ABSTRACT

Financial reporting irregularities that occur repeatedly raise doubts for information users about the proper financial reporting quality. This study aims to examine the effect of audit committee characteristics and Intellectual Capital disclosure on financial reporting quality and the role of Intellectual Capital disclosure in mediating the relationship between audit committee and financial reporting quality.

This study involved 85 companies in the technology sector listed on the stock exchanges of ASEAN member countries. The observation period is three years (2016-2018). The data were tested using multiple regression and mediation tests on the SPSS program.

The results of the hypothesis test show that almost all hypotheses are accepted. The characteristics of the audit committee and Intellectual Capital disclosure positively affect the financial reporting quality. The characteristics of the audit committee also proved to have a positive effect on Intellectual Capital disclosure. However, the mediation test is not fully confirmed. Intellectual Capital Disclosure is proven to mediate the relationship between audit committee characteristics and value relevance (financial reporting quality). On the other hand, Intellectual Capital disclosure is not proven to mediate the relationship between the characteristics of the audit committee and faithful representation (quality of financial reporting). The control variables of company size and type of country have a positive effect on the financial reporting quality (Value Relevance, Faithful Representation).

Keywords: Audit Committee, Faithful Representation, Intellectual Capital, Value Relevance

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