

# Timely and Costly? Exploring the Role of Annual Report Readability in Investment Decision-Making

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## ABSTRACT

This study aims to examine the partial effects of timeliness, audit cost, and readability on investment decisions, as well as to test the ability of readability as a moderating variable in the research model. The research sample included 17 companies listed on the LQ45 index with a total of 85 data observations. Data analysis using multiple linear regression. The research model was designed to examine the direct influence of timeliness, audit costs, and readability on investment decisions and to evaluate the role of readability as a quasi-moderator. The results showed that timeliness, audit costs, and readability had a negative influence on investment decisions. In addition, it was found that readability functioned as a moderating variable, so that the level of readability of annual reports could influence the relationship between timeliness and audit fees on investment decisions.

**Keywords:** Audit Costs; Investment Decision; Readability; Timeliness.

***Tepat Waktu dan Mahal? Menjelajahi Peran Kemudahan Membaca Laporan Tahunan dalam Pengambilan Keputusan Investasi***

## ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh parsial ketepatan waktu, biaya audit, dan keterbacaan terhadap keputusan investasi, serta menguji kemampuan keterbacaan sebagai variabel moderator dalam model penelitian. Sampel penelitian ini meliputi 17 perusahaan yang terdaftar dalam indeks LQ45 dengan total 85 data observasi. Analisis data menggunakan regresi linear berganda. Model penelitian dirancang untuk menguji pengaruh langsung ketepatan waktu, biaya audit, dan keterbacaan terhadap keputusan investasi, serta mengevaluasi peran keterbacaan sebagai moderator quasi. Hasil penelitian menunjukkan bahwa ketepatan waktu, biaya audit, dan keterbacaan memiliki pengaruh negatif terhadap keputusan investasi. Selain itu, ditemukan bahwa keterbacaan berfungsi sebagai variabel moderator, sehingga tingkat keterbacaan laporan tahunan dapat mempengaruhi hubungan antara ketepatan waktu dan biaya audit terhadap keputusan investasi.

**Kata Kunci:** Biaya Audit; Ketepatan Waktu; Keterbacaan; Keputusan Investasi

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## INTRODUCTION

Financial information is an important component in economic decision-making because it provides a comprehensive overview of an entity's condition and performance. Financial statements are the primary means of conveying information that is systematically compiled based on accounting standards to assist users, particularly investors, in assessing investment prospects and risks (Dau et al., 2024; Qian & Sun, 2021). Financial statements present information about a company's financial position, performance, and cash flows that are used by various parties to support decision-making such as investment, credit granting, and internal policies (Chircop et al., 2024; Nguyen et al., 2022). Incorrect presentation of information leads to inappropriate decision-making. Conversely, the more credible and accurate the financial information, the better the quality of decisions.

High-quality financial information must be communicated in a timely manner so that it can be used effectively in decision-making. Timely reporting allows investors to assess a company's financial condition and future prospects more accurately (Aksoy et al., 2021; Ozer et al., 2023). Timely release is influenced by management factors and the audit process (Ozer et al., 2023). Management is responsible for the timeliness of financial reporting as part of the preparation of annual reports. This reflects the company's readiness to convey performance information to stakeholders to support appropriate decision-making. The timeliness of financial reporting is also greatly influenced by the efficiency of the audit process. Financial reports can only be published after they have been reviewed by external auditors who are responsible for ensuring the fairness of the reports prepared by company management (Hendi & Sitorus, 2023; Zandi & Abdullah, 2019).

In the context of making the right decisions, investors must have doubts about the information presented by management. These doubts arise because investors often do not have direct access to internal company information. Therefore, investors use the audit process as a function of monitoring and controlling the quality of information presented by management (Xiao et al., 2020). Audits provide assurance that the financial statements prepared by management are relevant and reliable so that investors can make better decisions. In this case, audit costs are an investment to obtain credible information (Alrashidi et al., 2021; Shagerdi et al., 2020). Higher audit costs reflect maximum efforts to produce more reliable financial statements. Conversely, low audit costs will result in poor audit service quality (Serly & Helmayunita, 2019; Shakhathreh et al., 2020). However, low audit costs do not always indicate poor-quality financial statements. Low audit costs can occur because management has thoroughly prepared and presented credible financial information so as not to mislead investors, thereby reducing the auditor's workload (Li et al., 2020).

Financial statements serve as a means of communication between management and external stakeholders. As a means of communication, the information contained in financial statements must be understandable to readers (users) of financial statements (Rjiba et al., 2021). Readability helps evaluate the extent to which the information in a report is useful, and can reveal the complexity or obscurity of information that may be caused by management (Dau et al., 2024;

Shauki & Oktavini, 2022). The readability of annual reports reflects a company's ability to clearly communicate information to stakeholders for decision-making purposes (Gu & Dodoo, 2020).

The combination of monitoring cost, timeliness, and readability in a single integrated research model to analyze their influence on investment decisions is still rarely found. The majority of studies only test one or two variables in a simple linear relationship (e.g. Alrashidi et al., 2021; Dau et al., 2024; Li et al., 2020; Rjiba et al., 2021; Serly & Helmayunita, 2019; Shauki & Oktavini, 2022). In addition, readability will be treated as a quasi-moderating variable to enrich the research results. Readability determines the extent to which the available information can be understood and used by investors in their decision-making. High monitoring costs mean that investors must spend a lot of money to obtain quality information (Luo et al., 2018; Soesanto & Wijaya, 2022). Timely reports are very useful for decision making, but they are not enough. If readability is low, even reports that arrive quickly cannot be used optimally (Gu & Dodoo, 2020; Rajabalizadeh & Schadewitz, 2025; Yu, 2022).

Signal theory by Spence (1978) explains that parties with information can send signals to indicate their quality or performance to other parties. In a business context, the relationship occurs between the signal sender, namely management, and the signal receiver, namely stakeholders: investors or creditors. The signals provided take the form of information presented in financial reports. Signal senders can choose which information needs to be presented (or not), and signal receivers will interpret the information for decision-making purposes (Dau et al., 2024; Hendi & Sitorus, 2023). Positive signals indicate economic growth and good prospects for the company in the future. Negative signals give the impression of risk or uncertainty, such as a lack of transparency or many customer complaints (Elwisam et al., 2024). According to signaling theory, companies utilize audit costs and the timeliness of financial reporting as mechanisms to convey signals to investors, aiming to minimize information asymmetry. A higher audit cost demonstrates the company's commitment to delivering reliable and credible financial statements, thus signaling the integrity of the disclosed information (Shakhatreh et al., 2020). Likewise, timely financial reporting indicates transparency and suggests that the firm does not have significant issues to conceal, thereby fostering investor trust. These signals are anticipated to shape investment decisions as they reflect the organization's financial soundness and strong governance practices (Ozer et al., 2023). The readability of annual reports serves as a quasi-moderator; it not only affects how strongly audit costs and timely reporting influence investment decisions, but also plays a direct role in influencing investment decisions. Reports that are easy to understand help investors interpret information accurately, thereby facilitating investment decision-making (Gu & Dodoo, 2020). In addition, high readability further confirms the quality and transparency reflected in audit costs and timeliness of reporting, thereby amplifying their influence on investment decisions (Blanco et al., 2021; W. Xu et al., 2019).

Companies with good news will promptly submit their financial reports to stakeholders. The timeliness of financial report submission demonstrates the company's credibility, thereby increasing investor confidence. Conversely, delays

in submitting information raise suspicions about internal problems or unprofessionalism (Aksoy et al., 2021; Nguyen et al., 2022). The timeliness of financial reports is closely related to investment decisions. Reports that are submitted on time provide investors with relevant and up-to-date information to evaluate a company's performance. Updated information helps investors reduce uncertainty and make more accurate decisions. Conversely, delays in reporting can cause doubt, create information asymmetry, and reduce investor confidence, which can have a negative impact on investment interest (Ozer et al., 2023; Zandi & Abdullah, 2019).

$H_1$  = Timeliness has a positive effect on investment decisions

Audit costs can serve as a positive signal of a company's credibility and transparency. Companies that are willing to incur high audit costs to use reputable auditors send a signal that they are committed to the accuracy of their financial statements and reducing the risk of fraud. This will increase the confidence of investors and other stakeholders (Hartaty & Dianawati, 2024; Shakhathreh et al., 2020). High audit costs should result in a higher level of audit effort, which can be considered to be associated with more reliable financial statements (Ayu et al., 2019). Schneider (2011) and Shagerdi (2020) explaining audit costs reflects the company's efforts to ensure that its financial statements are accurate and reliable through thorough examination. Reliable information enables investors to make more targeted investment decisions. Conversely, low audit costs can raise doubts about the quality of oversight and the accuracy of financial statements.

$H_2$  = Audit costs have a positive effect on investment decisions

The readability of annual reports serves as a positive signal that reflects management's transparency and good intentions in conveying information. Reports that are easy to read and understand give the impression that the company is not hiding important information, thereby increasing investor confidence. Conversely, reports that are long-winded, ambiguous, or difficult to understand can be a negative signal that raises suspicions of potential manipulation or hidden risks (Arora & Chakraborty, 2021; Dau et al., 2024). Clearer and more readable audit reports help reduce information asymmetry. Reduced information asymmetry helps investors make more rational decisions based on reliable data (Rajabalizadeh & Schadewitz, 2025). Complex company annual reports are difficult to read. The low level of readability is suspected to be deliberately done by management to hide bad practices, thereby causing misunderstandings and misguided decisions by investors (Shauki & Oktavini, 2022).

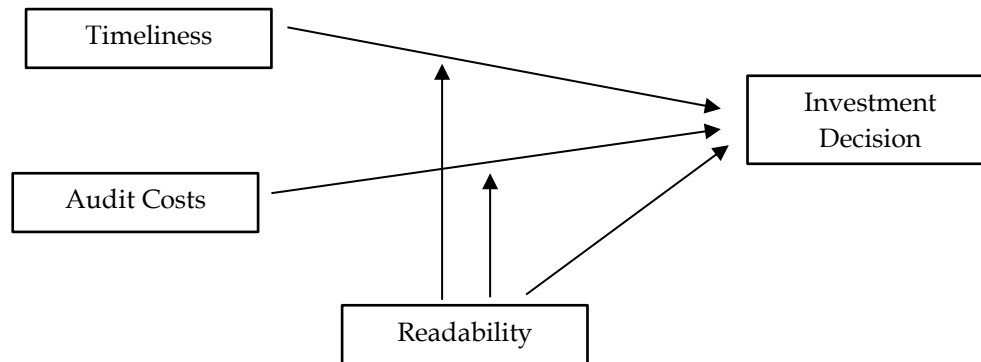
$H_3$  = Readability has a positive effect on investment decisions

The timely presentation of financial reports needs to be supported by the ease of understanding the information presented. Blanco et al (2021) and Xu et al (2019) explains that when financial reports are easy to understand, information delivered in a timely manner will be more effective in supporting investment decisions. However, if the reports are difficult to understand, even if they are delivered on time, the information may not be utilized to its full potential. Management that takes too long to prepare financial reports using language that is difficult to understand can undermine investor confidence. Investors become hesitant and tend to withdraw because they feel that the information presented is not transparent or is confusing (Besuglov & Crasselt, 2021; Osadchy et al., 2018).

H4<sub>a</sub> = Readability reinforces the effect of timeliness on investment decisions

Blanco et al (2021) explains that financial statements with low readability can encourage auditors to charge higher audit costs. Auditors need to perform more in-depth examination procedures to understand and verify the information presented. Higher audit costs are also incurred in an effort to improve the readability of financial statements (Shakhatreh et al., 2020). Companies that pay higher audit costs tend to demonstrate a commitment to more informative reporting. Information that is easy to understand improves the readability of financial statements so that they are easier for investors to understand (Q. Xu et al., 2020). High audit costs do not necessarily mean that financial statements are difficult to read. Even when readability is high, audit costs can remain high because audits are conducted thoroughly. High audit costs can be a sign that a company's financial statements are reliable and have been rigorously examined (Shagerdi et al., 2020).

H4<sub>b</sub> = Readability reinforces the effect of audit costs on investment decision



**Figure 1. Research Model**

Source: Research Data, 2025

## RESEARCH METHODS

This study adopts a quantitative method with a causal approach to identify the cause-and-effect relationship between the variables under investigation. To ensure the selection of relevant and representative data, the sampling technique used was purposive sampling, which involves selecting samples based on predetermined criteria and in accordance with the research objectives, as shown in Table 1.

**Table 1. Research Sample Determination**

Criteria	Total
LQ45-indexed companies	45
Companies not indexed in LQ45 consecutively from 2020 to 2024	(21)
Companies that do not provide complete research data	(4)
Companies that do not use the rupiah currency	(3)
Total sample	17
Total data observations	85

Source: Research Data, 2025



The measurement of variables can be seen in Table 2. This table provides a detailed description of each variable, including its measurement scale. It serves as a reference for understanding how data was collected and operationalized in the study.

**Table 2. Variable Measurement**

Variable	Description	Measurement
Timeliness	Submission of company financial data immediately after the end of the period, in accordance with the deadline specified in the regulations (Aksoy et al., 2021)	Number of days between the end of the financial year and the date of publication of the company's annual report (Aksoy et al., 2021)
Audit Costs	Honorarium paid for professional services in auditing company financial statements (Alrashidi et al., 2021)	Ln (Audit Costs) (Alrashidi et al., 2021; Shagerdi et al., 2020)
Readability	The degree to which a text is easy for readers to read and understand (Rahman & Nadhirin, 2022)	Ln (Number of Pages) (Rahman & Nadhirin, 2022)
Investment Decision	The process of allocating present resources to particular assets with the expectation of earning profits in the future (Harinurdin, 2023)	<u>Net Profit After Tax</u> Equity Capital (Badruzaman et al., 2022; Harinurdin, 2023)

Source: Research Data, 2025

Data analysis in this study was conducted using multiple linear regression, which allows for the examination of the partial influence of several independent variables on the dependent variable. In addition, the analysis incorporates a moderating variable, namely the readability of annual reports, to test its ability to strengthen or weaken the relationship between audit costs, timeliness, and investment decisions. This approach enables a more comprehensive understanding of both the direct effects of the independent variables and the interaction effects involving the moderating variable, providing more robust and detailed insights into the research model. The research model is as follows:

$$ID = \alpha + \beta_1 TAR + \beta_2 AC + \beta_3 RAR + \beta_4 TL * RAR + \beta_5 AC * RAR \dots \dots \dots (i)$$

With:

- $\alpha$  = Constant
- $\beta$  = Regression Coefficient
- ID = Investment Decision
- TL = Timeliness
- AC = Audit Costs
- RAR = Readability Annual Report

## RESULTS AND DISCUSSION

This study aims to examine the effect of audit costs and the timeliness of financial report delivery on investment decisions, providing insights into how these factors influence investor behavior. The primary focus is to evaluate whether the level of readability of annual reports can act as a moderating factor in this relationship. In this context, the readability of annual reports is considered a quasi-moderating variable, meaning it may both influence the dependent variable directly and moderate the effect of the independent variables. The research sample consisted of 17 LQ45-indexed companies that met the criteria, with 85 observations. This study seeks to provide empirical evidence that contributes to a deeper understanding of how reporting quality and accessibility affect investment decisions in the Indonesian capital market. The research data is as follows:

**Table 3. Descriptive Statistical Results**

	Timeliness	Audit Costs	Readability	Investment Decision
N	85	85	85	85
Mean	59.40	23.04	6.45	0.21
Std. Deviation	26.09	1.04	0.47	0.31
Minimum	20	21.18	5.51	0.01
Maximum	120	25.59	7.45	1.56

Source: Research Data, 2025

The results of descriptive statistical analysis in Table 3 show that the timeliness variable has an average value of 59.40 days, indicating that companies generally publish their financial reports on time. A standard deviation that is smaller than the mean indicates that there is considerable variation in the timeliness of financial report submission between companies. The minimum value for the publication of financial statements is 20 days for BBNI in 2022 and the maximum is 120 days for TOWR in 2020. The audit cost variable shows an average of 23.04 with a standard deviation of 1.04, which means that audit costs are relatively stable among the sample companies, with a minimum value of 21.18 in TOWR in 2020 and a maximum of 25.59 in ASII in 2024. This data shows that the lowest audit costs were incurred by TOWR in 2024 and the highest by ASII in 2024. Meanwhile, the readability variable has an average of 6.45 with a standard deviation of 0.47, indicating that the readability of annual reports tends to be homogeneous, with a minimum value range of 5.51 in EXCL in 2023 and a maximum of 7.45 in BMRI in 2024. BMRI in 2024 is the company with the most pages in its annual report among the sample companies. From the investment decision variable, an average of 0.21 with a standard deviation of 0.31 was obtained, indicating that there is considerable variation in investment decision-making between companies, with a minimum value of 0.01 in SMGR in 2024 and a maximum of 1.56 in UNVR in 2024. These findings indicate that the most significant differences are in the timeliness of reporting and investment performance, while audit costs and report readability are relatively uniform.

This study uses a single model (see model i) to examine the partial impact of independent variables on dependent variables and to prove the existence of moderation in the model. Model testing uses multiple linear regression analysis with the following results:

**Table 4. Hypothesis Testing Results**

Variable	B	t	Sig.
Timeliness	-0.073	-2.723	0.008
Audit Cost	-1.434	-1.768	0.081
Readability	-5.805	-1.896	0.062
Timeliness_Readability	0.011	2.572	0.012
Audit Cost_Readability	0.220	1.728	0.088

Source: Research Data, 2025

Table 4 shows the results of partial testing and interaction with investment decision variables. The test results show that the timeliness of financial report delivery has a negative effect on investment decisions. This is indicated by a significance value of  $0.008 < 0.05$  with a regression coefficient of -0.073. This means that the timelier the financial report is delivered, the more investment decisions tend to decrease, or conversely, the less timely it is, the more investment decisions increase. These results reject the first hypothesis. Darlington et al (2025) research shows that the timeliness of financial report delivery has a negative effect on investment decisions. This indicates that the sooner financial reports are published, the more likely investors are to delay or reduce their investment activities. The overly rapid publication of financial reports leads to the assumption that the audit and verification processes have not been carried out thoroughly, thereby raising doubts about the reliability of the data presented. Zhang et al (2021) explaining that decisions made in haste can reduce the quality of decisions and increase investment risk. Investors not only consider the speed of information, but also need time to conduct comprehensive analysis by considering other factors such as market conditions and non-financial information. Therefore, extreme reporting speed does not always give a positive signal, and can even create a negative perception regarding transparency and accuracy, thereby reducing investor interest in making investment decisions. The results of this study are not in line with Ozer et al (2023) and Aksoy et al (2021) research which explains that the more timely a company is in submitting its financial reports, the easier it is for investors to immediately make the right investment decisions. Timely reporting gives a positive impression of management's openness and integrity, thereby fostering trust. Therefore, the prompt publication of reports is considered a signal that the company is well managed and has lower risks, thereby encouraging investment interest.

The results of testing the audit costs on investment decisions (see Table 4) are significant at the 10% level with a negative direction of influence. This can be seen from the significance value of 0.081, which is smaller than the alpha of 10% with a regression coefficient of -1.434. This means that the higher the audit costs paid by the company, the more likely investors' interest or decision to invest will decline, thus rejecting the second hypothesis. Nurbaiti et al (2024) and Junita & Devica Pratiwi (2023) explaining high audit costs often occurs because the company's financial statements are complex or there is a high risk of error. Investors may interpret this as a signal that the company has a high level of risk, thereby reducing investment interest. Large companies with high complexity have greater potential for agency conflicts, requiring more in-depth audits and ultimately increasing audit costs. In addition, the perception of high costs occurs



when investors assess that large audit costs will reduce the company's net profit. These additional costs are considered to reduce financial efficiency, making the company appear less than optimal in managing costs. As a result, investors may consider the company less attractive as an investment option (Horvat et al., 2022; Santos-Jaén et al., 2025). Simply put, high audit costs can be interpreted as an additional burden for companies. Investors may consider high audit costs to reduce net profits, thereby decreasing the attractiveness of companies for investment. The results of this study are not in line with the results of Shakhathreh et al (2020) and Shagerdi et al (2020) study which explains that high audit costs are often considered to reflect better audit quality because companies use the services of reputable auditors. This gives investor confidence that the financial statements have been thoroughly and accurately examined. In addition, based on Signaling Theory, high audit costs are a positive signal that the company is committed to transparency and good governance. This commitment reduces information risk, thereby increasing investor confidence to invest capital.

The results of testing the readability of annual reports on investment decisions in Table 4 show a negative direction at the 10% level. This can be seen from the regression coefficient of -5.805 with a significance level of  $0.062 < 0.1$ . From the test results, it can be concluded that the third hypothesis is rejected. In this study, readability was measured using the number of pages in the annual report. Soesanto & Wijaya (2022) explains that long annual reports are synonymous with low readability and vice versa. On the other hand, the results of Phuong & Huong (2022) research which found that longer annual reports are not necessarily difficult to read, while shorter reports are not necessarily easy to read. A simple writing style makes long annual reports easy to understand. Conversely, shorter reports often present limited details. Reports with fewer pages often reflect limited information, and are therefore considered less detailed. This can reduce investor confidence because they need complete information to perform accurate analysis. The results of this study are not in line with Ebaid (2023) and Le Maux & Smaili (2021) findings which explain financial reports with a large number of pages are often associated with low readability. This is due to the highly detailed information content, the use of technical accounting terms, and the complex structure of the report. These conditions require readers, especially investors, to allocate more time and effort to fully understand the contents of the report. Conversely, annual reports with fewer pages are usually perceived as easier to understand. This is because concise reports are generally presented in a succinct manner, making the information appear simpler and less dense.

The results of hypothesis testing 4a and 4b related to moderating variables are presented in Table 4. The test results show that readability can be a moderating variable in the research model. Hypothesis testing 4a shows a significance value of  $0.012 < 0.05$  with a regression coefficient of 0.011, so hypothesis 4a is accepted. The readability level of financial reports can strengthen the impact of timely publication of reports on investor decisions. If financial reports are published on time and presented in easy-to-understand language, investors will process information more quickly, making investment decisions more effective. Conversely, even if reports are submitted on time, if their readability is low, the information cannot be optimally utilized by investors (Aldoseri, 2024; Ozer et al.,

2023; W. Xu et al., 2019). Companies that are able to combine timeliness with good readability not only improve the quality of information disclosure, but also have a competitive advantage in attracting investors. The test results in Table 4 also prove readability as a moderator of the relationship between audit costs and investment decisions. This is indicated by a significance value of 0.088, which is smaller than alpha 10% with a coefficient of determination of 0.220. Blanco et (2021) found that low readability of annual reports is generally associated with high audit costs because complex reports require more in-depth audit procedures. The complexity of information increases the risk of misstatement, requiring auditors to perform additional testing. On the other hand, high audit costs reflect the company's commitment to the quality and reliability of its reports. This signals that the company strives to present information that is credible and trustworthy to investors. Audit costs are generally perceived as an indicator of audit quality – the higher the audit costs, the higher the level of testing and assurance of the reliability of financial reports. High audit costs are not only related to efforts to improve the low readability of financial reports but also signal that the company is committed to presenting the company's condition in a more informative manner. In other words, high audit costs are an effort to improve the readability of financial reports (Rajabalizadeh & Schadewitz, 2025; Q. Xu et al., 2020). Highly readable financial reports provide a clear understanding of financial information, thereby improving investors' perception of the company's credibility and transparency. This increased clarity can enhance investor confidence, leading to more informed and timely investment decisions.

## CONCLUSION

This study aims to prove the partial influence of timeliness, audit costs, and readability on investment decisions and to test whether readability can be a moderating variable in the research model. The results of the test using multiple linear regression show that the timeliness variable is significant at the 5% level, while the audit cost and readability variables are significant at the 10% level. Partially, the independent variables have a negative effect on the dependent variable. In addition, the study also proves that the readability variable can be a moderating variable in the research model. The level of readability of annual reports will affect the relationship between timeliness and audit costs on investment decisions. This study only uses a single measurement to measure the level of readability, so the level of complexity and intricacy of annual reports is not examined. Further research is expected to add readability measurement methods to improve measurement accuracy.

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