

CHAPTER I

INTRODUCTION

1.1 Background

The application of accrual accounting in Indonesia government accounting system has been since 2005. The reason of this migration is due to the belief that the accrual accounting has more advantages compared to the cash accounting (Liestiani, 2013). After 10 years to do the implementation of accrual accounting, it is expected that the public sector accounting in Indonesia has reached an advanced stage. All government institutions in Indonesia, both a central government and regional government must have applied accrual-based accounting in fiscal year 2015 (Ministry of Finance of Indonesia, 2013).

Changes in the government accounting system in Indonesia are carried out gradually. The government initially applied cash-based accounting, followed by cash-toward-accrual-based accounting, and finally full accrual accounting of which the implementation has been based Government Regulation (PP) No. 71 of 2010, which is a response to the demands of the Indonesian people for the creation of good governance in government accountability to the public, especially the financial sector (Maimunah, 2015). The implementation of PP No, 71 of 2010 increases the complexity of local government financial statement (LKPD). The new standard required local government to prepare seven reports, namely Budget Realization Statement, Operational Report, Statement of Changes in Budget Surplus, Balance sheet, Cash Flow Statement, Statement of Changes in Equity, and Notes to the Financial Statement. Although the application of accrual basis has been compulsory, several researches mentioned that there are many parties who do not fully understand about the basis itself (Wahyuni, 2016).

Harun and Kamase in 2012, conducted research on the institutionalization process of the accrual accounting at one of the city governments in Indonesian. The results showed that that the beginning of the adoption of the accounting system accruals in Indonesia were driven by events such as the oil crisis in 1983 and also the monetary crisis in 1998. Crisis oil in 1983 had an impact significant damage to the country's economy including the high rate of inflation, and the monetary crisis in 1998 exacerbated the such incidents resulted in social pressures from the community in the late 1990s. The incident has inspired technocrats in the Ministry of Finance to

push for sector accounting reforms that they think will be able to give control to government spending and describe the performance of the government.

Starting in 2015, all government agencies in the center and in the region must prepare accrual-based financial statements. The implementation of accrual-based accounting in the field of government begins with the stage of socialization and policy-level leadership training until technical implementation. Yahya (2006) also stated there are many others factors that influence the application of accrual-based accounting; there is the Capability of Human Resources and the support of the existing Accounting System. In additional, there are also external factors that can influence it. Successful implementation of accrual-based SAP is needed so that the government can produce more transparent and accountable financial statements (Ardiansyah, 2013). Failure of local government human resources in understanding and applying accounting logic will have an impact on misrepresentation of the financial statements and non-compliance with the standards set out in the set by the government. In this case, generally the Local Government has limited number of human resources who mastered the logic of accounting well.

This research has purpose to find out the factors that influence the success of accrual-based accounting in Local Government Financial Statement. The first factor is quality human resources (HR). One of the factors that affect the success of accrual-based SAP implementation is the availability of competent and reliable human resources in the field of accounting (Simanjuntak, 2010). Therefore, the central and local governments need to seriously prepare the planning and placement of human resources in the field of government accounting. Quality Human resources are the most valuable and important assets owned by organizations/companies, because the success of the organization is largely determined by the quality human resources (Sedarmayanti, 2007). In relation to this study, the more competent human resources owned by local governments, it will have an effect on improving the quality of financial statements.

The second factor is information technology as a tool to support the implementation of activities or work such as computers, software, and others. According to Mulyono (2007), hardware is a set of physical equipment used for input, process and output activities in operating an accounting system. The hardware consists of a processing computer, a storage device and a device to produce output as well as physical media to connect all those units. Software according to Mulyono (2007) is a set of details of preprogrammed instructions that control and coordinate hardware components in an information system. In relation to this research, adequate computer

devices and well-integrated applications will have an effect on improving the quality of financial statements.

The third factor is commitment. Commitment is the ability to be responsible for the things that are entrusted to someone. Robbins (2002) defines commitment as a state of an individual siding with an organization as well as his or her goals and desire to maintain its membership in the organization. According to Luthan (2006), organizational commitment is a strong desire to become a member in a group, a high willingness to an organization, as well as certain beliefs and acceptance of the values and goals that an organization has. In relation to this research, the greater the commitment of the government apparatus to implement a law and carry out its duties properly, it will affect the improvement of the quality of financial statements.

From some previous studies there are many differences for the results of research factors determining the success of accrual-based government accounting standards implementation in the local government. Therefore, researchers are motivated to research and develop it in this thesis.

1.2 Problem Statement

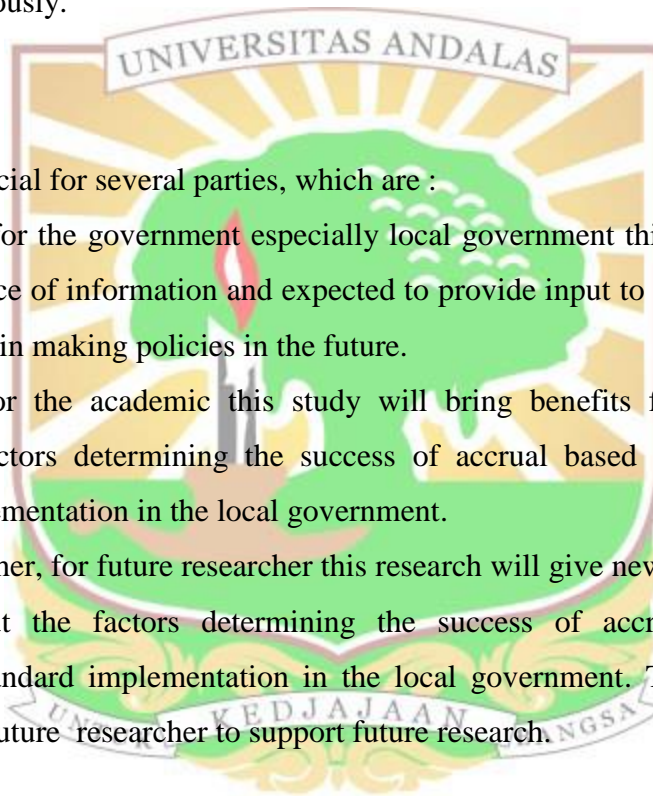
The main problem statement of this study are:

1. Does quality human resource factor affect the success of accrual-based government accounting standard implementation in the local government?
2. Does information technology factor affect the success of accrual-based government accounting standard implementation in the local government?
3. Does the organizational commitment factor affect the success of accrual-based government accounting standard implementation in the local government?
4. Do quality human resources, technology information and commitment of SKPD as together affect the success of accrual-based government accounting standard implementation in the local government?

1.3 Research Objective

Related to the problem statement above, the research purposes for this analysis is to prove empirically:

1. The influence of quality human resource factors in the success of accrual based government accounting standard implementation in the local government both partially and simultaneously.
2. The influence of information technology factors in the success of accrual based government accounting standard implementation in the local government both partially and simultaneously.
3. The influence of the organizational commitment factor to the success of accrual based government accounting standard implementation in the local government both partially and simultaneously.



1.4 Study Benefits

This study will be beneficial for several parties, which are :

1. Government, for the government especially local government this research study can be used as a source of information and expected to provide input to the government and can be a reference in making policies in the future.
2. Academics, for the academic this study will bring benefits for science research in developing factors determining the success of accrual based government accounting standard implementation in the local government.
3. Future researcher, for future researcher this research will give new insight for doing some research about the factors determining the success of accrual based government accounting standard implementation in the local government. This study is able to be a reference for future researcher to support future research.

1.5 Scope of research

The discussion in this study is limited to:

1. Influence of quality human resource factors in the success of accrual based government accounting standard implementation on regional work unit (SKPD) in Agam Regency.
2. Influence of information technology factors in the success of accrual based government accounting standard implementation on regional work unit (SKPD) in Agam Regency.

3. Influence of the organizational commitment factor in the success of accrual based government accounting standard implementation on regional work unit (SKPD) in Agam Regency.
4. Influence of quality human resources, technology information and commitment of SKPD as together in the success of accrual based government accounting standard implementation on regional work unit (SKPD) in Agam Regency.

1.6 Writing Systematic

This research study that has titled *Factors Determining the Success of Accrual Based Government Accounting Standard Implementation in the Local Government, a case study in Agam Regency*. consist of five elements of the chapter which are :

Chapter I, is a part of introduction chapter that will give a clear explanation about the research background as a base for the researcher to conduct this research realize, this chapter also talks about the problem statement that need solutions. Then followed by research objective, the benefits carried out and the writing systematic use in this research.

Chapter II, explain about theoritical basis of this research, Government Accounting Standards , Accrual basis accounting, Implementation of Accrual-based Government Accounting Standards, Quality of Human Resources, Supporting Facilities (Information Technology), Organizational Commitment (SKPD). This chapter is continued by discussing several previous research's that related to this research, Hypothesis Development, and Conceptual Framework .

Chapter III, provides the research methodology, it explain the research design used in this study, data and data collection method, and research focus to make this research study proved.

Chapter IV, consist of result and analysis of this study. This chapter describes the research data and discusses the analysis of the data that has been collected. The data that has been analyzed are then presented in the form of descriptive sentences.

Chapter V is the end of this study and also the conclusions chapter. It will give the conclusion of the study, research limitation of this research and the suggestion for the future research as well.