

Value Relevance, Auditor Report, and Auditor Size – Indonesian Evidence

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ABSTRACT

This research aims to obtain empirical evidence on the impact of auditor reports or auditor opinions (AO) and auditor size (AS) on the value relevance of accounting information, which is book value per share (BVS) and earnings per share (EPS). Value relevance is calculated using the Feltham and Ohlson model that connects accounting figures (book value and earnings) and market value. This study uses a sample of public companies of all sectors of 466 companies for five years, 2016 – 2020, and obtains evidence that audit opinions positively affect the value relevance of accounting information, both book value per share and earnings per share. The auditor size proxied using the audit firm's size also positively affects the relevance of the value of accounting information. The results of this study have implications mainly for audit firms to increase their capacity and reputation, for companies to choose an audit firm that can increase the relevance of accounting information and strengthen compliance with accounting standards, and for investors in choosing the shares of the issuer to be purchased.

Keywords: value relevance, auditor opinion, auditor size.

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1. INTRODUCTION

This study examines the impact of audit reports and auditor size on the value relevance of accounting information. This study is motivated by various events affecting accounting and financial reporting practices. One of the central issues of recent accounting-based capital market research is the value relevance of accounting information. Value relevance is the ability of financial information to gather or summarize information that affects the value of stocks (Francis & Schipper., 1999). Accounting numbers are empirically relevant when such balance sheet ratios are related to stock market values and provide increased inference power in predicting market values (Barth et al., 2001). Accounting numbers or profit is closely related to the company's valuation, represented by stock prices (Palupi, 2023). Quality profit information will affect the shareholder's decisions making (Fraditya & Purwaningsih, 2023)

The primary purpose of financial reporting is to prepare financial information on which users of financial statements can base their decisions. To have useful attribution, it must accurately and fairly describe the company's financial condition, financial

performance, changes in capital, and cash flows. One of the threats to generating useful information is information asymmetry. One attempt to reduce the occurrence of information asymmetries is to involve auditors who ensure the accuracy and validity of submitted information (Abdollahi et al., 2020). Auditors provide an objective, independent and credible opinion on the accuracy of accounting information regarding a company's financial condition and performance (Hakim & Omri, 2010; Hope et al., 2012). Opinions are presented in reports that serve as a communication medium between the company and users of financial information (Ittonen, 2012). Audit reports also provide additional benefits for investor decision-making. Financial scandals, errors, and fraud in financial reporting in the late 20th century brought the auditor's role in ensuring the quality of information communicated to financial markets to the attention of stakeholders (Hakim & Omri, 2010).

The value relevance of accounting information can serve as a tool for predicting future accounting information (Maigoshi et al., 2018). The main purpose of financial reporting is to provide users, especially investors, and creditors, with reliable information so that they can make decisions. Relevant and reliable information is therefore important. This information can influence individual financial decisions and lead to more logical and worthwhile decisions. The presence of information asymmetries leads investors to demand audit reports. The auditor is an independent, professional, and focused auditor with a particular focus on preparing financial statements that demonstrate financial condition and performance based on applicable accounting standards so that the financial statements significantly impact stock returns.

In an efficient financial market, potential investors will insistently look for companies with a financial position capable of describing higher returns with minimum risk. Nonetheless, investors who have successfully selected shares of companies with high return prospects may still face some risks, such as conflicts of interest between investors and managers arising from information asymmetry (Abdollahi et al., 2020). Minimizing the asymmetry of information requires the involvement of third parties in producing financial statements. The third party is an external auditor who will provide audit services by producing an audit report to support investors' and potential investors' decisions (Arens et al., 2012). The audit report should be suitable for the user as a source of relevant information. It can also act as a communication instrument between the users of financial information and the auditor.

Value relevance is a key issue for investors and potential investors. Several studies in developed and developing countries are of great concern to scholars. Previous research has shown that determinants of the value relevance of accounting information include revenue management, free cash flow, financial disclosure, integrated reporting, adoption of IFRS, the concentration of ownership and firm size, and corporate governance. (Habib, 2004; Fuad Rahman & Mohd-Saleh, 2008; Krismiaji & Kusumadewi, 2019; Shamki & Rahman, 2013; Tlili et al., 2019; Isaboke & Chen, 2019; Krismiaji et al., 2019; Krismiaji & Surifah, 2020; Tshipa et al., 2018).

Furthermore, the quality of audits is also very important as it influences investor decision-making (Robu & Robu, 2015). Therefore, analyzing the impact of audit quality on the value relevance of accounting information is of interest to managers, financial analysts, investors, and other users. This analysis was performed using various elements of audit (Boone et al., 2010; Ittonen, 2012). Previous research has shown that the type of audit report and the size of the auditor are the dominant factors influencing investor decision-making (Robu & Robu, 2015).

This research contributes to and fills the gap in the literature by enriching factors that determine value relevance which is auditor opinion and auditor size. This manuscript is compiled with the following systematics. After explaining the background of the research, the second part outlines the literature review and hypothesis development. The third part describes the research method, the fourth part outlines the hypothesis test results and discussion, and the final part outlines the conclusions.

2. LITERATURE REVIEW AND HYPOTHESIS

2.1. Literature Review

The characteristics of information in financial statements can affect a company's stock price or stock returns and the decision-making process by investors. This characteristic is known as value relevance (Ebaid, 2011). The impact of the financial performance is revealed in the share price or stock return. When there is a decrease in performance, the relevance of information also decreases (Francis & Schipper, 1999).

The relevance of information about auditors and audit reports confirms the need for audit services. Francis & Schipper (1999) state that the value of information is relevant if the information can be used to evaluate the company's future value and forecast the coming year's return. Therefore, information is relevant if it can be used to project dividends and future cash flows. This statement also implies that relevant accounting information can assist investors in determining stock prices (Francis & Schipper, 1999). Efficient capital market assumptions pave the way for examining whether investors use such information in their decision-making.

If the stock market shows a significant response to the disclosure of information, then accounting information is considered relevant. Auditors can play a role in improving the information relevance and, in turn, can decrease investment risks. Previous studies have examined the impact of audit quality on the relevance of accounting information. Boone et al. (2010) and Francis & Schipper (1999) relate audit quality to the usefulness of accounting information, and their results show that audits add value to accounting information.

Audit practices are an integral part of corporate governance accountability mechanisms. Accountability is considered adequate when accounting information meets the requirements of accounting standards and is audited by external and independent auditors (Salehi & Dehnavi, 2018). Audit results are provided in the form of audit reports. This includes the auditor's opinion on the financial statements that reflect the audited entity's financial information quality. Stakeholders use this opinion to predict the company's prospects and use it as a measure of audit quality (Craswell et al., 2002).

Other reasons for requiring assurance services include the existence of asymmetries between information producers and users, conflicts of interest among information users, the complexity of commercial transactions, and the need for such information for decision-making by investors (Arens et al., 2012). The audit service has two important functions, (1) reviewing information to obtain evidence and reporting information gaps; and (2) ensuring the reliability of the financial information reported (Mansi et al., 2004). Assurance of the reliability of financial information is also influenced by the reputation of auditors, usually owned by large accounting firms (Skinner & Srinivasan, 2012). Therefore, investors want their financial statements audited by major accounting firms. In addition to the auditor's reputation, audit quality is also influenced by other factors, namely the auditor's competence and independence (Abdollahi et al., 2020), the auditor's experience (Mukhtarudin et al., 2022), and the

auditor's reputation (Puspitaningsih & Syafira, 2021). Therefore, this study also used auditor's opinion proxies and auditor's metrics to examine their impact on the value relevance of accounting information

2.2. Hypothesis Development

2.2.1. The auditor's report and the accounting information value relevance

The audit opinion disclosed in the report has an essential effect on the stock market. It can significantly affect stock prices (Ittonen, 2012). The information in the audit report may affect the prediction of future cash flows and the associated risks. This information can also be used to predict the company's ability to continue its future activities so that there is a certainty of the presence or absence of the principle of *going concerned* (Ittonen, 2012). The type of audit report can also affect the stock price of the audited company because the audit report is reliably supported by audit evidence, and the information investors receive about the financial statements is more convincing (Dodd et al., 1984). Furthermore, the nature of the opinions produced by auditors can affect investor confidence (Dopuch et al., 1986).

Previous research has shown that high-quality consolidated financial statement auditors improve a company's information environment. Dhaliwal et al. (2016) found consistent evidence that the presence of auditors auditing the acquirer companies and the target companies facilitates the flow of information from the target companies to the acquirer companies. (Bae et al., 2017) also found that industry-specialized accountants provide useful industry-level information to their clients. Two studies show that high-quality financial statement auditors can help improve the quality of information presented to executives about a company's competitors, industry trends, and potential acquisition targets. Audit reports should therefore be objective, understandable, and acceptable to users as a relevant source of information (Abdollahi et al., 2020).

The relevance of the information in the audit report is reflected in the decisions made by investors (Al-Thuneibat et al., 2008). According to Robu & Robu (2015), there are three reasons why auditor reports can affect stock market prices: (1) audit reports contain information that affects future cash flow risk estimates. The information will ultimately influence the decisions made by investors, (2) the audit report contains information about the operation stability of the company, and (3) the auditor's report contains information that can psychologically influence the investor's decision in assessing the company's stock price. Research conducted by Abdollahi et al. (2020) supports this argument by generating the finding that the auditor's report is positively and significantly correlated with two indicators of the relevance of accounting information, namely earnings per share and book value per share.

The relevance of information in audit reports is reflected in investors' decisions (Al-Thuneibat et al., 2008). Robu & Robu (2015) have three reasons why audit reports affect stock market prices. First, Auditor's report contains information affecting future cash flow risk estimates. This information ultimately influences investor decisions. Second, the audit report contains information about the company's operational stability. Third, the auditor's report contains information that may psychologically influence an investor's decision to value a company's stock price. Abdollahi et al. (2020) find that audit reports are positively and significantly correlated with the two indicators of accounting information relevance: earnings per share and book value per share. supports this inference.

Another study by Ibanichuka & Briggs (2018) found that audit reports positively impact the value relevance of accounting information. Also, Robu & Robu (2015) found

that information in audit reports significantly influences stock prices. Banimahd et al. (2013) found that the value relevance of information generated by government auditors is higher than that of firm information audited by private auditors. However, Pratiwi (2022) found that audit opinion is positively and significantly correlated with his two indicators of information relevance value, earnings per share and book value per share. This opposite result was noted by Nugrahani & Ruhayat (2018), who reported that the audit report had no impact on stock prices. However, since most of the previous studies have shown a positive relationship, we hypothesized the following:

- H1. Auditor opinion positively affects the value relevance of book value per share.
- H2. Auditor opinion positively affects the value relevance of earnings per share.

2.2.2. The auditor size and the value relevance of accounting information.

Previous studies have classified audit firms into large and small. Large ones are usually represented by members of the Big Four, while non-Big Four members represent small ones. Deangelo (1981) argued that large audit firms tended not to exhibit opportunistic's behavior and that audit reports were of high quality. The same was also done by Cheng et al. (2009) and Lawrence et al. (2011), which proved that audit quality is also relatively high because large-scale auditors have staff training programs and provide high-quality services. Audit reports produced by auditors are more neutral, integrated, and error-free than those produced by auditors outside the Big Four (Lee & Lee, 2013). From an assurance quality perspective, audit reports from the Big 4 and non-Big 4 auditors should have the same impact on financial markets, as their audit objectives are comparable. This similar effect is due to using the same auditing standards and professional guidelines. However, because their income is already high, large auditors are generally less dependent on their clients and can withstand client pressure to provide their opinions the way they want.

To maintain their reputation and competence, large reputable accounting firms constantly strive to protect their brand by investing in training and auditing technology. The costs that large audit firms face when they lose their reputation motivate them to offer and provide quality audit services that match their reputation and brand (Ittonen, 2012). Audit reports issued by leading auditors should provide fairer and more accurate information to assist investors in deciding stock market prices. Therefore, if the company's goal is to increase its stock price, it must appoint respected and well-known key auditors who can influence investor decisions and the stock price (Robu & Robu, 2015).

Research conducted by Abdollahi et al. (2020) supports this argument by finding that the auditor's size is positively and significantly related to earnings per share and book value per share. These findings confirm the findings of a previous study conducted by Hidayat (2012), which investigated Indonesian public companies and found that the value relevance of the fair value increased when the Big Four audit firms audited the financial statements. His finding is supported by Solikha & Mardijuwono (2020), who report that audit quality, which is proxied by Big-4 auditors, has a positive relationship to earnings and equity book value relevance. Another study by Abdul-Manaf et al. (2016) found that the earnings of companies audited by Big-4 auditors have a better value relevance than those of non-Big-4 auditors. Meanwhile, research by Lee & Lee (2013) reported that the earnings and book value of equity audited by Big Four auditors explained more variations in stock returns than the earnings and book value of company equity audited by non-Big Four auditors. Based on the previous study, the researcher predicts that the auditor's size

positively affects the relevance of the value of accounting information, so the research hypothesis is formulated as follows.

Abdullahi et al. (2020) support this argument by finding that the auditor's size is positively and significantly related to earnings per share and book value per share. These results confirm the findings of an earlier study by Hidayat (2012), which examined listed companies in Indonesia and found that the value relevance of fair value increases when the Big 4 accounting firms audit financial statements. His findings are supported by Solikha & Mardijuwono (2020), who report that audit quality endorsed by the Big 4 auditors is positively correlated with the value relevance of earnings and book value. Another study by Abdul-Manaf et al. (2016) found that the earnings of firms audited by the Big 4 auditors were more value-relevant than those of non-Big 4 auditors. On the other hand, a study by Lee & Lee (2013) found that the earnings and book values of equity audited by the Big 4 auditors were higher than those of non-Big 4 auditors. Based on previous research, researchers predict that auditor size positively affects the relevance of accounting information value, so the research hypothesis is formulated as follows:

H3. Auditor size positively affects the value relevance of book value per share.

H4. Auditor size positively affects the value relevance of earnings per share.

3. METHOD

3.1. Population and Sample

This study used a population of public companies listed on the Indonesia Stock Exchange. The selection of samples was carried out using the following criteria: (1) the company is a public company listed on the Indonesia Stock Exchange from 2016 to 2020, and (2) the company has complete data.

3.2. Data

Data were obtained from the company's website and the Indonesia Stock Exchange database. This research adopted a relevance model initiated by Feltham & Ohlson (1995) to test the hypothesis. This model connects the accounting figures (book value and earnings) and the market value of the firm (measured by the share price of the company) in the following equation (1)

$$3.1. \quad \text{Model} \quad MV_{jt} = B_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \varepsilon_{jt} \quad (1)$$

Specification and Analytical Technique

Based on the relevance model in equation (1), this research predicts the effect of information disclosed in the audit report (audit opinion and auditor size) by intersecting the audit opinion and auditor size with the book value per share (BVS) and earnings per share (EPS) in the regression equations (2) and (3) as follows.

$$MV_{jt} = \beta_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AO_{jt} + \beta_4 BVS_{jt} * AO_{jt} + \beta_5 EPS_{jt} * AO_{jt} + \beta_6 SIZE_{jt} + \beta_7 LOSS_{jt} + \varepsilon_{jt} \quad (2)$$

$$MV_{jt} = \beta_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AS_{jt} + \beta_4 BVS_{jt} * AS_{jt} + \beta_5 EPS_{jt} * AS_{jt} + \beta_6 SIZE_{jt} + \beta_7 LOSS_{jt} + \varepsilon_{jt} \quad (3)$$

MV_{jt} is the market value of company j in year t , β_0 is an intercept, whereas BV_{jt} is the book value per share for company j in year t . E_{jt} is earnings per share for company j in

year t , and AO_{jt} is auditor opinion for company j in year t . AS_{jt} is auditor size for company j in year t , and $SIZE_{jt}$ is the size of the company for company j in year t . $LOSS_{jt}$ is the company's loss for company j in year t , and ε_{jt} is residual. This research model was estimated using panel data techniques. To confirm the regression results in equations (2) and (3), the researcher combined the two equations into the following equations.

$$MV_{jt} = B_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AO_{jt} + \beta_4 AS_{jt} + \beta_5 BVS_{jt} * AO_{jt} + \beta_6 EPS_{jt} * AO_{jt} + \beta_7 BVS_{jt} * AS_{jt} + \beta_8 EPS_{jt} * AS_{jt} + \beta_{11} SIZE_{jt} + \beta_{12} LOSS_{jt} + \varepsilon_{jt} \quad (4)$$

4. RESULTS AND DISCUSSION

4.1 Univariate Analysis

Based on the sampling process described above, this study obtained data from 466 companies from 2016 to 2020, so 2,330 company-year observations were obtained. Table 1 presents descriptive statistics of sample data. The results show that all variables used in the scoring model have a reasonable degree of variation.

For value relevance measurement variables, Table 1 reports the mean book value per share (BVS) and earnings per share (EPS) of 4,419.67 and 180.44, respectively, while the median of the two variables is 413.29 and 16.33, respectively. The company market value (MV) has a mean (median) value of 1,903.68 (470.00). Because absolute numbers measure MV, the greater the MV number indicates, the better the company's condition. In addition, Table 1 also shows the mean figures for auditor opinion (AO) and auditor size (AS) of 0.98 and 0.33, respectively, while the median for both variables is 1.00 and 0.00 because these two variables are dummy variables. Table 1 also shows that the size of the company (Size) varies significantly with a range between 6.02 to 15.21 with a mean (median) of 12.31 (12.39), while LOSS which is also a dummy variable shows a mean (median) of 0.29 (0.00).

Table 1. Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.
MV	1.903,68	470,00	83.800,00	17,00	5.333,49
BVS	4.419,67	413,29	4.495.906,00	- 5.441,78	105.527,50
EPS	180,44	16,33	53.408,42	- 2.394,27	2.094,21
AO	0,98	1,00	1,00	-	0,11
AS	0,33	-	1,00	-	0,47
SIZE	12,31	12,39	15,21	6,02	1,03
LOSS	0,29	-	1,00	-	0,45

Source: Processed Data (2023)

4.2 Bivariate Analysis

Pearson correlations between variables are calculated and presented in Table 2. Testing of the correlation matrix for independent variables in Table 2 shows the absence of a correlation coefficient above 0.8 (except between interaction variables and non-interaction variables because in interaction variables, there are elements of non-interaction variables). This fact shows that there is no problem with multicollinearity.

Table 2. Bivariate Correlation

	MV	BVS	EPS	AO	AS	SIZE	LOSS	BVS*AO	EPS*AO	BVS*AS
BVS	.025									
EPS	.307**	.065**								
AO	.034	.004	.014							
AS	.220**	-.009	.088**	.014						
SIZE	.241**	-.005	.159**	.045	.274**					
LOSS	.158**	.029	-.081**	.136**	.125**	.203**				
BVS*AO	.025	1.000**	.065**	.005	-.009	-.005	.029			
EPS*AO	.307**	.065**	1.000**	.010	.088**	.159**	.080**	.065**		
BVS*AS	.339**	.081**	.790**	.011	.165**	.159**	-.031	.081**	.790**	
EPS*AS	.289**	.065**	.994**	.008	.100**	.151**	-.054*	.065**	.994**	.795**

** , * . Correlation is significant at 0.01 and 0.05 respectively (2-tailed).

Source: Processed Data (2023)

Table 2 shows the correlation of company value (MV) and the variable interaction of earnings per share with auditor opinions (EPS*AO), the interaction variable between book value per share and auditor size (BVS*AS), as well as the interaction variable between earnings per share with auditor size (EPS*AS), is positive and significant at the level of 1%. In contrast, the correlation between company value (MV) and the variable interaction of book value per share with the auditor's opinion is insignificant. This result indicates the relationship between the auditor's opinion and the auditor's size with the relevance of the earnings value per share and the book value per share. Nonetheless, more comprehensive testing will be carried out through regression analysis.

4.3 Multivariate Analysis

Regression models (2) and regression models (3) are used to test the hypothesis. Regression test results are presented in Table 3. Hypothesis 1, which states that auditor opinion positively affects the value relevance of the book value per share, and hypothesis 2, which states that auditor opinion positively affects the value relevance of earnings per share, were tested through Model 2.

As explained above, a measure of value relevance is the correlation coefficient between book value per share and earnings per share with the company's value. Therefore, to determine whether there is any value relevance to the auditor's opinion and the size of the auditor, the variables of book value per share and earnings per share are interrogated with the auditor's opinion and size. Thus, the correlation coefficient of the interaction variable is used to determine whether there is a relationship between the value relevance (book value per share and earnings per share) with the auditor's opinion and the auditor's size.

Table 3 in the Model 2 column shows that the coefficient of the interaction of BVS and AO (BVS*AO) has a coefficient of 1,575 and is significant at 1%. In comparison, the interaction of EPS and AO (EPS*AO) has a coefficient of 14.616 and is significant at 1%. Thus, these results confirm hypothesis 1, which states that the auditor's opinion positively affects the value relevance of the book value per share, and hypothesis 2, which states that the auditor's opinion positively affects the value relevance of the earnings per share.

Model 3 column in Table 3 shows the interaction coefficient of the BVS and AS (BVS*AS) has a coefficient of 0.813 and is significant at 1%. In comparison, the

interaction of EPS and AO (EPS*AO) has a coefficient of 27.833 and is significant at 1%. Thus, these results confirm hypothesis 3, which states that the size of the auditor positively affects the value relevance of the book value per share, and hypothesis 4, which states that the auditor's size positively affects the value relevance of earnings per share.

Overall, the study results show that the auditor's opinion and the size of the auditor have a positive impact on the value relevance of accounting information, both book value per share and earnings per share. In another sentence, the better the auditor's opinion and the larger the auditor's size, the better the relevance of the book value per share and earnings per share.

Additional testing was carried out by combining individual independent variables into the comprehensive regression test through the regression equation model 4, which is also presented in Table 3 of the last column. Model 4 column in Table 3 shows that the coefficients of the BVS*AO and BVS*AS have values of 1.465 and 0.197, respectively, and are significant at 1%. In comparison, coefficients EPS*AO and EPS*AS have values of 22,049 and 3,835, significant at 1%, respectively. The test results using regression model 4 confirm the consistency of the results, although there is a slight difference in the degree of significance in the BVS*AO. In the Model 2 Column, this variable is significant at 5%, while in Model 4, it is 1%, and the BVS*AS in the Model 2 column has a significance of 1%, while in the Model 4 column, it has a significance of 5%.

4.4 Discussion

The results of the hypothesis 1 test confirm previous research conducted by Abdollahi et al. (2020), who found that the auditor's report positively affects the relevance of book value per share. The result also confirms the study by Pratiwi (2022), who found that opinion positively affects two indicators of the value relevance of accounting information, including the value relevance of earnings per share and the book value per share.

The results of this study also confirm research conducted by Ibanichuka & Briggs (2018), who found that audit reports positively affect the value relevance of accounting information, and Robu & Robu (2015), who found that the information in the audit report affects stock prices. This condition confirms that a reasonable audit opinion was able to increase the strength of the estimated book value per share in predicting the market value of stocks, which in turn increases the strength of the estimated book value per share in predicting the market value of the company. Hypothesis 2 is confirmed by the results of this study. This condition implies that a reasonable audit opinion increases the value relevance of the earnings per share with a positive response. These results also confirm previous research which stated that audit opinions are positively related to the value relevance of earnings per share (Abdollahi et al., 2020a Ibanichuka & Briggs, 2018; Pratiwi, 2022; Robu & Robu, 2015). Thus, the strength of earnings per share to predict the market value of stocks or the company's market value has increased. This increase confirms that investors and users of information respond positively to the opinion of auditors who indicate that the company's accounting reporting has been carried out under accounting standards applicable in its jurisdiction. Although the company suffers losses, obtaining a good auditor's opinion can still have an impact on increasing the relevance of the value of earnings per share.

The results of the hypothesis 3 test confirm previous research conducted by Abdollahi et al. (2020), which found that the auditor's size positively affects the relevance of the book value per share. This result also confirms research by Hidayat (2012), Solikha & Mardijuwono (2020), Abdul-Manaf et al. (2016), and Lee & Lee (2013), which found

that the value relevance increase, when Big Four audit firms audit the financial statements.

Table 3 Regression Analysis

$$MV_{jt} = B_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AO_{jt} + \beta_4 BVS_{jt} * AO_{jt} + \beta_5 EPS_{jt} * AO_{jt} + \beta_6 SIZE_{jt} + \beta_7 LOSS_{jt} + \varepsilon_{jt} \quad (2)$$

$$MV_{jt} = B_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AS_{jt} + \beta_4 BVS_{jt} * AS_{jt} + \beta_5 EPS_{jt} * AS_{jt} + \beta_6 SIZE_{jt} + \beta_7 LOSS_{jt} + \varepsilon_{jt} \quad (3)$$

$$MV_{jt} = B_0 + \beta_1 BVS_{jt} + \beta_2 EPS_{jt} + \beta_3 AO_{jt} + \beta_4 AS_{jt} + \beta_5 BVS_{jt} * AO_{jt} + \beta_6 EPS_{jt} * AO_{jt} + \beta_7 BVS_{jt} * AS_{jt} + \beta_8 EPS_{jt} * AS_{jt} + \beta_{11} SIZE_{jt} + \beta_{12} LOSS_{jt} + \varepsilon_{jt} \quad (4)$$

	Model 2		Model 3		Model 4	
Variable	Coefficient		Coefficient		Coefficient	
Intercept	3316.773	***	-1320.916	***	1563.748	***
BVS	0.046	***	-0.743	***	-0.142	*
EPS	0.467	***	18.243	***	-3.449	*
AO	-2538.262	***			-4439.140	***
AS			668.896	***	189.254	***
BVS*AO	1.575	**			1.465	***
EPS*AO	14.616	***			22.049	***
BVS*AS			0.813	***	0.197	***
EPS*AS			17.833	***	3.835	**
SIZE	-18.439	***	36.104	**	243.670	***
LOSS	-7.325	***	24.699	***	779.688	***
<i>Adj. R²</i>	0.516		0.693		0.318	
F-statistic	1326.924	***	753.015	***	1048.251	***

***, **, * show that the coefficient is significant at 0.01, 0.05, and 0.10, respectively

As for hypothesis 2, the test of hypothesis 4 shows a significant relationship between the auditor's size and the value relevance of earnings per share. This result is in line with the results of previous research, especially those conducted by Abdollahi et al. (2020); Abdul-Manaf et al. (2016); Hidayat (2012); Lee & Lee (2013); Solikha & Mardijuwono (2020) who report that the size of auditors, which is proxied by Big-4 auditor, has a positive relationship to earnings per share. It is generally stated that the larger the auditor's size, the more credible the result will be, and the results of this study further confirm this opinion because the auditor's size has an impact on increasing the relevance of the value of earnings per share. In addition, whether the company makes a profit or suffers a loss, they have the same opportunity to obtain services from any small and big audit firm (the Big 4).

Overall, our findings suggest that the company's audited financial statements by large auditors result in more objective and accurate accounting information and are more beneficial for investors in making stock price decisions. Thus, investors give a higher value to the information in financial statements that large auditors have audited.

Moreover, audit opinion also becomes another factor affecting the investor's decision and the value relevance of accounting information.

5. CONCLUSION

This research investigates the relationship between auditors' opinions and auditors' size on the value relevance of accounting information. The relevance of information is crucial because it helps investors and other information users make investment decisions and decisions related to the company's future. The study's results proved that a good auditor's opinion indicates that the company processes accounting data and compiles accounting reports under applicable accounting standards, increasing the relevance of the value of two crucial accounting information, namely book value per share and earnings per share. This research also proves that the assignment of a large audit firm positively impacts the value relevance of two essential accounting pieces of information. This result indicates a positive response from investors to the assignment of large audit firms, especially those included in the Big Four group. This condition is logical because large audit firms are believed to be more credible and capable of carrying out financial statement audit tasks.

Research findings on the positive relationship between the size of auditors and the value relevance of accounting information provide several implications: (1) for firm audits, the findings of this research can trigger an increase in audit firm size as well as an increase in capacity and competence so that it can be the choice of public companies to increase the relevance of accounting information, especially book value and earnings per share; (2) for public companies, the findings of this research can be used as a basis for choosing large and reputable audit firms so that the relevance of the value of information increases, (3) the finding that the auditor's opinion also increases the relevance of value can also be used as a foothold to better comply with various provisions in applicable accounting standards, and (4) these findings can be used by investors in determining which company's shares to choose as investment targets by referring to opinions auditors and the size of the auditors used by issuers.

This research has some limitations. First, the data used is data for the entire sector. The use of the total data can eliminate the specific characteristics of each sector even though, in this study, control variables have been used. Therefore, future research needs to be carried out with more focus on specific sectors or industries. Second, the research model has yet to include other variables affecting values' relevance, such as corporate action, political connections, and auditor tenure. Future research needs to be carried out taking these variables into account.

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