Combined Loadings and Cross-Dimensional Loadings Timeliness of Presentation of Financial Statements of Local Government

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Combined Loadings and Cross-Dimensional Loadings Timeliness of Presentation of Financial Statements of Local Government

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Abstract. This study examines the pattern of readiness dimensional accuracy of financial statements of local government in North Sumatra with a routine pattern of two (2) months after the fiscal year ends and patterns of at least 3 (three) months after the fiscal year ends. This type of research is explanatory survey with quantitative methods. The population and the sample used is of local government officials serving local government financial reports. Combined Analysis And Cross-Loadings Loadings are used with statistical tools WarpPLS. The results showed that there was a pattern that varies above dimensional accuracy of the financial statements of local government in North Sumatra.

1. Introduction

The application of government accounting standards in the administration of the regional finance leaves an impact on the accountability report of the budget receipt and spending implementation whereby the local government began to have a record of financial transactions in double entry. The accountability of the budget implementation in the form of financial statements consisting of the performance budget, the Balance Sheet, Cash Flow Statement and notes to the financial statements in accordance with the governmental accounting standards. The efforts to improve the presentation of the regional financial report’s submission are increasingly being discussed. This is related to the importance of the governance reform, thus the efforts towards achieving good governance and authoritative have continuously been emphasized. Unfortunately, the efforts to reform the financial reporting presentation seems to not have been fully implemented yet by the regional governments as well as the task force units within the regional government [1]. [3] study aims to determine the role of treasurer’s experience and knowledge on [10] to create the effectiveness of administration and preparation of the accountability reporting system. The study founds that the experience variable does not affect the effectiveness of the administration and preparation of the accountability reporting system; meanwhile, the knowledge variable has an effect on the effectiveness of the administration and preparation of the accountability reporting system. A change in the regional government’s accounting approach of single entry into double entry is a fairly revolutionary change. On the other hand, the publication of financial statements by regional governments through newspapers or the Internet does not seem to be a common thing for most regions. According to IASB a key prerequisite for quality in financial reporting is the adherence to the objective and the qualitative characteristics of
financial reporting information. Qualitative characteristics are the attributes that make financial information useful and consist of relevance, faithful representation, comparability, verifiability, timeliness and understandability.

2. Method
This study uses primary data such as the results of the field survey in local government in North Sumatera Province. The population of this study includes all the general treasurers; receipts and spending of the audit board of the representative office in North Sumatera. The sample of the study totaled 197 people, and it was done using the purposive random sampling by the audit board of the representative office in North Sumatera. The questionnaire is designed in the Likert scale form, which consists of 5 questions with 5-point interval scale ranging from strongly disagree (1) to strongly agree (5). The variable measured using an instrument that was adopted from [3] and [9]. All questionnaires were distributed can be collected back and can be used as data in this study. The definition for research variable is as the following:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Scale</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timeliness of submission of Financial Statements</td>
<td>Employees designated as Committing Officer (PPK), Treasurer, Treasurer Receipts and Expenditures able to prepare financial statements of Local Government Finance Report includes include: Budget Realization Statement, Balance Sheet, Statement of Cash Flows and Notes to the financial statements</td>
<td>Ordinal</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Employees designated as Committing Officer, Treasurer Revenue and Spending Treasurer able to prepare the financial statements of complete set of 2 (two) months after the fiscal year ends and the financial statements of local government is prepared at least three (3) months after the year budget ends.</td>
<td>Ordinal</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>General Treasures able to prepare financial statements in the local government by combining the report - financial report.</td>
<td>Ordinal</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Employees designated as Committing Officer, Treasurer Treasurer Receipts and Expenditures able to prepare financial statements and presented the local government to carry out checks at least 3 (three) months after the fiscal year ends.</td>
<td>Ordinal</td>
<td>Likert scale</td>
</tr>
<tr>
<td></td>
<td>Employees designated as Committing Officer, Treasurer Treasurer Receipts and Expenditures able to present financial statements prepared in accordance with [10] and the Government Accounting Standards.</td>
<td>Ordinal</td>
<td>Likert scale</td>
</tr>
</tbody>
</table>

Analysis by SEM WarpPLS requires several fit indices to measure the correctness of the proposed model [4]. There are several fit indices and cut-off values to see whether a model is accepted or rejected (model fitness test) including, Output combined loadings and cross loadings, Cronbach's alpha coefficients and Model Fit Indices and P values [4] and [5].
2.1. Reliability Test
Based on the output of WarpPLS, the reliability test is as follows:

**Cronbach’s alpha coefficients**

<table>
<thead>
<tr>
<th>KPLK_Y</th>
<th>0.720</th>
</tr>
</thead>
</table>

Source: Result Test of WarpPLS, (2016).

Based on the reliability test on the 2 constructs, it obtains the Cronbach’s Alpha above 60%, thus all the questions are proven reliable.

2.2. Goodness of Fit Model Test
The indicators of the model fit are based on three indicators; the average path coefficient (APC), the average R-Squared (ARS) and the average variance inflation factor (AVIF). The P value is given to both indicators of APC and ARS that is computed by the resampling estimation and Bonferroni-like correction (Sholihin & Ratmono, 2013). The results show:

**Model Fit Indices and P values**

<table>
<thead>
<tr>
<th>APC = 0.191, P = 0.003</th>
<th>ARS = 0.233, P = 1.528</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIF = 2.124, Good if &lt; 5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Result Test of WarpPLS, (2016).

Thus, both the APC and the ARS values are significant at the alpha level of below 5% and the AVIF value is below the value of 5, indicating that the model is fit.

2.3. Analysis on the Test of Qualitative Data
From the 197 distributed questionnaires, the output’s combined loadings and cross loading are used as the indicators of the convergent validity, which is part of the measurement model in SEM-PLS [4]. The output is expected to show the constructs on the column and the indicators on the row which have obtained the results as follows:

**Table 4. Output Combined Loadings and Cross-Loading**

<table>
<thead>
<tr>
<th>KHP_X1</th>
<th>AP_X2</th>
<th>P_X3</th>
<th>UL_Z</th>
<th>KPLK_Y</th>
<th>UL_Z*P</th>
<th>UL_Z*AP</th>
<th>UL_Z*KH</th>
<th>SE</th>
<th>Pvalue</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPLK 1</td>
<td>0.077</td>
<td>0.004</td>
<td>-0.033</td>
<td>0.051</td>
<td>0.614</td>
<td>0.105</td>
<td>0.031</td>
<td>0.073</td>
<td>0.136</td>
</tr>
<tr>
<td>KPLK 2</td>
<td>0.050</td>
<td>0.059</td>
<td>0.199</td>
<td>0.038</td>
<td>0.674</td>
<td>0.808</td>
<td>-0.652</td>
<td>-0.047</td>
<td>0.135</td>
</tr>
<tr>
<td>KPLK 3</td>
<td>-0.031</td>
<td>0.180</td>
<td>-0.264</td>
<td>-0.039</td>
<td>0.660</td>
<td>-0.323</td>
<td>0.073</td>
<td>-0.320</td>
<td>0.167</td>
</tr>
<tr>
<td>KPLK 4</td>
<td>-0.146</td>
<td>-0.624</td>
<td>0.636</td>
<td>-0.171</td>
<td>0.468</td>
<td>-0.397</td>
<td>0.433</td>
<td>0.113</td>
<td>0.211</td>
</tr>
<tr>
<td>KPLK 5</td>
<td>0.017</td>
<td>0.265</td>
<td>-0.481</td>
<td>0.098</td>
<td>0.493</td>
<td>-0.425</td>
<td>0.344</td>
<td>0.295</td>
<td>0.170</td>
</tr>
</tbody>
</table>

Note: P values < 0.05 are desirable for reflective indicators.

**Sources**: WarpPLS result test. (2016).

Based on the results above, it indicates that the outer model qualifies for the convergent validity of the reflective constructs and significant p-value of > 0.05 indicate that the outer model has fulfilled the convergent validity of the reflective constructs [5]. This construct test qualifies the requirement of the convergent validity and loading into another construct to be lower than that into the earlier construct.
3. Results and Discussions

Based on the questions related to the dimension indicators Timeliness of submission of Financial Statements consisting of Employees designated as Committing Officer (PPK), Treasurer, Treasurer Receipts and Expenditures able to prepare financial statements of Local Government Finance Report includes include: Budget Realization Statement, Balance Sheet, Statement of Cash Flows and Notes to the financial statements, Employees designated as Committing Officer, Treasurer Revenue and Spending Treasurer able to prepare the financial statements of complete set of 2 (two) months after the fiscal year ends and the financial statements of local government is prepared at least three (3) months after the year budget ends, General Treasures able to prepare financial statements in the local government by combining the report - financial report, Employees designated as Committing Officer, Treasurer Treasurer Receipts and Expenditures able to prepare financial statements and presented the local government to carry out checks at least 3 (three) months after the fiscal year ends and Employees designated as Committing Officer, Treasurer Treasurer Receipts and Expenditures able to present financial statements prepared in accordance with [10] and the Government Accounting Standards. Timely and accurate financial reporting is essential for effective decision making, more effective and timely management of stakeholder and enhancing public accountability [7]. Timeliness of disclosure of financial statements is a significant issue for users of financial statements. It has been recognized to be one of the characteristics that determines the relevance of accounting information. Thus, timeliness of financial statements is a particularly critical factor in emerging and newly developed stakeholder where the audited financial statements in the annual report are the only reliable source of information available to stakeholder.

4. Conclusions

Combined Analysis And Cross-Loadings Loadings are used with statistical tools WarpPLS. The results showed that there was a pattern that varies above dimensional accuracy of the financial statements of local government in North Sumatra.

Acknowledgments

The authors gratefully acknowledge that the present research is supported by Ministry of Research and Technology and Higher Education Republic of Indonesia. The support is under the research grant BP-PTN USU of Year 2016 Contract Number XXX/XXX.

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