

THE EFFECTS OF FINANCIAL REPORTING QUALITY ON INFORMATION ASYMMETRY AND ITS IMPACTS ON INVESTMENT EFFICIENCY

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Abstract

Financial reporting is the primary means of communicating financial information to external parties, which are used as a basis for decision making. Financial statement information will have a utility value if obtained from quality financial reporting. Understanding the quality of financial reporting can be viewed in two perspectives. The first view states that the quality of financial reporting related to the company's overall performance is illustrated in corporate profits. Associated with the quality of which measures are focused on attributes that are believed to affect FRQ such as earnings management, financial restatements, and timeliness. The second view states that the quality of financial reporting related to the performance of the company's shares in the capital market. Which is getting stronger relationship between income in exchange markets shows that financial reporting information is getting higher. With the quality of financial reporting it can protect investors in terms of investment and investment decisions. It becomes critical because the investment has risk. Based on previous studies have found an association between the quality of financial reporting with the efficiency of investment, this relationship occurs because of the quality of financial reporting will produce quality information. This research was conducted at 22 pension fund companies in Indonesia in 2012. These results indicate that: the quality of financial reporting did not affect the asymmetric information, and asymmetric information does not affect the efficiency of investment

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