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Effect of the Quality of Financial Statements, Foreign Ownerships, Frequency of Audit Committee Meetings, and Specialty Industrial Efficiency Investment of Auditors

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Abstract

This study aims to demonstrate the influence of the quality of financial statements, foreign ownership, the frequency of audit committee meetings, and the auditor industry specialization to the efficiency of investment. This study population is a company listed on the Indonesia Stock Exchange except banks and securities companies in 2009-2013. The samples in this study using purposive sampling method. The samples used for this study is total 561 companies. Hypothesis testing is done by multiple linear regression. The findings of this study are: 1) foreign ownership is significant positive effect on the efficiency of investment, 2) the frequency of audit committee meetings significant positive effect on the efficiency of investment, 3) industry specialization auditor negative effect not exhibited significantly to the efficiency of investment, and 4) the quality of financial statements significant negative effect on the efficiency of investment.

Keywords: foreign ownership, the frequency of audit committee meetings, auditor industry specialization, the quality of financial reports, and the efficiency of investment.

1. Introduction

Investment is an important economic activity in the financial management of the company, such as the country's economic development, provide employment, and reduce poverty (John, 2011).

Quality financial reporting can reduce the information gap (asymmetry of information) between the manager and the fund provider (Biddle *et al.,* 2009 and Cheng *et al.,* 2013). Agency theory indicates that the information gap that occurs between managers and shareholders can encourage the emergence of *moral hazard* and *adverse selection* and ultimately occur agency conflicts (Jensen and Meckling, 1976 in Biddle *et al.,* 2009). Both of these conditions occur when the activities undertaken manager does not receive adequate supervision. If unattended, the manager will be encouraged to utilize the company's resources for personal gain.

From various previous studies such as Gomaris and Ballesta (2014), Chen *et al.,* (2013), Lin *et al.,* (2008), Bae and Choi (2012) found several factors that can reduce the tendency of managers do the inefficiency of investment *(over / under investment)* are: the quality of financial reports, the frequency of audit committee meetings, foreign ownership, and the auditor industry specialization.

Chen *et al.,* (2013) provide evidence of a positive relationship between foreign ownership and investment efficiency. They argue that foreign ownership can reduce *agency conflic* t, thus improving the mechanisms of corporate governance and financial transparency. Declining *moral hazard* encourages managers take investment decisions in accordance with the interests of shareholders. Foreign ownership is a proportion of the company's common stock owned by individuals, legal entities, government and the status of its parts abroad or individuals, legal entities, government does not come from Indonesia (Wiranata, 2013).

Based on the above presentation, the author will combine a variety of independent variables that exist in research Gomariz *et al.,* (2013), namely the quality of financial statements; research Chen *et al.,* (2013), namely foreign ownership; Research Lin *et al.,* (2008), namely the frequency of audit committee meetings; as well as research Bae and Choi (2012), namely the auditor industry specialization in influencing investment inefficiency. Based on these descriptions, the researchers are interested to examine: **INFLUENCE OF QUALITY OF FINANCIAL STATEMENTS, FOREIGN OWNERSHIP, FREQUENCY OF AUDIT COMMITTEE MEETING, AND SPECIALTY AUDITOR TO EFFICIENCY INVESTMENT INDUSTRY (STUDY IN COMPANIES LISTED IN INDONESIA STOCK EXCHANGE IN 2009-2013).**

2. FORMULATION OF THE PROBLEM

Based on the background described above, it can be formulated problem in this research are:

a. How does foreign ownership of investment efficiency?

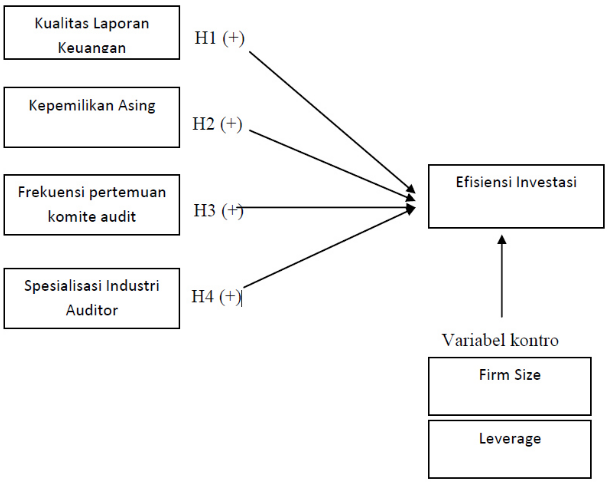
b. How does the frequency of audit committee meetings on the efficiency of investment?

c. How auditor industry specialization influence on the efficiency of investment?

d. How does the quality of the financial statements of the investment efficiency?

2.1 Objectives and Benefits Research
2.1.1Research purposes
Beradasarkan formulation of the above problems, this study has the objective as follows:
a. To determine the influence of foreign ownership of investment efficiency
b. To determine the influence of the frequency of audit committee meetings on the efficiency of investment
c. To determine the effect of auditor industry specialization to the efficiency of investment
d. To determine the influence of the quality of the financial statements of the investment efficiency
2.1.2Benefits of research
Meanwhile, the expected benefits of the research by the authors is as follows:
1. For the managers of the company
This study is expected to provide contributions to the company manager about the factors that affect the efficiency of investment
2. For further Researcher
This research is expected to contribute to research that have the same topic, and a reference for future research.

2.1.3 Conceptual Framework



3. LITERATURE REVIEW
3.1 Agency theory

Agency theory to explain conflict of interest between the various parties associated in the company. Conflicts of interest occur due to differences in the objectives of each party based on the position and interests of the company (Ibrahim, 2007).

Jensen and Meckling (1976) identifies a conflict of interest in an agency relationship. Conflicts of interest between the owner and the agent because the agent did not act in accordance with the interests of *the principal* sparking agency costs *(agency cost).* There are two forms of agency relationships, ie between managers and shareholders, as well as the relationship between the manager and the provider of pinjamane *(Bondholder).* In order for a contractual relationship running smoothly, then the *(principal)* will inform decision making authority to another party (the *agent).* Agency theory explains that the management *(agent)* will always act in the interests of shareholders *(principal)* is hard to believe, so it requires the supervisory role of shareholders (Copeland and Weston, 1992).

3.2 Signalling Theory

Signalling theory emphasizes the importance of information released by the company that may affect investment decisions outside the company. The information released will be a guide for investors to make investment decisions. According to Ross (1977) the existence of information asymmetry can be taken as a good reason for the company to use financial information to send signals or information to the market.

According Jogiyanto (2000), the information published as an announcement of the company's condition will give a signal to investors in making investment decisions. If the information contains a positive value, it is expected that the information will be received well by the market. While Holthausen and Leftwich (1983), argues that the policy manager to provide information to investors can help investors predict future performance of the company. Managers provide financial information to the stakeholders who can influence the value of the company.

3.3 Investment Theory

Investment is an asset used by the company for growth of wealth *(wealth accretion)* through the distribution of investment returns (such as interest, royalties, dividends, and rents) to obtain other benefits for companies that invest, as the benefits gained through trade relations. Inventory and fixed assets does not constitute investment (SAK, 1999). Investments can also be interpreted as an investing activity, either directly or indirectly, in the hope of capital owners benefit from the results of such investments in the future (Hamid, 1995).
There are four investment criteria used in practice:
1. Payback Period
2. Benefit Cost Ratio (B / C Ratio)
3. Net Present Value (NPV)
4. Internal Rate of Return (IRR)

3.4 Efficiency Investments

Investment is an asset used by the company for equity growth *(accretion wealth)* through the distribution of investment returns (such as interest, royalties, dividends, and rents) to the appreciation of the value of the investment or to obtain other benefits for companies that invest, as the benefits gained through relationships trading. Capital budgeting is considered important for the company because if the company wrong in estimating, for example, the investment is too large *(overinvestment)* then there will be loads that should not even exist. Conversely, if the investment is too small *(underinvestment)* the company will be a shortage of production capacity (Rahmawati, 2014).

In the above theory, it can be concluded that the investment efficiency is the level of investment expected by a company. According to Bushman and Smith (2001) in Siregar (2011), the condition of *underinvestment* is a situation where the company missed investment opportunities that will generate *Net Present Value* (NPV) is positive, while the condition of *overinvestment* is a condition in which an investment project NPV value negative ,

3.5 Integrity Financial Statements

The financial statements show the results of management accountability for the use of resources entrusted to them, then the user will get a clear picture of the economic resources of companies and how the effects of transactions and events change the economic resources of the (Kieso *et al.,* 2007 in Mutmainnah, 2012) ,

The financial reports have high integrity, it can be relied upon as an honest presentation and describe the actual condition of the company, thus enabling users of accounting information depends on the information (image, 2008). Therefore, the financial statements that consists of high integrity information will affect the decisions users of financial statements to make decisions.

3.6 Foreign Ownership

Foreign investment is investment activity to conduct business in the territory of the Republic of Indonesia by foreign investors, hence the presence of the foreign investment will give rise to foreign ownership (Maulida, 2013). According to Hadi and Sabeni (2002) in Anggraini (2011) that foreign companies receive better training in accounting from the parent company abroad, foreign companies may have a more efficient information system to meet internal needs. According Temouri *et al.,* (2008) is considered more foreign ownership has a lot of business experience as well as access to superior technology. Control measures carried out by a company and the foreign shareholders can restrict the behavior of managers in control and decision making (Cornet *et al.,* 2006 in Wulandari, 2014).

3.7 Audit Quality

De Angelo (1981) defines audit quality as the probability (likelihood) in which an auditor discovered and reported on the existence of an infringement in the accounting system of its clients.

In carrying out his professional duties, the auditor should be guided by the standards set and approved by the Indonesian Institute of Public Accounting (IAPI), which consists of general standards, standards of field work and reporting standards. Auditing standards are guidelines for the audit of historical financial statements. Auditing standards consist of ten standards and specified in the form of Statement on Auditing Standards (PSA). Common standards regulate the terms themselves auditors, field work standards regulate the quality of the implementation of auditing and reporting standards provide guidance for the auditor to communicate the results of the audit by the audit report to the users of the financial indormasi.

3.7 Auditor Industry Specialization

According to Lee (2007) auditor industry specialization are those who work in specific fields such as banking, insurance or manufacturing and indicates that the auditor has auditdi specific industry expertise and perform the audit more reliable and better in the sector. Auditors said if the auditor industry specialization has many clients in the same industry (Andrew, 2012). According Franchis and Stokes (1986) in Florinie (2006) auditor industry specialization that is owned by the accounting firm had a positive impact because it can increase the *audit fee.* Owhoso (2002) also states that the auditor industry specialization to have a better knowledge and specific so as to understand the characteristics of the company more quickly and comprehensively.

3.7.1 Good Corporate Governance

Asian Development Bank (ADB) explained that the GCG contains four core values, namely: *Accountability, Transparency, Predictability,* and *Participatior.* According to the Decree of the Minister of State-Owned Enterprises No. KEP-117 / M-MBU / 2002 dated July 31, 2012 *Good Corporate Governance* (GCG) is suatau process and structure used by the organs of state-owned enterprises to improve business success and accountability companies in order to create shareholder value over the long term by taking into account the interests of other stakeholders, based on the laws and ethical values.

3.8 Audit Committee

According to the National Committee on Corporate Governance, the Audit Committee is a committee comprising one or more members of the Board of Commissioners and can ask for an outsider with a variety of expertise, experience, and other qualities needed to achieve the objectives of the Audit Committee.

In the Decree of the Minister of State-Owned Enterprises No. KEP-103 / MBU / 2002 states that the Audit Committee is a body under the Commissioner that at least a minimum of one Commissioner, and two experts who are not employees of SOEs is concerned that is independent both in and the performance of its duties and reporting directly accountable to the Commissioner or Board of Trustees.

3.9 Audit Committee meeting

In every *audit committee charters* held by each member, the audit committee will meet periodically for meetings and can hold additional meetings or special meetings when necessary (Anggarini, 2010). Research conducted by Orphan (2009) showed that the Audit Committee meet regularly could reduce problems in financial reporting (Wulandari, 2012 in Ruwita, 2012).

Meeting periodically fixed by its own audit committee and carried out at least equal to the provision of board meetings determined in the articles of association of the company. The audit committee typically need to hold meetings three to four times a year to carry out the obligations and responsibilities (FCGI 2002 in Anggarini, 2010).

4. Hypothesis

H1: Foreign ownership positively affects investment efficiency

H2: The frequency of audit committee meetings positive effect on the efficiency of investment

H3: Auditor Industry Specialization positive effect on the efficiency of investment

H4: The quality of financial statements affect the investment efficiency

5. RESEARCH METHODS

Variables Research and Operational Definitions

Dependent Variables

The dependent variable used in this research is the efficiency of investment. Investment efficiency was measured using the level of investment based on growth opportunities ya ng measured by *sales growth* (Biddle *et al.,* 2009).

Investments i, t + 1 = β0 + β1 *Sales Growth* i, t + εi, t + 1 .... (1)

Description :

Investments i, t + 1 = the total size of the asset purchase net of asset sales, then divided by the total assets last year

Sales Growth i, t = the presentation of changes in sales from last year to this year.

Independent Variables

The independent variables in this study are:

Quality of Financial Statements

The quality of the financial statements is measured by discretionary accruals obtained from the model Kasznik (1999).

Acci, t / Tai, t = β0 + β1ΔSalesi, t / Tai, t + β2PPEi, t / Tai, t + β3ΔCFOi, t / Tai, t + εi, t .... (2)

Description :

Acci, t = total accrual, calculated by deducting changes in non-current assets plus current liablitas changes in short-term bank loans, net of d epresiasi then divided by total assets in year t.

Tai, t = total assets in year t

ΔSalesi, t / Tai, t = change in income divided by total assets year t

IETC, t / Tai, t = properties, land, equipment divided by total assets year t

ΔCFOi, t / Tai, perubaha n t = cash flow from operating activities

Foreign Ownership

Foreign ownership associated with information asymmetry and better governance. The amount of foreign ownership is measured by the way.

Foreign Ownership

$$= \frac{\text{The number of shares owned by foreigners}}{\text{Number of shares outstanding}}$$

Frequency of Meetings of the Audit Committee

Greater frequency of meetings associated with decreased financial reporting issues and improve the quality of external audits (DeZoort *et al.,* 2002). Therefore, the frequency of audit committee meetings will affect the efficiency of investment which can diihat of financial reporting.

Audit committee meeting frequency is measured by the number of audit committee meetings in one year and can be seen from the company's annual report.

Auditor Industry Specialization

To measure the auditor industry specialization used proxy *client sales total* with the following formula (Balsam *et al.,* 2003; Krishnan 2003; Mayhew and Wilkins 2003; Dunn and Mayhew, 2004; Lim and Tan 2008).

Variable Control

Firm Size

The size of the company is used to control the effects of fiscal business. Company size measured by the natural logarithm of the book value of total assets (SIZE).

Leverage

Leverage is used to control the administration of the investment credit. Leverage measured by the ratio of total assets and liabilities (LEVERAGE).

Population and Sample Research

Population is the sum of the whole group that attracted the attention of researchers for the study (have now, 2006). The population used in this research is financial statements and annual report of listed companies in Indonesia Stock Exchange (BEI).

RESULTS ANALYSIS

Analysis Descriptive Statistics

Here are the results of descriptive statistics 109 observation data have been normal.

Table 4.1 Descriptive Statistics

	N	Minimal	Maximal	Rata-Rata	Std. Deviation
ABS_INVES	109	-0.05	0.00	-0.0241	0.01211
K LK	109	-0.57	0.00	-0.2283	0.16056
KPA	109	0.02	18.00	0.6763	1.88893
FREK	109	1.00	48.00	7.3028	7.45667
SIZE	109	23.55	34.93	28.1608	1.78501
LEV	109	0.48	17.94	2.6666	2.31457

Source: Secondary data were processed (2015)

Based on the above data can be explained as follows:

1. Absolute Investments (ABS_INVES)

   Descriptive analysis of the results showed the lowest value (minimum) and highest value (maximum) of investments abslout is -0.05 and 0.00. The value of the investment efficiency is calculated from the *sales growth.* Low values reflect the company has low investment value. The lower the value is generated, then the lower the efficiency of the investment firm. The average value for the inefficiency of investment of -0.0241, which means the general inefficiency of the company an average of -2.41%. Whereas the standard deviation of 0.01211 which showed irregularities amounting to 1.211% of each score with the mean score.

2. Quality of Financial Statements (K_LK)

   Descriptive analysis of the results showed that the lowest value (minimum) quality of financial reports is -0.57 and the highest value (maximum) of the quality of financial statements is 0.00. The quality of the financial statements are measured using discretionary accruals Kasznik models. While the average value of -0.2283. The standard deviation of 0.16056 which showed irregularities amounted to 16.056% of each score with the mean score.

3. Foreign Ownership (KPA)

   Descriptive analysis of the results showed that the lowest value (minimum) foreign ownership is 2% and the highest value (maximum) foreign ownership is 18%. Foreign ownership is measured by the percentage of foreign ownership in a company-owned. A high score reflects that the company has a high percentage of foreign ownership as well. Thus, the greater the percentage of foreign ownership, the greater the foreign party control that can increase the efficiency of investment. While the average value of 0.6763 which means that in general the company had an average percentage of foreign ownership of 67.63%. Standard deviation of 1.88893 indicates a deviation occurs at 188.893% of each score with the mean score.

4. Frequency of Meetings of the Audit Committee (FREQ)

   Descriptive analysis of the results showed that the lowest value (minimum) frequency of audit committee meetings is 1 and the highest (maximum) frequency of audit committee meetings is 48, PT Plaza Indonesia Realty Tbk. The value also shows how the members of the audit committee have the knowledge, expertise and experience in the field of accounting. While the average value of 7.3028 which means that in general companies establish an audit committee meeting by 7 times. 7.45667 standard deviation indicates a deviation occurs at 745.667% of the score with every mean score.

5. Leverage (LEV)

   Descriptive analysis showed that the lowest value (minimum) leverage is 0.48, and the highest value (maximum) leverage is 17.94. The greater the value the greater the leverage debt held by the company. While the average value of 2.6666. It means that the debt can be paid with any two rupiah assets. This reflects the company's good condition. The standard deviation of 2.31457 indicates a deviation occurs at 231.457% of each score with the mean score.

6. Size (SIZE)

   Descriptive analysis showed that the lowest value (minimum) size is equal to 23.55 and the highest value (maximum) size is 34.93. The larger the value, the greater the size of the companies which is proxied by total assets. While the average value of 28.1608. 1.78501 Standard deviation indicates the average deviation occurs at 178.501% of each score with the mean score.

7. Auditor Industry Specialization (SPEC)

Table 4.2 Statistics Frequency SPEC

	Frequency	Percent	Valid percent	Cumulative percent
.00	91	83.5	83.5	83.5
Valid 1.00	18	16.5	16.5	100.00
Total	109	100.00	100.00	

The table above shows that the number of companies audited by the auditor industry specialization is at 18 and the sample companies were audited by the auditor industry specialization is equal to non 91. In addition, the table also shows the percentage of the sample companies in the audit by the auditor industry specialization is 16.5% and the percentage of the sample companies were audited by the auditor non industrial specialization is 83.5%. This shows that the majority of sample firms audited by non auditor industry specialization.

Investment Efficiency Calculation Results

Calculation of investment efficiency is measured by the level of investment based on growth opportunities as measured by *sales growth* (ABS_INVES). The process of calculating investment efficiency obtained through several steps. The first is to perform a regression between investments with *sales growth* to get a residual value. How to calculate investment efficiency obtained with the regression equation:

Investments i, t + 1 = β0 + β1 *Sales Growth* i, t + εi, t + 1

Having obtained the residual value of the regression between investment and *sales growth,* then the residual value will diabsolutkan. Furthermore, the absolute residual value will be multiplied by -1 (abs_inves). So resi dual high value reflects high investment efficiency.

Calculation results Quality of Financial Statements

Calculation of the quality of financial statements proxied by discretionary accruals obtained from the regression between the *total accrual* to *total sales,* PPE, and CFO. The model used to obtain discretionary accruals are Kasznik models. Discretionary accrual calculation process obtained through several steps. The formula to calculate the discretionary accruals:

Acci, t / TAI, t-1 = β0 + β1ΔSalesi, t-1 / tai, t-1 + β2PPEi, t-1 / tai, t-1 + β3ΔCFOi, t-1 / tai, t-1 + εi, t

Having obtained the residual value of the regression equation, then the residual value will diabsolutkan in absolutkan to avoid discretionary expenses in skresioner positive and negative charges. Residual values are already diabsolutkan then multiplied by -1. Having obtained the residual value of the regression equation, then the residual value will diabsolutkan in absolutkan to avoid discretionary expenses positive and negative discretionary costs. Residual values are already diabsolutkan then multiplied by -1.

DataAnalisis Analysis Data

Classic assumption test

Normality test

Normality test aims to test whether the regression model, or residual confounding variables have a normal distribution. Normality test on the research done by using Kolmogorov Sminov with the provision that if *sig* is above the 0.05 level of significance, the data can be considered normal. Here are the results of a test of normality:

Table 4.3 Normality Test Results 1 Accrual discretionary (before normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.500	561	0.000	0.022	561	0.000

a.Lilliefors Significance Correction

Sumber : Data sekunder yang diolah Table 4.3 shows the independent variable quality of financial reports have preliminary data that is equal to 561 observations have a normal distribution. It can be seen from the significance of *Kolmogorov-Smirnov* beginning less than 0.05 is 0.000. So to menormalkannya, researchers remove the extreme data and perform re-testing on the data.

Table 4.4 Normality Test Results 1 Accrual discretionary (after normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.041	364	0.200	0.985	364	0.001

a.This is a lower bound of True significance.

From table 4.4 it can be seen that the results of the normality test of Kolmogorov-Smirnov sig by 2> 0.05 so that it can be concluded that the normal data as much as 364.

Table 4.5 Results of Testing Normality 2 Investments (before normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	00.239	364	0.000	0.633	364	0.000

a.Lilliefors Significance Correction

Table 4.5 shows the dependent variable investment have preliminary data that is equal to 364 observations have a normal distribution. It can be seen from the significance of *Kolmogorov-Smirnov* beginning less than 0.05 is 0.000. So to menormalkannya, researchers remove the extreme data and perform retesting at this data

Table 4.6 Normality Test Results 2 Investments (after normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.057	201	0.200	0.963	201	0.000

a.This is a lower bound of True significance.

From Table 4.6 it can be seen that the results of the normality test of Kolmogorov-Smirnov sig by 2> 0.05 so that it can be concluded that the normal data as much as 201.

Table 4.7 Normality Test Results 3 Efficiency Investments (before normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.076	201	0.006	0.972	201	0.000

a.Lilliefors Significance Correction

Table 4.7 shows the combined regression dependent variable investments, foreign kepemillikan independent variables, the frequency of audit committee meetings, auditor industry specialization, and the quality of financial reports have preliminary data that is equal to 201 observations have a normal distribution. It can be seen from the significance of *Kolmogorov-Smirnov* beginning less than 0.05 is 0.000. So to menormalkannya, researchers remove the extreme data and perform re-testing on the data.

Table 4.8 Normality Test Results 3 Efficiency Investment (after normal data)

Test of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.062	109	0.200	0.979	109	0.078

a.This is a lower bound of True significance.

From Table 4.8 it can be seen that the results of the normality test of Kolmogorov-Smirnov sig by 2> 0.05 and Shapiro-Wilk sig value of 0.078> 0.05 so that it can be concluded that the normal data as much as 109.

Test Multicollinearity

Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). A good regression model there will be no relation between the independent variables. Multicollinearity test is done by analyzing the correlation between the independent variables on the value of *tolerance* and *variance inflation factor* (VIF) in *collinearity statistics.* The data sample is said not to have a problem multicollinearity if the *tolerance* values> 0.1 and VIF <10.

Based on the table 4.9. can be seen the value of *tolerance*> 0.1 and VIF <10. This shows that data research has no multicollinearity.

Table 4.9 Multicollinearity Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	0.003	0.018		0.176	0.861		
K LK	-0.021	0.007	-0.272	-3.035	0.003	0.941	1.062
KPA	0.001	0.001	0.197	2.146	0.034	0.899	1.113
FREK	0.000	0.000	-0.217	-2.374	0.019	0.903	1.108
SPEC	-0.003	0.003	-0.097	-1.043	0.299	0.864	1.157
SIZE	-0.001	0.001	-0.164	-1.823	0.071	0.928	1.077
LEV	0.001	0.000	0.127	1.419	0.159	0.944	1.059

Test Heteroskidastity

Heteroscedasticity test aims to test whether the regression model occurred inequality residual *variance* from one observation to another observation. Heteroscedasticity test in this study conducted by *Glejser* test. In the test *glejser,* if sig> 0.05 then the regression model in the study did not contain any heteroscedasticity.

Table 4.10 Test Results Heteroskidastity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	0.014	0.011		1.294	0.199
K LK	0.002	0.004	0.046	0.465	0.643
KPA	-0.001	0.000	-0.187	-1.824	0.071
FREK	2.985E-005	0.000	0.034	0.335	0.738
SPEC	0.002	0.002	0.091	0.872	0.386
SIZE	0.000	0.000	-0.047	-0.465	0.643
LEV	-6.325E-005	0.000	-0.023	-0.225	0.822

Based on the above results obtained significant values> 0.05 for all variables in the regression models so that the regression model in this study had homoscedasticity or not heteroskedastisitas.

Test Autocorrelation

Autocorrelation test aims to test whether the linear regression model there is a correlation between bullies error in period t-1 (previous) or whether there is a correlation exists between the residuals on the observation by other observations in the regression model. Autocorrelation test used in time series data and the period of more than one year. Autocorrelation test in this study is done by using the Durbin-Watson test. It said autocorrelation does not occur if the value du <dw <4-du.

Table 4.11 Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. error of the estimate	Durbin-Watson
1	0.480[a]	0.230	0.185	0.01094	1.913

a. Predictors: (constant), K, LK, KPA, FREK, SPEC, SIZE. LEV
b. Dependent Variables: ABS_INVES

Durbin-Watson value indicates the number 1,913, which is between the range of 1.8052 <DW <(4-1.8052). This means that the regression model has durbin-watson value that is in between the value and the value of 4-du du. That in the regression model there is no autocorrelation.

Test F

F test known as Model test or ANOVA test, the test is done to see how the effect of all independent variables together against the dependent variable. Here are the results of the F test.

Table 4.12 Results of Testing Test F

Anova[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	0.004	6	0.001	5.076	0.000[b]
1	Residual	0.012	102	0.000		
	Total	0.016	108			

a. Dependent Variables: ABS_INVES
b. Predictors: (constant), K, LK, KPA, FREK, SPEC, SIZE. LEV

Based on the test results showed the number of F significance 0.000 <0.05. This suggests that the model in this study is fit. As well as can be deduced that the model can be used to measure the efficiency of investment.

Test *Adjusted R Square* (Koefisisien Determination)

The coefficient of determination is to determine the proportion or percentage of the total variation in the dependent variable explained by the independent variable. Because the analysis is multiple regression, it is used is the value of *Adjusted R Square*. Here are the test results Adjusted R square:

Table 4.13 *Adjusted R Square* Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,480[a]	0,230	0,185	0,01094

a. Predictors: (Constant), K_LK, KPA, FREK, SPEC, SIZE, LEV

Adjusted R-square value obtained for 0.185, which means that the ability of independent variables to explain the magnitude of the variation in the dependent variable is 18.5% and the rest is explained by other variables not included in the equation. Adjusted R2 levels are low in this study indicate that the independent variables used in this study had a small effect on the efficiency of investment.

Hypothesis testing

Testing Hypotheses H1, H2, H3, and H4

Hypothesis testing is done by multiple regression test to determine the structure of ownership (foreign ownership), corporate governance (the frequency of audit committee meetings), quality audit (industrial specialties auditor), and the quality of financial statements (accrual discretionary), the efficiency of investment proxied by *sales growth* that has diabsolutkan data (ABS_INVES). The test results are as follows:

Table 4.14 Hypothesis Testing Results

Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Sig./2
	B	Std. Error	Beta			
Constant	0.0030	0.0181		0.176	0.861	
K LK	0.0012	0.0010	0.197	2.146	0.034	0.017
KPA	0.0003	0.0001	-0.217	-2.374	0.019	0.009
FREK	-0.0031	0.0030	-0.097	-1.043	0.299	0.149
SPEC	-0.0210	0.0070	-0.272	-3.035	0.003	0.001
SIZE	-0.0011	0.0011	-0.164	-1.823	0.071	0.035
LEV	0.0010	0.0004	0.127	1.419	0.159	0.079

a. Dependent Variable: ABS_INVES

Testing Hypothesis 1

Hypothesis 1, that the foreign ownership positively affects investment efficiency. Based on regression analysis known coefficient of foreign ownership (KPA) of 0.0012 and a significance value of 0.017 <0.05. That is the structure of the company proxy with foreign ownership affect the efficiency of investment so that the first hypothesis is accepted.

Foreign investors provide effective oversight and disciplinary role that can reduce the *agency problem* between managers and investors (Huang and Lee, 2013). So that managers will be more responsible in financial reporting quality and prevent state of *overinvestment* or underinvestment.

Testing Hypothesis 2

Hypothesis 2 is the frequency of audit committee meetings positive effect on the efficiency of investment. Based on regression analysis found the frequency of audit committee meetings coefficient of 0.0003 and a significance value of 0.009 <0.05. It means that corporate governance is proxied by the frequency of audit committee meetings significant positive effect on the efficiency of the investment so that the second hypothesis is accepted.

The audit committee has responsibility for the company's financial reporting. The audit committee must ensure that the management gives a picture of the real company through the financial statements. Thus, the frequency of meetings of the audit committee of a company that can increase oversight of management. So as to improve investment efficiency anyway.

Testing Hypothesis 3

Hypothesis 3 that auditor industry specialization positive effect on the efficiency of investment. Based on regression analysis known coefficient auditor industry specialization (SPEC) of -0.0031 and a significance value of 0.149> 0.05. It means that the quality of audit proxied by the auditor industry specialization does not affect the efficiency of investment so that the third hypothesis is rejected.

This study does not support the research conducted by Bae and Choi (2012) who found that the efficiency of investment positive significant effect on the company that uses the auditor industry specialization than nonspesialisasi industry. However, this study is consistent with research conducted by Hardiningsih (2010) who found that the auditor industry specialization does not affect the efficiency of investment.

Testing Hypothesis 4

Hypothesis 4 is the quality of financial reporting affect the efficiency of investment. Based on regression analysis found earnings management coefficient (K_LK) of -0.0210 and a significance value of 0.001 <0.05. That is the quality of the financial statements are proxied by discretionary accruals and the statistics negatively affect significantly to the efficiency of the investment so that the fourth hypothesis is accepted.

This study is not in line with research conducted by Gomariz and Ballesta (2014) that the high quality of the report which positively affects investment efficiency. The results of the same study also found by Biddle *et* al., (2009) where they found a negative relationship between the quality of financial reporting by *overinvestment* and *underinvestment.*

Testing of control variables

1. Leverage

Based on the regression coefficient of 0.001 and the leverage it gained significance value 0.079> 0.05 means no significant positive leverage effect on the efficiency of investment that leverage variable can not be a variable that bridges the relationship between the variables of foreign ownership, the frequency of audit committee meetings, auditors and quality industrial spesisiaslisasi financial statements. The cause of these results because the company has a high debt will affect the company's financial risk of the company will increase. So as to affect the earnings and cash in on the company.

2. Size

Based on the regression coefficient of -0.001 size and significance value of 0.035 means that the variable size significant negative effect on the efficiency of investment. This indicates both when the size of the company is large or small, fixed investment efficiency can be achieved by looking at trends, the condition of the company, as well as information contained in the financial statements (Mutmainnah, 2012)

Conclusion

After doing research on the effect of the quality of financial statements, foreign ownership, the frequency of audit committee meetings, and the auditor industry specialization to the efficiency of investments listed on the Indonesia Stock Exchange (BEI) 2010-2013, it can be concluded that:

1. The quality of financial statements affect the efficiency of investment.
2. Foreign ownership affect the efficiency of investment.
3. The frequency of audit committee meetings affect the efficiency of investment.
4. The auditor industry specialization does not affect the efficiency of investment.

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