



International Accounting Conference (IAC)

GOOD UNIVERSITY GOVERNANCE



November 24-25, 2011

**Accounting Department, Faculty Of Economic
Universitas Negeri Surabaya
"Growing With Character"**

International Accounting Conference (IAC)



Diterbitkan Oleh :

PT REVKA PETRA MEDIA

Jl. Pucang Anom Timur no.5 Surabaya

e-mail: revkapetra.media@live.com

ISBN : 978-602-19434-0-3

Hak cipta dilindungi undang-undang. Dilarang memperbanyak atau memindahkan sebagian atau seluruh isi buku ini ke dalam bentuk apapun, secara elektronis maupun mekanis, termasuk fotokopi, merekam, atau dengan teknik perekaman lainnya, tanpa izin tertulis dari penerbit, Undang-undang Nomor 19 Tahun 2000 tentang Hak Cipta, Bab XII Ketentuan Pidana, Pasal 72, AYAT (1), (2) DAN (6)

Foreword

Congratulations because of your hard work, finally we can hold this prestigious event, The First IAC 2011. I really thank you for your dedication and spirit to make this event happen. It needs no less than one year to prepare this event. And now we can see people from some countries meet and have intense discussions on Good University Governance, to exchange information and ideas on how to develop education as well as research to build better world for better future.

I welcome to all my guests from United States, Malaysia, Tunisia, Pakistan, and Thailand. Please enjoy not only the conference but also the social and cultural activities. You will find out why Indonesia is wellknown in their hospitality. People here is warm and open to the foreigner. Once again, don't waste your time during your stay, explore Surabaya and find many interest things.

For all colleagues, I would like to say thank you for participate in this conference. Hope you have best time here. This conference is a good opportunity for all of us because it can provide a means to sharing experience and knowledge.

My great honour for all people or companies that help us to realize our dream, to have this conference. Thank you for your participation, I hope we can maintain this relationship, together we build better education, better earth, and better live.

Finally, enjoy the conference and have fun each other.

Kind Regards,

Prof. Dr. Bambang Suratman, MPd.
Dean of Faculty of Economic
Universitas Negeri Surabaya

Organizing Committee

Chairman: Ika Permatasari

Vice Chair:
Dianwicaksih Arieftiara

Secretary:
Meylia Elizabeth

Treasure:
Monika Tiarawati

Proceeding:
Jun Suryanti, Susi Handayani, Dewi Prastiwi

Administration:
Ni Nyoman Alit Triani, Widiastuti

Funds & Sponsorship:
Norida Candasakti, Sri Setyo Iriani, Dian Anita Nuswantara

Registration:
Yessy Artanti

Publicity:
Luqman Hakim, Lintang Venusita

Conference:
M. Khoirul Anwar, Rohmawati Kusumaningtias

Transportation & Logistic:
Tri Sudwanto, Nindria Untarini

Keynote Speaker

Prof. Helen H. Roberts

Professor Roberts is Clinical Associate Professor (since 2001) in the Department of Economics, University of Illinois at Chicago (UIC). She is also Associate Director of the UIC Center for Economic Education, and has been in that position since its founding in 2000.

Professor Roberts received her Ph.D. in Economics from the University of Chicago (1995) and has held permanent and visiting appointments at the University of Chicago, Dominican University, and UIC. Professor Roberts has conducted research in International Trade, Industrial Organization, and Applied Game Theory. He is currently working on the effectiveness of educational and financial literacy programs.

Professor Roberts was the recipient of the 2001 "Rookie of the Year" Award by the National Association of Economic Educators. In November 2002, he was a recipient of the first Money Smart Award by the Federal Reserve Bank of Chicago and the Office of the Illinois State Treasurer.

Prof. Indra Bastian, Ph.D., MBA., Akt

Indra Bastian, Prof., Ph.D., MBA., Akt is Professor at Universitas Gadjah Mada Yogyakarta-Indonesia. He is expert in Public Sector Accounting. He write some books especially in Public Sector Accounting. His interest is in accounting and budgeting. Many publications is in public sector accounting and government financial management.

Acknowledgement

We thank you for the following people with sincere gratitude for assisting us in important and difficult job of reviewing paper submitted. We ask for apologies if a reviewer's name has been omitted from the list or unintentionally misspelled.

Prof. Geeta Lakshmi
University of Lincoln, UK

Prof. Louie Divinagracia
Universitas Pelita Harapan, Indonesia

Prof. Eko Ganis Sukoharsono, SE, MCom (HONS), PhD
Universitas Brawijaya, Indonesia

Prof. R. Wilopo
STIE PERBANAS, Indonesia

Prof. Dr. Agusty Tae Ferdinand, DBA, MBA
Universitas Diponegoro, Indonesia

Dr. Sunaryanto, M.Ed.
Universitas Negeri Malang, Indonesia

Dr. Puji Handayati, SE, Ak, MM
Universitas Negeri Malang, Indonesia

Dr. Basuki, MCom (HONS)
Universitas Airlangga, Indonesia

Dr. Pujiono, SE, MSi, Ak.
Universitas Negeri Surabaya, Indonesia

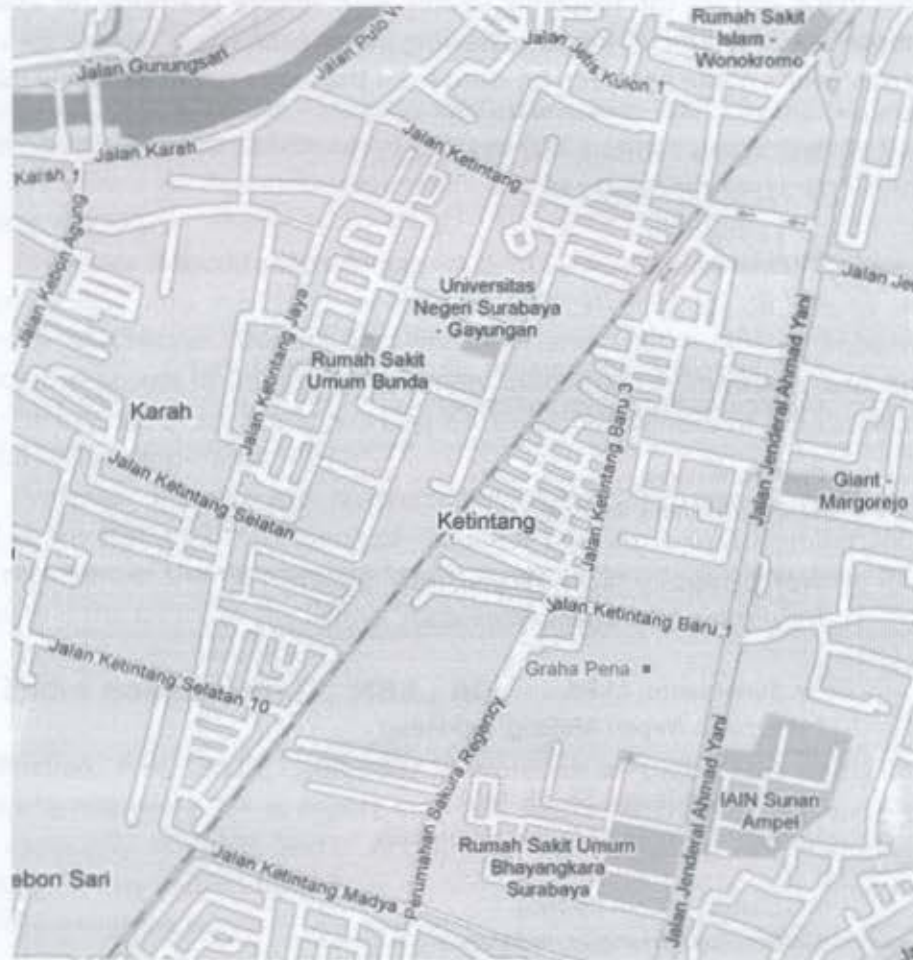
Dr. George Alexandrou
Kingston University, UK

Dr. Tarjo
Universitas Trunojoyo Madura, Indonesia

Dr. Akhmad Ridwan, SE, MSA, Ak.
STIESIA, Indonesia

Drs. Ec. Sujoko Efferin, MCom (HONS), PhD
Universitas Surabaya, Indonesia

The Venue,



CONFERENCE PROGRAMME

Thursday, November 24, 2011		
08.00 – 08.20	Registration	Committee
08.20 – 08.30	Opening Prayers	Dr. H.M. Khoirul Anwar, MEI.
08.30 – 08.45	Traditional Dance	Student performance
08.45 – 09.00	FE-Unesa Choir	Student performance
09.00 – 09.15	Coffee Break	
09.15 – 09.30	Speech and Opening Ceremony by Rector of UNESA	Prof. Dr. Muchlas Samani
09.30 – 11.30	Session I: Good University Governance	Prof. Dr. Mukhlas Samani Moderator: Dr. Pujiono SE., Ak
11.30 – 12.30	BREAK	Committee
12.30 – 14.00	Session II: Good Corporate Governance	Prof Indra Bastian, MBA,PhD. Moderator: Prof. Romanus Wilopo
14.00 – 14.15	BREAK	Committee
14.15 – 15.45	Session III : Financial Literacy	Prof. Helen Roberts Moderator: Dr. Ali Mustofa
Friday, November 25, 2011		
07.30 – 09.00	Panel I	Reviewer
	07.30 – 08.20 : Panel Presentation	Each research max. 10'
	08.20 – 09.00 : Discussion	Prof. Romanus Wilopo Basuki,M.Comm (HONS) PhD, Ak.
09.00 – 09.30	BREAK	Committee
09.30 – 11.00	Panel II	Reviewer
	09.30 – 10.20 : Panel Presentation	Each research max. 10'
	10.20 – 11.00 : Discussion	Prof. Romanus Wilopo Basuki,M.Comm (HONS) PhD, Ak.
11.00 – 13.00	BREAK	Committee
13.00 – 14.00	Closing Ceremony (award for the best paper + closing prayer+FE-Unesa Choir)	Committee Prof. Dr. Bambang Suratman, MPd. Dr. H.M. Khoirul Anwar, MEI Students performance

CONTENTS

Capital Structure on Manufacturing Companies in Indonesia Stock Exchange for Period 2007-2009

Hendra Nursalim
 Agus Zainul Arifin 1-13

Relationship between The Corporate Governance Mechanism and Auditors Characteristic to The Restated Financial Statements in Indonesia Stock Exchange

Ardiansyah Rasyid 15-23

The Effect of Leadership Behaviors on Arganizational Commitment of Lectures in Mercu Buana University – Jakarta

Anik Herminingsih 25-44

Effect of Leadership And Resource Development on Employee Performance

Agung Widhi Kurniawan 45-66

The Influence of Gender, Obedience Pressure, Task Complexity, Experience and Knowledge on Audit Judgement (Empirical Study on Accounting Firms in Central Java)

Ardiani Ika
 Dyah Nirmala Arum Janie
 Ribka Sulistyanti 67-81

Factors Underlying Family Financial Planning A Case Study in Surabaya

Devie
 Yohanes Sondang Kunto
 Yuliana 83-92

Corporate Governance Compliance of The Sharia Banks in Indonesia

Rohmawati Kusumaningias 93-101

Tax Consequences of Mafia Case

Wawan Hermansyah 103-129

The Usefulness of Accounting Information To Predict The Risk of Stock Investment Based on The Decision Usefulness Approach

Zarah Puspitaningtyas 131-152

Board Activity and The Decline of Information Asymmetry

Evi Gantjowati 153-168

- External Variables of User Technology Acceptance in The Context of Internet Banking**
Paskah Ika Nugroho 169-177
- The Impact of Board Size And CEO Duality on Financing Decisions of Canadian Firms**
Amarjit Gill 179-189
- The Impact of Board Size And CEO Duality on The Potential Growth of Canadian Manufacturing Firms**
Amarjit Gill 191-201
- The Influence of Accounting Informational Relevance Towards The Sensitivity of Efficient Capital Investment**
Erly Sherlita 203-223
- Analysis of Difference Comprehension of Good Governance and Leadership Styles To Accountants Performance In The Context of Gender**
Sri Trisnaningsih
Fajar Saiful Akbar
Siti Sundari 225-241
- Heritage Assets for Governmental Accounting in Indonesia Perspective**
Taufik Kurrohman
Aisa Tri Agustini
Hendrawan Putra Santosa 243-268
- Earnings Management: I Know You Still Did**
Ika Permatasari 269-288
- The Effect of Entrepreneurs Personality Characteristics, Motivation, Work Commitment towards Leadership and Business Success (Empirical Study of Small-Scale Construction Industry in Central Sulawesi)**
Lina Mahardiana 287-299
- The Determinants of The Relationship Between Accounting Income Smoothing and Hedging**
Mouna BEN REJEB ATTIA 301-320
- The Implementation of the Land and Building Acquirement Tax (LBAT) Devolution Policy From the Central to the Local Government (A Case Study in Madiun County)**
Dewi Prastiwi
Eva Hany Fanida 321-335
- Professional -Bureaucratic Conflict Encourage the Theory-Practice Gap on Educational Tertiary Levels: Ethnography Study on Bachelor's Accounting Student Economic and Business Faculty**
ASL Lindawati M.Com (Hons), Ph.D 337-358

The Relationship of Stakeholder Salience and Engagement to CSR Disclosure: Evidence from Listed Companies in Thailand	
Pankeowta Lakkanawanit	359-382
Zuaini Ishak	
Modeling Bankruptcy Prediction for Non-Financial Firms: The Case of Pakistan	
Qaiser Abbas	383-403
Abdul Rashid	
THE INFLUENCE of 'KNOWER', WITH ACCOUNTING KNOWLEDGE AXIOLOGY: The Ontology, Epistemology, and Axiology Approach	405-428
Apollo Daito	
The Scope Of Disclosure Influence On Corporate Social Responsibility Reporting Towards Profitability Of Companies Listed In BEI	429-446
Susi Handayani	

**Relationship Between The Corporate Governance Mechanism
and Auditors Characteristic to The Restated Financial Statements
In Indonesia Stock Exchange**

Ardiansyah Rasyid

Universitas Tarumanagara (Indonesia)

Email: ari_ardiansyah@hotmail.com

ABSTRACT

The objective of this research is to find the corporate governance mechanism and Auditors Characteristic to influence the occurrence of the restated financial statement. That factors influence the financial statement quality. The restated financial statement has indicated that the financial statement quality previously is down grade. Hence, proxy of decreasing financial reporting quality is measured by through occurrence of restated financial reporting. The result of this research have found that the number of audit committee contribute to influence this occurrence, but for independent Commissioners can not depict clearly. For auditors characteristic does not have a relationship to occurrence of restated financial reporting, because not-big four can influence the quality of financial statement than the big four performance. This result does not support premise that big four have good performance than not big-four.

Keywords: Restated Financial Statement, Independent Commissioners, Audit Committee, AuditorCharacteristic

INTRODUCTION

The principal concern is about the event in companies that have presented the audited financial statements of companies listed on the Indonesia Stock Exchange. This is related to restated financial statement that are presented to market or investors. This rise up the questions what happened with the presentation of financial statements that were submitted at the previously and then be restated. This will bring up the lack of requirement to meet standards of financial statements, which may be a disobedience to the accounting standards, the complexity in measurement and recognition of the transactions can lead to the restated financial statement. There are several options granted to the accounting standard that allows the internal company prefers to choose a more profitable for the company's internal party and the election of this option causes the violation in preparing the financial statements.

With the restated financial statement led to high transaction costs, due to an error in the first presentation. This error can cause a misleading to interpret

the condition of the company and finally, this occurrence influence decision making in stock market. This error would hurt investors and inefficient in capital allocation. The condition is not good for the capital market and, mostly, investors are very dependent of the financial information. That will be reduced by corporate governance mechanism implementation and now, most of companies have known the concept of corporate governance (CG) mechanism. This is part to reform how corporate govern well. With this mechanism can reduce the agency cost resulting from the role of agents who try to fulfill their self-interest and also by involving outside parties the company to be able to monitor how they perform corporate management. Particularly, those manifestations are related by the agency cost in preparing the financial statements, namely the opportunity to make earnings management to be able present financial statements.

The process of preparing the financial statements must involve the external parties and the audit process must be conducted by external auditors (independent auditor). The involvement of the independent auditors is to ensure that the financial statements to be presented fairly and truthfully. That thing is likely as a guarantee in the financial statement in order to achieve higher quality in financial statement.

Additionally, the implementation of corporate governance mechanisms is a characteristic of the company, as a manifestation of their concern towards the highly quality of financial statements. It means to reduce the gap of knowledge between users and preparers or information asymmetry. Besides, the external auditor has an important role to prepare high quality financial statement. Therefore, selecting the external auditors is a part of process in order to ensure the higher achievement for quality of report. These accounting issues are the intersection of financial reporting quality and audit quality.

LITERATURE REVIEW

Restated Financial Statement

Standing Advisory Group Meeting (SAG, 2008): "We define a 'restatement announcement' as the first public announcement, publication date, or filing date, that either: 1) captures restatement, 2) reveals an intent to restate, or 3) discusses a "concern" that correlates to a subsequent restatement announcement".

The occurrence of restated financial reporting is caused by errors presentation and this thing will distort the price of shares in the capital market. With the accuracy and fairness in the presentation of financial statements will reduce or eliminate the share price distortion. The financial statements have

control, then this will better ensure the presentation of financial statements that ultimately can improve the quality of financial statement presentation.

External Auditor Characteristics as a External Party

Studies on the economics of auditing and the pricing of audit services provide evidence of the Big 4 as a surrogate for audit quality. The reason of that, because the Big 4 audit firms have greater resources, they may represent more attractive litigation targets than other audit firms, especially much smaller ones.

The other control is through an external mechanism or known also as the market mechanism is done through external auditors. The External part is the external auditor (Public Accounting Firm) that aims to focus in the process of preparing the financial statements and also due to that matter. The external auditors play an important role in ensuring the financial statements quality. This means that the external auditor is the end-gate of the process of financial statements.

The external auditors can be classified according to the quality and reputation that they already have it. With the reputation of the external auditors, the audit work was performed by external auditors will be more qualified. It will provide assurance to the fairly and truth fully presentation of financial statements.

Previous Research

Previous studies, Agrawal and Chadha (2004) found that the likelihood of restatement of financial statements is significantly smaller in firms that have audit committees and independent commissioners including financial expertise. For that research result, there is a relationship between good corporate governance mechanism and therestated financial statements. Now, This research was inspired by the previous research and for this research is to conduct further observations using the variables in the audit committee and independent commissioners have a relationship with the events of the restated financial statements. In the article Bachtiar and Veronica (2005), they use research methods with a variable occurrence of events such restatement of financial statements as the dependent variable is measured using dummy variables. The results show that the corporate governance mechanism may reduce the errors that will occur, or avoid the mistakes that occurred in the financial statements.

Corporate's audit committee is in charge the process of preparing the financial statements and for the presentation of information derived from financial statements can be tested, reliable and relevant. Klein (2002) found a negative correlation between the audit committee with earnings management. Therefore, the existence of an audit committee can avoid the occurrence of the

presentation of false and inaccurate. The results of this study indicate that the concept of corporate governance mechanisms will increase the quality of financial statement presentation. At present, this is a global demands of doing good business practices that resulted in a more transparent and the higher quality of information from financial statements.

Implementation of GCG can be seen by through the presence of audit committees and independent commissioners and from GCG can play an important role improving the quality of the presentation of financial statements or to avoid the occurrence of errors in financial statement presentation. This means that will reduce or eliminate the occurrence of restatement of financial statements through that actively involvement of audit committees and independent commissioners in preparing the financial statements.

External Auditor is a external party to influence the quality of financial statements, because from this party the financial statement can be presented. Therefore, the size of external auditor is to characterize the capacity building from that external auditors. The External Auditors in the big four will have the ability in conducting the good audit process, because they have good human resources, good infrastructure and other system to support that work. Usually, they have had a lot of experience in providing services to corporates or clients.

RESEARCH METHOD

Research Design

The design of this study is like a descriptive research, which is a study to find the facts with the interpretation. The descriptive study aims to describe the characteristics of the variables that have a connection or relationship with the object to be observed (Sekaran & Bougie, 2010). This research is also a translation and explanation of a causal association which aims to determine whether there is a correlation between corporate governance mechanism and auditor characteristics with the restated financial statements. With the implementation of corporate governance mechanism will affect the process of financial statements preparation and these will avoid from the restated financial statement. The composition of independent commissioners and audit committee will also have a relationship of financial statement presentation quality and also the independent auditors can influence to.

Implementation of corporate governance mechanisms, such as the composition of independent commissioners and audit committee member is a variable that can be associated with the restated financial statements. The more qualified the composition of independent commissioners and audit committee can influence the higher the quality of financial reporting. This thing can indicate the corporate may avoid the occurrence of restated financial statements.

Sample

Our sample of restatement was selected from audited financial statement by through the statement of auditor opinion. Disclosure of other corporate's events, and annual report are identified by using keyword searches for restatements (e.g., restate, revise, adjust, error). We included restatements on Indonesia Stock Exchange Companies where the first submission in the beginning year (from first January up to at the end of June (Dechow and Skinner (2000))).

RESULTS AND DISCUSSIONS

Descriptive Data

The total companies listed in Indonesia Stock Exchange that there are 36 companies that have restated the financial statement. The period is from 2004 to 2009 and the research has limited the range of periods, because the research can only collect data from this periods. The research reviews the whole sample to find which corporates have restated the financial statement. The research actually found some corporate and only, the number are 11 corporates. This is a kind of research method that must carefully select and this is what we called data filterization from 36 corporates to 11 corporates. These corporates is really to make errors and it can be read from their audit statement (audit opinion statement).

Corporate Governace Mechanism (CGM)

Audit Committee (AC)

CGM should influence the financial statement quality, such as Table 1:

Table 1
Committee Audit

No	The Range of Members	# of Corporates	Members Type
1	Up to 3 members	8	1 Commissioner Indep. 2 Outside Corp.
3	More than 3 Members	3	1 Commissioner Ind. 3 Outside Corp.

Based on the above, the figure can depict the corporate influence data collection from this research, hence, it is consistent that the content of committee audit member can influence the restated financial statement. It can be seen in the Table 1, the number of audit committee member can indicate that influence the restated financial statement. It means that the number of composition from the audit committee. The composition from the outside can effectively influence to the process of financial statement presentation.

External Auditor

The Size of External Auditor

The size of External Auditor should influence the quality of financial statement, it means External Auditor from the Big Four (BF) are more qualified than Not-Big Four (Not-BF). BF has many clients, more experience, good reputation, good infrastructure and good human resources. Now, the research have found such as in the below:

Table 2
Before and At the Restated Financial Statement

No	Description	The Number
1	BF Before Restated	5
	Not-BF Before Restated	6
2	BF At the Restated	4
	Not-BF At the Restated	7

In the above table has indicated the data does not proof that there is a relationship between size of External Auditor and the quality of financial statement. Because external auditor from the big four has actually five occurrences and this is not big different with not-the big four (5 compare 6 occurrence). It means that the external auditor from the big four is not automatically no error. At the restated financial statement, external auditor from not big four is more than the big four to find error or mistaken from financial statement. Once again, this describe that the Not BF has good quality to find some kind of error (7 compare 4). The premise is that the BF has good quality than not-big four, it is not right for that some condition.

External Auditor Switch

Restated financial statement can be occurred by external auditor, because external auditor find something error or mistaken from the financial statement. If the corporate is really wants it, the corporate can influence by switching the external auditor. This motivation can increase the quality of financial statement. Hence, the restated financial statement does happen, this can be seen in the table below:

Table 3
Auditor Switch

No	Switch/Without-Switch	Number	Description
1	Switch	1	Among Big Four
		3	Among Not-Big Four
		0	Big Four – Not-Big Four
		0	Not-Big Four – Big Four
2	Without Switch	3	Big Four
		4	Not-Big Four

In the above table indicate that it is not strong to prove the premise, because it is only 4 occurrence for auditor switching and the others are 7 occurrence. But the research can analyze between big four and not-big four, the number from not-big four is more than big four. Those thing can indicate that it is not always Big Four can perform good quality audit, because there are 7 not-big four can perform to find the something error from the financial statement. Contrary, with big four is only 4 occurrence.

CONCLUSION, LIMITATION AND SUGGESTION

Conclusion

The research result can conclude as below:

1. The research can not proof that CG mechanism can achieve good quality for financial statement, but only in audit committee can proof that the number of audit can influence to find sothing error in the financial statement.
2. For External Auditor can not show that Big Four more better quality than Not-Big Four, it is not so different number for finding error in the financial statement. Also, for Auditor switching show that the number of Not-Big Four is more than Big Four.
3. And the last, auditor switch is rarely happen and this indicate that corporates do fully to drive to the highest of financial statement quality.

Limitation

The research has some limitations such as:

1. The period is only around 2004 – 2009.
2. The research is only to include corporates have done the restated financial statement.
3. The research does not classify the type of error from the restated financial statement.
4. The research model is only description research model, the research is only to describe it.

Suggestion

1. The research has to extend the periods.
2. The research should include corporates that do not restate the financial statement.
3. The research should identify and classify the type of error from the restated financial statement.
4. The research should develop the other research mode and more in depth analysis.

REFERENCES

- Agrawal, A. & S. Chadha. 2004. Corporate Governance and Accounting Scandals. www.ssrn.com
- Aier, J., J. Comrix, M. Gunlock, and D. Lee. 2005. "The Financial Expertise of CFOs and Accounting Restatements." *Accounting Horizons* (September): 123-135.
- Dechow, P.M. and D.J. Skinner. "Earnings Management: Reconciling the Views of Accounting Academics, Practitioners, and Regulators." *Accounting Horizons* (June 2000):235-250.
- Klein, A. 2002. Audit Committee, Board of Directors Characteristics and Earning Management, *Journal of Accounting and Economics* 33, hlm. 375-400.
- Public company Accounting Oversight Board. 2007. "Changes in Market Responses to Financial Statement Restatement Announcements in the Sarbanes-Oxley Era." Office of Research and Analysis Presentation – Working Paper. Standing Advisory Group Meeting. www.ssrn.com
- Sekaran, Uma & Bougie, Roger. 2010, *Research Methods for Business: A Skill Building Approach*, 5th edition, United Kingdom, John Wiley & Sons.
- Srinivasan. S. 2005. "Consequences of Financial Reporting Failure for Outside Directors: Evidence from Accounting Restatements and Audit Committee Members." *Journal of Accounting Research* (May): 291-334.
- Veronica, Sylvia & Bachtiar, S. Yanivi. 2005. The Role of Corporate Governance in Preventing Misstated Financial Statement. *Jurnal Akuntansi dan Keuangan Indonesia*. Vol.2, No. 1, Juli 2005 pp. 159-173.

ISBN: 978-602-19434-0-3



9 786021 943403

