

Factors affecting the Quality of Financial Statement and its Impact on Leadership Decision Making (Survey at the Ministry of Defense of the Republic Indonesia)

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ABSTRACT

This research purpose is to analysis and examine the influence of the implementation of asset management, competence of the Head Accounting and the application of accrual-based Government Accounting Standard on the Quality of Financial Statements and their impact on leadership decision making. The population of this study is the Heads of Accounting within the Ministry of Defense of The Republic Indonesia. The sampling method use was the probability Sampling technique, which is a sampling technique that does not provide equal opportunities for each element or member of the population to be selected as a sample. The sample in this study was the Head of Accounting consisting of 156 Heads of Accounting. The data in this study were obtained by distributing questionnaires to respondents. Then the answers from the respondents were collected and calculated using the Likert scale using intervals of 1 to 5. This study uses a Structural Equation Model approach with Partial Least Square software, namely SmartPLS version 3.2.9. The results of this study prove that the implementation of asset management, competence of the head of accounting, accrual-based Government Accounting Standards have a significant effect with a positive direction on the quality of Financial Statement and Quality of Financial Statement has an impact on the decision making of the Leadership

1. Introduction

Financial accountability is a concrete effort to realize transparency and accountability of state financial management. In accordance with the prevailing laws and regulations, the Government is obliged to provide accountability for the State Budget. In accounting for state finances entrusted by the people, the Government uses Financial Statements (FS) as a means of accountability. The information contained in the Financial Statements made by the Government is used for the benefit of the general public, representatives of the people, and the Government itself. The Minister of Defense of the Republic of Indonesia as one of the Budget Users aligned with Ministries/Institutions (M/I) is obliged to carry out the preparation of Financial Statements at the end of each Fiscal year. In the Report on the Results of the Examination of the Financial Audit Agency (FAA) on the 2019 FS of the Ministry of Defense of The Republic Indonesia, the FAA provided an Unqualified Opinion. Unqualified Opinion's on FS of the Ministry of Defense of The Republic Indonesia in 2019 does not mean that FS is no error.

As stated by Agus Joko Purnomo, a member of the FAA, the problems found by the FAA in the field of Internal Control System (ICS) include the administration and presentation of Assets and the administration of Fixed Assets in the Accounting and Management Information System of State-Owned Asset. This happens because asset management has not been implemented optimally in The Defense Ministry of The Republic Indonesia environments. The quality of financial statements is the result of a work system where the results themselves are a series of work processes in one accounting system. Talking about a system means that there are devices and people or human elements in it that are the main motors. The results of the FAA examination of the Financial Report of Central Government revealed that in addition to the weak Internal Control System, there is a lack of competent human resource capacity in government financial management units. The definition of Government Accounting Standards (GAS) according to Government Regulation No. 71 of 2010 concerning GAS is "Government Accounting Standards are accounting principle applied in preparing and presenting government financial statements". Thus, GAS is a requirement that has legal force in an effort to improve the quality of government financial statement in Indonesia. GAS is applied within the scope of Government, namely The Central Government, Regional Governments, and organizational units in the Central/Regional Government environment. If the Government prepares financial statement based on GAS principles, The Quality of Financial Information will improve.

Decision Making Theory

Decision Making Theory posits that decision making is as an election based on certain criteria over possible alternatives (George R. Terry, 1977). Implementation of Decision Making Theory in Decision Making Leadership related to Decision Making is to make an assessment and drop a choice, (Haudi, 2021), before the choice is

dropped or the choice is decided, there are several stages that may be passed by the decision maker.

These stages may include identifying the main problem, drawing up alternatives to be chosen and arriving at the best decision making. These stages may include identifying the main problem, compiling alternatives to be selected and arriving at the best decision making, and one of the decision-making support systems is the Decision Support System (DSS), an interactive computer-based system, which helps decision makers in using data and models to solve unstructured problems. The DSS pioneer defined three goals that the DSS had to achieve. These objectives relate to three basic principles of the DSS concept – problem structure, decision support, and decision effectiveness, (Keen & Scott Morton, 1978)

Stewardship Theory

“Stewardship Theory assume that given a choice between self-serving behavior and pro-organizational behavior, a steward will place higher value on cooperation than defection” (Donaldson and Davis, 1991). The implementation of Stewardship Theory in this study is the theory describes a situation where managers are not motivated by individual purpose but rather aimed at their main targets for the benefit of the organization, so the theory has a psychological and sociological basis that has been designed where executives as Stewards try to achieve their organizational goals. (Sanjaya, 2017). The theory of stewardship can be applied in the accounting research of public sector organizations such as government organizations and other profits (Wahida, 2015).

Stakeholder Theory

Stakeholder Theory is defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Stakeholders are as groups or individuals who can influence and/or be influenced by the achievement of certain goals. Stakeholders Theory is a concept or strategic management, the purpose of stakeholders theory is to help organization strengthen relations with external groups and develop competitive advantages. Stakeholder Theory is a part of the Agency Theory namely the separation of ownership by the principal with agent control in an organization tends to cause agency conflict between the principal and the agent, counterinsurgency is likely due to the agent not always acting by the principals interest, thus triggering agency costs. Financial Statements made with accounting numbers is expected to minimize conflicts between interested parties, (Nuryana and Surjandari, 2019). Stakeholder Theory can explain that Ministry of Defense is not an entity that only operates for its own interests but must provide benefits for its stakeholders. Financial Statements are the final result of the accounting process that presents useful information for decision making by various interested parties., (Bastian, 2010). Ministries/Agencies must disclose clearly and in detail related to accounting data and other relevant information. Financial Report of Central Government made by M/I is useful for various parties who need financial statements for decision making,

Asset Management

Asset management is "Property asset management can be defined as the process of decision making and implementation relating to the acquisition, use, and disposal of real property", (Kaganova and McKellar, 2006). Meanwhile, Asset Management according to (Sugiama, 2013: 15) is a science and art to guide wealth management which includes the process of planning asset needs, obtaining, inventorying, conducting legal audits, assessing, operating, maintaining, renewing or eliminating to transfer assets effectively and efficiently. The implementation of asset management in this study is that asset management will affect the quality of financial statements. The same is also stated by (Agnes, 2015) that planning, implementation, administration and supervision (asset management) have a significant effect on the fairness of the presentation of assets in the financial statements of local governments. Thus asset management is one of the factors in providing fair opinions without exceptions so that it is necessary to have good asset management from the organization so that the results of examinations by external auditors can get reasonable results without exceptions.

Competency Theory of the Head of Accounting

“Competence is defined as the ability to perform a work role to a defined standard with reference to working environment. To demonstrate competence in a role, a professional accountant must possess the necessary (a) Professional knowledge, (b) professional skills, and (c) professionals values, ethics, and attitudes. (International Federation of Accountants, 2014) in IAESB : Handbook of International Education Pronouncements. In accordance with the Regulation of the Minister of Finance Number 171 / PMK.05 / 2007 concerning the Accounting and Financial Reporting System of the Central Government, the Head of Accounting is the Head of the Accounting Unit of the Proxy of Budget User, an agency that carries out accounting and reporting activities at the work unit level. So the Competence of the Head of Accounting is the basic nature of the Head of Accounting that can be predicted in various circumstances and job duties as an impetus to have achievements and desire to strive to carry out tasks effectively and must have knowledge, expertise and ethical values that carry out accounting and reporting activities at the work unit level.

The implementation of this theory in the study is to determine the characteristics of the Competence of the Head of Accounting in the Ministry of Defense environment which will affect the quality of Financial Statements.

Accrual-Based Government Accounting Standards

Based on the Government Regulation of the Republic of Indonesia Number 71 of 2010 Article 1 Paragraph (3) concerning Government Accounting Standards, "Government Accounting Standards, here in after abbreviated as GAS, are accounting principles applied in preparing and presenting Government financial statements". Meanwhile, according to (Wijaya, 2008) "GAS is the first accounting standard in Indonesia that regulates Indonesian Government Accounting. With this standard, government financial statements which are the result of the accounting process are expected to be used as a communication tool between the government and stakeholders so as to achieve transparent and accountable of the financial statement management."

Framework

Asset Management is a science and art to guide wealth management which includes the process of planning asset needs, obtaining, inventorying, conducting legal audits, assessing, operating, maintaining, renewing or eliminating to transfer assets effectively and efficiently, (Sugiana, 2013). The same is also stated by (Agnes, 2015) that planning, implementing, administering and supervising (asset management) have a significant effect on the fairness of the presentation of assets in the financial statements of local governments. Thus asset management is one of the factors in providing fair opinions without exceptions so that it is necessary to have good asset management from the organization so that the results of examinations by external auditors get reasonable results without exceptions. Previous research conducted by (Nilliani, 2019), (Novita, 2018), (Tangke, Halim, 2015), (Amaliah, 2019), (Rusman, 2017) shows that the application of Asset Management affects the quality of Financial Statements. Meanwhile, the results of the study (Inapty and RR and Martiningsih, 2016), prove that the application of Asset Management does not affect the Quality of Financial Statements.

The audit results of the Audit Board of the Republic of Indonesia revealed that in addition to the weak Internal Control System, there is a lack of competent human resource capacity in government financial management units so that the resulting Financial Statements cannot meet quality standards according to the provisions. Several studies have provided empirical evidence of how the competence of this individual can affect the quality of financial statements, namely: research conducted research (Ahmad, 2020), (Asmawanti et al., 2020), (Umar, Usman and Purba, 2018), (Zahrah, 2017), (Septarini, Dina Fitri, 2016) shows that the Competence of human resources affects the quality of Financial Statements. Meanwhile, the results of research (Adha Inapty and Martiningsih, 2016) and (Kalumata, Ilat and Warongan, 2015) prove that the application of HR Competencies has no effect on the quality of Financial Statements.

The implementation of Accrual-Based GAS is believed to have an impact on improving the quality of financial reporting in the Central and Regional Governments. This means that government financial information will be able to become the basis for decision-making in government and also the realization of transparency, as well as accountability. The benefit that can be obtained with the existence of Government Accounting Standards is that the resulting Financial Statements can provide open, honest, and comprehensive financial information to stakeholders. In addition, within the scope of management, it can facilitate the functions of planning, managing and controlling assets, liabilities, and equity of government funds. The next benefit is the balance between generations where it can provide information about the adequacy of government revenues to finance all expenditures and whether future generations bear the burden of these expenditures. Thus, it can be assumed that the quality of Financial Statements after the implementation of Government Accounting Standards is higher than before the implementation. The results of the study (Ikriyati and Aprilia 2019), (Holle, V. A., Salle, A., & Sanggenafa, 2019), (Rahmah and Zulkifli, 2018), (Karunia, Payamta and Sutaryo, 2019) and (Jati, 2019) show that the application of accrual-based GAS affects the quality of Financial Statement.

Decision making is a choice that is made to determine the alternative to be taken. Managers are not motivated by individual goals but rather aimed at their main outcome goals for the benefit of the organization. So that the results of the Financial Statements will be a consideration from management to make a decision. The results of previous research conducted by (Sinaranata, Putra and Saitri, 2019), (Gardi et al., 2021) and (Ababneh and Aga, 2019) significantly the quality of financial statements has a positive effect on the decision making of the Leadership.

The relationship between asset management implementation, accounting head competence, accrual-based GAS on the quality of FS and what impacts on the leadership decision making can be explained according to the figure below:

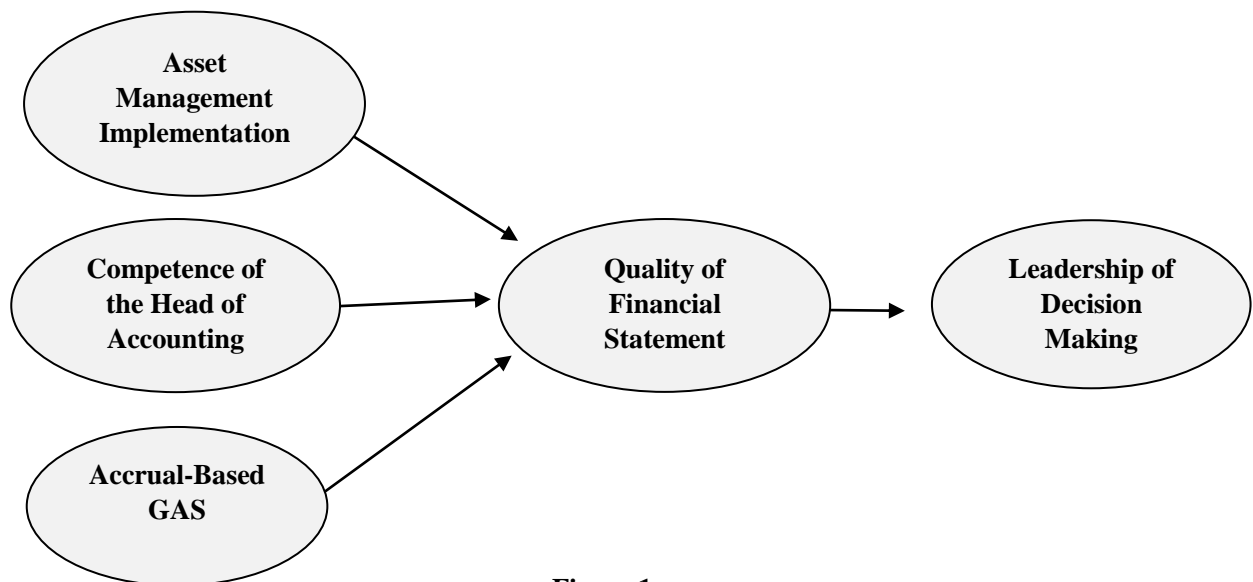


Figure 1
Framework

Hypothesis

According to the framework, the hypothesis proposed in this study are:

H1: There is an influence of The Implementation of Asset Management on The Quality of Financial Statements.

H2: There is an influence of the Competence of the Head of Accounting on The Quality of Financial Statements.

H3: There is an influence of the the Accrual-Based Government Accounting System on the Quality of Financial Statements.

H4: There is an Impact of The Quality of Financial Statements on The leadership decision making.

2. Methods

This research uses quantitative research methods using a causality approach. In this study, the population was the entire Head of Regional Unit Accounting within the Ministry of Defense and TNI in 2019, namely 514 people in accordance with the Regional Unit in the Ministry of Defense environments. Samples are taken randomly and proportionally (probability method) based on a defined level (proportionate stratified random sampling design). The criteria for selecting respondents are the position level of the Head of Accounting at the Regional Task Force within the Ministry of Defense. The data used is primary data. Data collection is based on the results of questionnaire answers that have been shared with respondents, namely the Head of Accounting who was the target of the study. Data sources are secondary data obtained from various sources such as previous research journals and books. The method of data collection is a survey technique. The data in this research were collected by distributing questionnaires to respondents who were targeted by the research. Then, the answers of each instrument that have been filled in and collected are tabulated and then measured with a Likert scale expressed with an interval of 1 to 5.

Table 1.

Recapitulation of the Number of Accounting Units of the Ministry of Defense

NO	CODE ES - 1	DESCRIPTION	NUMBER OF UNIT
1	01	Organizational Units Ministry of Defense	15
2	21	Organizational Units of Indonesian Armed Forces	38
3	22	Organizational Units of Indonesian Army	239
4	23	Organizational Units of Indonesian Navy	106
5	24	Organizational Units of Indonesian Air Force	116
			514

Source : Audit Report on FS Ministry of Defense 2019

The operationalization of variables along with the dimensions and indicators of each variable is presented in the following table:

Table 2.
Research Variables and Operational Definitions of Variables

NO	Variable	Dimension	Indicator
A.	Implementation Asset Management (X1) Gima Sugiama (2013)	1. Asset Requirement planning (IMAPKA)	a. identifying the requirement for specification or the quality and quantity of assets b. calculating and preparing investment needs c. collecting information about suppliers d. price information e. drafting of the budget for the cost of the procurement process of the asset concerned
		2. Asset procurement (IMAPDA)	a. accountability and efficient management of resources, b. independence c. the occurrence of economic and social interaction
		3. Asset inventory (IMAIA)	a. activities to carry out data collection, b. recording of assets c. reporting the results of asset data collection d. documenting at a certain time.
		4. Legal Asset Audit (IMALAA)	a. Examination of ownership status, b. system and mastery procedures (use and utilization) c. transfer of assets d. identifying the possibility of various legal problems, e. seeking solutions to such legal problems.
		5. Asset valuation (IMAPA)	a. providing an estimate of the economic value of a property tangible assets b. providing an estimate of the economic value of a property of intangible assets, c. using applicable assessment techniques, methods and principles.
		6. Operation and Maintenance of assets (IMAPPA)	a. Activities muse / utilize assets b. Activities to improve all assets so that they function as before
		7. Asset renewal (IMAPBHA)	a. asset reimbursement activities b. repairing spare parts
		8. Asset write-off (IMAPHPA)	a. asset destruction activities b. transferring of assets
		9. Destruction of assets (IMAPMSNHA)	a. unusable, non-usable, and/or non-transferable; or b. there are other reasons in accordance with the provisions of the laws and regulations.
		10. Transfer of assets (IMAPAL)	a. sell, b. include in the capital c. granting assets
B.	Competence of the Head of Accounting (X2) Spencer & Spencer International Federation of Accountants (2014)	11. motive (KKAM)	a. pushing, b. directing behavior
		12. Traits (KKAS)	a. the public interest and sensitivity to social responsibilities; b. continual improvement and lifelong learning; c. reliability, responsibility, timeliness, courtesy and respect d. laws and regulations
		13. Self-concept (KKAKD)	a. the public interest and sensitivity to social responsibilities; b. continual improvement and lifelong learning; c. reliability, responsibility, timeliness, courtesy and

NO	Variable	Dimension	Indicator
			respect d. laws and regulations
		14. Knowledge (KKAP)	a. studying, learning b. experience c. intuition
		15. Skill (KKAK)	a. Record all transactions b. Make transaction books and compile financial statements c. Verification of the total amount of taxes and financial statements calculated by the financial staff d. Providing financial research consulting e. Budget evaluation and reports f. Controlling of fraudulent transactions g. Regular auditing
C.	Accrual-Based Government Accounting Standards	16. Commitment from the Leadership (SAPKD)	a. Strong support from the leadership b. improvements to government accounting. c. Central government accounting system refers to GAS
	Government Regulation Number 71 2010	17. Availability of competent human resources (SAPSK)	a. Financial Statements are arranged properly b. Mastering on government accounting
		18. Resistance to change (SAPRP)	a. the new system Adjustable b. Not reluctant to follow the changes. c. Carry out socialization.
		19. Community Environment (SAPLM)	a. Appreciation from the community b. The public understands the government's financial statements c. Knowing and understanding the use of tax revenues
D.	Quality of Financial Statements	20. The Purpose of FS (KLKT)	a. HR economic position, liabilities and equity of government funds. b. changes in the position of economic elementary schools, liabilities and equity of government funds. c. the source, allocation, and use of economic primary schools. d. Providing information on budget realization
	Government Regulation Number 71 2010		
		21. FS Components (KLKK)	a. Statement of Budget Realization b. Excess Budget Balance c. Balance sheet d. Operational Reports e. Cash Flow Statement f. Equity Change Statement g. Notes to Financial Statements
E.	Decision Making	22. Base (PKPD)	a. Intuition b. Experience c. Facts d. Authority e. Logic/ Rational
	George R. Terry	23. Decision Support System (PKPDSS)	a. Help managers make decisions to solve semi-structured problems. b. Support the manager's judgment instead of trying to replace it. c. Increase the effectiveness of managers' decision-making rather than their efficiency.

Data Analysis Methods

The data analysis method used in this study is Quantitative Analysis, which is a data analysis obtained from a list of questions processed in the form of numbers and their discussion through statistical calculations using the Structural Equation Model (SEM) approach with Partial Least Square (PLS) software, namely SmartPLS version 3.2.9. Based on the path diagram of the PLS model, it can be formulated into the following equation:

$$Y = \beta_1X1 + \beta_2X2 + \beta_3X3 + \varepsilon$$

Information:

- Y = Variable Quality of Financial Statements
- X1 = Asset Management Implementation Variables
- X2 = Competency Variables of the Head of Accounting
- X3 = Accrual-Based SAP Variables
- β = Regression coefficient
- ε = Error

$$Z = \beta_1Y + \varepsilon$$

Y = The Quality of Financial Statement

Z = Leadership Decision Making

3. RESULTS AND DISCUSSIONS

Results

Descriptive Statistics

Statistical descriptive include minimum values, maximum values, mean values, and standard deviations on each indicator. Here are the results obtained:

Table 3
Descriptive Statistical variables Implementation of Asset Management

NO	DIMENSION	MEAN PER DIMENSION
1	Asset needs planning	4.376
2	Asset procurement	3.966
3	Asset inventory	4.385
4	Legal Audit Asset	3.955
5	Asset valuation	4.248
6	Operation and Maintenance of assets	4.109
7	Asset renewal	3.952
8	Asset write-off	4.115
9	Destruction of assets	3.920
10	Transfer of assets	4.056
	Mean per Variable	4,108

Source: Smart PLS Output

Based on the table above, the Asset Management Implementation Variables have an average value of 4,108 (very high). It means that the Implementation of Asset Management has been carried out properly, especially in the Asset Inventory Dimension with a score of 4,385 (very high). The good implementation of Asset Management is supported by the profile of respondents who are dominated by the Head of Accounting aged 18-34 as many as 122 people (78.1%) and the last level of education S2 as many as 58 people (37.5%). The table below explains the descriptive analysis of the Competency Variables of the Chief Accountant.

Table 4: The Competency of the Head Accounting Variables

NO	DIMENSION	MEAN PER DIMENSION
1	Motive	4.113
2	Traits	4.293
3	Self Concept	4.450
4	knowledge	4.419
5	Skill	4.197
	Mean per Variable	4.294

Source: Smart PLS Output

The competency variable of the Head of Accounting has an average value of 4,294 (very high). This means that the Head of Accounting has very high competence, especially in the self-concept Dimension with a score of 4,450 (very high). The value upheld by the Heads of Accounting and the attitude towards something ideal and aspired to that is embodied in the work or life of the Heads of Accounting is very high. The table below further describes the Descriptive of Accrual-Based GAS Variables.

Table 5
Accrual-Based GAS Implementation Variables

NO	DIMENSION	MEAN PER DIMENSION
1	Commitment from the Leadership	4,267
2	Competent human resources	4,141
3	Resistance to change	3,987
4	Community Environment	4,312
	Mean per Variable	4,177

Source: Smart PLS Output

The Accrual-Based SAP Implementation Variable has an average value of 4,177 (high). This means that the application of Accrual-Based GAS has a high influence, especially on the Dimension of the Community Environment with a score of 4,312 (very high) on the quality of financial statements.

Table 6
The Quality of Financial Statements Variables

NO	DIMENSION	MEAN PER DIMENSION
1	Purpose of FS	4,290
2	Component of FS	4,173
	Mean per Variable	4,232

Source: Smart PLS Output

The Quality of Financial Statements Variables with an average value of 4,232 (Very High). It is means that the quality of financial statements is influenced, especially by the Dimension of the Purpose of Making Financial Statements with a score of 4,290 (very high). The purpose of making financial statements will provide a complete picture of the Financial Performance of the Ministry of Defense because in accordance with Financial Accounting Standards. The purpose of Financial Statements is to provide financial information, as a medium for management accountability and as an evaluation material. The next table is a descriptive analysis of Leadership Decision Making Variables.

Table 7
The Leadership Decision-Making Variables

NO	DIMENSION	MEAN PER DIMENSION
1	Basic Decision Making	4,450
2	Decision Support System	4,169
	Mean per Variable	4,280

Source: Smart PLS Output

The Leadership Decision Making Variable with basic decision-making dimensions has an average value of 4,450 (very high). This means that in decision making, managers/leaders strongly consider their intuition, experience, facts and authorities as well as rational logic.

Validity Test and Reliability Test

The output of loading factor research results from Smart PLS can be seen as the table below:

Table 8
Outer Loading Level Variable

Indicators	Original Sample (O)	P Values	Critical Point	Conclusion
IMAPKA01	0.748	0.000	0.700	Valid
IMAPKA02	0.721	0.000	0.700	Valid
IMAPKA03	0.707	0.000	0.700	Valid
Indicators	Original Sample (O)	P Values	Critical Point	Conclusion
IMAPKA04	0.714	0.000	0.700	Valid
IMAPKA05	0.706	0.000	0.700	Valid
IMAPDAA01	0.737	0.000	0.700	Valid
IMAPDAA03	0.727	0.000	0.700	Valid
IMAIA01	0.731	0.000	0.700	Valid
IMAIA02	0.717	0.000	0.700	Valid
IMAIA03	0.736	0.000	0.700	Valid
IMAIA04	0.747	0.000	0.700	Valid
IMALAA01	0.756	0.000	0.700	Valid
IMALAA02	0.710	0.000	0.700	Valid
IMALAA03	0.727	0.000	0.700	Valid
IMALAA04	0.713	0.000	0.700	Valid
IMALAA05	0.717	0.000	0.700	Valid
IMAPA01	0.761	0.000	0.700	Valid
IMAPA02	0.754	0.000	0.700	Valid
IMAPA03	0.760	0.000	0.700	Valid
IMAPPA01	0.763	0.000	0.700	Valid
IMAPPA02	0.740	0.000	0.700	Valid
IMAPBHA01	0.737	0.000	0.700	Valid
IMAPBHA02	0.747	0.000	0.700	Valid
IMAPHPA1	0.735	0.000	0.700	Valid
IMAPHPA2	0.743	0.000	0.700	Valid
IMAPMSNHA01	0.742	0.000	0.700	Valid
IMAPMSNHA02	0.715	0.000	0.700	Valid
IMAPALHA01	0.715	0.000	0.700	Valid
IMAPALHA02	0.709	0.000	0.700	Valid
IMAPALHA03	0.719	0.000	0.700	Valid
KKAM01	0.763	0.000	0.700	Valid
KKAM02	0.726	0.000	0.700	Valid
KKAS01	0.726	0.000	0.700	Valid
KKAS02	0.700	0.000	0.700	Valid
KKAS03	0.703	0.000	0.700	Valid
KKAS04	0.782	0.000	0.700	Valid
KKAS02	0.805	0.000	0.700	Valid
KKAS03	0.759	0.000	0.700	Valid
KKAS04	0.729	0.000	0.700	Valid

KKAKD01	0.703	0.000	0.700	Valid
KKAKD02	0.803	0.000	0.700	Valid
KKAKD03	0.806	0.000	0.700	Valid
KKAKD04	0.751	0.000	0.700	Valid
KKAK1	0.759	0.000	0.700	Valid
KKAK2	0.710	0.000	0.700	Valid
KKAK3	0.782	0.000	0.700	Valid
KKAK4	0.713	0.000	0.700	Valid
KKAK5	0.773	0.000	0.700	Valid
Indicators	Original Sample (O)	P Values	Critical Point	Conclusion
KKAK6	0.726	0.000	0.700	Valid
KKAK7	0.724	0.000	0.700	Valid
SAPKD01	0.796	0.000	0.700	Valid
SAPKD02	0.791	0.000	0.700	Valid
SAPKD03	0.770	0.000	0.700	Valid
SAPSK01	0.816	0.000	0.700	Valid
SAPSK02	0.746	0.000	0.700	Valid
SAPLM01	0.816	0.000	0.700	Valid
SAPLM02	0.828	0.000	0.700	Valid
SAPLM03	0.778	0.000	0.700	Valid
SAPRP01	0.799	0.000	0.700	Valid
SAPRP02	0.727	0.000	0.700	Valid
SAPRP03	0.728	0.000	0.700	Valid
KLKT01	0.765	0.000	0.700	Valid
KLKT02	0.717	0.000	0.700	Valid
KLKT03	0.725	0.000	0.700	Valid
KLKT04	0.708	0.000	0.700	Valid
KLKK01	0.802	0.000	0.700	Valid
KLKK02	0.788	0.000	0.700	Valid
KLKK03	0.775	0.000	0.700	Valid
KLKK04	0.738	0.000	0.700	Valid
KLKK05	0.743	0.000	0.700	Valid
KLKK06	0.821	0.000	0.700	Valid
KLKK07	0.766	0.000	0.700	Valid
PKPD01	0.799	0.000	0.700	Valid
PKPD02	0.840	0.000	0.700	Valid
PKPD03	0.842	0.000	0.700	Valid
PKPD04	0.813	0.000	0.700	Valid
PKPD05	0.824	0.000	0.700	Valid
PKPDSS01	0.721	0.000	0.700	Valid
PKPDSS02	0.751	0.000	0.700	Valid
PKPDSS03	0.822	0.000	0.700	Valid

Source: Smart PLS Output

Based on the table above, all indicators have a factor loading value greater than (equal to) 0.7 so it can be concluded that all indicators are valid. Thus, it can be concluded that all indicators can explain each of the existing variables and the variables can be said to be valid for subsequent analysis.

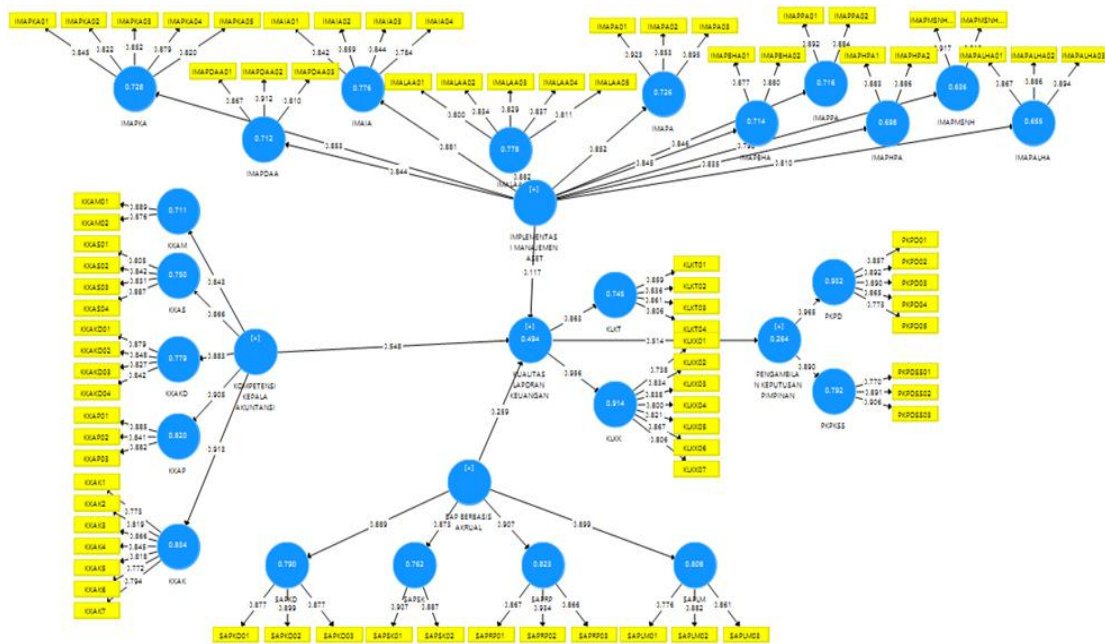


Figure 2

Research Loading Output

Reliability tests can be performed using Cronbach's alpha and composite reliability. The test criteria state that if the composite reliability is more than 0.7 and cronbach's alpha is more than 0.6 then the construct is declared reliable.

Table 9
The Reliability Level Variable

Variable	Cronbach's Alpha	Composite Reliability
Asset Management Implementation	0.971	0.973
Competence of the Head of Accounting	0.958	0.962
Sap Based Accruals	0.936	0.945
Quality of Financial Statements	0.926	0.937
Leadership Decision Making	0.921	0.935

Source: Smart PLS Output

From the Table above, it can be seen, each variable produces a value of cronbach's alpha more than 0.6 and a composite reliability value more than 0.7. Thus, based on the calculation of the value of chronbach's alpha and the value of composite reliability all indicators are reliable in measuring their variables.

Inner Model

The results of testing the suitability of the model in Smart PLS using R Square with the following results :

Table 10
Coefficient of Determination Results (R²)

	R Square	R Square Adjust
The Quality of Financial Statements	0.494	0,484
The Decision Making of Leadership	0.264	0,259

Source: Smart PLS Output

Table shows that the value of R Square (R²) The quality of the Financial Statements is 0.494 and the Adjusted R-Square (Adj-R²) value is 0.484. This means that the quality of financial statements is influenced by the implementation of asset management, competence of the head of accounting, accrual-based GAS, by 49.4% (in the moderate category), while 50.6% is explained by other variables outside this research model. While the Value of R Square (R²) Of Leadership Decision Making is 0.264 and the Adjusted Value of R-Square (Adj-R²) is 0.259. This means that leadership decision making is influenced by the quality of financial statements by 26.4% (in the moderate category) while 73.6% is explained by other variables outside this research model.

Hypothesis Testing

The following is conveyed the results of hypothesis testing through the following figure:

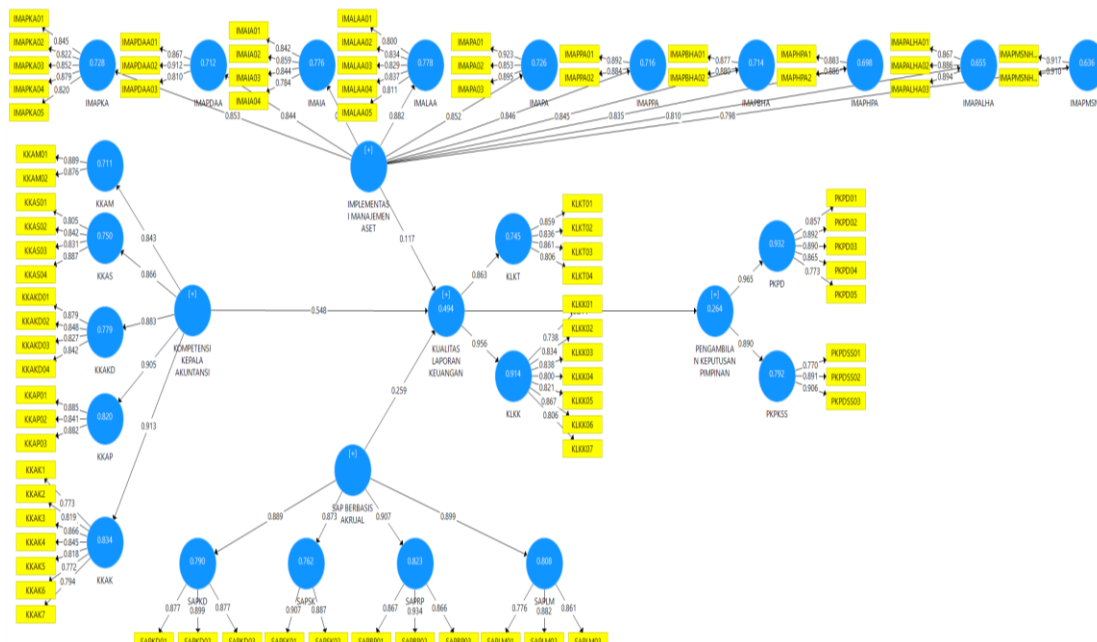


Figure 3
Output Loading Hypothesis Testing

From the results of the picture above, it can be explained that the results of the path analysis of all variables have a significant influence on the Financial Statements and Financial Statements have an impact on the decision making of the Chairman. The following are conveyed the results of hypothesis testing through the following table:

Table 11
Path Coefficient Value

Hip	Correlation	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Conclusion
H1	Implementation of Asset Management - > The Quality of Financial Statements	0.117	0.061	1,927	0.036	Significant Effect
H2	Competence of the Head of Accounting - > the Quality of Financial Statements	0.548	0.057	9,926	0.000	Significant Effect
H3	Based accrual GAS- > Quality of Financial Statements	0.259	0.057	4,562	0.000	Significant Effect
H4	Quality of Financial Statements - >Leadership Decision Making	0,514	0,062	8,256	0.000	Significant Effect

Source: *Output* SmartPLS

Based on the Table can be explained as follows:

1. H1: The implementation of Asset Management has a significant effect with a positive direction on the Quality of Financial Statements. In the test results, it can be seen that the value of the coefficient of the Asset Management Implementation path to the Quality of Financial Statements is 0.117 (positive direction), T statistics is 1.927, and the p-value is 0.036. The test results showed that the T statistics value >1.66 and the p-value >0.05. Then H1 is accepted, meaning that the Implementation of Asset Management has a significant effect with a positive direction on the Quality of Financial Statements.

2. H2: The competence of the Head of Accounting has a significant effect with a positive direction on the Quality of Financial Statements. In the test results, it can be seen that the coefficient value of the Competency path of the Head of Accounting to the Quality of Financial Statements is 0.548 (positive direction), T statistics is 9.926,

The test results showed that the T statistics value > 1.66 and the p-value < 0.05 . Then H2 is accepted, meaning that the Competence of the Head of Accounting has a significant effect with a positive direction on the Quality of Financial Statements

3. H3: Accrual-Based GAS has a significant effect with a positive direction on the Quality of Financial Statements. In the test results, it can be seen that the coefficient value of the Accrual-Based SAP path to the Quality of Financial Statements is 0.259 (positive direction), T statistics is 4.562, and the p-value is 0.000. The test results showed that the T statistics value > 1.66 and the p-value < 0.05 . Then H3 is accepted, meaning that Accrual-Based SAP has a significant effect with a positive direction on the Quality of Financial Statements

4. H4: The quality of financial statements has a significant impact with a positive direction on leadership decision making. In the test results, it can be seen that the coefficient value of the Financial Statement Quality path to Leadership Decision Making is 0.514 (positive direction), T statistics is 8.256, and p-value is 0.000. The test results showed that the T statistics value > 1.66 and the p-value < 0.05 . Then H4 is accepted, meaning that the quality of financial statements has a significant impact with a positive direction on leadership decision making.

Discussion

Implementation of Asset Management has a significant effect with a positive direction on the Quality of Financial Statements The implementation of Asset Management is important in making financial statements, because with good asset management, the quality of financial statements will also be better, because the information presented will reflect actual data and will facilitate the assessment of the quality of the Ministry of Defense Financial Statements. The results of this study are in line with those stated by (Niliani, 2019), (Rusman, 2017), showing that the application of Asset Management has a significant effect with a positive direction on the quality of financial statements. But this result is not in line with research (Amaliah, 2019) which proves that the Implementation of Asset Management has no effect on the quality of financial statements.

The competence of the Head of Accounting has a significant effect with a positive direction on the Quality of Financial Statements. This shows that the condition of financial managers within the Ministry of Defense has good knowledge, expertise, and experience so that they are maximized in carrying out their duties and responsibilities. One of the contributing factors is due to the existence of regular and continuous training. This is also supported by the respondent's fairly high level of education. This is in accordance with what was stated by (Bastian, 2010), in the Public Accounting Lecturers Forum (2006) stated that the preparation and preparation of quality financial statements requires Human Resources who master Government Accounting. The results of this study are in line with research conducted by (Ahmad, 2020), (Setiyawati and Doktoralina, 2019) that the Competence of the Head of Accounting has a positive and significant effect on the quality variables of financial statements. However, there are differences from the results found, namely in the research (Fatimah, 2019) from the results of the study stated that the competence of human resources sources does not have a significant effect on the quality of financial statements.

Accrual-Based GAS has a significant effect with a positive direction on the Quality of Financial Statements. Government Accounting Standards are accounting principles that are used as guidelines in preparing and presenting Government Financial Statements. The consistent application of Government Accounting Standards in the preparation of financial statements can avoid errors in the presentation of financial statements so that financial statements can be used as a reference in central government financial reporting. The results of this study are in line with previous research conducted by (Holle, V. A., Salle, A., & Sanggenafa, 2019) and (Setiyawati, Iskandar and Basar, 2018)

The quality of financial statements has a significant impact with a positive direction on leadership decision making. Decision making is a choice that is made to determine the alternative to be taken. As per Stewardship Theory which describes situations where managers are not motivated by individual goals but rather aimed at their main outcome goals for the benefit of the organization. So that the results of the Financial Statements will be considered by management to make a decision. The results of the Financial Statements can also be used as one of the variables in the DSS. The results of this study are in line with previous research conducted by (Gardi, Abdullah and Al-Kake, 2021). This is also in line with the Stakeholder theory that stakeholders and organizations influence each other, organizations have an obligation to account for their Financial Statements to their stakeholders, so that the quality of financial statements will have an impact on leadership decision making. The results of the Financial Statements can also be used as a reason for decision making and are a Decision Support System (DSS)

4. Conclusion

Based on the results of the analysis and discussion that has been described, it can be concluded that the Implementation of Asset Management, competence of the Head of Accounting, the application of accrual-based SAP have a significant effect with a positive direction towards the Quality of Financial Statements, and the Quality

of Financial Statements will have an impact on leadership decision making.

Based on the results of the research, suggestions can be submitted, including the Work Unit within the Ministry of Defense of The Republic Indonesia and the Indonesian Armed Forces in an effort to improve the quality of financial statements, it is necessary to prepare human resources that understand asset management and also the independence of the Heads of Accounting needs to be improved by for example signing the facts of integrity when appointed as Head of Accounting. The Head of Accounting must also increase the motivation to direct their staff to carry out their duties in accordance with the latest rules by attending training and also education so that they are not afraid to follow the changes that occur. and also the lack of knowledge from the heads of Accounting related to anything that should be included in the Notes to the Financial Statements so that the Financial Statements in the Ministry of Defense environment can be used as one of the inputs in making effective decisions by the Head of the Ministry of Defense of Republic Indonesia.

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