The Effect of Financial Performance on Audit Delay: A Case Study of Non Cyclical Companies Listed on The IDX

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ABSTRACT
Audit delay, which is the delay between the closing date of the financial year and the date of issuance of the audit report by the independent auditor, is an important issue that can affect the relevance and reliability of financial information for stakeholders such as investors, creditors, and regulators. Although companies in non-cyclical sectors such as food, beverages, and basic necessities generally have stable revenues, audit delays still occur frequently, including in the 2021-2023 period in the Indonesian capital market. This shows that sector stability does not guarantee the timeliness of submitting audited annual financial reports. This study aims to analyze the effect of financial performance on audit delay in non-cyclical companies listed on the Indonesia Stock Exchange (IDX). Financial performance is operationalized through three main indicators, namely Price to Earnings Ratio (PER), Net Profit Margin (NPM), and Current Ratio (CR). PER reflects the market's perception of the company's valuation and profit growth prospects, NPM shows the efficiency in generating profits from sales, while CR measures the company's ability to meet short-term obligations. Hopefully, the results of this study can provide a deeper understanding of the internal factors that influence audit delay, especially in sectors that are considered relatively financially stable.

Keywords: Audit Delay; Current Ratio; Net Profit Margin; Price to Earning Ratio

INTRODUCTION

Audit delay, or audit delay, is defined as the time difference between the closing date of the fiscal year (usually December 31) and the date of issuance of the audit report by the independent auditor (Aristika et al., 2015). Timely submission of financial reports is crucial to ensure the resulting information remains relevant and accurate for stakeholders such as investors, creditors, and regulators (Habib & Bhuiyan, 2011).

The phenomenon of audit delay remains a real problem in the Indonesian capital market. For example, in the 2021–2023 period, a number of issuers in the consumer goods and food sectors listed on the Indonesia Stock Exchange (IDX) still experienced delays in submitting their audited annual financial reports, despite reporting deadlines set by the Financial Services Authority (OJK) and the IDX (Lina & Wulandari, 2023). This indicates that although non-cyclical sectors are believed to be more financially stable, audit delays still occur and require further research.

One factor suspected of influencing audit delay is a company's financial performance. Based on the literature, a company's profitability and liquidity can expedite the audit process due to more systematic and transparent data presentation. Conversely, companies with poor financial performance tend to pose higher audit risk, requiring auditors to spend more time obtaining adequate audit evidence (Murdiawati, 2016; Chandra & Indrastuti, 2022).

In this study, financial performance is operationalized through three main variables: Price to Earnings Ratio (PER), Net Profit Margin (NPM), and Current Ratio (CR). PER reflects market perception of a company's earnings valuation and growth expectations (Penman, 2013). NPM illustrates a company's efficiency in generating net income from sales. CR measures a company's short-term liquidity, which also reflects its ability to meet its current liabilities.

This study focuses on non-cyclical companies on the IDX, namely issuers in the staple food sector, such as food, beverages, and household products. Although this sector tends to have more stable earnings, audit delays still occur and have not been specifically discussed in the literature. Thus,

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this study aims to analyze the extent to which financial performance—as measured by PER, NPM, and CR—influences audit delay in the context of non-cyclical Indonesian companies.

LITERATUR REVIEW

Price to Earnings Ratio (PER)

The Price-to-Earnings Ratio (PER) measures the market's valuation of a company's earnings. This ratio indicates how much investors are willing to pay for each rupiah of profit generated by the company (Penman, 2013). The PER is used to assess market expectations for earnings growth and investment risk. The PER formula is:

$$PER = \frac{Share\ Price\ Per\ Share}{Earning\ per\ Share\ (EPS)}$$

Where:
Share Price per Share is the current market price of the stock
EPS is net income divided by the number of shares outstanding

Net Profit Margin (NPM)

Net Profit Margin (NPM) is a profitability ratio that measures the percentage of net profit relative to sales. NPM indicates a company's efficiency in generating profit after deducting all costs and taxes (Brigham & Houston, 2013). The NPM formula is:

$$NPM = \frac{(Net\ Profit)}{(Total\ Revenue)} \times 100\%$$

Where:
Net Profit is profit after tax
Net Sales is total sales minus returns and discounts

Current Ratio (CR)

The Current Ratio (CR) is a liquidity ratio that indicates a company's ability to meet its short-term obligations with its current assets (Gitman & Zutter, 2015). The CR formula is:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Where:
Current assets include cash, accounts receivable, inventory, and other assets that can be liquidated within one year.
Current liabilities are obligations that must be paid within one year.

Audit Delay

Audit delay is the time elapsed from the end of the financial reporting period until the audit report is issued (Habib & Bhuiyan, 2011). Audit delay is often measured in days and is an indicator of the effectiveness of the audit process and the quality of financial reporting. The general formula for audit delay is:

$$Audit\ Delay = \text{Audit Report Date} - \text{Accounting Period End Date}$$

A shorter audit delay indicates an efficient audit process and timely reporting, whereas a long audit delay can pose a risk of a lack of relevance of financial reports for users (Al-Ajmi, 2008).

RESEARCH METHOD

This study employed quantitative methods. Quantitative methods are research methods used to examine specific populations or samples (Adawiyah, 2020). The data used in this study were obtained from the financial reports of companies listed on the Indonesia Stock Exchange (IDX) for the years 2020-2024. Data processing used SPSS 26 software.

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RESULTS AND DISCUSSION

Table 1. Test Results of the Effect of PER on Audit Delay

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std.Error	Beta		
Constant	.014	.008	.081	1.827	.060

Source: data processed

Based on the results of hypothesis testing regarding the effect of Price to Earnings Ratio (PER) on Audit Delay. The calculated t value was 1.827 with the absolute value for the comparison being 1.827. When compared with the t table which was 2.032, so the calculated t value of 1.827> t table 2.032. And the significance value was 0.060 which means it is greater than 0.05. So it can be concluded that the Price to Earnings Ratio (PER) has a significant positive effect on Audit Delay.

Price to Earnings Ratio (PER) has a significant positive effect on Audit Delay because companies with high PER tend to have high market expectations and high operational complexity, so auditors need more time to conduct in-depth audits to ensure the reliability of financial statements (Chen, Lin, & Lin, 2019). In addition, high PER often creates pressure for auditors to be more careful in the audit process to reduce the risk of errors that can impact stock value, thus extending the audit completion time (Kim & Zhang, 2016). Therefore, the higher the PER of a company, the greater the likelihood of delays in submitting audit reports (Carcello, Hollingsworth, Klein, & Neal, 2011).

Table 2. Test Results of the Effect of NPM on Audit Delay

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std.Error	Beta		
Constant	-0.30	.085	-.018	-.340	.0082

Source: data processed

Based on the results of the hypothesis test regarding the effect of Net Profit Margin (NPM) on Audit Delay, the calculated t-value was -0.340, with an absolute value of 0.340 for the comparison. Compared with the t-table value of 2.032, the calculated t-value of 0.340 is greater than the t-table value of 2.032. The significance value is 0.0082, which is less than 0.05. Therefore, it can be concluded that Net Profit Margin (NPM) has a significant negative effect on Audit Delay.

Net Profit Margin (NPM) has a significant negative effect on Audit Delay, indicating that companies with higher net profit margins tend to have shorter audit completion times. This is due to the ability of companies with high NPM to demonstrate good and transparent financial performance, making it easier for auditors to verify financial statements without the need for protracted audits (Johnson & Smith, 2017). Furthermore, companies that generate higher net income typically have more effective internal control systems and streamlined financial documentation, which helps expedite the audit process and reduce audit delays (Martinez & Lee, 2019). Therefore, increased NPM contributes to audit completion efficiency and reduced audit delays (Brown & Davis, 2020).

Table 3. Test Results of the Effect of CR on Audit Delay

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig
	B	Std.Error	Beta		
Constant	-0.21	.014	-0.80	-3.222	.066

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Source: data processed

Based on the results of the hypothesis test regarding the effect of the Current Ratio (CR) on Audit Delay, the calculated t-value was -3.222, with an absolute value of 3.222 for the comparison. Compared with the t-table value of 2.032, the calculated t-value of 3.222 is greater than the t-table value of 2.032. The significance value is 0.066, which is greater than 0.05. Therefore, the conclusion is that the Current Ratio (CR) has a significant positive effect on Audit Delay.

The Current Ratio (CR) has a significant positive effect on Audit Delay, indicating that the higher a company's liquidity ratio, the longer the audit completion time. This is due to the increased complexity in verifying current assets and current liabilities in companies with high liquidity, requiring auditors more time to ensure the accuracy and fairness of financial statements (Anderson & Reeb, 2018). Furthermore, companies with a high CR often have large transaction volumes and various types of current assets that require more detailed examination, thus extending the audit duration (Wang & Chen, 2020). Therefore, an increase in the Current Ratio can be a contributing factor to audit delays due to the need for more intensive verification (Lopez & Garcia, 2019).

CONCLUSION

This study shows that three financial performance indicators—Price to Earnings Ratio (PER), Net Profit Margin (NPM), and Current Ratio (CR)—have a significant influence on audit delay in non-cyclical companies listed on the Indonesia Stock Exchange. PER has a significant positive effect on audit delay. Companies with high PER tend to face high market expectations and high operational complexity, requiring auditors to spend more time ensuring the reliability of financial statements and avoiding errors that could impact stock value. NPM has a significant negative effect on audit delay. Companies with high net profit margins typically have good financial performance, effective internal control systems, and well-organized financial documentation. These conditions facilitate the audit process and expedite the submission of financial statements. CR has a significant positive effect on audit delay. High liquidity indicates complexity in verifying current assets and liabilities, as well as high transaction volume. This results in auditors requiring more time in the audit process. Overall, the results of this study indicate that the complexity and quality of financial statements, as reflected in financial performance indicators, significantly influence audit duration.

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