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Quality of Financial Statements on Decision Usefulness Regional Financial Statements Using the Report Information System Regional Finance as Moderating Variable

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Abstract:

This study examines and analyzes the influence of the quality of local government financial reports on the decision usefulness of local government financial statements. The use of regional financial report information systems can moderate the influence of the quality of local government financial reports on the decision usefulness of local government financial statements. This research method data analysis using validation and reliability tests and multiple linear regression analysis to determine the effect of the independent variables supervisor support, training, clarity of purpose, and performance expectations on the dependent variable benefits of accrual-based regional financial accounting systems. Moderating variables are variables that affect (strengthen or weaken the relationship) the independent variable and the dependent variable and test the effect of the moderating variable using the interaction test, namely Moderated Regression Analysis (MRA).

Keywords: Quality of financial reports, decision usefulness, use of information systems

1. Introduction

Government Regulation Number 71 of 2010 concerning Public Accounting Standards states that the information presented in financial statements has a general purpose of meeting the information needs of all user groups. The usefulness of financial statement information is basically how financial statement information can be used by users of financial statements as a consideration in making decisions so that financial statements can be said to be useful (Suwardjono, 2011). The implementation of the accrual-based accounting system in Australia is more beneficial than cash-based accounting.

The results of the study found that accrual accounting that the benefits of the accrual accounting system increased over time, usage habits, and experience of using a system (Kober et al., 2010). Furthermore, it was found in the municipal government in Portugal that the information produced by the accrual accounting system is considered more useful for internal decision-making and internal control (Nogueira 2015; Nogueira, 2013). Research conducted on local government in Japan accrual information is used more by officials for performance management than for budgeting, evaluation, asset management, or debt management. In decision-making, experience and leadership contribute significantly (Kobayashi, 2016; Hyndman, 2006; Connolly, 2011).

Cash-based accounting to accrual-based accounting for ten years was built in the UK, in application to the Republic of Ireland did not provide significant benefits. If the presentation of information about the regional property is adequate, then the information is also considered adequate (Hariningsih, 2006; Muda, 2015; Lubis, 2016 & Naibaho, 2018). Quality information can produce quality financial statements (Wilkinson, 2008). The desire to achieve an unqualified opinion as a role objective is very necessary that the lack of information presented in its entirety in the financial statements will interfere with the quality of financial reports, especially relevant and reliable aspects (Osabiya, 2015; Kieso, Waygandt and Warfield, 2007).

Another thing that affects the quality of local government financial reports is the understanding that the application of Government Accounting Standards (SAP) based on government accounting standards is aimed at increasing the accountability and reliability of government financial management through the preparation and development of government accounting standards with the aim of making financial reports more accountable and of high-quality high (Widaningrum, 2010; Gamayuni, 2018; Sarifah, 2020). Local government officials are required to understand the Regional

Financial Accounting System properly for the realization of accountability and transparency of local government financial reports. A regional Financial Accounting System is a series of procedures starting from the process of collecting data, recording, and summarizing to financial reporting in the context of accountability for the implementation of the APBD, which can be done manually or using a computer application (Permendagri Number 59 of 2007). The purpose of financial statements is to provide useful information in making economic decisions (Widiyaningrum, 2010; Ankarath, 2012). Meanwhile, according to the Financial Accounting Standards (SAK, 2004) issued by the Indonesian Accounting Association (IAI, 2002), the purpose of financial statements is to provide information concerning the financial position, performance, and changes in the financial position of a company or government agency that are beneficial to a large number of users of financial statements in every economic decision making (Sarifah, 2020). Financial reports for the purposes of decision-making, planning, and control (Dahana, 2020).

This explains that business is very important in all activities to achieve a goal (Galuh, 2020). The moderating variable in this study is the use of regional financial information systems. The analytical tool used is Moderator Regression Analysis (MRA). The use of the Regional Financial Information System is the application of technology, individual knowledge, and expertise needed to complete the task (Guy et al., 2014). While the one contained in the organization includes all people who carry out activities (Gomes, 2003; Widodo, 2015; Arfianti, 2011).

The Variable Use of Regional Financial Information Systems (Irwan, 2015; Albab, 2013) is measured by indicators of understanding financial statement reporting, being able to prepare and present a balance sheet well, and working by prioritizing ethics and code of ethics as an accountant. The use of information technology includes data processing, information processing, management systems, and work processes electronically, as well as the use of advances in information technology so that public services can be accessed easily and cheaply by the public (Winidyaningrum, 2009; Arfianti, 2011). According to Yosefrinal (2014) & Albab (2015), the variable of information technology utilization is measured using the following indicators: In carrying out the task, the number of computers is adequate.

Computers are available to support the execution of work. There is an internet network in the work unit. The internet network is used for data transmission, and the utilization of quality financial reports as a basis for decision-making in local governments in making local government management policies. Consideration of the stipulation of Government Regulation Number 12 of 2019 concerning Regional Financial Management is to implement the provisions of Article 293 and Article 330 of Law Number 23 of 2014 concerning Regional Government; it is necessary to stipulate a Government Regulation on Regional Financial Management. The implementation of accrual-based accounting, which has been applied in Government Regulation Number 71 of 2010 concerning Government Accounting Standards, has been required for local government financial reporting since the 2015 fiscal year and is considered to have been able to increase the opinion of the BPK audit results in Central Java Province so that the level of confidence in financial statements local government should increase. One indicator of quality improvement is useful in making more precise local government decisions.

2. Literature Review and Hypothesis Development

2.1. Decision Usefulness of Financial Reports in Local

The decision usefulness theory was first proposed in 1954 in the United States by George J. Staubus. Accounting concept based on historical cost states that historical cost concept is not relevant to accounting valuation with market price or present value approach to fair price (Staubus, 2000). Decision usefulness theory covers the requirements of the quality of accounting information that is useful in decisions that will be taken by users. Decision usefulness theory of the Financial Accounting Standard Boards (FASB), namely the Statement of Financial Accounting Concepts (SFAC), is applicable in the United States (Staubus, 2000). SFAC prepares accounting standards for activities and transactions from central and local governments, while the FASB prepares accounting standards for all other organizations, including non-governmental and non-profit organizations (Freeman & Shoulder, 2008; Belkaoui, 1992; Ball & Brown, 1968).

2.2 Quality of Financial Reports on Decision Usefulness of Regional Financial Reports with the Use of Regional Financial Report Information Systems

Research conducted in Greece on the actual benefits of transitioning to the existing accounting paradigm closer to accrual accounting because the modified Greek cash base borrows some of the characteristics of accruals (Nogueira, 2013; Sandra Cohen, Karatzimas, 2017; Payamta, 2020). Quality of Financial Reports The completeness and quality of the financial presentation of information encourage the fulfillment of the quality of financial statements. The quality of information has an important influence on financial performance (Bukanya, 2014). Based on the Statement of Financial Accounting Standards Number 1 Paragraph 09, it is stated that the purpose of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful for the majority of report users in making economic decisions. The financial statements also show the results of management's accountability for the use of the resources entrusted to them.

International Accounting Standard Board (2008), in An Improved Conceptual Framework for Financial Reporting, defined the general purpose of financial reporting as to provide financial information about reporting entities describing the ability of entities to fairly valuable information for decision making. The characteristics of the quality of financial statements are presented in the financial statements so that they are more useful for users. They consist of understanding, relevance, materiality, reliability (reliability, faithful representation), honest presentation, substance outperforming the form (document), neutrality, sound judgment (prudence), completeness, and comparability (Harahap, 2017; Surifah, 2020). The conceptual framework by the FASB, namely the SFAC (Statement of Financial Concepts), includes the following financial statements:

- The basis for making decisions,
- Useful in assessing the services and capabilities of the organization,
- Management assesses its investments,
- Information on sources of wealth, liabilities, net worth, and changes thereof,
- Presenting the achievements of the organization,
- The ability of the organization to pay its short-term obligations (liquidity), and
- Management's explanation and interpretation so that users

2.3. Use of the Financial Reporting Information System

The adequacy of relevant and reliable aspects needs to be fully disclosed as a basis for decision-making, a complete explanation of fixed assets, maintenance costs, and replacement of fixed assets, and a complete asset description. Reliable accounting information (reliability) becomes very important in making economic decisions (Obaidat, 2007; Robbin and Kenneth, 1986). Quality information can produce quality financial statements (Wilkinson et al., 2008; Osabiya, 2015; Kieso, Waygandt, and Warfield, 2007). The benefits of financial reports in realizing information technology accountability are used (Khan, 2009; Bukenya, 2014; Munnoz, 2013; Nkabu, 2010; Nurzaimah et al., 2016; Sadalia, 2017; Lubis, 2017; Yahya, 2017; Okeree, 2017). Financial statements support decision-making and can be understood by users, such as Zhang (2014), McGriff (2014), Hapsari (2007) (SAP 2005 Cash-Based).

Implementation of Accrual-Based Financial Statements, according to the accounting basis, is reported to affect decision-making, and Decision Usefulness approaches to preparing financial reporting information in decision-making theory (Bergmann, 2012; Carlin, 2015; Scoot, 2005; Larcker & Lessig, 1980) (SAP 2005 Cash-Based and SAP 2010 Accrual Based). New Public Management (NPM), which aims to understand and manage Activities in the public sector bureaucratic model, introduces concepts into public sector administration, such as competitiveness, efficiency, and performance of private sector management (Eirado, 2012).

3. Research Methods

3.1. Research Design

The type of research carried out is quantitative research methods is a research method based on the philosophy of positivism, used to research a particular population or sample and data collection using research instruments. Data analysis is quantitative/statistical, with the aim of testing the established hypothesis (Sugiyono, 2018). This is a quantitative research, and the method used for this research is the survey method. The survey method is one of the quantitative methods. The survey method is a quantitative research method used to:

Get data that happened in the past or present about beliefs, opinions, characteristics, behaviors, and relationships of variables, and

Test several hypotheses about the sociological and psychological variables of samples taken from a certain population, data collection techniques with observations (interviews or questionnaires) that are not in-depth, and the results research tends to be generalized (Sugiyono, 2017)

The research method used is a survey method carried out with a questionnaire instrument that was first tested for validity and reliability. Population and Research Sample Population are all groups of people, events, or objects/subjects to be studied by researchers (Sekaran & Bougie, 2016).

The population in this study is the Regional Government of Solo Raya Province Central Java. Samples were taken through the purposive sampling method. Respondents were deliberately chosen by the Regional Government Organization most related to using Government Financial Statements Region (LKPD). So the number of selected samples is as follows: Surakarta City, Sukoharjo Regency, Wonogiri Regency, Klaten Regency, Boyolali Regency, Karanganyar Regency, and Sragen Regency.

Decision usefulness of financial statements: The usefulness of financial statements in decision-making in this study uses an instrument developed by (Larcker & Lessig, 1980). This instrument has been used in research that refers to the public sector, especially local government. This instrument aims to measure aspects/dimensions of usability, namely perceived importance and perceived usefulness (Gaffney, 1986; Daniels, 1991; Cohen, 2017). Scoring and Measurement Scale Measurement of research variables with research instruments to produce accurate quantitative data, then each instrument must have a measurement scale (Sugiono, 2019). This study uses a Likert scale which is used to determine the attitudes, opinions, and perceptions of a person or group of people about social phenomena. The Likert scale and scoring used in this study are 1 (one) to 5 (five).

- After determining the sample taken in a study, there are two kinds of data quality tests, namely:
- Validity test, and
- Reliability test

Validity test is used to measure whether or not a questionnaire is valid. According to Ghazali (2019), a questionnaire can be said to be valid if the statements in the questionnaire are able to reveal something that will be measured by the questionnaire. The decision to test the validity of the instrument is: The statement item is said to be valid if $r_{count} > r_{table}$. On the other hand, the statement item is said to be invalid if $r_{count} < r_{table}$.

Reliability test is carried out to determine the determination of an instrument (measuring instrument) in measuring the same symptoms even at different times. In this study, the reliability of the instrument was tested using the Alfa Cronbach reliability coefficient (Arikunto, 2019).

3.2. Classic Assumption Test

The analytical method used in this study will theoretically produce a valid estimator model parameter value if the classical regression assumptions are met by a statistical model that has been tested first. The classic assumption symptom test is carried out so that the results of the regression analysis meet the BLUE criteria (Best, Linear, Unbiased Estimator). This classical assumption test consists of the following:

- A data normality test,
- Auto-correlation test,
- Heteroscedasticity test, and
- Multicollinearity test

This research method data analysis using validation and reliability tests and multiple linear regression analysis to determine the effect of the independent variables supervisor support, training, clarity of purpose, and performance expectations on the dependent variable benefits of accrual-based regional financial accounting systems. The equation resulting from the relationship between these variables is as follows:

3.3. Multiple Regression Analysis

Regression analysis is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables, with the aim of estimating and or predicting the calculated average value (mean) or the average (population) variable. It is not independent in terms of known or fixed values (in repeated sampling) of the explanatory variables (the latter) (Gujarati, 2018).

Equation Model 1:

$$DU = \alpha + \beta_1 \text{KLKBA1} + \varepsilon \dots\dots\dots (\text{Model 1})$$

3.4. Moderated Regression Analysis (MRA)

Moderating variables are variables that affect (strengthen or weaken the relationship) the independent variable and the dependent variable and test the effect of the moderating variable using the interaction test, namely Moderated Regression Analysis (MRA). The equation resulting from the relationship between these variables is as follows:

$$DU = \alpha + \beta_1 \text{KLKBA1} + \beta_2 \text{PSIMDA2} + \beta_3 \text{KLKBA} \cdot \text{PSIMDA} + \varepsilon \dots\dots (\text{Model 2})$$

Information:

DU: Decision Usefulness

α : Constant

1, 2: Variable coefficient

KLKBA1: Quality of Accrual-Based Financial Reports

PSIMDA2: Use of Financial Report Information System (SIMDA)

ε : Error term, which is the level of estimation error in the study.

3.5. Significant Test of Individual Parameters (Test Statistics t)

The t-statistical test basically shows how far the influence of one explanatory variable (independent) individually in explaining the variation of the dependent variable. The t-test has a significance value of = 5%. The criteria for testing the hypothesis using the t statistical test is if the significance value of t (p-value) < 0.05, then the alternative hypothesis is accepted, which states that an independent variable individually and significantly affects the dependent variable (Ghozali, 2019).

3.6. Model Feasibility Significance Test (Statistical Test F)

The F statistical test measures goodness of fit, namely the accuracy of the sample regression function in estimating the actual value. If the significance value of F < 0.05, then the regression model can be used to predict the independent variable. The F statistical test also shows whether all independent or independent variables included in the model have a joint effect on the dependent variable. The F statistical test has a significance of 0.05 (Ghozali, 2021). The criteria for testing the hypothesis using the F statistic is if the significance value of F < 0.05, then the alternative hypothesis is accepted, which states that all independent variables simultaneously and significantly affect the dependent variable (Ghozali, 2021).

3.7. Coefficient of Determination (R2)

The coefficient of determination test aims to measure how far the model can explain the dependent variable's variation. The value of the coefficient of determination is between zero and one. A small R2 value indicates that the ability of the independent variables to explain the dependent variable is very limited (Ghozali, 2021). Classification of the coefficients of the number of independent variables entered into the model. Every time there is an additional independent variable, R2 will definitely increase regardless of whether the variable has a significant effect on the dependent variable. Therefore, the adjusted R2 model is used. The adjusted R2 model can increase or decrease if there is an independent variable added to the model (Ghozali, 2021).

4. Results and Discussion

4.1. Description

This research was conducted in the Regional Government of Solo Raya, Central Java Province, where the researchers took a sample of 100 respondents and then gave a questionnaire. The following is a recapitulation of the distribution of the questionnaire by the researcher:

Variable	Sent to the Respondent	In the Contents of the Respondent	Processed Data	%
Decision Usefulness of Local Government Financial Reports_Y	100	100	94	94
Report Quality Local Government Finance_M	100	100	94	94
Use of Report Information System Finance_X	100	100	94	94

Table 1: Research Instruments

Source: Data Processed 2021

Based on the above recapitulation, the researchers distributed 100 questionnaires given to 100 respondents and showed that 94% of the total questionnaires could be processed.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Decision Usefulness of Local Government Financial Reports_Y	94	51	80	68.27	5.963
Report Quality Local Government Finance_M	94	29	45	39.40	4.038
Use of Report Information System Finance_X	94	103	150	127.10	10.966
Valid N (listwise)	94				

Table 2: Descriptive Statistics

Source: Data Processed 2021

The results of the descriptive analysis of the Financial Report Quality variable are known to have an average value of 68.27 with a minimum value of 51, a maximum value of 80, and a standard deviation of 5.963. The results of the descriptive analysis of the Regional Financial Information System variable are known to have an average value of 39.40, with a minimum value of 29, a maximum value of 45, and a standard deviation of 4.038. The results of the descriptive analysis of the Decision Usefulness variable are known to have an average value of 127.10, with a minimum value of 103, a maximum value of 150, and a standard deviation of 10.966.

4.2. Classic Assumption Test

Normality Test: The normality test is used to test whether the distribution of the related variables for each particular independent variable is normally distributed or not in the linear regression model. This assumption is indicated by the error value, which is normally distributed. A good regression model is a regression model that has a distribution that is normal or close to normal, so it is feasible to do statistical testing. Here are the results of the normality test:

	Sig	Description
Equation 1	0,110	normally
Equation 2	0,148	normally

Table 3: Normality Test Results

Source: Data processed 2021

Based on table 3, it can be seen that the value of the significance of equation I is 0.110 or more than 0.05, and equation II is 0.148 or more than 0.05. It can be said that the data is normally distributed.

4.2.1. Hypothesis Test Regression Equation: This Study Uses Multiple Regression Analysis

Multiple regression analysis was used to test the effect of several independent variables on the dependent variable, and the results of the regression equation are presented in the following table:

Variable	Equation 1			Equation 2		
	Koefisien	t	Sig	Koefisien	t	Sig
(Constant)	70,139	5,990	0,000	269,395	2,222	0,029
Decision Usefulness of Local Government Financial Reports_Y	0,834	4,882	0,000	-2,182	-1,232	0,221
Report Quality Local Government Finance_M				-4,965	-1,645	0,103
Use of Report Information System Finance_X				0,075	1,706	0,091
R ²	0,206			0,234		
Adjusted R ²	0,197			0,209		
Durbin Watson	2,190			2,231		

Table 4: Multiple Regression Recapitulation
Source: Data processed 2021

5. Discussion

- The influence of the quality of financial reports on the decision usefulness of local government financial statements is based on the results of hypothesis testing (H₁).

The variable quality of financial reports on Decision Usefulness shows a value of (4.882) with a value of sig (0.000) < 0.05: H₁ is accepted. This means that there is a significant positive effect on the quality of financial statements on Decision Usefulness. Based on the results of the study, it is illustrated that respondents in Regional Government Organizations throughout Solo Raya have implemented a financial accounting system in which the quality of accrual-based financial reports is applied. This is done with the aim of making it easier and effective, and more efficient to make financial reports.

In the frequency distribution for the variable quality of accrual-based financial reports the average respondent's level of achievement for the variable application of the regional financial accounting system is in a good category. With the use of this financial report information system (SIMDA), it can facilitate the performance of employees in Regional Government Organizations in compiling financial reports, speed up the transaction process and presentation of financial statements, and obtain BPK audits with WTP opinions. The results of this study support research conducted by Ifa Ratifah & Muhammad Ridwan (2012), Tutun Hermawanto (2013), Andini, Yusrawati (2015), Andelina (2017), Siwambudi (2017) state that the use of regional financial reporting information systems has an effect on decision usefulness (Local government financial reports). Stewardship theory is a situation where employees/managers are more motivated to work for the benefit of the organization than individual interests (Donaldson, 1989; Mardiasmo, 2009). In public sector organizations, accountability is the government's obligation as the holder of the trust (steward) to account for its activities to the people as the party giving the mandate (principal) by disclosing all information, both successes and failures experienced by the organization (Mardiasmo, 2019).

- The use of the Regional Financial Report Information System can moderate the influence of the quality of the Regional Government Financial Report on the decision usefulness of the Regional Government Financial Report Hypothesis test results (H₂) that the significance value of the financial report quality variable with regional financial information system moderation shows a value of 0.091 which means the quality of financial statements with regional financial information system moderation has no effect on decision usefulness because the significance value of the financial report quality variable with information system moderation regional finance of 0.091 which is stated to be greater than the specified criteria, namely the significance value of 0.05 so that it can be concluded that H₂ is rejected. Based on the results of the hypothesis test (H₂) that has been presented, it has a t-count of 0.091 with a significance level of 0.09 > 0.05. Thus, H₂ is rejected, and it can be concluded that the use of the Regional Financial Report Information System weakens the relationship between the quality of the Regional Government Financial Report and the decision usefulness. This study shows that the use of the Regional Financial Report Information System cannot moderate the influence of the quality of the Regional Government Financial Report with decision usefulness in accordance with research conducted by (Andelina; 2017; Siwambudi, 2017). In contrast, the use of the Regional Financial Report Information System on the decision usefulness has a significant effect, which states that the use of the regional financial report information system has an effect on the decision usefulness of local government financial statements (Boyatzis, R.E. 1982; Allen, N.J., & Meyer, 1990; La Midjan, 2001; Armstrong & Baron, 2007; Nordiawan, 2010; Indra Bastian, 2010; Zeyn, 2011; Damini, 2015; Merlin, 2016; Nadir & Hasyim, 2017). Scott (2009) states that reporting information that is useful for investors is called the decision usefulness approach. In decision usefulness theory, accounting information becomes a reference for the preparation of the Financial Accounting Standard Boards (FASB) conceptual framework, namely the Statement of Financial Accounting Concepts (SFAC) applicable in the United States (Kiswara, 2011). SFAC No. 8 is one of a series of publications at the FSAB for financial accounting and reporting that includes two chapters of a new conceptual framework that replaces SFAC No. 1, the purpose of financial reporting by business enterprises, and SFAC No. 2, regarding the Qualitative Characteristics of Accounting Information. SFAC No. 8 describes the hierarchy of the quality of accounting information in the form of primary quality, content, and secondary quality. SFAC No. 8 is intended to establish the objectives and fundamental concepts that will form the basis for the

development of financial accounting and reporting guidelines so that existing coverage can meet the needs of decision-makers who will use it.

6. Conclusion

Based on the results of research on the Effect of Quality Financial Reports on Decision Usefulness of Regional Financial Reports Using the Regional Financial Report Information System as a Moderating Variable (Survey of Regional Governments throughout Greater Solo), it can be concluded that the quality of financial reports affects the decision usefulness of regional financial reports. This is evidenced by the significance value of the Financial Statement Quality variable being less than 5% ($0.000 < 0.05$). The Financial Report Quality Variable, which is moderated by the Regional Financial Report Information System, does not affect the Decision Usefulness of Regional Financial Reports. This is evidenced by the significance value of the Financial Statement Quality variable being greater than 5% ($0.091 > 0.05$).

This study has several limitations that may lead to bias or inaccuracies in the research results, including:

- The instrument in this study was limited to the use of a questionnaire with a self-rating assessment.
- The population of this study is only focused on the accounting or financial administration section of the Solo Raya Regional Government Organization (OPD).

ADVICE: The author realizes that this research is far from perfect, and there are still many limitations in the writer's knowledge and experience, theoretically and practically.

Therefore, here are some suggestions for future researchers to produce better research: Future researchers are expected to be able to add more relevant literature to the research topic taken. Researchers in the future are expected to add independent variables that support the dependent variable so that maximum results are obtained, such as the use of information technology and financial control variables. Further researchers are advised to add data in the form of interviews with several research respondents so that they are not just limited to a list of questionnaire questions. Further researchers are advised to add Province Regions that will be used as research samples to present better future research.

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