

THE EFFECT OF THE IMPLEMENTATION OF TRANSPARENCY AND ACCOUNTING INFORMATION SYSTEMS ON THE QUALITY OF FINANCIAL REPORTS

Authors:

Hanifah Fuadah

Department of Accounting, Universitas MercuBuana, Jakarta

E-mail: hanifahfuadah@gmail.com

Hari Setiyawati

Department of Accounting, Universitas MercuBuana, Jakarta

E-mail: hari_setiyawati@mercubuana.ac.id

Abstract.

Problems regarding the quality of financial reports are still repeated. One of them is a start-up company that is threatened with being removed from the stock list because it has inflated its revenue. This study aims to examine the effect of the Implementation of transparency and accounting information systems on the quality of financial reports. The population in this study is a technology-based start-up company in Jakarta. The sampling technique was purposive sampling and obtained a sample of 32 companies. Methods of data analysis in this study using smartPLS 3.0 software. The results of the study conclude that the Implementation of transparency has no significant effect on the quality of financial reports, while the Implementation of accounting information systems has a significant effect on the quality of financial reports.

Keywords: transparency, accounting information systems, quality of financial reports

1. Introduction

Financial reports are one of the most important things in an organization. The financial report is a description of the financial position and financial performance of an entity. Financial reports are expected to provide financial information that is used by the users in the process of making important decisions within an organization. Financial reports are historical and comprehensive so that they can be used as a basis for determining policy direction in an organization. Therefore, financial reports will be very effective and targeted if the financial reports are of high quality.

In the ayobandung.com news, member of the DSAK Indonesian Accountants Association, Ersu Tri Wahyuni said it was good news that Indonesia was the second country with start-up developments in the world. This indicates the creativity and interest of Indonesian students and young people in the digital business field. In her research, Ersu found that 64% of start-ups acknowledged difficulties in preparing financial reports and considered financial reports a crucial issue. "The application of the Industrial Revolution 4.0 in the start-up field from an

accounting point of view and the financial report preparation process is a development cost that can be capitalized and does not have to be expanded as long as it meets the fairly stringent requirements stipulated in accounting standards for intangible assets," he said.

Based on these problems, it can be concluded that start-up companies do not yet have unqualified financial reports. Presenting financial reports in accordance with applicable accounting standards, of course, cannot be separated from the efforts to take advantage of the use of accounting information systems. Chairina and Wehartaty's research (2019) states that the accounting information system has a positive and significant effect on the quality of financial reporting. By utilizing the accounting information system is very helpful in fulfilling and providing useful information as a basis for decision making by interested parties, as well as meeting the objectives of financial reporting.

Based on both issues, can be concluded that both by the government and private companies have financial reports that are not qualified yet. Presenting a financial report following accountancy standards in the effect of course cannot be separated from efforts to use the accounting information system. The research of Chairina and Wehartaty (2019) said that accounting information system has a positive impact and significant on the quality of financial reporting. By using the accounting information system is very helpful in the fulfillment and to provide useful information as a basis of decision making by interested parties, and meet the purpose of financial reporting.

Research by Fazny and Setiyawati (2018) states that the Implementation of the principles of corporate governance, namely transparency, affects the quality of financial reports. The implementation of transparency will improve the quality of financial reports, thereby increasing public confidence. Redjo (2018) in his research states that financial reports are a form of transparency need which is a supporting condition for accountability in the form of openness for resource management activities.

The formulation of the problem in this study is whether the Implementation of transparency and accounting information systems has a significant effect on the quality of financial reports. The aim to be achieved is to examine the significant effect of the Implementation of transparency and accounting information systems on the quality of financial reports.

2. Literature Review

Transparency

Transparency according to Mahmudi (2016: 17), namely: "Organizational openness in providing information related to public resource management activities to parties who are stakeholders." Meanwhile, Mardiasmo (2018: 23), namely: "Transparency is built on the basis of freedom of information. Information relating to the public interest can be obtained directly by those in need."Based on this definition, it can be seen that transparency has three characteristics, namely informative, openness, and disclosure.

Accounting Information System

According to Romney and Steinbart (2015:10), "Accounting Information System is a system that collects, records, stores, and processes data to produce information for decision-makers. It includes people, procedures and instructions, data, software, information technology infrastructure, and internal controls and security measures. " According to Romney and Steinbart (2015: 10), "These are six components of an AIS: 1. The people who operate the system. 2. The procedures and instructions used to collect, process, and store data. 3. The data about the organization and its business activities. 4. The software is used to process the data. 5. The information technology infrastructure, including the computers, peripheral devices, and network communications devices used in the AIS. 6. The internal controls and security measures that safeguard AIS data."

Quality of Financial Reports

According to Wijaya (2018:117), "A financial statement is the result of some activity in the accounting, includes four main issues which are note, categorizing, classification, summarizing, and the process of reporting." According to Hartono (2018:1), the complete company financial report consisting of 5 (five) parts, the balance, profit and loss report, the report of equity changes, the report of cash flow, and notes from a finance company. According to Wijaya (2018:120) the characteristic of the financial reports includes: "(1) can be understood (2) relevant (3) materiality (4) the reliability (5) comparable (6) balance between the cost and benefits.

Framework

Transparency is necessary to give financial information openly and honestly to society with the consideration that the public has a right to know openly and thorough for accountability in the management of resources and obedience to regulations.

The utilization of information technology in computer and communication in financial management increase the quality of financial report both in terms of preparation and accurate in a financial report. The weak of the accounting information system in financial resulted in the reports produced also less reliable and less relevant to decision-making.

The relation between the Implementation of transparency, Implementation of the quality of this accounting information system, and financial report described as follows:

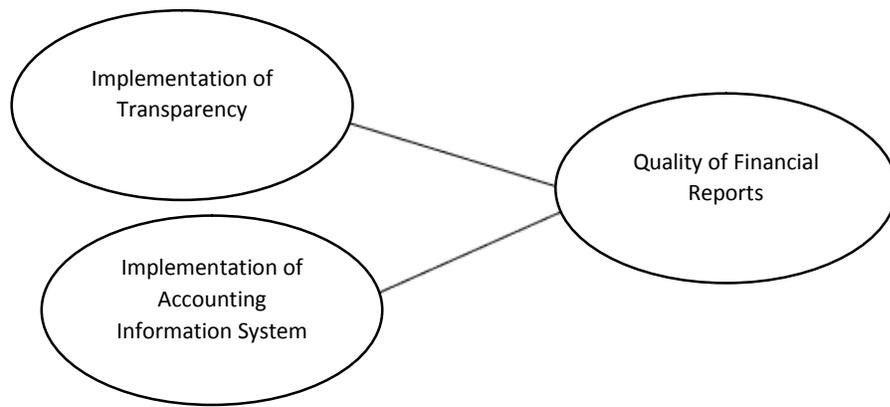


Figure1
Framework

Hypothesis

According to the framework above, the hypothesis in this research is

H1: The implementation of transparency has a significant effect for the quality of the financial reports.

H2: The implementation of the accounting information has a significant effect of the financial reports.

3. Data and Method

Data analysis in this study is a causality analysis using the Structure Equation Model (SEM) with the Partial Least Square (PLS) approach. The PLS SEM model includes an inner model (structural model) and an outer model (measurement model). The data used are primary data collected through an instrument in the form of a questionnaire. This data is then processed with the help of SmartPls 3.0 software. The population in this study is a technology-based start-up company in Jakarta. The sampling technique used was purposive sampling, so that 32 samples were used. Table 1 presents a summary of the measurement table for each variable as follows:

Table 1
Definition of Variable Operationalization

Variable	Dimension	Indicator	Scale
Implementation of transparency Mahmudi (2016), Renz (2016), Mardiasmo (2018), Mahsun (2014)	Informative	1.Sufficient 2.Easy to access	Interval
	Openness	1.Media access 2.Right of opinion	Interval
	Disclosure	1.Financial condition 2.Management composition 3.Form of planning and results of activities	Interval
Implementation of accounting system	Hardware	1.Availability fo hardware 2.Spesification of hardware	Interval

information Romney dan Steinbart (2015), Susanto (2017), Krismiaji (2015), Mardi (2016)		3. User knowledge 4. Hardware security	
	Software	1. Adequate software 2. Adequate programming language 3. Software function	Interval
	Brainware	1. The role of human resources 2. Human resource competence	Interval
	Procedure	1. Clear procedures 2. Adequate procedural function 3. Procedure training	Interval
	Database	1. Official database management 2. Database security 3. Periodic updating of the database	Interval
	Telecommunication Network Technology	1. Provision of telecommunication network technology 2. Support telecommunication network technology 3. Smooth telecommunication network	Interval
The quality of financial report PSAK (2015), Kieso et al. (2018), Wijaya (2018), Hartono (2018)	Understandable	1. Presentation based on SAK 2. Decision making tools	Interval
	Relevance	1. Predictive benefits 2. Be on time 3. Completeness	Interval
	Reliability	1. Honest presentation 2. Substance outperforms form 3. Neutrality 4. Fit consideration	Interval
	Comparable	1. Consistency 2. Internal comparisons 3. External comparisons	Interval

Source: Processed data (2020)

4. Results and Discussions

Description of Research Variables

The following is a table of descriptive analysis of the variable implementation of transparency.

Table 2
Variable Description Implementation of Transparency

No	Dimension	Indicator	Average
1	Informative	Adequate	4,06
2		Easy to access	2,78
3	Openness	Media access	3,69

4		Right of opinion	3,28
5	Disclosure	Financial condition	3,50
6		Board of Management	3,66
7		The form of planning the results of activities	4,06
Total			25,03
Average			3,58

Source: Processed data (2020)

Based on table 2, it can be seen that the implementation of transparency has an average value of 3.58 points. This means that the financial information presented by technology-based start-up companies has reached the minimum level that must be met so that the financial reports as a whole are not misleading for the sake of decision making. The following is a table of descriptive analysis of the Implementation of accounting information systems.

Tabel 3
Variable Description of Implementation of Accounting Information System

No	Dimension	Indicator	Average
1	Hardware	Availability of hardware	4,06
2		Hardware specification	4,00
3		User knowledge	3,81
4		Hardware security	4,13
5	Software	Adequate software	4,03
6		Adequate programming language	4,06
7		Software function	4,06
8	Brainware	The role of human resources	3,84
9		Human resource competence	3,97
10	Prosedur	Clear procedure	3,81
11		Adequate procedure function	3,81
12		Procedure training	3,53
13	Database	Database management authorization	3,75
14		Database security	4,19
15		Periodic database updates	3,94
16	Telecommunication	Provision of telecommunications network technology	4,25
17	Network	Telecommunication network technology support	4,09
18	Technology	Smooth telecommunication network technology	3,25
Total			70,59
Average			3,92

Source: Processed data (2020)

Based on table 3, it can be seen that the implementation of the accounting information system has an average value of 3.92 points. This means that technology-based start-up companies that have provided adequate telecommunications network technology are still experiencing telecommunications network disruptions which are influenced by other factors beyond the company's control. The following is a table of descriptive analysis of the quality of financial

reports.

Table 4
Variable Description of Quality of Financial reports

No	Dimension	Indicator	Average
1	Understandable	Presentation based on SAK	3,94
2		Decision-making tools	4,13
3	Relevance	Predictive benefits	3,84
4		On-time	3,97
5		completeness	3,97
6	Reliability	Honest presentation	3,94
7		Substance overrides form	3,53
8		Neutrality	3,78
9		Healthy consideration	3,81
10	Comparable	Consistency	3,56
11		Internal comparison	3,97
12		External comparison	3,88
Total			46,31
Average			3,86

Source: Processed data (2020)

Based on table 4, it can be seen that the quality of financial reports has an average value of 3.86. This shows that the information presented in the financial reports of technology-based start-up companies is still not free from material errors. However, the information in the financial reports of technology-based start-up companies can be used as a decision-making tool.

Validity and Reliability Testing

The validity test shows that the Average Variance Extract (AVE) value is greater than 0.5, this means that there is no discriminant validity problem. Figure 2 presents the results of the validity test.

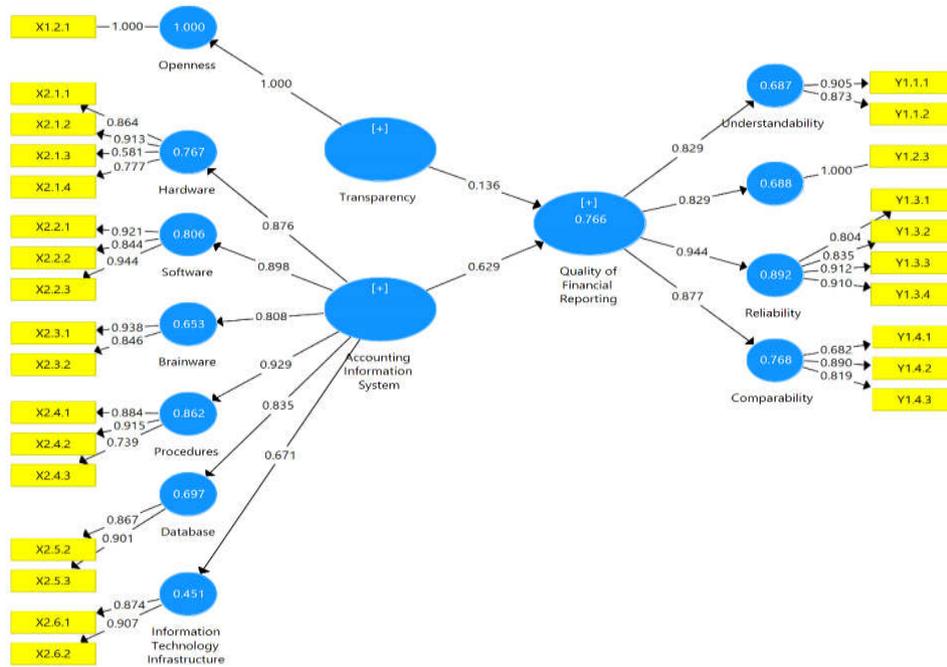


Figure 2
Output Loading Research After Drop

The reliability test shows the composite reliability value above 0.8 and Cronbachs alpha above 0.7, this means that the indicators used in each dimension have fairly good reliability or can measure the construct. Table 5 presents the results of the validity and reliability tests.

Table 5
Validity and Reliability Test Results

Variable & Dimension	Cronbach's Alpha	Composite Reliability	AVE
Implementation of Transparency	1,000	1,000	1,000
Implementation of Accounting Information Systems	0,938	0,947	0,535
Quality of Financial Reports	0,920	0,934	0,591

Source: Processed data (2020)

Evaluation of the Goodness of Fit of the Structural Model (Inner Model)

The structural model in smart PLS is evaluated using R Square for the dependent construct. The following is the result of the R Square value shown in table 6.

Table6
R Square

Variabel	R Square
Quality of Financial Reports (Y)	0,766

Source: Processed data (2020)

In the table above, the R2 value for the quality variable of financial reports is 0.766, which means that this value indicates that the variable quality of financial reports can be explained by the variable Implementation of transparency and variable Implementation of accounting information systems of 76.6% while the rest is 23.4%. influenced by other variables are not in the research model.

Hypothesis Testing

The following is the output loading of hypothesis-testing research.

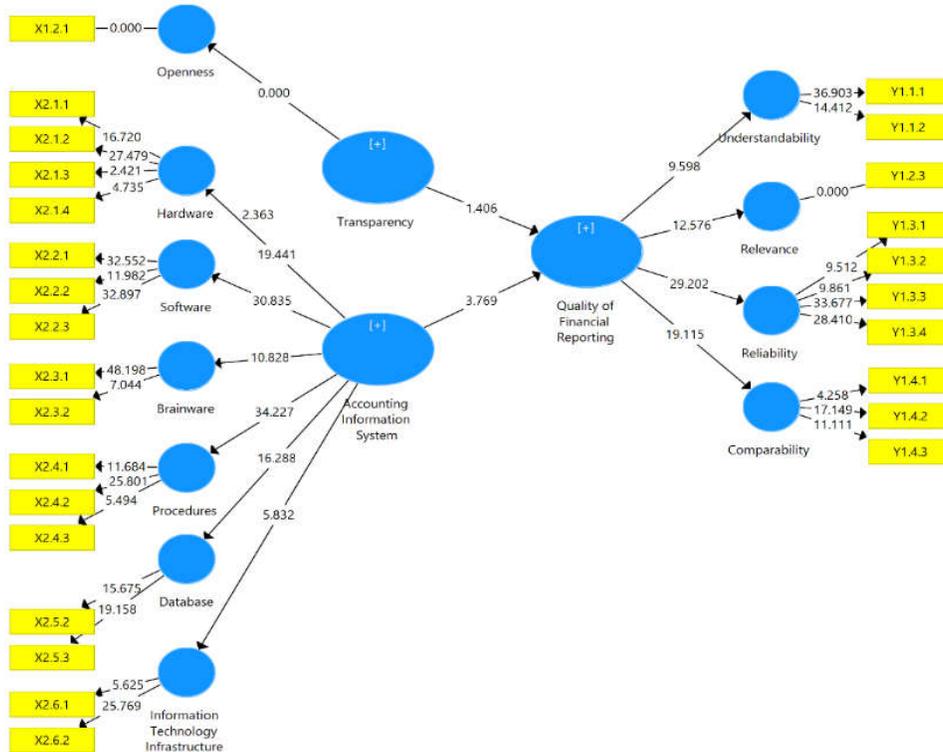


Figure 3
Output Loading Hypothesis Testing Research

Table 7 presents the results of hypothesis testing as follows:

Table 7
Hypothesis Testing Results

	Coefisien Parameter	T Statistics	P Values	Remarks
Transparency => Quality of Financial Reports	0.107	1.270	0.102	Not Significant
Accounting Information System => Quality of Financial Reports	0.173	3.639	0.000	Significant

Source: Processed data (2020)

The variable implementation of transparency has no significant effect on the quality of financial reports with a P_{values} value greater than the significance level (0.05) of 0.102 and a $T_{\text{statistic}}$ value of $1.270 < T_{\text{table}} 1.703$. The variable of the Implementation of accounting information systems has a significant effect on the quality of financial reports with a P_{values} value that is smaller than the significance level (0.05) of 0.000 and a $T_{\text{statistik}}$ value of $3.639 > T_{\text{table}} 1.703$.

Discussions

The implementation of transparency has no significant effect on the quality of financial reports. Start-up companies are new companies or are still pioneering, so sometimes not all information needs to be disseminated clearly. Management regulates the selection of information that needs to be shared with the public, investors, and company employees. The results of this study are in line with Redjo's (2018) research which shows that there is no influence between transparency on the quality of financial reports. This means that information disclosure does not effect the quality of financial reports. However, the results of this study are not in line with the research of Vita et al. (2018) which states that the Implementation of corporate governance principles, namely transparency affects the quality of financial reports.

The Implementation of the accounting information system has a significant effect on the quality of financial reports. Technology-based start-ups are companies that are synonymous with technology-related businesses, the web, and the internet. This is in line with the company's operational activities that cannot be separated from the use of technology. Utilization of technology, namely the use of computer and communication technology in financial management, will improve the quality of financial reports both in terms of accuracy and timeliness in preparing financial reports. The results of this study are in line with the research of Rashedi and Dargahi (2019) which states that the accounting information system has a significant effect on the quality of financial reports. This means that the optimal use of accounting information systems helps companies provide quality of financial reports. Chairina and Wehartaty's research (2019) states that utilizing an accounting information system is very helpful in fulfilling and providing useful information as a basis for decision making by interested parties, as well as meeting the objectives of financial reporting.

5. Conclusions

Based on the results of research and discussion, it can be concluded that the Implementation of transparency has no significant effect on the quality of financial reports, while the Implementation of accounting information systems has a significant effect on the quality of financial reports. From the conclusions, the following suggestions can be given, companies should evaluate and improve the use of sophisticated technology for the utilization of accounting information systems that are already running regularly. Financial reports must be transparent and easily accessible, not only to interested parties but also to those who contribute to running company operations to improve the quality of information and company performance.

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