THE IMPACT OF GRAY PROFITABILITY INDEX AND PUBLIC OWNERSHIP ON FINANCIAL STATEMENTS DISCLOSURE WITH AUDIT COMMITTEE AS A MODERATING VARIABLE

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Abstract
Disclosure of financial statements is one of the most important measurements for a sustainable company. The purpose of this study is to establish empirical evidence that there is a positive relationship between profitability and public ownership as disclosed in financial statements and to demonstrate that committee auditing can help strengthen that relationship. This study uses a quantitative approach and makes use of secondary data. The data in this study were analyzed using Moderating Regression Analysis (MRA) with IBM SPSS Statistics Version 21 and Microsoft Excel as a testing support system, with data analysis techniques presented in the form of a classic assumption test and hypothesis test. The population for this study comprised all property and real estate companies that had complete financial and annual reports for the years 2018 to 2019. Purposive sampling was used in this study to obtain 32 companies that met the classified criteria. The findings indicated that the gray profitability index did not affect financial statement disclosure. The study concludes that the gray profitability index does not affect the disclosure of financial statements. Additionally, regression results indicate a significant positive correlation between public ownership and financial statement disclosure and the audit committee's moderation, which further strengthens the relationship between financial statement disclosure and public ownership.

Keywords: Gray profitability index, Public ownership, Financial statements disclosure, Audit committee.

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INTRODUCTION

The global financial crisis between 1997 and 1998 and 2008 coincided with the numerous failures in the United States' property financial investment sector (USA). This failure was characterized by large companies manipulating financial statements, as was the case with Enron. This resulted in a decline in confidence in American accounting standards as the de facto standard for all countries when preparing financial reports.
Financial reporting, according to the International Public Sector Accounting Standard Board, is used to assess accountability and assist users in making decisions (Tran, Nguyen, & Hoang, 2020). Financial reporting is defined as the extent to which financial statements contain accurate and timely information about underlying economic and financial conditions (Arthur, Chen, & Tang, 2019). Financial report preparation requires benchmarks in the form of financial accounting standards. These financial accounting standards are essential because they serve as guidelines developed by accounting standard-setting bodies to accommodate the procedures for preparing good and quality financial reports.

Recognizing the value of benchmarks for various cross-border countries that can be used as guidelines when preparing financial reports, the International Accounting Standards Committee (IASC) established guidelines for financial accounting standards, namely the International Accounting Standards Board (IASB) or Generally Accepted Accounting Principles (US GAAP), in 1973, with the motto "one global standard." Following the monetary crisis, the IASC adopted International Financial Reporting Standards as its accounting standards (IFRS).

IFRS is a collection of international accounting standards used by companies in preparing financial reports published by the IASB (Itasari & Kristanto, 2019). IFRS has evolved into a standard that has been adopted and implemented in both developed and developing countries to increase investors' and shareholders' interest in financial reports with more universal and comparable content, as well as to improve the quality of financial results disclosed to the public, shareholders, and other interested parties.

Until 2005, the adoption of IFRS was optional, and many companies published financial statements using both domestic and IFRS accounting standards (Black & Maggina, 2016). Around 2005, the European Union became the first body to adopt IFRS, followed by Australia, Hong Kong, Canada, and Russia. Indonesia, as a developing country, has been attempting to adopt international accounting standards guidelines since 2008. Indonesia began adopting IFRS in its entirety for publicly traded companies on January 1, 2012, and gradually converged to IFRS for all companies in 2016.

Financial reports prepared in accordance with IFRS standards assist shareholders and other interested parties in making decisions. The quality of decision-making by interested parties will be influenced by the financial and annual reports' disclosures. Financial statements and annual reports must present information in an easily-understandable format with sufficient disclosure.

Adequate disclosure in the annual financial and non-financial data report affects stakeholder decision-making (Susanto & Meiryani, 2019). Financial statements must be disclosed in such a way that the financial information presented is of high quality. Financial reports of superior quality are comprehensible, reliable, relevant, and comparable to the previous year. Financial statement disclosure is critical because it forecasts future economic conditions and serves as the basis for decision-making.

Accounting disclosure provides users with an effective and simple analytical tool that aids in their comprehension of financial statements (Haddad, Shibly, & Haddad, 2020).
Disclosure is necessary because it is an integral part of the financial reporting process and the final step in the accounting process, taking the form of a complete presentation or financial statement. As a result, financial statements must be prepared in accordance with more transparent accounting standards, namely IFRS.

The financial report disclosures defined in the IFRS accounting standard guidelines for determining the level of disclosure in corporate financial statements are classified as mandatory disclosure and voluntary disclosure. Both are important because they will impact a company's viability and the number of investors. Mandatory disclosures must be made by companies in accordance with applicable accounting standards, specifically IFRS. Voluntary disclosures, on the other hand, are those that are not mandated by accounting standard regulations. Managers may be inclined to make mandatory and voluntary disclosures to resolve potential points of contention or to explain their financial decisions, or to time mandatory and voluntary disclosure to influence their reported earnings and demonstrate a favorable transition to IFRS. Naturally, if both are appropriately disclosed, they can help improve a company's financial performance.

Financial statement disclosure is influenced by a number of financial and non-financial factors, all of which are intended to maximize financial statement disclosure. Profitability, liquidity, share ownership, company size, and capital stock are all financial factors. Non-financial factors include the company's age, the percentage of foreign shares, the industry in which the company operates, the number of shares issued, and the date of registration.

The adoption of IFRS greatly impacts the harmonization of transaction records in each item of financial statements, one of which is the profitability financial ratio. Profitability is determined by a variety of critical factors, which can be classified as internal or firm-specific factors and macroeconomic factors (industry and/or market-based) (Kumar, Srivastava, Tabash, & Chawda, 2021). Profitability increases investor confidence in the management of the company's assets and its ability to continue operations.

Profitability achieved by a company will undoubtedly improve the resulting financial performance and disclosure. Previous research conducted by (Kumar et al., 2021) stated that profitability has no positive or significant effect on financial statement disclosure, where management seeks to harmonize what information should be disclosed in greater detail about the profitability of companies subject to financial accounting standards. This research was also conducted by (Mokhtar, 2017), explaining that profitability demonstrates a company's ability to manage its capital and assets effectively and efficiently. According to previous research, the researcher calculated it by combining the return on assets and the return on equity. Apart from financial factors, the factors that influence the disclosure of financial statements are non-financial factors, namely the portion of public shares. This portion of public shares describes in detail the number of shares outstanding in the public with the number of shares outstanding or issued by the company. Previous research indicated that ownership structure has an effect on improving the quality of financial disclosures (Alqatameen, Alkhalaileh, & Dabaghia, 2020).
The audit committee is the next significant factor that contributes to the breadth of disclosure. The audit committee is an essential factor that is responsible for monitoring all managerial activities within the company. The audit committee's oversight of work practices will help maximize the company's internal control system. In the future, the audit committee's oversight will help optimize the information presented and disclosed in the company's financial and annual reports. This will assist interested parties in developing a greater level of trust in the published report.

Numerous previous studies have established that the existence of an audit committee as the supervisory organ of the company's commissioners can improve the concept of financial statement disclosure. Research conducted by (Oussii & Taktak, 2018) revealed that the audit committee reviews financial statements and other accounting and financial information documents prior to their release to the public, oversees the system of internal controls, and monitors the activities of the company's supervisory bodies.

This study contributes to an expansion of the literature review by conducting empirical research on the property and real estate companies listed on the Indonesian Stock Exchange (IDX). This research uses 2 (two) reports, namely financial and annual reports. This research clearly differs from previous research in that it employs an audit committee as a moderating variable and examines both financial and non-financial factors.

**LITERATURE REVIEW**

Agency theory (Jensen & Meckling, 1976) explains the distortion between a principal and an agent. Agency relationships arise when the principle works together with the agent, where the principle (owner) has the authority to delegate authority and make decisions to the agent. This results in the emergence of a potential conflict or problem that will affect the quality of financial statement information disclosed due to the principal's and agent's separate interests. This is because agency theory presupposes that individuals will always seek to maximize their own interests, which will motivate the agent to perform the desired action for personal gain, such as concealing information from the principal.

Additionally, agency issues arise during the process of disclosing financial statements in the form of distance issues between the principal and the agent, which in this relationship necessitates a party that acts as a bridge between owners and employees, referred to as agency relations. This information may take the form of asset reports, asset sources, and other documents pertaining to the company's condition prepared by the agent and submitted to the principal. Companies have recognized the additional benefits of adopting internationally accepted accounting standards, apart from meeting investment information requirements (Black & Maggina, 2016).

Financial statement disclosure is a method of communicating information contained in a company's financial statements. Financial statement disclosures are classified into two categories: mandatory disclosures and voluntary disclosures. Mandatory disclosure is a type of information regulated by the International Financial Reporting Standards (IFRS). Meanwhile, voluntary disclosure of information refers to the financial information issued
voluntarily by a business and that supplements the mandatory disclosure of financial information. While voluntary disclosures are credible and generally inexpensive, the value relevance of financial information may vary in the case of mandatory financial reporting (Black & Maggina, 2016).

Financial statement information must be accurate, as it will be directly related to the profitability and financial performance of a company. Profitability is measured using return on equity, return on assets and other proxies including earnings per share, net income after tax, and return on sales (Mokhtar, 2017). Profit is made up of three components: gross profit, operating profit, and net profit. To maximize profit, a company's management must increase revenue while decreasing expenses. As a result, the gray profitability index has no effect on financial statement disclosure (Irawati, Ramdhaniyah, Siregar, & Meiliana, 2020).

A company's financial performance can improve if it has a large number of investors and shareholders. If a company has a large number of investors, it is likely to be a long-term operation. Naturally, all of these accomplishments must be weighed against the availability of complete and accurate information regarding share ownership. In this case, the percentage of public shares contributes significantly to investor confidence. The portion of public shares is the portion of the company's stock owned by third parties.

Efforts to supervise all internal company activities that result in the production of the previously described information will be referred to as the audit committee's role. The audit committee will oversee all internal and external controls necessary to ensure that financial statements are adequately disclosed. The audit committee's task is so complex that members must be experts in their fields. The effectiveness of the audit committee improves the quality of corporate voluntary disclosure (Agyei-mensah, 2019). The audit committee has the ability to strengthen the influence of the portion of public ownership shares on financial statement disclosure (Oussii & Taktak, 2018).

The following is the research framework used in this study:

**Figure 1: Research Framework**

The Effect of Gray Profitability Index on Financial Statements Disclosure

Profitability uses the proxies of Return on Assets (ROA) and Return on Equity (ROE), which are then assessed using the literature comparability index (Gray Index). The
company will provide signals to interested parties that the company has increased and
generated maximum profits. Profitability is crucial when disclosing the contents of financial
statements, as it is eagerly awaited each month by investors and shareholders. Profitability
refers to the activities involved in producing a product and then marketing it to the greatest
extent possible. This incentivizes the principal to enter into a collaboration agreement and
prosper the business itself due to increased profitability. The effect of profitability on
earnings quality after IFRS adoption (Enakirerhi, Ibanichuka, & Ofurum, 2020) and increased
accounting disclosure (Bashir, 2017).

H₁ : Gray profitability index influences financial statements disclosure.

The Effect of Public Ownership on Financial Statements Disclosure

The portion of public shares uses a proxy for the number of public ownership shares
compared to the number of shares outstanding. The portion of share ownership by the public,
namely parties outside the internal company, will always have a distortion if the company
does not exercise control over the outstanding shares. As the share of public ownership
increases, the disclosure of ownership information presented in the financial statements must
be adequate and explained in detail. The research conducted (Probohudono, Sugiharto, &
Arifah, 2019) finds that the public ownership have significantly positive influence of
disclosure in financial statements.

H₂ : Public ownership influences financial statements disclosure.

The Effect of Audit Committee Characteristic as a Moderating Variable on Gray
Profitability Index towards Financial Statements Disclosure

The audit committee board has a vital role in supervising the internal control system
and production and non-production activities to run effectively and efficiently to maximize
the quality of what is produced. The audit committee must help minimize the wrong signals
picked up by investors and other interested parties. In addition, audit committee quality tends
to increase the quality of environmental accounting disclosures as manifestations of financial
reporting quality (Al-Shaer, Salama, & Toms, 2017).

H₃ : Audit committee characteristic strengthens the influence of gray profitability index on
financial statements disclosure.

The Effect of Audit Committee Characteristic as a Moderating Variable on Public
Ownership towards Financial Statements Disclosure

The audit committee is an oversight committee to the main board of directors and
board of directors that has complete delegated responsibility for the financial statement
preparation process. Because the audit committee wishes to avoid information asymmetry,
the financial statements must include sufficient information, particularly an explanation of
public share ownership. The audit committee's effectiveness is determined by the audit
committee's characteristics in determining the financial statements' content decisions. Thus
the level of voluntary financial disclosure is determined by Audit Committee Characteristics
(Setiany, Hartoko, Suhardjanto, & Honggowati, 2017).
H₄: Audit committee characteristic strengthens the influence of public ownership on financial statements disclosure.

**METHOD**

This research utilizes quantitative data, which is quantified using interval and ratio scales. Additionally, this study will utilize financial and annual report data in accordance with the sample criteria, which include purposive sampling obtained through listing on the Indonesia Stock Exchange (IDX). The population for this study was property and real estate companies that published financial reports consecutively for two years from 2018 to 2019. Microsoft Excel is used to calculate the sample data for property and real estate companies, then processed using IBM SPSS version 21.

This study uses the gray index for the profitability variable. The gray index has a function to measure and assess before and after the implementation of IFRS in the company. The gray profitability index in this study will look at the level of profits obtained if you switch from accounting guidelines, namely Indonesian Financial Accounting Standards (IFAS or PSAK) to IFRS. The gray index criteria is as follows:

| Gray Index Scale | PSAK          |
|------------------|--------------|
| ≤ 80% from IFRS  |              |
| 81 – 90% from IFRS |              |
| 91 – 95% from IFRS |              |
| 96 – 99% from IFRS |              |
| 100% from IFRS   |              |
| 101 – 104% from IFRS |        |
| 105 – 109% from IFRS |    |
| 110 – 119% from IFRS |        |
| ≥ 120% from IFRS |              |

Gray Index acts as an index of conservatism in comparing the earnings of several countries as a quantitative measure of the differences between accounting practices that have been applied (Gray S.J., 1908).

This study uses Moderating Regression Analysis using panel data. The regression model for this study is as follows:

\[
\text{Disc} = \alpha + \beta_1 \text{Prof}_{\text{IG}} + \beta_2 \text{Port}_{\text{Shr}} + \beta_3 \text{Aud}_{\text{Com}} + \beta_4 \text{Prof}_{\text{IG}} \times \text{Aud}_{\text{Com}} + \beta_5 \text{Port}_{\text{Shr}} \times \text{Aud}_{\text{Com}} + e
\]
The operational definitions of the variables in this study are as follows:

| No | Variable                                      | Measurement                                      | Scale |
|----|-----------------------------------------------|-------------------------------------------------|-------|
| 1  | Independent variable: Gray Profitability Index | ROA: Net income/Total Asset                      | Ratio |
|    |                                               | Indeks Gray: Profitability IFRS – Profitability PSAK |       |
| 2  | Independent variable: Public Ownership        | Public Ownership Ratio: Total shares of public ownership x 100% | Ratio |
|    |                                               | Total outstanding share                          |       |
| 3  | Dependent variable: Financial Statements Disclosure | Financial Statement Disclosure Proxies Rules OJK No 29/PJOK.04/2016: Total item disclosure in company | Ratio |
|    |                                               | Total all disclosure                             |       |
| 4  | Moderating variable: Audit Committee Proxy    | Audit Committee Proxy: Total Audit Committee     | Ratio |

Source: Author’s processed data; Note: PSAK: Indonesia Accounting Standards; OJK: The Financial Services Authority.

**RESULT**

The sampling technique used was purposive sampling, and the sample selection criteria were based on the following general criteria:

| Criteria                                                                 | Total |
|--------------------------------------------------------------------------|-------|
| Company is listing in Indonesian Stock Exchange (BEI) period 2018 - 2019 | 40    |
| Company don’t consistency for publishing at years financial statements  | (8)   |
| Total sample in company                                                 | 32    |
| Observation years 2018 - 2019                                            | 2     |
According to the table above, the total number of data to be analyzed (N) is 64 data analysis, which is based on purposive sampling criteria, and the total number of companies sampled is 32 over a two-year period (2018-2019).

### Table 4. Descriptive Statistics

| Criteria                                      | N | Minimum | Maximum | Mean   | Std. Deviation |
|-----------------------------------------------|---|---------|---------|--------|----------------|
| Disclosure of Financial Statement            | 64| 0.57    | 0.88    | 0.747  | 0.07479        |
| Profitability Gray Index                      | 64| -0.29   | 0.22    | 0.0158 | 0.06504        |
| Public Ownership                              | 64| 0.00    | 0.87    | 0.3284 | 0.21967        |
| Audit Committee                              | 64| 2.00    | 5.00    | 3.1406 | 0.75313        |
| Profitability Gray Index*Audit Committee     | 64| -0.87   | 0.66    | 0.0509 | 0.20362        |
| Public Ownership*Audit Committee             | 64| 0.01    | 3.37    | 0.9841 | 0.65241        |
| Valid N (listwise)                           | 64|         |         |        |                |

The results of descriptive statistical testing indicate that the average value of financial statement disclosure for all companies is 0.747, indicating that the company has made adequate disclosure, which is 74.7 percent of what the Financial Services Authority requires (OJK). The average profitability value of 0.0158 indicates that, on average, the business makes a profit, as evidenced by the positive profitability value. The average public ownership is 0.3284, indicating that a more significant proportion of a company's shares are not public-owned. The average value of the audit committee is 3,1406, indicating that the majority of companies have an audit committee.

### Table 5. R Square

| Model | R | R Square | Adjusted R Square | Std Error of The Estimate |
|-------|---|----------|------------------|--------------------------|
| 1     | 1.003a | 0.62     | 1.000            | 0.67394                  |

*a. Predictors: (constant), public ownership, gray profitability index*

The R Square test indicates that the gray profitability index and the public ownership share are both 0.62. This result indicates that 62 percent of the variance in profitability in property and real estate companies listed on the Indonesian Stock Exchange between 2018
and 2019 can be explained by variations in profitability and public ownership variables, while the remaining 38 percent is explained by other variables.

**Tabel 6.**

| Model | R | R Square | Adjusted R Square | Std Error of The Estimate |
|-------|---|----------|-------------------|--------------------------|
| 1     | 1.104a | 0.72 | 1.014 | 0.1209 |

a. Predictors: (constant), public ownership*audit committee, profitability gray index*audit committee, public ownership, gray profitability index

According to the table above, the audit committee's percentage of the R Square Moderation value of 72 percent significantly strengthens its influence over the disclosure of a company's financial statements.

**Table 7.**

| Kolmogorov-Smirnov Normality Test |
|-----------------------------------|
| Financial Statement Disclosure | Profitability Gray Index | Public Ownership | Audit Committee Characteristic | Profitability Gray Index*Audit Committee Characteristic | Public Ownership*Audit Committee Characteristic |
| N | 64 | 64 | 64 | 64 | 64 | 64 |
| Normal Parameters | Mean | 0.7470 | 0.0158 | 0.3284 | 3.1406 | 0.0509 | 0.9841 |
| | Std.Deviation | 0.07479 | 0.0650 | 0.2196 | |
| Most Extreme Differences | Absolute | 0.131 | 0.169 | 0.117 | 0.402 | 0.178 | 0.086 |
| | Positive | 0.141 | 0.163 | 0.117 | 0.402 | 0.161 | 0.086 |
| | Negative | -0.131 | -0.169 | -0.70 | -0.301 | -0.178 | -0.068 |
| | Koirmogorov-Smirnov Z | 1.047 | 1.353 | 0.936 | 3.217 | 1.422 | 0.687 |
| | Asymp Sig (2 Tailed) | 0.223 | 0.051 | 0.345 | 0.127 | 0.075 | 0.732 |

Based on Table 7 above, the normality test results include two independent variables, one moderating variable, and the dependent variable. The gray profitability index shows the asymp value of Sig 0.051 where ≥ 0.05 sig indicates that the gray profitability index variable is normally distributed. Public ownership exhibits an asymp value of Sig 0.345 where ≥ 0.05 sig, which means that public ownership is normally distributed. The audit committee characteristic shows a value of 0.127 where ≥ 0.05 sig, indicating that the audit committee characteristic is normally distributed.
Table 8. Multicollinearity Test

| Model                                        | Unstandardized Coefficients | Standardized Coefficients | Colinearity Statistics |
|----------------------------------------------|----------------------------|---------------------------|------------------------|
| (Constant)                                   | 0.575                      | 0.075                     |                        |
| Gray Profitability Index                     | 0.312                      | 1.332                     | 0.271                  | 0.112 | 6.526 |
| Public Ownership                             | 0.279                      | 0.151                     | 0.819                  | 0.179 | 2.672 |
| Audit Committee Characteristic               | 0.050                      | 0.022                     | 0.504                  | 0.304 | 3.290 |
| Profitability Gray Index*Audit Committee Characteristic | -0.069                     | 0.427                     | -0.187                 | 0.211 | 7.109 |
| Public Ownership*Audit Committee Characteristic | -0.080                   | 0.049                     | -0.695                 | 0.286 | 1.613 |

Based on Table 8 above, the results of the multicollinearity test show that all variables have a tolerance value > 0.10 and VIF <10, which indicates that all the listed variables do not have multicollinearity.

Table 9. Gray Profitability Index

| Criteria                  | Gray Profitability Index | Percentage |
|---------------------------|--------------------------|------------|
| PSAK                      |                          |            |
| ≤ 80% from IFRS           | 0                        | 0%         |
| 81 - 90% from IFRS        | 2                        | 6%         |
| 91 - 95% from IFRS        | 10                       | 31%        |
| 96 - 99% from IFRS        | 8                        | 25%        |
| 100% from IFRS            | 6                        | 19%        |
| 101 - 104% from IFRS      | 4                        | 13%        |
| 105 - 109% from IFRS      | 1                        | 3%         |
| 110 - 119% from IFRS      | 1                        | 3%         |
| ≥ 120% from IFRS          | 1                        | 3%         |
| **TOTAL**                 | **32**                   | **100%**   |

According to Table 9, which met the predetermined criteria for the profitability variable gray index, there were eight companies whose financial statements remained unchanged prior to and following the adoption of IFRS. 12 companies have a gray profitability index value greater than 101 percent, indicating that their financial statements comply with PSAK standards. Meanwhile, the gray profitability index for 12 companies is less than 100 percent, indicating that their financial statements comply with IFRS standards.
### Tabel 10. Moderating Regression Analysis

| Model                                      | Unstandardized Coefficients | Standardized Coefficients | t     | Sig  |
|--------------------------------------------|-----------------------------|---------------------------|-------|------|
| (Constant)                                 | 0.575                       | 0.075                     | 7.701 | 0.000|
| Gray Profitability Index                   | 0.312                       | 1.332                     | 0.271 | 0.234|
| Public Ownership                           | 0.279                       | 0.151                     | 0.819 | 1.848|
| Audit Committee                            | 0.05                        | 0.022                     | 0.504 | 2.234|
| Gray Profitability Index*Audit Committee   | -0.069                      | 0.427                     | -0.187| -0.161|
| Public Ownership*Audit Committee           | -0.080                      | 0.049                     | -0.695| -1.637|

a. Dependent Variable: Financial Statements Disclosure

### Tabel 6. Summary of Hypothesis Testing Results

| Hypothesis | Definition                                                                 | Regression Coefficient | Sig      | Results |
|------------|-----------------------------------------------------------------------------|-------------------------|----------|---------|
| H1         | Profitability gray index influences financial statement disclosure.         | 0.312                   | 0.816    | Rejected|
| H2         | Public ownership influences financial statement disclosure. Audit committee characteristic strengthen the influence of profitability gray index on financial statement disclosure. | 0.279                   | 0.070    | Accepted|
| H3         | Audit committee characteristic strengthen the influence of profitability gray index on financial statement disclosure. | -0.069                  | 0.873    | Rejected|
| H4         | Audit committee characteristic strengthen the influence of public ownership on financial statement disclosure. | -0.080                  | 0.007    | Accepted|

The results of the moderation multiple regression coefficient can be shown in the following model:

\[
\text{Disc} = 0.575 \text{Prof}_\text{IG} + 0.312 \text{Port}_\text{Shr} + 0.279 \text{Aud}_\text{Com} - 0.069 \text{Prof}_\text{IG} \times \text{Aud}_\text{Com} - 0.080 \text{Port}_\text{Shr} \times \text{Aud}_\text{Com} + \epsilon
\]

Thus, the interpretation of this research model is as follows:

1. The gray profitability index variable shows a positive coefficient (B) of 0.312 with a significance level of 0.816. Because the significance level is greater than \(\alpha=5\%\), the first hypothesis is not supported. Profitability refers to a company's ability to earn a profit over a specified time period by fully utilizing all of its capabilities and resources. Profitability of a company, whether high or low, does not necessitate a more detailed and in-depth disclosure of financial statements to explain all the efforts made to increase profitability. The more profits a company earns in accordance with IFRS standards, the higher the gray profitability index.

2. The variable component of public shares exhibits a positive coefficient (B) of 0.279 with a 0.070 level of significance. Due to the fact that the significance level is less than 5%,
the second hypothesis is successfully supported. This second study established a positive and significant effect of public ownership on financial statement disclosure.

3. The audit committee variable which moderates the portion of public shares on disclosure of financial statements shows a positive coefficient (B) of -0.080 with a significance level of 0.007. Because the significance level is smaller than $\alpha=5\%$, the fourth hypothesis is successfully supported. This fourth research has proven that the audit committee is able to strengthen the influence of the portion of public ownership shares on the disclosure of financial statements.

**DISCUSSION**

The findings of this study indicate that the gray profitability index variable has no discernible effect on financial statement disclosure. The gray profitability index is used to compare the company's value before and after implementing IFRS. According to the results of data analysis tests (See Table 9) conducted on 32 property and real estate companies, it is known that eight companies meet the IFRS criteria at a 100 percent level of stability, which means that there is no impact on the quality of financial statement disclosure prior to and following IFRS implementation. This demonstrates that the criteria for the gray profitability index have the value of implementing profitability $\geq 120\%$ of IFRS. There are 8 property and real estate companies that indicate that the financial statements produced are quite good following the implementation of IFRS (Tran et al., 2020). The criteria for the low company category, which had an index of $\geq 80\%$, were 12 companies with low levels of profitability and financial statement disclosure.

The gray profitability index variable does not affect financial statement disclosure, indicating that the company's low profit and total assets do not affect the extent to which financial statements are disclosed. Additionally, this study examines the variable portion of public shares, which has a positive and significant effect on the disclosure of financial statements. The high percentage of public ownership results from growing public confidence in the transparency of IFRS standard financial reports, which has resulted in the public purchasing a large number of company shares. The magnitude of this influence motivates management to enhance financial statement disclosure to make them more understandable, relevant, reliable, and transparent. The findings of this study indicate that the percentage of publicly traded securities has a significant impact on the breadth of financial statement disclosure.

**CONCLUSION**

According to the findings of this study, the gray profitability index has no positive or significant effect on financial statement disclosure. The absence of the gray profitability index's influence on financial statement disclosure demonstrates that a company, regardless of its level of profitability, does not require detailed and in-depth disclosure to explain how management attempts to increase its profitability. As is customary, the company makes
disclosures in the financial statements about the profitability achieved in the prior year and the subsequent year to stakeholders.

With a regression coefficient of 0.279 and a significance level of 0.070, the variable share of public ownership has a positive and significant effect on financial statement disclosure. Meanwhile, with a positive coefficient (B) of -0.080 and a significance level of 0.007, the audit committee has a significant positive effect on strengthening the relationship between public ownership and financial statement disclosure.

The limitation of this study is that the number of observations during the research year is relatively small, as is the number of independent variables, which is limited to two. As a result, the resulting model cannot explain the relationship between the independent and dependent variables. It is hoped that future research will extend the research period. Additionally, due to the short duration of the research, this study uses a single sample of companies, namely property and real estate companies, which should examine more than two sectors and compare them before and after the implementation of IFRS. This constraint affects the research findings generated by researchers.

The first is that by extending the research period, it will be possible to determine whether there has been an increase in the entire disclosure of financial statements each year. Second, by examining multiple sectors of the company, the researcher can compare the extent to which the company is still unable to implement international accounting standards, specifically IFRS, entirely.

The implications of this study for the academic field and subsequent research are to develop further other measurements such as liquidity, leverage, foreign share ownership combined with public ownership, and earnings management. For businesses and management, it is hoped that this research will serve as a guide for developing more robust company policies and expanding the scope of the disclosure in annual and financial reports to make them more transparent, understandable, relevant, and contributing. In terms of future research, it is expected to examine multiple industrial sectors in order to generate more comprehensive data that can be compared across sectors.

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