

The Effect of Asset Valuation Method, Auditor Quality, Characteristics of the Board Commissioners and Audit Committee on Stock price Synchronicity

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Abstract

Stock price synchronicity refers to the extent to which firm-specific information is absorbed in stock prices relative to market-wide information. If return variations are more synchronized with market information, then stock price synchronicity decreases which is indicating lower quality of financial reports. This research examines the effect of asset valuation methods, auditor quality, characteristics of the Board of Commissioners and the Audit Committee on the synchronicity of stock price of manufacturing companies listed on the Indonesia Stock Exchange in 2020-2022. A total of 490 observations were available for hypothesis testing. The results show that the quality of the auditor and the size of the Board of Commissioners have negative effects on stock price synchronicity. On the other hand, the asset valuation method, the independence of the Board of Commissioners and the Audit Committee have no effect on stock price synchronicity of. The practical contribution of this research is that companies need to consider hiring more commissioners and Big Four accounting firms to increase the credibility of financial reports.

Keywords: *Asset valuation, Audit Committee, auditor quality, board commissioners characteristics, stock price synchronicity.*

Abstrak

Sinkronisitas harga saham mengacu pada sejauh mana informasi spesifik perusahaan diserap dalam harga saham dibandingkan dengan informasi pasar secara luas. Jika variasi return saham semakin sinkron dengan informasi pasar, maka sinkronisitas harga saham semakin menurun yang mengindikasikan semakin rendahnya kualitas laporan keuangan. Penelitian ini menguji pengaruh metode penilaian aset, kualitas auditor, karakteristik Dewan Komisaris dan Komite Audit terhadap sinkronisitas harga saham pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2020-2022. Sebanyak 490 observasi perusahaan tersedia untuk pengujian hipotesis. Hasil penelitian menunjukkan bahwa kualitas auditor dan ukuran Dewan Komisaris berpengaruh negatif terhadap sinkronisitas harga saham. Sebaliknya metode penilaian aset, independensi Dewan Komisaris dan Komite Audit tidak berpengaruh terhadap sinkronisitas harga saham. Kontribusi praktis dari penelitian ini adalah perusahaan perlu mempertimbangkan untuk menggunakan lebih banyak anggota komisaris yang akan duduk dalam jajaran Dewan Komisaris dan menyewa kantor akuntan Big Four untuk meningkatkan kredibilitas laporan keuangan.

Kata kunci: *Valuasi aset, karakteristik Dewan Komisaris, kualitas auditor, sinkronisitas harga saham*

1. INTRODUCTION

Rational investors need relevant and reliable information in making investment decisions. However, not all information available in the market is relevant and useful in assessing future earnings. Information circulating in the market can be grouped into two types of information, information that is directly related to the company which is often called firm-specific information and information that is not directly related to the company or market-wide information (Roll, 1988).

In stock trading, investors need all available and accessible information, whether firm-specific information or market-wide information. Financial reports are an example of firm-specific information and are most often used in assessing company fundamentals and future prospects. When company-specific information is not available, investors will turn to broader market information to assess the company's future business. Market-wide information includes macroeconomics indicators, social politics, and industry competitiveness. Information related to national macroeconomics includes interest rates, national economic growth, inflation rates, unemployment rates, and consumer perceptions of the national economic situation. Meanwhile, industry-related information includes the level of demand for cars, commodity stock prices, and policies issued by the government on certain industries (Roll, 1988).

The market responds to these two types of information depending on the quality of the information. If firm-specific information is less reliable, then market investors would prefer market-wide information in making investment decisions. The difference in market's responses on the two-type of information causes variations in individual returns. Li et al., (2004) suggest that individual return variations can be divided into idiosyncratic and systematic variation. Idiosyncratic variation is variation of returns that has been triggered by firm-specific information and systematic variation is variation of returns that result from market-wide information. However, according to the Capital Asset Pricing Model (CAPM), special variations can be eliminated by forming a well-diversified portfolio. Thus, according to CAPM, the only risk that the market needs to consider in making investment decisions is information related to market-wide information. However, Roll (1988) found that stock price movements are not completely consistent with the CAPM. If return variations are not synchronized with market-wide information but are dominated by company-specific information, then a company's stock price synchronicity is low and vice versa. Thus, stock price synchronicity is a measure that reflects the proportion of firm-wide and market-wide information absorbed into stock prices.

One factor that can affect stock price synchronicity is the quality of the auditor. The role of auditors in enhancing the credibility of financial reports has been known widely and very important to maintain market confidence in financial reports. External audit is an important mechanism for ensuring the credibility of financial reports (Subramanyam et al., 2017). A higher quality audit reduces the possibility of material misstatement. The Big Four auditors are considered to have better skills than the non-Big Four (Djanegara, 2017). Thus, it can be expected that companies audited by Big-Four auditors have lower stock price synchronicity. In other words, investors believe in the quality of financial reports and base their investment decisions on information contained in financial reports.

The Board of Commissioners is one of the internal control mechanisms in the company which has the task of supervising and providing advice to the directors and monitoring

management actions. The greater the number of members of the Board of Commissioners, the more effective they will be in carrying out the supervisory function over directors (Fahmi, 2019). Apart from the size of the board of commissioners, the independence of the board of commissioners is also an indication of good corporate governance. Independent commissioners are expected to be objective in assessing the policies implemented by the director. The independence and size of the board of commissioners plays an important role in ensuring the quality of financial reporting.

Audit Committees can also play important roles in ensuring the quality of financial reports. Their main task is to ensure that financial reports have been prepared according to sound accounting principles before being released to the public. However, tasks related to financial reporting that are transparent and free from material misstatement can only be expected from an Audit Committee that has an adequate financial or accounting background. Audit committees that have accounting or financial expertise tend to adopt low-risk accounting policies. (Tanzil et al., 2020). Thus, the financial and accounting background of a company's Audit Committee can be an indication of the reliability of the company's financial reports.

This research reexamines the previous research findings regarding the significant influence of the Board of Commissioners, Audit Committee and audit quality on stock price synchronicity and proposes asset valuation as a new variable. Companies can choose the revaluation method or cost method in reporting the value of fixed assets. Even though there are alternative methods for asset valuation, companies must ensure that the method used is appropriate to the circumstances. This research argues that the revaluation method poses higher agency problems leading to unreliable financial reports and in turn reducing stock price synchronicity. This study offers practical and theoretical implications for standard-setter and user of financial reports which regards how markets perceive the quality of financial reports under the two alternative methods of asset valuation.

LITERATURE REVIEW AND HYPOTHESES FORMULATION

Stock price Synchronicity

Efficient market theory explains how stock prices change as investors respond to information released in the market. From the perspective of efficient market theory, financial reports contain information that is useful for investors in assessing the company's prospects. More specifically, the theory states that information released to the market will immediately be absorbed into stock prices. Investor confidence in the quality of information determines how much that information is reflected in stock prices. If the market doubts the quality of financial information, then they will turn to broader information available on the market in making investment decisions. As a result, stock prices movements are more predominantly influenced by market factors. In other words, changes in individual returns follow changes in market returns.

Stock price Synchronicity describes how individual stock price movements are influenced by market returns (Dang et al., 2020). In making equity investment decisions, investors use all available information to help them make rational decisions. Generally, information circulating in the market can be divided into two types of information; firm specific information and market-wide information. One example of company-specific information is financial reports and examples of broad market information are macroeconomics indicators,

socio-political conditions, industry competitiveness and so on (Butar Butar, 2019). When investors use more information contained in financial reports as a basis for equity investment decisions, the stock price synchronicity decreases (Utari, et al., 2017).

Asset Valuation Model

Companies can choose the revaluation method or cost method in reporting fixed assets. The revaluation method allows companies to report fixed assets at market prices. When an asset is revalued, the difference between the asset's carrying value and the market value will be recorded as a revaluation surplus. According to Statement of Financial Accounting Standards 16 (PSAK 16), the revaluation surplus that has previously been recorded in equity can be transferred directly to retained earnings when the assets are discontinued. However, part of the surplus can be transferred in line with the use of the assets by the entity. In this case, the revaluation surplus transferred to retained earnings is equal to the difference between the amount of depreciation based on the revalued value of the asset and the amount of depreciation based on the cost of the asset. However, the transfer of the difference to retained earnings is not recognized in net income.

Kurniawati and Yushuda (2019) stated that the revaluation method opens up opportunities for companies to record higher fixed asset values. Brown et al. (1992) in Seng and Su (2010) argue that revaluation of fixed assets is often used to increase depreciation costs and reduce earnings. Recording smaller earnings will result in paying less income tax. On the other hand, Hu et al. (2015) argued that asset revaluation poses higher agency problems. Seng and Su (2010) reported that the large companies had adopted a revaluation method to reduce political costs. Rahimi (2013) states that the motivation to use asset revaluation methods may not serve the best interest of stockholders. Consequently, the decision to re-evaluate assets may erode the quality of financial reports because it opens more opportunities to satisfy manager's personal targets and engage in earnings management practices. Hu et al. (2015) provided evidence of marked increase in discretionary accruals following the use of revaluation method. Black et al. (1998) concluded that the surplus arising from asset revaluation had been used to make the company's financial statements look better. Taken together, the empirical findings indicate that asset revaluation can opportunistically be used to engage in earnings management leading to decreased earnings quality and in turn increase stock price synchronicity.

Based on the previous discussion, the relationship between asset valuation models and the stock price synchronicity is expressed in the following hypothesis:

H₁: Companies adopting asset revaluation method exhibit higher stock price synchronicity.

Auditor Quality

The existence of external audit can be seen as one monitoring mechanism to align managers' interests and holders (Beatty 1989). However, the information asymmetry can only be mitigated if auditors perform the audit engagement professionally (Gul et al., 2010). Good quality of auditors enhances the credibility of financial reports (Dopuch and Simuni, 1982).

Audit quality is always associated with the size of the accounting firm. DeAngelo (1981) argued that in the case of audit failures big accounting firms face more risks than smaller accounting firms. The compensation penalty of audit failure is much greater than that of a small accounting firm because big accounting firms have been perceived to have a deep pocket. As

a result of higher risk of litigation big accounting firms have always strived to maintain higher audit quality. Palmrose (1988) and Dye (1993) stated that big accounting firms have spent a great deal of resources to improve audit quality to avoid the risk of lawsuits. In addition, Boone et al. (2010) argued that large accounting firms are expected to provide higher audit quality services because their revenues do not generate from one particular client. Various income sources enable them to maintain an independent attitude in performing audit tasks.

As previously explained, large accounting firms have a strong incentive to maintain the quality of audit services in order to retain clients and avoid litigation risks. Auditors of Big Four are believed to have good audit skills enabling them to enhance the credibility of financial reports and the trust of investors on financial reports. By taking a sample of non-financial companies from the Shanghai and Shenzhen markets in 2012-2018, Qingyuan (2020) reported that companies hiring Big Four auditors experienced lower stock price synchronicity.

Based on the previous discussion, the relationship between auditor quality and stock price synchronicity is expressed in the following hypothesis:

H₂: Auditor quality is negatively associated with stock price synchronicity

Independence Commissioners

Conceptually, the existence of independent commissioners provides assurance to shareholders that material misstatements as a result of deviant financial reporting practices do not occur. Several studies use the proportion of independent Commissioners as a proxy for the independence of the Board of Commissioners. As the number of independent commissioners increases, the independence of the board also increases (Cheng & Courtenay, 2006). The main role of the Board of Commissioners is to ensure that the company has implemented good business and reporting practices so that agency conflicts predicted by agency theory can be avoided. Thus, the independence of the Board of Commissioners is an important factor in boosting transparency and accountability of financial reporting.

Increased transparency of financial reporting causes the information contained in financial reports to be more useful for investors in making investment decisions. If this is the case, more firm-specific information will be absorbed in stock prices. The more firm-specific information absorbed into stock prices, the less stock price synchronicity. Butar Butar (2019) shows that independent commissioners play an important role in improving the quality of financial reports which ultimately reduces stock price synchronicity.

Based on the previous discussion, the relationship between independent of the board commissioner and stock price synchronicity is expressed as follows:

H₃: Board of Commissioners' independence is negatively associated with stock price synchronicity

Board of Commissioners Size

Several studies have examined the impact of the size of the Board of Commissioners on the transparency of financial reports. A board of commissioners that has many members is expected to be able to make a major contribution to the strategic plan of companies, and reduce asymmetric information that could harm the interests of stockholders. The diversity of expertise brought into the company is expected to enhance The Board's monitoring function and in turn reduces the possibility of fraud and irregularities. As a result, investors become increasingly confident in the credibility of financial reports.

Andreou et al. (2017) reported that a Board of Commissioners with a larger number of members can mitigate the risk of a sudden fall in stock prices. Susanto (2020) provides evidence of a negative relationship between the size of the board of commissioners and stock price synchronicity.

Based on the preceding discussion, the relationship between size of the board commissioner and stock price synchronicity is expressed in the following hypothesis:

H₄: Board of Commissioner size is negatively associated with stock price synchronicity

Audit Committee background

Concerns about accounting distortions in financial reporting underscore the importance of Audit Committees. The main function of the Audit Committee is to assist the board of commissioners in promoting the transparency of financial reporting. An Audit Committee that has accounting/financial expertise is believed to be able to improve the quality of financial reports. An Audit Committee with the right qualifications in its field of work is an added value for the company, especially in assessing the reliability of financial reports. An Audit Committee without a financial/accounting background will experience difficulties in reviewing financial reporting because they are familiar with generally accepted accounting practices. (Cyrena, 2020).

The role of the Audit Committee in ensuring that financial reports have been prepared in accordance with generally accepted accounting principles is very important before financial reports are announced to the public. An Audit Committee with financial or accounting background can be expected to increase investor confidence in the quality of financial reports. This argument is supported by Sutrisno et al. (2023) and Tambunan (2022) where the quality of the Audit Committee affects the stock prices of transportation and logistics companies listed on the IDX in 2018-2021.

Based on the previous discussion, the relationship between Audit Committee background and stock price synchronicity is expressed as follows:

H₅: The proportion of Audit Committee with financial/accounting background is negatively associated with stock price synchronicity

2. RESEARCH METHODS

Sampel

Samples were taken from manufacturing companies listed on the Indonesian Capital Market during 2020-2022. Data was collected manually from annual reports available on the official website of the Indonesian Exchange www.idx.co.id. Stock price data was obtained from <https://finance.yahoo.com>. Companies were eliminated from the sample if their financial report data are not available from the data source. In addition, companies with a zero-stock price synchronicity value are also eliminated.

Table 1 presents the sample selection in more detail. The final sample available for further analysis over a three-year period is 554 observations.

Tabel 1. Sample Selection

Details	2020	2021	2022	Total
Manufacturing Companies in 2020-2022	195	212	220	627
Firms with zero stock price synchronicity value	(6)	(12)	(18)	(36)
Financial reports are not available from data source	(13)	(10)	(14)	(37)
Total	176	190	188	554

Variable Measurement

Stock price Synchronicity

Stock price synchronicity is a measure of market informativeness (Zhang et al., 2020) which reflects how investors utilize information available in the market. It increases as investors rely more on market-wide information rather than firm-wide information. The first step to measure stock price synchronicity is to estimate a regression model linking individual returns and market returns (Farooq & Hamouda, 2016).

$$RET_{it} = \beta_0 + \beta_1 MRET_{it} + \epsilon_t$$

Where RET = individual return; MRET = weekly market return. The stock price synchronicity is the ratio of individual return variations to total return variations which is reflected in the R^2 value of the equation above. Since R^2 value ranges from 0-1 and to facilitate comparisons between companies, the R^2 is transformed into a logarithmic value (Dang et al. al., 2020).

$$SYNCH = \log (R^2 / (1-R^2)).$$

Asset Valuation Method

According to PSAK 16 (revised version of 2007) there are two alternative models for fixed asset valuation; revaluation model and cost model. In this study, the asset valuation method is a dummy variable that takes 1 for companies with a revaluation model and 0 for a cost model.

Auditor Quality

Big Four auditors are expected to have better audit quality than non-Big Four KAPs. Auditor quality is a dummy variable that takes 1 if the company is audited by the Big Four and 0 otherwise.

Board of Commissioners' Independence

The number of independent commissioners on the board of commissioners reflects the independence of the board of commissioners from the directors. The independence of the Board of Commissioners is measured by the proportion of the company's independent commissioners relative to the total number of members of the Board of Commissioners (Andreou et al., 2017)

$$IndpDK = \frac{\text{Number of independent commissioners}}{\text{Number of board of commissioners}}$$

Board Commissioners' Size

The greater the number of members of the board of commissioners, the easier it is to control the CEO and the more effective the supervision carried out. The size of the Board of Commissioners is the number of members who serve as the Board of Commissioners.

Audit Committee Background

Audit Committees who have expertise in finance or accounting allow them to detect accounting distortions before financial reports are released to the public. Reliable financial reports help investors assess future performance. Audit Committee background is measured as follows.

$$KmAdt = \frac{\text{the number of audit committee with financial or accounting background}}{\text{the number of audit committee}}$$

Control Variable

Profitability ratio is used as a basis for assessing how companies use its assets well for company activities that will generate profits.

$$ROA = \frac{\text{Net Income before tax}}{\text{Total Asset}}$$

Leverage represents the company's debt level. Previous findings are significant and consistent, higher leverage incorporates more company-specific information (Zhang et al., 2020).

$$LEV = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Company Size is a natural logarithm of total assets in the company formulated

$$\text{Company size} = \ln(\text{total assets})$$

Research Model

The following regression model is used to test the hypotheses:

$$\text{Synch}_{it} = \beta_0 + \beta_1 \text{Bd_Revaset}_{it} + \beta_2 \text{Qualadt}_{it} + \beta_3 \text{Inddks}_{it} + \beta_4 \text{Sizedks}_{it} + \beta_5 \text{KomAdt}_{it} + \beta_6 \text{Roa}_i + \beta_7 \text{Lev}_{it} + \beta_8 \text{Size}_{it} + \text{Year} + \varepsilon$$

Where Synch = Stock price synchronicity; Revaset = Revaluation asset; Qualadt = Auditor quality; Inddks = Independent of board commissioner; Sizedks = Size of board commissioner; KomAdt = Audit Committee; Roa = return on asset; Lev = Leverage; Size = company size.

3. RESULTS AND DISCUSSION

As much as 554 manufacturing companies has been collected to test the hypotheses. But 64 extreme observations were deleted, leaving 490 firm-observations available for further analysis. Tabel 2 presents descriptive statistics of all variables in this study.

The mean for stock price synchronicity (Synch) is 1.39. Note that the value is the transformed value of R^2 . The original value is 0.058, which means the ability of market returns to explain the variation of individual returns is rather low. Lower stock price synchronicity suggests higher firm-wide information absorbed into stock prices. Next, the mean of asset valuation (REVASSET) is 0.09, suggesting that 9% of companies in their assessments use the revaluation method to assess their assets. The mean audit quality is 0.28, suggesting that 28% of the companies under observation were audited by big four KAPs. The mean for Board of Commissioners' independence is 0.45, indicating that the percentage of the independent

commissioners of firm-sample is in accordance with the 30% minimum required by capital market authority. The mean for the size of the board of commissioners is 3.66 is in accordance with three people at minimum set by the Financial Services Authority (OJK). The mean for Audit Committee 0.76 suggests that 76% of the Audit Committee has an accounting or financial background. As for control variables ROA and DAR, the means are 0.05 and 0.51 respectively.

Tabel 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SYNCH	490	-3,00	3,00	-1,39	0,87
REVASET	490	0,00	1,00	0,09	0,29
QUALADT	490	0,00	1,00	0,28	0,45
INDDKS	490	0,33	0,75	0,45	0,12
SIZEDKS	490	2,00	10,00	3,66	1,54
KOMADT	490	0,20	1,00	0,76	0,22
ROA	490	0,00	0,74	0,05	0,07
LEV	490	0,00	8,09	0,51	0,57
SIZE	490	1,53	2,83	2,31	0,25

Regression Results

As previously stated, firm-samples were collected from manufacturing companies in 2020-2022 to test the effect of asset revaluation methods, auditor quality, independence of the Board of Commissioners, size of the Board of Commissioners, Audit Committee background on stock price synchronicity. The results of the regression analysis are presented in Table 3.

Table 3. The test of hypotheses

Variables	Prediction	Coefficients	<i>P-value</i>
(Constant)		-1,79	0,00
REVASET	+	0,15	0,14
QUALADT	-	0,16	0,04
INDDKS	+	0,04	0,45
SIZEDKS	-	0,08	0,001
KOMADT	+	0,10	0,29
ROA	-	-0,11	0,82
LEV	-	0,001	0,99
SIZE	-	-0,01	0,90

Revaluation Asset and Stock Price Synchronicity

Referring to Table 3, the p-value and regression coefficient of the asset valuation method are 0.14 and 0.15, respectively. These results indicate that the asset valuation method has no effect on stock price synchronicity. Thus hypothesis 1 is not supported statistically.

Conceptually, the asset revaluation method opens up room for managers to influence profits. As explained in the previous section, the empirical findings suggest that the asset revaluation method was deliberately chosen as a means of earnings management causing decline in earnings quality and in turn increasing stock price synchronicity. However, it seems that investors do not consider the valuation method used by the company important. It is possible that investors understand the consequences of each asset valuation method on profits. They are not deceived by the increase in profits triggered by the choice of valuation method. The insignificant effect of the asset valuation method may be attributed to the measure of the variable. Note that asset valuation method is a dummy variable that takes 1 if firms adopted a revaluation method. This measure is rather rough because Asset revaluation is divided into two types: partial revaluation and complete revaluation. Partial revaluation is carried out only on some fixed assets. Meanwhile, a complete revaluation was carried out on all fixed assets. Future research should consider a different measure for asset valuation methods.

Auditor Quality and Stock Price Synchronicity

The test results show that the p-value and regression coefficient are 0.045 and 0.16 respectively. Thus, hypothesis two is supported. Hiring a local KAP affiliated with the Big Four auditors to audit financial reports is an indication that the financial reports can be trusted and relied upon in making investment decisions. Local KAPs affiliated with the Big Four are believed to have good audit capabilities and are more independent in carrying out audit assignments than other local KAPs.

The findings reported in this study are consistent with Qingyuan (2020) which used a sample of companies listed on the China Exchange in 2012-2018. They concluded that Big Four auditors were confident in disclosing true information to the market, thereby reducing stock price synchronicity and audit quality has a negative influence on the risk of falling prices.

Independence of the Board Commissioners and Stock price Synchronicity

The results of the regression analysis on the influence of the independence of the Board of Commissioners on stock price synchronicity show that the p-value and regression coefficient for the independence of the board of commissioners are 0.45 and 0.04 respectively. Thus the third hypothesis is rejected. Even though it is not statistically significant, the positive direction shows that the independence of the board of commissioners increases stock price synchronicity. It means that independent commissioners failed to improve the quality of financial reports causing investors to seek other information for investment decision purposes. The finding is somewhat counterintuitive.

However, the finding is consistent with previous studies of Karamoy & Tulung (2020) and Lew & Park (2017). The two studies found no correlation between external board of commissioners (directors) and stock prices. The failure of the independent board of commissioners to improve their supervisory performance was related to their financial/accounting expertise. Even though the board of commissioners who come from outside the company can maintain an independent attitude towards the directors, their lack of

accounting knowledge makes them unable to understand the company's financial reporting practices. As a result, the supervisory function does not run as expected.

Size of the Board Commissioners and Stock Price Synchronicity

The regression estimation of the effect of Board of Commissioners size on stock price synchronicity shows a p-value of 0.001 and a coefficient of -0.08. Thus, the fourth hypothesis is supported. The findings indicate that a large number of Board of Commissioners improves the quality of published financial reports. In other words, investors view financial reports of companies with a larger board of commissioners as having better quality than those with fewer members. Firms with larger Board of Commissioners can effectively prevent manager's opportunistic tendency to intervene in the process of financial reporting (Butar Butar, 2019). Consequently, stock prices movements were dominantly caused by firm-wide information rather than market-wide information.

According to POJK Number 33/POJK/04/2014, the Board of Commissioners is an organ within the company with the main task of carrying out a monitoring function. The existence of the Board of Commissioners is expected to be able to provide better guarantees to investors that the company has been managed well and transparently so that it benefits investors. The Board of Commissioners ensures that management implements transparent and accountable financial reporting practices. It is stipulated in the POJK that the minimum number of a company's Board of Commissioners is two people, one of whom is an independent Board of Commissioners. This study suggests that adding the number of Board of Commissioners will improve the quality of financial reports, resulting in more firm-specific information absorbed in stock prices.

Audit Committee background and Stock Price Synchronicity

Hypothesis five predicts Audit Committee background is positively associated with stock price synchronicity. The results reject the prediction with p-value of 0,29 and regression coefficient of 0,10. Thus, the fifth hypothesis is not supported, suggesting that an Audit Committee with a financial/accounting background has no influence on stock price synchronicity.

Although it is not statistically significant, the positive direction of the coefficient reflects that Audit Committees with finance/accounting backgrounds are perceived to be unable to identify and prevent questionable accounting practices. The findings of this study are not consistent with Wijaya and Setyono (2023) that the Audit Committee has a positive effect on returns of the banking sub-sector listed in IDX for the period of 2016-2020.

4. CONCLUSIONS AND SUGGESTIONS

This study examines the effects of asset valuation methods, auditor quality, independence and size of the Board of Commissioners, and Audit Committee background on the stock price synchronicity. The results of the regression analysis show: 1) Stock price synchronicity of companies using the revaluation method is no different from companies using the cost method. 2) Auditor quality has a negative effect on stock price synchronicity. This shows that the quality of company financial reports audited by KAPs affiliated with the Big Four is more trustworthy and reliable in making investment decisions compared to the financial reports of companies that use local KAPs. 3) The independence of the board of commissioners has no effect on the

stock price synchronicity. The independence of the board of commissioners does not necessarily affect stock price synchronicity if the independent commissioners of the board of commissioners have diverse educational backgrounds. 4) The size of the board of commissioners has a negative effect on the stock price synchronicity. The more members of the board of commissioners, the more investors will have confidence in the quality of financial reports and the more investors will rely on financial reports in making decisions to buy shares. 5) Audit Committee Background has no effect on stock price synchronicity.

Future research needs to consider alternative measurements for stock price synchronicity by using daily returns and to take samples from other industry. It is important to assess the validity of research results before it can be generalized. Future research also needs to consider other independent variables such as the nationality of the directors and the reputation of the Board of Commissioners.

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