

ABSTRACT

Financial reporting quality is a crucial element in ensuring transparency and reliability in corporate financial statements. However, various factors influence financial reporting quality, including key audit matter (KAM), audit fee, and audit firm reputation. Previous studies have provided mixed results regarding the impact of these factors, particularly in emerging markets like Indonesia, where regulatory frameworks and corporate governance practices continue to evolve. This study aims to examine the impact of KAM, audit fee, and audit firm reputation on financial reporting quality in the industrial sector listed on the Indonesia Stock Exchange (IDX). Additionally, this study explores the readability and number of KAM as attributes of KAM disclosures.

The sample used in this research is industrial sector companies listed on IDX during the period 2022-2023 using purposive sampling technique. Secondary data was used through documentation collection method. Hypothesis testing was conducted using multiple linear regression analysis using IBM SPSS software.

The results indicate that neither the number of KAM nor the readability of KAM significantly impact financial reporting quality. Audit fees, however, have a positive and significant effect on financial reporting quality, supporting the notion that higher audit fees reflect greater auditor effort and expertise. Conversely, audit firm reputation exhibits a negative and significant impact on financial reporting quality, implying that being audited by a Big Four firm does not necessarily guarantee better financial reporting quality.

Keywords: Financial Reporting Quality, Key Audit Matter, Audit Fee, Audit Firm Reputation