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REVEALING THE ROLE OF FINANCIAL MANAGEMENT IN THE ANTECEDENT OF AUDIT QUALITY IN THE AUTOMOTIVE SECTOR IN INDONESIA

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ABSTRACT

Audit quality, as an important element to maintain investor trust, is influenced by financial management factors such as financial ratios, intellectual capital, and dividend policy. However, empirical research examining the influence of these factors on audit quality in the Indonesian automotive sector is still limited. This study aims to analyze the relationship between financial ratios, intellectual capital, and dividend policy on audit quality in automotive companies listed on the Indonesia Stock Exchange during the period 2013–2021. Secondary data used include financial information, dividend policy, intellectual capital (measured by the number of employees, level of innovation, and research and development activities), and audit quality based on external auditor assessments. This study uses a quantitative approach with the logistic regression method to test the significant effect of the three variables on audit quality, considering control variables such as company size and operational complexity. The results show that financial ratios, intellectual capital, and dividend policy contribute significantly to audit quality. These findings provide significant implications for investors, capital market authorities, regulators, and company management. For investors, the results of this study can be used as a guide in assessing the audit quality of automotive companies, thus impacting their investment decisions. Meanwhile, for company management, these results are an encouragement to improve the quality of financial reporting. Thus, improvements in corporate governance and oversight mechanisms will contribute to the creation of a more transparent, accountable, integrity-based, and sustainable business environment, which not only improves the company's reputation but also supports the long-term growth of the Indonesian automotive industry in the global market.

INTRODUCTION

Proficiency and understanding are essential to describe the nature of financial reporting and collaboratively ascertain audit quality indicators (Gaynor, Kelton, Mercer, & Yohn, 2016). Since the six years ago, start from academics have analyzed empirical studies on financial management aspects and other antecedent to the audit quality. First study, which looks at the statistical significance of the impact of board members and audit committees as substitutes for the big four audit firms on the audit quality of 121 businesses indexed between 2012 and 2016 on the Indonesia Stock Exchange (IDX) (Suryanto, Thalassinos, & Thalassinos, 2017). Second study, for the twenty-four cement manufacturing businesses indexed in the NSE between 2010 and 2015, the linkage among audit fees and audit quality by Big4 proxies had a statistically significant impact on audit quality (Abdul-Rahman, Benjamin, & Olayinka, 2017). In addition, when evaluating the predictive value of audit quality and audit fees for thirty manufacturing organizations in Amman between 2011 and 2015, tenure with the proxies of the four major audit firms, audit quality, and audit fees are important factors to consider (Warrad, 2018). In addition, a key component in overseas auditing has emerged: the relation among audit quality and proxies of the four major audit firms influenced the evaluation of auditor size and audit fees for 1573 non-financial organizations since 2000 until 2003 in Korea Exchange (Kosdaq) (Lee, Rhee, & Yoon, 2018). The third section, with the firm's value determined by the surplus value proxy of financial and non-financial companies in Amman country correlates significantly with audit quality across the Big Four categories (Yousef Alsmairat, Yusoff, Md Salleh, & Basnan, 2018). An additional consideration is the inter-correlation between audit quality and cost of equity, as measured by four large audit firms as proxies. The cost of equity for the Ghana

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Club (a non-financial company) in Ghana from 2008 to 2013 cannot be ascertained, but this correlation is not statistically significant (Coffie, Bedi, & Amidu, 2018). Moreover, during the emerging market financial crisis from 2009 to 2015, an analysis of the relationship between audit quality and stickiness of audit fees on the Tehran Stock Exchange showed that variables including auditor size, length of service, and industry expertise had little influence from this topic (Salehi, Komeili, & Gah, 2019). From the large consulting practices at the Big4 and audit quality involved 17 highly-experienced audit practitioners had findings that acquisitions of consulting firms have a positive impact on audit quality through the transfer of expertise and when the acquisition is (un) related to the audit. Thus, its role in audit quality really depends on the closeness level of the service relationship acquired with the audit office (Donelson, Ege, Imdieke, & Maksymov, 2020).

Appointment of a Public Accounting Firm (PAF) office designation auditors in an audit engagement are also a special concern for all stakeholders, especially in facing the global market. Corporate governance structure in organizations that represent their interests in appointing auditors whose function is to ensure the quality of reporting with the ultimate goal of optimizing company value can be achieved. Processing analysis and optimization of enterprise value will be important for companies for strategic decision making. The IAASB (2014) previously provided internal audit quality recommendations comparative information about public accounting firms (PAF). PAF's are assessed based on their reputation in the form of Big-4 and other than Big-4 categorizations which were initiated by Linda Elizabeth DeAngelo in (1981) in academic circles, while in the accounting profession they also formulate Public Company Accounting Oversight Board (PCAOB) regarding audit fees for financial reports at the stages of audit implementation. Jere R. Francis (2023) stated that audit in context understands the proportion of markets, institutions, and audit itself to achieve the goals of "Going Big" and "Going Small" which are more specific in the context and the point of view is more localized and situational. Here, the auditor's office plays a role in developing a team-based internal organizational culture and working together on assignments to achieve high and effective audit quality.

The fabrication industry has export value significant raising, from January to November 2021 attained USD 160 billion or put up 76.51 percent of overall domestic in a export activity. The performance of export activity in fabrication industry since January until November in 2021 escalated as 35.36 percent, when compared to January-November 2020, and also can simultaneously maintain the trade balance surplus recorded since May 2020 (Ministry of Industry, Republic of Indonesia, 2021). Based on the phenomenon above, business in the capital market has become more of a choice for the public during the pandemic due to the Government Regulation that enforces the "Pembatasan Sosial Berskala Besar" abbreviated by PSBB. Then, it becomes important to identify decision can be taken from the audit quality in a portfolio of shares, bonds, or from financial ratios such as PBV, MPS ratio, Tobin's Q and other proxies. Almost all academic research in management and accounting agrees to place one or another part of measurement as an influencing or predictive factor.

The objectives of this study include the following: (1) the relationship between financial ratios and audit quality with market value, liquidity, solvency, and profitability; (2) the relationship among intellectual capital and audit quality by category of capital employed; and (3) the linkage for dividend policy and audit quality by DPR proxy. This manufacturing sector is categorized as a heavy industry. In addition, to help the most viable companies compete sustainably and win market share, employee capital value-added must move quickly. Moreover, the Indonesian government has high expectations for the industrial sector to reach one million units by 2025 (PwC Indonesia, 2020), and proven to survive even during the Covid-19 pandemic. This research is different from previous research, where the Big Four public accountants were still used as proxies in the audit quality model. Specific measures related to the employee category of capital—the efficiency of capital employees, or CEE—is used to measure intellectual capital. Dividend policy, which is currently refined by proxy payout ratios, incorporates important elements of financial ratios. In addition, to build a model covering the period 2013–2021, IDX-listed businesses that adopted IFRS (International Financial Reporting Standard) were included in the group of entities affected by the COVID-19 pandemic. This addition resolves some of the shortcomings found in previous studies and validates the antecedent model discussed earlier.

The scientific issue at hand involves assessing how financial ratios, intellectual capital, and dividend policies influence audit quality within the Indonesian manufacturing sector. While previous studies have utilized the Big Four firms as proxies for audit quality, this research introduces new measures such as Capital Employed Efficiency (CEE) to gauge intellectual capital and refines the dividend policy through payout ratios. This approach aims to address gaps in existing research by providing a comprehensive analysis of factors affecting audit quality, particularly in the context of IDX-listed firms impacted by IFRS adoption and the COVID-19 pandemic.

Despite the growing body of research on audit quality, there remains a gap in understanding how specific financial management practices such as financial ratios, intellectual capital, and dividend policies affect audit quality within the Indonesian manufacturing sector. Previous studies have predominantly used Big Four audit firms as proxies and have not fully explored the impact of newer variables or sector specific conditions. This research seeks to fill this gap by examining the relationships between these financial factors and audit quality, providing valuable insights for stakeholders, including investors, regulators, and companies, in making informed decisions and enhancing financial transparency in the post-pandemic economic landscape.

This section provides background on the significance of audit quality in one of country economic landscape with the research focus on the manufacturing sector, which is revealing after Covid-19 situation. It also highlights the research objectives, which are to analyze the relationships between financial ratios, intellectual capital, and dividend policy with audit quality.

LITERATURE REVIEW

Financial Management

Academic and practitioners commonly utilize five core of financial management mensuration to assess stakeholders' performance consists of liquidity aspect, solvency aspect, profitability aspect, and market value aspect.

Liquidity

The current ratios (CR proxy) are significant liquidity measurements that encompass cash, accounts receivable, others receivable, inventories, short-term investment, and marketable securities,. The current debt consists of accounts payable that are entire due within one years.CR is fathomed by compute below:

$$Current\ Ratio\ = \frac{Current\ assets}{Current\ debt}$$

(Brigham & Houston, 2019, hal. 87; Chandra, 2020)

Solvency

Leverage is commonly used solvency ratio that highly favored by researchers. Total debt comprises both present current and debt and long-term debt. This measure is referred to as the debt ratio (DR). Creditors want low debt ratios because they will prospect the fabulous the cover against disadvantage in a liquidation occasion. DR is fathomed by compute below:

$$Debt\ Ratio\ = \frac{Total\ debt}{Total\ assets}$$

The debt-to equity ratio (DER) is key component of the interconnected elements of a firm's capital structure. DER fathomed by compute below:

$$DER\ = \frac{Total\ debt}{Total\ assets}$$

(Brigham & Houston, 2019, hal. 93; Chandra, 2020)

Profitability Ratio's

Operating margin is profitability ratio. The operating margin is the profit generated from sales before deducting interest and taxes, expressed as a percentage of revenue. Operating margin is fathomed by compute below:

$$Operating\ Margin\ = \frac{Operating\ Income}{Revenue\ (Sales)}$$

The total assets' return is indicates the efficiency of generating income by utilizing the availabe assets of an organization. ROA is fathomed by compute below:

$$Return\ on\ Total\ Assets\ (\text{ROA})\ = \frac{Net\ income}{Total\ assets}$$

(Brigham & Houston, 2019, hal. 96; Chandra, 2020)

Market Value Ratio's

The earnings per share (EPS) is a crucial element of market value metric. The EPS is a crucial indicator for assessing an investment by its price, earnings, and market book ratio (Brigham & Houston, 2019, hal. 98; Chandra, 2020). Market value is fathomed by compute below:

$$Market\ Value = Basic\ Earnings\ per\ Share$$

Intellectual Capital

Ante Public implemented a measurement in 2000 to assess the intellectual capital aspects. The value creation process, which includes profit and high share prices, is connected to intangible types of value creation including reputation and investment in human resources. The VAIC™ component is performance appraisements in modern economies that evaluate the firm's key resources effectiveness (Fijałkowska, 2014). This strategy emphasizes the treatment of labor as a valuable entity for creating added-value, which represents the accumulation of wealth over time. Pulic (2008) as cited of Gianpaolo Iazzolino and Domenico Laise (2013) establish multiple standards for value added separated into two categories: Human Capital (HC) and Structural Capital (SC). These components measure of human capital efficiency, often known as ICE (Efficiency of Intellectual Capital) (Kadim, Sunardi, & Husain, 2020).

Dividend Policy

The shareholder's intention to benefit from the business put away the retained earnings from prior years for future periods as outlined by the dividend policy. E.F. Brigham and J.F. Houston policy (2019, hal. 345), stated the flotation costs related to issuing new stock can impact share prices and affect dividend. The dividend policy can influence the stock price and increase predictability regarding shareholders' responses. The dividend policy is primarily determined by the dividend payout ratio (DPR).

The Audit Quality

Audit quality prioritizes input for the mode above PAF reporting by examining specific deficiencies comprehensively (Christensen, Glover, Omer, & Shelley, 2016). Based on the Standar Audit, Number of 2, the audit examines the importance of revealing the identity of the covenant partner on the audit office form to ensure high-quality audit covenant in identifying significant weaknesses in the extent of materiality in internal control within the environment auditees (PCAOB, 2015). Humphrey et al. (2018) adds the major audit offices typically have delegates on the standard-setting board. They possess essential and centralized technical services to comprehend the most recent official practice standards in audit plans and procedures to monitor audit quality auditee compliance, and corporate governance mechanisms. The audit office reputation or PAF is essential for ensuring high audit quality. PAF enhances the reliability of financial statements in accordance with the International Standards on Auditing (Coffie, Bedi, & Amidu, 2018). Regarding IPO companies listed on the IDX. Audit quality is measured by comparing a PAF between Big-*4* and other categories, and there is no significant discrepancy in the yields of log natural fee audits (LNFE) (Husain & Syniuta, 2020).

Empirical Reviews

Academics continue to utilize certain financial ratios to analyze stakeholders' disclosed information and the firm's performance, including factors that determine audit quality. Previous study indicates that liquidity components of financial ratios are positively associated with audit quality and the likelihood of receiving an audit qualification (Moalla, 2017), However, discrepancies in the liquidity ratio do not have a substantial impact on the audit conclusion (Rudkhani & Jabbari, 2013). Utilize financial ratio components from previous studies to investigate the absence of a connection between debt ratio and auditor opinions (Rudkhani & Jabbari, 2013), then positive leverage is associated with audit quality as indicated by the audit fee proxy (Bantie, 2017), and also towards altering the audit report (Moalla, 2017). On the other hand, leverage does not provide a substantial means to assess audit quality. (Suryanto, Thalassinos, & Thalassinos, 2017; Abdul-Rahman, Benjamin, & Olayinka, 2017; Ilechukwu, 2017; Lee, Rhee, & Yoon, 2018). Previous research suggests that financial ratios can indicate profitability by showing a decrease in current year losses, which may lead to a qualified audit report. (Moalla, 2017). Moreover, ROA proxy has important consequences for audit quality. (Rudkhani & Jabbari, 2013; Suryanto, Thalassinos, & Thalassinos, 2017; Warrad, 2018), The findings suggest that profitability indicators such as ROA and ROE proxies do not have a substantial impact on audit quality when they are not aligned (Bantie, 2017; Ilechukwu, 2017; Lee, Rhee, & Yoon, 2018). Financial ratios are influenced by market value components, as indicated by earlier studies, with a focus on how earnings per share relate to the certified audit report (Rudkhani & Jabbari, 2013). The research gap will be identified through the initial components of the alternative hypothesis as follows:

H_1: *Suggests that Audit Quality Antecedents are influenced by Liquidity Ratios*
H_2a: *States that Audit Quality Antecedents are determined by Solvency, specifically using Debt Ratios.*
H_2b: *States that Audit Quality Antecedents are determined by Solvency, specifically using Debt-to-Equity Ratios.*
H_3a: *Suggests that Audit Quality Antecedents are linked to Profitability, specifically using Operating Margin.*
H_3b: *Specifies that Audit Quality Antecedents are determined based on Profitability, using Return on Assets.*
H_4: *Suggests that Audit Quality Antecedents are determined based on Market Value Ratios*

Intellectual measurement has various methods and can be used to evaluate financial and commercial performance. Provide several formulas to assess the clarity of financial statements based on the VAIT^{TM} proxy from Pulic (2008) (Fijałkowska, 2014). Some research has provided evidence that intellectual capital is positively associated with audit quality, specifically in terms of human capital, structural capital, and relational capital dimensions (Abdul-Rahman, Benjamin, & Olayinka, 2017; Peprah, 2019). Human capital and organizational capital are distinct components that to crucial for achieving optimal company performance. Additionally, there is a significant impact on the quality of the audit (Albertini, et al., 2019), Then, assess it for audit quality to provide stakeholders with information (Chao, Abdullah, & Idris, 2020). Intellectual capital with *employed capital efficiency* (ECE) in (Tarighi, Salehi, Moradi, & Zimon, 2022) findings has strong positively affect the audit quality with audit costs proxy. The research will examine how the dividend policy relates to the audit quality antecedents, specifically through the proxy 'dividend payout ratio' (DPR) as a significant element influencing how auditors assess a firm's performance, which (Bakri, 2021) findings that audit quality is an intercession about dividends an firm's value even though the direct affect has a negatively. This research will formulate the second portion of the alternative hypothesis as follows:

H_5: *Audit Quality Antecedents are linked to Capital Employee Efficiency (CEE)*
H_6: *Suggests that Audit Quality Antecedents are influenced by Dividend Policy*

Research Model Proposed

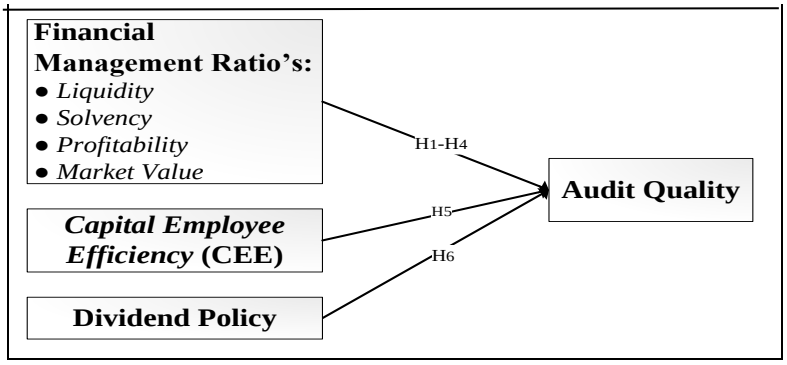

Figure 1. Framework Model Research

MATERIALS AND METHODS

Research Design and (Subject) Characteristics

This study used a causal-comparative design, which is a quantitative approach based on an intermediate model. This kind of design requires the determination of causal relationships with respect to certain elements (Salkind, 2010, hal. 124). The study covered the period from 2013 to 2021. The focus of this research is a sector consisting of thirteen automotive subsector manufacturing organizations indexed by the Indonesia Stock Exchange. Documentation strategies are derived from secondary data. Data is collected through the Indonesia Stock Exchange (IDX).

Measures and Covariates

Here is how variables are measured and calculated:

Table 1. Variable Measurement

Variable Name	Dimension	Symbol Abbreviation	Interpretation	
			Measurement (Proxies)	Sign
Financial Ratio's	Liquidity	CR	$\frac{Current\ Assets}{Current\ Debt}$	+/-
	Solvency	DR	$\frac{Total\ Debt}{Total\ Assets}$	-/+
		DER	$\frac{Total\ Debt}{Total\ Capital}$	-/+
	Profitability	OM	$\frac{Operating\ Income}{Sales}$	+/-
		ROA	$\frac{Net\ Income\ after\ Tax}{Total\ Assets}$	+/-
	Market Value	EPS	Basic Earnings per Share	+/-
Intellectual Capital	Capital Employee Efficiency	CEE	$\frac{Value-Added}{Capital\ Employed}$	+/-
Dividend Policy	Dividend Payout Ratio	DPR	$\frac{Dividend}{Net\ Income}$	+/-
Audit Quality	The Size of PAF	AQ	If the enterprise is audited by PAF Big-4 category "1" or another categorize "0"	+/-

Source: Based on the study above, and (Brigham & Houston, 2019; Chandra, 2020) literature

Sampling Procedures

This study used the purposive sample technique, using benchmarks as described below: (1) from 2013 to 2021, automotive and component subsector manufacturing companies continuously published annual reports. (2) From then on, businesses using foreign currencies will use the reporting currency translated into BI's middle rate. Thirteen companies were designated as preliminary samples. Based on the specified criteria, thirteen organizations can be considered as a sample size for the number of enterprises. Due to initial public offerings (IPOs) in 2015, two companies were subsequently omitted from annual reports through 2021. Eleven companies became the final sample of this study.(BEI, 2020; Kayo, 2020).

This investigation begins with descriptive statistical analysis, followed by classical assumption testing, logistic regression analysis, and model evaluation, which ultimately culminates in hypothesis testing.

$$\ln\frac{\mathrm{AQ}}{1-\mathrm{AQ}}: \beta 0\ \alpha + \beta 1\mathrm{CR} + \beta 2\mathrm{DR} + \beta 3\mathrm{DER} + \beta 4\mathrm{OM} + \beta 5\mathrm{ROA} + \beta 6\mathrm{EPS} + \beta 7\mathrm{CEE} + \beta 8\mathrm{DPR} + e \ldots (1)$$

Data Analyze

The result of the regression is represented by a coefficient corresponding to the independent variable (Ghozali & Ratmono, 2017, hal. 46). This methodology examines logistic regression approaches. An understanding of logistic regression will

allow one to easily understand this approach, which does not require general assumptions such as normality test requirements (Santosa, 2020, hal. 69). STATA software, which seems to have its own advantages that can be leveraged for specific testing strategies or methodologies, is used for data analysis.

RESULTS

Statistics and Data Analysis

The descriptive results are as follows:

Table 2. Descriptive Statistics

Variable (Abbr.)	χ Count	Minimum Amount	Maximum Amount	Std. Deviation Count
CR	2.184289	0.0654	13.0420	1.9863543
DR	0.434115	0.0665	0.8920	0.2018604
DER	1.075869	0.0713	8.2600	1.0988817
OM	0.091817	-0.4686	1.8269	0.1958733
ROA	0.046768	-0.1340	0.7160	0.0957881
EPS	50.652361	-4138.5	1807.0	607.57671
CEE	1.280451	-1.5376	19.5214	3.0446369
DPR	0.240969	0	1.1170	0.2873186
AQ	0.73	0	1	0.448
Observation Data = 99				

Source: Author's calculations of the program (2023)

Descriptive data, including the calculations of standard deviation, minimum, maximum, and mean for a sample of 99 observations, are summarized in Table 2. Furthermore, the dummy variable assumes an audit quality (AQ) of 48.8%, meaning that the Big 4 KAPs audit most companies. The current ratio (CR) is 2.184289%, with a standard deviation of 1.9863543 and a range of approximately -0.654 to 13.0420. The results showed that typical liquidity proxies have a high deviation score. The average liquidity proxy research result has a high deviation score. Together with the mean values of 0.4395 and 1.0975 and standard deviations of 0.1956 and 0.1500, the lowest and highest values of debt ratio (DR) and debt to equity ratio (DER) varied from 0.0665-0.0713 to reach 0.892 and 8.26. Based on these two findings, the average value of solvency shows a very low deviation value for the DER proxy and a negligible deviation value for the DR proxy, with an average value of 10.50 percent, a variance of 4.82 percent, 0.2191, and 0.1041 percent. The lowest and largest range of values for operating margin (OM) and return on assets (ROA) was -46.86 percent to -13.40 percent, respectively, at 1.83 teams and 71.60 percent, with average values of 10.50 percent, variances of 4.82 percent, 0.2191, and 0.1041 percent. The lowest and largest range of values for operating margin (OM) and return on assets (ROA) were -46.86 percent to -13.40 percent for 1.83 teams and 71.60 percent, respectively. Given that the value of these proxies all exceeds one, both values provide evidence that the average profitability ratio has a high deviation value. Both results show that the average profitability ratio has a high deviation, meaning that all those proxies have more than one value. The lowest and highest market value (EPS) was between negative 4138.5 and 1807 base price per share, with an average value of 19.5955 and a standard deviation of 668.5507. These results show that there is considerable variation in the average value of the market value ratio.

With an average value of 95.14 percent and a standard deviation of 1.69 points, the CEE proxy for intellectual capital shows a value range of -0.1650 to 11.7198. These results suggest that a very high deviation value for the average value of intellectual capital is generated by human capital strategies. With an average value of 20.99 percent and a standard deviation of 24.47 percent, the DPR's dividend policy proxy has a range of lowest and highest values from zero to 0.8154. According to DPR proxies, there is a marked variation in the average value of dividend policies, as indicated by the score.

Evaluation of Classical Assumption Testing

This study only takes into account the traditional assumptions of multicollinearity and heteroscedasticity when evaluating audit quality antecedents using regression models.

Table 3. Multicollinearity Test Summary

Variable	Antecedent AQ	
	Score VIF	Requirement
CR	2.40	< 10
DR	7.75	
DER	4.21	
OM	5.37	
ROA	5.98	
EPS	1.54	
CEE	1.13	
DPR	1.51	

Source: Author's calculations of the program (2023)

Table 3 illustrates that the antecedent VIF value for each factor is less than 10 points. The probability of multicollinearity among independent variables is indirectly not taken into account by regression models. Furthermore, the appropriateness of the values of the dependent variables was evaluated using the Breusch-Pagan approach in this

heteroscedasticity test.

Table 4. Heteroscedasticity Test Summary

Variable Matching Values from	Audit Quality Antecedents		
	Chi2(1)	Probability	Requirement
Score	1.90	0.1675	> 0.05

Source: Author's calculations of the program (2023)

Based on the data shown in Table 4, the antecedent chi-square value for components with a probability greater than 0.05 is 0.1675. It seems that regression models are not significantly affected by heteroscedasticity. Having a low bias and meeting the above criteria, the two classical assumption test results are considered the most optimal unbiased linear estimator (BLUE).(Santosa, 2020, hal. 41). As a result, further hypothesis testing can be carried out.

Assessment of Compliant Models

This study uses regression models to evaluate audit quality antecedents by exclusively considering the classical assumptions of multicollinearity and heteroscedasticity.

Table 5. Assessment Model Summary

Match test (Observation = **)	Logistics model for AQ			
	Number of covariate patterns	Pearson chi2 (90)	c(1)	Requirement
Score	99	38.50	0.9999	> 0.05

Source: Author's calculations of the program (2023)

Table 5 shows that the chi^2 value of the GOF test has a higher probability of 0.05, or 0.9999. Implicitly, regression models are categorized as "close-fit" because antecedents of audit quality are involved.

Hypothesis Testing

To determine the extent to which each independent variable in the audit quality precursor affects the other variables, the evaluation of the coefficient of determination (R^2) is the first step in the hypothesis testing procedure.

Table 6. R Square Test Summary

	Pseudo R2 Score
Audit Quality	0.6550

Source: Author's calculations of the program (2023)

Table 6 shows an R^2 value of 0.6550 for the pseudo-yield forecast model. These findings indicate that 65.5 percent of the audit quality antecedents in the regression model can be attributed to financial management ratios, intellectual capital, and dividend policy. On the other hand, specific factors missed in the study related to the suggested model impacted 34.5 percent of residuals. The R^2 test summary shows that financial ratios (liquidity, solvency, profitability, and market value), intellectual capital (efficiency of capital employed), and dividend policy all achieve an outstanding R^2 rating.

Table 7. F-Test Summary

Model	Valuation
	Prob. > chi2
Df	8
Log likelihood	-20.011741
Sig.	0.000

Source: Author's calculations of the program (2023)

Table 7 shows a the F test used to simultaneously predict audit quality as an antecedent yields a significance level of less than 0.05, as shown by the results in Table 7. (0.000, H_0 rejected). As a result, it can be concluded that the following factors—dividend policy, financial ratios (liquidity, solvency, profitability, and market value), and intellectual capital (employee efficiency)—affect audit quality simultaneously.

Table 8. t-Test Summary

Independent Variables	Logistic Regression		
	Coefficient (β)	Sig. Probabilitas	Hypothesis Statement
CR	-0.466155	0.547	H_1 Rejected
DR	41.02569	0.002	H_{2a}Accepted
DER	-4.389462	0.003	H_{2b}Accepted
OM	-49.04241	0.007	H_{3a}Accepted
ROA	99.6512	0.002	H_{3b}Accepted

EPS	0.0001806	0.828	H_4 Rejected
CEE	-0.5117437	0.014	H_5Accepted
DPR	6.890094	0.014	H_6Accepted

Source: Author's calculations of the program (2023)

DISCUSSIONS

Only the elements liquidity (CR proxy) and market value (EPS proxy)—both financial ratios—do not reach significance levels higher than 0.05, based on logistic regression results that predict audit quality antecedents based on empirical data shown in Table 8. (i.e., 0.547 and 0.828; H_1 is rejected and H_4 is considered insignificant). The remaining antecedents of audit quality—solvency assessed by DR and DER proxies, profitability measured by OM and ROA proxies, and financial ratios—all simultaneously yield significant values below 0.05, notably 0.002, 0.003, 0.007, and 0.002 (H_2 and H_3 are acceptable). Rather than determining the causes of audit quality, the PAF Big 4 category in the study looked at market value and liquidity as financial metrics. According to these findings, which support previous research, the current ratio has little or no effect on audit quality (Rudkhani & Jabbari, 2013). An unqualified opinion supports the quality of the audit, even if the viewpoint is opposite to the issue of liquidity (Moalla, 2017).

The PAF, regulators, third parties, and other stakeholders, among others, have determined the antecedents of audit quality. This antecedent recognizes, among other things, that a company's ability to execute soon-to-date debt, derived from ownership of current assets, is not the only constraint; solvency and profitability factors ultimately determine the survival status of the company, which in turn determines the antecedent of the audit opinion provided by the PAF. The claims stated in several previous studies viz Mesafint Melkie Bantie; Hanen Moalla; Tulus Suryanto *et al*; Onaolapo Adekunle Abdul-Rahman *et al.*; Ilechukwu (2017); Lee et al. (2018) that there is a significant degree of impact and influence in the relationship between audit quality, audit fees, and audit opinion proxies are validated by the results of this study. The findings also support claims made in several previous studies that audit quality prioritization is a good indicator of profitability and significantly affects the current year's proxy of losses (Moalla, 2017) (Rudkhani & Jabbari, 2013; Suryanto, et.al, 2017; Warrad, 2018), but the writer disagrees with the idea of small influence (Bantie, 2017; Ilechukwu, 2017; Lee, et.al, 2018).

Audit quality assessment does not take into account the market value of EPS proxies. Rather than relying solely on conclusions derived from earnings per share, the PAF also considers external factors such as stock exchange market share trends and accounting policies and procedures. A quality audit report should support these factors (Rudkhani & Jabbari, 2013). Meanwhile, accounting firms use proxies for solvency and profitability in their initial surveys to determine the client's business type. This will serve as a leading indicator of management's performance as its agency gears up for the highest level of performance, which is the category of unaltered independent auditors' reports.

Results from empirical data show that significant results above 0.05, specifically 0.014 and 0.014, have been achieved by intellectual capital (represented by CEE proxies) and dividend policies (represented by DPR proxies) (H_5 and H_6 received). The study looked at the relationship between intellectual capital and Big 4 PAF group dividend policies and audit quality antecedents. The study's findings offer additional support for other studies that have found favorable relationships between intellectual capital and audit quality in the domains of rational, structural, and human capital Onaolapo Adekunle Abdul-Rahman *et al.* (2017) and Williams Kwasi Peprah (2019). Then, by *employed capital efficiency* (ECE) proxy in (Tarighi, Salehi, Moradi, & Zimon, 2022) findings has strong positively affect the audit quality with audit costs proxy. The study looked at how intellectual capital is valued, and the only factor limiting the efficiency of capital employees is the human capital indicator (structural and relational capital value added are excluded). There are times when the model seems to have nothing to do with the auditing industry. On the other hand, management can use VAIC^{TM} measurements to determine how well the company is using its resources in a tactical business environment. It is a trustworthy instrument for performance evaluation (Fijałkowska, 2014). Therefore, current knowledge of human capital suggests that elements in the internal setting continue to exhibit observable fluctuations and boundary classifications. So that capital employee efficiency (CEE) is not emphasized on the part of intangible assets in the presentation or disclosure of financial statements, especially capital and structural capital.

Audit quality is predicted by dividend policy. But, there is no support in prior study by (Bakri, 2021), that audit quality is an intercession about dividends an firm’s value even though the direct affect has a negatively. Public accounting firms ensure that companies' dividend policy mechanisms are in line with their own mandates and regulatory mandates. This is because the allocation of cash and equity dividends to shareholders can only be determined by the payout ratio.

CONCLUSIONS

This study identifies and analyzes the main components that affect audit quality with a focus on profitability and solvency ratios as key factors. The study findings show that profitability ratios such as operating profit margin and return on assets, as well as solvency ratios such as debt to equity ratio, constitute 65% of the antecedent components in audit quality. The use of DPR proxy for dividend policy and CEE proxy for intellectual capital have a significant impact on relevant audit quality. However, the existing data is insufficient from financial ratios based on market value and liquidity to provide an accurate estimate of audit quality. The unique contribution of this study is the emphasis on the importance of DPR and CEE proxies in evaluating audit quality, as well as the emphasis on the need for intellectual capital evaluation with a more comprehensive measurement, such as VAITTM. This study also highlights that financial parameters, especially liquidity and market value, should not be the main basis for investment decisions, especially in the automotive subsector listed on the Indonesia Stock Exchange. This study suggests that existing audit quality models should be updated to include a more in-depth evaluation of intellectual capital and dividend policy. These theoretical implications emphasize the need to develop

a more comprehensive theory on the influence of non-financial components on audit quality. Investment Decisions Investors should consider factors such as solvency and profitability in their investment decisions, rather than relying solely on liquidity and market value parameters. This is important to get a more complete picture of audit quality and company performance. Limitations in data availability from the Indonesia Stock Exchange and the time of the study may limit the generalizability of the findings. This study is primarily based on data from the automotive sector listed on the IDX, which may not reflect other sectors or global market conditions. Future research should include data from different sectors and geographic regions to increase the generalizability of the results. Conducting longitudinal studies to analyze changes in financial ratios, intellectual capital, and dividend policy over time can provide insights into the long-term impact on audit quality. Future research can explore the development of alternative or additional proxies for dividend policy and intellectual capital, as well as other metrics relevant to audit quality. Incorporate additional metrics such as corporate governance, earnings quality, and ESG factors into the study to provide a more holistic view of audit quality. Conduct a comparative study between firms using Big Four and non-Big four auditors to understand the differences in audit quality and audit practices. By addressing these limitations and exploring these suggestions, future research can provide a deeper and more applicable understanding of the factors that influence audit quality.

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