Effect Of The Board Of Commissioners Of Its Value Through Quality Of Financial Reporting

Sigit Sukmono

Abstract: Background This study is based on a statement of the value of the company determined the quality of financial reporting and financial reporting quality monitoring board determined Commissioner in implementing corporate governance. This study was to examine the effect of the commissioners on firm value. Hypothesis no significant effect on the value of the company board of directors through quality financial pelporan. The results showed a significant positive effect commissioners through the quality of financial reporting.

Keywords: Quality of financial reporting, the Board, the Company Value

INTRODUCTION

According to the Financial Services Authority, in order to meet the interests of the shareholders, the structure and processes of the company became a major concern in corporate governance to ensure fairness, responsibility, and corporate behavior that is transparent and accountable (FSA, 2014). Therefore, both public and closed should look good corporate governance (GCG) not as a mere accessory, but as an effort to improve the performance and value of the company (Tjager, 2003). In order to improve the performance and value of the company, the role of the board of commissioners, as a corporate governance structure - becomes very important and strategic in creating and maintaining the company's control system. Several studies show the influence of the commissioners on the value of the company as board size (O`Connell and Cramer, 2010; Al Manaseer et al., 2012; Kang and Kim 2011; and Kyereboah-Coleman, 2007; Adams and Mehran 2005); independent commissioner (O`Connell and Cramer, 2010; Kang and Kim, 2011; and Nuryanah and Islam, 2011); dual position commissioners (Fich and Shivdaasani, 2006; Field et. al, 2011); and board meetings (Brick and Chidambaram, 2007; Khanchel, 2007; Lin et. al, 2002; Hsu and Petchsakulwong's, 2010; Kang and Kim, 2011; Vafeas, 2000). According to the International Accounting Standards Board (IASB), the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). Several studies have been conducted to analyze the factors that affect the quality of financial reporting.

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Measuring the quality of earnings as a measure of the quality of financial reporting, focusing on dimensions is believed to affect the quality of financial reporting as earnings management, financial restatements and timeliness (Barth et al, 2008; Shipper and Vinsent, 2003; Cohen et al, 2004). Measuring the quality of financial reporting, as well as focusing on one or more dimensions of the qualitative characteristics of financial statements (Jonas and Blanchet, 2000; Lee et al., 2002; Mc Daniel et al., 2002; Daske H. and Gebhart, 2006). Furthermore, Van beest et. al, (2009, 2013) conducted a study of financial reporting quality using qualitative characteristics of financial statements as defined in the Exposure Draft Conceptual Framework for Financial Reporting of the FASB and IASB (IASB, 2008) using the index or questionnaire. The value of the company is very important because it shows the wealth of shareholders. The higher the value of the company, the higher the stock price (Bringham, 1996). Several studies have documented a causal relationship quality with the company's financial statements (Sloan, 1996; Chan. Et al, 2001; Yohn, 2009; Perotti and Wagenhofer, 2011; Panagiotis et al., 2009; Fanani, 2009; Sharma et al., 2012). But in reality, there are some phenomena related to the quality of financial reporting: (1) The results of the Association of Certified Fraud Examiners (ACFE) indicate fraudulent financial reporting provides the greatest number of losses of around $ 1 million (ACFE, 2012). (2) the Supreme Audit Agency (BPK) found that fraud occurred in some State-Owned Enterprises (SOEs) which aims to directors seem to have high performance. (Hasan Bisri, 2013). From the discovery of the phenomenon, showing how the quality of financial reporting should be examined closely and carefully digested. Misuse of information in the financial statements can be traced using agency theory, Jansen and Meckling (1976). Separation of duties and authority between the manager and the owner of the company raises the potential for asymmetric information and conflicts of interest. In addition, positive accounting theory, Watts and Zimmerman (1986) stated that the hypothesis bonus program (the bonus plan hypothesis) caused earnings management. Thus, manipulation of financial statements this information will result in declining quality of financial reporting information, because it reduces the usefulness of financial reporting information for forecasting earnings and future cash flows (Kieso et al., 2011: 145). But the fact of the discovery of the phenomena associated with the value of the company: (1) According to the Trust Securities analyst said, the movement of the price of bank stocks, both leading stocks as well as second-tier stocks continued to decline detachable carrying investors throughout the third week of this month. (Reza Priyambada, 2013). (2) A decrease in stock prices triggered

BCA alleged corruption cases its tax administration in the Directorate General of Taxation. (Tribunnews.com, 2014). The existence of this phenomenon, showing the importance of financial statement information for investors, because the information is determined by the quality of the profits of the financial reporting will have an impact on the value of the company are reflected in the value of its shares. One instrument is believed to have an important role, particularly in terms of top management supervision, are commissioners (Fama and Jansen, 1983). However, with the discovery of a case related to the commissioners, among others: (1) According to BI deputy governor of Bank Indonesia, the results show that there are problems commissioners (Siti Fadjriah, 2007). (2) Likewise, the Director of Banking Research and Regulation of Bank Indonesia said that the role of commissioners and directors of the bank supervision needs to be improved. This is because criminals are increasingly sophisticated banking in melacarkan action (Wimboh Santoso, 2011). Is very important for the commissioners to increase its role in supporting the process of collective governance with effective management oversight resulting in the quality of financial reporting. Several previous studies have documented the role of commissioners that affect the quality of financial reporting. The role of the board of directors as the board size (Yu, 2008; Ball and Shivakumar, 2008; Kao and Chen, 2004; Yermack, 1996; Dalton et al., 1999; and Ahmed et al., 2006), the independence of commissioners (Beasley, 1996; Chtourou et al. 2001; Kao and Chen, 2004; Klein, 2002; Chen et al., 2005; Xie et al., 2003; Dimitropoulos and Asteriou, 2010), the number of positions performed by the independent board members (Beasley, 1996; Ferris et al., 2003; Sarkar et al., 2006; Lu et al., 2013; Chandar et. al, 2012), and the number of meetings held meeting of the board of commissioners (Xie et al., 2003; Abbot et al., 2004; Chen et al., 2005). Under the circumstances, conditions and phenomena that have been mentioned above, and is supported by several studies that have been done before, empirically prove the influence of the commissioners with the value of the company. On the other hand also the existence of some empirical evidence that shows the influence of the commissioners on the quality of financial reporting. However, the presence of some of the phenomena associated with the commissioners, the quality of financial reporting and the value of the company. From these urain, then the quality of financial reporting indicated mediate the influence commissioners on firm value.

LITERATURE REVIEW

A. The Board of Commissioners

Corporate governance is a concept based on agency theory (Jansen and Meckling, 1976) and positive accounting theory (Watts and Zimmerman, 1986), is expected to serve as a tool to give confidence to investors that they would receive a return on the funds they have invested . One instrument is believed to have an important role, particularly in terms of top management supervision, are commissioners (Fama and Jansen, 1983). Sarbanes-Oxley Act (2002) states that good corporate governance can improve the integrity of financial reporting .Young (1998) states that corporate governance describe the procedures of improving the quality of financial statements, indicating the role of commissioners in improving company performance by pressing the manipulation of earnings and provide assurance on precise information about the company's operations. Based on the description above, it is concluded that the board of directors at the core of corporate governance in order to attempt to improve the quality of financial reporting and the value of the company. Therefore dimensions inherent in the board of directors include; board size, the independence of board members, the number of positions that carried an independent commissioner, the authority of the board of commissioners, the responsibility of the board of commissioners and board meetings to be factors that influence the commissioners in carrying out its role in the company.

1 Size of the Board of Commissioners

Board size is the number of commissioners appropriate in carrying out its duties. According to the general guidelines of Good Corporate Governance of Indonesia, the number of commissioners should be tailored to the complexity of the company with regard to the effectiveness of decision-making (NCG, 2006; FSA, 2014). Bank Indonesia Regulation (PBI) Number: 8/14 / PBI / 2006, set the board size provisions, among others; (1) The number of members of the Board of Commissioners at least three and at most equal to the number of members of the Board of Directors; (2) At least one member of the Board of Commissioners must be domiciled in Indonesia; and (3) independent board members at least 50% of the number of commissioners.

2. Independence of the Board of Commissioners

Independent Commissioner is a member of the Board of Commissioners from outside the Public Company who work or have the authority and responsibility for planning, directing, controlling, or supervise the activities of the Issuer, which has no shares, directly or indirectly, has no affiliation with the Issuer or Public Company, a member of the Board of Commissioners, members of the Board of Directors, or the Shareholders, does not have a business relationship, directly or indirectly related to the business activities of the Issuer (Bapepam, 2012; NCG, 2006; FSA, 2014). Board of Commissioners consists of Commissioner and Independent Commissioner. (2) At least 50% of the number of members of the Board of Commissioners are Independent Commissioners. (PBI, 2006). Number of Independent Commissioner should ensure that the control mechanism works effectively and in accordance with laws and regulations. One of the Independent Commissioner shall have accounting or finance background. (NCG, 2006).

3. The number of Members of the Board of Commissioners Position

Commissioners require considerable time in carrying out its responsibilities effectively (FRC, 2011; FSA, 2014). In particular, according to Bank Indonesia Regulation (PBI) Number: 8/14 / PBI / 2006, commissioners may only hold office as a member of the board of directors, or executive officer at the institution / company is not a financial institution. The regulation confirms that the more positions held by members of the board of commissioners, the possibility of fraud, particularly in financial reporting will reduce the quality of financial reporting and the impact on the value of the company.

4 Authority Board of Commissioners

In order to carry out its duties and responsibilities, the board has the authority. According to the FSA (2014) board of directors has the authority to: (1) oversee the implementation of the work plan and budget of the Company; (2) follow the development of its activities and in the event of chaos immediately reported to the AGM to give advice recovery steps to be taken; (3) propose to the AGM the appointment of the external auditor; (4) perform other surveillance activities are determined by the AGM; (5) assess the report of the Board of Directors periodically and, at any time, to respond to the performance of the company and report the performance of its duties to the shareholders in a timely manner; (6) or approve the annual work plan and budget of the Company prepared and submitted by the Board of Directors no later than on the thirtieth day of the first month after the new fiscal year begins; (7) if the end of a certain period, the Board has not provided a review or approval, the annual budget and work plan submitted for the current financial year will win. (FSA, 2014; 112).

5. Responsibilities of the Board of Commissioners

The Board of Commissioners is responsible for the integrity of the company's accounting and financial reporting system, (OECD, 2004: 25). According to the Financial Services Authority commissioners responsibilities generally include: (1) to supervise the management (directors) of the company; (2) perform any specific task that is governed by the articles of association of the company, the laws and regulations and / or applicable AGM decision; (3) perform duties, powers and responsibilities in accordance with the basis of the company and the decision angggaran GMS; (4) act in the interests of the company and is responsible to the General Meeting of Shareholders; (5) examine and review the annual report prepared by the Board of Directors and signed it. (FSA, 2014, 112). Furthermore, according to fcgi (2001) The main tasks of the board of commissioners include: (1) Assess and direct the company's strategy, the outlines of the work plan, risk control policy, annual budgets and business plans; set work objectives; oversee the implementation and performance of the company; and to monitor the use of the company's capital, investment and asset sales; (2) Assess the payroll tax system officials in key positions and payroll members of the board of directors, as well as ensuring a board member of the nomination process that is transparent and fair; (3) Monitor and resolve the problem of conflict of interest at the level of management, board members and commissioners, including misuse of corporate assets and manipulation of corporate transactions; (4) Monitor the implementation of governance, and make changes where necessary; (6) Monitoring the effectiveness of the process of openness and communication within the company. Based on the description above, it is concluded that the role of the board of directors in carrying out the responsibilities of the major contributing factor in ensuring the implementation of corporate strategy, overseeing management in managing the company, as well as requiring the implementation of accountability. Therefore, the findings of the audit, the implementation of good corporate governance, the annual work plan and the use of capital and asset sales is a major concern commissioners, so as to improve the quality of financial reporting and the value of the company.

6. Members of the Board of Commissioners Meeting

The main obstacle is the lack of effectiveness of the board of commissioners of time to complete the task. Council showed higher persistence in carrying out its responsibilities will improve its oversight of the financial reporting process and the value of the company. Perseverance is shown in the number of commissioners meeting and behavior of members in the meeting, such as the preparation before the meeting, attendance, attention and participation during the meeting, and follow-up after the meeting. According to Bank Indonesia Regulation (PBI) Number: 8/14 / PBI / 2006: (1) Meeting of the Board of Commissioners shall be held regularly at least four times a year. (2) Meeting of the Board of Commissioners shall be attended by all members of the Board of Commissioners and physically at least twice a year. (3) Any decision of the Board of Commissioners meeting conducted by consensus. (4) In the event does not happen consensus, decisions made by a majority vote. (5) Any decision of the Board of Commissioners are binding to all members of the Board of Commissioners. (6) The results of the Board of Commissioners meeting shall be set out in the minutes of meetings and documented properly. (7) Dissent (dissenting opinions) that occurs in the meeting Board of Commissioners shall be clearly stated in the minutes of the meeting and the reasons for such dissent.

Quality of Financial Reporting

Conceptually financial reporting can be defined as the accuracy of the financial statements in conveying information about the company's operations, in particular to the expected cash flows, so that investors can make investment decisions (Kieso et al., 2011: 4). The main objective of financial reporting is to provide information of high quality financial statements of economic entities, especially about finances used for making economic decisions (IASB, 2008, 2010). The financial statements are the result of the financial reporting process, including balance sheet, income statement, statement of changes in financial position (cash flow statement or funds flow statement), notes and other statements and explanatory material that are an integral part of the financial statements (IAI_SAK no 2, 2012). Availability information of high quality financial reporting is important because it will be positive for capital providers and other interested parties in making investment decisions, allocation of credit and other resources to improve the efficiency of the overall market (International Accounting Standards Board [IASB], 2008, 2010). In preparing the financial statements of the company, there are two basic assumptions that diajidakan reference ie accrual and going concern basis. (IAI: 2012). Van beest et al. (2009) perform other research quality financial reporting using a comprehensive measurement of qualitative characteristics Exposure Draft Conceptual Framework for Financial Reporting '[ED] of the FASB and IASB (IASB, 2008). Statement of Financial Accounting Concepts (SFAC) No. 8 of 2010 states that qualitative Characteristics of useful financial information consists of; (1) Fundamental Characteristics qualitative namely Relevance and faitful representation and (2) enhanced if it is comparable, verifiable, timely, and understandability. (IASB, 2010).

1 Accrual basis
Accrual accounting describe the effects of transactions and other events and conditions of the reporting entity's economic resources and claims in the period in which these effects occur, even if the resulting cash receipts and payments occur in different periods. (IASB 2010). Entities to prepare financial statements on the accrual basis, except for statements of cash flows. When the accrual basis of accounting is used, an entity recognizes items as an asset, a liability, equity, income and expenses (the elements of financial statements) when these checkpoints meet the definition and recognition criteria for those elements in the Framework for the Preparation and Presentation of Reports Financial. (IAI_PSAK SFAS No. 1 and No. 2 based on IFRS, 2012).

2 Going Concern
In preparing the financial statements, management makes judgments about the entity's ability to maintain business continuity. Entities to prepare financial statements based on the going concern assumption, if the management is aware (in making the judgment) on the existence of a material uncertainty with respect to events or conditions that may cause significant doubt about the entity's ability to maintain business continuity, it shall disclose that uncertainty (IAI_PSAK No. 1 and SFAS No. 2 based on IFRS, 2012)

3 Relevance
The fundamental qualitative characteristics are relevance and honest presentation. Financial information, so as to make a difference in the decisions made by the user. The ability of financial information to make a difference in a decision if it has predictive value, confirmatory value or both (IASB, 2010). Predictive value explicitly refer to the information on the company's ability to generate cash flows in the future, the predictive value of information has value as an input to be used as a predictive process by capital providers to form expectations about the future (IASB, 2008: 36). In addition to the predicted value, the value of the relevant confirmation contributing to financial reporting. Confirm the value indicated by providing feedback to the user of the financial statements of the annual report on the previous transaction that will help to confirm or change their expectations.

4 Faith fullness Representation
Presentation honest is the second fundamental qualitative characteristics that present information that the annual report should be made complete, neutral and free from material error (IASB, 2008). Free from bias, when assessing the annual report will never be free of bias due to economic factors presented in the annual report is often measured under conditions of uncertainty. Therefore it is important to examine the arguments that are given to different estimates with the assumptions made in the annual report (Jonas and Blanchet, 2000, Tasios, 2012). Neutrality, a third sub-representation of presenting honest, didefinisaikan as information presented no bias that leads to a particular party and can benefit a particular group but detrimental to the other groups (IASB, 2008). While Jonas and Blanchet (2000), stating that neutrality is related to objectivity and balance.

5 Verivability
Can be tested is the ability of information to give high confidence to the user because it provided a means for users to independently verify the accuracy of symbolization (truth / validity of the information) (Suwarjono, 2010; 173). Furthermore, the application of verification revealed that knowledge of different users over financial reporting information can be obtained in general agreement, though not a perfect agreement (IASB, 2008; 39). Therefore, the verification process in accounting does not in itself necessarily guarantee that the information has quality accuracy is actually a consensus on the validity of the information or the provisions resulting from the financial reporting process engineering.

6 Understandability
Can be understood, interpreted that the information presented in the financial statements with ease immediately be understood so as to enable users to understand the meaning (IASB, 2008, 2010). Understandability measured with an emphasis on transparency and clarity of the information presented in the annual report (Jonas and Blanchet, 2000; IU and Clowes, 2004; Courtis, 2005).

7 Comparability
Can be compared is the quality of information that enables users to identify similarities and differences between the two sets of economic information presented (IASB, 2008, 2010). Can be compared to measured with six sub-indicators to focus the four indicators refer to the concept of consistency in the use of accounting policies and procedures are the same from one period to period in a company (Jonas and Blanchet, 2000; Vincent and the Shipper, 2003; Beuselick and Manigart 2007 ; Cole et. al., 2007, 2009, 2012; Tasios and Bekiaris, 2012).

8 Timeliness
Timely is defined as the availability of information for decision-makers before it loses its relevance for decision making (IASB, 2008), Further, timeliness means that information becomes available to decision makers before it loses its capacity decisions that affect (IASB, 2010). Timeliness refers to the amount of time needed to make the information known to others, and it is related to the decision of the general usability (IASB, 2010; Fredy et. Al, 2009; 2013).

C. The company
Financial reports are the primary communication tool between the company and the shareholders. A financial statement is said to contain information when the publication of those statements cause the market reaction. According to Fama (1978) the value of the company will be reflected in its stock price, market price of the stock company formed between the buyer and the seller when the transaction is called market value of the company, because the price of the stock market is considered a reflection of the true value of the company's assets. Barth et. al ,. (2001) suggested that the relevant accounting information if the information is said to have a positive and significant relationship with stock prices. Some of the indicators used by investors to assess the company such as by using size: (1) Price Book Value (PBV). This ratio measures the value given to the management of financial markets and corporate organizations as a company that continues to grow (Brigham, 1996). (2) Measurement of the value of the company using Tobin's q ratio. Where is the incentive to create new investment capital is higher when the securities (shares) provide benefits in the future can be sold at a higher price than the cost of investment (Fiakas, 2005). (3)

Scott (2009: 154) states "An earnings response coefficient measures the extent of a security's abnormal return in response to the unexpected component of reported earnings of the firm issuing that security". Proxy stock price used is cumulative abnormal return (CAR) The amount of the abnormal return measurement in this study using a model market adjusted.

Theoretical Framework

The purpose of good corporate governance is improved performance and value of the company (Tjager, 2003). One of the instruments that have an important role particularly in relation to the supervision of top management is the board of directors (Fama and Jansen, 1983). According fcgi (2001) in carrying out its functions, duties commissioners include: (1) Assess and directing corporate strategy, the outlines of the work plan, risk control policy, annual budgets and business plans; set work objectives; oversee the implementation and performance of the company; and to monitor the use of the company's capital, investment and asset sales; (2) Assess the payroll tax system officials in key positions and payroll members of the board of directors, as well as ensuring a board member of the nomination process that is transparent and fair; (3) Monitor and resolve the problem of conflict of interest at the level of management, board members and commissioners, including misuse of corporate assets and manipulation of corporate transactions; (4) Monitor the implementation of governance, and make changes where necessary; (5) Monitoring the effectiveness of the process of openness and communication within the company. In order to carry out its duties and responsibilities, According to the FSA (2014) board of directors has the authority; (1) The Board of Commissioners to access documents, data and information about employees, assets, and resources that may be necessary (2) In connection with its duties and responsibilities, the board is authorized to communicate with employees, directors and other parties (3) If necessary, the board commissioner has the authority to engage independent parties outside the commissioners to assist the implementation of its duties (4) The Board of Commissioners is authorized to execute other powers granted by the bank's Articles of Association and the applicable laws and regulations. Several studies show the effect of board size on firm value. The results showed a negative influence between board size and firm value (Irina and Nadezhda 2009 ;, Nanka-Bruce 2011; and O`Connell and 2010 ;. Al Manaseer Cramer et al., 2012). In contrast the results Adams and Mehran (2005), Kang and Kim (2011), Kyereboah-Coleman (2007), showed a positive effect between board size and firm value. Some studies also showed a positive effect of the Board are independent of the value of the company is positive (Nanka-Bruce, 2011; O`Connell and Cramer, 2010; Kang and Kim, 2011 and Nuryanah and Islam, 2011). However, some research results also show a negative influence between board independence and firm value (Valenti et al., 2011; Wang and Oliver, 2009). On the other hand, some research results Ball and Shivakumar (2008) showed that the large size of the board of directors more likely to be associated with higher earnings management. The same thing is shown the results Beasley (1996). Research Wilopo (2004) concluded that the independent commissioner is able to negatively affect earnings management practices in the company. The same thing, documented research Bambang Suripto (2012) showed that the number of independent directors positive effect on the quality of financial reporting. Research findings and Shivdaasani Fich (2006) stated that the commissioners who doubled have corporate governance and weak corporate value. However, the results of research Field et al., (2011) says that the double post commissioners contributed positively to the performance of the company at the time the company is ready to release some of its shares in the capital market. According to Sarkar et al, (2006) the existence of independent board is very effective in monitoring management. Ferris et. al., (2003) found that independent directors are too many concurrent position will experience the constraints of time and energy, so less effectively perform oversight functions, and ultimately weaken corporate governance. Research results Chandar et. al, (2012) supports the statement of the stretcher is to minimize the double post commissioners will strengthen the financial statements to be more qualified, because the commissioners a focus on the duties and responsibilities. Beasley (1996) reported an increased likelihood of fraud in financial reporting, as an independent commissioner commissioner concurrent position at another company. Several studies indicate a positive association board meetings and the value of the company (Brick and Chidambaram, 2007; Khanchel, 2007; Lin et al., 2002; Kang and Kim, 2011). On the other hand finding negative results relations board meetings and corporate value García-Sánchez (2010). Several studies indicate a positive influence of board meetings and the value of the company (Khanchel, 2007; Lin et. Al, 2002; Kang and Kim, 2011). On the other hand research García-Sánchez (2010) find a negative relationship outcomes board meetings and corporate value. In addition, some previous studies showed that the number of meetings held commissioners related to the quality of financial reporting. Research conducted by Vafeas (2005), Brick and Chidambaram (2007), Abbot et al. (2004) showed that the more the frequency of meetings held by the board of commissioners, the higher the quality of financial reporting. The results of Chen et al study. (2005) in China, shows that the proportion of outside directors, the frequency of board members meeting in a year, the length of the top of the director position, influence on fraud in the financial statements. According to the International Accounting Standards Board (IASB), the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). According to Fama (1978) the value of the company will be reflected in its stock price. Research Perotti and Wagenhofer (2011) showed that the use of proxy ERC and the value of stocks as a proxy for earnings quality is more profitable than the quality of accruals and abnormal accruals. Research Chan et al. (2001) find that firms with high accruals indicate low-quality corporate profits, and vice versa. Further research Sloan (1996) tested the ability of the stock price to reflect the nature of the content of the information component of accruals and cash flow components. The results showed that the profit performance teratribut the accrual component illustrates the persistence of lower than teratribut profit performance in the components of cash flows. In addition, research Fanani (2009) stated that the quality of financial reporting with the attribute relevance, timelines and conservatism have economic consequences dominant relationship with the value of shares as a result of information asymmetry. Likewise, Yohn (2009) showed a negative market reaction to the announcement of accounting problems. Sharma et al study results., (2012) shows some ratios, based on financial statements significantly related to the stock market indicators. Studies conducted by Panagiotis et al., (2009) showed that the ratio of working capital to total assets and net profit to sales had a negative impact on stock returns, while the ratio of net income to total assets and sales to total assets had a positive impact stock returns.

HYPOTHESIS

Logicaly conjectured relationship between two or more variables Expressed in the form a testable statement (Sekaran & Bougie, 2010: 103). Based on the above framework, the hypothesis proposed in this study are: BoC affect the value of the company through the quality of financial reporting.

RESEARCH METHODOLOGY

This study is a theoretical study of the influence of the board komsirasi on firm value through the quality of financial reporting. This study aimed to determine the effect of financial reporting quality of the relationship commissioners in performing its role as an effort to increase the value of the company. Based on the main objectives of financial reporting is to provide information of high quality financial statements of economic entities, especially about finances used for making economic decisions (IASB, 2008, 2010), by collecting secondary data sources and take advantage of the available literature on the quality of financial reporting in conjunction with the influence of the commissioners on firm value. The results of this paper with descriptive analysis.

CONCLUSION

The purpose of good corporate governance is improved performance and value of the company (Tjager, 2003). According to Fama (1978) the value of the company will be reflected in its stock price. One of the instruments that have an important role particularly in relation to the supervision of top management is the board of directors (Fama and Jansen, 1983). The Board of Commissioners is responsible for the integrity of the company's accounting and financial reporting system, (OECD, 2004: 25) Young (1998) states that corporate governance describe the procedures of improving the quality of financial statements, indicating the role of commissioners in improving company performance by pressing the manipulation of earnings and provide assurance on the proper information about the company's operations. Some empirical evidence indicating the role of commissioners in rangkat improve financial reporting (Yu, 2008; Ball and Shivakumar, 2008; Kao and Chen, 2004; Yermack, 1996; Dalton et al., 1999; Ahmed et al., 2006; Beasley, 1996; Chtourou et al. 2001; Klein, 2002; Chen et al., 2005; Xie et al., 2003; Dimitropoulos and Asteriou 2009, Beasley, 1996; Ferris et al., 2003; Sarkar et al., 2006; Chandar et. al, 2012), Xie et al., 2003; Abbot et al., 2004). In addition, some empirical evidence indicating the role of the commissioners in order to increase the value of the company (O`Connell and Cramer, 2010; Al Manaseer et al., 2012; Kang and Kim 2011; Kyereboah-Coleman, 2007; Nuryanah and Islam; Fich and Shivdaasani 2006; Field et. al, 2011; Khanchel, 2007; Lin et. al, 2002). According to the International Accounting Standards Board (IASB), the main purpose of financial reporting is to provide information of high quality financial statements of the economic entity, especially about finances used for making economic decisions (IASB, 2008, 2010). Based on the theory and some empirical evidence indicates that the quality of financial reporting affect the relationship commissioners and the value of the company.

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