

VALUATION OF FINANCIAL REPORTING QUALITY: IS IT AN ISSUE IN THE FIRM'S VALUATION?

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Abstract

The aim of this research is to test the determinant of financial report quality and its consequences to the company's value. The sample of this study is 85 go public companies listed in the Indonesia Stock Exchange for 5 years observation period in 2016 until 2020. Hence, it has total of 425 observations. Data was analyzed using path analysis. The results found that innate factors from financial reporting quality consists of dynamic factor (operation cycle and sales volatility) as well as static factor (firm size). These factors support to achieve financial reporting quality and able to provide positive response to market. On the other hand, static factor (firm age) and institution risk factor (leverage) are not able to produce financial reporting quality. Thus, it cannot be considered as an economic decision making for an investor.

Keywords: *Dynamic Factors, Static Factor, Institution Risk Factor, Financial Reporting Quality, Firm Value*