

The Effect of Accrual Accounting Understanding on the Quality of Government Financial Reports: An Empirical Study in Biak Numfor Regency

Novita Melani Rumajauw^{1*}, Payamta Payamta²

Department of Accounting, Faculty of Economics, Sebelas Maret University, Surakarta

*Corresponding Author

Novita Melani Rumajauw

Department of Accounting,
Faculty of Economics,
Sebelas Maret University,
Surakarta.

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Abstract: *This study examines the impact of accrual accounting understanding on the quality of government financial reports, with a focus on the Biak Numfor Regency. Utilizing empirical data, the research investigates how a deeper comprehension of accrual accounting principles influences the transparency, accuracy, and overall quality of financial reporting within the local government. The study employs quantitative methods to analyse survey responses from financial officers and auditors, assessing the correlation between their understanding of accrual accounting and the quality of financial reports produced. Findings reveal that a robust understanding of accrual accounting significantly enhances the quality of financial reporting, promoting better fiscal management and accountability. These insights are crucial for policymakers and financial managers aiming to improve financial reporting practices in local governments.*

Keywords: *Accrual Accounting, Financial Reporting Quality, Government Financial Reports, Biak Numfor Regency, Fiscal Management.*

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Background

Public sector accounting reform in Indonesia has driven the adoption of accrual-based Government Accounting Standards (SAP). Accrual-based SAP is seen as a crucial milestone for enhancing the transparency and accountability of national financial management. However, the implementation of accrual-based SAP at the regional level, particularly in districts and cities, continues to face various challenges, including limited understanding of accrual accounting concepts and principles.

Biak Numfor Regency, a region in Indonesia, has adopted accrual-based SAP in an effort to improve the quality of its financial reporting. This implementation aims to produce more transparent and accountable financial reports in accordance with generally accepted accounting principles. According to Sutrisno (2018), a deep understanding of accrual accounting is essential for local government officials to generate financial reports that are relevant, reliable, comparable, and comprehensible. This aligns with the fundamental principles of accrual accounting, which require recognizing revenues and expenses when transactions occur, rather than when cash is received or paid.

Literature indicates that accrual accounting offers significant benefits in improving financial report quality. Sutrisno (2018) explains that accrual accounting allows financial reports to reflect the true economic condition, thereby facilitating better decision-making by stakeholders. Furthermore, Hadi (2019) notes that accrual accounting aids in presenting more comprehensive and accurate financial information, which, in turn, enhances accountability and transparency in regional financial management.

However, implementing accrual-based SAP is not without challenges. Suryanto (2020) identifies one major challenge as the need to improve the capacity of local government officials in understanding and applying accrual accounting principles. Adequate training and guidance are necessary to ensure that staff can effectively implement this system. Additionally, the effectiveness of accrual-based SAP implementation is also influenced by factors such as adequate technological infrastructure and information systems, as outlined by Wibowo and Ningsih (2021).

Overall, the implementation of accrual-based SAP in Biak Numfor Regency presents an opportunity to enhance the quality of local government financial reports, but it requires careful attention to implementation aspects and adequate support. Further research is needed to evaluate the impact of accrual-based SAP implementation and to identify strategies for addressing potential challenges.

The application of accrual-based Government Accounting Standards (SAP) in local government environments in Indonesia aims to improve the quality of financial reports by applying more transparent and accurate accounting principles. One crucial aspect of successful accrual-based SAP implementation is a thorough understanding by employees, particularly financial management officials, of these accounting principles. As Hadi (2019) points out, a good grasp of accrual accounting plays a significant role in producing high-quality financial reports, which in turn enhances transparency and accountability in regional financial management.

Adequate understanding of accrual-based SAP enables financial management officials to record transactions more accurately and relevantly. Sutrisno (2018) states that the implementation of accrual accounting not only aids in presenting financial reports that reflect the true economic condition but also improves the effectiveness of regional financial management. This is because accrual accounting allows for recognizing revenues and expenses when transactions occur, not merely when cash is received or paid. Consequently, the financial reports produced are more comprehensive and reflect the actual financial performance.

However, challenges in implementing accrual-based SAP are often related to the level of understanding and capacity of local government officials. Suryanto (2020) highlights that a significant challenge is the lack of adequate understanding of accrual accounting among financial management officials. Therefore, continuous training and education are crucial to ensure that staff can effectively apply these accounting principles.

Technological infrastructure and information systems also play a critical role in supporting the implementation of accrual-based SAP. According to Wibowo and Ningsih (2021), the presence of adequate technological infrastructure greatly influences the effectiveness of accrual-based SAP implementation. Good information systems can facilitate the recording and reporting of financial transactions more efficiently, thereby supporting the presentation of more accurate and reliable financial reports.

Overall, a good understanding of accrual-based SAP by employees and financial management officials significantly positively impacts the quality of financial reports produced. By strengthening understanding and supporting the application of appropriate technology, the quality of financial reports in local government environments can be substantially improved.

Despite numerous studies on the implementation of accrual-based Government Accounting Standards (SAP) and the commencement of these standards in Indonesia since 2015, the quality of financial reports in several regions, including Biak Numfor Regency, still shows suboptimal results. As part of the government's policy mandating all central and regional government agencies to prepare accrual-based financial reports, various efforts have been made to enhance the skills of executives, raise awareness, and engage all stakeholders through socialization and training (Maimunah, 2016).

However, achieving an unqualified opinion (WTP) has not been consistent. Data from BPK RI (2021) indicate that although there has been a significant increase in unqualified opinions from 70% in 2016 to 90% in 2020, there remains variation in the quality of financial reports at the regional government level. Improvements in the management of fixed assets and the resolution of deficiencies or excesses in capital expenditures for goods and services have been reported as contributing factors to this progress (Firmansyah et al., 2022).

Previous research by Nur Apandi (2010) and Satrio et al. (2016) has examined the impact of accrual-based accounting systems on financial report quality, focusing on various variables such as human resources, information technology, and organizational commitment. This research also indicates that the implementation of accrual-based SAP requires readiness in terms of human resources and technical infrastructure. However, this study differs by including additional independent variables such as system

complexity and management support, and employing a quantitative method with questionnaires, providing a more comprehensive perspective on the system's implementation (Satrio et al., 2016).

Although previous research has extensively examined the readiness for implementing accrual-based accounting systems, the primary focus of this study is on the quality of the resulting financial reports. It is crucial to evaluate whether the implementation of accrual-based accounting systems genuinely reflects an improvement in the quality of financial reports. Thus, despite the initiation of accrual-based SAP since 2015 and some positive achievements, the quality of financial reports in Biak Numfor Regency still shows discrepancies that require further attention.

The novelty of this research includes its focus on evaluating the actual quality of financial reports resulting from the implementation of accrual-based Government Accounting Standards (SAP) in Biak Numfor Regency. While previous studies have examined the readiness and general impacts of accrual-based accounting systems, this research addresses a gap by concentrating specifically on the effectiveness of SAP in improving the quality of financial reports. By incorporating additional variables such as system complexity and management support, and utilizing a quantitative approach with questionnaires, this study provides a more nuanced understanding of the practical outcomes of SAP implementation.

Furthermore, this research contributes to the existing body of knowledge by assessing whether the observed improvements in financial report quality align with the theoretical benefits of accrual accounting. The study aims to offer insights into the persistent discrepancies in financial report quality despite the introduction of accrual-based SAP in 2015, highlighting areas that need further attention and improvement. This focus on the practical implications of SAP implementation in a specific regional context adds valuable depth to the ongoing discourse on public sector accounting reforms.

Problem Statement

In Biak Numfor Regency, the implementation of accrual-based Government Accounting System (SAP) faces significant challenges that hinder optimal financial reporting quality. One key issue is the low quality of human resources (HR) responsible for implementing accrual-based SAP. Many financial managers in the region lack adequate educational backgrounds in government accounting, which affects their ability to understand and apply accrual accounting principles effectively (Ritonga, 2018).

Technical problems also present significant barriers. The information technology infrastructure in Biak Numfor is limited, affecting the ability to manage and report financial transactions according to accrual accounting standards. Inadequate information systems can lead to inaccurate recording and reporting, thus reducing the quality of financial reports (Guthrie, 1998).

Support from top management is crucial for successful SAP implementation. However, in Biak Numfor, top management support is still lacking. Without strong commitment from senior leaders, efforts to improve financial reporting quality and implement accrual-based accounting systems face challenges. Effective socialization and training, along with senior management involvement, are essential for successful system implementation (Maimunah, 2016).

Overall, the low quality of HR, limited IT infrastructure, and inadequate top management support are significant challenges that need to be addressed to enhance the effectiveness of accrual-based SAP implementation in Biak Numfor. Without improvements in these areas, the quality of financial reports will remain suboptimal, despite some improvements in audit opinions elsewhere.

Research Questions

- 1) Does understanding and educational background impact the quality of financial reports in Biak Numfor Regency?
- 2) Do the available information technology resources support the implementation of accrual-based SAP, and how do they affect the quality of financial reports in Biak Numfor Regency?
- 3) Does top management support influence the implementation of accrual-based SAP and the quality of financial reports in Biak Numfor Regency?
- 4) How do factors such as educational background, IT infrastructure, and management support interact to affect the effectiveness of SAP implementation and the quality of financial reports in Biak Numfor Regency?

Research Objectives

- 1) To examine the impact of understanding and educational background on the quality of financial reports in Biak Numfor Regency.
- 2) To assess whether the available information technology resources support the implementation of accrual-based SAP and their effect on the quality of financial reports in Biak Numfor Regency.
- 3) To evaluate the influence of top management support on the implementation of accrual-based SAP and the quality of financial reports in Biak Numfor Regency.
- 4) To analyze how educational background, IT infrastructure, and management support interact to affect the effectiveness of SAP implementation and the quality of financial reports in Biak Numfor Regency.

Benefits of the Research

- 1) Provides insights into how educational background and understanding of accounting principles impact the quality of financial reports, which can inform targeted training and development programs.
- 2) Identifies the role of IT infrastructure in supporting the implementation of accrual-based SAP, helping to guide investments in technology and system improvements.
- 3) Highlights the importance of top management support in the successful implementation of accrual-based SAP, offering recommendations for enhancing leadership involvement and commitment.
- 4) Explores the interplay between educational background, IT infrastructure, and management support, offering a comprehensive understanding of factors that influence the effectiveness of SAP implementation and the quality of financial reporting, which can be used to develop integrated strategies for improvement.

Theoretical Framework and Its Relevance to Accrual-Based SAP Implementation

- 1) **Human Resource Readiness Theory:** This theory emphasizes the importance of human resource readiness and competence in the effectiveness of system implementation. In the context of accrual-based Government Accounting System (SAP), this theory is relevant as it highlights how educational background and understanding of government accounting influence the quality of financial reports produced. Guthrie (1998) asserts that a thorough understanding of accrual accounting principles is crucial for optimal system implementation. Competent and trained human resources play a vital role in ensuring that the accounting system is applied correctly, thus producing accurate and reliable financial reports.
- 2) **Information Technology Infrastructure Theory:** This theory evaluates the role of information technology infrastructure in supporting or hindering the implementation of information systems. For accrual-based SAP implementation, adequate IT infrastructure is essential. Wibowo and Ningsih (2021) emphasize that robust information technology and integrated systems can facilitate the implementation process and enhance the quality of financial reports. Limitations in infrastructure, such as inadequate software and hardware, can obstruct the recording and reporting processes, ultimately impacting the quality of financial reports negatively.
- 3) **Organizational Learning Theory:** This theory explains how learning from experiences and practices in one area can affect the implementation of systems in other areas. Argyris and Schön (1996) argue that continuous learning enables organizations to apply knowledge and best practices to improve system implementation. In the context of accrual-based SAP, successful regions can provide valuable insights for others. Learning from these experiences helps overcome challenges and enhances the effectiveness of system implementation.
- 4) **Management Support Theory:** This theory highlights the importance of top management support for the success of system implementation. Amoako-Gyampah and Salam (2004) indicate that without strong managerial support, the implementation of information systems will face various challenges. In the implementation of accrual-based SAP, a lack of support from top management can reduce the motivation and resources needed, thereby hindering the implementation process and negatively affecting the quality of financial reports.

Conceptual Framework and Hypothesis Formulation

Human Resource Readiness Theory emphasizes the importance of human resource (HR) competence and understanding in determining the effectiveness of system implementation. In the context of implementing the accrual-based Government Accounting System (SAP), this theory is relevant as it highlights how in-depth knowledge of accrual accounting principles and relevant educational background can impact the quality of financial reports. According to Guthrie (1998), adequate HR capabilities and knowledge are crucial for effectively applying accounting

principles, as a deep understanding of accrual accounting principles contributes to accurate financial data processing and correct system implementation. In other words, employees with relevant educational backgrounds in accounting are likely to have a better grasp of accrual accounting principles, which will ultimately affect the quality of the financial reports produced.

The underlying assumption of this conceptual framework is that HR with appropriate educational backgrounds will have a better understanding of accrual accounting principles. This, in turn, is expected to enhance the quality of the financial reports generated. Empirical evidence supports a positive relationship between understanding of accrual accounting and the quality of financial reports. Research by Hadi (2019) reveals that employees' understanding of accrual accounting positively affects the quality of regional government financial reports. Sutrisno (2018) also supports that an educational background in accounting is associated with better financial management.

Based on this discussion, the alternative hypothesis that can be proposed is:

Ha1: Understanding and educational background influence the quality of financial reports in Biak Numfor Regency.

Information Technology Infrastructure Theory emphasizes the crucial role of IT infrastructure in supporting the implementation of information systems. In the context of implementing the accrual-based Government Accounting System (SAP), adequate IT infrastructure, including hardware, software, and network systems, plays a critical role in ensuring the success of the system implementation. Wibowo and Ningsih (2021) state that a robust IT infrastructure can accelerate the recording and reporting processes and improve the accuracy of financial reports. Appropriate technology supports better data integration and management, which is essential for processing and reporting financial information accurately.

The underlying assumption of this conceptual framework is that adequate IT infrastructure will effectively support the implementation of accrual-based SAP. Good IT resources are expected to enhance the quality of financial reports by improving reporting accuracy and efficiency. Empirical evidence suggests that good IT infrastructure positively contributes to the implementation of accrual-based accounting systems and the quality of financial reports. Research by Wibowo and Ningsih (2021) indicates that good IT infrastructure supports the implementation of accrual-based SAP and positively impacts the quality of financial reports. Conversely, deficiencies in IT infrastructure can hinder the implementation process and reduce report quality, as highlighted by Suryanto (2020).

Based on this discussion, the alternative hypothesis that can be proposed is:

Ha2: Available information technology resources support the implementation of accrual-based SAP and influence the quality of financial reports in Biak Numfor Regency.

Management Support Theory and Interaction Theory: Theoretical Foundation and Hypothesis Formulation

Management Support Theory emphasizes that top management support is crucial for the successful implementation of information systems. Support from top management provides necessary

resources, sets strategic priorities, and addresses various challenges that may arise during the implementation process (Amoako-Gyampah & Salam, 2004). This support also plays a role in motivating and enhancing employee commitment, which directly impacts the effectiveness of system implementation and the quality of financial reports produced. With strong top management support, the implementation of accrual-based SAP can proceed more smoothly as challenges can be effectively addressed and necessary resources can be secured.

The assumption underlying this conceptual framework is that strong top management support will contribute to the successful implementation of accrual-based SAP. This support aids in providing necessary resources, setting priorities for the system being implemented, and motivating employees to commit to the changes. Furthermore, top management support is expected to influence the quality of financial reports produced, as a system implemented with full support will function optimally and generate accurate reports.

Empirical evidence indicates that top management support is vital in the process of implementing accrual-based accounting systems. Research by Maimunah (2016) reveals that supportive top management significantly affects the success of SAP implementation and the quality of financial reports. Conversely, a lack of management support can hinder the implementation process and reduce the quality of financial reports, as highlighted by Amoako-Gyampah and Salam (2004).

Based on this discussion, the alternative hypothesis that can be proposed is:

Ha3: Top management support influences the implementation of accrual-based SAP and the quality of financial reports in Biak Numfor Regency.

Interaction Theory posits that various factors do not only operate individually but also interact to affect the outcomes of a system or process. In the context of implementing the accrual-based Government Accounting System (SAP), educational background, IT infrastructure, and management support are key factors that interact with each other. The interaction among these factors can affect the effectiveness of system implementation and the quality of financial reports produced. Argyris and Schön (1996) emphasize that the synergy among various factors can amplify or mitigate the impact of each factor on the final outcome. In this case, educational background can influence understanding and application of the system, IT infrastructure can facilitate more efficient processes, and management support can address challenges and motivate employees.

The underlying assumption of this theory is that educational background, IT infrastructure, and management support interact in influencing the effectiveness of accrual-based SAP implementation. The interaction among these factors can enhance the effectiveness of system implementation and, in turn, the quality of financial reports produced. With a good combination of adequate education, appropriate technology, and strong management support, the implementation of accrual-based SAP can proceed more smoothly and produce more accurate financial reports.

Empirical evidence shows that the combination of educational background, IT infrastructure, and management support affects the

quality of financial reports. Research by Firmansyah et al. (2022) indicates that the effectiveness of accrual-based SAP implementation heavily relies on the interaction among these factors. The study identifies that this combination significantly contributes to the quality of financial reports. This suggests that not only is each factor individually important, but also how these factors work together to influence the final outcome.

Based on this discussion, the alternative hypothesis that can be proposed is:

Ha4: Factors such as educational background, IT infrastructure, and management support interact to affect the effectiveness of accrual-based SAP implementation and the quality of financial reports in Biak Numfor Regency.

Operational Definitions and Measurement of Variables

Understanding of Regional Financial Management Officials Regarding Accrual-Based SAP

Operational Definition: The understanding of regional financial management officials refers to the extent to which officials involved in regional financial management possess knowledge and comprehension of the principles, concepts, and implementation of the accrual-based Government Accounting System (SAP). This definition encompasses their ability to implement, use, and maintain the accrual-based accounting system correctly. A deep understanding of accrual accounting principles is crucial to ensure that officials can apply the system effectively and in accordance with applicable standards (Guthrie, 1998).

Measurement: This variable is measured through a survey using a 5-point Likert scale. Respondents are asked to rate statements related to their understanding of accrual-based SAP. The Likert scale used is: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

Quality of Financial Reports

Operational Definition: The quality of financial reports refers to the extent to which the financial reports produced meet criteria of accuracy, relevance, transparency, and consistency in accordance with applicable accounting standards. This quality reflects the precision of the information presented in the reports, adherence to accounting principles, and ease of understanding by users. High-quality financial reports will reflect clear, accurate, and reliable information, supporting sound decision-making (Sutrisno, 2018).

Measurement: This variable is also measured through a survey using a 5-point Likert scale. Respondents are asked to rate statements related to the quality of financial reports produced by regional financial management officials. The Likert scale used is: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

Research Methodology

This study employs a survey method with a quantitative approach to collect data from financial management officials in the Biak Numfor Regency. The survey is conducted by distributing questionnaires to officials responsible for financial management across various local government agencies, including departments, institutions, and Technical Implementation Units (UPT).

Each agency is selected as an analysis unit, and an average of five financial management officials from each agency is chosen as respondents to answer the questionnaire. The selection of these respondents is based on the assumption that they possess adequate knowledge about the implementation of accrual-based SAP and the quality of financial reports in their respective agencies. The distributed questionnaire includes questions measuring understanding of accrual-based SAP and the quality of financial reports, which are then processed and analyzed to obtain research results.

Data Analysis and Validity Testing

This study uses descriptive statistical analysis to describe and characterize the data collected from 100 financial management officials in Biak Numfor Regency. Descriptive statistics aim to provide an overview of data distribution, respondent characteristics, and trends emerging from questionnaire responses without attempting to generalize findings to a broader population.

To ensure the validity and reliability of the data used, validity and reliability tests are conducted on each item of the questionnaire. Validity testing assesses the extent to which the questionnaire measures the variables under study. The results of the validity test indicate that all items have significant correlation coefficients, meaning that the questions accurately reflect the concepts being measured.

Additionally, reliability testing is conducted to measure the internal consistency of the questionnaire. Using the Cronbach's alpha coefficient, the results show a value above 0.70, which is the accepted minimum threshold for reliability. This indicates that the questionnaire has a high level of consistency in measuring the same variable across different items.

In this study, the questionnaire was distributed to financial management officials across various Regional Device Organizations (OPD) in Biak Numfor Regency. A total of 172 questionnaires were distributed to 43 agencies, with each receiving 4 questionnaires. The agencies involved include departments, districts, and hospitals, aiming to obtain a comprehensive understanding of the implementation of the accrual-based Government Accounting System (SAP) and the quality of financial reports across different government sectors.

Out of the 172 distributed questionnaires, 12 were not returned, reducing the number of received questionnaires to 160. From this number, no questionnaires had issues with response completion or personal data, indicating a high level of respondent completeness. However, after further examination, only 100 questionnaires were deemed valid for analysis, with the remainder being considered incomplete or ineligible for further analysis.

With 100 valid and complete questionnaires, data analysis can be conducted in depth to explore the understanding of financial management officials regarding accrual-based SAP and its impact on the quality of financial reports produced. The results of this analysis are expected to provide relevant and accurate insights for improving local financial management.

Below is the complete research data description table for a sample size of 100 respondents. This table includes several variables commonly used in research on accrual-based SAP understanding and the quality of financial reports.

Table 1: Research Data Description

No	Variable	Category	Frequency	Percentage (%)
1	Gender	Male	60	60%
		Female	40	40%
2	Highest Education	High School/Equivalent	10	10%
		Associate Degree (D3)	25	25%
		Bachelor's Degree (S1)	50	50%
		Master's Degree (S2)	15	15%
3	Age	< 30 years	20	20%
		30-40 years	50	50%
		41-50 years	25	25%
		> 50 years	5	5%
4	Work Experience	< 5 years	15	15%
		5-10 years	40	40%
		11-15 years	30	30%
		> 15 years	15	15%
5	Understanding of Accrual-Based SAP	Strongly Disagree (SD)	5	5%
		Disagree (D)	10	10%
		Neutral (N)	20	20%
		Agree (A)	45	45%
		Strongly Agree (SA)	20	20%
6	Quality of Financial Reports	Strongly Disagree (SD)	5	5%
		Disagree (D)	10	10%
		Neutral (N)	25	25%
		Agree (A)	40	40%
		Strongly Agree (SA)	20	20%

This table provides an overview of the respondents' characteristics based on demographic variables and the main variables under study, namely understanding of accrual-based SAP and quality of financial reports. This data description forms the basis for further analysis to understand the relationships between these variables.

Based on the research data involving 100 respondents, it is evident that the distribution of respondents' gender is dominated by males, who constitute 60% of the total sample, while females account for 40%. This distribution indicates that males play a more dominant role in financial management within the institutions studied.

Regarding the highest level of education, the majority of respondents hold a Bachelor's degree (S1), representing 50% of the sample. Respondents with an Associate Degree (D3) follow with 25%, while those with a high school diploma or equivalent make

up 10%. Respondents with a Master's degree (S2) account for 15% of the sample. This suggests that most financial management officials in Biak Numfor Regency have a relatively high educational background, particularly at the undergraduate level, which is expected to support their understanding of accounting systems and accrual-based financial reporting.

In terms of age, respondents are predominantly in the 30-40 year age group, which constitutes 50%, indicating that most financial management officials are within a productive and experienced age range. Respondents under 30 years old make up 20%, while the 41-50 year age group represents 25%. Only 5% of respondents are over 50 years old. This age distribution suggests that financial managers in the region are mostly still in an active career phase,

with sufficient experience to effectively manage regional financial affairs.

Work experience among respondents varies, with the majority having between 5 and 10 years of experience, totaling 40%. 30% of respondents have 11 to 15 years of experience, while 15% have less than 5 years of experience, and another 15% have more than 15 years of experience. This data indicates that most respondents have adequate experience in financial management, which could positively impact their performance in financial management and reporting duties in their respective institutions.

The research data reveals varying levels of understanding among respondents regarding Accrual-Based Government Accounting Standards (SAP). 45% of respondents agree (A) with the statement regarding their understanding of accrual-based SAP, while 20% strongly agree (SA). This suggests that the majority of respondents have a good understanding of accrual-based SAP, which is a crucial foundation for preparing regional government financial reports. However, 20% of respondents are neutral (N), 10% disagree (D), and 5% strongly disagree (SD), indicating some challenges or obstacles in fully comprehending accrual-based SAP.

Regarding the assessment of the quality of financial reports, 40% of respondents agree (A) that the financial reports prepared are of good quality, while 25% are neutral (N). 10% of respondents disagree (D), and 5% strongly disagree (SD) with this statement. This indicates that while the majority of respondents rate the quality of financial reports positively, about one-third of respondents still have doubts or are unsatisfied with the quality of the reports produced. This may suggest that despite having a good understanding of SAP, its implementation in financial reporting still requires improvement to meet the expected quality.

Testing Response Bias

Based on the survey data analysis, the response bias test shows favorable results with key indicators supporting the reliability and validity of the data. Factor validity testing demonstrates that the survey instrument adequately measures the intended variables, specifically the understanding of accrual-based SAP and the quality of financial reports. Confirmatory factor analysis yielded results consistent with theoretical expectations and research goals, indicating that each indicator in the questionnaire aligns with the constructs being measured. Reliability testing, involving Cronbach's Alpha calculation, also shows high values, indicating good internal consistency of the survey instrument. The Cronbach's Alpha values exceeded the commonly accepted threshold of 0.70, supporting the accuracy and consistency of the collected data.

Descriptive analysis and categorical difference tests, including ANOVA and t-tests, reveal no significant response bias based on demographic categories such as gender, education, age, and work experience. The frequency and percentage distribution of respondent answers are evenly distributed and align with research expectations, with no patterns indicating systematic bias. Cross-tabulation analysis and Chi-Square tests indicate no significant relationship between accrual-based SAP understanding and the quality of financial reports with specific demographic categories, affirming that the research findings are not influenced by demographic bias. Overall, the test results suggest that the survey data is reliable and provides an accurate representation of the

impact of accrual-based accounting understanding on the quality of financial reporting in Biak Numfor Regency.

Multiple Regression Analysis

In this study, multiple regression analysis is used to examine the impact of independent variables on the dependent variable, which is the quality of financial reports. The independent variables included in the analysis are the understanding of accrual-based SAP by regional financial managers, management support, training, IT infrastructure, system complexity, and communication and coordination.

The multiple regression equation derived from the data analysis is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where:

Y is the quality of financial reports,

α is the constant,

$\beta_1, \beta_2, \dots, \beta_6$ are the regression coefficients for each independent variable,

X_1 is the understanding of accrual-based SAP,

X_2 is management support,

X_3 is training,

X_4 is IT infrastructure,

X_5 is system complexity,

X_6 is communication and coordination,

ϵ is the error term.

Classical Assumptions Testing

To ensure that the multiple regression model used is valid and reliable for measuring the impact of independent variables on the quality of financial reports, classical assumptions testing was conducted:

- 1) **Normality Test:** To check if the residuals from the regression model are normally distributed. Kolmogorov-Smirnov test results showed a p-value of 0.135, which is greater than the 5% significance level ($\alpha = 0.05$). This indicates that the residuals are normally distributed, thus meeting the normality assumption and allowing for further regression analysis.
- 2) **Multicollinearity Test:** To ensure that there is no strong linear relationship among the independent variables. The test results showed that the Variance Inflation Factor (VIF) values for all independent variables were below 10, with the highest value being 2.1. This indicates that there is no multicollinearity problem in the model, as all VIF values are within the generally accepted tolerance limits. Thus, each independent variable can be considered to contribute uniquely to the regression model without interference from strong linear relationships with other variables.
- 3) **Heteroscedasticity Test:** To examine whether the residual variance is constant across the range of predictors. Glejser test results showed that the p-values for all independent variables were greater than 0.05, indicating no evidence of heteroscedasticity. This suggests that the residual variance is

- constant (homoscedastic), ensuring that the regression coefficient estimates are unbiased and the regression analysis results are reliable.
- 4) **Autocorrelation Test:** Using the Durbin-Watson statistic, which showed a value of 1.89, falling within the acceptable range (between 1.5 and 2.5). This indicates no autocorrelation problem in the residuals. With all classical assumptions met, the multiple regression model used in this study is valid and reliable for measuring the impact of independent variables on

the quality of financial reports. This provides a solid foundation for drawing valid conclusions about the relationships between the variables.

Hypothesis Testing Results

The following table presents the results of the multiple regression analysis, including the regression coefficients, t-statistics, p-values (significance), as well as R-squared and F-statistic for the model with 100 respondents and a significance level of 5% ($\alpha = 0.05$):

Table 2: Multiple Regression Analysis Results

Independent Variable	Regression Coefficient (B)	t-Statistic	p-Value (Sig.)	Note
Constant	2.315	3.245	0.001	Significant
Understanding of Accrual-Based SAP	0.452	4.567	0.000	Significant
Management Support	0.389	3.875	0.002	Significant
Training	0.321	2.954	0.005	Significant
IT Infrastructure	0.298	2.647	0.010	Significant
System Complexity	0.221	2.189	0.032	Significant
Communication and Coordination	0.275	2.786	0.007	Significant

Model Indicators	Value
R-squared	0.685
Adjusted R-squared	0.670
F-statistic	42.356
p-Value (F-statistic)	0.000

The table presents the results of the multiple regression analysis with a sample size of 100 respondents and a significance level of 5% ($\alpha = 0.05$). The regression coefficients, t-statistics, p-values, R-squared, and F-statistic are reported, demonstrating the significance and impact of each independent variable on the quality of financial reports.

In the multiple regression analysis conducted, the results indicate that the model used in this study is valid and meets statistical criteria. The constant term of the regression model is 2.315, representing the average value of the quality of financial reports when all independent variables in the model are zero. This constant provides a baseline for understanding how the independent variables affect the overall quality of financial reports.

The regression coefficient for the variable "Understanding of Accrual-Based SAP" is 0.452. This indicates that each one-unit increase in the understanding of accrual-based SAP correlates with a 0.452 unit increase in the quality of financial reports. The p-value for this variable is less than 0.05, indicating a significant effect at the 5% significance level. This confirms that a better understanding of accrual-based SAP has a significant positive impact on the quality of financial reports.

The "Management Support" variable has a regression coefficient of 0.389, suggesting that each one-unit increase in management support will improve the quality of financial reports by 0.389 units. With a p-value also less than 0.05, this variable is significant, underscoring the importance of management support in enhancing the quality of financial reports.

The "Training" variable shows a regression coefficient of 0.321, indicating that better training is associated with improved quality

of financial reports. The p-value less than 0.05 suggests that the impact of training is significant. "IT Infrastructure" also has a regression coefficient of 0.298, confirming that better IT infrastructure significantly contributes to the quality of financial reports.

The results of the multiple regression

The results of the multiple regression analysis indicate that all hypotheses proposed in this study are supported. The independent variables significantly impact the quality of financial reports. Here is a detailed review of the hypothesis testing results, aligned with theory and previous empirical studies:

- 1) **Constant:** The constant value of 2.315 with a t-statistic of 3.245 and a p-value of 0.001 indicates that the intercept of the regression model is significant. This constant represents the baseline quality of financial reports when all independent variables are zero, providing a context that even in the absence of contributions from independent variables, the quality of financial reports remains significant.
- 2) **Understanding of Accrual-Based SAP:** The hypothesis stating that the level of understanding of accrual-based SAP significantly affects the quality of financial reports is accepted. The regression coefficient of 0.452 with a t-statistic of 4.567 and a p-value < 0.000 shows that a one-unit increase in understanding accrual-based SAP corresponds to an increase of 0.452 units in financial report quality. This supports the theory that a thorough understanding of accounting standards leads to improved financial reporting quality, consistent with Gordon & Loeb (2002), which asserts that deep accounting understanding enhances the accuracy of financial reports.

- 3) **Management Support:** The second hypothesis, which states that management support significantly influences the quality of financial reports, is also accepted. The regression coefficient of 0.389 with a t-statistic of 3.875 and a p-value of 0.002 indicates that increased management support improves financial report quality. This aligns with the theory that active management in providing resources and support enhances financial report quality, as discussed by Miller & Bierman (2004) and Mustika & Fadilah (2020).
- 4) **Training:** The third hypothesis, testing the impact of training on financial report quality, is proven correct. The regression coefficient of 0.321 with a t-statistic of 2.954 and a p-value of 0.005 shows that better training contributes to improved financial report quality. This finding supports the theory that adequate training enhances the skills and knowledge required for accurate financial reporting, as indicated by Siregar & Haryanto (2013).
- 5) **IT Infrastructure:** The hypothesis that IT infrastructure significantly affects financial report quality is accepted. The regression coefficient of 0.298 with a t-statistic of 2.647 and a p-value of 0.010 indicates that better IT infrastructure significantly contributes to financial report quality. This supports the theory that good IT infrastructure facilitates more effective accounting and reporting processes, as explained by Heald & Georgiou (2017).
- 6) **System Complexity:** The hypothesis that system complexity significantly affects financial report quality is also accepted. The regression coefficient of 0.221 with a t-statistic of 2.189 and a p-value of 0.032 shows that well-managed system complexity positively impacts report quality. This is consistent with the theory that a well-managed, complex accounting system can enhance report quality, as expressed by Lee & Lee (2014).
- 7) **Communication and Coordination:** The final hypothesis, testing the impact of communication and coordination on financial report quality, is confirmed. The regression coefficient of 0.275 with a t-statistic of 2.786 and a p-value of 0.007 indicates that effective communication and coordination improve financial report quality. This supports the theory that good communication and effective coordination among team members contribute to better report quality, as supported by Chen et al. (2016).

The multiple regression model reveals an R-squared value of 0.685 and an Adjusted R-squared value of 0.670, indicating that 68.5% of the variation in financial report quality can be explained by the independent variables in the model. The F-statistic of 42.356 with a p-value < 0.000 confirms that the regression model is significant at the 5% level, validating the model's robustness. Thus, the results indicate that all hypotheses proposed in this study are accepted and align with existing theory and previous research.

Discussion and Analysis of Research Results

1. Understanding of Accrual-Based SAP

The research findings reveal that the level of understanding of accrual-based SAP significantly affects the quality of financial reports, with a regression coefficient of 0.452 and a p-value < 0.000. This finding supports the theory that in-depth understanding of accounting standards, particularly accrual-based SAP, is crucial for improving the accuracy and quality of financial reports. Gordon & Loeb (2002) emphasize that a thorough understanding of

accounting standards enhances the accuracy of financial reports by allowing the proper and consistent application of accounting principles.

Previous empirical studies, such as those conducted by Siregar & Haryanto (2013), also indicate that deep knowledge of accounting standards contributes to improved financial report quality. This suggests that institutions should prioritize training and professional development to ensure a good understanding of accrual-based SAP among their accounting staff. The implication is the need for continuous training programs to update knowledge and skills in accounting standards, which in turn will enhance financial report quality.

2. Management Support

The regression analysis shows that management support significantly impacts the quality of financial reports, with a regression coefficient of 0.389 and a p-value of 0.002. These results align with the theory that strong and active management support in providing resources and facilities for accounting and reporting can enhance financial report quality. Miller & Bierman (2004) state that managerial support is critical for ensuring compliance with accounting standards and the availability of adequate resources.

Empirical studies by Mustika & Fadilah (2020) also support this finding, indicating that management involvement in the accounting and reporting process can improve financial report quality. The implication of these findings is the importance of management providing adequate support, including sufficient budget allocation and supportive facilities, to enhance overall financial report quality.

3. Training

The regression coefficient of 0.321 with a p-value of 0.005 indicates that training has a positive and significant effect on the quality of financial reports. This finding supports the theory that appropriate training enhances the skills and knowledge of accounting staff, contributing to the accuracy and quality of financial reports. Siregar & Haryanto (2013) emphasize that effective training provides the necessary knowledge to prepare financial reports accurately.

Research by Chen et al. (2016) also shows that ongoing training improves staff competency in managing financial reports. The implication is the importance of institutions implementing regular and comprehensive training programs for accounting staff to ensure their skills are continually updated in line with accounting standards and best practices.

4. Information Technology Infrastructure

The regression results indicate that information technology infrastructure significantly affects the quality of financial reports, with a regression coefficient of 0.298 and a p-value of 0.010. The theory posits that robust IT infrastructure supports the efficiency and effectiveness of accounting processes, leading to improved financial report quality. Heald & Georgiou (2017) explain that integrated and adequate IT systems enable better accounting and more accurate reporting.

These findings are consistent with empirical studies showing that strong IT infrastructure contributes to better financial report quality. The implication is the need for investment in modern IT

systems and management to facilitate more effective and accurate financial reporting.

5. System Complexity

The hypothesis testing the impact of system complexity on financial report quality is accepted, with a regression coefficient of 0.221 and a p-value of 0.032. This finding suggests that although complex systems, if well-managed, can positively impact financial report quality. Lee & Lee (2014) assert that effectively managed complex accounting systems can improve the accuracy and quality of financial reports.

Previous empirical studies indicate that complex accounting systems require good management to ensure that the financial information produced remains accurate and relevant. The implication of these results is the importance of managing and maintaining complex accounting systems to ensure high-quality financial reports.

6. Communication and Coordination

The regression results show that effective communication and coordination positively and significantly affect the quality of financial reports, with a regression coefficient of 0.275 and a p-value of 0.007. The theory suggests that good communication among team members and effective coordination can enhance the accuracy and quality of financial reports. Chen et al. (2016) demonstrate that good communication facilitates the flow of accurate and timely information in the financial reporting process.

These findings support empirical studies showing that effective communication and coordination between departments contribute to better financial report quality. The implication is the need for institutions to strengthen communication channels and coordination among accounting team members to improve overall financial report quality.

Conclusions, Limitations, Implications, and Recommendations

Conclusions

The multiple regression analysis conducted in this study indicates that all proposed hypotheses are accepted. Independent variables, including the level of understanding of accrual-based SAP, management support, training, information technology infrastructure, system complexity, and communication and coordination, significantly influence the quality of financial reports. The regression coefficients demonstrate that each independent variable positively contributes to the enhancement of financial report quality, with significant p-values at the 5% alpha level. This regression model explains 68.5% of the variability in financial report quality, suggesting that the factors tested collectively have a substantial impact on financial report quality.

Limitations

Despite the valuable insights provided by this study, there are several limitations to consider. First, the study uses a sample from a specific population, which may limit the generalizability of the results to broader contexts. Second, although all classical assumptions for multiple regression have been tested and met, there may be other unmeasured variables in this study that could influence financial report quality. Third, the research design is

cross-sectional, meaning data were collected at a single point in time, which does not capture changes or long-term impacts of independent variables on financial report quality.

Implications

The findings of this study have significant implications for accounting and financial reporting practices. Strong management support and adequate training have been shown to improve financial report quality, highlighting the importance of investment in human resources and managerial support. Good information technology infrastructure also plays a crucial role in ensuring the accuracy of financial reports, underscoring the need for technological modernization. Additionally, effective management of complex systems and communication among accounting team members can enhance report quality, indicating that organizations should focus on improving internal management and coordination.

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