FACTORS AFFECTING THE COMPLETENESS DISCLOSURE OF FINANCIAL REPORT

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Abstract

This research was conducted to discover factors affect the disclosure completeness of annual financial statements where the independent variables in this study include Leverage, Liquidity, Profitability, portions public ownership, firm size, operating profit margin, net profit margins and return on equity which is predicted to have an influence on completeness of financial statement disclosure. The 72 Financial reports of manufacturing companies and chemical industry listed in Indonesia Stock Exchange period 2008-2009 were used as samples. Multiple Linear Regression were used as analysis tool. The results showed that liquidity positively affects the the completeness of the Financial Reports disclosure, while firm size negatively affect the completeness of the financial statement disclosure and other variables such as leverage, profitability, the share of public ownership, operating profit margin, net profit margin and return on equity does not affect the completeness of the financial statement disclosure. However, simultaneously all the variables affect the completeness of financial reports disclosure.

Kata Kunci: completeness isclosures, financial Statement, leverage, liquidity, profitability

INTRODUCTION

The financial statements are one source of information that is often used by the users of financial statements. It contains information that can give consideration to the users of financial statements in making decisions. In order for the information presented in financial statements can be understood and not causing any interpretation, the presentation of financial statements must be accompanied by sufficient disclosure.

The financial statements that have been inspected by the public accountant can be a useful basis for decision making. One way that can be achieved is by making the criteria for the need for disclosure which can cover all public companies. Disclosure of business entity is a way to distribute corporate responsibility to investors to facilitate the allocation of resources. This shows that the annual report is an important medium to convey disclosures in annual reports by the management of an enterprise and is an important source of information in making investment decisions by investors.

RESEARCH METHOD

Secondary data are used in this research. Both independent variables and dependent variables obtained from the company's annual financial statements of chemical and manufacturing industry in 2008-2009. All data collected from Capital Market Reference Center (PRPM) publications and Indonesian Capital Market Directory. The sampling technique used was purposive sampling. The total samples were 72 financial reports from 32 companies.

Research Variables

The independent variables are measured as follows: Debt to Equity Ratio is a proxy of leverage; Current Ratio, is a proxy of liquidity; PUB, measured by dividing the number of shares owned by the public with its shares; Size, measured by market capitalization that is Lnsize obtained by
multiplying the share price as of 31 December by the number of outstanding shares; OPM, measured by comparing the operating profit by net sales; NPM, measured by dividing the profit (loss) after tax to net sales and is a proxy of profitability; ROE and ROA are profitability proxies. The dependent variable in this study is the disclosure completeness. This variable measures how much the financial statements of a material item disclosed by the company's disclosure was measured by the index. Disclosure index score is the result of the division of disclosure that has been achieved with a total maximum value may be achieved. Financial statement disclosure measured includes compulsory (mandatory) or voluntary.

In calculating the index, this research uses the means used by Verdiyana (2006) in which the items of information used include the mandatory and voluntary. Suppose if the number of items to be used as guidelines for the completeness of the disclosure amounted to 102 while that met the company in its annual report as many as 70, then the index of 70/102 = 0.69.

**Analysis Techniques**

Data management activities include the provision for disclosure of the item scores are reported yearly and compile in the data sheet. This is done to determine the total score and determine the extent of disclosure levels. Multiple linear regression were used to examine the influence of independent variables on the dependent variable.

**RESULTS AND DISCUSSION**

Scoring instrument is a tool to determine the completeness of financial statement disclosure index and the value of firm characteristics. Disclosure Completeness of financial statements (Y) consists of 20 items are detailed in the 102 sub-items (Verdiyana, 2006), while the firm characteristics are measured by Debt to Equity Ratio (X1), Current Ratio (X2), Profitability (X3), The portion of the Public Shares (X4), Company Size (X5), Operating Profit Margin (X6), Net Profit Margin (X7) and Return on Equity (X8).

**Testing Data**

**Data Normality Test**

Normal P-Plots were used. A variable is considered normal if the image distribution with the data points are spread around the diagonal line and the spread of data points in the direction to follow the diagonal line (Nugroho, 2005:24). The P plot showed that data fulfill the normal distribution. Thus, the regression test can be performed.

**Multicollinearity**

This test is intended to prove the presence or absence of a linear relationship between independent variables. In this study detection of multicollinearity can be seen if the Variance Inflation Factor (VIF) is not more than 10 (VIF <10) and Tolerance values not less than 0.1 (Tolerance> 0.1) then the model can be said to be free of multicollinearity.

<table>
<thead>
<tr>
<th>Table 1. Multicollinearity</th>
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<tr>
<td>Collinearity Statistics</td>
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<td>Model</td>
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<td>1 (Constant)</td>
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<td>DER</td>
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**Autocorrelation**

Tests for autocorrelation is intended to determine whether there is correlation between the data observed or not in order of time. To detect autocorrelation in this study, we used Durbin-Watson method. If the value of Durbin Watson count is close to or around the number 2 then the model is free from the classical assumption of autocorrelation. The number 2 on the Durbin Watson test is located in the area No Autocorrelation. The autocorrelation test resulted in figure 1,607.
Heteroscedasticity

Examining the differences in residual variance of the observation period to another period of observation. In this study, predicted the existence of heteroscedasticity in a model can be seen from the pattern scatter-plot image.

Analysis on the scatter-plot image stating that there is no heteroscedasticity when the data points spread above and below or around zero, the data points do not accumulate just above or below it. The spread of data points should not be form a wavy pattern widens and then narrows and widens again. The spread of data points should not be patterned. Heteroscedasticity scatter-plot is shown in Figure 1.

Analysis of determination ($R^2$)

Used to determine the percentage contribution of independent variables simultaneously influence the dependent variable. The results of Adjusted R Square test showing that R square is 0.238 or 23.8%. This shows that the percentage contribution of the influence of independent variables (DER, CURRAT, ROA, PUB, SIZE, OPM, NPM, ROE) to the dependent variable (Disclosure Index) of 23.8% while the rest equal to 76.2% influenced by other variables not included in this research model.

Partial Regression Test (t Test)

This test aimed to determine whether the independent variables in regression model partially has significant influence the dependent variable.

DER (X1) of the Disclosure Index (Y)
Known t value -1.077 < -1.998 table then H0 rejected and Ha accepted DER which means there is no effect on the disclosure index.

CURRAT (X2) to the Disclosure Index (Y)
T value -2.597 > -1.998 table then H0 rejected and Ha accepted CURRAT which means there is a significant influence on the disclosure index.

ROA (X3) of the Disclosure Index (Y)
T value -0.136 < -1.998 table H0 accepted then that means ROA no effect on the disclosure index.

PUB (X4) of the Disclosure Index (Y)
Based on the criteria for acceptance and rejection -0.0412 < -1.998 table then H0 rejected and Ha accepted PUB which means there is no effect on the disclosure index.
CONCLUSION AND IMPLICATIONS

Conclusion
Based on multiple regression analysis, partially Current Ratio (CURRAT) has a negative effect and firm size (SIZE) has a positive effect on the completeness of the disclosure of annual financial statements of companies. Other variables, i.e. Debt to Equity Ratio (DER), Return on Total Assets (ROA), Portion of Public Shares (PUB), Operating Profit Margin (OPM), Net Profit Margin (NPM) and Return on Equity (ROE) does not affect the completeness of financial statements disclosure. However, based on multiple regression analysis showed that the independent variable Debt to Equity Ratio (DER), Current Ratio (CURRAT), Return on Total Assets (ROA), portion of the Public Shares (PUB), Company Size (SIZE), Operating Profit Margin (OPM), Net Profit Margin (NPM) and Return on Equity (ROE) significantly influence the level of completeness of disclosure of financial statements simultaneously. The contribution of the influence of independent variables consisted of Debt to Equity Ratio (DER), Current Ratio (CURRAT), Return on Total Assets (ROA), portion of the Public Shares (PUB), Company Size (SIZE), Operating Profit Margin (OPM), Net Profit Margin (NPM) and Return on Equity (ROE) simultaneously or jointly against the independent variable is the completeness of the financial statement disclosure of 23.8% while the rest 76.2% influenced by other factors outside the model such as the cost of debt, company age, company status and size of company measured by total assets.

Limitations and further research suggestions
Further research is suggested to analyze categories of companies included in the manufacturing company, expansion of the research period, and if the number of disclosure items that are used more, the results obtained may be different. Linear regression model used in this study produced small R square (23.8%), therefore there is the possibility of further research by including other variables.
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