

ABSTRACT

This study aims to analyze the effect of public accounting firm's reputation, company size and extraordinary items on audit report lag and its effect on market response to outstanding shares owned by manufacturing companies in Indonesia. The size of the company is measured by the number of company assets simplified by natural logarithms. Public accounting firm's reputation is proxied by using a dummy variable. Extraordinary Items as an independent variable is proxied by using dummy variable. Audit report lag as a mediating variable is measured by calculating directly the number of days from the end of the fiscal year to the issuance of audit reports. The market response to outstanding shares is measured by comparing the average closing price of the company's shares in the months of 2018 before the audit report is issued with the closing price of the stock three months after the audit report is issued.

The sample in this study is manufacturing companies listed on the Indonesia Stock Exchange during the period 2017 - 2018. The sampling method in this research is purposive sampling. The analysis technique used is multiple regression analysis and logistic regression.

The results of this study indicate that the public accounting firm's reputation does not affect the audit report lag, while the size of the company influences the audit report lag in the positive direction, namely that the larger the company, the longer the audit report lag or the more many days took to finish the audit process. In addition, audit report lag has proven to have no effect on market response which shows that the possibility of market response is influenced by other things outside the audit report lag, and sufficiently proves that the length or shortness of audit report lag as an important determinant of timeliness that is related to the qualitative characteristics of financial statements i.e. relevant is apparently not enough to influence the users of financial statements to make investment decisions.

Keyword : *Audit Report Lag, Market Response, Firm's Size, accounting firm's reputation, Extraordinary Items.*