3.3 Relationship between Company Size and Financial Reporting Timeliness

The size of company has been identified to influence financial reporting timeliness; the total assets of a particular company are commonly used to measure the size of a company (Ahmad & Kamarudin, 2003). Owusu-Ansah (2000) has documented the existence of an inverse link between timeliness of financial reporting and company size. In contrast, Abdulla (1996); Aston et al. (1987) and Courtis (1976) found a significant relationship between financial reporting timeliness and company size. Most of the studies used total assets as a proxy of company size (Aston et al., 1987; Zaitul, 2010).

The size of a company has been found to influence the timeliness of financial reporting. Several reasons have been adduced to support the relationship between timeliness and company size. First, large firm have more resources to institute and enforce strong internal control system in their organizations and can afford continuous audit (Owusu-Ansah, 2005).

All of these should make it easier to audit large number of transactions in a relatively shorter time. Second, large firms are more visible to the public view and face a lot of pressures from media analysts to release financial information on a more timely basis (Owusu-Ansah, 2005; Ahmed, 2003). Accordingly, the larger the firm, the shorter its financial reporting time should be. Hence, the researcher proposes the following hypothesis:

H2a; There is a negative relationship between company size and financial reporting timeliness.

3.3.4 Relationship between Company Sector and Financial Reporting Timeliness

According to Chad Langager (2015) the terms industry and sector are often used interchangeably to describe a group of companies that operate in the same segment of the economy or share a similar business type. A sector is one of a few general segments in the economy within which a large group of companies can be categorised. For example, the basic materials sector is the segment of the economy in which companies deal in the business of exploration, processing and selling the basic materials such as gold, silver or aluminum which are used by other sectors of the economy.

According to Iyoha (2012) the longest reporting days after year end is insurance sector and and the shortest mean days is banking sector. So, the researcher proposes the following hypothesis in the timeliness of financial reporting.

H2b There is a negative relationship with company sector and financial reporting timeliness.

3.4 Data Collection

Data is one of the most vital instrument prior to regression process particularly in quantitative research (Ader & Mellenbergh, 2008; Boudreau, Gefen & Straub, 2001; Gefen, Straub & Boudreau, 2008). There are three types of data as mostly used in academic research namely; time series, cross section and pooled data (Cameron & Trivedi, 2013; Crouch, 1994; Hensher, 1994). Time series data is a value of variable from one unit that arranged based on time arrangement such as daily, weekly, monthly, quarterly, semi annually or annually. For example, macroeconomics data of one country from 2000 to 2010 such as household consumption, investment, saving, export, import, GDP and interest rate. Cross section data is the value of variable from some of firms, individuals or location that are collected at the same time. Furthermore, data can also be classified into quantitative and qualitative data. Quantitative data is presented in the form of figures such as income, age or salary. Quantitative data is classified again into two parts namely interval and ratio. The example of interval data is salary of staff between one thousand to two thousand dollars, whereas ratio data is presented in an absolute zero such as age, length and GDP (Dogan, 2007).

The main objective of this research is to determine the factors that influence financial reporting timelines among companies as listed in the Bursa Efek Indonesia. The secondary data were taken from the financial statements of companies that are listed in the year 2013. Independent variables of this study comprises of board of directors size, audit committee size, company size and company sector. Meanwhile, dependent variable is the financial reporting timeliness and this study employs SPSS version 19 to examine the relationship among variables. The following table depicts the type of and sources of data.

Table 3.1 Data Collection

No	Variable	Explanation of Variables	Sources of Data
1	FRT	Financial Reporting Timeliness	Bursa Efek Indonesia
2	BODS	Board of Directors size	Bursa Efek Indonesia
3	ACS	Audit Committee Size	Bursa Efek Indonesia
4	COMSIZE	Company Size	Bursa Efek Indonesia
5	CSCSEC	Company Sector	Bursa Efek Indonesia

3.5 Population and Sampling

In this study, the secondary data are based on the annual reports collected from the Bursa Efek Indonesia. Convenience sampling is the best way to collect information quickly and efficiently (Cavana, Delahaye & Sekaran, 2001). The number of companies listed in the Bursa Efek Indonesia in 2013 was 462 companies. Therefore, the number of companies used for this study are 175, which are listed on the Bursa Efek Indonesia (refer to Krijcie & Morgan, 1970) as presentes in Table 3.2.

Table 3.2 Sampling of the Study

Sector	Number of Company	Percentage
All Company	175	100%
The agricultural sector	11	6.29%
Coal Sector	15	8.57%
Basic Chemical and Industrial Sector	17	9.73%
Industry Sectors	18	10.29%
The industrial sector of consumer goods	14	8.00%
Property and real estate sector	13	7.40%
Infrastructure, utilities and transportation sector	14	8.00%
Financial sector	32	18.29%
Ttrade, services and investment sector	41	23.43%
Final Sample	175	100%

3.6 Research Model

Based on the hypothesis, a regression model is devolved in order to test the relationship between board of directors size, audit committee size, audit committee meeting, company size and company sector and financial reporting timeliness. The model is as follows:

$$\mathbf{FRT} = \alpha_0 + \alpha_1\,\mathbf{BOD} + \alpha_2\,\mathbf{ACS} + \alpha_3\,\mathbf{COMSIZE} + \alpha_4\,\mathbf{CSEC} + \epsilon$$

Where:

FRT = Financial Reporting Timeliness

BOD = Board of Directors size

ACS = Audit Committee Size

COMSIZEE = Company Size

CSEC = Company Sector.

This model is to test the relationship between each of the independent variables and the dependent variable.

3.7 Measurements of Variables

The study consists of four independent variables and dependent variable. All the data for each of the variables used for this study were collected from the respective annual reports.

3.7.1 Dependent Variable

The study applied one dependent variable which is financial reporting timeliness. The operational definition for the financial reporting timeliness is defined in this study as the difference between the end of the financial year and the timing of the issuance of the company's financial reports (Al-Ajmi, 2008; Almosa & Alabbas, 2008. Che Ahmad & Bidin, 2008) The financial reporting timeliness is measured as the number of days from the year end to the time when the auditors sign the report (Al Hayale, 2010; Ball, 2006; Singh, 200; Younes, 2011). The data are from the annual report in the Bursa Efek Indonesia for the year 2013.

Table 3.3 shows the number of companies that comply to regulation in issuing of financial reports in a timely manner as shown in Bursa Efek Indonesia law see (Appendix B & C).

Table 3.3: Financial Reporting Timeliness in Companies From Bursa Efek Indonesia

The Timing of Issuance	Number of Companies	Percentage
Issuance within 90 days	166	94.90%
Issuance after 90 days	9	5.10%

3.7.2 Independent Variables

Among the important corporate governance by previous research are board of directors size (Afify, 2009; MohdGhazali, 2010; O'Sullivan, 2000), and audit committee size (Abbott et al., 2004; Mohd Naimi et al., 2010; Rahmat, Iskandar & Saleh, 2007). These selected corporate governance show a significant relationship with financial reporting timeliness. while company size and company sector are the company attributes.

3.7.2.1 Board of Directors Size

Previous study used number board of director members to test the effects of board of directors size on the financial reporting timeliness (Abdullah, 2006; Hashim & Rahman, 2010; Moradi, Salehi & Mareshk, 2013; Wu, Wu & Liu, 2008). They found that there are significant and positive relationship between board of directors size and financial reporting timeliness. In this study, board of directors size is measured based on the number of board of directors member in the board (Abdelsalam & El-Masry, 2008; Abdullah, 2006; Afifi, 2009; Hashim & Rahman, 2010; O'Sullivan, 2000; Salleh, 2006).

3.7.2.2 Audit Committee Size

In order to make an audit committee effective in controlling and monitoring top management's activities, the committee must have enough members to carry out the responsibilities (Rahmat et al., 2009). The number of audit committee members represent the total number of audit committee in the company. Previous research has studied the number of audit committee members as one of the variables in their study (Mohd Naimi et al., 2010; Rahmat et al. 2009; Yatim et al. 2006;). Similar to the above studies, the operational measurement for audit committee size is the total number of audit committee members in the company. (Ashbaugh, Collins & Lafond 2006; Buchalter & Yokomoto 2003; Carcello, Hollingswort & Klein 2006; Felo & Solieri, 2009; Habbash 2010; Shukeri & Islam 2012).

3.7.2.3 Company Size

The size of a company has been found to influence the timeliness of financial reporting. Several reasons have been adduced to support the relationship between timeliness and company size. First, large firm have more resources to institute and enforce strong internal control system in their organisations and can afford continuous audit (Owusu-Ansah, 2005).

In this study, total assets of a particular company are commonly used to measure the size of a company (Ahmad & Kamarudin 2003; Owusu-Ansah 2000). The size of company has been identified to influence financial reporting timeliness. The total assets of a particular company are commonly used to measure the size of a company (Abdullah, 1996; Davies & Whittred, 1980; Dyer & McHugh, 1975; Givoly & Palmon, 1982; Owusu-Ansah, 2000; Owusu-Ansah, 2005).

Table 3.4 shows the corporate division by company size based on net assets within companies in in Bursa Efek Indonesia see (Appendix B & C).

Table 3.4: Company Size on the Bursa Efek Indonesia

Company Size	Range (Indonesian Rupiah)	Number of Companies	Percentage
Big Size	Greater than100,000,000	131	74.9%
Medium Size	50,000,000 – 99,999,999	8	4.6%
Small Size	Less than 49,999, 999	36	20.5%
Total		175	100.0%

3.7.2.4. Company Sector

As discussed earlier, the terms industry and sector are often used interchangeably to describe a group of companies that operate in the same segment of the economy or share a similar business type (Chad Langager, 2015).

Table 3.5: Company Sector on the Bursa Efek Indonesia

All Company Sector
The agricultural sector
Coal Sector
Basic Chemical and Industrial Sector
Industry Sectors
The industrial sector of consumer goods
Property and real estate sector
Infrastructure, utilities and transportation sector
Financial sector
Ttrade, services and investment sector

3.8 Chapter Summary

This chapter explains in detail the procedural steps used in solving the problem of the research, questions and achieving the listed objectives. It also justifies the methodology used for the purpose of achieving the research objectives and answering the research questions.

CHAPTER 4

RESEARCH FINDINGS

4.1 Introduction

The objective of this chapter is to present the result of the data analysis that relates to the study. This chapter covers descriptive as well as inferential statistics for the progress of this study. The basic function of this chapter is to provide information on the data analysis. This is followed by research hypotheses using descriptive and inferential analyses. The hypotheses are indeed based on the result of the regression analysis. This research used SPSS (Version 19) to analyse the data so as to justify the development of hypotheses.

4.2 Descriptive Analysis

Descriptive analysis can provide an overview of the variables. The mean score of the items on each of the factors was then used for hypotheses testing. The mean and standard deviation of the study variables are shown in Table 4.1. It presents the descriptive statistics for both dependent and independent variables employed in the study. These findings reveal that companies listed on the BEI disclose large amounts of voluntary information in their annual reports.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Timeliness	175	16.00	112.00	72.5600	17.03734
Board of Director Size	175	1.00	12.00	4.9486	2.12881
Audit Committee Size	175	1.00	8.00	3.1371	.72994
Company Size	175	8.97	22.68	17.70	.81448
Valid N (listwise)	175				

Based on Table 4.1, the mean score of financial reporting timeliness is 73 days with a maximum of 112 days and a minimum 16 days. In Indonesia, a 90 day period is given by law (Badan Pengawas Pasar Modal (BAPEPAM) and Lembaga Keuangan (LK) (2011)). Table 4.1 shows the mean score for size of board of director as 12 persons with a maximum and minimum of 1 persons and mean of 5 persons respectively. The number of companies are according to the size of board of director under the BEI law.

Table 4.1 also shows that audit committee size as 8 with a maximum and minimum of 1 persons and the mean is 3 persons, respectively.

Finally, Table 4.1 shows the mean score of company size is 17.70 Billion Indonesian Rupiah with a maximum of 22.68 Billion Indonesian Rupiah and minimum 8.97 Billion Indonesian Rupiah. Table 4.2 shows the number of companies that comply with regulation of Indonesian security commissions in issuing financial reports in a timely manner (see Appendix D).

Table 4.2: Financial Reporting Timeliness in Companies From Bursa Efek Indonesia

The Timing of Issuance	Number of Companies	Percentage
Issuance within 90 days	166	94.86%
Issuance after 90 days	9	5.14%

The timing of the issuance of the financial reports of listed companies on the BEI is acceptable, because only 166 (94.86%) companies issued their financial reports within 90 days after the year end; while 9 (5.14%) companies issued their financial reports after 90 days.

Table 4.3: Size of Board of Directors in the Companies From Bursa Efek Indonesia

Number of Board of Directors	Number of Companies	Percentage
Companies adhering to the law	175	100%

Table 4.3 shows 175 companies comply the regulation which states that the size of the board of director in a company should have at least 1 member (see Appendix E).

Table 4.4: Audit Committee Size in the Companies From Bursa Efek Indonesia

Audit Committee Size	Number of Companies	Percentage
Companies adhering to the law	167	95.42%
Companies are not bound by law	8	4.58%

Table 4.4 show 167 companies on the BEI follow the regulation and 8 companies do not follow the regulation states that the audit committee member should be minimum of 3 person and above (see Appendix F).

Table 4.5: Company Size on the Bursa Efek Indonesia

Company Size	Range (Indonesian Rupiah 100,000,000)	Number of Companies	Percentage
Big Size	Greater than 10,0000,000	131	74.90%
Medium Size	50,000,000 – 99,999,999	8	4.60%
Small Size	Less than 49,999,999	36	20.60%
Total		175	100.00%

Table 4.5 shows there are 131 big companies, 8 medium size companies and 36 small size companies on the BEI.

Table 4.6: Timeliness of Financial Reporting by Company Sector

Sector All Company	Number of Company by Sector	Financial Report issue 90 days & below	Percentage
The agricultural sector	11	10	90.90%
Coal Sector	15	13	86.60%
Basic Chemical and Industrial Sector	17	15	88.23%
Industry Sectors	18	17	94.44%
The industrial sector of consumer goods	14	13	92.85%
Property and real estate sector	13	13	100.00%
Infrastructure, utilities and transportation sector	14	13	92.85%
Financial sector	32	32	100.00%
Ttrade, services and investment sector	41	39	95.12%
TOTAL	175	166	94.85%

Based on Table 4.6, the number of days to submit financial report according to Indonesia security commission is 90 days. According to company sector, the lowest number days below 90 days to issue financial report are in Property and Real Estate Sector and Financial sector which are 100% for both. Furthermore, trade, services and investment sector and industry sectors becomes the second highest percentage which is around 95% and 94% respectively. The others, infrastructure, utilities and transportation sector, industrial sector of consumer goods, the agricultural sector, basic chemical and industrial sector and coal sector are the lowest percentage which amount to 92, 90, 88 and 86 respectively.

4.3 Correlation Analysis

Correlation Analysis was implemented to test the relationship of the variables of the study. The goal of the test is to see if there are any multicollinearity issues among the variables and to see the relationship between variables.

To examine the relationship among the independent variables and dependent variable, researchers include several variables. Researchers often would like to know what is the relationship between one variable and another variable. Pearson correlation analysis provides this information, indicating the strength, significance and direction of the bivariate relationships of all the variables in the research (Sekaran. 2003).

Theoretically, there could be a perfect and strong positive correlation between two variables, which is the relationship represented by +1.0, or a perfect and strong negative correlation which would be -1.0. While correlation could range between +1.0 and -1.0, the study should identify whether any correlation found between two variables is significant or not.

As for the information, a significance of P = 0.05 is the generally accepted conventional level in social sciences research. This indicates that 95 times out of 100, the researcher can be sure that there is a true or significant correlation between the two variables, and there is only a 5% chance that the relationship does not truly exist (Suan, 2009).

The correlation analysis identifies the inter-correlation among the study variables. The correlations among the variables are reported in Table 4.7.

Table 4.7: Correlations Results

		Timeliness	Board Size	Audit Committe Size	Company Size	Company Sector
Timeliness	Pearson Correlation					
	Sig. (2-tailed)					
Board	Pearson Correlation	-.225**				
	Sig. (2-tailed)	.003				
Audit Committee Size	Pearson Correlation	-.280**	.293**			
	Sig. (2-tailed)	.000	.000			
Company Size	Pearson Correlation	.124	-.219**	.058		
	Sig. (2-tailed)	.102	.004	.448		
Company Sector	Pearson Correlation	-.148	-.071	.108	.218	1
	Sig. (2-tailed)	.051	.351	.154	.004	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

As shown in the correlation results, the highest correlation value is the board of director size (r=.-225; p<.0.01). This means there is a negative and significant relationship with financial reporting timeliness. This result is supported by Wu, Wu & Liu (2008). This is followed by audit committee size (r= -.280**; p<.0.001), which means there is a negative and significant relationship with with financial reporting timeliness. This result is supported by Alshatani (2013). However, company size and company sector (r= .124 and r= -.148) which are not significant relationship with with financial reporting timeliness.

4.4 Testing the Assumption of the Regressions Analysis

The test on the four assumptions of the regression analysis was performed to ensure the validity of the results generated. Before multivariate regression analysis was performed, the concern was to check whether all the data have fulfilled the requirements according to the multivariate analysis (Hair et al., 2010).

4.4.1 Normality

The core assumption in multivariate analysis is normality (Hair et al., 2010). Normality means the nature of data spreading for an individual metric variable and its correspond to the normal distribution (Hair et al., 2010). It is described by two measures: (a) kurtosis; and (b) skewness. Kurtosis is the "peakedness" or "flatness" or the height of the distribution in comparison with normal distribution (Hair et al., 2010).

The result shows that the behaviour of the data distribution is a normal curve Thus, it can be concluded that the data approximately followed normal distribution and there is no major deviation from normality assumption.

4.4.2 Outliers

In a data set, outliers indicate data values which are quite dissimilar from most of the values (Ferdinand, 2002). Outliers are vital cases as it can misrepresent the results of data analysis. To get rid of this problem, the present study used the Mahalanobis distance to identify outliers.

4.4.3 Linearity

The reason for testing linearity is to examine linear association between dependent and independent variables. Linearity is a relationship between variables that can be described by a straight line passing through the data cloud (Tabachnick & Fidell, 2001).

According to Tabachnick and Fidell (2001), in the standardised residuals, the residuals should be roughly rectangularly distributed with most of the scores concentrated in the centre without a clear or systematic pattern, such as curvilinear pattern. Deviation from a centralised rectangle suggests violation of linearity assumption. In this research, linearity was tested by inspecting the partial correlation plots depicting the relationship between the dependent variable and the independent variables as generated by regressing analysis.

4.4.4 Multicollinearity Diagnostics

Multicollinearity is the inter-correlation of the independent variables. Hence, it could exist if there is a high correlation among the independent variables in the regression model. To check for multicollinearity, two steps were considered. First, the correlation among the independent variables was checked. In this case, the correlation coefficients in the correlation matrix (r) should not be more than 0.80, as suggested by Hair et al., (2010). Based on Table 4.8, the value of r is no more than 0.80.

Such significant correlation may raise some concerns that collinearity among independent variables might be a problem (Hair et al., 2010). Therefore, the tolerance and Variance Inflation Factor (VIF) was checked as shown in Table 4.8 below. Following the suggestion made by Hair et al. (2010), tolerance value of more than 0.1 and the VIF of less than 10 ensures the absence of the multicollinearity issue, Table 4.8 shows tolerance of greater than

0.30 and VIF below 4 (1.025) for all variables. These results suggest that there is no problem of multicollinearity (Hair et al., 2010).

Table 4.8 Testing for Multicollinearity

Model	Collinearity Tolerance	Statistics VIF
Board of Directors	.980	1.021
Audit Committee Size	.990	1.010
Company Size	.999	1.001
Company Sector (Log10)	.976	1.025

4.4.5 Homoscedasticity

Homoscedasticity refers to the assumption that the dependent variable shows an equal level of variance across the range of predictor variables. It is desirable because the variance of the dependent variable should not be concentrated within a limited range of the independent values. The violation of this assumption is called heteroscedasticity (Hair et al., 2010).

In this study, the assumption was checked by visual examination of a scatter plot of the standardized residuals (the errors) by the regression standardised predicted value. The scatter plots in (refer to appendix J) show that the residuals are randomly scattered around 0. Thus, there is no violation of homoscedaticity assumptions.

4.5 Multiple Regression Analysis

Regression analysis was used to examine the relationship between a dependent variable and one or more independent variables. A multivariate regression analysis was covenanted to evaluate all hypotheses. The study used multivariate regression because the regression model is complex, so it can handle more than one independent variable. The regression model tests whether a dependent variable is affected by a number of independent variables.

Multiple regression analysis was used to serve the purpose of this study. Hair et al. (2006) suggested that multiple regression analysis is the most extensively used multivariate technique to predict and/or explain relationships. The regression analysis was done to examine the influence of independent variables on the dependent variable. The results of multiple regression analysis based on independent variables are reflected in Table 4.9.

Table 4.9: Regression analysis

Variables	Standardized Coefficients Beta	Significant value
Board of Directors	-.095	.238
Audit Committee Size	-.257	.001
Company Size	.183	.020
Company Sector	-.159	.032
R Square	.152	
Adjusted R Square	.127	
F Change	6.081	
Sig. F Change	.000	

Table 4.9 depicts the multiple regression coefficients (R) of the four independent variables to financial reporting timeliness as the dependent variable. Variables are significant at $p < 0.05$. In terms of beta values, the highest beta coefficient was discovered for company size, where Beta = .183. This indicated that size of company variable made the strongest contribution to explain the dependent variable Beta = .183. The second beta value is represented by audit committee size with the value of Beta = -.257, followed by company sector Beta = -.159, size of board of director Beta = -.095. The lowest beta value was company sector with Beta = -.159.

The R Square is .152 which indicates that this model is capable of explaining 15.2 percent of the variability in the financial reporting timeliness in the sample companies under study.

4.6 Findings

The findings show that size of board of director has a negative but not significant correlation with financial reporting timeliness; audit committee size is negatively and significantly correlated with financial reporting timeliness (see Noor & Hussin, 2010); company sector is negatively and significantly related to financial reporting timeliness; while company size has a positive and significant correlation with financial reporting timeliness.

Multiple regressions were conducted to test the effect of size of board of director, audit committee size, company sector, company size and company with financial reporting timeliness. Finally, the result shows that all hypotheses are accepted in this study excepted company size as explained below.

4.6.1 The size of board of directors has a negative relationship with financial reporting timeliness

The effect of size of board of director was tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in Table 4.7 ($r = -.225^{**}$. $p<.05$), indicating that the relationship between the variables is significant and negative with low correlation. Also, the regression analysis results in Table 4.9 (Beta= -.095, $p<.05$) indicate a negative and statistically significant relationship between size of board of director and financial reporting timeliness.

That means the greater the size of the board of director, the more the time required to release financial reports (see Abdul-Rahman & Mohamed-Ali, 2006). The reason is that whenever the number of members of the board of director increases, it needs more meetings and more action and hence the delay in the approval of the financial reports. Thus, H1a is not supported in this study.

4.6.2 The size of audit committee has a negative relationship with financial reporting timeliness

The effects of audit committee size were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in Table 4.7 ($r= -.280^{**}$. $p<.05$), indicating that the relationship between the variables is significant and negative with low correlation.

Also, the regression analysis results shown in Table 4.9 (Beta= -.257, $p<.05$) indicate a negative and statistically significant relationship between audit committee size and financial reporting timeliness. That means larger audit committee and more meetings will lead to the completion of financial report. Therefore, that will lead to a decrease in the financial reporting delay (see Alqudah, 2013; Noor & Hussin, 2010;). Thus, H1b is supported in this study.

4.6.3 Company size has a negative relationship with financial reporting timeliness

The effects of company size were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in Table 4.7 ($r= .124$. $p<.05$), indicating that the relationship between the variables is not significant but positive with low correlation.

Also, the regression analysis results shown in Table 4.9 (Beta= .183, $p<.05$) indicate a negative and statistically significant relationship between company size and financial reporting timeliness. That means a bigger company will affect the timing of the release of financial reports. Therefore, that will lead to a decrease in financial reporting delay (see Noor & Hussin, 2010; Alqudah, 2013). Thus, H2a is accepted in this study.

4.6.4 Company Sector has a negative relationship with financial reporting timeliness

The effects of frequency of audit committee meetings were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in Table 4.7 ($r= -.148.\ p<.05$), indicating that the relationship between the variables is significant and negative with low correlation.

Also, the regression analysis results shown in Table 4.9 ($Beta= -.159,\ p<.05$) indicate a negative and statistically significant relationship between company sector and financial reporting timeliness. That means company sector will lead to the completion of financial report on time. Therefore, the longest reporting days after year end is insurance sector and and the shortest mean days is banking sector. So, the researcher proposes the following hypothesis in the timeliness of financial reporting, Iyoha (2012). Thus, H2b is accepted in this study.

Table 4.10: Summary of Hypothesis Test

Ser.	Hypothesis	Result
1	There size of board of directors has a negative relationship with financial reporting timeliness but not significant.	Not Supported
2	The size of audit committee has a negative and significant relationship with financial reporting timeliness	Supported
3	Company size has a positive and significant relationship with financial reporting timelines	Not Supported
4	company sector has a negative and significant relationship in the timeliness of financial reporting.	Supported

4.7 Summary of Findings

There were 175 companies used in a series of analysis in this study. All measurement items have undergone the operational measure testing namely, descriptive test, correlation and multiple regression analysis. The results for descriptive statistics have shown the mean scores and standard deviation. This implies that independent variables influence the dependent variable.

In order to determine the interrelationships of the variables, correlation analysis was conducted and results show that size of board of director is negatively but not significantly correlated with financial reporting timeliness; size of audit committee is negatively and significant correlated with financial reporting timeliness; company size is positively and significantly correlated with financial reporting timeliness; company sector is negatively and significantly correlated with financial reporting timeliness.

Multiple regressions were conducted to test the relationship of size of board of director, audit committee size, company size and company sector on financial reporting timeliness. The result shows that audit committee size and company sector are accepted in this study.

4.8 Chapter Summary

This chapter provides the findings and discusses the analysis. Primarily, the descriptive statistics interpret the details of the data and show the mean of financial reporting timeliness. The next part of this chapter shows the findings of the multivariate analysis which indicates a negative association among size of board of director and financial reporting timeliness. Lastly, the result back prior literatures that board of directors size, audit committee size and company sector has a negatives relationship relationship with financial reporting timeliness.

However, size of board of directors and company size has no significant relationship with financial reporting timeliness.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the final chapter that starts with a recapitulation of research objectives findings of hypothesis testing followed by a discussion, and the implication of the study. The next sections provide a discussion on the limitations of study and the chapter ends with a discussion on suggestions for future research.

5.2 Recapitulation of Research Objectives

The objective of the study is to examine the relationship between corporate governance and company attributes on financial reporting timeliness. The objectives of this study are as follows: 1) to identify the current level of timeliness of financial reports in the Indonesian listed companies; 2) to investigate the relationship between size of board of directors and financial reporting timeliness; 3) to investigate the relationship between audit committee size on financial reporting timeliness; 4) to investigate the relationship between company size and financial reporting timeliness; and 5) to investigate the relationship between company sector and financial reporting timeliness.

This study adopted a secondary data approach based on information collected from annual reports of companies listed on the Bursa Efek Indonesia. A total of 175 companies' annual reports were collected, coded and analysed to examine a meaningful, interpretable and manageable set of factors. Finally, the hypotheses were analysed using correlation and multiple regressions.

5.3 Findings of Hypothese Testing

Based on the summary, testing of hypothesis 1a shows that size of board of directors has a negative and but not significant relationship with financial reporting timeliness. Hypothesis 1b indicates that the audit committee size has a negative and significant relationship with financial reporting timeliness. Hypotheses 2a describes company size has a positive and significant relationship with financial reporting timeliness. Hypothesis 2b on company sector shows a negative and significant relationship with financial reporting timeliness.

Based on the above findings and analysis as stated in the previous chapter, size of board of directors is not significant to the financial reporting timeliness. As stated in the finding, size of board of directors has a negative relationship with financial reporting timeliness. In other words, if the number of board of directors increases, the number of days required by the company to issue the financial report will reduce due to more ideas, experiences and expertise of the board of director members which will reduce the amount of time taken to finalise on the issuance of financial reports.

Since, the relationship is negative and is not significant; this indicates that it does not influence the timeliness of financial reporting of the companies since the shareholders are having absolute power on the company according to No. 40 (2007) Indonesian rule on Limited Company.

Audit committee size is found to have a negative and significant with financial reporting timeliness relationship. The study shows that if the number of audit committee members increases, it will help to reduce the number of days required to issue the financial report of the company. Audit committee members are people chosen to look into financial matters of a company, including the financial report. They are professional and knowledgeable people who will certainly help the company in finalising the financial report before issuing it to the public.

Company size is found to has a positive and significant relationship with financial reporting timeliness. As stated in the finding, an increase in company size tends to increase the time to prepare the financial report since the bigger the company, the more time required to prepare the financial statement due to larger amount of transaction and assets to verify by the auditor.

Company sector is found to have a negative relation but significant relationship with financial reporting timeliness. As stated in the finding, the shortest number of days in issuance of financial report according to sector is financial (banking) sector. The reason is due to the nature of sector require for the current information for decision making comparatively with another sector.

5.4 Discussion

This section shows the summary of the significant results of the research. The hypotheses investigated in this research found some evidence in respect of the objective of this research and confirmed the results of previous research.

5.4.1 What is the current status of the timeliness of financial reports in the Indonesian listed companies?

In Indonesia, the regulators allow a period of 90 days for the company to issue financial reports after the year end (Indonesian Securities Commission 2011). This period gives some flexibility to the company to prepare the financial report before it can be finalised and issued to the users, but this depends on some of the elements that are related to the report contents, financial disclosure and other essentials factors that affect the financial report (Mokhtar & Zakaria, 2009).

This means that the timing of the issuance of the financial reports of listed companies on the Bursa Efek Indonesia has improved to 166 (94.9%) companies issued their financial reports within 90 days after the year end and only 9 (5.1%) companies listed on the Bursa Efek Indonesia issued their financial reports 90 days after the year end.

Formerly, according to Indonesian Securities Commission (2003) require all company listed on Bursa Efek Indonesia in Indonesia should submit financial report within 120 days after the year end. Since 2011, securities commission in Indonesia has introduced new regulation to reduce the number of day to 90 days for issuance of financial reporting. Since then, Bursa Efek Indonesia has reduce the timeliness of financial reporting. They have to improve on the timeliness to give confidence to the investors. Investors would move to other countries because the investor markets are global. Competitively, Indonesia has to create exclusive environment to attract more investors and to improve Indonesia's economy.

5.4.2 What is the relationship between size of board of directors and financial reporting timeliness?

The relationship between size of board of directors and financial reporting timeliness is negative but not significant.

Size of board of directors does not have any influence to the financial reporting timeliness. As stated in the finding, size of board of directors has a negative relationship with financial reporting timeliness. In other words, if the number of board of directors increases, the number of days required by the company to issue the financial report will reduce.

This is due to more board of directors being involved in examining the financial report, thus saving time in issuing the financial report. No further discussion needs to be held again. More board of directors will create more ideas; they can be prudent and conclusive in finalising the financial report which would reduce time to issue the financial report (Belkhir, 2009; Corbetta & Salvato, 2004; De Andres & Vallelado, 2008; Nakano & Nguyen, 2012).

Anyhow, Regulation No. 40/2007 Indonesian Rule on limited company stated that board of directors of company does not have absolute power on the company other than the shareholder in issuing of financial reports.

5.4.3 What is the relationship between audit committee size and financial reporting timeliness?

There is a significant relationship between audit committee size and financial reporting timeliness.This result is also similar to Hashim and Abdul Rahman (2011) and by Krishnan (2005). The greater the number of audit committee members, the shorter the time required to issue the financial report.

The presence of a large number of audit committee members leads to reducing the time needed to review the financial report. Also, more experienced people can reduce the number of days required by the company to issue the financial report (Green, 2005; Green & Paperless, 2010; Mollah & Karim, 2011; Tritschler, 2013).

5.4.4 What is the relationship between company size and financial reporting timeliness?

There is a positive and significant relationship between company size and financial reporting timeliness. It describes that whenever the company increases total assets, the number of days for financial reporting timeliness will also increase.

The effects of company size were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a positive relationship between the two variables, indicating that the relationship between the variables is significant and positive with low correlation.

Similarly, a study by Owusu-Ansah (2000) found that financial reporting timeliness is significantly correlated with company size. Company size is also found to have a positive relationship with financial reporting timeliness. As stated in the finding, an increase in company size tends to increase the time taken to prepare the financial report because bigger size companies have more transactions and assets to verify. More time is required to prepare the financial report due to assets size are big (Burke, 2000; Leuz, Nanda & Wysocki, 2003).

5.4.5. What is the relationship between company sector and financial reporting timeliness?

The regression analysis results indicated that there is a negative and statistically significant relationship between company sector and financial reporting timeliness. The shortest reporting days is finance (bangking) sector. Therefore the requirement of current information from financial report should be different with regard to the company sector.

5.5 Implications of the Study

There are several implications that can be drawn from the results of this study. The study has practical and theoretical implications as follows:

5.5.1 Practical Implications

These findings contribute to the companies, government agencies and other parties. For the Indonesian companies, these finding provide information about the variables that significantly affect the timeliness of financial reporting. These variables can be considered by a company if the company intends to appoint board of directors and audit committees in the future. The National Committee of Governance (NCG) can use these finding as an input to revise the Code of Corporate Governance in the Republic of Indonesia.

For the governing agencies, such as the Indonesian SEC, it can also use these findings as the input to formulate regulations on how to improve the financial reporting timeliness in order to have a more efficient stock market. It also benefits others, such as the SEC, to regulate the future listing requirements on the Bursa Efek Indonesia.

5.5.2 Theoretical Implications

Based on the conclusions from this research, there are several theoretical implications. The underlying Agency Theory posits that the relationship between principal and agent may be subject to inefficiencies, to the extent that asymmetric information prevents effective monitoring of the agent's actions by the principal. Therefore, the solution to this problem is the assigning of a formal monitoring role to the board of directors (Fama & Jensen, 1983).

Further, one of the monitored actions is the financial accounting process, in order for companies to have a higher quality of accounting information. The other accounting information quality is timeliness. The asymmetric information is high over the financial reporting timeliness. This research illustrates that formation of a board of directors and audit committees have an impact on financial reporting timeliness.

Previous literature review has suggested that several characteristics of the board of directors and audit committees can enhance the monitoring of the financial accounting process. These include size. However, not all characteristics have a significant effect on financial reporting timeliness. Only few characteristics have a significant relationship with financial reporting timeliness.

This study used the Indonesian listed companies for 2013. The uniqueness of the Indonesian business environment has contributed in a different way to the literature. Therefore, this finding enriches the body of knowledge on financial reporting and corporate governance as well as the agency theory.

5.6 Limitations of Study

This research has several strengths; but it also has several limitations. First, this study only focused on the size of board of directors, audit committee size, company size and company sector. Management is the other party that could influence financial reporting timeliness, as suggested by Cohen et al. (2004).

Second, this study used all companies listed on the Bursa Efek Indonesia 2013. Thus, it has a shorter period for the time series data (only one year).

Third, there are other characteristics of the board, company and company sector that might affect financial reporting timeliness, which are not covered in this study.

Fourth, this study does not include the interaction of board characteristics or audit committee characteristics.

Finally, this study only involves the determinants of the financial reporting timeliness.

While these limitations are acknowledged, they do not detract from the strengths of this research and the importance of the findings. The limitations offer a platform for future research and are discussed in the next section.

5.7 Future Research Suggestions

There are several avenues for research based on the limitations of this research. First, it stimulates the Indonesian listed companies on the Bursa Efek Indonesia to abide by the time limit under the Indonesian law to prepare and issue annual financial reports.

Second, the Ministry of Industry and Trade in Indonesia would use this information as to enhance the current policy regarding issuance of timeliness financial reporting.

Third, the Indonesian companies have to focus on improving their corporate governance practices, which will lead to reducing the time to issue the financial statement.

Fourth. to conduct further studies and take into consideration other sectors and variables not included in this study.

Finally, this study recommends more studies on other variables that may affect the timing of the issuance of financial reports, such as meeting of board of directors, fees of audit committee, audit technology usage, company's profitability, profit shares, company's age, etc.

5.8 Conclusion

This study is based on the issue regarding financial reporting timeliness among Indonesian listed companies. The problem came about when many Indonesian listed companies submitted their financial report late. If this condition continues in the future, it would affect the Indonesian capital market, in terms of a greater amount of asymmetric information, moral hazards and adverse selections. Indeed, managers among Indonesian listed companies may have incentives to exercise dysfunctional behavior over timeliness.

In fact, it could contribute to the inefficiency of the capital market and offer an opportunity for insider trading, leaks and rumours in the market. Finally, it would probably affect economic growth due to the performance of the stock market as one of the macroeconomic indicators. Therefore, finding factors affecting the financial reporting timeliness are desperately needed. Thus, the study of factors affecting financial reporting timeliness for Indonesian listed companies is worthwhile.

Studies on the factors affecting the financial reporting timeliness have been done extensively. This is based on conclusions made in previous literature. First, studies on financial reporting timeliness have been done largely in developed countries, such as the United Stated, Europe and Australia. Only few studies have been done in the developing countries. Second, most studies on financial reporting timeliness have focused more on variables relating to client-related, audit-related and environmental variables. Client-related variables extensively used variables, such as profitability, leverage, etc.

Only few studies have taken corporate governance variables as factors affecting financial reporting timeliness. There are limited studies that have been done in Indonesia compared to other countries and therefore, reporting delays or untimely reports are still experienced by

Indonesian listed companies. Past studies have focused less on the corporate governance variables as determinants of financial reporting timeliness.

The objective of this study is to investigate the effect of size of board of directors, audit committee size, company size and company sector on financial reporting timeliness. This study uses one theory to explain the effect of the hypotheses variables, namely, the Agency Theory.

This study contributes to the literature as new variables are included in this study. Besides, the Indonesian environment is also unique. The uniqueness of Indonesia is in the form of specific environments. This study also provides an insight to the decisions taken by the Indonesian government to strengthen the regulatory framework for financial reporting and enhances corporate governance reforms.

The regression results of the model supports four hypotheses: board of director size, audit committee size, company size and company sector. However, only size size of audit committe, company size and company sector have a significant relationship with financial reporting timeliness.

This study aims to examine the relationship between size of board of directors, audit committee size, company size and company sektor towards financial reporting timeliness. The findings identify that size of board of directors has a negative but does not has any significant relationship with financial reporting timelines; audit committee size has a negative and significant relationship with financial reporting timeliness; company size has a positive and significant relationship with financial reporting timelines; while, company sector has a negative and significant relationship with financial reporting timelines. Thus, only two (2) hypotheses are accepted. That is the audit committe size and company sector. The regression analysis also indicates financial reporting timeliness is significantly explained only three by the four independent variables (audit committe size, company size and company sector). This indicates the robustness of the model used.

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