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The Effect of Understanding of Accounting Standards and Internal Control Systems on the Quality of Financial Statements with the Application of Accounting Software as a Moderating Variable

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ABSTRACT

This research examines the effect of understanding accounting standards and internal control systems on the quality of financial reports by applying accounting software as a moderating variable. The population of this research is MSMEs in DKI Jakarta. This study used a sampling technique, namely Proportional Stratified Random Sampling. The number of samples studied was 96 MSMEs in DKI Jakarta using a Likert scale measurement questionnaire. Testing the research data is done by testing the validity, reliability, classic assumption, and hypothesis tests. The results of this study indicate that the application of accounting software can strengthen the effect of understanding accounting standards and internal control systems on the quality of financial reports.

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1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) run in various fields. Businesses included in micro, small, and medium enterprises include trading, mining, industry, and education. Having financial reports in the MSME sector is very important because with good financial reports and according to the standards of small and medium entrepreneurs can find out profit and loss, accounts payable, and calculate taxes.

There are obstacles faced by MSME actors, namely related to preparing their financial reports [1], [2].

The weakness of MSMEs in preparing financial reports is due to a lack of understanding of Financial Accounting Standards (SAK), a lack of internal control systems, and training in preparing financial reports. Not only from that point of view, the application of accounting software helps support company operations. The existence of accounting software is considered to be able to reduce the amount of paper used to make a financial report if errors are detected [3]. Because the accountant only has to edit the wrong data, the data will be recalculated automatically to be used as a financial report. This means that the quality of financial reports is influenced by the understanding of

accounting possessed by employees. In addition to being able to facilitate a job, it is necessary to use accounting software, and an internal control system is needed to prevent fraud and identify risks that might occur.

One form of this concern is using a computer-based Accounting Information System (accounting software) to expedite the flow of company information. Accounting software includes ACL, SAP, MYOB, Ms. Excel, Zahir Accounting, and Accurate. This software can speed up and provide more accurate data processing than manual, and all events can be traced more easily.

2. LITERATURE REVIEW

Accounting software is a program created to facilitate accounting activities and records [4]. All series of activities in accounting, such as selling, posting to ledgers, compiling trial balances, and financial reports, can be done through accounting programs. It can be said that the presence of this accounting software can cut the work of an accountant faster. There are various accounting software, including MYOB, Accurate, Ms. Excel (Spreadsheet), Daceasy Accounting (DEA), Peachtree, K-System Indonesia, Zahir Accounting, and others. *Accounting software* is software created to perform data processing. An *application* is software created as a front-end of a system that is used to process data so that it becomes valuable information for users [5]. In use, applications are divided into three types: web-based, desktop, and mobile-based [6].

Accounting software facilitates the internal control of MSMEs because every transaction can be monitored in real-time. Every transaction that occurs in the company is integrated with the accounting software used. Implementing accounting software for MSME players can save time because they no longer have to ask the accounting team directly, which will take a long time. With accounting software, data can be accessed in real-time and accurately to minimize errors in the accounting process.

2.1 Decision-Usefulness Theory

Decision-use theory covers the requirements of the quality of accounting information that is useful in decisions to be taken by users of accounting information. The decision-usefulness of accounting information contains components that need to be considered by the presenter of accounting information so that the existing coverage can meet the needs of the decision-makers who will use it.

Decision-use theory's premises include accounting's objective to provide financial information about organizations for decision-making. The purpose of accounting is related to stakeholders, namely, providing financial information about an organization that will be used in making decisions. Management's attitude towards applying accounting standards is related to its importance in disclosing accounting information that describes financial performance in financial reporting [7], [8]. The decision-use theory of accounting information is reflected in the form of rules that must be met by the components of financial reporting in order to be helpful in the framework of making economic decisions.

2.2 Accounting software strengthens the effect of accounting standards on the quality of financial reports

The application of accounting software makes it easier for MSME actors to carry out accounting activities and records [9]. All activities in accounting, such as selling, posting to ledgers, and compiling trial balances, and financial reports, can be done through accounting programs. It can be said that the presence of this accounting software can cut an accountant's work faster. MSME actors who understand the application of accounting standards and are assisted by

applying accounting software can produce quality financial reports.

H1: Accounting software strengthens the effect of understanding accounting standards on the quality of financial reports.

2.3 Accounting software strengthens the influence of the internal control system on the quality of financial reports

Accounting software facilitates the internal control of MSMEs because every transaction can be monitored in real-time. Every transaction that occurs in the company is integrated with the accounting software used [10]. Implementing accounting software for MSME players can save time because they no longer have to ask the accounting team directly, which will take a long time. With accounting software, data can be accessed in real-time and accurately to minimize errors in the accounting process.

H2: Accounting software strengthens the influence of the internal control system on the quality of financial reports.

3. METHODS

This study uses primary data, namely data sources directly providing data to collectors—primary data collection by distributing questionnaires directly to MSME actors in DKI Jakarta. The dependent variable in this study is the quality of financial reports (Y), the independent variable is understanding of accounting standards and internal control systems (X), and the moderating variable in this study is the application of accounting software (Z). In this study, data were analyzed using a 4-point Likert scale analysis.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistic

The results of data analysis in this study consisted of descriptive statistics, validity test, reliability test, classic assumption test, multiple linear regression analysis, and hypothesis testing (coefficient of determination test, t-test, and F test). The results of descriptive statistics show the results in Table 1 as follows.

Table 1. Results of Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
PSA	96	12	16	14.50	1.330
SPI	96	15	20	17.85	1.667
LK	96	12	16	14.33	1.366
SOFT	96	15	20	18.07	1.1814
Valid N (listwise)	96				

Based on Table 1, the value distribution of the research variables consists of understanding accounting standards, internal control systems, quality of financial reports and application of accounting software. The table above shows that n in each valid variable is 96.

4.2 Data Quality Test

4.2.1 Validity Test

This test was carried out using the Pearson Correlation method, in other words the provisions of an instrument are said to be valid or valid if they have a significant value at the 0.05 level [11]. The following is a table showing the results of the validity test on the question indicators for each of these variables:

Table 2. Results of the validity test of understanding accounting standards

Question Items	Pearson Correlation	Significance
1	0,729	0,000
2	0,638	0,000
3	0,741	0,000
4	0,683	0,000

Table 2 shows that the variable understanding of accounting standards consists of 4 questions, and all of these 4 questions are valid because the Pearson Correlation significance value is below 0.05 so that all question items can be used as research data.

Table 3. Results of the Internal Control System Validity Test

Question Items	Pearson Correlation	Significance
1	0,651	0,000
2	0,661	0,000
3	0,691	0,000
4	0,658	0,000
5	0,707	0,000

Table 3 shows that the variable understanding of accounting standards consists of 5 questions, and all of these 5 questions are valid because the Pearson Correlation significance value is below 0.05 so that all question items can be used as research data.

Table 4. Results of the Quality Validity Test of Financial Statements

Question Items	Pearson Correlation	Significance
1	0,788	0,000
2	0,568	0,000
3	0,784	0,000
4	0,670	0,000

Table 4 shows that the financial report quality variable consists of 4 questions, and all of these 4 questions are valid because the Pearson Correlation significance value is below 0.05 so that all question items can be used as research data.

Table 5. Validity Test Results for Application of Accounting Software

Question Items	Pearson Correlation	Significance
1	0,759	0,000
2	0,732	0,000
3	0,750	0,000
4	0,817	0,000
5	0,759	0,000

Table 5 shows that the accounting software implementation variable consists of 5 questions, and all of these 5 questions are valid because the significance of the Pearson Correlation is below 0.05 so that all question items can be used as research data.

4.2.2 Reliability Test

Based on the results of reliability testing in this study using the Cronbach Alpha statistical test using SPSS 25 for Windows software. A questionnaire is said to be reliable or reliable if one's answers to statements are consistent from time to time Reliability measurement by looking at Cronbach alpha. A construct or variable can be said to be reliable if it gives a Cronbach alpha value > 0.60 [11]. The results of the reliability test can be seen in the following table:

Table 6. Reliability Test Results

Variable	Number of Question Items	*Cronbach Alpha*
Understanding of accounting standards	4 items	0,643
Internal control system	5 items	0,699
Quality of financial reports	4 items	0,653
Application of accounting software	5 items	0,816

From table 6 it can be seen that the Cronbach Alpha value of all variables is

greater than 0.6. The variable understanding of accounting standards has a Cronbach Alpha value of 0.643, the internal control system variable has a Cronbach Alpha value of 0.699, the financial report quality variable has a Cronbach Alpha value of 0.643, the accounting software application variable has a Cronbach Alpha value of 0.816. So it can be concluded that all question items on each variable can be said to be reliable and can be used in research.

4.3 Classic Assumption Test

4.3.1 Normality test

This test was conducted to test whether the regression model, the residual variable has a normal distribution. This test uses the normality test from Kolmogorov Smirnov with guidelines for decision making if the probability value is > 0.05 then the regression model meets the normality assumption [11]. The following is a table showing the results of the Normality Test:

Table 7. Normality test results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	.0000000
Most Ext. Differences	Std. Deviation	1.33080724
	Absolute	,066
	Positive	,066
	Negative	-,059
Test Statistic		,066
Asymp. Sig. (2-tailed)		,200

Based on the results of the normality test with Kolmogorov Smirnov, it can be seen that it fulfills the normality assumption because the probability value is 0.200 > 0.05.

4.3.2 Multicollinearity Test

The results of the research multicollinearity test serve to see whether there is a relationship between the independent variables in the study. The results of the multicollinearity test are shown in table 8 as follows:

Table 8. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Understanding of accounting standards	0.973	1.027
Internal control system	0.970	1.031
Application of accounting software	0.991	1.009

From table 8, regarding the results of the multicollinearity test, it was found that the three independent variables, namely understanding accounting standards, internal control systems, and application of accounting software, have a Tolerance value greater than 0.1 and a Variance Inflation Factor (VIF) less than 10. This means that no there are symptoms of a relationship between independent variables in the study.

4.3.3 Heteroscedasticity Test

Heteroscedasticity test is used to see whether the research sample used is homogeneous. Heteroscedasticity test uses the Rank Spearman method and the results can be seen in table 9 as follows:

Table 9. Heteroscedasticity Test

Model	Sig.
Understanding of accounting standards	0,853
Internal control system	0,900
Application of accounting software	0,658

Based on the output above, it is known that the significance value (Sig.) for the variable understanding of accounting standards is 0.853, the internal control system is 0.900 and the application of accounting software is 0.658. Because the significance value of the variables above is greater than 0.05, it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

4.4 Hypothesis testing

4.4.1 Determination Coefficient Test (R^2)

In the coefficient of multiple determination, the resulting value shows the magnitude of the influence of the variable understanding of accounting standards, internal control systems and the application of accounting software in influencing the variable quality of MSME financial reports in DKI Jakarta. The magnitude of the coefficient of multiple determination is shown in table 10 as follows.

Table 10. Test Results for the Coefficient of Determination

R	R Squarer	Adjusted R Square
0.571	0.327	0.297

The correlation coefficient (R) value in the table is 0.571 indicating that the relationship between the independent variables and the dependent variable is strong because the correlation coefficient value is above 0.05.

4.4.2 F test

The F test was used to test the regression equation model in this study in the condition of goodness of fit, or fit (fit) to be interpreted. Research is said to have a fit model with the data it has if the probability value is <0.05 measured by the ANOVA test (Ghozali, 2011). The following are the results of the F test in the table:

Table 11. F test results

ANOVA[a]

Model	Sum of Square	mean Square	f	Sig.
Regression	15.198	3.799	2369.377	.00
Residual	.146	.002		
Total	15.343			

Based on the test results in Table 11, it shows that the significance value is 0.000 or in other words it is smaller than the probability value (p-value) of 0.05. Based on the results of the F test, it can be said that the regression equation model used in this study is fit and feasible to interpret.

4.5.3 t Test

The t test was conducted to determine the influence of each independent variable individually on the dependent variable. To find out whether there is an influence of each independent variable individually on the dependent variable, it is done by comparing the p-value in the Sig column. each - each independent variable with a significant level used 0.05. If the p-value is less than 0.05, it can be said that the independent variables partially have an influence on the dependent variable [12]. The results of the t test can be seen in the following table:

Table 12. t-Test Results

Model	B	Std. Error	t	Sig.
(Constant)	10.378	.056	184.410	.000
PSA	.046	.020	2.237	.028**
SPI	.096	.023	4.083	.000***
X1.Z	.004	.001	2.706	.008***
X2.Z	.001	.001	2.475	.015**

Based on table 13, it can be described the effect of applying accounting software to the quality of financial reports. The accounting software application variable has a significance value of 0.008 and 0.015 or less than 0.005 for each independent variable. It can be said that the hypothesis is accepted so that it can be said that the application of accounting software strengthens the influence of understanding accounting standards and internal control systems on the quality of financial reports.

5. CONCLUSION

The results and discussion in the previous section show that improving the quality of financial reports requires an understanding of accounting standards, internal control systems, and the application of accounting software. For MSMEs

themselves, the internal control that is carried out is not as reasonable as large-level businesses because its management system is still simple. The owners carry out direct supervision because most also act as business operators. So that all directives and direct supervision are carried out by the owner and determine the quality of the financial reports that will be presented in each period.

The application of accounting software is something that MSME owners must consider in preparing financial reports. Accounting software in preparing financial reports will provide results or quality financial reports that can be adequately understood and used according to the owner's needs.

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