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The Effects of Bankruptcy Probability, Auditor Switching and Company Size Toward Audit Delay

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Abstract

The purpose of this study was to find out the effects of the probability of bankruptcy and auditor switching toward audit delay, with the size of the company on manufacturing companies listed in Indonesia Stock Exchange (IDX) in 2014-2016 as moderating variable. Data analysis method used was Moderated Regression Analysis (MRA). This method was chosen because of the compatibility between analytical tools and the variables under study. The purposive sampling method was used in this study. The number of samples of 97 companies that meet the criteria of the sample with the observation of 3 years and reduced outlier test 93 companies made the final sample were 198 companies. The results showed that the probability of bankruptcy and auditor switching had significant effects on audit delay. In addition, company size weakens not only the effect of bankruptcy probability on the audit delay but also the effect of effect auditor switching to audit delay.

Keywords: Bankruptcy Probability, Auditor Switching, Company Size, Audit Delay

1. Introduction

Audit delay is the length or time period of audit completion measured from the closing date of the financial year to the date of the issuance of the audit report. Audit delay is what can affect the accuracy of information published so that it will affect the level of uncertainty of decisions based on published information (Kartika, 2009).

One measure of timeliness of financial reporting accuracy is audit delay. Research related to the timeliness of financial statements presentation has been conducted so far focuses on the factors that cause audit delay. There are several factors that cause audit delay, such as company size, type of industry, type of audit opinion, size of the Public Accountant Firm (KAP), the disclosure of company profits or losses, the complexity of company operations, internal quality control, extraordinary items (Lucyanda and Sabrina, 2013).

One of the factors that can cause delays in the submission of financial statements is the probability of bankruptcy that the company indicated to experience financial difficulties. This indicates that the company is likely to experience bankruptcy so that auditors need more time to find out what is happening in the company and the auditors also need more data to produce opinions in accordance with the actual condition of the company (Setyahadi, 2012).

Bankruptcy is usually interpreted as a failure of a company to run a company's operations to generate bankruptcy profits, also called company liquidation or company closure or insolvency. According to Law Number 4 of 1998 concerning bankruptcy where an institution is declared by a court decision if the debtor has two or more creditors and does not pay at least one debt that is due and can be billed (Almilia & Herdinigtyas, 2005).

As one of the countries requiring auditor change with a specified time limit, the government has regulated the obligation of auditor rotation through the Financial Services Authority Decree Number 13/POJK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Service Activities. This regulation regulates the use of audit services for three consecutive years by the same public accountant. Public accountants and accounting firms may reuse audit services after two years of books not using audit services from the same public accountant. The company is expected to be able to choose a competent auditor who is competent in their field according to the needs of their respective companies so that the process of completing an audit of financial statements can be carried out on time (Giri, 2010).

Auditor Switching is a behavior carried out by companies to move auditors either due to existing or voluntary rules. Mandatory or voluntary auditor change can be distinguished on the basis of which party is the focus of attention on the issue of auditor independence. Mandatory switching (Auditor) whose main concern is to turn to the auditor. The rules regarding mandatory auditor change (switching auditors) have been determined by many countries. This was pioneered by American government regulators who made The Sarbanes Oxley Act (SOX) which contained rules regarding the obligation of companies to make auditor changes (switching auditors). If auditor switching is due to voluntary, then the main concern is on the client side. When a client changes his auditor when there are no rules that require it (voluntary), what happens is one of two things, the auditor resigns or the auditor is fired by the client. Because of the auditor's resignation or auditor's dismissal, the focus of the problem is on the client's side which causes voluntary auditor switching. If the switching reason is due to disagreement over certain accounting practices, it is expected that the client will move to the auditor who agrees with the client (Febrianto, 2009).

Dyer and McHugh (1975) study of company size, large companies are more consistent in being on time than small companies in informing their financial statements. This influence is indicated by the greater the asset value of the company, the shorter the audit delay and vice versa. According to Gosal (2016) research if independent auditors do not use big four companies, the length of time for audits increases. The size of the company can be interpreted as a scale which can be classified as the small size of the company in various ways including expressed in total assets, stock market values, etc. (Setiawan, 2013). In the study of Modugu et al. (2012), explained that total assets reflect how much wealth a company has and reflects the size of the company.

Company size is a function of the speed of financial reporting because the larger a company, the company will report the results of audited financial statements faster because the company has many sources of information and has a good internal control system so that it can reduce the level of financial statements that make it easier auditor in conducting financial statement audits. Thus it can be concluded that the possibility of Company Size can influence the timing of audit completion (Armansyah, 2015).

In achieving the goals, the effective probability of bankruptcy and auditor switching on audit delay with company size. However, in this study experienced delays in financial statements, financial pressures so that future financial statement resolutions can be timely and larger companies settle audits faster than smaller companies

2. LITERATURE REVIEW

1.1 Agency Theory

Relationships are contracts between agents and principals. Principals are parties that give authority to agents (managers) to act on behalf of principals, while agents are parties authorized by the principal to run the company (Jensen and Meckling, 1976).

Managers and principals are two parties who are rational and wish that each of their interests can be maintained. The manager as the party who knows the real condition of the company seeks to obtain maximum benefits for his party. Meanwhile, the principal also wants the manager to take action in accordance with what the principal wants.

Agency theory begins with two main problems that occur between agents and principles (Eisenhardt, 1989). First, the relationship between agents (managers) and principals (shareholders) that end in information asymmetry between the two parties. Second, there is a conflict of interest experienced by agents and principals because there are differences in objectives between the two.

Thus, conflicts between managers and principals arise because of the information asymmetry of both parties, which in turn results in deviant behavior and managers by conducting earnings management (smoothing or increasing income) in the presentation of financial statements. The existence of this condition raises unhealthy corporate governance due to the absence of openness from management to disclose its performance results to principals as company owners (Arifin, 2005) in (Prawibowo, 2014).

1.2 Signaling Theory

Cues or signals are actions taken by company management where management knows more complete and accurate information about the company's internal and future company prospects than the investor. Therefore, managers are obliged to give signals about the condition of the company to stakeholders. The signal provided can be done through the disclosure of accounting information such as the publication of financial statements. Managers publish financial statements to provide information to the market. Generally, the market will respond to this information as a signal of good or bad news.

1.3 Audit Delay

In the Public Accountants Professional Standard (SPAP) it is explained that the standard field work, namely work must be planned as well as possible and if used by assistants must be supervised properly; adequate understanding of internal control must be obtained to plan the audit and determine the nature, timing, and scope of the tests to be carried out; sufficient competent audit evidence must be obtained through inspection, observation, security requests, and confirmation as an adequate basis for expressing opinions on the financial statements audited by the Indonesian Institute of Certified Public Accountants (2007).

The reduced value of information conveyed to principals creates asymmetrical information. Asymmetrical information is one element of agency theory, in this case, the agent knows more about the company's internal information in detail than the principal who only knows the company's information externally through the performance results made by management. Therefore, this requires timeliness to reduce the existence of asymmetrical information between the agent or management and the principal or shareholders, so that financial statements can be delivered transparently to the principal.

1.4 Bankruptcy

Bankruptcy is very severe financial difficulties so the company is no longer able to operate properly. While financial distress is a financial difficulty that might initiate bankruptcy. Bankruptcy is also often called corporate liquidation or company closure or insolvency. According to Adnan (2000), bankruptcy as failure is defined in several meanings:

1.4.1. Economic Failure

Failure in the economic sense usually means that the company loses money or the company's income cannot cover its own costs. This means the profit rate is smaller than the capital cost or the present value of the company's cash flow is smaller than the liability.

1.4.2. Financial Failure

Financial failure can be interpreted as insolvency that distinguishes between the basis of cash flows and the stock base. Insolvency on the basis of cash flows are of two forms, namely: 1) Technical Insolvency, the company is considered a failure if the company cannot fulfill its obligations at maturity. Technical insolvency occurs when cash flows are insufficient to meet interest payments or principal repayments on a certain date. 2) Insolvency in

terms of bankruptcy, in this sense bankruptcy, is defined in terms of negative net worth in a conventional balance sheet or the present value of expected cash flows is smaller than liabilities.

1.5 Auditor Switching

Pratini (2013) research result described that financial difficulties (financial distress) experienced by companies occur when the company cannot fulfill its financial obligations and is threatened with bankruptcy. Auditor switching can also be caused by the companies that have to maintain financial stability, so the company takes a subjective policy in choosing a Public Accounting Firm.

An auditor switching has a derivative application of agency theory. Switching in the client contract environment and managers usually look for new auditors who are good if their reputation is polluted or if a failure occurs. In the understanding of new auditors of the industry, environment, and operations of the company, of course, it will take additional time. In addition, the risk of errors due to the auditor being unfamiliar with his new client is also a matter that has just been considered.

The size of the company can be interpreted as a scale which can be classified as the small size of the company in various ways including expressed in total assets, stock market value, etc. (Setiawan, 2013). According to Carslaw & Kaplan (1991) research, the duration of audit delay has a positive relationship with companies that suffer losses, companies that have extraordinary items, companies that obtain audit opinions other than unqualified opinions, companies that have smaller total assets, and companies controlled by the manager.

Agents as those who produce their financial statements have the desire to optimize their interests so that agents can manipulate the condition of the company. Large companies have better management in managing the company and are capable of producing quality financial reports when compared to small companies. It may be that the auditor believes that a larger company can solve the financial difficulties it faces than a smaller company, arguing that large companies will more easily overcome financial problems because they have better management so creditors will be more able to give credit to large companies.

1.6 Framework and Hypotheses

This study consists of two independent variables (X) which are bankruptcy probability and auditor switching, the dependent variable (Y) in the form of Audit Delay, Company Size moderating variable (Z). The flow of thought in this study is as follows:

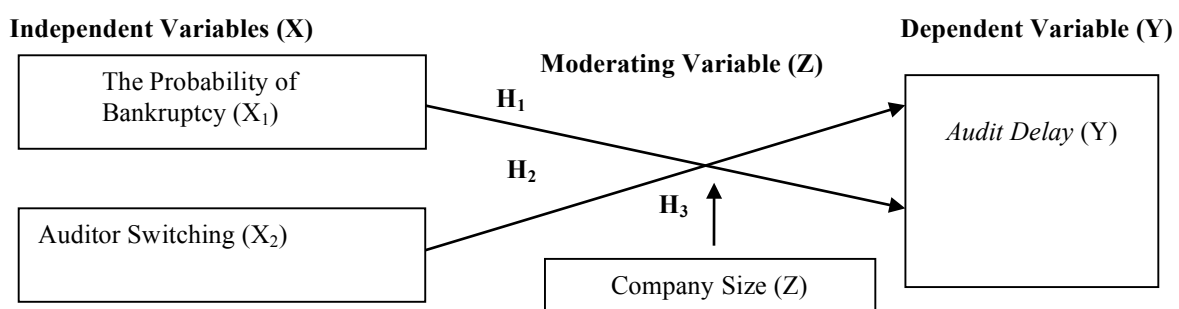


Figure 1: Framework

3. Research Method

3.1 Research Design

Based on the topics discussed, the variables used in this are the probability of bankruptcy (X₁) as an independent variable, Auditor Switching (X₂) as an independent variable, audit delay (Y) as the dependent variable and company size (Z) as a moderating variable. These variables are obtained through theoretical studies and empirical studies. Through this study research problems were formulated and the research hypothesis was made. Before

testing statistically it is necessary to determine the research sample, the data source, and the data collection method. The data processing is done using the moderated regression analysis model.

3.2 Population and Sample

The company that is the object of this research is manufacturing companies that are listed on the Indonesia Stock Exchange (IDX) from 2014 until 2016. The period of 2014 to 2016 was used as a sample in this study because it was considered to have representation toward the company's final financial condition before the research was conducted. The manufacturing sector was chosen because companies in this sector had a wide range of businesses. The criteria used in determining the sample of this study are mentioned as follows:

Table 1: Sampling criteria

No	Sample Criteria	Number of Companies
1	Number of Companies Registered in Observations for 2014-2016	147
2	Companies that publish financial statements in foreign currencies	(26)
3	The company does not provide incomplete data and information	(24)
4	Total Manufacturing Companies registered consecutively on the IDX for 2014-2016	97
5	Number of Final Samples 97 companies x 3 Years of Observation	291
6	Handled outliers	(93)
7	Number of Study Samples	198
3 Year Observation		

Table 2: Operational Variables and Measurement Variables

Variable Name	Variable Type	Definition	Indicator	Measurement Scale
Audit Delay (Y)	Dependent	The time period for completing an annual financial statement audit	The researcher is measured using the length of days needed to obtain an independent auditor's report on the company's annual financial statement audit, from the date the company's book closes, December 31 to the date stated on the independent auditor's report.	Ratio
The Probability of Bankruptcy (PROB) (X ₁)	Independent	The possibility that happened to the company due to financial difficulties which if very severe will commit bankruptcy.	The probability of bankruptcy (PROB) is measured using the Altman bankruptcy prediction model.	Ratio
Auditor Switching (X ₂)	Independent	Auditor Switching in a company is carried out with the aim of maintaining the independence of the auditor in order to remain objective in carrying out his duties as an auditor.	Variables dummy 1 if AP from different KAPs and 0 if APs from the same KAP.	Nominal
Company Size (Z)	Moderation	The size of the company is measured	Ln (Total Assets)	Ratio

		by using the Natural Total Asset Log in order to reduce the increase (fluctuation) of excess data. By using natural logs, the number of assets with a nominal value of hundreds of billions or even trillions will be simplified, without changing the proportion of the actual assets.		
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3.3 Analysis Method

In this study used data analysis methods, namely: (1) descriptive statistics, (2) classic assumption test, and (3) hypothesis test, with multiple regression. While the classic assumption test is done by testing the possibility of Multicollinearity Test, Autocorrelation Test, Heteroscedasticity Test, normality. Research data are analyzed and tested with several statistical tests consisting of descriptive tests, classic assumption tests, and regression analysis equipped with independent t-test different tests.

3.3.1 Moderated Regression Analysis model

One method that can be used to test whether a variable is a moderating variable is by conducting an interaction test. Regression by conducting interaction tests between variables is called the Main Moderated Regression Analysis (2009, p.123). Thus the Moderated Regression Analysis model in this study is as follows:

$$AD = \alpha_0 + \beta_1 \text{PROB} + \beta_2 \text{PA} + \beta_3 \text{FS} + \beta_4 \text{PROB} * \text{FS} + \beta_5 \text{PA} * \text{FS} + e \dots \dots (1)$$

Information:

AD is Audit Delay

α_0 is a constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the Regression Coefficients

PROB is the Probability of Bankruptcy

PA is the Auditor Switching

FS is Company Size

e is an Error

3.3.2 Descriptive Statistics

Descriptive statistics are used to give a description or description of a data that is seen from the average value (mean), standard deviation, variance, maximum value, minimum value Ghazali (2006) in Liana (2009). The probability of bankruptcy (PROB) is measured using the Altman bankruptcy prediction model.

3.3.2 Hypothesis Test

Hypothesis testing uses regression tests to test the hypothesis which states that the probability of bankruptcy influences audit delay. The level of significance (α) used is five percent (0.05). If the level of significance is t greater than $\alpha = 0.05$ then the hypothesis is rejected which states there is no partial influence. Conversely, if the significance level t is smaller or equal to $\alpha = 0.05$ then the hypothesis is accepted. Thus according to the hypothesis formulated the effect of bankruptcy probability on audit delay. Parametric statistics as follows:- If the probability is > 0.05 , then H_0 is accepted- If the probability is < 0.05 , then H_0 is rejected

4. ANALYSIS AND RESULTS

4.1 Overview of Companies Listed on the Indonesia Stock Exchange in 2016

Companies listed as of the end of the year as many as 151 manufacturing companies listed on the Indonesia Stock Exchange (IDX) this number increased by 5 companies from the previous year namely in 2015 were of the end of 2015 there were 146 companies listed on the Indonesia Stock Exchange.

There are 5 companies conducting IPOs in Q3 and Q4 in 2016, the companies that conducted IPOs in Q3 of 2016 were Waskita Beton Precast Tbk. who conducted an IPO on September 20, 2016, with an offering price of 10,544, and an IPO offer at the end of Q3 of 2016 was Aneka Gas Industri Tbk. who conducted an IPO on September 28, 2016, at offer price 767.

4.2 Description of Research Objects

This study is intended to determine the effect of bankruptcy and auditor switching probability on audit delay with company size as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period of 2016. This study uses secondary data, namely analyzing annual audit financial statements so that ratios can be calculated from the variables of this study. The population of this study is a manufacturing company listed on the Indonesia Stock Exchange in 2016 which has published annual audit financial reports and has data on the research variables used. The annual audit financial report data obtained from the website idx.co.id, while the sample in this study amounted to 97 companies.

4.3 Descriptive statistics

Descriptive statistics are a description of the condition of each research variable which consists of minimum, maximum, mean and standard deviation values so that a general description of the condition of the variables studied is obtained. The research variables consisted of audit delay (AD), bankruptcy probability (PROB), auditor switching (PA), company size (FS), bankruptcy probability*company size (PROB*FS) and auditor switching*company size (PA*FS).

Descriptive statistics on research variables can be seen in Table 3:

Table 3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AD	198	65.00	90.00	82.5202	4.87479
PROB	198	-3.32	11.60	2.4125	1.76195
PA	198	.00	1.00	.3737	.48502
FS	198	24.86	32.15	28.0176	1.49508
PROB.FS	198	-87.32	309.02	67.6090	48.48194
PA.FS	198	.00	30.45	10.2582	13.32491
Valid N (listwise)	198				

Based on the variables in Audit Delay (AD) research, Bankruptcy Probability (PROB), Auditor Switching (PA) and Company Size (FS), data regarding variables in this study are interpreted into minimum values, maximum values, mean, and standard deviations processed with the SPSS program. Based on the attachment to the results of the research regarding descriptive analysis, it can be explained as follows:

4.3.1 Audit Delay (AD)

Based on table 3 the results of descriptive statistical analysis in the Appendix can be seen the value of Audit Delay (AD) is between 65.00 and 90.00. The mean value is 82.5202 and the standard deviation is 4.87479. The lowest company with Audit Delay (AD) in 2016 was HM Sampoerna Tbk. with a value of 65, while the highest Audit Delay (AD) in 2015 was Duta Pertiwi Nusantara Tbk. with spread value 90.

4.3.2 The Probability of Bankruptcy (PROB)

Based on table 3 in the appendix, it can be seen the magnitude of the Probability of Bankruptcy (PROB) is between -3.32 and 11.60. The mean value is 2.4125 and the standard deviation is 1.76195. The lowest company with Probability of Bankruptcy (PROB), namely in 2016 is Intikeramik Alamasri Industri Tbk. with a value of -3.32, while the highest Probability of Bankruptcy (PROB) in 2014 was Jaya Pari Steel Tbk. with a value of 11.60.

4.3.3 Auditor Switching (PA)

Based on table 3 in the attachment, it can be seen that the amount of auditor switching is between 0 and 1. The average value is 0.3737 and the standard deviation is 0.48502. Judging from the average value of 0.3737, it can mean that most companies are audited by the same KAP.

4.3.4 Company Size (FS)

Based on table 3, it is known that the size of the Company (FS) is between 24.86 and 32.15. The mean value is 28.0176 and the standard deviation is 1.49508. The company with the lowest Company Size (FS), namely in 2014 was Siwani Makmur Tbk. with a value of 24.86, while the highest Company Size (FS) is in 2015 is Indofood Sukses Makmur Tbk. with a value of 32.15.

4.4 Normality Test

Statistical testing for data normality was also carried out using the Kolmogorov-Smirnov test, said regression had met the assumption of normality if the significance values of the Kolmogorov-Smirnov test was greater than alpha 5% (0.05). The results of the normality test with Kolmogorov-Smirnov can be seen in Table 4 below:

Table 4: Normality Test Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		198
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	4.26685865
Most Extreme Differences	Absolute	.062
	Positive	.056
	Negative	-.062
Test Statistic		.062
Asymp. Sig. (2-tailed)		.065 ^c

Based on Table 4 above, it can be seen that the Kolmogorov-Smirnov test has a significance value of 0.065 greater than 0.05, then the regression model used has a normal standard error, so it can be concluded that the regression model can be further tested to determine the effect each independent variable on the dependent variable.

4.5 Multicollinearity Test

Table 5: Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
PROB	.859	1.163
PA	.785	1.275
FS	.901	1.109

a. Dependent Variable: AD

Table 5 of the multicollinearity test above, it is known that all independent variables of the regression model have VIF values smaller than 10 and tolerance values greater than 0.10. So that the independent variables used in the regression equation model have no multicollinearity problems (there is no very strong relationship between the independent variables).

4.6 Autocorrelation Test

Table 6: Autocorrelation Test Results

Model Summary ^b	
Model	Durbin-Watson
1	2.030

Based on Table 6 the results of the autocorrelation test of multiple regression models above, it is known that the model studied has a number of observations of 198, with the number of independent variables of 5. The lower limit value (d_L) is based on the number of observations and the number of independent variables is 1.718 with the upper limit (d_U) of 1,820. The statistical results of the Durbin Watson test obtained from the test amounted to 2,030, the value of the Durbin Watson was in the area of $d_U < dw < 4-d_U$, or in the area, there was no autocorrelation. It can be concluded that there is no autocorrelation in the regression model used. The autocorrelation test results can be illustrated in Figure 2 of the Durbin-Watson test results as below:

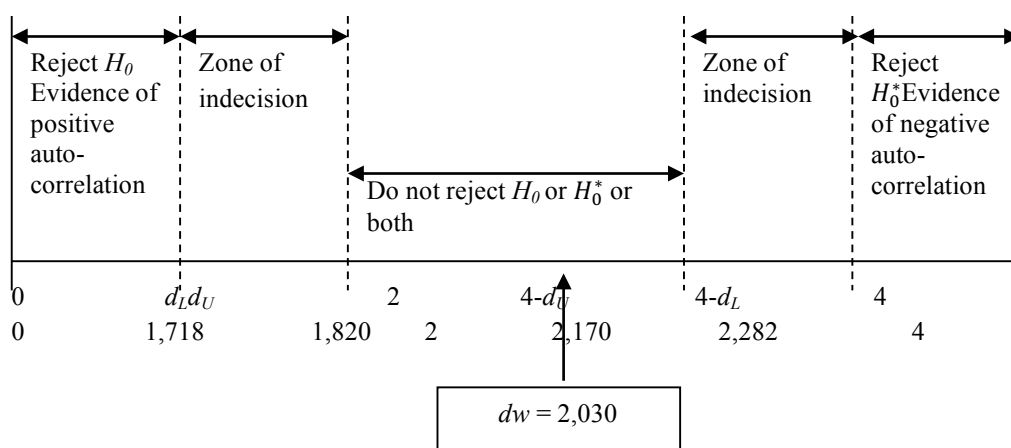


Figure 2: Testing of Autocorrelation

4.7 Heteroscedasticity Test

Detecting the presence or absence of heteroscedasticity can be done by seeing the presence or absence of a certain pattern on the scatterplot chart between ZPRED and SRESID where the Y-axis is Y predicted, and the X axis is the residual (Y predicted – Y actually) located in Studentized.

- If there are points that form a certain pattern that is regular then identifying heteroscedasticity has occurred.
- If there is no clear pattern, and the points spread above and below the number 0 on the Y-axis, there is no heteroscedasticity.

Following are the results of heteroscedasticity test in Figure 3:

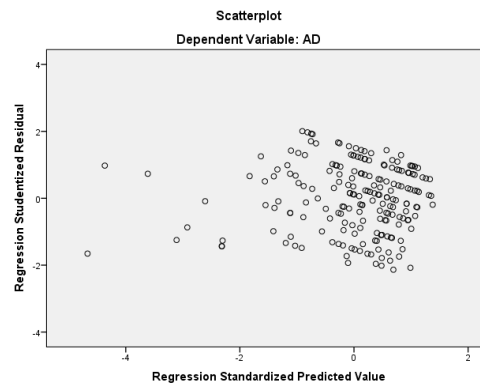


Figure 3: Heteroscedasticity Test Results

Based on the results shown in the figure, it can be seen that there is no particular pattern, the points spread above and below the number 0 on the Y-axis, it can be concluded that there is no heteroscedasticity.

4.8 F Statistic Test (ANOVA)

The F statistical test or ANOVA is basically to test whether all the independent or free variables included in the model can influence together or not on the dependent variable.

Table 7: F Test Results

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1094.821	5	218.964	11.722	.000a
	Residual	3586.598	192	18.680		
	Total	4681.419	197			

a. Predictors: (Constant), PA.FS, FS, PROB, PROB.FS, PA

b. Dependent Variable: AD

Based on the results of the F test Table 7 above, it is known that F-count is 11,722 with a significance value of $0,000 < \alpha 0,05$, then H_0 is rejected which means there is an influence between PROB, PA, FS, PROB * FS and PA * FS towards AD.

4.9 Test t Statistic (Hypothesis Testing)

Basic decision making:

1. If ρ -value $<$ alpha 0.05 then H_0 is rejected
2. If ρ -value $>$ alpha 0.05 then H_0 fails to be rejected.

Based on the output partially the influence of the five independent variables namely PROB, PA, PROB * FS and PA * FS against AD. The results of the calculation of this t-test can be seen in Table 8 below:

Table 8: t-Test Results

Variable	coefficient	T	Sig.	Sig. (1-Tailed)	Decision
(Constant)	76,573	6,264	0,000		
PROB	11,679	3,523	0,001	0,000	H1 diterima
PA	29,387	1,720	0,087	0,043	H2 diterima
FS	0,328	0,753	0,452	0,226	
PROB.FS	-0,455	-3,779	0,000	0,000	H3 diterima
PA.FS	-1,136	-1,844	0,067	0,033	H4 diterima

The equations formed from the regression testing above are as follows:

$$AD = 76,573 + 11,679 \text{ PROB} + 29,387 \text{ PA} + 0,328 \text{ FS} - 0,455 \text{ PROB} * \text{FS} - 1,136 \text{ PA} * \text{FS}$$

4.10 Coefficient of Determination

The determinant coefficient (R^2) is essentially to measure how far the model's ability to explain the variation of the dependent variable. The coefficient of determination is between zero and one. A small R^2 value means that the ability of independent variables to explain variations in the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali, 2016).

The results of the calculation of the coefficient of determination of this study can be seen in Table 9 as follows:

Table 9: R2 Test Results and Adjusted R2

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.484a	.234	.214	4.32206

Based on Table 9 of test results, it was obtained the regression adjusted R2 value was 0.214. This means that all independent variables consisting of the probability of bankruptcy, auditor switching, company size, the probability of bankruptcy*Company Size and auditor switching*Company size to explain the variation of the dependent variable, namely Audit Delay by 21.4%, while the remainder is equal to 78.6% can be explained by factors that are not included in the research model.

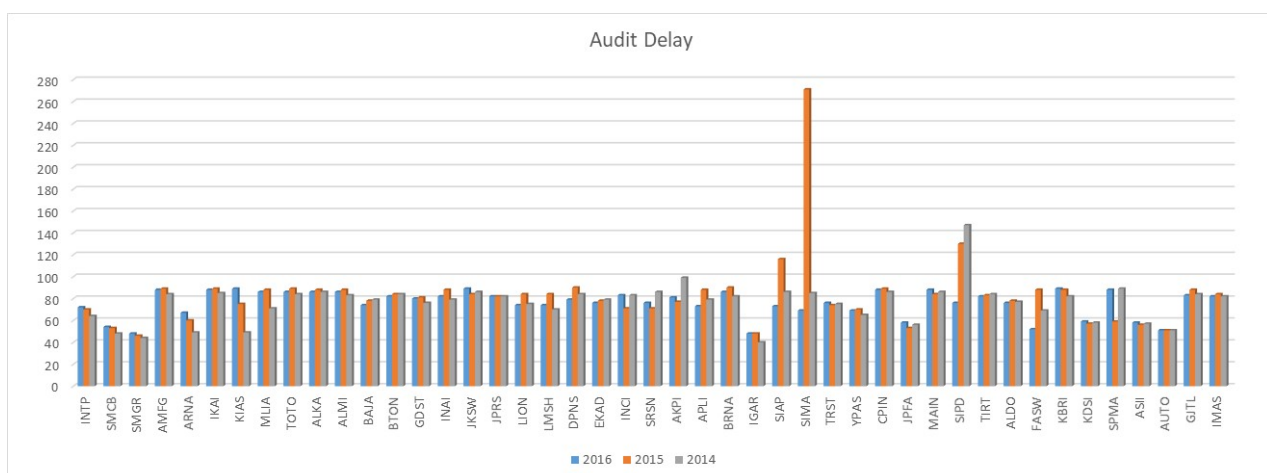
4.11 Hypothesis Test

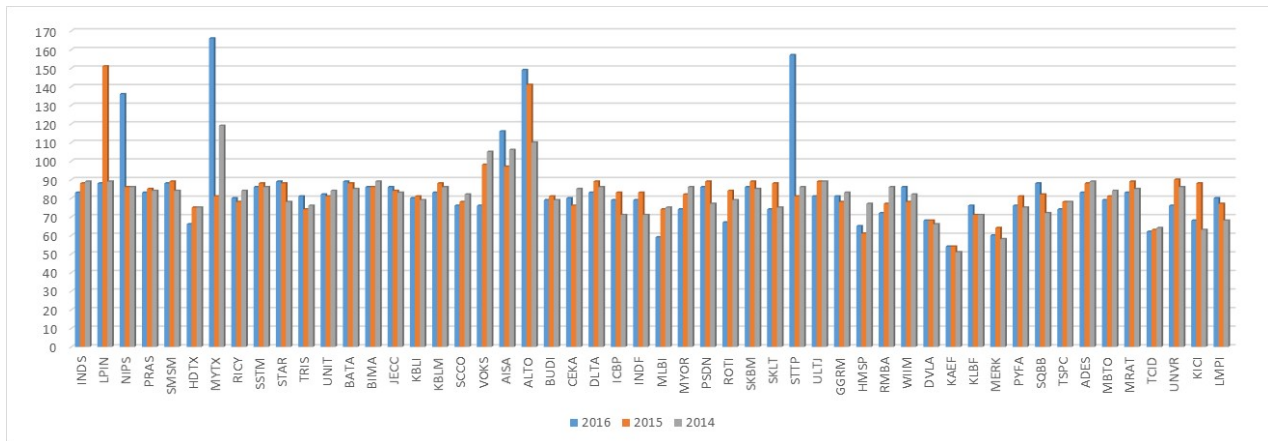
Based on the results of the statistics described earlier, the discussion on Probability of Bankruptcy, auditor switching, Company Size, The Probability of Bankruptcy*Company Size and auditor switching*Company size for Audit Delay can be explained as follows:

Hypothesis 1: Testing of hypothesis 1 is used to test whether bankruptcy probability has a positive effect on audit delay. From Table 8 it is known that the Bankruptcy Probability is 11,679 with the probability of One-tailed 0,000. This figure states that the Probability of Bankruptcy has a positive influence on Audit Delay. A probability value of fewer than 0.05 means that bankruptcy probability has a significant effect on audit delay. Bankruptcy Probability hypothesis has a positive effect on audit delay can be supported.

The bar chart below shows how the probability of bankruptcy and audit delay for each company between 2014-2016:

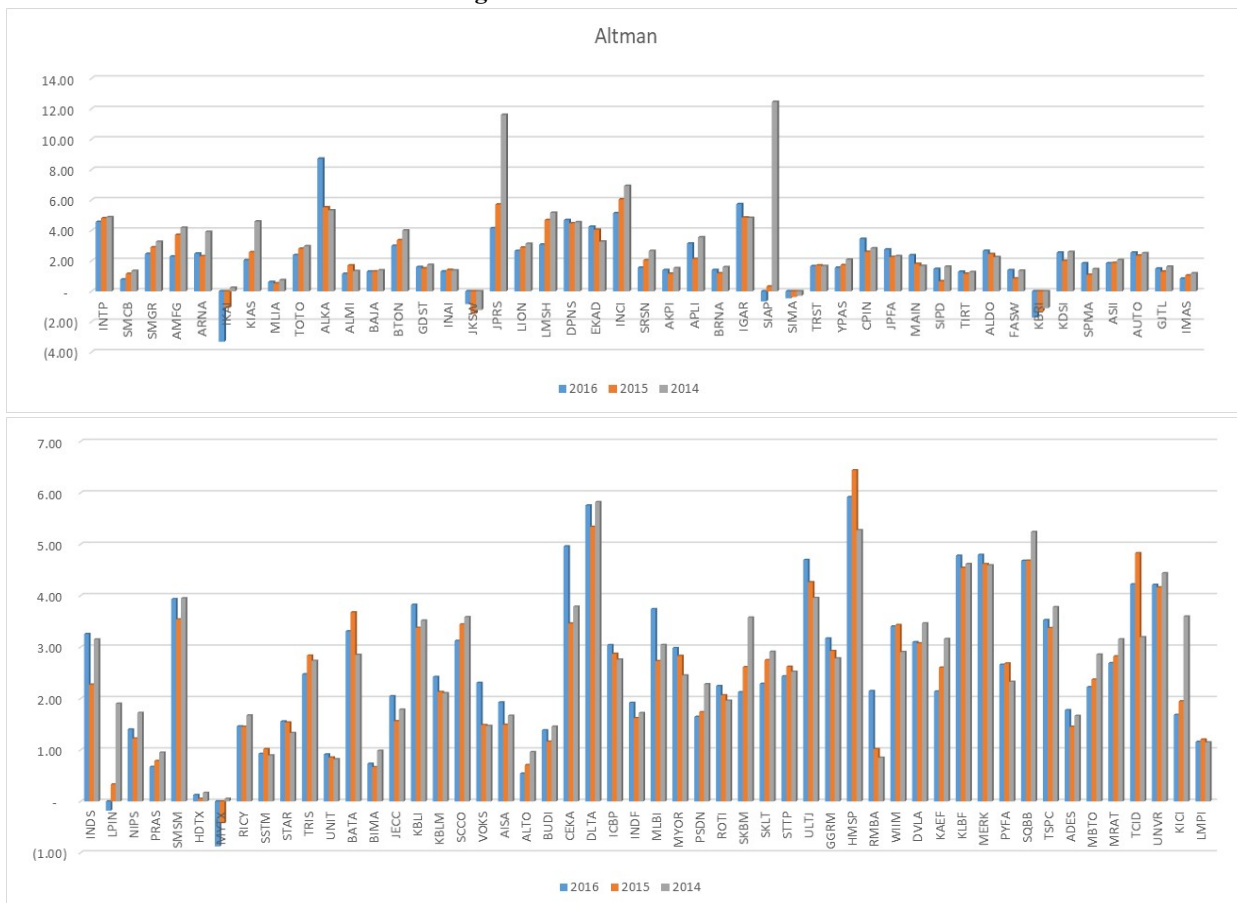
Figure 4: Audit Delay 2014-2016





Based on Figure 4, it is explained that in every careful company between 2014-2016 the audit delay tends to increase and also tends to decrease every year. For example, INTP, SMCB, SMGR, ARNA, KIAS, STAR, JECC, KBLI, DVLA, KAEF, SQBB and LMPI companies have an audit delay trend that increases every year. Other companies have a trend that tends to go up and down every year.

Figure 5: Altman Z-Score 2014-2016



Based on Figure 5, it is explained that in each company that is careful between 2014-2016, the Altman Z-Score tends to decrease every year. Examples of INTP, SMCB, SMGR, AMFG, KIAS, TOTO, BTON, JPRS, LION, LMSH, INCI, SRSN, YPAS, ASII, IMAS, and so on have the trend of Altman Z-Score which falls every year. Other companies have a trend that tends to go up and down every year.

The results of Figures 4 and 5 can be seen that the trend of Audit Delay trend increases every year while Altman Z-Score looks to have a downward trend every year. INTP, SMCB, and SMGR is one example of a manufacturing

company that experienced a decrease in the Altman Z-Scorecard ratio in 2014-2016 from 4.87 to 4.56 at INTP, at 1.34 to 0.77 at SMCB, and by 3, 26 to 2.46 for SMGR, this is directly proportional to Audit Delay which continued to increase in 2014-2016 from 64 days to 70 days in INTP, 48 days to 54 days in SMCB and 44 days to 48 days in SMGR. Decreasing the Altman Z-Score ratio in line with the increase in Audit Delay, or it can be said that bankruptcy predictions can have a positive effect on Corporate Delay Audit.

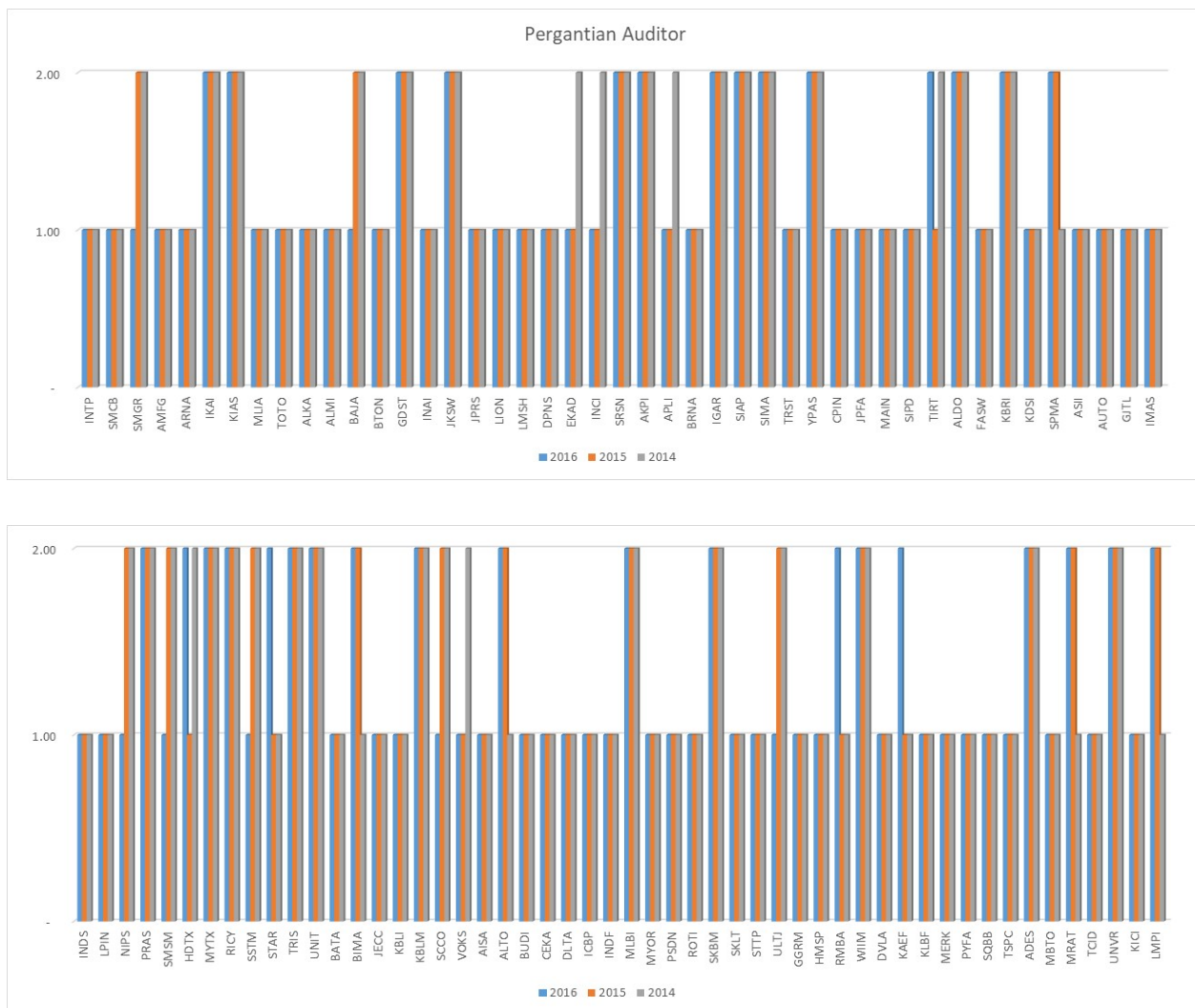
The probability of bankruptcy is the possibility that occurs in the company by analyzing the condition of the company, this condition begins with financial difficulties which if not addressed will further worsen the condition of the company and even tend to lead to bankruptcy. Companies that are suspected of having a greater probability of bankruptcy are likely to experience a longer audit delay. This is because when the company experiences financial difficulties, it tends to delay financial reporting because the auditor requires a longer time in the audit process and also the auditor requires additional data needed to be able to produce an opinion that is in accordance with the condition of the company.

Hypothesis 2: Testing of hypothesis 2 is used to test whether auditor switching has a positive effect on audit delay. From Table 8 it is known that auditor switching is worth 29,387 with a One-tailed probability of 0.043. This figure states that auditor switching has a positive influence on Audit Delay. A probability value of fewer than 0.05 means that auditor switching has a significant influence on audit delay. The auditor switching hypothesis has a positive effect on audit delay can be supported.

Figure 4: Audit Delay 2014-2016



Based on Figure 4, it is explained that in every careful company between 2014-2016 the audit delay tends to increase and also tends to decrease every year (stable). For example, INTP, SMCB, SMGR, ARNA, KIAS, STAR, JECC, KBLI, DVLA, KAEF, SQBB and LMPI companies have an audit delay trend that increases every year. Other companies have a trend that tends to go up and down every year.

Figure 6: Auditor Switching 2014-2016

Based on Figure 6, it is explained that in every company that is careful between 2014-2016, it shows that most experienced auditor changes. Examples of SMGR, IKAI, KIAS, BAJA, GDST, JKSW, EKAD, INCI, SRSN, AKPI, IGAR, SIAP, SIMA, and so on experienced auditor changes. In other companies, there is no auditor change.

The results of Figures 4 and 6 can be seen that there is a relationship between auditor switching and increased audit delay. SMGR, IKAI, and KIAS is one example of a manufacturing company that experiences auditor switching, this is directly proportional to Audit Delay which continued to increase in 2014-2016 from 44 days to 48 days at SMGR, 85 days to 88 days at IKAI and 49 days to 89 days at KIAS. auditor switching is in line with the increase in Audit Delay, or it can be said that auditor switching can have a positive effect on Corporate Delay Audit.

The causes of auditor switching are such as the end of the employment contract without an extension of the new assignment. In addition, management changes and auditor switching are made in order to cooperate and get opinions in accordance with management's wishes to be accountable in the GMS (Srimindarti, 2008). If the company experiences auditor change, of course, the new auditor needs a long enough time to recognize the client's business characteristics and the system that is in it so that this takes the auditor's time to carry out the audit process.

Hypothesis 3: Testing of hypothesis 3 is used to test whether bankruptcy probability*firm size has a positive effect on audit delay. From Table 8 it is known that the Probability of Bankruptcy*Company Size is -0.455 with the probability of One-tailed 0,000. This figure states that the Probability of Bankruptcy*Company Size has a negative

influence on Audit Delay. A probability value of fewer than 0.05 means that the probability of bankruptcy*Company size has a significant effect on audit delay. Hypothesis The size of the company weakens the influence of the probability of bankruptcy of audit delay can be supported.

In companies that are large because they have better capital, the company will spend extra funds to pay for their audit process. This has the effect of proving that the size of the company as a moderating variable makes the effect of bankruptcy probability after being moderated by the size of the company can reduce the company's audit delay.

Hypothesis 4: Testing of hypothesis 4 is used to test whether Auditor Switching*Company Size has a positive effect on audit delay. From Table 8 it is known that Auditor Switching*Company Size is worth -1.136 with One-tailed probability of 0.033. This number states that Auditor Switching*Company Size has a negative influence on Audit Delay. A probability value of fewer than 0.05 means that Auditor Switching*Company Size has a significant influence on audit delay. Hypothesis The size of the company weakens the effect of auditor switching on audit delay can be supported.

In large companies, the auditor switching process may be carried out with earlier planning at the beginning of the audit process to be carried out, so that auditor changes do not require adjustment for a long time in carrying out their audit process at the company concerned. In addition, companies that have greater auditor switching may have budgeted their financial position, so that it will simplify and accelerate the audit process for large companies and the impact of audit delay companies can be suppressed even though they are undergoing auditor changes.

Table 10: Hypothesis Testing Results Summary

No.	Test Result	Decision
1	H ₁ : The probability of bankruptcy has a positive influence on Audit Delay.	Be accepted
2	H ₂ : Auditor Switching has a positive influence on Audit Delay.	Be accepted
3	H ₃ : Company Size weakens Bankruptcy Probability Influence on the Audit Delay.	Be accepted
4	H ₄ : Company size weakens Auditor Switching Influence on the Audit Delay.	Be accepted

5. CONCLUSION AND INTERPRETATION

This study was conducted to determine the effect of probability of bankruptcy, Change of Auditor, Auditor*Probability of company size, and Auditor Switching*Company Size to *audit Delay*, Bankruptcy probability positive effect on audit delay. Auditor switching had a positive effect on audit delay. Size companies weaken the influence of the probability of bankruptcy audit delay. Size companies weaken the influence of auditor switching to audit delay.

Based on the research results, it can be concluded that managerial implications based on the results of the independent variables that can affect the dependent variable are as follows: 1) The probability of bankruptcy and auditor switching had positive effect on audit delay, this showed that the company is experiencing delays in the completion of their financial statements when confronted conditions of companies experiencing financial pressure on them, as well as the conditions of entering the turn of the auditor. It is expected that in the future the company can anticipate the phenomenon so that the completion of the financial statements can be timely. 2) The size of the company as a moderating variable proven to reduce the probability of bankruptcy and auditor switching on audit delay the company.

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