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**THE EFFECT OF FINANCIAL DISTRESS, LEVERAGE, AND  
PROFITABILITY ON AUDIT REPORT LAG WITH FIRM SIZE AS A  
MODERATING VARIABLE (CASE STUDY ON FNB COMPANIES LISTED  
ON THE IDX IN 2020-2023)**

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**Abstract**

This study aims to examine the effect of financial distress, leverage, and profitability on audit report lag, with firm size as a moderating variable. The research focuses on food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. A purposive sampling method was used to select companies that consistently published complete annual financial statements in Indonesian Rupiah during the observation period. Audit report lag is treated as the dependent variable, while financial distress, leverage, and profitability serve as the independent variables. Firm size, measured by the logarithm of total assets, acts as the moderating variable. The data were analyzed using descriptive statistics and Moderated Regression Analysis (MRA). Hypothesis testing was performed through partial t-tests and simultaneous F-tests at a 5% significance level. The results indicate that financial distress and leverage do not significantly affect audit report lag, while profitability has a significant positive impact. These findings confirm only the third hypothesis, suggesting that profitable firms may experience delays in audit completion, possibly due to increased financial complexity.

**Keywords:** Audit Report Lag, Firm Size, Financial Distress, Leverage, Profitability



## INTRODUCTION

A firm is a type of business organization established to generate optimal profit, which is essential for its operational continuity. Profit plays a vital role in funding daily activities and supporting long-term expansion (Reysa et al., 2022). However, the current downturn in Indonesia's economic conditions has escalated market competition, both among newly established firms and existing ones. This situation demands that companies be managed by individuals with strategic capabilities to withstand and adapt to competitive pressures. To remain solvent and avoid financial collapse, enhancing profitability becomes imperative. Variables such as firm size and leverage may influence the timeliness of financial statement audits, especially when a company encounters financial obstacles. Listed companies on the Indonesia Stock Exchange (IDX) are obligated to submit audited financial reports in a timely manner. A firm's financial condition reflects its capacity for long-term survival and business expansion (Amartiya & Minan, 2022), and is commonly evaluated through the efficient utilization of assets, liabilities, and capital (Tang, 2022). A substantial debt-to-equity ratio is associated with elevated financial and audit risks, which in turn may require more extensive audit procedures and result in delays in the issuance of audit reports (Bawono et al., 2023). Financial distress, characterized by a firm's inability to operate efficiently due to financial imbalances, has demonstrated inconsistent effects on audit report lag. While some research indicates an insignificant relationship (Putri & Silaen, 2022), others reveal a positive correlation (Laely, 2022). In addition, firms with high leverage are more vulnerable to financial uncertainty, potentially leading to delayed audits due to heightened auditor evaluation and reputational risk (Iqbal & Usman, 2018).



One widely recognized metric for evaluating a company's profitability is Return on Assets (ROA), which indicates how effectively a firm can convert its total assets into net income. A higher ROA implies that the company is utilizing its assets efficiently, which often correlates with the timeliness of financial disclosures. As highlighted by Trisnawati et al. (2022), ROA reflects the amount of net income that can be generated from a company's total assets, making it a crucial metric for long-term investors (Sugiyanto et al., 2023). Abernathy et al. (2017) also note that firms with higher profitability levels are more inclined to accumulate greater debt. Additionally, firm size, generally measured by total assets, is assumed to reflect better managerial capacity and optimal resource distribution, resulting in improved operational efficiency. Larger firms typically undergo audits more quickly due to greater access to resources and the involvement of prominent auditing firms, even though they may face more complex operations. On the other hand, smaller firms often experience audit delays due to limited audit infrastructure. Firms encountering financial distress also tend to face prolonged audit reporting periods, as auditors are required to conduct more comprehensive assessments of potential going-concern issues and bankruptcy risks. These extended procedures, necessary to collect adequate evidence and ensure the accuracy of the financial information, contribute to longer audit durations (Adrea, 2022; Fathoni & Swandari, 2020; Arif & Hikmah, 2023).

Several scholars have identified the key determinants of audit report lag. According to Nurmalina (2023), firms with high leverage are likely to face longer audit completion times due to heightened financial risk, which compels auditors to perform more detailed evaluations, including checks for debt covenant



compliance and financial obligation assessments. Research by Tantianty (2023) and Chu et al. (2024) also supports the idea that financial distress significantly extends the audit process, as these firms demand more rigorous scrutiny. Similarly, Sudjono and Setiawan (2022) confirm leverage as a significant contributor to audit delays. In contrast, profitability has been shown to reduce audit report lag; Utami and Dama Yanti (2018), along with Febrianti and Sudarno (2020), report that firms with stronger profitability tend to complete audits in a timelier manner. Moreover, firm size serves as a moderating variable in this context; studies by Indrastuti (2022) and Michael Page (2022) suggest that larger firms generally experience shorter audit lags due to superior internal control systems and higher audit preparedness.

In this study, the variables used are financial distress, leverage, profitability, and there is one additional variable as a moderating variable, namely firm size, and the object of research is mining companies listed on the Indonesia Stock Exchange.

## **LITERATURE REVIEW**

### **Agency Theory**

According to Nurkholik and Amaliyah (2021), agency theory outlines the dynamic between capital owners (principals) and company managers (agents). This theory becomes relevant when one or more principals assign an agent to carry out tasks and delegate certain decision-making responsibilities. However, conflicting interests often arise since managers are expected to act in the best interest of shareholders, while at the same time, they may be driven by personal incentives like bonus schemes. These differing objectives between principals and



agents can lead to agency problems. To address such issues, an independent entity, typically an external auditor, is needed to serve as an intermediary (Nurkholik & Amaliyah, 2021). The primary responsibility of the auditor is to verify the accuracy and fairness of the financial reports produced by the agents, ensuring they meet regulatory and accounting standards. As Mahfullah (2021) highlights, public auditors are tasked with reviewing financial disclosures, identifying any fraudulent activities, and delivering unbiased evaluations that promote transparency and credibility in financial reporting.

### **Signaling Theory**

Signal theory explains the rationale behind the need for external parties to access financial statements, primarily due to information asymmetry between the firm and external entities. Companies possess more accurate knowledge of their operations and prospects than outside investors or creditors. A signal is an action taken by a firm to convey management's perspective on the firm's future outlook. To reduce this asymmetry, firms issue credible financial reports that serve as signals to decrease uncertainty about future performance (Utami & Dama Yanti, 2018). Positive signals, such as reliable disclosures of working capital and financial ratios, can help build investor confidence and reflect favorable prospects.

### **Audit Report Lag**

Audit report lag refers to the time gap between the completion of audit work and the issuance date of the audit report (Metta & Effriyanti, 2020). Previous studies typically calculate this lag using the fiscal year-end date to measure how long it takes to finalize audited financial statements. Timely financial reporting is essential for maintaining relevance; however, delays may occur due to



insufficient relevance of the presented financial statements or inadequate supporting evidence, which hampers the auditor's ability to complete the audit efficiently.

### **Formulation of Hypothesis**

#### **Effect of Financial Distress on Audit Report Lag**

Financial distress refers to a condition in which a firm experience significant financial difficulties, such as the inability to meet its debt obligations. Companies under financial distress often present greater complexity and a higher risk of misstatement, compelling auditors to perform more extensive audit procedures. Moreover, distressed companies may face internal inefficiencies and less cooperative management, leading to delays in providing necessary audit evidence. Prior studies by Park and Choi (2023), Venda and Himawan (2020), and Adrea (2022) have found that financial distress significantly affects audit report lag.

**H1: Financial distress has an effect on audit report lag.**

#### **Effect of Leverage on Audit Report Lag**

Leverage represents the extent to which a firm utilizes debt to finance its assets and reflects the firm's ability to meet its obligations in the event of liquidation. High leverage increases financial risk and complicates the audit process due to the complexity of the firm's capital structure, requiring auditors to undertake additional verification procedures. Consequently, this can extend the time needed to complete the audit. Research by Venda and Himawan (2020) and Sudjono and Setiawan (2022) supports the notion that leverage significantly influences audit report lag.

**H2: Leverage has an effect on audit report lag.**

**Effect of Profitability on Audit Report Lag**

Profitability measures a firm's ability to generate earnings over a specific period and is often linked to operational efficiency. Firms with higher profitability are generally more organized and resourceful, enabling them to facilitate the audit process more effectively and reduce audit completion time. Empirical evidence from Utami and Dama Yanti (2018) as well as Febrianti and Sudarno (2020) indicates that profitability is associated with shorter audit report lag.

**H3: Profitability has an effect on audit report lag****Firm Size as a Moderator between Financial Distress and Audit Report Lag**

Firm size moderates the relationship between financial distress and audit report lag by influencing how companies manage financial challenges. Larger firms typically possess more resources, stronger internal controls, and well-established financial systems, which enable them to handle financial distress more effectively and reduce its impact on audit timeliness. Conversely, smaller firms, which often lack such capabilities, may experience longer audit delays when facing financial difficulties. Previous studies by Habib and Bhuiyan (2016), Syarli (2020), and Laely (2022) support this view, showing that higher levels of financial distress are significantly associated with increased audit report lag.

**H4: Firm size moderates the relationship between financial distress and audit report lag.****Firm Size as a Moderator between Leverage and Audit Report Lag**

Firm size moderates the effect of leverage on audit report lag by shaping how firms manage financial complexity and audit risks associated with debt levels. Larger firms tend to have more sophisticated financial structures and



experienced financial management, which help mitigate the audit delays that could arise from high leverage. In contrast, smaller firms, with limited financial infrastructure and oversight, are more prone to delays under high leverage conditions. This moderating effect is supported by the findings of Brinkø et al. (2015), Soobaroyen et al. (2019), and Salsabilla et al. (2023), which confirm that firm size significantly influences the leverage–audit report lag relationship.

**H5: Firm size moderates the relationship between leverage and audit report lag.**

#### **Firm Size as a Moderator between Profitability and Audit Report Lag**

Firm size also plays a moderating role in the relationship between profitability and audit report lag. Larger firms, due to their greater access to resources, efficient financial systems, and more standardized processes, can better manage their profitability and facilitate faster audit completion. Firm size affects the relationship between sustainability practices and financial or non-financial performance, so it is necessary to examine how firm size functions as a moderating variable (Dewi et al., 2025). On the other hand, smaller firms may struggle to leverage profitability for timely audit reporting due to limited operational capacity. This moderating effect is corroborated by Dao and Pham (2014), Pratiwi (2018), and Lubis (2022), who emphasize that firm size enhances the positive impact of profitability on audit timeliness.

**H6: Firm size moderates the relationship between profitability and audit report lag.**

#### **RESEARCH METHOD**

This study investigates the influence of financial distress, leverage, and profitability on audit report lag, with firm size as a moderating variable, using



data from food and beverage companies listed on the Indonesia Stock Exchange during 2020–2023. The sample was selected purposively based on criteria such as continuous listing, complete financial reports, and reporting in Indonesian Rupiah. Audit report lag is the dependent variable, while the independent variables include financial distress, leverage, and profitability, with firm size as the moderator. Secondary data were obtained from annual financial statements published on the IDX website. Data analysis was conducted using descriptive statistics and moderated regression analysis. This study employs descriptive statistics and Moderated Regression Analysis (MRA) to examine the influence of financial distress, leverage, and profitability on audit report lag, with firm size as a moderating variable. Before hypothesis testing, classical assumption tests are conducted to ensure the validity of the linear regression model, including the normality test (based on the Central Limit Theorem due to the sample size of 84), autocorrelation test using Durbin-Watson, and heteroscedasticity test through residual plots and the Glejser test. The hypothesis testing includes partial tests (t-tests) to assess individual variable effects and simultaneous tests (F-tests) to evaluate the joint significance of the independent variables, using a 5% significance level. The regression equation includes both main and interaction effects to capture moderation, while the model's explanatory power is assessed using the coefficient of determination ( $R^2$ ), where values closer to 1 indicate stronger predictive accuracy.

## **RESULTS AND DISCUSSION**

### **Overview of Research Object**



This study examines the influence of Investment Opportunity Set, Liquidity, Leverage, and Profitability on the Dividend Payout Ratio of LQ45 companies during the period 2019–2021. The population of this research includes all companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) from 2018 to 2021, based on data obtained from the official IDX website ([www.idx.co.id](http://www.idx.co.id)). Specifically, the research focuses on the food and beverage sector, comprising 24 companies as the population. Using purposive sampling based on specific criteria, 23 companies were selected as the sample, resulting in a total of 92 firm-year observations. One firm was excluded due to not meeting the sampling criteria.

**Table 1.**  
**Purposive Sampling**

No	Sample Selection Criteria	Amount
1	Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 - 2023	24
Total Companies used in research		23
Total samples used in research		92
Outlier Data		(8)
Total samples after Outlier data		84

Source: Processed Secondary Data (2025)

**Data Analysis**

**Descriptive Statistics**

**Table 2.**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Report Lag	84	58,00	145,00	92,4167	20,58143
Financial Distress	84	-3,34	17,98	6,1458	4,44319
Leverage	84	0,11	2,51	0,7594	0,52185



Profitability	84	-0,22	0,31	0,0647	0,08450
Firm Size	84	25,31	32,86	28,5070	1,89930
Valid N (listwise)	84				

Source: Processed Secondary Data (2025)

Table 2 presents the descriptive statistics of 84 research samples covering the variables Audit Report Lag, Financial Distress, Leverage, Profitability, and Firm Size. Audit Report Lag ranges from 58 to 145 days, with a mean of 92.42 and a standard deviation of 20.58. Financial Distress has values between -3.34 and 17.98, averaging 6.15 with a standard deviation of 4.44. Leverage spans from 0.11 to 2.51, with a mean of 0.76 and a standard deviation of 0.52. Profitability ranges from -0.22 to 0.31, with an average of 0.0647 and a standard deviation of 0.0845. Firm Size shows a minimum of 25.31 and a maximum of 32.86, with a mean of 28.51 and a standard deviation of 1.89. These statistics provide an overview of the data distribution and variability, serving as a foundation for further analysis of the relationships among the studied variables.

**Classical Assumption Test**

The normality test in this study used the Central Limit Theorem (CLT) approach, which states that with a sample size greater than 30, data can be assumed to follow a normal distribution (Gujarati, 2003). Since the sample size in this study is 84, which exceeds the threshold, the data is considered normally distributed. For multicollinearity, the test examined tolerance and Variance Inflation Factor (VIF) values. Results show that all independent variables Financial Distress, Leverage, and Profitability have tolerance values above 0.10 and VIF values below 10, indicating no multicollinearity issues (Ghozali, 2018).



To detect heteroskedasticity, the Spearman's Rho test was applied. The results indicate that all independent variables have significance values above 0.05 Financial Distress (0.504), Leverage (0.705), and Profitability (0.629) suggesting the presence of homoskedasticity, and thus the model is free from heteroskedasticity problems. This indicates the variance of the residuals is constant across observations.

The Durbin-Watson (DW) test was employed to examine autocorrelation. The obtained DW value is 2.001, while the upper bound (dU) is 1.7732. Since  $(4 - DW) = 1.999$  is greater than dU, it can be concluded that the regression model is free from autocorrelation issues. Therefore, the assumptions of classical linear regression are satisfactorily met in this study.

**Hypothesis Test**

**Multiple Regression Analysis Equation 1**

**Table 3.**  
**Results of Multiple Linear Regression Analysis Equation 1**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constants	88,702	10,161		8,730	0,000
Financial Distress	0,934	0,932	0,202	1,002	0,319
Leverage	5,320	7,094	0,135	0,750	0,455
Profitability	-93,752	30,947	-0,385	3,029	0,003
Fcount					2,72
R2					0,114
Adj R2					0,081
F sig					0,021

Source: Processed Secondary Data (2025)

The results of the multiple linear regression analysis in this study are as follows:  $\text{Audit Report Lag} = 88.702 + 0.934\text{FD} + 5.320\text{L} - 93.752\text{P} + e$ . The constant value of 88.702 indicates that when all independent variables are held constant,



the Audit Report Lag is 88.702. An increase of one unit in Financial Distress (FD), assuming other variables remain constant, will increase the Audit Report Lag by 0.934. Similarly, a one-unit increase in Leverage (L), with other variables unchanged, will raise the Audit Report Lag by 5.320.

Based on Table 3, the results indicate that the coefficient of determination (R Square) is 0.081 or 8.1%, meaning that the independent variables—Financial Distress, Leverage, and Profitability—can explain 8.1% of the variation in Audit Report Lag, while the remaining 91.9% is influenced by other factors outside the model. The F-test result shows an F-value of 3.427, which is greater than the F-table value of 2.72, with a significance level of 0.021 (< 0.05). This suggests that the independent variables collectively have a significant effect on the dependent variable.

The t-test results for each independent variable are as follows: Financial Distress has no significant partial effect on Audit Report Lag ( $t = 1.002 < 1.988$ ; sig. = 0.319 > 0.05), leading to the rejection of H1. Similarly, Leverage also does not significantly influence Audit Report Lag ( $t = 0.750 < 1.988$ ; sig. = 0.455 > 0.05), resulting in the rejection of H2. In contrast, Profitability shows a significant partial effect on Audit Report Lag ( $t = 3.029 > 1.988$ ; sig. = 0.003 < 0.05), supporting H3 and aligning with the research hypothesis.

**Multiple Regression Analysis Equation 2**

**Table 4.**

**Results of Multiple Linear Regression Analysis Test Equation 2**

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constants	297,995	304,562		0,978	0,331
Financial Distress	-29,289	28,994	-6,323	-1,010	0,316



Leverage	-50,629	239,997	-1,284	-0,211	0,833
Profitability	189,232	742,338	0,777	0,255	0,799
Firm Size	-7,416	10,891	-0,684	-0,681	0,498
Financial Distress Against Firm Size	1,062	1,037	6,501	1,025	0,309
Leverage Against Firm Size	1,980	8,617	1,417	0,230	0,819
Profitability Against Firm Size	-9,143	26,906	-1,047	-0,340	0,735
Fcount					2,72
R2					0,177
Adj R2					0,101
F sig					0,032

Source: Processed Secondary Data (2025)

The multiple linear regression analysis in this study yielded the following equation:  $\text{Audit Report Lag} = 297.995 - 29.289X_1 - 50.629X_2 + 189.232X_3 - 7.416Z + 1.062X_1Z + 1.980X_2Z - 9.143X_3 \cdot Z + e$ . The constant value of 297.995 indicates that when all independent variables are held constant, the Audit Report Lag is 297.995. A one-unit increase in Financial Distress ( $X_1$ ) and Leverage ( $X_2$ ), holding other variables constant, decreases Audit Report Lag by 29.289 and 50.629 respectively, while an increase in Profitability ( $X_3$ ) increases it by 189.232. Firm Size ( $Z$ ) alone reduces Audit Report Lag by 7.416. Interaction terms reveal that the combined increase of Financial Distress and Firm Size increases Audit Report Lag by 1.062, Leverage and Firm Size by 1.980, while Profitability and Firm Size together decrease it by 9.143. Furthermore, the t-test was conducted to examine the partial effect of each independent variable on the dependent variable; a significance level of less than 0.05 indicates a significant individual influence on Audit Report Lag.

The results of the t-test for each independent variable indicate that Firm Size does not significantly moderate the relationship between the independent



variables and Audit Report Lag. Hypothesis H4 is rejected, as Firm Size fails to moderate the effect of Financial Distress on Audit Report Lag, with a t-value of  $1.025 < 1.988$  and a significance level of  $0.309 > 0.05$ . Similarly, H5 is rejected because Firm Size does not moderate the effect of Leverage on Audit Report Lag, evidenced by a t-value of  $0.230 < 1.988$  and a significance level of  $0.819 > 0.05$ . Lastly, H6 is rejected since Firm Size does not moderate the relationship between Profitability and Audit Report Lag, as shown by a t-value of  $-0.340 < 1.988$  and a significance level of  $0.735 > 0.05$ . These findings contradict the hypotheses proposed by the researcher.

Based on Table 4, the coefficient of determination (R Square) is 0.101, indicating that Financial Distress, Leverage, Profitability, and Firm Size collectively explain only 10.1% of the variation in Audit Report Lag, while the remaining 89.9% is influenced by other factors not included in this study. Furthermore, the F-test results show an F-value of 2.338, which is greater than the F-table value of 2.72, with a significance level of  $0.032 < 0.05$ . This suggests that, simultaneously, the independent variables have a statistically significant impact on the dependent variable.

### **The Effect of Financial Distress on Audit Report Lag**

Based on the t-test results, the t-value is 0.786, which is less than the critical value of 1.988, with a significance level of 0.319 ( $> 0.05$ ). This indicates that financial distress does not significantly affect audit report lag. From a Signaling Theory perspective, financially distressed companies do not necessarily signal auditors to prolong the audit process, as they may prefer quicker audits to avoid negative stakeholder reactions. Additionally, auditors may still complete audits within the standard timeframe, suggesting that financial distress is not the sole



determinant of audit delays (Dewi et al., 2019). From the Agency Theory perspective, although financial distress may intensify agency conflicts between management and auditors, this study implies that strong corporate governance and auditor independence can prevent such conflicts from affecting audit timeliness (Ariani & Bawono, 2018). This finding contradicts Venda and Himawan (2020), who found a significant influence.

### **The Effect of Leverage on Audit Report Lag**

The t-test yielded a t-value of 0.750, which is below the critical value of 1.988, with a significance level of 0.455 ( $> 0.05$ ), indicating that leverage has no significant impact on audit report lag. From the Agency Theory view, although high leverage may increase agency conflicts between management and creditors, effective corporate governance and auditor independence may mitigate such risks, ensuring the audit is completed without delays (Adrea, 2022). This contrasts with the findings of Venda and Himawan (2020), who reported a significant relationship. According to Signaling Theory, high leverage typically signals financial risk, potentially requiring auditors to be more cautious. However, the findings suggest that leverage does not lengthen the audit process, likely due to auditors' standardized procedures for high-debt firms (Indriani & Wahyono, 2021).

### **The Effect of Profitability on Audit Report Lag**

Based on the t-test results, the calculated t-value is 2.211, indicating that  $3.029 > 1.988$  with a significance level of  $0.003 < 0.05$ . This means that profitability has a significant partial effect on audit report lag. This finding is consistent with the study by Febrianti and Sudarno (2020), which also found that profitability influences audit report lag.



In the context of Signaling Theory, high profitability is often perceived as a positive signal for investors and other stakeholders. Companies with high profitability tend to publish their financial reports promptly to maintain market trust (Nurkholik & Amaliyah, 2021). However, the results of this study reveal that profitability is associated with longer audit report lags. This may occur because more profitable companies typically have more complex financial structures, requiring auditors to spend more time verifying and ensuring the fairness of the financial statements.

From the perspective of Agency Theory, highly profitable companies may experience potential conflicts of interest between management and shareholders or creditors. Management may have incentives to present stronger financial performance to obtain higher compensation or boost the company's stock price. As a result, auditors may perform more in-depth audit procedures to detect any earnings management practices, which can ultimately extend the audit report lag (Nurmalina, 2023).

### **The Moderating Effect of Firm Size on the Relationship Between Financial Distress and Audit Report Lag**

The t-test yielded a t-value of 1.025 (less than 1.988) and a significance level of 0.309 (greater than 0.05), indicating that firm size does not significantly moderate the relationship between financial distress and audit report lag. Statistically, firm size acts as a homologizer moderator, as the direct relationship between financial distress and audit delay is also insignificant. From the Signaling Theory perspective, larger firms are expected to have better financial systems and audit readiness, potentially accelerating audit processes (Park & Choi, 2023). However, this study suggests that regardless of size, financial distress remains a



dominant factor causing audit delays, as auditors must thoroughly assess bankruptcy risks and reporting errors (Sari et al., 2019). In line with Agency Theory, financial distress heightens agency conflicts, increasing audit complexity due to management's potential attempts to obscure unfavorable information. Nonetheless, the lack of a moderating effect implies that both large and small firms face similar audit challenges under distress conditions (Sudjono & Setiawan, 2022). This result contradicts findings by Syarli (2020) and Laely (2022), who reported a significant moderating role.

### **The Moderating Effect of Firm Size on the Relationship Between Leverage and Audit Report Lag**

Based on the t-test results, the t-value of 0.230 is less than the critical value of 1.988 and the significance level is  $0.819 > 0.05$ , indicating that firm size does not moderate the relationship between leverage and audit report lag. Agency theory suggests that larger firms with high leverage might have better internal controls, potentially shortening audit time. However, the insignificance found here implies that audit delays due to leverage remain dominant, irrespective of firm size (Dewi et al., 2022). This contradicts the findings of Soobaroyen et al. (2019), who identified firm size as a significant moderator. In this study, firm size serves as a homologizer moderator, as the direct effect of leverage on audit report lag is also insignificant. From a signalling theory perspective, high leverage often sends negative signals about financial risk (Ovami & Lubis, 2019), yet firm size does not strengthen or weaken this signal. Auditors may focus more on debt risk than firm size, requiring similar audit efforts regardless of firm scale.

### **The Moderating Effect of Firm Size on the Relationship Between Profitability and Audit Report Lag**



The t-test yielded a value of -0.340, which is lower than 1.988, with a significance of  $0.735 > 0.05$ , meaning firm size does not moderate the relationship between profitability and audit report lag. From an agency theory view, larger firms' complex structures and higher agency costs can prolong audits, regardless of profitability. Thus, firm size does not significantly alter the profitability–audit lag link, as structural complexity in large firms may overshadow the effects of positive performance (Ariani & Bawono, 2018). This opposes Lubis (2022), who found firm size to be a significant moderator. In this case, firm size acts as a predictor moderating variable—although not interacting with profitability, it still directly influences audit report lag. From a signalling theory standpoint, high profitability should signal timely reporting, but the lack of moderation indicates that even large firms may not expedite audit processes unless strategically motivated (Werdaningrum & Laksito, 2021).

## CONCLUSION

The findings of this study indicate that financial distress and leverage do not have a significant effect on audit report lag, while profitability has a significant influence, confirming only the third hypothesis. Additionally, firm size fails to moderate the relationship between financial distress, leverage, and profitability on audit report lag, leading to the rejection of all moderation hypotheses. This research is limited to the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) for the 2020–2023 period. The use of firm size as a moderating variable, measured solely by the logarithm of total assets, may not adequately reflect a firm's operational complexity or efficiency. Moreover, the exclusive use of a quantitative approach restricts the depth of insight into why



the moderating effects were insignificant. Future research is encouraged to broaden the industrial scope for greater generalizability, utilize more comprehensive indicators such as total revenue, employee count, or managerial complexity to measure firm size, and adopt a mixed-methods approach to gain a deeper and more nuanced understanding of the factors influencing audit report lag.

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