Accounting 8 (2022) 431–438

Contents lists available at GrowingScience

Accounting

homepage: www.GrowingScience.com/ac/ac.html

The effect of the implementation of GCG principles and PSAK adoption of IFRS on quality of financial reports in SOEs

Sumiyati[a] and Ratna Mappanyuki[b*]

[a]*Student of Master of Accounting Program, Jakarta, Indonesia, Mercu Buana University, Indonesia*
[b]*Lecturer of Master of Accountancy, Jakarta, Indonesia, Mercu Buana University, Indonesia*

C H R O N I C L E

Article history:
Received January 26, 2022
Received in revised format February 10 2022
Accepted March 8 2022
Available online March 8 2022

Keywords:
Implementation of PSAK Adoption IFRS
GCG Principles
Financial Report Quality
SOEs

A B S T R A C T

The purpose of this paper is to study the effect of the implementation of GCG principles and PSAK adoption of IFRS on quality of financial reports in SOEs. The data for the study comes from questionnaires collected by the survey method. Smart PLS 3.0 is an analytical technique used in research, with 99 people as the data. The results indicate that the implementation of PSAK adoption of IFRS and GCG principles had a substantial favorable impact on financial report quality.

1. Introduction

The firm's financial situation may be observed in the financial statements reported by the company. The quality of financial reports are also crucial for any company since they help make economic decisions and determine the company's financial performance (Kieso et al., 2019). "monetary statements" principal manner by a firm communicates its financial information to others who are not part of the company, according to the statement, in which the history of a corporation is measured in money terms. Kartikahadi (2020:124) stated that quality financial reports have qualitative features, such as comparable, intelligible, relevant, and dependable financial statements. Financial statements are documents that give us information that will position the financial company, financial performance, and monetary flow can be used to make economic decisions. On the other hand, existing financial statements are not required to contain every piece of data needed by stakeholders. The quarrel began when two commissioners, Dony Oskario and Chairul Tanjung (no longer in office), refused to sign the financial statements (2018) of PT. Garuda Indonesia, financial statements PT. Garuda Indonesia. The company's net profit was recorded at U$D 809.85, or Rp. 11.33 billion, assuming an Rp. 14,000/dollar conversion rate. After more inquiry and study, PT. Garuda Indonesia recorded US$ 239 million as income, even though it should have been registered as a debt of PT. Mahata Aero Technology, the surge was very sharp and inversely proportional to the prior bookkeeping, which claimed a loss of US$ 16.5 million. This issue demonstrates that financial statements provide information that is not acceptable (reliable) and data. That is not the case line standards of financial accounting, revenue recognition, which should be accounted for as corporate debt. This issue is inversely proportional to the findings of an independent audit conducted in 2018, which concluded financial statements are presented fairly in material terms and compliance with financial accounting rules (Financial Statement Garuda Indonesia (Persero) Tbk, 2018). In addition, According to PT. Asuransi Jiwasraya (2019) The financial statement manipulation controversy started in 2006 when the BPK examination revealed that PT. Asuransi

* Corresponding author.
E-mail address: ratna_mappanyuki@mercubuana.ac.id (R. Mappanyuki)

doi: 10.5267/j.ac.2022.3.001

Jiwasraya had altered its financial statements; not only that but between 2010 and 2019, BPK examined PT. Asuransi Jiwasraya and discovered irregularities in the net profit recorded in 2017 of Rp. 360.3 billion, which according to BPK, there is a shortage of reserve funds of Rp. 7.7 billion, so that if the reserve is made, the company Asuransi Jiwasraya. The state lost Rp. 16.8 trillion as a result of this lawsuit. (Press Conference BPK RI, 2020; Tedjo et al., 2017).

It is possible to follow good corporate governance rules to obtain high-quality financial reporting (Manossoh, 2016:16). According to the definition, GCG is a structured method and process in charge of harmonious relationships between stakeholders and the company to accomplish company performance without jeopardizing other stakeholders' interests. The study by Sudarmanto et al. (2021:5) indicates that to achieve organizational goals, corporate solid management structure, a set of guidelines, and processes manage relationships with various interested parties. Those linked addressing the corporate board of directors, shareholders, commissioners, notion results-oriented accountability, also known as performance accountability and transparency in financial management, is used to improve financial performance. Transparency and accountability in economic performance will have an impact on financial report quality. These findings are aligned with a study that was done. The research completed by Fitriah (2018), Kasim (2015), and Safkaur et al. (2019) concluded the adoption of strong corporate governance principles or excellent corporate governance brought significant influence. The guides have a substantial impact on his research findings; however, alternative research results are given (Kesuma & Choirul Anwar, 2017; Simon et al., 2016) The implementation of excellent financial report quality is unaffected by corporate governance, according to a study.

IASB is the preparation of a worldwide standard of corporate monetary statements. IFRS is one of IASB's accounting standards. A good and successful application of IFRS can improve the quality of financial reports. IFRS develops a general accounting language to allow consumers of monetary statements to grasp information including economic ideas, quickly. According to Al-Khafaji, (2018), Dayanandan et al. (2016) and Yurisandi and Puspitasari (2015), the deployment of IFRS impacts financial report quality. Following findings, the study of Sacarin et al. (2013; 2017) concludes that the IFRS affects financial report quality accounts. According to Setiyawati and Zainudin (2019) and Hari Setiyawati and Ayu Ogy (2019), SAP deployment impacts financial report quality. But, several research findings are provided (Black & Maggina, 2016). The use of IFRS does not exist to influence financial report quality. Since IFRS is an IASB product used as a guide in preparing generally accepted monetary statements, it can be concluded that effective implementation of IFRS will impact quality financial reports. Furthermore, the application of IFRS can also reduce conflicts of information inequality or asymmetry information management and stockholders, envisaged properly implementing IFRS in SOEs, they will be able to improve the quality of financial reports.

2. Review of the literature and hypotheses

2.1 Theory of Agency

Jensen and Meckling (1976) notion theory of agency, namely agency bond, is disclosed when a contract is formed between an agent and a principal. An agent is assigned to carry out many functions and make business decisions. BUMN, for example, is an excellent example of an organization that uses agency theory. The issue of information inequality resulting from agency conflicts between management and shareholders is the subject of this theory of agency. With the advent of this asymmetry information problem, the principal keeps a close eye on the agent's activities to ensure that the company's goals are realized, and public accountability is maintained. BUMN is a state-owned corporation that must provide the government with accurate financial reporting as a form of responsibility. The implementation of GCG principles, where the management of SOEs must be monitored and controlled to ensure the operation of SOEs carried out following applicable regulations, with supervision implementation GCG, has successfully overcome agency problems that frequently occur in SOEs.

The IASB is responsible for the IFRS, a set of guidelines for preparing international financial reporting. The application of IFRS intends to make financial statement information disclosed by management to shareholders easier to understand for readers of monetary statements. Furthermore, the use of IFRS can help alleviate the problem of information disparity between management and shareholders. Financial reporting prepared following IFRS will include disclosures, making financial reporting more transparent. Furthermore, IFRS has utilized a framework for international production reporting on finances, ensuring that the financial reporting produced is applicable locally and worldwide. Because monetary statements form management accountability to shareholders, using IFRS and openness in financial reporting is intended to improve management's quality of financial reports.

2.2 Financial Reporting Quality

SAK (2018:12) states that financial statements are financial reporting designed to meet the demands of users who cannot claim biased financial reporting to meet their information needs. Financial reporting aims to offer readers of financial statements information on financial matters performance, position financial, cash flows they can use to make economic decisions. (Kartikahadi, 2020:124). Assets, debts, capital, income, and expenses are all included in monetary statements, gains, losses, and contributions from the distribution owner's role (Kartikahadi, 2020:124). Financial reporting that is of high quality includes qualitative traits such as being relevant (understandable), reliable (reliable), and comparable (can be compared) Kartikahadi, (2020:55). Financial information that is easy to grasp is provided through good financial reporting. Users of financial statements are anticipated to have a sufficient understanding of economic and commercial pursuits and the principles that constitute the foundation for creating financial reporting to provide accurate financial reporting information. User monetary statements are expected to comprehend accounting as a foundation of the financial accounting system and the applicable SAK, the guideline for creating financial reporting. Still, they must be aware of the financial reporting information's limits. It is preferable if financial reporting information is given in a basic manner that is easily understood by non-expert readers without sacrificing the importance of the information that must be presented in financial reporting.

Financial reporting must be relevant and understandable so that pertinent information has predictive (projection), confirmatory, and functional values. This information must have the quality of relevance that influences economic decisions. The focus is on the past and present (present) occurrences and the knowledge needed to forecast future events. In addition to being relevant (relevance), monetary finance is necessary to collect data reliably. News reliable it isn't misleading, there are no substantial misstatements, and the presentation is faithful (honest) or fairly presented. Financial reporting must meet the following criteria: truthful presentation, good judgment, substance over form, neutrality, and thoroughness. Financial reporting must be comparable between periods/entities for financial data to be used to make economic decisions. Financial reporting comparisons for two or more periods can convey estimates about changes in financial entities' conditions or conditions about opportunities. In comparison, inter-entity financial reporting comparisons, an entity in the future will provide helpful guidance for potential investors to make decisions.

Furthermore, existing financial reporting must be complete. Complete financial reporting includes a profit and loss statement, a statement financial position, income extended period, change statement equity, cash flow statement, contains remarks, monetary ideas summary, main procedures accounting and data. Some explanations and comparative news preceding the immediate phase the position is reporting on finances at the start of the period comparative when an entity is displayed its implementation of accounting method. It also restates reporting financial items, or when an entity financial reporting item is reclassified. (Kartikahadi, 2020:124).

2.3 Good corporate governance principles

Manossoh (2016:16) demonstrated that strong corporate governance is a structured method to manage a balanced interaction model between companies and stakeholders to achieve optimum company performance that is not burdensome to stakeholders. The goal of implementing GCG in businesses is to comply with a regulation issued by the minister state SOEs Number: PER-09/MBU/2012 (PER, 2012) The following are the details of GCG implementation at BUMN: (1) Improving the quality of SOEs by emphasizing excellent corporate governance standards (2). Promoting the transparent, efficient, and professional execution of SOEs (3). Optimizing the organization's ability to issue provisions and carry out morally proper operations (4). Encourage SOEs to participate in the economy (5). Improving the investment sector's condition, and (6). The privatization plan's success. Number SOE ministerial regulations: PER- 09/MBU/2012 (PER, 2012), following are the principles of excellent corporate management: (1) Clear, (2) Obligation, (3) Necessity, and (4) Freedom, (5). Balanced agreement with PER-09/MBU/2012 (PER, 2012) that the application GCG principle can improve financial report quality reports produced by SOEs. GCG application SOE management is carried out professionally and transparently concerning making financial performance decisions, which impacts financial report quality produced SOEs. Findings the investigation consistent with research previous Fitriah (2018), Marpaung (2019), Safkaur, et al., (2019), Hari Setiyawati & Ayu Ogy, (2019) with the conclusion implementation of GCG principles have a significant and good impact on financial report quality, although findings of the contradictory research. Kesuma & Choirul Anwar, (2017) According to a study, the implementation of good management, research has limited impact quality report Simon et al., (2016) with the conclusion that the application of GCG principles has no effect on financial report quality. Hypotheses in the study concluded based on findings of prior research and a review of the literature:

H_1: *Financial report quality has an impact on GCG principles.*

2.4 IFRS Implementation

The IASB is responsible for the IFRS, a set of guidelines for preparing international financial reporting. The application of IFRS intends to make financial statement information disclosed by management to shareholders easier to understand for readers of financial statements. EC, IASB, IFAC, and IOSOC are the four organizations that makeup IFRS. Kartikahadi (2020) revealed that most of the former part of IFRS standards were now IAS. IAS (International Accounting Standards Committee) published IAS from 1973 to 2001, and IASB approved all IAS in April 2001. IFRS contains the following: (1). In 2001, IAS standards were published (2). In 2001, IFRIC interpretations were issued (3). In 2001, IFRS was an issue (4). In 2001, IFRIC published arrangements (5). In 2001, SIC issued an interpretation. As a member of the G-20, Indonesia, It's expected that he'll be able to produce high-financial quality reports. The characteristics IFRS revealed. (Suyatmini & FN, 2014) namely: (1). necessitates expert judgment or expert judgment (2). Using reasonable judgment (3). It necessitates disclosure, or it necessitates disclosure (4). The standard necessitates a thorough examination of transactions (5). It uses a principle-based approach. The following are some of the advantages of using IFRS: (1). It saves both time and money (2). It can meet the community's demands with various services, allowing people to inquire about multiple accounting treatments and procedures (3). Because worldwide financial reporting rules apply, economic expansion happens quickly (Sugiarti, 2016). Furthermore, the application of IFRS aims to ensure that a company's financial statements are of consistent quality. That financial reporting is transparent for users of financial reporting and that financial reporting can be compared (can be reached) as long as accounting and financial reporting are obtained at a low cost to users. The conclusions of the research findings are in line with the study's findings. Al-Khafaji, (2018), Sacarin et al. (2013), Palea (2013) outcomes the same research are mentioned, with the conclusion use of IFRS has an influence on financial report excess. Sanyaolu et al., (2017) as well as research Yurisandi & Puspitasari, (2015). However, several research findings are provided. Black & Maggina, (2016) With the conclusion use IFRS hasn't affected financial report quality statements based on literature research and theoretical concepts, the hypothesis in this study may be stated as follows:

H_2: *The implementation of IFRS has an impact on financial report quality.*

The following is framework thought, which is based on the background, leading theory, literature review, and hypothesis development:

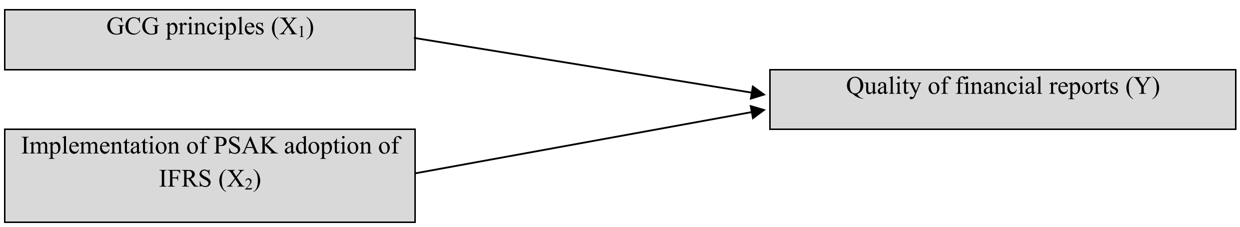

Fig.1. Research Conceptual Framework

3. The research process

3.1 Sample research

The sample for this study is BUMN, located in DKI Jakarta and its environs, with 30 examples. Employees from BUMN's finance, accounting, and internal supervisory units (SPI) divisions were polled. Female respondents have the highest number of 53.54 percent or 53 respondents, compared to 46 male respondents, according to respondent profile (46.46 percent). When looking at the level of education, respondents with a bachelor's degree have a total of 66 people (66.67 percent). When looking at responses above the age of 35, there are 42 individuals (66.67 percent), and when looking at the duration of service, the term of service of fewer than five years has the most people, with 40 people (40.40 percent).

3.2 calculating

The questionnaire employed. The results of this investigation were calculated using the Likert scale, with the following criteria: five points for SS and 1one point for STS. The two variables independent of this research are the principles of GCG and the implementation of IFRS, variable dependent financial report quality. Questionnaires used to study were developed independently, literature review, and previous research. There are two types of indicators and some tests used to determine whether indicators used are valid and reliable. Researchers use the outer model with convergent validity and discriminant validity; if results of the first outer model reveal indicators that are not valid, the invalid indicator shall be removed, leaving only valid indicators in the next stage. While questionnaire reliability for reflective indicators using the outer model with convergent validity, discriminant validity; if results of the first outer model reveal indicators that are not valid, the indicator is dropped, leaving only valid indicators. Meanwhile, the validity of formative indicators can be determined using the multicollinearity test and outer weight test (significance level). The indicator is considered valid if the multicollinearity value is greater than 1 < 5 (Ghozali & Latan, (2015:77), The indicator is judged valid for the significance test (outer weight) if t-statistic > 1.96. (t-count) With a 5% significance threshold, if an indicator in the first stage has a VIF value (multicollinearity) > five and a t-statistic value of 1.96, the indicator is removed, leaving only viable indicators in the second stage. The questionnaire in this study was created using previous research, literature reviews, and research projects as a foundation. The GCG principles are guided by the dimensions employed in them. (PER, 2012), GCG consists of five principles, namely responsibility, accountability, transparency, independence, and fairness. All of those are the qualities the IFRS dimension is guided by (D. D. Kieso et al., 2015), (Suyatmini & FN, 2014), (Bharata et al., 2020), and (Kartikahadi, 2020). Fair value, disclosure, the principle base, and professional judgment are the characteristics of IFRS. At the same time, the aspects of financial statement quality are led by (Kartikahadi, 2020), (D. E. Kieso et al., 2019) with relevant, dependable, intelligible (understandable), and comparable dimensions. While the application of PSAK is an initiative of the researcher's thought, the adoption of IFRS is a statement of the financial report quality questionnaire and the implementation of the principles adopted from the study (Fitriah, 2018).

3.3 Data evaluation

The smart pls 3.0 application is used to test hypotheses in this study. Smart pls is a statistical technique based on the variance meant to handle multiple regression when there are particular challenges in the data, such as small research samples, missing data, or multicollinearity. (Wati, 2018). The outer model was used to assess the validity reliability research indicators, whereas the inner model was used to test validity reliability research indicators. If factor loading factor > 0.5, the needle is said to be legitimate. (Wati, 2018) with an AVE value greater than 0.5. If the composite reliability rating is between 0.6 and 0.7, the indicator is deemed to be dependable. (Ghozali & Latan, 2015) Cronbach's alpha is more significant than 0.6. Q-Square predictive relevance for the constructed model can be used to evaluate the inner model test. Q-Square assesses the model's ability to generate observed values as well as parameter estimates. If the Q-Square > 0, the model is predictive.

3.4 Findings from the research

An empirical description of the data descriptively in this study uses a number index categorized into a range of scores based on the three-box technique, based on descriptive analysis related to respondents' answers in the questionnaire. (Ferdinand, 2014). If the index value is 20 percent -46.67 percent, the respondent's answer has a low interpretation; if the index value is 46.67 percent -73.33 percent, the respondent's response has a moderate performance; and if the index value is 73.33 percent -100 percent, the respondent's answer has a high interpretation. The average index value of respondents' answers for the financial report quality variable is 87.56 percent based on the category. So the average is included in the high interpretation; the average index value of respondents' answers for the good corporate governance principle variable is 85.13 percent based on the category, so the average is included in the high interpretation. The average index value of respondents' answers for the good corporate governance principle variable is 85.13 percent based on the category, so the average is included in the high interpretation. Financial reports of high-quality Table 1 shows values variable indexes:

Table 1
Value a variable index

Variable	Index %	News
Quality of Financial Reports (Y)	87.56%	High interpretation
GCG Principle (X_1)	85.13%	High interpretation
Implementation PSAK Adoption IFRS (X_2)	86.11%	High interpretation

Source: Primary data were analyzed.

where the reliability composite, Cronbach's alpha > 0.7, loading factor > 0.5, AVE > 0.5 reliability composite, Cronbach's alpha have met. Except for the financial report quality variable, where the AVE value is equal to 0.5, this value is still regarded as sub-marginal because the reliability composite, Cronbach's alpha is both > 0.7. Table 2 displays loading factor values, composite reliability, Cronbach alpha, and AVE:

Table 2
Test results for variables with reflected indicators in terms of validity and reliability

Variable	Composite Reliability	Cronbach's Alpha	AVE	Range Loading Factor	Information
Quality of Financial Report (Y)	0.874	0.831	0.500	0.606 s/d 0.796	Valid and Reliable
PSAK Adoption IFRS Implementation (X_2)	0.943	0.931	0.648	0.718 s/d 0.863	Valid and Reliable

Source: output smart pls 3.0

Table 3
Validity and Reliability Test Results for variables with formative indicators

No	Indicators of Good Corporate Governance Principles (X_1)	Multicollinearity Value (VIF)	Information
1	X1,1.(Financial information is disclosed)	2.482	Multicollinearity does not exist
2	X1,2.(Disclosure on the company's website)	2.587	Multicollinearity does not exist
3	X1,3.(Providing information to users of data).	2.925	Multicollinearity does not exist
4	X1,4.(Accountability for budget realization (ralia variance))	2.644	Multicollinearity does not exist
5	X1,5.(Apply the regulations following the company's policies)	3.136	Multicollinearity does not exist
6	X1,6.(Using business principles)	4.325	Multicollinearity does not exist
7	X1,7.(Management of a professional company)	2.576	Multicollinearity does not exist
8	X1,8.(Management of the company following a sound corporate strategy)	2.627	Multicollinearity does not exist
9	X1,9.(Stakeholders are treated fairly when the idea of fairness is applied)	2.584	Multicollinearity does not exist
10	X1,10.(The existence of stakeholders' equal rights)	3.462	Multicollinearity does not exist

Source: output smart pls 3.0

Table 3 shows the VIF value of all GCG principle indicators is less than 5. It means all hands meet the multicollinearity criterion, indicating that all indicators are legitimate and do not experience multicollinearity.

Table 4
Variables with Formative Indicators: Validity and Reliability Test Results

No	Indicators of Good Corporate Governance Principles (X_1)	Outer Weight Value	T-Statistic Value	Loading factor value	Information
1	X1,1.(Financial information is disclosed)	0.698	5.348	0.960	significant
2	X1,2.(Disclosure on the company's website)	0.377	2.577	0.860	significant
3	X1,3.(Providing information to users of information).	0.384	2.163	0.663	significant
4	X1,4.(Accountability for budget realization (ralia variance))	0.819	7.300	0.953	significant
5	X1,5.(Apply the regulations in compliance with the policies of the company)	0.586	2.666	0.952	significant
6	X1,6.(Using business principles)	0.478	2.232	0.927	significant
7	X1,7.(Management of a professional company)	0.313	2.272	0.720	significant
8	X1,8.(The company's management in accordance with a sound corporate strategy)	0.804	7.174	0.963	significant
9	X1,9.(Stakeholders are treated fairly when the idea of fairness is applied)	0.246	0.727	0.826	not significant
10	X1,10.(The existence of stakeholders' equal rights)	0.858	4.365	0.993	significant

Source: output smart pls 3.0

Table 5
Predictive Relevance Numbers from Q-square

Variables	Q-square (Q_2)
Quality Report Financial (Y)	0.592
$Q^2 = 1\text{-}(1\text{-}R_1^{\ 2}) = 1\text{-}(1\text{-}0.592) = 0.592$	

Source: output smart pls 3.0

The t-statistical value and the p-value created via bootstrapping are supplied for hypothesis testing, and the output findings are compared to the t-table value. The significance level 5% is used hypothesis in this study, and it is established criteria: (t-count) > (t-table) (1.96) and P-values 0.05,Hypothesis accepted; (t-count) > (t-table) (1.96) P-values, hypothesis rejected. Table 6 shows sample original values, mean sample, deviation standard, P- Values, and t-statistic

Table 6
Finding hypothesis test

Variables	Sample Original (O)	Mean Sample (M)	Deviation Standard (STDEV)	T-Statistic (O/STDEV)	P-Values
GCG Principles → Financial Quality Reports	0.472	0.548	0.105	4.500	0.000
PSAK Adoption IFRS Implementation → Financial Report Quality	0.345	0.287	0.111	3.100	0.002

Source: output smart pls 3.0

Table 6 shows that the hypothesis test of 1 GCG principle, with an original sample value of 0.572, can be interpreted as having positive impact application GCG principles regarding financial report quality, t-statistic values of 4.500 > 1.96, a significance level of 5%, and P-values 0.000 < 0.050. Hypothesis (Ha1) accepted based findings of hypothesis testing 1. With t-statistics 3.100 > 1.96, significance threshold of 5%, and P-values 0.002 < 0.050, the findings of hypothesis testing two the application of IFRS original sample values 0.374, concluded that there is a beneficial influence on the implementations IFRS regarding quality financial reports. Adoption of IFRS has a considerable and favorable impact on financial report quality in this scenario. Hypothesis (Ha2) is accepted based on findings hypothesis test 2.

3.5 Discussion of research

The results of this study, application of GCG considerable and favorable impact on financial report quality. These findings support the concept of agency theory. Jensen & Meckling, (1976) Financial performance transparency is vital in eliminating information disparity between management and shareholders, overcome by applying GCG. Adequate financial performance transparency will have an impact on financial report quality. GCG implementation that is good, clean, and transparent will boost public trust in state-owned firms. Through the application of GCG, five principles : (1) Clear, (2). Obligation, (3). Necessity, (4). Freedom, (5). Balanced transparency of SOEs connected to policymaking relevant to community interests and accountability to the public for financial management so that the company may generate excellent financial reporting are all part of the GCG principles' execution. As a result, outstanding corporate governance rules have a positive influence on financial report excess. The study supports previous research findings. Safkaur et al. (2019) study Fitriah (2018), study Marpaung (2019), and study Kasim (2015), with his research finding that good corporate governance standards have a positive influence on financial report quality. However, this finding contradicts Kesuma and Choirul Anwar's (2017) research and analysis by Simon et al. (2016). The adoption of GCG principles does not affect financial report quality, according to the study. The findings of this study show that implementing IFRS has a favorable and considerable impact on financial report quality. Research concept theory agency Jensen & Meckling, (1976) that agency relationship frequently creates a problem of information asymmetry between management and shareholders. Still, that information asymmetry can be overcome through the practical application of IFRS, where financial statements prepared based on IFRS standards require disclosure, so report monetary messages designed transparently so that this will have an impeachable effect. The research concludes that an exemplary IFRS implementation based on the principles of historical cost, disclosure, revenue recognition, fair value, and principle basis on financial statements will result in high-quality financial information. The conclusions of these study findings are consistent investigation. Al-Khafaji, (2018) as well as research Sacarin et al., (2013) According to the study, IFRS implementation considerable impact financial report quality Setiyawati & Zainudin, (2019) as well as research Hari Setiyawati & Ayu Ogy, (2019) SAP deployment has an impact financial report quality. The finding of this study is similar to those of previous research Yurisandi & Puspitasari, (2015). The implementation of IFRS impacts quality report finance. However, the findings of this study differ from those of an earlier study Black & Maggina, (2016) that the IFRS does not affect financial reporting quality.

3.6 Research limitations and recommendations

This study was conducted using sound research methods, yet future studies need to address several flaws. If the dependent variable financial report quality and the sample is drawn from companies in similar industries (business fields), the statements submitted by respondents do not always describe the actual conditions, and the variables used in this study are even fewer because not all financial statement quality issues are addressed in this study.

4. Research conclusion

This research aims to see how the introduction of PSAK adoption IFRS and GCG principles affects financial reporting quality. According to the concept of agency theory, this study concludes the implementation of GCG principles has a considerable and favorable influence on financial reporting quality. Jensen & Meckling (1976) that by implementing GCG principles, information inequality (information asymmetry) caused by agency relationships can be overcome, that financial performance transparency is essential in overcoming information inequality between management and shareholders. That good financial performance transparency affects financial statement quality. IFRS has a significant and favorable influence on monetary reporting excess. Same with concept theory of agency, which states that (information asymmetry) caused by agency relationships can be overcome by using IFRS, which mandates disclosure of financial statements prepared in accordance with IFRS standards, ensuring that financial statements are ready transparently. As a result, the quality of financial accounts will be affected.

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