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## The effect of understanding accounting and the use of accounting information systems on the quality of financial reports

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Eka Setiajatnika  
Universitas Koperasi Indonesia  
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**Abstract**

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Eka Setiajatnika

## The effect of understanding accounting and the use of accounting information systems on the quality of financial reports

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Authors Eka Setiajatnika, Riska Rachma Dewi

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**Description** This study aims to empirically prove the influence of accounting understanding and the use of accounting information systems on the quality of financial reports. The data analysis technique used in this study is multiple linear regression analysis. The results of multiple regression analysis indicate that variations in the quality of financial statements can be explained by variations in the variable understanding of accounting and the use of accounting information systems. The results show that accounting comprehension and the use of accounting information systems positively affect the quality of financial reports. The results of this study mean that the better understanding of accounting and the use of accounting information systems, the better the quality of financial statements

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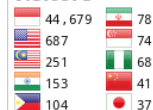
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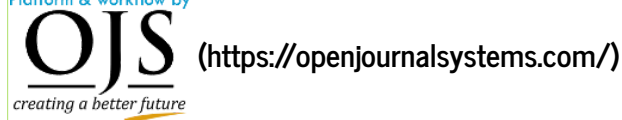
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## The effect of understanding accounting and the use of accounting information systems on the quality of financial reports

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### ABSTRACT

This study aims to empirically prove the influence of accounting understanding and the use of accounting information systems on the quality of financial reports. The data analysis technique used in this study is multiple linear regression analysis. The results of multiple regression analysis indicate that variations in the quality of financial statements can be explained by variations in the variable understanding of accounting and the use of accounting information systems. The results show that accounting comprehension and the use of accounting information systems positively affect the quality of financial reports. The results of this study mean that the better understanding of accounting and the use of accounting information systems, the better the quality of financial statements.



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## INTRODUCTION

Indonesia is a developing country in carrying out its development. Indonesia is trying to improve its capabilities in all fields, one of which is in the industrial sector. To improve people's welfare and accelerate the progress of a nation, industrial development is considered one of the essential stages of economic growth.

One of the things that make the business competition more rapid is that more and more developments in the field of technology continue to increase, and many similar companies appear. This makes the problem more complicated than before because Indonesia's unstable economic conditions and conditions make it difficult for companies to maintain their companies. This affects the policies taken by the company. It is not uncommon for companies to improve and even change policies to improve the policies that have been implemented. The quality of financial reports plays a role in investor decision-making because it affects the company's performance and the follow-up to the business plan that has been prepared by management. The financial report is a structured report of a company's financial performance and financial position because it is used as a guide in making decisions. Then the financial statements must have the proper standards to support the quality of the information presented so that users of financial statements can make decisions effectively.

Financial reporting should provide helpful information for investors, creditors, and other users. Therefore, the information provided by management must be informative and open to all information contained in a financial report (Hanafi, 2009). Financial statements provide information regarding the financial position, performance, and changes in the financial part of a company that is useful for a large number of users in making decisions about the objectives of financial statements according to (SAK, 2009). Financial statements are declared quality if the financial statements can show information that follows the actual situation because the magnitude of the quality of a financial report is helpful as a basis for decision-making for interested parties caused by the improper allocation of capital. Summary of Semester I Examination Results (IHPS) I in 2013 found 21 objects of examination related to BUMN.



BAKN's review of the BPK's assessment of SOEs found 510 cases of irregularities in state finances. A total of 276 cases related to non-compliance with statutory provisions, 234 of which were associated with the weakness of the SPI, and 93 cases were cases that resulted in losses. Potential state losses and lack of revenue in SOEs reach Rp 2.60 trillion. BPK found fraud that was often carried out by BUMN, namely in terms of accounting calculations. The government-owned company allegedly made reports that the profit received was more significant than the actual profit. According to related parties, they still find many SOEs doing accounting engineering so that the profits earned by the company look more prominent, so they get bonuses. Although it will cause high tax payments, it is not a problem for the company.

One of the state-owned companies assigned by the state to fulfill state weapons, unfortunately, the financial condition of PT PINDAD cannot be expected from what was stated in infokorupsi.com (2009). The company took markup actions carried out by unscrupulous officials in the company PT. PINDAD, namely the cost of procuring conductors and insulation to repair 3 generators, the estimated loss is Rp. 1.35 billion. Furthermore, a phenomenon related to the quality of financial reports was reported by *Sumbersatu.com*, that the Supreme Audit Agency (BPK) reported problematic findings in 14 companies (BUMN) from 35 companies proposed to receive State Capital Participation (PMN). This is unfortunate because there are still many quality SOE financial reports that are problematic or have red report cards. The Deputy Chairman of the BPK explained that the 14 companies were one of them, PT Perindustrian Darat (PT Pindad). The document stated that PT Pindad had not yet completed the 3 recommendations with a finding value of Rp 11.15 billion. (*'Sumbersatu.com, 2015*) Based on what has been described, the quality of PT PINDAD's financial report has not been well reported from the sources above. As stated by Emilda, 2014 The quality of financial statements can be said to be good if the information presented in the financial statements can be understood and meets the needs of the users in making decisions, free from misleading understanding, material errors, and reliable, so that the financial statements can be compared. With previous periods. According to Yuliani (2010), the low quality of financial reports can be caused by the accounting understanding of the financial report preparers themselves, the implementation of the regional financial accounting information system optimally, and the weak role of internal audit.

In line with what was stated by BPK, there were six findings of problems that needed attention. The six problems were the recognition of revenue and cost of revenue of PT Pindad (Persero) amounting to Rp. 75,261,392,068.00 and Rp. 64,757,809,780.00 for orders to PT Kayuphoria Agro Internasional does not comply with the provisions (*klikanggaran.com:2019*). Based on the data above, it can be seen that employees have not fully understood the understanding of accounting in line with the above findings based on the news issued by pt. pindad (Persero), there are several problems faced by each division, including the financial division, namely the problem of human resources in the company, which is considered insufficient to meet the company's needs, especially from the capabilities possessed by its employees.

Roviyantie (2011) states that financial statements are a product produced by the field or discipline of accounting. According to the GTZ-USAID/CLEAN Urban team, 2001 (in Harifan, 2009), the implementation of accounting in an agency must have sufficient competence and qualifications to implement accounting functions under its authority to achieve its objectives effectively and efficiently. In addition to understanding accounting, using an accounting information system can improve the quality of a company's financial reports. According to Widjajanto (2001), an accounting information system is an arrangement of forms, records, and equipment, including computers and their equipment and communication tools, implementation personnel, and reports. Closely coordinated, designed to transform financial data into information management needs. But unfortunately, even though the activities of this company have been supported by information technology and accounting information systems, employees as system users are given training on the system. But problems still occur to employees as system users because employees have difficulty using information technology and systems. After all, the system is considered not easy to understand and becomes an obstacle for employees at work. This is very unfortunate because a good accounting information system should be able to support the quality of financial reports higher quality in line with what was stated by Silviana and Anthoni (2014). on good input, suitable process and good output.

The research objectives of this thesis are (1) to determine the effect of accounting understanding on the quality of financial statements at PT PINDAD (Persero), (2) to determine the effect of accounting

understanding of the use of accounting information systems on the quality of financial reports at PT PINDAD (Persero). (3) To determine the effect of accounting information systems on the quality of financial reports at PT PINDAD (Persero).

## RESEARCH METHODS

The data analysis technique in this study is multiple regression analysis, to test the effect of understanding accounting and accounting information systems on the quality of financial reports. Before multiple linear regression analysis, the classical assumption test consisted of normality, multicollinearity, and heteroscedasticity tests. The test results are used as the basis for making conclusions. The conclusions are drawn up according to the research problem and hypothesis. The multiple regression model is shown in the following equation:

$$Y = \alpha + b_1 x_1 + b_2 x_2 + e$$

Y = Quality of financial reports  
 $x_1$  = accounting understanding

$x_2$  = utilization of accounting information system

= Constant

b = Regression Coefficient

e = error term, i.e. the level of estimator error in the study Population and Sample

Respondents in this study were employees of the accounting division at PT PINDAD (Persero), namely accounting staff. The number of questionnaires distributed in this study was 7 questionnaires. This method used the census method.

## RESULTS AND DISCUSSION

The validity test aims to test how well the research questionnaire measures the concept it is supposed to measure. The validity test results for the 12-item statements of the accounting understanding variable obtained the Pearson Correlation value of 0.754. The score was above the critical r of 0.754, so the data obtained in the field was declared valid. The validity test results for the 5-item statements of the accounting understanding variable got the Pearson Correlation value of 0.754. If the score is above the critical r of 0.754, then the data obtained in the field is declared valid. The validity test results for the 7 statement items of the accounting understanding variable obtained the Pearson Correlation value of 0.754. The score was above the critical r of 0.754, so the data obtained in the field was declared valid. Thus, all items in this research instrument are considered valid to be used for further data processing. The questionnaire is declared reliable or reliable if a person's answers to the questions asked are consistent from time to time. The results of the reliability test are known from the Cronbach alpha value > 0.754, so it can be concluded that the reliability of the variable is high.

The residual normality test aims to test the dependent and independent variables in the regression model, whether they are normally distributed. This test was carried out using the Kolmogorov-Smirnov approach. Based on the Kolmogorov Smirnov test results, the number is greater than 0.05, which means that the data used in this study is normally distributed. The heteroscedasticity test aims to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another observation. This test can be analyzed through the glejser test by looking at the significance level. The results of the glejser test show that the significance level is above 5%, so this regression model is free from heteroscedasticity problems. The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. Multicollinearity can be seen from the tolerance value and the variance inflation factor (VIF) value. The test results show a tolerance value of more than 10 percent or a VIF value of less than 10, so it can be said that there is no multicollinearity.

Multiple linear regression equation for two variables (Accounting Understanding and Utilization of Accounting Information Systems)

$$Y = 0.044 + 0.306X_1 + 0.662X_2$$

The regression equation above shows the relationship between the independent and dependent variables. The regression coefficient value of Accounting Understanding is 0.306, meaning that if the Accounting Understanding variable (X1) increases by 1% with the assumption of Accounting Information System Utilization and constant (a) is zero "0" then the Quality of Financial Statements of PT PINDAD (Persero) Bandung City increases by 0.306. This shows that the Accounting Understanding variable contributes positively to the Quality of Financial Statements. The greater the Accounting Understanding, the greater the Financial Statement Quality. Assuming Accounting Understanding (X1) and constant (a) is zero "0" then the Quality of Financial Statements of PT PINDAD (Persero) Bandung City increased by 0.662. This shows that the variable Utilization of Accounting Information Systems contributes positively to the Quality of Financial Reports. The greater the Utilization of Accounting Information Systems, the greater the Quality of Financial Reports.

## Discussion

This study aims to test three hypotheses using the multiple linear regression method to empirically prove the direction of the influence of accounting understanding and utilization of accounting information systems on the quality of financial reports. The effect of each independent variable on the dependent variable can be described.

Hypothesis 1 of this study is the understanding of accounting. The results of the analysis of the variables are declared significant because they are seen from. The value of  $t_{hitung}^{\wedge}$  is greater than  $t_{table}^{\wedge}$  ( $17.205 > 2.77645$ ), then  $H_0$  is rejected, and  $H_1$  is accepted. So that the hypothesis which reads that there is an influence of accounting understanding on the quality of financial statements is partially accepted. This illustrates that the higher the staff's accounting understanding of accounting, the higher the quality of the financial statements produced. This result can be seen from the respondents' answers, the majority of which are in the high category. The respondent is considered to understand each item of the questionnaire regarding Accounting Comprehension. These results follow the research of Safrida Yuliani et al. (2010), Yasma amila hasanah et al (2019) which stated that Accounting Understanding had a positive effect on the quality of financial reports.

Understanding accounting is a person's ability to recognize and understand accounting. This level of accounting understanding can be measured from a person's understanding of recording financial transactions, grouping, summarizing, reporting, and interpreting financial data. So people who have a knowledge of accounting are people who are smart and understand the accounting process. Judging from the data received, education does not have much effect on understanding accounting because even though most respondents have non-accounting education, respondents can make reports well. However, if viewed from the majority of respondents, the length of work affects the respondents' understanding of accounting because respondents have more experience in preparing these financial statements, and the majority of respondents' final education is undergraduate,

Hypothesis 2 of this study is the use of accounting information systems. The results of the analysis of the variables are declared significant because the value of  $t_{hitung}^{\wedge}$  is greater than  $t_{table}^{\wedge}$  ( $14,306 > 2,77645$ ), then  $H_0$  is rejected, and  $H_2$  is accepted. So that the hypothesis which reads that there is an effect of the use of accounting information systems on the quality of financial statements is partially accepted. This illustrates that the higher or more frequent the company uses accounting information systems, the higher the quality of the financial statements produced by the company's staff. This result is seen from the respondents' answers who are in the high category in each item of the questionnaire regarding the Utilization of Accounting Information Systems. These results are following the research of Safrida Yuliani et al (2010), Yasma amila hasanah et al. (2019), which states that the use of Accounting Information systems has a positive and significant effect on Financial reports Quality.

An organization's accounting information system plays a vital role in helping the organization adopt and maintain its strategic position. Judging from the results of respondents' answers, the majority of respondents agree that the Accounting Information System used is easy to use in compiling reports. The system used by the company is considered to simplify and speed up the preparation of reports where when financial data is needed immediately the system can display appropriate information that facilitates the preparation of reports that make the management is faster to get information in financial statements which also accelerates decision making in a company. One of the supports is the regular training carried out by the company.

Hypothesis 3 of this research is the understanding of accounting and the use of accounting information systems on the quality of financial report quality reports. The results of the analysis of this study indicate that Accounting Understanding and Accounting Information System Utilization have a strong and positive correlation, as seen from the calculations from the previous correlation analysis. Accounting Understanding and Accounting Information System Utilization are known to correlate at 0.999.  $> 0.754$ , it is stated that together they have a correlation relationship between Accounting Understanding (X1), Utilization of Accounting Information Systems, and Financial Report Quality (Y) and is significant as seen from the value of  $F_{hitung} > F_{table}$   $1822,966 > 6.94$  and a substantial level of  $0.000 < 0,05$  then  $H_0$  is rejected and  $H_3$  is accepted, it can be concluded that the variables of Accounting Understanding and Utilization of Accounting Information Systems together have a significant effect on the Quality of Financial Reports.

## CONCLUSION

The coefficient of determination of Accounting Understanding has a positive and significant effect on the quality of the company's financial statements. From the results of the study with a value of 94.8%, it can be concluded that the Effect of Accounting Understanding on the Quality of Financial Statements is strong, meaning that  $H_0$  is rejected and  $H_1$  is accepted, meaning that there is a significant effect of Accounting Understanding on the Quality of Financial Statements. The utilization of Accounting Information Systems has a positive and significant impact. On the quality of the company's financial statements. With the results with a value of 91.77%, it can be concluded that the Effect of the Utilization of Accounting Information Systems on the Quality of Financial Statements is strong. This means that  $H_0$  is rejected and  $H_2$  is accepted, meaning that there is a significant effect of the Utilization of Accounting Information Systems on the Quality of Financial Reports. Together, Accounting Understanding and Utilization of Accounting Information Systems have a positive and significant effect on the quality of the company's financial statements. With the results with a value of 99.8%, it can be concluded that the influence of Accounting Understanding and Utilization of Accounting Information Systems on the Quality of Financial Statements is strong.  $H_0$  is rejected, and  $H_3$  is accepted. It can be concluded that the variables of Accounting Understanding and Utilization of Accounting Information Systems together affect the Quality of Financial Statements.

Accounting understanding is excellent, but it is expected to recruit more HR from Accounting to maximize accounting understanding. The utilization of Accounting Information Systems is excellent, but to further maximize Accounting information systems, it is expected that support such as hardware is also maximized. For further researchers, they can use different independent variables that have not been used in this study to explain the quality of financial statements more perfectly, or they can use other companies.

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