



THE INFLUENCE OF IFRS FINANCIAL ACCOUNTING STANDARDS IMPLEMENTATION, COMPANY OWNERSHIP STRUCTURE, GOOD CORPORATE GOVERNANCE, AND ORGANIZATIONAL CULTURE ON FINANCIAL STATEMENTS RELIABILITY (EMPIRICAL STUDY ON BANKING COMPANIES IN JAKARTA)

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ABSTRACT

This research is aimed to obtain a phenomenon about the influence of IFRS Financial Accounting Standards implementation, corporate ownership structure, good corporate governance, and organizational culture to financial statements reliability. To answer the problem identification, a framework and hypothesis will be drawn up with background theory of: Das Capitalist by Karl Marx (1818-1883), Weberian Theory by Max Weber (1864-1920); the grand theory consisting Conflict Theory by Georg Simmel (1858-1918), Ralf Dahrendorf (1929-2009), Lewis A Coser (1913-2003); middle range theory in the form of Agency Theory by Jensen and Meckling (1976) and Behavioral Research by Wolk and Tearney (1997: 41); and application theory with PSAK 2012, Jensen and Meckling (1976), FCGI and OECD, Schein (2004), Hofstede (1991), and Hall (1976).

This research samples were 73 respondents from accounting staffs and division managers at banking companies in Jakarta. The research was analyzed using path analysis method, or a combination of correlation and regression, to determine the influence partially or simultaneously. The sampling technique used probability sampling, while the data was collected using questionnaires. The results of the study provided evidence that the implementation of IFRS Financial Accounting Standards, corporate ownership structure, good corporate governance, and organizational culture partially and simultaneously has a positive and significant impact on the reliability of financial statements.

KEYWORDS: *IFRS Financial Accounting Standards, corporate ownership structure, good corporate governance, organizational culture, reliability of financial statements*

PREFACE

Globalization is one of the changes in the world order. With the statement of globalization, each company is required to provide accountability for its performance through financial statements. One of the factors that influence the reliability of financial statements is the implementation of IFRS Financial Accounting Standards. In Indonesia, such standard is compiled by the Indonesian Institute of Accountants (IAI) and divided into four types, namely IFRS PSAK, SAK ETAP, Sharia PSAK, and SAP. IFRS PSAK is compiled by the IAI Financial Accounting Standards Board (DSAK) for implementing the IFRS (International Financial Reporting Standards system, a substitute for the Generally Accepted Accounting Principal system) on the business and government perspective in Indonesia. The PSAK is used by all entities that have public accountability such as banking, public companies, insurance, and SOEs. The IFRS system itself came into full effect on January 1, 2012 in Indonesia and carried the system of fair value recording compared to historical cost (GAAP).

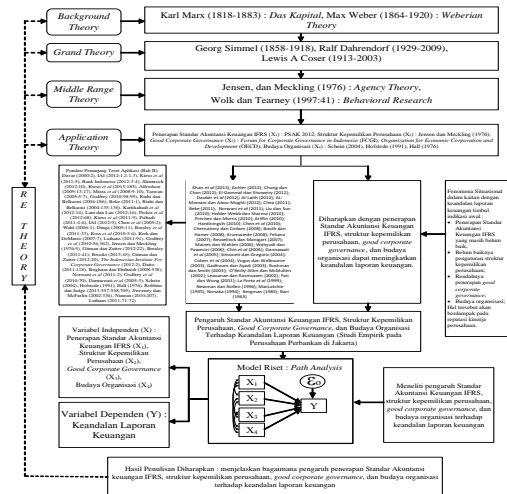
Another factor that influences the financial statements reliability is the company's ownership structure. Every company has a different ownership structure, one of the theories that discusses ownership structure is the agency theory. The occurrence probability of asymmetric information between owners and management affects the reliability of the company's financial statements. Another important factor that also influences the reliability of financial statements is the good corporate governance. Norwani et al (2011: 3-8) concluded that the failure in corporate governance will have an impact on the failure to make reliable financial reports (financial report manipulation).

In addition to these three factors, organizational culture also affects the reliability. If the company does not have a good organizational culture, the company may go bankrupt (as happened in the Enron case, the company's organizational culture is only money-oriented in which the company leaders seek fortunes by ignoring other things). After paying attention to the conceptual phenomena and paradigms in the previous description, it's an interesting phenomenon if it is associated with a relatively short indicator of success, essentially every company always wants to maintain its going concern. The research problem identification is formulated as follows: How the IFRS Financial Accounting Standards implementation, corporate ownership structure, good corporate governance, and organizational culture influence the reliability of financial statements, both partially and simultaneously?

OBJECTIVES

This research aims to obtain empirical evidence, re-theory in background theory (Das Kapital and Weberian Theory), grand theory on conflict theory, middle range theory on Agency Theory and Behavioral Research, and applied theory in applying IFRS Financial Accounting Standards, corporate ownership structure, good corporate governance, and organizational culture with a multi-disciplinary science approach.

FRAMEWORK



METHODOLOGY

The object of this research is the application of IFRS Financial Accounting Standards (X₁), corporate ownership structure (X₂), good corporate governance (X₃), organizational culture (X₄), and financial statements reliability (Y). These variables will be partially or simultaneously explained in sub-variables, dimensions, and research indicators on an ordinal scale as a basis for preparing questionnaires. This research type is a causal research as well as explanatory research with the path analysis model. The research used an ordinal measurement scale with multiple "rating list scale" in accordance with Cooper, Schindler (2001: 233).

SAMPLES

This research uses probability sampling with Slovin formula as follows:

$$n = \frac{N}{1 + N \cdot c^2}$$

Remarks:

n = sample size

N = population size

e = percentage of inaccuracy due to sampling errors that can still be tolerated or desired (in this research: 5%)

Table 4.1

Total Population Calculation			
No.	Bank Name	Estimated Number	of Accountants
1	Bank BCA	30	
2	Bank BNI	25	
3	Bank BRI	20	
4	Bank Danamon	12	
5	Bank Sinarmas	10	
6	Bank OCBC NISP	12	
7	Bank Mayapada	7	
Total		116	

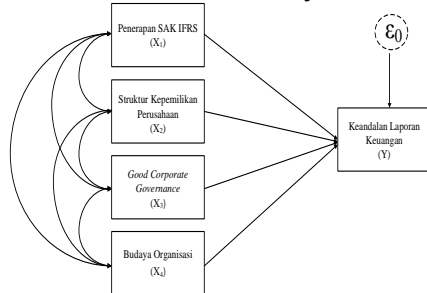
Source: Data, processed by the researcher

Therefore, the number of research samples in this research is 90 people. The data used in this study includes primary data.

STATISTICAL DESIGN

The results of the analysis was processed using SPSS 21 and was carried out several stages of analysis as needed. According to Apollo (2011: 250) the reliability test is carried out using the *Cronbach Alpha* coefficient approach. With this approach, if the number is more than 0.60, it is considered reliable. According to Ridwan (2007) in Apollo (2011: 251) the ordinal data is transformed into interval data to meet parametric statistical analysis, in which the data has a minimum interval scale. This research paradigm model uses path analysis with the structure model as follows:

Figure 4.1
Path Analysis



RESULTS

Reliability Test

The data processing output for each variable can be presented below:

Table 5.3
Reliability Statistics

Reliability Test	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Application of IFRS Accounting Standards Company Ownership Structure (X ₂)	.883	.883	15
Good Corporate Governance (X ₃)	.887	.888	15
Organizational Culture (X ₄)	.865	.863	15
Financial Statements Reliability (Y)	.896	.899	15

Source: SPSS version 21 output and reprocessed

Based on the above table, the reliability test shows that Cronbach's Alpha is greater than 0.60, making all questions are declared reliable, so that all instruments in N of Items which reached 15 questions can be trusted

to be used as a data collection measure because the instrument is good. This means that there is a consistency in the respondent's answer to the questionnaire questions put forward on these variables, in order to disclose the intended data.

Validity Test

The validity test used Nk-1 formula to determine the t-table value of product moment. This research has a sample of 73 questionnaires which have 4 (four) independent variables so that calculations can be obtained as follows:

$$N - k - 1$$

$$73 - 4 - 1 = 68$$

Remarks:

N = Number of samples used

k = Number of independent variables

In the t-table, product moment obtained is 0.235, which can be seen in the attachment on the product moment t-table. The number will be compared with the t-calculation obtained from the SPSS output in the Corrected Item-Total Correlation column. If the output of all data from X1_1, X1_2, X1_3 to X1_15 are more than 0.235, all variables are declared valid. The following is the research model and analysis using the SPSS version 21 program:

Table 5.28
Correlations Analysis Results

	Y	X ₁	X ₂	X ₃	X ₄
Pearson Correlation					
X1	0.530	1.000	0.433	0.131	0.517
X2	0.711	0.433	1.000	0.402	0.829
X3	0.475	0.131	0.402	1.000	0.479
X4	0.748	0.517	0.829	0.479	1.000
Y		0.000	0.000	0.000	0.000
Sig. (2-tailed)					
X1	0.000			0.154	0.000
X2	0.000	0.000		0.000	0.000
X3	0.000	0.134	0.000		0.000
X4	0.000	0.000	0.000	0.000	

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.401 ^a	0.636	0.614	48.14854	2,100

a. Dependent Variable: Y

b. Predictors: (Constant), X₄, X₃, X₁, X₂

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	275297,956	4	68824,489	29,688	.001 ^b
	Residual	157643.161	68	2318,282		
	Total	432941.117	72			

a. Dependent Variable: Y

b. Predictors: (Constant), X₄, X₃, X₁, X₂

Coefficients

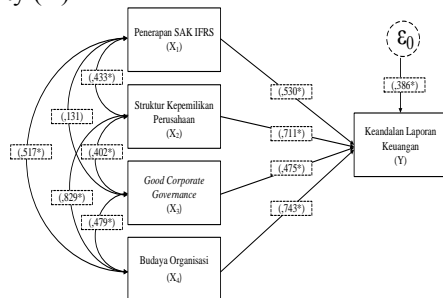
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
		.001b	Beta			
		Std. Error				
1	(Constant)	-52.754		-	0.398	
	X ₁	0.190	0.073	0.226	2,616	0.011
	X ₂	0.285	0.125	0.298	2,279	0.026
	X ₃	0.155	0.070	0.187	2.214	0.030
	X ₄	0.314	0.158	0.290	1996	0.050

Source: SPSS version 21 output and reprocessed

Based on SPSS version 21 output, a hypothesis test model can be made through the following equation:

Figure 5.1

Analysis on The Influence of IFRS Financial Accounting Standards Implementation (X₁), Company Ownership Structure (X₂), Good Corporate Governance (X₃), and Organizational Culture (X₄) on Financial Statements Reliability (Y)



Adjusted R² = 0.614 or 61.4%

Source: Processed by researchers

After the data are processed, an equation can be arranged as follows:

$$\text{Financial Statements Reliability} = \beta_0 + \beta_1 \text{SAK IFRS Implementation} + \beta_2 \text{Company Ownership Structure} + \beta_3 \text{Good Corporate Governance} + \beta_4 \text{Organizational Culture} + \epsilon$$

In the econometric equation, it can be written as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_0$$

$$Y = -52.754 + 0.190 X_1 + 0.285 X_2 + 0.155 X_3 + 0.314 X_4$$

Partial test (t) = (0.398) (0.011 *) (0.026 *) (0.030 *) (0.050 *)

Partial = (0.530 *) (0.711 *) (0.475 *) (0.743 *)

Simultaneous Test F = (0,000 *)

Adjusted R² = 0.614 or 61.4%

Alpha = (0,05)

(*) = (Sig)

ε₀ = 0.386 or 38.6%

Remarks:

Y = financial statements reliability

β₀ = constants

X₁= IFRS Financial Accounting Standards implementation

X₂ = company ownership structure

X₃= Good Corporate Governance

X₄ = organizational culture

ε₀ = error terms

n = 73

CONCLUSIONS

The first hypothesis testing statistic found an influence of the IFRS Financial Accounting Standards implementation, corporate ownership structure, good corporate governance, and organizational culture to the financial statements reliability in partial that can be concluded as follow: (a) IFRS Financial Accounting Standards implementation variable significantly influences the financial report reliability by 53%, (b) company ownership structure variable significantly influences the financial report reliability variable by 71.1%, (c) good corporate governance variable significantly influences the financial statement reliability variable by 47.5%, and (d) organizational culture variable significantly influences the financial statement reliability variable by 74.3%.

The statistical test of the second hypothesis proved the influence of IFRS Financial Accounting Standards implementation, company ownership structure, good corporate governance, and organizational culture on financial statements reliability simultaneously, and can be concluded to have a positive and significant influence.

SUGGESTIONS

Managerial Policies Suggestions

As there are positive and significant influences both partially and simultaneously, banks in Jakarta are advised to: (a) improve the IFRS Financial Accounting Standards implementation, (b) improve the company ownership structure, (c) improve the good corporate governance, and (d) strengthen organizational culture to achieve the financial statements reliability.

Suggestions for Further Research

Further research are suggested to (a) conduct research with the same variables in different types of companies such as manufacturing companies, trading companies, plantation companies, and foundation managers, (b) conduct research with the same variables on banking companies with different analysis tools such as SEM, factor analysis, or using moderating or interveining variables, (c) conduct research by adding other variables such as using accounting staff competencies, organizational commitment, leadership, job satisfaction, in order obtain broader results and be able to understand practices to achieve financial report reliability.

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