**THE FINANCIAL STATEMENTS DISCLOSURE FROM ORGANIZATIONS’ VALUES PERSPECTIVE**

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**Abstract**

*The purpose of this study is to obtain the truth regarding organizations’ financial statements by examining the influence of organizational culture. This is a verification research, with an explanation technique used to determine the factors estimated to affect the variables. The non-probability sampling technique was used to obtain primary data from 59 respondents working in several Indonesia organizations through questionnaires and by observing their accounting and finance divisions. Furthermore, the obtained data were analyzed using simple regression and processed by SPSS software version 25. According to initial concepts, organizational culture contributes to financial reporting development due to its ability to reflect an organization's specificity and characters. The result showed that organizational culture is the property and guidelines for all individuals in an organization to carry out their duties, and it influences the presentation of financial statements.*

***Keywords:*** *Financial Performance, Financial reporting, Organizational culture*

**Abstrak**

Penelitian ini bertujuan untuk mendapatkan kebenaran melalui pengujian pengaruh budaya organisasi terhadap penyajian laporan keuangan. Jenis penelitian ini bersifat verifikatif dan bersifat penjelas atau kausalitas untuk mengetahui apa dan seberapa jauh faktor-faktor yang diperkirakan mempengaruhi suatu variabel dengan variabel lainnya. Jenis data yang digunakan adalah data primer dengan instrumen kuesioner yang dibagikan pada 59 responden dari beberapa organisasi di Indonesia. Unit observasi pada penelitian ini adalah bagian akuntansi dan keuangan pada tiap organisasi. Teknik pengambilan sampel dalam penelitian ini adalah dengan menggunakan teknik non-probability. Data yang telah diperoleh dianalisis dengan regresi sederhana dan diolah dengan software SPSS versi 25. Menurut konsep dikatakan bahwa budaya organisasi akan memberikan kontribusi yang berarti dalam meningkatkan pelaporan keuangan. Budaya organisasi akan mencerminkan spesifikasi dan karakter suatu organisasi. Budaya organisasi tersebut menjadi milik dan pedoman bagi seluruh lapisan individu yang ada pada suatu organisasi dalam menjalankan tugasnya. Hasil penelitian menunjukkan bahwa budaya organisasi berpengaruh terhadap penyajian laporan keuangan.

***Kata Kunci:***Budaya organisasi; Kinerja keuangan; Pelaporan keuangan

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**INTRODUCTION**

Ever since Covid-19 was declared a global pandemic on March 11, 2020 by the World Health Organization, various countries worldwide implemented quarantine regulations to prevent the spread of the virus. This led to a change in employees' working culture in various companies, from 'performing their tasks together' in an office environment to working individually' either remotely or from home (Gutierrez, 2020).

A leader plays an important role in developing organizational culture. However, in order to adapt to changes, the leader needs to be courageous in firmly discharging its duties. This was proved by the Minister of Finance, Agus Martowardojo, in 2013, in the first bureaucratic reformation, which was referred to as a culture program. However, its implementation was reported as a failure because the Minister of Finance was changed three times within a span of one year. This triggered different decisions and supervisions, which eventually hampered its operation (Sri Mulyani, 2020).

Organizational culture is an extremely pivotal element that encompasses values and habits that contribute to a business's unique social and psychological environment. Habits control behavioural norms that need to be adhered to by members of the organization, thereby resulting in a productive culture, which ensures that the company's goals are achieved.

Organizational culture is also a system of joint actions, values, and beliefs, which serves as a guideline for its members (Schein, 2010). Conversely, during this period, people’s perceptions of state-owned enterprises' work culture are inherent because they are mostly considered as unconducive, uncreative, limited, extremely bureaucratic, and centralized. In addition, its structure is not based on competence, and most of them are not organized (Arifin and Latifah, 2009).

Organizational culture affects workers’ behaviours and the effectiveness of accounting practices, such as integrating and disseminating financial information and statements and establishing reporting, including reliable accounting data (Hanpuwadal and Ussahawanitchakit, 2010).

The phenomena concerning financial reporting problems were disclosed to the central government in the 2019 financial report by the Head of Financial Audit Agency Sampurna (2020). Several of these issues are related to the weaknesses obtainable from the administration of the Directorate General of Tax, which involves the improper recording of the contracts awarded, assets managed by Bank Indonesia, inadequate liquidity assistance, as well as, the fact that accounting standards did not support the disclosure of long-term liabilities for the pension program stated in the 2019 central government financial report, and finally the inconsistent presentation of assets originating from realisation expenses to the public.

Reports from the Financial Services Authority show that PT Hanson International manipulated its annual financial report for the fiscal year 2016. According to Septiana ordination

(2020) the Board of Commissioners of the Financial Services Authority stated that the results from examining the alleged violation of laws and regulations in the capital market are similar to the Hanson International case concerning the sale of ready-to-build plots at a gross value of 732 billion Rupiah.

Ferdiansyah (2018), the Chief Marketing Officer of Small-medium Enterprises solutions, stated that several Micro Small Middle Enterprises (MSME) players have failed to realize the importance of accurate financial records bookkeeping. Presently, in this digital era, most MSME players are still “blind” in accounting.

Accounting Information is derived from the data system within an organization. Organizational culture is one factor that determines the ability of this system to produce accurate information (Rahayu et al*.,* 2014). This is evident in its effects on organizational performance, which depends on the integration, consensus of values, and individual commitments to common goals. Based on a research on culture carried out by Ozzie and Malelak (2015), they studied the relationship between organizational culture and commitment towards the performance of financial companies in Surabaya. It was discovered that a company's financial performance tends to be improved by adopting the organizational culture. Azhad et al*.* (2018) reported that the competency of human resources, including the application of organizational culture, affects competitive advantage. Carolina (2013) reported that organizational culture influences the performance of the firm. Therefore, it has a significant effect on the performances of financial companies in Surabaya. Zabid et al. (2003) analysed the effect of corporate culture and organizational commitment on the financial performance of Malaysian companies. They discovered that corporate culture has a significant effect on an organization’s financial performance. The research adopted intervening variables to clearly illustrate the relationship between the dependent and independent variables, such as managers’ behaviors or environmental issues.

According to Suwardjono (2011), financial reporting is defined as a structure or process of expressing information to achieve economic and social goals. It is designed to offer useful information to the readers of financial statements (Stice and Stice, 2006). This research is consistent with the study carried out by Gibson (2009), which stated that it is a delineated process that offers accurate information concerning its problems and preparation of financial statements based on Generally Accepted Accounting Principles (GAAP) for external use. According to Robinson et al. (2015), top-notch characteristics of financial reporting are completeness, unbiased measurement, and clear presentation.

These phenomena were also disclosed by Nurafiah (2018), the Head of Institute of Indonesia Chartered Accountant Educator Accountant Compartment. Nurafiah reported that the Indonesian government's financial reporting quality is poor, thereby creating opportunities for corruption. In fact, the Institute of Indonesia Chartered Accountant has divided the quality or standard of financial reporting or the government’s accounting into five levels. However, not even one local government has achieved the fifth or ideal level. Conversely, most Indonesian Mayors have only been able to realize the second and third levels. The quality of financial reporting is crucial in mitigating acts of corruption because it is a form of transparency to society. Therefore, the government needs to emphasize the transparency of financial statements. Subsequently, in order for this issue to be realized, the Audit Board of Indonesia's role needs to be supplemented. Auditors need to be urged always to monitor and examine the financial reporting to maintain the quality of its statement. On the contrary, the Audit Board of Indonesia's accounting staff also needs to carry out some studies in which the results serve as the basis of government regulation to influence policies related to the realization of quality reporting (Fizriyani, 2018).

In accordance with the research background and purpose, this study aims to test the extent of the effect of organizational culture on the quality of financial reporting in Indonesia. The findings from this study are intended to provide proof based on the adoption of a scientific approach to illustrate the phenomena. Moreover, the concepts adopted in this research and prior to results from other studies that serve as guidelines are expected to improve the knowledge of accounting and its effect on organizational culture and the quality of financial reporting. This refers to the agency theory's assumption, which describes the working relationship between company owners (shareholders) and management. Furthermore, the management is agents appointed by shareholders (principals), with several tasks and authorized to manage the company (Jensen and Meckling, 1976).

**LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

Based on the agency theory, a rift between the owner of a company and the manager results in an agency conflict (Jensen and Meckling, 1976). This is a conflict that occurs between an agent and a principal, although when it is related to a company, it is defined as the conflict between management and shareholders of the firm. The existence of agency conflict makes it necessary for the principal to supervise and control agents' behaviours to be consistent with that which is expected by the principals. A certain form of supervision and control is responsible for producing a detailed financial report that serves as a tool to help managers. Its presentation has a relationship with culture, as Gray and Vint (2012) stated in their empirical research, which was carried out in 27 countries.

Subsequently, the research carried out by Solas and Ayhan (2008) stated that certain criteria such as cultural, economic, and political factors were used to shaped Chinese accountants in the last century. Furthermore, a research carried out in Iran by Noravesh et al. (2007) is more than one and a half consistent with Grey's theory, which stated that there is a relationship between cultural values and accounting in Iran. In addition, Salter and Niswander (1995) reported that the ideal way to illustrate the actual financial reporting, is during practice. However, this becomes relatively weak when dealing with elaborating the existing regulatory structures and professionalism derived from a cultural basis. Alternative research was carried out by Cardona et al. (2014) to test the effect of cultural and economic factors on a particular country that implemented the IFRS discovered that cultural dimension has a significant effect on the decision to implement the International Financial Reporting Standards (IFRS).

Similarly, the study carried out by Sari (2012) reported that organizational culture has a significant effect on the efficient application of public sector accounting. The magnitude of this is classified in the medium category. This shows that it significantly contributes to boosting the effective application of public sector accounting. However, it has not reached the stipulated maximum level. Reni (2019) stated that organizational culture influences financial management, and it is advised that in order to create an ideal culture, an entrenched habit needs to be applied in every activity. Inah et al. (2014) stated that in a research carried out in Nigeria, organizational culture significantly affects the practice of financial reporting. Brenkert (2004) reported that individuals need to obey the organization’s spirit, competency rules, and moral commitment, which needs to be understood by using simple terms as well as upholding ethical principles and honesty in preparing financial statements. Based on the research carried out by Lestari and Yadiati (2014), it was reported that scientific founding in Baitul Maal Wa Tamwil in Indonesia showed that organizational culture affects the quality of financial reporting. A firm organizational culture implies that baitul maal wa tamwil involves employees in decision making, thereby gaining ideas. It also includes punishments and rewards in the application of organizational values.

Conversely, other empirical studies carried out by Ji et al. (2017) stated certain research results that support the notion that risks associated with financial reporting are related to job satisfaction, organizational culture, and senior leadership. It was further reported that the relationship between organizational culture and financial reporting risks is stronger in companies that weakly depend on its councils. Therefore, an ideal work environment seems to play an important role in financial reporting risks. Yurekli (2016) carried out a research based on seven hypotheses, and one of them emphasizes that a certain dimension of organizational culture affects the adoption of the International Financial Reporting Standard (IFRS). A similar result was discovered in a research carried out by Gierusz and Kolesnik (2019), which stated that organizational culture influences the scope of information applied in the IFRS financial report. Neidermeyer et al. (2012) analyse the characteristics of culture, which is a key factor in the global development of the accounting system, and it also shows that they are also related to the aspect of delay involved in adopting IFRS. Empirical research carried out by Hashim (2012) was undertaken in firms listed in the Main Board of Bursa Malaysia from 1998 to 2006 discovered that the quality of financial reporting is affected by culture and often by government regulations. Similar research was carried out by Tartaraj and Hoxha (2014) in Albania, which supports the notion that culture influences financial reporting.

Conversely, the elaboration of theoretical frameworks and some earlier reported empirical studies led to the generation of the hypothesis, which is stated as follows:

**Financial Reporting**

**Jensen & Meckling (1976)**

**Salter & Niswander (1995)**

**Brenkert (2004)**

**Noravesh et al. (2007)**

**Solas & Ayhan (2008)**

**Hashim (2012)**

**Neidermeyer et al. (2012)**

**Sari (2012)**

**Ina et al. (2014)**

**Lestari & Yadiati (2014)**

**Cardona & Gonzalez (2014)**

**Yurekli (2016)**

**Ji et al. (2017)**

**X**

**Yy**

**Culture**

H1: Organizational culture affects financial reporting.

**RESEARCH DESIGN**

The research design is the method or technique adopted in this study. It is referred to as a scientific method that is implemented to collect data for certain goals and purposes. Subsequently, from the various types of investigation, this research is categorized into verificative and explanatory or causal study because it aims to discover the extent, the assumed factors affect a variable to test a hypothesis. This research adopted these methods in order to retrieve fundamental solutions suitable to prevent the causes of the phenomena set forth in the concepts of this study, namely occurrences related to the issue of financial reporting practices in Indonesia. The sample involves part of a population that consists of several members.

Figure 1: Research Model

The units of analysis in this research are 59 Indonesian organizations that possess accounting or financial division. The organizations' details are shown in table 1, consisting of 31 service organizations, 16 tradings, 7 manufacturing, and 5 banking organizations. The units of observations are people that work in accounting and finance divisions in several Indonesian organizations. The size of the sample is 59 respondents. The technique adopted is snowball sampling, in which respondents that have answered the distributed questionnaires were requested to redistribute it to other colleagues that are in accounting or financial division of a company. The sample's foundation is derived from the study carried out by Sekaran and Bougie (2016), which stated that the ideal size of the sample in any research needs to range from 30 to 500. Furthermore, primary data was acquired through questionnaires that were distributed to respondents with the aim to obtain factual explanations from them. Data collection was carried out from February to May 2020, and its analysis was processed using SPSS software version 25

**Table 1: Overview of Research Sample**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Male** | **Female** |  |  |
| **Gender** | 20 | 39 |  |  |
|  | **Managerial** | **Non-Managerial** |  |  |
| **Position** | 25 | 34 |  |  |
|  | **High** **School** | **Bachelor** | **Master** |  |
| **Educa-****Tion** | 3 | 49 | 7 |  |
|  | **Service** | **Manufacture** | **Bank** | **Trading** |
| **Job Sector** | 31 | 7 | 5 | 16 |

Source: Processed data, 2020

**Empirical Results**

**Descriptive Statistics**

**Table 2: Mean Score of the Assessment of Respondents on Organizational Culture**

|  |  |  |  |
| --- | --- | --- | --- |
| Dimensions | Indicators | Ave. | Standard Deviations |
| Observed behavioral regularities | Using daily language | 4,02 | 0,63 |
| Using terminologies | 3,66 | 0,69 |
| Norms | Assigned to the company | 4,39 | 0,59 |
| Assigned to individuals | 4,44 | 0,53 |
| Assigned to groups | 4,17 | 0,70 |
| Dominant Values | Organizational support in achieving goals | 4,15 | 0,83 |
| Important values adopted by the members of the organization | 3,95 | 0,73 |
| Philosophy | A policy regarding the manner employees and customers are treated | 4,14 | 0,68 |
| An effort to create a company concept | 3,86 | 0,84 |
| Rules | Guidelines of the company | 4,53 | 0,57 |
| Feelings | Ambiance within an organization | 4,14 | 0,78 |
| Mean Score | 4,13 |  |

Source: Processed data, 2020

According to Table 2, a mean score of 4,13 was obtained from the responses to the questions regarding measuring organizational culture. The score lies between the ranges of 4 (agree) and 5 (strongly agree). Generally, it shows that the preparations of financial statements in the organizations included in the research sample adopted organizational culture.

**Table 3: Mean Score of the Assessments of Respondents on Financial Reporting**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimensions** | **Indicators** | **Ave.** | **Standard Deviation** |
| Completeness | * All accounts in the financial statements need to be fully represented.
 | 4,12 | 0,81 |
| * Complete data and information and the accuracy of the transactions.
 | 4,05 | 0,82 |
| Unbiased Measurement | * The important part of the asset
 | 3,86 | 0,80 |
| * The important part of liability.
 | 4,02 | 0,73 |
| Clear presentation | * Details required when displaying financial statements.
 | 4,25 | 0,68 |
| * Concise information reported in the financial statement.
 | 4,00 | 0,77 |
| Mean Score  | **4,05** |  |

Source: Processed data, 2020

Table 3 shows that a mean score of 4,05 was obtained from the organizations' responses in this research regarding the measurement of financial reporting. The mean score lies between the range 4 (agree) and 5 (strongly agree). Generally, this depicts that organizational cultures have an effect on the preparation of financial statements.

**Verificative Analysis**

Prior to the data analysis, a test involving two steps was carried out. The first step was to perform a validity test on every question. After which the reliability test was applied, followed by the normality test.

**Validity Test**

This test was used to determine the validity of the measuring tools, and the outcome was determined by an index that reflects the extent of the gauges that need to be measured.

**Table 4: The Results from the Organizational Culture Validity Test**

|  |  |  |  |
| --- | --- | --- | --- |
| Statement | Pearson Correlation | Criteria | Explanation |
| 1 | 0,291 | 0,256 | Valid |
| 2 | 0,401 | 0,256 | Valid |
| 3 | 0,650 | 0,256 | Valid |
| 4 | 0,698 | 0,256 | Valid |
| 5 | 0,575 | 0,256 | Valid |
| 6 | 0,588 | 0,256 | Valid |
| 7 | 0,589 | 0,256 | Valid |
| 8 | 0,311 | 0,256 | Valid |
| 9 | 0,708 | 0,256 | Valid |
| 10 | 0,596 | 0,256 | Valid |
| 11 | 0,665 | 0,256 | Valid |

Source: Processed data, 2020

**Table 5: The Results from the Financial Reporting Validity Test**

|  |  |  |  |
| --- | --- | --- | --- |
| Statement | Pearson Correlation | Criteria | Explanation |
| 1 | 0,708 | 0,256 | Valid |
| 2 | 0,516 | 0,256 | Valid |
| 3 | 0,786 | 0,256 | Valid |
| 4 | 0,725 | 0,256 | Valid |
| 5 | 0,740 | 0,256 | Valid |
| 6 | 0,637 | 0,256 | Valid |

Source: Processed data, 2020

Subsequently, to determine whether the numbers earlier stated are valid, they need to be compared with the R table in DF=N-2 and in 0.05 probability level. In this instance, the DF score is 57. The R table in the 57 degrees of freedom with 0.05 probabilities is 0.2564. Based on tables 4 and 5, the Pearson Correlation shows a higher score than 0.2564. Therefore, every bit of question used to measure the organizational culture and financial reporting variables is proven to be valid.

**Reliability Test**

In accordance with the validity test, the reliability analysis is applied to the proven-valid-questions. It applies internal consistency and alpha coefficient methods.

**Table 6: The Results from Organizational Culture Variables Reliability Test**

|  |  |
| --- | --- |
| **Reliability Statistics** |  |
| Cronbach's Alpha | N of Items |
| .768 | 11 |

Source: Processed data, 2020

**Table 7: The Results from Financial Reporting Variables Reliability Test**

|  |  |
| --- | --- |
| **Reliability Statistics** |  |
| Cronbach's Alpha | N of Items |
| .770 | 6 |

Source: Processed data, 2020

Reliability is a measure that determines the relative consistency of a measurement carried out twice or several. The instruments used to measure each variable are reported to be reliable when Cronbach’s Alpha is more than 0.50 (Nunnally et al., 1967). Tables 6 and 7 show the reliability of the questionnaire because Cronbach’s Alpha is bigger than 0.50 therefore, the questionnaire is valid.

**Normality Test**

According to Ghozali (2013), a normality test aims to review the distribution of data (confounding or residual variables) in a regression model. An ideal regression model is normally distributed thereby, leading to the normality test. The *Kolmogorov-Smirnov Test* was used to evaluate the normality of the distributed data. The guidelines concerning this test are:

1. Distribution of data is abnormal when the score is significantly < 0.05
2. Distribution of data is normal, supposing the score is significantly > 0.05

The result from *Kolmogorov-Smirnov Test* is shown in table 8:

**Table 8: One-Sample Kolmogorov-Smirnov Test**

|  |  |
| --- | --- |
|  | Unstandardized Residual |
| N | 59 |
| Normal Parametersa,b | Mean | .0000000 |
| Std. Deviation | 2.46677123 |
| Most Extreme Differences | Absolute | .094 |
| Positive | .066 |
| Negative | -0.09 |
| Test Statistic | 0.09 |
| Asymp. Sig. (2-tailed) | .200c,d |
| a. Test distribution is Normal. |
| b. Calculated from data. |
| c. Lilliefors Significance Correction. |
| d. This is a lower bound of the true significance. |

Source: Processed data, 2020

In accordance with table 8, the significant value obtained is = 0,200. Based on the fact that this value is significantly greater than the significance level (α) (0,002 > 0.05), it was therefore concluded that the data distribution is normal.

**Heteroscedasticity Test**

This type of test is used to determine the presence or absence of classical assumptions relating to the variance from residuals obtained from all the observations in a regression model. The precondition that needs to be fulfilled is the nonexistence of heteroscedasticity symptoms. The Glesjer Test was applied by regressing the independent variable with the absolute residual value (ABS\_RES). However, assuming the independent and absolute residual is greater than 0,05, then it has no problem of heteroscedasticity.

**Table 9:**

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | StandardizeCoefficients | t | Sig. |
| B | Std.Error | Beta |  |  |
| 1 | (Constant) | 1.103 | 2.280 |  | .484 | .630 |
| TOTALX | .017 | .050 | .045 | .340 | .735 |
| a. Dependent Variable: ABS |

Source: Processed data, 2020

The outputs are shown in table 9 and it is quite obvious that the significance value of independent variable is greater than 0,05. Therefore, it is concluded that no heteroscedasticity problem was detected in the regression model.

**Hypothesis Test (t-Test)**

The foundation of t-test statistic is to evaluate the individual effect of independent or explanatory factors in explaining the differences of dependent variables (Ghozali, 2013).

The proposed hypotheses are:

H0:Organizational culture has no effect on the quality of financial reporting.

Ha: Organizational culture has an effect on the quality of financial reporting.

The significance, was tested by comparing the probability value (P value or significance) with 0,05 significance level. The bases for decision making are reported as follows:

1. Supposing the probability (significance) variable is bigger than 0,05, Ha is rejected.
2. Assuming the probability (significance) variable is less than 0,05, Ha is accepted.

Subsequently, the partial testing is shown in table 10:

**Table 10: The Results from Hypothesis Testing (t-test)**

|  |
| --- |
| **Coefficients** |
| Model | Unstandardized Coefficients | StandardizedCoefficients | t | Sig. |
| B | Std.Error | Beta |
| 1 | (Constant) | 3.111 | 3.558 |  | .874 |
| TOTALX | .466 | .078 | .621 | 5.982 |
| a. Dependent Variable: totally |

Source: Processed data, 2020

According to table 10, it is evident that the value of organizational culture variable is significant because 0,000 < 0,05. Therefore, it was decided that the hypothesis testing Hais accepted and that human resources has an influence on the quality of financial reporting.

**SIMPLE LINEAR REGRESSION ANALYSIS**

Simple Linear Regression analysis is a statistic method used to test the extent of the relationship between the casual (X) and effect variables (Y). This analysis determines the direction of relationship between the independent and dependent variables, whether it is positive or negative. Also, it is used to predict the value of dependent variable when the value of the independent one either increases or decreases.

A simple regression equation is derived from table 10 as follows:

Y = 3.111 + 0.466 X

Where:

a = 3.111, this simply means that when the Organizational Culture (X) is constant or 0 (zero), the Financial Reporting (Y) tends to have a value of 3.111 unit.

b = 0.466, implies that supposing the Human Resources Causality (X) increases by 1 unit, the Financial Reporting Quality (Y) increases by 0.466 unit.

Y = Dependent variable (Financial Reporting)

X = Independent variable (Organizational Culture)

**Coefficient Determination**

The substance of a Coefficient Determination (R Square) in a Multiple

Linear Regression Analysis where Coefficient Determination (R Square) is symbolized by “R2” implies that it is influenced by both the independent (X) and dependent variables (Y). The result from the Coefficient Determination is shown in table 11.

**Table 11: Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 621a | .386 | .375 | 2.48832 |
| a. Predictors: (Constant), TOTALX |

Source: processed data, 2020

Table 11 shows the coefficient determination, which is the Adjusted R Square of 0,375. This shows that the organizational culture variable influences Financial Reporting by 37,5%, while the remaining 62,5% is influenced by other factors not included in the regression model.

**DISCUSSION**

The result from the hypothesis testing shows that organizational culture influences financial reporting in varieties of Indonesian companies. However, this effect is not yet optimal because the Adjusted R Square score is only 0,375. This problem is caused by the fact that in practice, organizational culture is not ideal or, in other words, flawed. This relates to the indicator with the least mean score, which involves the use of terminologies in accounting, which is the basis for producing a financial report. Its presentation needs to include complete, clear, and unbiased accounting terminologies. However, 36% of respondents reported that accounting terminology is still not maximally applied when producing financial reports. Therefore, the adjusted R square of 0,375 shows that the result is consistent with the phenomena reported in the previous section. The Head of the Audit Board of the Republic of Indonesia stated that the central government's financial report is still lacking. In addition, The Hanson International case, which was disclosed by the OJK Board of Commissioners and Chief Marketing Officer of the Small-medium Enterprises solutions, stated that Micro Small Middle Enterprises (MSME) is still “blind” in accounting.

Organizational culture influences financial reporting, and this is consistent with prior studies carried out by Lestari and Yadiati (2014), Salter and Niswander (1995), Yurekli (2016), Ji et al. (2018). Descriptively, its dimensions, such as the regulations that were measured using organizational culture statement that illustrates the manner the respondents feel towards the usefulness of applying rules to financial reporting in an organization as an indicator, had the highest mean score of 4,53. This issue implies that members of an organization are not permitted to share crucial information with outsiders as it greatly influences the preparation of financial statements. In accordance with the observed behavioural regularities, the dimensions measured based on organizational statement that illustrates the manner the respondents feel about the usefulness of applying terminologies in financial reporting as managers, finance officers, or employees have the least mean score of 3,66. This shows that members of the organization misunderstand certain terminologies such as obligations, poor debts, or prepaid income. These flawed comprehensions often lead to errors in financial recordings such as balance sheet, profit, and avoidable loss statement.

Conversely, prepaid income occurs when an organization accepts certain amount of money, when it has not offered any services or goods completely sold to customers in specific accounting period. Prepaid income need not be recorded during certain accounting period as money received, rather it needs to be recorded when services or goods agreed upon have been rendered. It need not be directly recorded as general income. The management of the organization needs to make certain adjustments at the end of every accounting period by adopting an adjusting journal entry. Irrespective of the Norms dimensions that were measured using three indicators applied to an entity, individual and groups which were included in the good category, it was still reported as flawed and this was mainly caused by certain activities that were not fully practiced thereby influencing the result. It was also caused by the nonexistence of high expectation in achieving optimal work outcomes and by focusing on the job till it ends and this becomes a responsibility. However, the Dominant Values dimensions that were gauged by two indicators included in the good category was still not ideal because the habit of adopting new and more effective methods have not been developed particularly when there is a non-existent rewards for those that discover new ways of carrying out certain tasks. Based on the Philosophy Dimension, flaws are related to the existing regulations and procedures involved in arranging the financial statements. Its applications does not frequently facilitate environmental uncertainties namely the changing of tax rate or new government regulations thereby causing its applications in an organization to be altered. The Feeling dimensions, measured in accordance with organizational ambience are included in good category. However, there are flaws particularly in the aspect of honesty and tolerance because not all members of an organization understand the different views of colleagues when preparing financial statements.

The result from this study is discovered to be relevant and consistent with the general theory which stated that organizational culture has an influence on financial reporting. Another theory that supports this research is the agency theory (Jensen & Meckling, 1976). Based on this theory, owners encounter problems related to company management. In circumstances where owners are unable to solely manage, the responsibility of the company, it is delegated to the second party, which is reflected through the management party responsible for the organization’s financial statement. Its presentation, in this regard, is influenced by organizational culture. Indeje & Qin (2010) reported that organizational culture has a strong influence on the application of financial information system. Brenkert (2004) also stated that individuals need to obey the spirit, competency rules, as well as moral commitments, which needs to be comprehended in simple terms – such as applying ethical principles when preparing financial statements supported by organizational culture.

**CONCLUSION**

Based on the research purpose, hypothesis testing, and the results, it was therefore concluded that organizational culture influences financial reporting. A good and dynamic organizational culture is created to be in line with the company’s expectation assuming the leader is able to control the habits of the members such as giving them space to indulge in some trials and errors to improve the job quality. In addition, top management needs to encourage the formulation of new ideas to develop products targeted at customers thereby rendering the best services. Moreover, the intensity of the supervision of teamwork needs to be boosted in order to obtain quality outcome. Top management also needs to speculate the development of flexible computerized applications in the preparations of financial statements to adjust to the needs of the organizations as well as the environmental conditions related to the customers and regulators. This research succeeded in showing that organizational culture has an influence on financial reporting. The results from the hypothesis testing offer contributions towards the development of accounting knowledge specifically in the preparation of financial statements. This research is carried out under Work From Home (WFH) condition, the respondents were not going to their office in order to minimize the spread of the new type of Corona Virus (SARS-CoV-2). This issue influenced their perceptions when answering the distributed questionnaire because not all jobs need to be carried out from home. This study did not disclose all the variables that influence financial reporting. Furthermore, other internal control variables for WFH condition needs to include in subsequent studies. The surveillance and monitoring of problems often arises in the task assigned to every member of the organization. Prior to studies concerning internal control which was carried out by Zelmiyanti and Anita (2018) needs to be suggested for future analyses of WFH condition which is more susceptible to fraud in financial reporting. Accordingly, internal control is a pivotal element in ensuring that every job is compatible with the existing provisions.

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