The Effect of Bankruptcy Possibility on Audit Delay and Timeliness

(Empirical Study on Manufacturing Companies Listed in Indonesian Stock Exchange
in the Period of 2012-2016)

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Abstract

Audit delay and timeliness are important factors that influence the quality of accounting information in term of relevance. This study provides empirical evidence to answer the question of how bankruptcy possibility impacts on audit delay and timeliness. This research studies manufacturing firms listed in Indonesian Stock Exchange (IDX) in the period of 2012-2016. Data are taken from official website of IDX. This study is a quantitative research that seek to find out relationship between independent variable and dependent variable. External secondary data used are annual reports accessed from IDX website. Measurement used is Z-Score Altman model prediction, while simple linear regression is employed as technical analysis. This study finds that bankruptcy possibility which is measured by Z-Score is negatively influence audit delay and timeliness. Any decrease of Z-Score shows the possibility of a company experience bankruptcy and therefore causes audit delay and timeliness.

Abstrak

Audit delay dan *timeliness* adalah faktor penting yang mempengaruhi kualitas informasi akuntansi dalam hal relevansi. Studi ini memberikan bukti empiris untuk menjawab pertanyaan tentang bagaimana dampak kebangkrutan berdampak pada *audit delay* dan *timeliness*. Penelitian ini mengkaji perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) pada periode 2012-2016. Data diambil dari situs resmi IDX. Penelitian ini adalah penelitian kuantitatif yang berusaha untuk mengetahui hubungan antara variabel independen dan variabel dependen. Data sekunder eksternal yang digunakan adalah laporan tahunan yang diakses dari situs web BEI. Pengukuran yang digunakan adalah prediksi model Z-Score Altman, sedangkan regresi linier sederhana digunakan sebagai analisis teknis. Studi ini menemukan bahwa kemungkinan kebangkrutan yang diukur dengan Z-Score berpengaruh negatif terhadap a*udit delay* dan *timeliness*. Setiap penurunan Z-Score menunjukkan

kemungkinan perusahaan mengalami kebangkrutan dan karenanya menyebabkan *audit delay* dan *timeliness*.

Kata Kunci : *Audit delay, Timeliness, Bankruptcy, Altman prediction model*

I.   INTRODUCTION

Background

The availability of accessible capital market has been one of many factors that facilitate the growth of business in Indonesia. Specifically capital market has provided pool of capital resources avaible for companies to increase their business capacity. Over the years the number of firms that go-public are increasing. To be eligible to do initial public offering (IPO) in Indonesian Stock Exchange (IDX), a company must submit financial reports that comply with financial accounting standard (SAK). The financial reports must be audited by accounting firm which is registered by Financial Service Authority (OJK). In this regard, financial reports are useful not only to internal stakeholders such as, employees, management and owners, but also to externals users such as investors, creditors, government and other society members. Financial statements are important to external stakeholders who need to assess how well a company perform in financial perspective. For investors who will buy IPO, the financial statements are needed to assess how much return they will get in each share they buy. With more companies are going public, therefore there are increasing demand to audit service.

Audited financial statements are important because they provide assurance to the users that financial reports are prepared by firms in accordance with prevailing accounting standards and have been audited by independent auditors who have assess the fairness of financial posts presented in the statements. They are useful as the basis for decision for investors who want to buy or sell shares of listed companies. Therefore, for information in financial statements to be relevant and reliable as the basis for decision making, the reports have to be disclosed to public immediately.

However, timeliness of publication of financial statements is dependent on timeliness of completion of audit process by auditors. The sooner financial statements are audited, the sooner the financial reports are published. *Vice versa*, the later the audit process, the later financial statements could be published and therefore information contained in the statements is no longer relevant. When audit process is completed behind the schedule it is called audit delay.

Audit delay is timespan of completion annual financial statements audit, measured based on the number of days required to complete independent audit report of financial statements since the company closing book that is 31 December until the date stated on audit report (Lestari, 2010). There has been growing interests to research study audit delay because of various causes of audit delay and its effect to corporations. Some researchers conduct study regarding bankruptcy factor as one of the reason audit delay occurrence. This study uses

Dyer and McHugh (1975) and Courtis (1976) theories that posit that company size and financial industry are correlated with audit delay. This study also uses Ashton *et. al* (1987) research that find significant correlation among company size, operational complexity and internal control quality to audit delay.

With regard to timeliness, as obliged by regulation, the listed companies in IDX must immediately submit their financial reports to OJK as well as published them as soon as audit process completed. The OJK stipulates, as stated in OJK Regulation Number 29/POJK.04/2016 regarding Annual Report of Emitent or Listed Company on chapter III article 7 sub article (1), that oblige emitent or go-public company to submit annual report to OJK no later than at the end of the fourth month after closing financial year. The regulation regarding timeliness of submission of annual report is written to ensure relevancy of the reports to stakeholders. Timeliness is significant

factor that influence relevancy of information contained in financial statements. The sooner a financial statement is published, the more relevant information in the statement to be utilized as decision making basis by its users. Conversely, the later a financial statement is published, the less relevant information in financial statement to be used by its users as the basis for decision making. The punctuality of submission of financial reports to public is called timeliness. Timeliness may also be interpreted as the punctuality of a company to produce financial statements. Timely financial reports is beneficial to both internal and external stakeholders. The value of timeliness is an important factor for a financial statement to be useful (Givoly and Palmon, 1992). Timeliness also influence benefit expected from financial statements users (Begley and Feltham, 2002). In addition to its timely submission, to ensure their usefulness financial statements also must be audit by public accountant to ensure whether or not they comply with accounting standards. Timeliness to publish financial statement of auditee is influenced by time required to complete audit process (Owusu-Ansah, 2001).

One of the factors that triggers delay in completion of audit process by auditor and delay in publishing financial statements is the occurrence of financial problem within the auditee such as the probability of bankruptcy. The possibility of bankruptcy may be detected from financial statements. According to Schawrtz and Menon (1985), the probability of bankruptcy is one of variables that cause the change of auditor. The potency of bankruptcy, which can be detected from financial statements, may be the reason for auditor to take more time to ensure the real condition of the company, by expanding audit sampling and other procedure. Therefore, precaution and additional steps taken by auditor lead to prolonged audit process and causing delay which is called audit delay.

When indication of bankruptcy is being detected by auditor, it affects opinion to the financial statements. As for management, when bankruptcy is detected, it becomes detrimental effect to publish its financial statement to public. The management worries that potency of bankruptcy, if known to external stakeholders, will cause negative response that worsen the problem. For example, stockholders will sell their stocks when they learn of bankruptcy process. This will further exacerbate the problem, as more stocks are sold the value of the company will decrease further. To mitigate negative effect of bankruptcy possibility, management delay the submission of audited financial statements to the public. Therefore occur the delay of publication of financial statements which violate the principle of timeliness or called timeliness problem.

To detect bankruptcy potency, one of analytical tools is Z-Score (Altman, 1968). Z-Score analysis is revised in 1984 to keep up with

international dimension (Foster, 1986). Therefore, based on above mentioned explanation, this research will study the effect of bankruptcy possibility to audit delay and timeliness.

Research Questions

Based on explanation mentioned in introduction, this study draws the following research questions:

1. What is the effect of bankruptcy possibility to audit delay?
2. What is the effect of bankruptcy possibility to timeliness?

Purpose of Study

This research is conducted to fulfill the following purposes:

1. To provide empirical evidence regarding the effect of bankruptcy possibility to audit delay.
2. To provide empirical evidence regarding the effect of bankruptcy possibility to timeliness.

Benefits of Study

The benefits of this study are as follow:

1. Theoretical contribution

    The finding in this research is expected to add body of knowledge and reference to the study of effect of bankruptcy possibility to audit delay and timeliness.

2. Practical contribution

    The finding in this research is expected to be used by auditor to conduct audit timely, and in accordance with the regulations set up by the government and OJK. As for corporations, the finding in this research is expected to be used as reference to submit their financial statements timely so that they can be utilized optimally.

II. THEORETICAL FRAMEWORKS AND HYPOTHESIS

Agency Theory

Research regarding audit delay and timeliness are based on agency theory. The theory derive from contractual relationship between principal and agent. In agency theory, the agency relationship occur when one or many individuals (principal(s))

employ or contract other person or many persons (agent) to provide goods or services. In this regards, principals delegate their authorities to make decision making to agent. The agency problem emerges because of separation between principal as the owner of business and agency as managers who run the business or companies. It happens because each party has incentive to maximize their utility functions.

Management acts as agent in running the company by making strategic decision through audit service under auspices from audit committee. A company needs performed management to oversee its business operation. Whereas stockholders as principal assign audit committee to monitor management performance in term of financial reports. Principal also employ audit service to control company's management performance. Therefore, financial statements are product of management performance and can be used to assess how well the management perform.

In agency theory perspective, it is possible to occur mismatch in form of actions or opinions embraced by agent vis a vis principal within corporation. It happens because principals or owners are motivated to secure contract that enrich themselves with increasing profitability rate. Whereas for managements as agents are driven to maximize their economic and psychological fulfillments, such as to secure investments, loan, or compensation contracts.

Agency conflict arises when there is asymmetric access of information between management as agents with business owners as principals. This condition is called information asymmetry. Managements as agents are internal party who run day to day companies, therefore they know better information regarding business they operate. Meanwhile owners as principals have limited access to information regarding day to day business operation. One of the media used by business owners or principals to learn condition of companies is financial statements. Therefore, when financial reports are delayed to be publish, then it will have impact on information received by respective business owners or principals.

According to Scott (2015) there are two kinds of asymmetric information namely:

1. Adverse Selection

   Adverse selection occur when one of the parties possesses advantage, but unwilling to inform or disclose to another party. Adverse selection is related to non-existence of disclosure that has to be published by management.

2. Moral Hazard

   Moral hazard is a situation where since the beginning there has been indication not to share information to other party. Moral hazard lies on the motivation issue and management selfishness to promote their own interests.

Bankruptcy

Bankruptcy is a condition when an entity has financial trouble, from liquidity problem when a company cannot convert or acquire enough current assets to meets its liabilities to insolvability problem when a company accumulate more debts than its assets and hence cannot service its debts. Bankruptcy is economic failure when a company loses money or revenue to cover its cost in long run. Citing Martin *et. al*, Adnan (2003) identify two kinds of financial failures as insolvency with the basis of cash flow and stock.in A company faces bankruptcy when it cannot generate adequate cash flow or when its liabilities exceed its asset.

Generally the causes of bankruptcy are:

1. Economic factor
2. Financial factor
3. Negligence, disaster and fraud
4. Other factor

Scharwtz and Menon (1985) argues that bankruptcy potency is solvability problem when debts exceeds assets. When there is no prospect of servicing the debt, then the logical consequence is liquidation.

Several models of bankruptcy prediction are as follow:

a. *Step wise multiple discriminant analysis*:

$H = 5{,}528\ V1 + 0{,}212V2 + 0{,}073\ V3 + 1{,}270\ V4 - 0{,}120V5 + 2{,}335V6 + 0{,}575\ V7 + 1{,}083\ V8 + 0{,}894\ V9 - 6{,}075$

Whereas:

$V1 = $ *Retained Earning/Total Asset*

$V2 = $ *Sales/Total Assets*

$V3 = $ *EBT/Equity*

$V4 = $ *Cash Flow/Total Debt*

$V5 = $ *Debt/Total assets*

$V6 = $ *Current Liabilities/Total Assets*

$V7 = $ *Log Tangible/Total Assets*

$V8 = $ *Working Capital/Total Debt*

$V9 = $ *Log EBIT/Interest*

If $H < 0$, a company is categorized as default.

The above mentioned model is called Fulmer model (Fulmer, 1984).

b. Using ratio analysis to measure leverage and liquidity performance of a company:

$X = -4,3 - 4,5X1 + 5,7X2 - 0,004X3$

Whereas:

X1 = ROA (*return on asset*)

X2 = *Leverage (debt ratio)*

X3 = Liquidity (*current ratio*)

This model is called Zimijewski model (1984).

c. Predicting business failure by calculating evaluated financial ratio. Its result is then compared to average ratio in similar industry (Wiliam Blasztk, 1984).

d. Using step-wise multiple discriminant analysis. The model is calculated as follow:

CA- Score = 4,5913 (*shareholders investment*(1) / *total asset* (1)) + 4,5080 (*earnings before taxes and extraordinary items + financial expenses*(1) / *total assets*(1)) + 0,3936 (*sales*(2) / *total assets*(2)) - 2,7616

Whereas:

1. Description of previous period

2. Description of two previous periods

CA – Score ,< -0,3, a company is categorized fail or default.

The CA – Score model was developed by Jean Leagult.

e. Springate Model is basically follows Altman's calculation (1968). The calculation of bankruptcy prediction is applicable to predict bankruptcy with accuracy rate 92,5%. The calculation of Gordon Springate (1978) Model is as follow:

$S = 1,03A + 3,07B + 0,66C + 0,4D$

Whereas:

A = working capital / total asset

B = net profit before interest and taxes / total asset

C = net profit before taxes / total asset

D = sales / total assets

f. Calculation of bankruptcy prediction with Multiple Discriminant Analysis to five types of financial ratio namely working

capital to total assets, retained earnings to total asset, earnings before interest and taxes to total assets, market value of equity to book value of total debts, and sales to total assets. The model calculation is as follow:

Z-Score = 1,2T1 + 1,4T2 + 3,3T3 = 0,6T4 + 0,999T5

Whereas:

T1= *working capital / total assets*

T2= *retained earnings / total assets*

T3= *earnings before interest and taxes / total assets*

T4= *market capitalization / book value of debt*

T5= *sales / total assets*

The model was devised by Altman in 1968. However, it is developed and revised in 1 variable of T4, so the calculation of model is as follow:

Z-Score = 0,717T1 + 0,847T2 + 3,107T3 + 0,420T4 + 0,998T5

Whereas:

T1= *working capital / total assets*

T2= *retained earnings / total assets*

T3= *earnings before interest and taxes / total assets*

T4= *book value of equity / book value of debt*

T5= *sales / total assets*

Audit Delay

According to Ahmad and Kamarudin (2010) audit delay is the number of days between the date of financial statements and the date of audit report. While Halim (1997) argues that audit delay is the period of audit completion calculated from the date of closing book to the date of audit report issuance. Ashton and Hudson (2011) defines audit delay as the length of time of audit completion from the end of fiscal year of a company to the date of audit report issued. The audit delay influences quality of information in published financial reports and in turn it affects uncertainty in decision making process based on published financial statements.

Based on the mentioned definitions, it can be summarized that audit delay is the length of time of completion of audit process calculated from the date of closing book until the date of completion of audit process by auditor. Audit delay effects investors' decision making significantly, especially in deciding whether or not to buy share, and therefore it also affects companies' quality.

According to Dyer and McHugh, as cited by Putri (2011) delays in the process of audit are grouped into:

1. Preliminary lag, as interval between the end date of fiscal year until the date when preliminary financial statements are accepted stock exchange authority.

2. Auditor's signature lag, as interval between the end date of fiscal year until the date of audit report. From this definition, auditor's signature is audit delay.

3. Total lag, as interval between the end date of fiscal year until the date when the audited financial statements is received by stock exchange authority.

Timeliness

Information in financial statements which is presented accurate and timely is useful to the users both internal and external because it relevantly used as the basis for policy making or decision making (Fetham, 2002). Indonesian Stock Exchange Authority regulates that the listed companies must submit their financial reports timely. Furthermore, the importance of timeliness is stated in Statement of Financial Accounting Standard (PSAK) number 1. It is stated that the benefit of of financial reports is lesser when they are not available on time.

Dyer and McHugh (1975) argues that timeliness is primary element of notes of financial statements. Furthermore, Dyer and McHugh conducted empirical study regarding factors that correlate with timeliness behavior of financial reports. Dyer and McHugh study the

factors of company size, end date of closing book period, and profitability rate. Dyer and McHugh find that there is significant correlation between company size and end date of closing book period with timeliness, while profitability rate has no significant correlation with timeliness of financial report.

In addition to Dyer and McHugh study, in his research of industrial companies, Courtis (1976) finds that industrial companies in areas of energy, fuel, and finance prepare their financial statements faster than those companies of mining, exploration and service.

Frame of Reference

In theoretical framework it has been explained that timely submitted financial statements have more benefits for their users both internally and externally and vice versa the benefit of delayed financial statements is lesser. Tolerance of timeliness is four months after the end date of fiscal year the financial statements should be

reported. Factor such as complexity of operation is not correct justification of inability to meet the requirement to present financial report on time (Marom, 2001).

There is, however, a factor that cause audit delay and further delaying submission of financial statement to stock exchange authority and publishing to general public, namely the possibility of a company going bankrupt. The more probable of bankruptcy on a company, the more probable audit delay occurrence. When auditing a company that has prospect of bankrupt, an auditor needs more procedure, be more cautious and therefore needs more time to carry out the audit in order to arrive at appropriate opinion. Meanwhile, for management, when it is evident that the company is going to bankrupt, it becomes incentive to delay submission of financial statements because if the condition known to public, through financial statements, it will have adverse effect to company. The shareholders might release their stocks

massively and concurrently which will drop company's value in stock market. Potential investors who interested to invest their money might withdraw immediately when learn about the possibility of bankruptcy. Delaying to publish financial statement is expected

by management to minimize risk of decrease of stock value on market.

Based on the explanation, the frame of reference for this research is as follow:
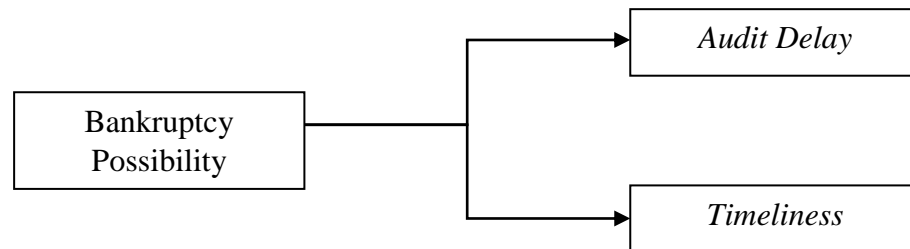
```
┌──────────────┐                    ┌──────────────┐
│              │          ┌────────▶│  Audit Delay │
│  Bankruptcy  │          │         └──────────────┘
│  Possibility │──────────┤
│              │          │         ┌──────────────┐
└──────────────┘          └────────▶│  Timeliness  │
                                    └──────────────┘
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Chart 1.1
Frame of Reference

Hypotheses

According to Bungin (2005) hypothesis is a claim that has not been proved yet and therefore need to be proved empirically. Auditors are more likely to complete audit process and come up with opinion when auditors certain that the auditees are in bankruptcy category based on bankruptcy calculation model. On the other hand, auditors are also more likely to complete audit process timely when auditors certain that the auditees have high profitability and consistent with going concern principle and

therefore lead to easiness in giving audit opinion (Altman, 1968).

Bankruptcy is condition when a company faces trouble that lead to financial problem continuously. Financial troubles might have been caused by either internal or external factors. Mismanagement may lead to bankruptcy from internal factors, while the emergence of more efficient competitors might have become the cause of bankruptcy from external factor. When auditors detect the probability of bankruptcy, based on their evaluation on financial reports of

auditee, they tend to spend more time than scheduled to finish their audit. Auditors need more procedures to find at greater assurance in providing opinion on the financial statements as well as writing audit report of the potentially troubled auditee. When auditors fall behind the schedule it can be said that there is audit delay.

Furthermore when a company is experiencing bankruptcy probability it tends to postpone submission of its financial report to financial authorities such as OJK and IDX as well as publish it to public in general. The management concerns that if the probability of bankruptcy is detected by public it will have negative impacts on company. The shareholders might be sell their stock after learning the prospect of bankruptcy, while potential investors might withdraw their bid. The management need more time to solve the prospect of bankruptcy by seeking financial aid from bank or private investors. Therefore it can be said that timeliness is affected when

the possibility of bankruptcy become apparent.

Based on theoretical framework and frame of reference, this research develops hypotheses to seek the effect of bankruptcy to audit delay and timeliness as follow:

H_o: Bankruptcy possibility has no effect on audit delay and timeliness.

H_a:Bankruptcy possibility negatively affects audit delay and timeliness.

III. RESEARCH METHODS
Research Variables

According to Sugiyono (2014:2) research variable is anything that has a quantity or quality that varies to be studied by researcher. In a research the variables are further detailed into operational concepts to be implemented in field research. The detailed concept is called operational variable. There are two kinds of variables in research namely dependent and independent variables.

Dependent Variables

Dependent variable is a variable that is influenced directly or indirectly by exogenous variable in the model. According to Sugiyono (2012:59) dependent variable, as suggested by its name, is influenced by the independent variables.

In this research, the dependent variables are:

1. Audit delay, is time span of completion of audit process of financial statements which is measured by the length of days spent to acquire independent audit report of financial statements. The variable is written AUD.

2. Timeliness, is time span of publication of audited financial statements to public, measured by length of days required to publish audited financial statements to public since the date of closing book until the date of submission to Financial Service Authority (OJK). The variable is written TIME.

Independent Variable

Independent variable is a variable that influence value of dependent variable in a research model (Sugiyono, 2015:5). In this research, the independent variable is bankruptcy.

Population and Sampling

Population is all subjects that have certain qualities and characteristics to be studied and inferred (Sugiyono, 2014). In this research the population is all companies listed in Indonesian Stock Exchange (IDX). Sample is part of population which have same characteristics (Sugiyono, 2014). In this research the sample is manufacturing companies listed in Indonesian Stock Exchange in the period of 2012-2016.

Sampling Method

This method employs purposive sampling method to acquire representative sample as required (Sugiyono, 2014). Data were accessed

from Indonesian Stock Exchange website with the following:

1. The companies listed in Indonesian Stock Exchange (IDX) in the period 2012-2016.

2. The companies listed in Indonesian Stock Exchange in the period 2012-2016 are in manufacturing sector.

3. The financial statements per 31 December for the year 2012-2016 are published.

4. The published financial statements per 31 December for the year 2012-2016 have been audited by independent auditor.

5. The published financial statements per 31 December for the year 2012-2016 that have been audited by independent auditor are in Indonesian rupiah currency.

Analytical Method

This research employs the following analytical methods:

1. Descriptive statistics. This tool is used to analyze data by describing existing sample.

2. Classic assumption test which consist of normality test, multi co-linearity test, hetero-skedacity test and auto-correlation test.

3. Regression. This method is used by using F-test and t-test with significance 5%, with the following regression equation:

$$AUD = a + b1 \, BANG + e$$

$$TIME = a + b1 \, BANG + e$$

Whereas:

AUD = audit delay

TIME = timeliness

BANG = bankruptcy

a = Constanta

b1 = regression coefficient

e = error term

IV. DISCUSSION

Descriptive Statistics

Descriptive statistics is used to explain data description of all variables included in research concept, which consist of minimum value, maximum value, average value and standard deviation of each variable. The list of

companies sampled is in Annex 1. While the descriptive statistics is

presented as follow:

Table 1
Descriptive Statistics Data

	N	Minimum	Maximum	Mean	Std. Deviation
BANG	120	.00	8.69	1.9933	1.36290
AUD	120	43.00	206.00	83.7250	25.14361
TIME	120	48.00	212.00	93.8667	25.45681
Valid N (listwise)	120				

Source: data processed with SPSS

Based on statistical test from descriptive statistics table, acquired 120 research data, with the following details:

1. Audit Delay variable has minimum value 43, maximum value 206 and average value 83,7250 with standard deviation 25.14361. It means time span required by independent auditor to complete the audit is 43 days the fastest, 206 days the longest, therefore the average days is 83,725 days.

2. Timeliness variable has minimum value 48, maximum value 212 and average value 93,8667 with standard

deviation 25.45681. It means time span required by company to submit audited financial statements is 48 days the fastest, 212 the longest and therefore average time is 93,8677 days.

3. Bankruptcy variable has minimum value 0,00, maximum value 8,69 and average value is 1,9933 with standard deviation 1,36290. It means that bankruptcy value for sampled companies is 0,00 the smallest, the largest is 8,69 and averaged at 1,9933 therefore they are not considered bankrupt according to Z-score criteria.

Classical Assumption Test

Linear regression model is suitable to fulfill several assumptions that later called classic assumption that includes normality test, multi co-linearity test, hetero-skedacity test, and auto-correlation test (Priyanto, 2012). These are the tests:
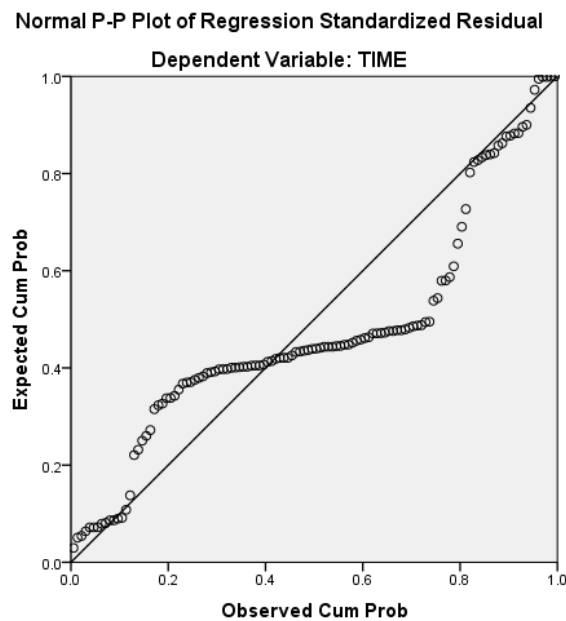
Normality Test

Normality test in this research is done with normal graphic method. The followings are the results of P-P test Plot of regression standardized as in Graphic 2:
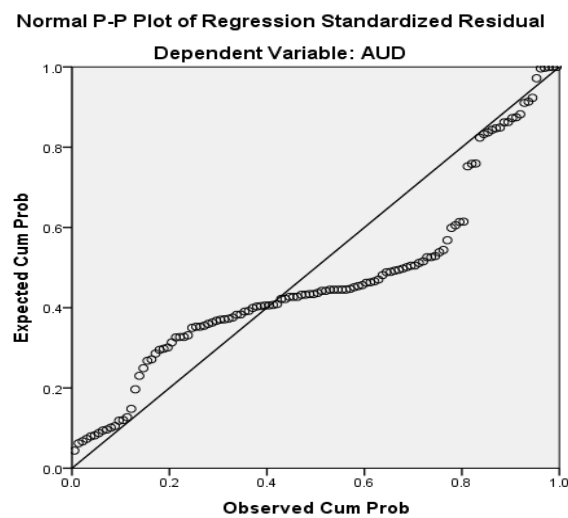
Graphic 2
Normality Test Result (1)

Source: data processed with SPSS

Graphic 2

Normality Test Result (2)

Source: data processed with SPSS

Residual normality test with graphical method is conducted by observing data dispersion on diagonal source on the graphic of Normal P-P Plot Regression Standardized Residual. As the basis for decision making, if the dots disperse around the line and following diagonal line, then the residual value is normal (Priyatno, 2012:144).

Based on Graphic 2 it can be observed that the dots disperse around the line and following diagonal line, therefore it can be conclude that the residual value is normal.

Multicolinearity Test

Multicolinerarity test is used in research by observing tolerance value and variance inflation factor (VIF) value. The following is the result table of multicolinerarity test:

Table 2
Multicolinerarity Test Result

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
BANG	1.000	1.000

*Dependent Variable: AUD, TIME

Source: data processed with SPSS

Based on Table 2 it is observed that tolerance values of both variables are greater than 0,10 and VIF value is less than 10. It means that there is no multicolinearity problem in regression model.

Heteroskedasticity Test

Heteroskedasticity test used in this research is Glejser test (Priyatno, 2012). The following table is the result of Heteroskedasticity test:

Table 3
Heteroskedasticity Test Result

Model	Sig.	Note
(Constant)	0,000	
BANG-AUD	0,112	No heteroskedasticity
BANG-TIME	0,133	No heteroskedasticty

*Dependent Variable: ABS_RES

Source: Data processed with SPSS

From Table 3 it is observed that all independent variables has significance value more than 0,05. Therefore it can be conclude that all variables have no problem of heteroskedasticity in regression model.

Autocorrelation Test

Autocorrelation test in this research uses Durbin-Watson (DW Test) (Piryatno, 2012). The following is the result of autocorrelation test:

Table 4
Autocorrelation Test Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.156[a]	.024	.016	24.94209	1,793

a. Predictors: (Constant), BANG

b. Dependent Variable: AUD, TIME

Source: Data processed with SPSS

Based on Table 4 it can be observed that the value of Durbin-Watson (DW) is 1,793. DU and DL values are acquired froam Durbin-Watson table, that is number of data (n) = 120 and the number of independent variable (k) = 1. Based on statistics table of Durbin-Watson, for n = 120 and k = 1, the resuls are DU value at 1,7189 and DL value at 1,6853. Having acquired DU and DL values, it is then progress to calculate 4-DU and 4-DL values. By inputting the values of DU and DL, the result of 4-DU value is 4-1,7189 = 2,2811 and the result of 4-DL value is 4-1,6853 = 2.3147.

After the values of DW, DU, DL, 4-DU and 4-DL are known, the next step is exercising decision making on Durbin-Watson test. The decision making is exercised by taking into accounts the following conditions (Priyatno, 2012):

$DU < DW < 4\text{-}DU$, then H_0 is accepted which means there is autocorrelation.

$DW < DL$, or $DW > 4\text{-}DL$, then H_0 is rejected which means there is no autocorrelation.

$Dl > DW < DU$, or $4\text{-}DU < DW < 4\text{-}DL$, it means there is no certainty or no solid conclusion.

Because the value of $DU = 1{,}7189$, $DW = 1{,}793$ and $4\text{-}DU = 2{,}2811$, then it is certain that the value of $DU < DW < 4\text{-}DU = 1{,}7189 < 1{,}793 < 2{,}2811$. Therefore H_0 is accepted.

Measurement of Overall Model Result (Overall Model Fit)

Model test is conducted by observing the result of model summary as follow:

Table 5
Overall Model Measurement Data

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.156[a]	.024	.016	24.94209

a. Predictors: (Constant), BANG

b. Dependent Variable: AUD, TIME

Source: data processed with SPSS

From Table 5 it can be observed that R = 0,156 and it indicates correlation between dependent variable and independent variable at 0,156 which also means that the correlation between dependent variable and independent variable is close enough.

Meanwhile R square (R^2) = 0,024 indicates determinant coefficient, which is percentage of influence contribution of independent variable and dependent variable. It also can be said that the percentage of influence contribution of independent variable to dependent variable is 2,40%, while the rest is influenced by other variables that not included the model developed in this research.

Adjusted R square is 0,016 and it indicates the influence of independent variable to dependent variable is 1,60%. Adjusted R square is employed to measure the extent of influence if the regression model includes two or more variables. Meanwhile, the value of Standard Error Of Estimate is 24,294209 indicates that the error that might occur in predicting the value of company is 21,29%.

Regression Coefficient Test (F Test)

Regression coefficient test (F Test) is conducted to test whether an independent variable is significantly influence dependent variable or not. The result of the test is as follow:

Table 6
Regression Coefficient Test Result (F Test) – Audit Delay
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1823.191	1	1823.191	2.931	.045[b]
	Residual	73408.734	118	622.108		
	Total	75231.925	119			

a. Dependent Variable: AUD

b. Predictors: (Constant), BANG

Source: Data processed with SPSS

Based on Table 6 it can be explained that F-Test value is 2,931 is significant at 0,045. Because significance value 0,045 is smaller than 0,05 it can be concluded that the bankruptcy influences audit delay.

Table 7
Regression Coefficient Test Result (F Test) – Timeliness
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1799.804	1	1799.804	2.820	.048[b]
	Residual	75318.063	118	638.289		
	Total	77117.867	119			

a. Dependent Variable: TIME

b. Predictors: (Constant), BANG

Source: Data processed with SPSS

Based on Table 7 it can be explained that F value is 2,2820 and significance value at 0,048. From this result in can be concluded that bankruptcy influences timeliness as proven by significance value 0,048 is less than 0,05.

The result of F Test (simultaneous test) shows that bankruptcy variable influences audit delay and timeliness and therefore confirm H_a of this research.

Partial Test (t Test)

Partial test is used to discover whether partial independent variable has significant influence of dependent variable or not. If significance value < 0,05 then H_0 is rejected and H_a is accepted, which means independent variable partially influences dependent variable. While if significance value > 0,05, then H_0 is accepted and H_a is rejected, which means that independent variable does not partially influence dependent variable (Priyatno, 2012).

Table 8.
t Test Result – Audit Delay
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	89.450	4.046		22.111	.000
BANG	-2.872	1.678	-.156	-1.712	.045

a. Dependent Variable: AUD

Source: Data processed with SPSS

Table 8 indicates that the result of t value is -1,712 with significance 0,045. Because significant value 0,045 is less than 0,05 then it can be inferred that bankruptcy variable has negative influence to audit delay. When a company experience greater possibility of bankruptcy, which can be studied from financial statements provided for audit purpose, then auditors will be more likely to accomplish their audit process faster compared to when they audit company with lesser possibility of bankrupt. The financial statements that clearly indicate greater probability of bankruptcy provide better assurance for auditors to write their reports and make their judgments and opinions.

Table 9.
t Test Result – Timeliness
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	99.554	4.098		24.295	.000
	BANG	-2.853	1.699	-.153	-1.679	.048

a. Dependent Variable: TIME

Source: Data processed with SPSS

Table 9 shows that t value is -1,679 with significance value at 0,048. Because the significance value is 0,048 under 0,05 then it can be conclude that bankruptcy variable has negative value to timeliness. When a company experience greater possibility of bankruptcy, it tends to have lower timeliness in submitting their financial reports to security exchange authority or to public at large. The management seemed to avoid negative effect when its bankruptcy problem known to public.

The possible consequences when bankruptcy is disclosed are losing company value and potential investors. Company value may plummet when shareholders sell their stocks upon knowing possible bankruptcy which drive down the share price. While potential investors will be likely to withdraw their bids because they do not want to lose their money by investing in financially troubled company. The dire prospects drive the management to postpone the publication of its financial reports and at the same time looking ways to solve the problem such as by seeking financial bail-out from financial institutions or private investors. Either way, the greater prospect of bankruptcy lower timeliness.

V. CONCLUSSIONS AND SUGGESTIONS

Conclusions

Based on discussion on Chapter IV, it can be concluded the following points:

1. This study rejects H_0 that states bankruptcy has no influence to both audit delay and timeliness. Instead this study confirms the correlation between the bankruptcy probability to audit delay and timeliness as stipulated in H_1.

2. This study confirms H_1 that states bankruptcy probability influences negatively to audit delay and timeliness. When a company experience higher probability of bankruptcy it tends to influence auditors to finish their audit faster than when they perceive the auditees in lower probability of bankruptcy. The same is also true for timeliness, when a firm undergoes greater probability of bankruptcy it tends lengthen the time to report its financial statements to both stock exchange authority and to public at large. Thus lowering the timeliness.

Suggestions

Based on above mentioned conclusions, this research suggests the followings:

1. The next research should extend the sample, for example all manufacturing companies on several sectors. The extension of sample is necessary to gain broader insight into the extent of influence of each variable in varying business sector.

2. The next research might include more independent variables such as profitability, liquidity, or other independent variables. The inclusion of more variables is important to sharpen the analysis of each independent variable's impact on dependent variable.

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