

Determinant Factors of Annual Report Readability in Indonesia

¹Riri Sahyda, ²Yurniwati, ³Annisaa Rahman

¹Master Student, ²Lecturer, ³Lecturer

Department of Accounting, Faculty of Economics, Andalas University
Padang, West Sumatera, Indonesia

Email: ¹ ririsahyda@yahoo.com, ² yurniwati.fekon.unand@gmail.com, ³ annisaa.rahman@gmail.com

Abstract: Annual report readability is substantial for decision makers. Not just relying on quantitative information, by getting information in the narrative section they will gain a comprehensive understanding of the company condition, both financially and non-financially. To date, the study of annual report readability have focused on documents written in English and conducted in developed countries. In Indonesia, there is increasing interest in the readability of annual reports among academics. The purpose of this study is to reveal interests, trends, and gaps in the literature that address the issue of annual report readability in Indonesia. The proposed review summarizes the current literature and reveals the direction of research that has potential to lead future research and the developments in the field.

Key Words: Annual Report Readability, Financial Statement Readability, Management Impression, Disclosure Quality, Narrative Disclosure.

1. INTRODUCTION:

The annual report is one of the most important communication media between the company and its shareholders. The annual report is the accountability report of the Board of Directors and the Board of Commissioners in managing and supervising the issuers or public companies within one book year to the General Meeting of Shareholders (Otoritas Jasa Keuangan, 2016). The annual report also becomes a means of decision making for stakeholders (Baker & Kare, 1992). Along with the development of the capital market and the increasing need for investors or shareholders for information disclosure, the Board of Directors and Board of Commissioners are required to improve the quality of information disclosure through the annual report.

The annual report does not only contain quantitative information, but mostly in the form of qualitative information. Deloitte (2018) examines the company's annual report included in The Financial Times Stock Exchange or FTSE (stock index on the London Stock Exchange which represents about 80% of the British stock market) and finds that most annual reports contain narrative disclosures (61%) and the rest (49%) are financial statements. Other research suggests that in certain types of company annual reports, an average of 80% of the report section contains textual narratives and the rest consists of numbers and quantitative data representations (Lo, Ramos, & Rogo, 2017). Although narrative disclosure is only one form of information disclosure, this narrative is an important complement to traditional financial reports and visual disclosures (Courtis, 2004). Therefore, the quality of information in the narrative section is important to assess, one of which is to assess its readability. Readable criteria must be owned by each annual report issued by the company, so that the information presented has benefits for stakeholders and other shareholders.

Looking at the fact that the narrative section of annual report draws a lot of attention from various parties, there are many studies that investigate the readability. In addition, study of annual report readability is very fascinating because this is multidisciplinary study, which links economics and linguistics. Unfortunately, previous studies on the readability of annual reports still focused on documents written in English and generally carried out in developed countries. Readability studies in Anglophone countries such as United States, Canada, United Kingdom, and Australia generally grow rapidly. Meanwhile, developments in the study of annual report readability in developing countries have not been very rapid, including in Indonesia. The study of the readability of annual reports in Indonesia has only emerged in recent years, in contrast to developed countries that have been concerned about the topic since the 1980s.

By this time, however, no studies have collected research data on annual report readability in Indonesia to provide a perspective from this country. As Jones (1988) stated, the results of research on the readability of annual reports cannot be generalized to different contexts due to legal and economic condition differences between countries. This study aims to describe research data regarding the readability of annual reports published from Indonesia and provide a summary of the determining factors, so that it can reveal interests, tendencies, gaps in the literature, and potential research directions in this field.

2. ANNUAL REPORT READABILITY:

Definition of Readability

Readability has been widely defined by researchers with different focus of emphasis. Dale & Chall (1949) states that readability is the total amount (including all interactions) of all the elements in a piece of written material that influences the success of a group of readers in understanding it, reads it at optimum speed, and considers it interesting. Kamus Besar Bahasa Indonesia (KBBI) defines readability as a condition in which discourse can be read quickly, easily remembered and understood. Klare (2000) states that the more readable a written material is, the more likely it is to produce readers' understanding and learning. Thus, we can conclude that readability is a condition in which the reader easily remembers and understands the intent of the text.

Experts through many studies have compiled important rules regarding writing documentation (Dubay, 2004). These rules include:

- Use short, simple, and familiar words.
- Avoid jargon.
- Use language that is culturally and gender neutral.
- Use correct grammar, punctuation, and spelling.
- Use simple sentences, active sounds, and present sentences.
- Start instructions in imperative mode by starting sentences with active verbs.
- Use simple graphic elements such as bulleted lists and numbered steps to create information visually accessible.

Formula of Readability

Here are some formulas that are widely used to measure the readability of an article (Ajina, Laouiti, & Msolli, 2016; Kumar, 2014; Lahtinen & Shipe, 2017; Li, 2008; Moreno & Casasola, 2015; Prasadhita, 2018), namely:

No	Name	Formula
1	Gunning Fog Index	$0,4 \times \left(\frac{\text{Words}}{\text{Sentences}} \right) + 100 \times \left(\frac{\text{Complexwords}}{\text{Words}} \right)$
2	Flesch Score	$206,835 - 1,015 \times \left(\frac{\text{Words}}{\text{Sentences}} \right) - 84,6 \times \left(\frac{\text{Syllables}}{\text{Words}} \right)$
3	Flesch Grade Level	$0,39 \times \left(\frac{\text{Words}}{\text{Sentences}} \right) + 11,8 \times \left(\frac{\text{Syllables}}{\text{Words}} \right) - 15,59$
4	Length of Document	$\log (N \text{ Words})$
5	Automated Readability Index	$4,71 \times \left(\frac{\text{characters}}{\text{words}} \right) + 0,5 \times \left(\frac{\text{words}}{\text{sentences}} \right) - 21,43$
6	SMOG Index	$1,0430 \times \left(\sqrt{\left(30 \times \frac{\text{complexwords}}{\text{sentences}} \right)} \right) + 3,1291$
7	Coleman Liau Index	$5,89 \times \left(\frac{\text{characters}}{\text{words}} \right) - 0,3 \times \left(\frac{\text{sentences}}{\text{words}} \right) - 15,8$
8	Bog Index	$\text{Sentence Bog} + \text{Word Bog} - \text{Pep}$

* The higher the readability score, the harder it is to read a text.

Readability of Annual Reports

The readability of the annual report is readability with the object of the annual report of a company. In measuring the readability of annual reports, researchers do not always use the entire report but sometimes only use certain parts. The following is a section of the report that is often used as an indicator of the readability of the annual report:

- Director's Report (e.g. EDT, Febrianto, & Rahman, 2018; Moreno & Casasola, 2015)
- Management Discussion and Analysis (e.g. Harymawan & Roiston, 2018; Prasadhita, 2018)
- Corporate Social and Responsibility Disclosure (e.g. Abu Bakar & Ameer, 2010; Purwantini, 2018)
- Management Compensation Disclosure (e.g. Huang, Krishnan, & Lin, 2016)
- Notes to Financial Statements (e.g. Li, 2008; Patralalita & Juliarto, 2014)
- Whole Annual Report (e.g. Ajina et al., 2016; Lim, Chalmers, & Hanlon, 2018)

3. METHOD:

This research is a literature review conducted with the following steps:

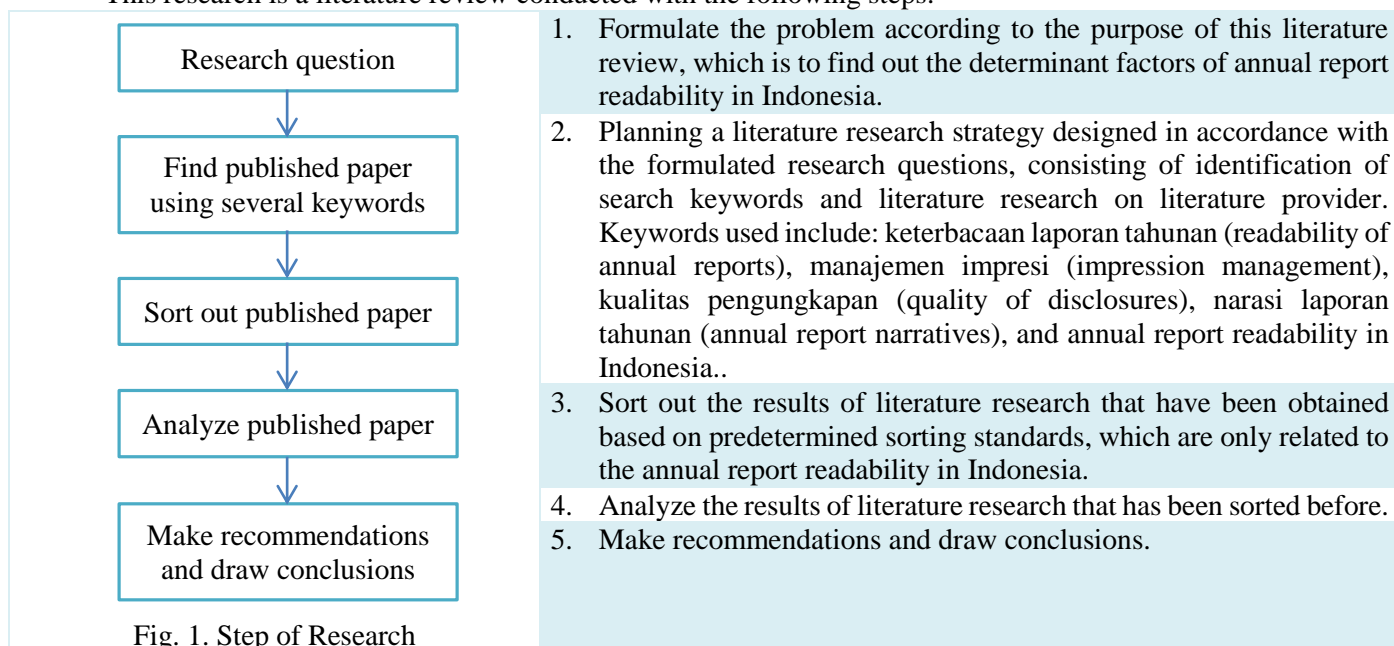


Fig. 1. Step of Research

1. Formulate the problem according to the purpose of this literature review, which is to find out the determinant factors of annual report readability in Indonesia.
2. Planning a literature research strategy designed in accordance with the formulated research questions, consisting of identification of search keywords and literature research on literature provider. Keywords used include: keterbacaan laporan tahunan (readability of annual reports), manajemen impresi (impression management), kualitas pengungkapan (quality of disclosures), narasi laporan tahunan (annual report narratives), and annual report readability in Indonesia..
3. Sort out the results of literature research that have been obtained based on predetermined sorting standards, which are only related to the annual report readability in Indonesia.
4. Analyze the results of literature research that has been sorted before.
5. Make recommendations and draw conclusions.

4. RESULTS:

Number of Published Papers on Annual Report Readability in Indonesia

Based on the literature research conducted, there were 13 published papers related to the annual report readability in Indonesia. Distribution of articles from year to year can be seen in fig. 2. below.

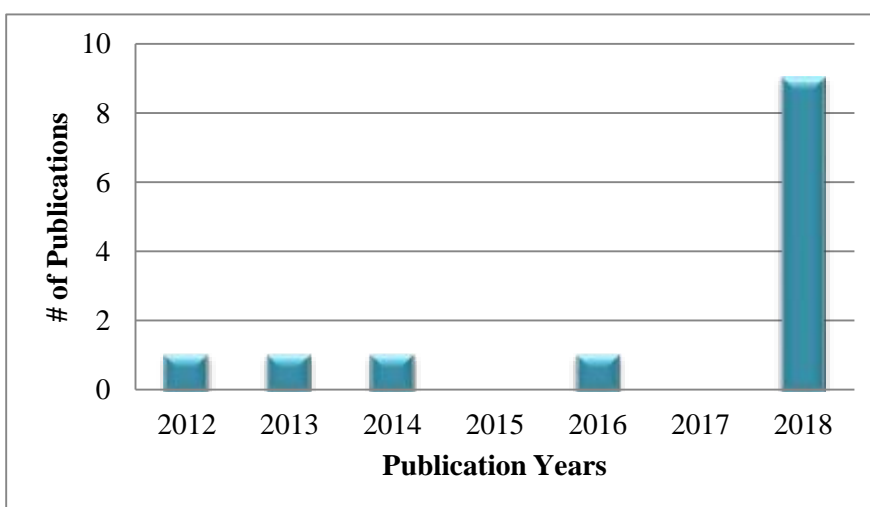


Fig. 2. Number of Published Papers on Annual Report Readability in Indonesia Overtime

Source of Published Papers on Annual Report Readability in Indonesia

Published papers originated from several sources. The following fig. 3. shows the source of published paper on Annual Report Readability in Indonesia.

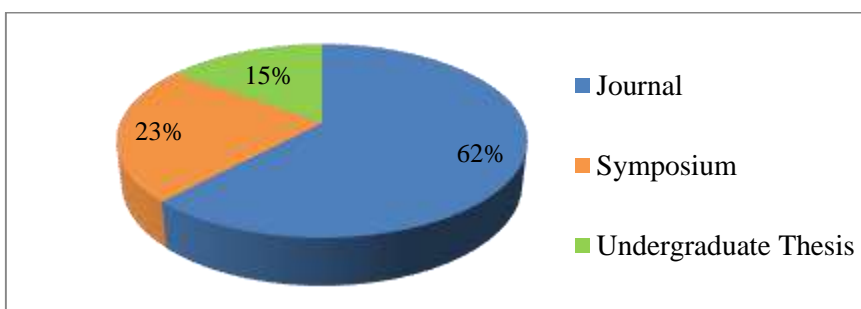


Fig. 3. Source of Published Papers on Annual Report Readability in Indonesia

Determinant Factors and Research Results on Annual Report Readability in Indonesia

Determinant factors of annual report readability in Indonesia that have been identified are shown in table 1.

Table 1. Determinant Factors and Research Results on Annual Report Readability in Indonesia

No	Determinant Factors	Result to Annual Reports Readability			Frequency Studied (Times)	Main / Control Variabel	
		More Readable	Less Readable	No Correlation			
1	Accounting Fraud			√ ^a	1	M	a Sukotjo & Soenarno (2018)
2	Age		√ ^b	√ ^c	2	C	b Haryawan&Roiston (2018)
3	Earning Management	√ ^{f,d,g}	√ ^c	√ ^e	5	M	c Roiston (2018)
4	Economic Condition	√ ^{d,g}			2	C	d Surtpto (2012)
5	Ethics*	√ ^h			1	M	e Putri (2018)
6	Corporate Governance						f Prasadhita (2018)
	a. Audit Committee Characteristics	√ ^d			1	C	g Surtpto (2013)
	b. Audit Committee Size	√ ^e			1	M	h Munandar (2018)
	c. Board of Commissioner Chrcrstics	√ ^d			1	C	i Hidayatullah & Setyaningrum (2018)
	d. Board of Commissioner Size	√ ^e			1	M	j Patralalita & Juliarto (2014)
7	Firm Performance						k EDT, Febrianto, Rahman (2018)
	a. Loss			√ ^c	1	C	*) Faturrahman (2016) & Purwantini (2018) performed descriptive analysis on annual report readability
	b. Performance Growth	√ ^{d,g}			2	C	
	c. Performance*	√ ^h			1	M	
	d. Profit	√ ^f		√ ^c	2	C	
	e. Revenue		√ ^f		1	C	
	f. ROA	√ ^{d,g}		√ ^k	3	M	
	g. ROA Variation			√ ^{d,g}	2	C	
	h. ROE			√ ^k	1	M	
	i. ROS	√ ^k			1	M	
8	IFRS Adopted		√ ^{i,j}		2	M	
9	Industry Classification						
	a. Sector-Energy		√ ⁱ		1	C	
	b. Sector-Industrial			√ ⁱ	1	C	
	c. Sector-Primary			√ ⁱ	1	C	
	d. Sector-Service			√ ⁱ	1	C	
10	Leverage			√ ^{c,i}	2	C	
11	Managerial Ownership			√ ^e	1	M	
12	Size		√ ^{b,c}	√ ^{d,g,i}	5	C	
13	Tax Aggressiveness		√ ^a		1	M	
14	Volatility		√ ⁱ		1	C	
Total					45		
Average per Study					4		

*Experimental Research

5. ANALYSIS:

General Remarks on the Topic

In the context of the presentation of annual reports and financial statements, the issue of readability is very interesting to discuss. The basic framework for preparing and presenting financial statements requires that the information contained therein has four qualitative characteristics, which are understandable, relevant, reliable, and comparable. Understandable characteristic strongly influenced by the readability of the text so that this readability factor must be met by all companies to meet the standards for presenting annual reports and financial statements.

Similar to many other fields, there is an increasing interest in research about the readability of annual reports in Indonesia. As shown by Fig. 2., research on annual report readability began to appear since 2012 and significant growth was only seen in 2018 with a total of 9 studies. Research on the readability of annual reports mostly originated from the Journal as many as 8 studies (62%), then from undergraduate thesis as many as 3 studies (23%), and at least from the Symposium as many as 2 studies (15%) as shown in Fig. 3.

Broadly speaking, there are 14 determinant factors of annual report readability that have been investigated by various researchers, as shown in Table 1. The most studied main determinant factors are firm performance, earnings

management, IFRS adopted, and corporate governance. Experimental research in this field has only been done once by Munandar (2018) and two other studies (Fathurrahman, 2016 & Purwantini, 2018) only present a descriptive analysis.

Determinant Factors of Annual Report Readability in Indonesia

The following will explain four main determinant factors which are the most investigated in this field.

a. Firm Performance

The main determinant factor most often examined is firm performance. EDT et al., (2018) examined the effect of firm performance on the readability of the director's report section within annual reports, with indicators of ROA, ROE, and ROS on 250 companies listed on IDX in 2013 to 2017. The result of the study indicated that ROS was associated negatively toward the Fog index. That was, the higher the ROS value, the more annual the report would be easier to read. The result supported the research conducted by Munandar, 2018; Prasadhita, 2018; Suropto, 2012, 2013 which showed that other performance indicators also affected the readability of annual reports. The higher the firm's performance, the easier it was to read the company's annual report. But other indicators such as loss, profit, ROA variation, revenue, and ROE have no effect on the readability of the annual report.

b. Earnings Management

Roiston (2018) conducted 405 observations from 216 companies listed on the Indonesia Stock Exchange (IDX). Then the 405 observations were broken down into 203 observations for companies that were aggressive earnings management and 202 observations for companies that were less aggressive earnings management. He found that companies that did aggressive earnings management had a lower level of annual report readability. This happened for two reasons. The first reason, management was afraid to convey a declining company performance that could reduce their incentives. Secondly, management tried to hide the bad news that was happening to the company because the company was afraid of losing the trust of its investors. Unlike Prasadhita (2018) study, which found that earnings management made the MDA part of the annual report more readable. This happened because the earnings management carried out by 56 consumer goods companies listed on IDX in 2015 and 2016 was mostly carried out by income decreasing in terms of negative discretionary accruals. The result also proved that earnings management conducted by the company was not an opportunistic step which was the cause of agency conflict, but a good step because it affected the readability of the company's annual report, so that it was more easily understood by the user. Putri (2018) also found that real earnings management did not affect the readability of the annual reports. This was due to the low practice of real earnings management carried out by managers of manufacturing companies for the 2014-2016 periods.

c. IFRS Adopted

Hidayatullah dan Setyaningrum (2018) conducted research on 52 non-financial companies listed on IDX in the period 2010-2011 and 2013-2014, with 208 observations. The result of the study showed that IFRS adoption made the Fog index annual report higher, meaning that annual reports were more difficult to read. The implication of the study is that financial report readers are required to have higher competence in understanding IFRS-based financial statements. The result supported the research conducted by Patralalita & Juliarto (2014) who found the financial statement company listed on IDX in 2012 period (after IFRS adoption) was longer than 2010 period (before IFRS was adopted). Longer annual reports showed that reports were increasingly difficult to read.

d. Corporate governance

Putri (2018) examined the effect of corporate governance, i.e. audit committee size and board of commissioner size on readability of the MDA section of manufacturing companies listed on IDX in 2014-2016. The results prove that the two determinant factors cause the company's annual report more readable. Suropto (2012) also found the same thing; the existence of corporate governance increases the readability of annual reports.

6. RECOMMENDATION:

Based on the analysis that has been done before, there are several recommendations that can be proposed to develop research in this field, including:

- a. Conduct longitudinal research, such as Moreno & Casasola (2015) study which conducted 82 years of research. To date, most research periods on annual report readability have been carried out in the short term. Only EDT et al., 2018; Suropto, 2012, 2013 studies conducted research for 5 or 6 years.
- b. Use other parts within annual report, such as the director's report section, CSR disclosure, or management compensation disclosure. Based on the analysis carried out, most research in Indonesia used the MDA section as an indicator of the readability of the annual reports.
- c. Do a comparison study of readability between parts within annual reports (e.g. Courtis, 1986; Huang et al., 2016) or readability between paragraphs in an annual report section (Clatworthy & Jones, 2001). Thus, we can find out the presence of the variability of narrative readability within annual reports.

- d. Do a comparison study of annual report readability between the Indonesian version and the English version (e.g. Courtis & Hassan, 2002 which compare the Malay, Hongkong, and English versions of annual reports), so that we can find out the quality of annual report readability of the two language versions, whether equivalent or different.
- e. Investigate other determinant factors of annual report readability, such as agency costs, cost of debt, business strategies, and various other factors.

7. CONCLUSION:

The proposed study aims to find out literature about annual report readability in Indonesia and the determining factors of it. To the best of our knowledge, this is the first literature review of annual report readability in Indonesia. Descriptive statistics regarding studies of annual report readability in Indonesia revealed increased interest and tendencies in the topic. Although more or less there have been 28 determinant factors studied, there is still plenty of room to further enhance current research. We believe that the proposed study that summarizes the current state of the literature and reveals the direction of research has the potential to lead future research on annual report readability in Indonesia.

REFERENCES:

Journal Papers:

1. Abu Bakar, A. S., & Ameer, R. (2010). Readability of Corporate Social Responsibility Communication in Malaysia. *Corporate Social Responsibility and Environmental Management*. <https://doi.org/10.1002/csr.240>
2. Ajina, A., Laouiti, M., & Msolli, B. (2016). Guiding Through the Fog: Does Annual Report Readability Reveal Earnings Management? *Research in International Business and Finance*, 38, 509–516. <https://doi.org/10.1016/j.ribaf.2016.07.021>
3. Baker, H. E., & Kare, D. D. (1992). Relationship Between Annual Report Readability and Corporate Financial Performance. *Management Research News*, 15(1), 1–4. <https://doi.org/10.1108/eb028188>
4. Clatworthy, M., & Jones, M. J. (2001). The Effect of Thematic Structure on the Variability of Annual Report Readability. *Accounting, Auditing & Accountability Journal*, 14(3), 311–326. <https://doi.org/10.1108/09513570110399890>
5. Courtis, J. K. (1986). An Investigation into Annual Report Readability and Corporate Risk-Return Relationships. *Accounting and Business Research*, 285–294. <https://doi.org/10.1080/00014788.1986.9729329>
6. Courtis, J. K. (2004). Corporate Report Obfuscation: Artefact or Phenomenon? *The British Accounting Review*, 36, 291–312. <https://doi.org/10.1016/j.bar.2004.03.005>
7. Courtis, J. K., & Hassan, S. (2002). Reading Ease of Bilingual Annual Reports. *The Journal of Business Communication*, 39(4), 394–413. <https://doi.org/10.1177/002194360203900401>
8. Dale, E., & Chall, J. S. (1949). The Concept of Readability. *Elementary English*, 26(1), 19–26. Retrieved from <http://www.jstor.org/stable/41383594>
9. Deloitte. (2018). *Annual Report Insights 2018 Surveying FTSE reporting*. Retrieved from https://moodle.essex.ac.uk/pluginfile.php/491365/mod_resource/content/3/deloitte-uk-annual-report-insights-2017.pdf
10. Dubay, W. H. (2004). *The Principles of Readability*. Retrieved from <https://www.researchgate.net/publication/228965813>
11. EDT, R. W., Febrianto, R., & Rahman, A. (2018). Firm Performance and Readability of Annual Report. *International Journal of Progressive Sciences and High Technologies (IJPSAT)*, 12(1), 25–36.
12. Harymawan, I., & Roiston, T. A. (2018). Ukuran, Usia Perusahaan dan Keterbacaan Management Discussion & Analysis (MDA) Perusahaan. *Aliansi Jurnal IAI KAPd Jawa Timur*. Retrieved from <http://jurnal.iaijawatimur.or.id/Jurnal/5>
13. Hidayatullah, I., & Setyaningrum, D. (2018). Pengaruh Adopsi IFRS terhadap Keterbacaan Laporan Tahunan : Studi Empiris Perusahaan Publik Indonesia. *National Accounting Symposium*, (September 2018).
14. Huang, X., Krishnan, S., & Lin, P. (2016). Readability of Compensation Discussion and Analysis: the Impact of the Plain English initiative. *International Journal of Services and Standards*, 11(1), 20–42. <https://doi.org/10.1504/ijss.2016.076969>
15. Jones, M. J. (1988). A Longitudinal Study of the Readability of the Chairman's Narratives in the Corporate Reports of a UK Company. *Accounting and Business Research*, 18(72), 297–305. <https://doi.org/10.1080/00014788.1988.9729377>
16. Klare, G. R. (2000). The Measurement of Readability : Useful Information for Communicators. *ACM Journal of Computer Documentation*, 24(3), 107–121. <https://doi.org/http://doi.acm.org/10.1145/344599.344630>
17. Kumar, G. (2014). Determinants of Readability of Financial Reports of U.S.-Listed Asian Companies. *Asian Journal of Finance & Accounting*, 6(2). <https://doi.org/10.5296/ajfa.v6i2.5695>
18. Lahtinen, K. D., & Shipe, S. (2017). Readability of Financial Advisor Disclosures. *Journal of Empirical Finance*, 44, 36–42. <https://doi.org/10.1016/j.jempfin.2017.08.002>
19. Li, F. (2008). Annual Report Readability, Current Earnings, and Earnings Persistence. *Journal of Accounting and Economics*, 45, 221–247. <https://doi.org/10.1016/j.jacceco.2008.02.003>
20. Lim, E. K. Y., Chalmers, K., & Hanlon, D. (2018). The Influence of Business Strategy on Annual Report Readability. *Journal of Accounting and Public Policy*, 37(1), 65–81. <https://doi.org/10.1016/j.jaccpubpol.2018.01.003>
21. Lo, K., Ramos, F., & Rogo, R. (2017). Earnings Management and Annual Report Readability. *Journal of Accounting and Economics*, 63(1), 1–25. <https://doi.org/10.1016/j.jacceco.2016.09.002>
22. Moreno, A., & Casasola, A. (2015). A Readability Evolution of Narratives in Annual Reports: A Longitudinal Study of Two Spanish Companies. *Journal of Business and Technical Communication*, 1–34. <https://doi.org/10.1177/1050651915620233>
23. Munandar, A. (2018). Dampak Kinerja dan Level Etika terhadap Keterbacaan Pengungkapan: Eksperimen Laboratorium.

Jurnal Riset Manajemen Dan Bisnis (JRMB), 3(3), 375–386.

24. Patralalita, C. W., & Juliarto, A. (2014). Dampak Adopsi IFRS terhadap Panjang Laporan Keuangan pada Perusahaan yang Terdaftar di BEI. *Diponegoro Journal of Accounting*, 3(2), 1–15.
25. Prasadhita, C. (2018). Manajemen Laba dan Keterbacaan (Readability) Laporan Tahunan Perusahaan Consumer Goods yang Terdaftar di Bursa Efek Indonesia. *Buletin Ekonomi*, 16(2), 137–261.
26. Purwantini, C. (2018). Kualitas Naratif Laporan Corporate Social Responsibility: Studi Korelasi pada Sektor Perbankan. *Jurnal KRISNA: Kumpulan Riset Akuntansi*, 10(1), 14–21.
27. Sukotjo, C., & Soenarno, Y. N. (2018). Tax Aggressiveness , Accounting Fraud, and Annual Report Readability. *Journal of Finance and Economics*, 6(2), 38–42. <https://doi.org/10.12691/jfe-6-2-1>
28. Suropto, B. (2012). Manajemen Impresi Dalam Pembahasan Kinerja Perusahaan Oleh Manajer Pada Bagian Naratif Laporan Tahunan. *National Accounting Symposium*, 1–30.
29. Suropto, B. (2013). Manajemen Laba Dan Manajemen Impresi Dalam Laporan Tahunan: Penelitian Strategi Pengungkapan Perusahaan. *Jurnal Akuntansi Dan Keuangan Indonesia*, 10(1), 40–59. <https://doi.org/10.21002/jaki.2013.03>

Statute:

1. Otoritas Jasa Keuangan. (2016). Peraturan Otoritas Jasa Keuangan Nomor 29/POJK.04/2016 tentang Laporan Tahunan Emiten atau Perusahaan Publik. Retrieved from www.ojk.go.id

Thesis:

1. Fathurrahman, M. B. (2016). *Keterbacaan Analisis dan Diskusi Manajemen dalam Laporan Tahunan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2014)*. Undergraduate Thesis. Diponegoro University.
2. Putri, A. A. (2018). *Pengaruh Manajemen Laba Riil dan Corporate Governance terhadap Keterbacaan Laporan Tahunan (Studi Empiris di Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2016)*. Undergraduate Thesis. Islamic University of Indonesia.
3. Roiston, T. A. (2018). *Pengaruh Aggressive dan Less Aggressive Earning Management terhadap Readability Laporan Keuangan Tahunan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2016)*. Undergraduate Thesis. Airlangga University.

Web References:

- www.kamuskbbi.id

Appendix 1

Table 2. Source Details of Published Paper on Annual Report Readability in Indonesia

Source	#	Researcher (s)
Aliansi Jurnal IAI KAPd Jawa Timur	1	Harymawan & Roiston (2018)
Buletin Ekonomi	1	Prasadhita (2018)
Diponegoro Journal of Accounting	1	Patralalita & Juliarto (2014)
Faculty of Economics and Business Diponegoro University	1	Faturrahman (2016)
Faculty of Economics and Bussiness Airlangga University	1	Roiston (2018)
Faculty of Economics Islamic University of Indonesia	1	Putri (2018)
International Journal of Progressive Sciences and Technologies (IJPSAT)	1	EDT, Febrianto, Rahman (2018)
Journal of Finance and Economics	1	Sukotjo & Soenarno (2018)
Jurnal Akuntansi dan Keuangan Indonesia	1	Suropto (2013)
Jurnal Krisna: Kumpulan Riset Akuntansi	1	Purwantini (2018)
Jurnal Riset Manajemen dan Bisnis (JRMB) Fakultas Ekonomi Uniat	1	Munandar (2018)
National Accounting Symposium	2	Suropto (2012); Hidayatullah & Setyaningrum (2018)

Appendix 2

Table 3. Content Details of Published Paper on Annual Report Readability in Indonesia

No	Authors & Year	Determinant Factors	Result on Readability	Readability Formula	Section of Annual Report	Sampel	Period
1	Suripto (2012)	Audit Committee Cr	More Readable	accounting language explanation bias and self-serving attribution bias by content analysis	MDA	594 Company listed in Indonesia Stock Exchange (IDX)	2004-2009
		BoC Characteristics	More Readable				
		Earning Management	More Readable				
		Economic Condition	More Readable				
		Performance Growth	More Readable				
		ROA	More Readable				
		ROA Variation	No Correlation				
2	Suripto (2013)	Earning Management	More Readable	accounting language explanation bias and self-serving attribution bias by content analysis	MDA	594 Company listed in IDX	2004-2009
		Economic Condition	More Readable				
		Performance Growth	More Readable				
		ROA	More Readable				
		ROA Variation	No Correlation				
		Size	No Correlation				
3	Patralalita & Juliarto (2014)	IFRS Adopted	Less Readable	Length of document	Financial Statement	Non-financial company listed in IDX	2010 & 2012
		-	Less Readable	Flesch Score, Automated Readability Index, Coleman-liu Index, Gunning Fog Index, and Smog Index	MDA	107 Manufacturing Company Listed in IDX	2014
5	EDT, Febrianto, Rahman (2018)	ROA	No Correlation	Gunning Fog Index Modification	Director's Report	250 Nonfinancial Company Listed in IDX	2013-2017
		ROE	No Correlation				
		ROS	More Readable				
6	Harymawan & Roiston (2018)	Age	Less Readable	SMOG Index and Flesch Grade Level	MDA	Company Listed in IDX	2014-2016
		Size	Less Readable				
7	Hidayatullah & Setyaningrum (2018)	IFRS Adopted	Less Readable	Gunning Fog Index	All section	52 Non-financial Company Listed in IDX	2010-2011 & 2013-2014
		Leverage	No Correlation				
		Sector-Energy	Less Readable				
		Sector-Industrial	No Correlation				
		Sector-Primary	No Correlation				
		Sector-Service	No Correlation				
		Size	No Correlation				
Volatility	Less Readable						
8	Munandar (2018)	Ethics*	More Readable	Flesch Score	Manipulation Scenario	Regular Class Student in Kalbis	-
		Performance*	More Readable				
9	Prasadhita (2018)	Earning Management	More Readable	Bog Index	MDA	56 Consumer Goods Company Listed in IDX	2015-2016
		Profit	More Readable				
		Revenue	Less Readable				
10	Purwantini (2018)	-	Less Readable	SMOG Index	CSR	29 Banking	2015
11	Putri (2018)	Audit Committee Size	More Readable	Gunning Fog Index	MDA	144 Manufacturing Company Listed in IDX	2014-2016
		BoC Size	More Readable				
		Earning Management	No Correlation				
		Managerial Ownership	No Correlation				
12	Roiston (2018)	Age	No Correlation	Gunning Fog Index, SMOG Index, and Flesch Grade Level	MDA	Company Listed in IDX	2014-2016
		Earning Management	Less Readable				
		Leverage	No Correlation				
		Loss	No Correlation				
		Profit	No Correlation				
		Size	Less Readable				
13	Sukotjo & Soenarno (2018)	Accounting Fraud	No Correlation	Gunning Fog Index	N/A	Company Listed in IDX	2016
		Tax Aggressiveness	Less Readable				