

Principle Based Accounting Standard Increases Accountability Perception of Auditor

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Since 2011, Indonesia has applied accounting standard that is convergent with International Financial Accounting Standard (IFRS) or principle based accounting standard. But it only gives measurement guidelines and value recognition that affect general financial position. Principle based accounting standard does not give a detailed guidelines in terms of measurement and recognition of financial report points in the form of bright-line threshold as found in the United States' Generally Accepted Accounting Principles (US GAAP).

"From the view of social contingency model, if one does not know who will use the result of their work and they have issued a commitment, they would have to be ready to explain the work or process for that decision making," said Tertiarto Wahyudi during his doctoral promotion on Wednesday (26/7) at Faculty of Economics and Business UGM.

Audited financial report, in his views, is a general report most used by many people, such as investors, regulators, creditors, suppliers, etc, with various understanding of financial matters and accounting. So, when auditors audit the report of an unknown user, his commitment as one of gate keepers in the form of qualified financial information encourage him to always be ready to explain how he makes a decision.

On this issue, principle based accounting standard that only gives general guidelines in addition to



profession product that can be used by many people will increase the perception that there is a demand of accountability of a decision. Hence, incremental effects of principle based accounting standard to the accountable sense of an auditor have become the main thing that attracts the accounting lecturer from Universitas Sriwijaya for his dissertation.

"Existing research uncovers the role of accountable sense to minimise biases on decision making, while there is no research available as yet uncovering the factors that affect the accountability itself in the auditing profession," he explained.

One factor seen as explanative to the quality of accounting information in a stock market is law enforcement. Strong law enforcement against the cultural background may increase the quality of financial information report instead of the the accounting standard.

He found out, however, that whether principle based accounting standard or stronger financial regulators have caused the perception to be accountable in an auditor. Besides, accounting standard increases the auditor's wishes to explore more in the form of higher epistemic motivation response.

"Higher epistemic motivation encourages an auditor to identify more diverse evidence in determining behaviours of a transaction and more accurate decision," he concluded.

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