THE RELATIONSHIP OF THEORY OF PLANNED BEHAVIOUR AND IFRS KNOWLEDGE OF INDONESIAN ACCOUNTANTS

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Abstract:

Purpose: The purpose of this paper is to investigate the relationship between Theory of Planned Behaviour (TPB) that consist of Familiarity, Usefulness, and Risk to Accountants' knowledge in International Financial Reporting Standard (IFRS).

Methodology: Questionnaire and content analysis methods were applied for the purpose of the study. A total 95 respondents of Indonesian accountants in year 2015 from 5 different category (public accountant, management accountant, education accountant, tax accountant, and government accountant) provided their perspective by ranking of Familiarity, Usefulness, and Risk. Also, there are 8 open questions to measure their knowledge about basic principle in IFRS. TPB are treated as independent variables and IFRS knowledge as a dependent variable.

Findings : It finds the accountants are familiar enough with IFRS, thought that adoption of IFRS is important regarding to the usefulness, and thought that implementation of IFRS has fair level of risk. Also, The TPB has significant influence to IFRS knowledge which is familiarity as a component of TPB has significant influence to IFRS knowledge rather than usefulness and risk.

Research limitations: This study using open questions in IFRS that is developed based on researcher's judgment. Also, the respondents are only 95 accountants that domicile in Jakarta and surronded, not covering all accountants in Indonesia.

Keywords: Familiarity, International Financial Reporting Standard (IFRS), Risk, Theory of Planned Behaviour, Usefulness.

1. INTRODUCTION

1.1. Background

In Indonesia, IFRS (International Financial Reporting Standard) has been adopted since 2008 and was effectively applied starting from January 1, 2012. This circumstance has forced the Indonesian Accounting Standard called PSAK (Pernyataan Standar Akuntansi Keuangan) to be applied based on IFRS. IFRS itself

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has become the global accounting standard. Previously, Indonesia had been adopting the US GAAP (United States Generally Accepted Accounting Principle). The European Accounting Standard is the one that IFRS has referred to, whereas IASB (International Accounting Standard Board) is based in London, United Kingdom, which is the standard setting body that issues IFRS.

The adoption of IFRS done by Indonesia is a part of commitment as a member of G20 that Indonesia has agreed to. "G20 membership comprises a mix of the world's largest advanced and emerging economics, representing about two-thirds of the world's population, 85 percent of global cross domestic product and over 75 percent of global trade", as stated in the www.g20.org. These are the members of G20 : European Union, United States, Australia, Argentina, Turkey, South Africa, Canada, Brazil, Saudi Arabia, Russia, France, China, Mexico, the Repubic of Korea, India, Germany, Japan, Italy, and Indonesia.

Different characteristics exist between IFRS and US GAAP. IFRS applies principle basis. On the other hand, US GAAP applies ruled basis. The other characteristic is, IFRS applies fair value, meanwhile US GAAP applies cost basis. There are several regulators in Indonesia which have adopted IFRS and are going to implement it to all companies under their regulation, such as Ministry of Stated Owned Enterprises (SOE) (*200 companies under it*), Indonesian Stock Exchange (IDX) (*500 companies under it*), and Indonesia Financial Services Authority (OJK) (*200 financial services under it*). Those companies under are mandatory to implement SFAS (Statement of Financial Accounting Standard). The other companies out of those three regulators could implement IFRS voluntarily.

IFRS was claimed as a financial reporting standard that performs higher quality than US GAAP. Several prior studies tried to calculate the compliance index of IFRS in several ways. In her study, Ratna (2010), from Indonesia, has calculated the implementation index of IFRS before it was effectively applied on January 1, 2012. Hence, the IFRS implementation tends to be voluntary. There is fix standard set up to measure how compliant companies in Indonesia in implementing IFRS, even from Indonesian Standard Board (part of Indonesian Accountant Association). However, there are still factors that could be used to measure the compliance level in applying IFRS. According toMurad (2013), the significant determinants of the new standard adoption are perceived risk, familiarity, and usefulness.

The strongest power in measuring the readiness in adopting the new standard is performed by the perceived risk of IFRS, specifically. One example of the challenges that is still faced by the industry in adopting IFRS is the lack of indepth IFRS knowledge from the preparers of the financial reports, as stated by Saidu (2014). In the connection with the Theory of Planned Behaviour (TPB), which

consists of familiarity, usefulness, and perceived risk, this research will be conducted to measure the acountants' IFRS knowledge, as a start.

1.2. Research Question

How is the relationship between TPB and IFRS knowledge of Indonesian accountants?

1.3. Purposes, Benefit, and Significance of Research

The purpose of this study is a preliminary step to calculate IFRS implementation index in Indonesia which is starting from the perspective of accountants and their knowledge in IFRS.

2. LITERATURE REVIEW

2.1. International Financial Reporting Standard (IFRS)

IASB (International Accounting Standards Board) has developed IFRS (International Financial Reporting Standards), the set of accounting standards that has becomethe global standard used for the public companies' financial statement preparation. IASB itself is an independent accounting standard-setting body based in London, which consists of 15 countries including the United States. In 2001, IASB started to operate after successfully succeeding the International Accounting Standards Committee.

IASB has been funded by a lot of parties, such as : major accounting firms, national funding regimes, development and central banks, private industrial companies and financial institutions, and other professional and international organizations around the world. Even though AICPA is the International Accounting Standards Committee's founding member, it is not an affiliation of IASB. Though there are approximately 90 countries that have fully adjusted to IFRS as IASB has promulgated, there are 120 reporting jurisdictions and nations that require or permit IFRS for domestic listed companies. Through the IFRS adoption, the same basis could be performed by any business in presenting its financial statement as its foreign competitors do, resulting easier comparisons.

Before the IFRS full adoption, there were three phases that Indonesia Accounting Standard Board has determined. First, after the implementation of IFRS has commenced from 2008 to 2010, the phase of adoption comprised the infrastructure preparation and the subsequent impact evaluation. Second, the phase of last preparation started in 2011 before all IFRS content full implementation. Third, after the convergence of PSAK to IFRS, the implementation phase has started

in early 2012. According to IAI (2008), on December 23, 2008, a formal statement was issued by IAI (Indonesian Institute of Accountants) that announces the plan of having the Indonesian GAAP fully converged to IFRS by January 1, 2012. Lately, there are some PSAK effectively applied on January 1, 2015.

According to Hidayah (2013), there are three main differences between PSAK that adopts US GAAP and the one that adopts IFRS, practically. They are :

1. The transformation from historical cost method to fair value method. It occurs since the historical cost method perceived unrelated to the dynamic of the financial markets,

2. The transformation from rule based to principle based. This circumtance has obliged accountants to be more accountable in providing their professional judgements, and

3. The US GAAP more comprehensive updates are highly required by IFRS, which should be more clear and imminent to the internal reports' facts.

2.2. Theory of Planned Behaviour (TPB)

TRA (Theory of Reasoned Action), the organizational theory to analyze the behaviour of an individual, was proposed by Fishbein and Ajzen (1975). The intention of an individual to perform a given behaviour is the central factor in the original theory of reasoned action. Ajzen (1991) suggested that the performance of a behaviour should be more likely as the intention to engage in a behaviour gets stronger. Another factor is the subjective norms that refer to the perceived social pressure of an individual on specific behaviour. These two factors construct a positive influence towards the behaviour intention then affect a specific behaviour.

Furthermore, Ajzen (1991) proposed TPB (Theory of Planned Behaviour) to be under TRA basis, as TRA is not able to interpret any behaviour controlled differently under different individual's will. Meanwhile, TPB is considered sufficient and appropriate to predict any specific behaviour of an individual. TPB has indicated that BI (Behaviour Intention) reflects an individual's willingness to conduct any specific behaviour and becomes the best indicator to predict the behaviour of an individual. There are three elements of BI :

1. AT (*attitudes*),
2. SN (*subjective norms*), and
3. PBC (*perceived behaviour control*).

According to Ajzen (1991), PBC refers to the difficulty degree of individual perceived to finish specific behaviour. More control over any behaviour will be perceived by individuals with more resources and experience. As assumed by

TPB, a positive relationship with a behaviourintention will be resulted by AT, SN, and PBC.

2.3. Hypotheses Development

2.3.1. Perceived Familiarity

In this research, perceived familiarity refers to the extent to which individuals have the IFRS understanding. The writer measured the extent to how far the accountants are familiar with IFRS, specifically the variable named "Familiarity" with IFRS. As stated by Arora and Stoner (1996) and Ha and Jang (2010), familiarity is essential in influencing the behavioural intention. This literature leads this study to the following hypothesis :

> **H1 :** Perceived familiarity with IFRS will positively influence the knowledge of accountants in IFRS.

2.3.2. Perceived Usefulness

According to the attitude definition of Ajzen (1991), "as a determinant of intention which measures the degree to which a person has favorable evaluation on a behavioural belief", Davis (1989) has it as well as the perceived usefulness definition. In this context, perceived usefulness means the benefits, which the user perceived, that will be provided as an IFRS adoption result. There are several studies that have found the perceived usefulness' significant positive influence on adoption, such as Davis (1989); Moqbel (2012); van der Heijden (2004); and Venkatesh, Morris, Gordon, and Davis (2003). All explanation before have lead this study to the second hypothesis :

> **H2 :** Perceived usefulness adoption of IFRS will positively influence the knowledge of accountants in IFRS.

2.3.3. Perceived Risk

Bauer (1960) firstly introduced the perceived risk theory, which hypothesizes thatbehaviour is negatively affected by the perceived risk. Perceived risk itself has been studied in several studies under the literature of consumer behaviour, such as : Taylor (1974) ; Thomas (2011) ; and Wu and Wang (2005). In accordance with the perceived behavioural control definition held by Ajzen(1991), in the current study, the writer measures perceived riskas referred to the perceived difficulty or ease in performing a certain behaviour. In another word,

1. perceived risk refers to the perceived difficulty, and
2. the behaviour refers to the IFRS adoption.

Figure 1

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The writer anticipates that the intention offinancial report's preparers to adopt IFRS will be negatively affected by the perceived risk. In a similar context of the use of perceived risk, an online application's perceived risk has the influence on the exerting password-related efforts' intention (Gebauer, Kline, and He, 2011). Therefore, it leads to the following hypothesis :

H3 : Perceived risk of the adoption of IFRS will negatively influence the knowledge of accountants in IFRS.

The proposed model presented in Figure 1 summarizes the hypotheses and their directions as discussed above.

3. METHODOLOGY

3.1. Respondents

A survey of accounting professionals in Indonesia was conducted by questionnaire to ask them about their perspective using Theory of Planned Behaviour regard to adoption of IFRS and open question to measure IFRS knowledge.

Professional accountants can be categorized as follows :

a. *Public accountants*

A public accountant works for a public accounting firm that performs auditing, tax, consulting and accounting services for other businesses, organizations or individuals.

b. *Management accountants*

Management accountants are accountants who responsible for managing a company's finances.

c. Education accountants

Accountants who work in university or college and teaching accounting is a main job.

d. Tax accountants

Tax accountants focus on the planning, analysis and presentation of tax returns and payments, specifically with local, state and federal taxes for individuals and businesses.

e. Government accountants

Government Accountants are employed at all levels of government . Government Accountants manage use of local revenues, investigate frauds, perform financial, performance and compliance audits and recommend corrective action where needed.

3.2. Variables

TPB consist of familiarity, usefulness, and risk in likert-scale of 1-5 (appendix 1). Also, there is an open question to ask the accountants about their knowledge regarding IFRS. The open questions consist of 8 basic knowledge about IFRS. Those questions are expected to measure the knowledge of accountants in IFRS. Each question in open question is valued 1 point, maximum score is 8.

4. RESULT AND DISCUSSION

4.1. Validity and Reliability Test

4.1.1. Validity Test for TPB

Table 1
Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Familiarity	7,1053	1,329	,240	,088	,072
Usefulness	6,4000	1,732	,239	,085	,116
Risk	7,2526	1,978	,064	,004	,442

The validity test shows that familiarity and usefulness question are valid since *r* count > *r* table 1 with degree of freedom is 93 (number of respondents are 95 less 2), *r* table with significant level 0,05 is 0,202.

4.1.2. Reliability Test for TPB

Table 2
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,312	,310	3

The validity test shows that all question relate to TPB are reliable since *r* count > *r* table 2 with degree of freedom is 93 (number of respondents are 95 less 2), *r* table with significant level 0,05 is 0,202, *r* count can be seen in Cronbach's Alpha 0,312.

4.2. Classical Assumption Test

4.2.1. Normality

4.3. Result

4.3.1. Statistics Descriptive

There are 95 respondents of accountant that categorized as :

- (a) Public accountants (9 respondents)
- (b) Management accountants (24 respondents)

Table 3
Hypothesis test summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of Familiarity occur with equal probabilities.	One-Sample Chi-Square Test	,000	Reject the null hypothesis.
2	The categories of Usefulness occur with equal probabilities.	One-Sample Chi-Square Test	,000	Reject the null hypothesis.
3	The categories of Risk occur with equal probabilities.	One-Sample Chi-Square Test	,000	Reject the null hypothesis.
4	The distribution of IFRS is normal with mean 48,62 and standard deviation 23,37.	One-Sample Kolmogorov-Smirnov Test	,971	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

(c)   Educational accountants   (49 respondents)

(d)   Tax accountants   (4 respondents)

(e)   Government accountants   (9 respondents)

Table 4
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Familiarity	95	1,00	5,00	3,2737	,97241
Usefulness	95	2,00	5,00	3,9789	,77155
Risk	95	1,00	5,00	3,1263	,82825
IFRS	95	,00	100,00	48,6192	23,36809
Valid N (listwise)	95				

Tabel 4.1
Statistics Descriptive of TPB

Question No.	TPB	Mode	Median	Mean	Frequency 1	2	3	4	5
1.	Familiarity	3	3	3,27	4	13	41	27	10
2.	Usefulness	4	4	3,98	–	3	20	48	24
3.	Risk	3	3	3,13	4	9	59	17	6

Tabel 4.2
Percentage of TPB

Question No.	TPB	Frequency 1	2	3	4	5	Min Score*	Max Score**	Total Score***	Percentage****
1.	Familiarity	4	13	41	27	10	95	475	311	65.47%
2.	Usefulness	–	3	20	48	24	95	475	378	79.58%
3.	Risk	4	9	59	17	6	95	475	297	62.53%

Notes :
* Min Score   = 1 × 95 respondents = 95
**Max Score   = 5 × 95 respondents = 475
***Total Score   = Answer × Frequency
*****Percentage = (Total Score / Max Score) × 100%

Intepretation of percentage are as follows (Riduwan, 2011) :

Percentage	Description
0% - 20%	Very Weak
21% - 40%	Weak
41% - 60%	Fair
61% - 80%	Strong
81% - 100%	Very Strong

The range of familiarity, usefulness, and risk are is 61%-80% respectively. It means that the accountants are familiar enough with IFRS, thought that adoption of IFRS is important regarding to the usefulness , and thought that implementation of IFRS has fair level of risk.

Table 4.3
Statistics Descriptive of Open Questions

Question No.	Mean	Minimum	Maximum
1.	32,11	0	100
2.	88,42	0	100
3.	42,63	0	100
4.	31,05	0	100
5.	71,05	0	100
6.	20,63	0	100
7.	33,58	0	100
8.	69,47	0	100
Total	48,62		

Table 4.4
Average Score of Profession

Job	Score
1.	57,36
2.	41,20
3.	52,54
4.	62,08
5.	32,31

4.3.2. Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,449[a]	,202	,175	21,21886

a. Predictors: (Constant), Risk, Usefulness, Familiarity

Adjusted R^2 means that TPB can explain IFRS knowledge for 17,5%.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10358,493	3	3452,831	7,669	,000[b]
	Residual	40971,851	91	450,240		
	Total	51330,344	94			

a. Dependent Variable: IFRS
b. Predictors: (Constant), Risk, Usefulness, Familiarity

F-test shows that TPB has significant influence to IFRS knowledge with significant level is 0,000.

Coefficientsᵃ

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	20,265	14,438		1,404	,164
Familiarity	11,149	2,356	,464	4,732	,000
Usefulness	–1,941	2,966	-,064	-,655	,514
Risk	–,135	2,648	-,005	-,051	,960

a. Dependent Variable: IFRS

Only familiarity has significant influence to IFRS knowledge with level of significant is 0,000.

Regression model :

$$IFRS = 20,265 + 11,149F - 1,941U - 0,135R$$

5. SUMMARY

The research grabbed 95 respondents that categorized into 5 category, there are public accountants, management accountants, education accountants, tax accountants, and government accountants which are educational accountants is the most respondents (51,58%), followed by management accountants (25,26%), public accountants (9,47%), government accountans (9,47%), and the last is tax accountants (4,21%). It finds that :

1. The accountants are familiar enough with IFRS, thought that adoption of IFRS is important regarding to the usefulness, and thought that implementation of IFRS has fair level of risk.

2. The Theory of Planned Behaviour has significant infleunceto IFRS knowledge.

3. The Familiarity as a component of TPB has significant influence to IFRS knowledge.

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APPENDIX 1

Questionnaire

Accountants' Perspective in IFRS

Name: ....(optional)

Institution : ....(optional)

Work as an accountant (please choose one) :

1. Public accountants

2. Management accountants

3. Educational accountants

4. Tax accountants

5. Government accountants

6. Others : .... (please mention)

   Work experience as an accountant : .... years (please mention)

No.	Questions	Answer
1.	In your perspective, how familiar you are regarding to IFRS?	1. Not familiar 2. less familiar 3. Fair 4. Familiar 5. Very familiar
2.	In your perspective, how importance the usefulness of adopting IFRS in Indonesia for the quality of financial report?	1. Not important 2. Less important 3. Fair 4. Important 5. Very important
3.	As an accountant, how far the level of risk that you will face in adopting IFRS? (for example the risk to study further, the complexity when implement IFRS, etc).	1. No risk 2. Less risk 3. Fair 4. Risky 5. Very risky

Below is open questions (Please answer it as it is, not asking to anybody or searching to internet)
1. What is the basis used by IFRS?
2. OCI stand for?
3. What is the new name of "Income statement" based on IFRS?
4. When is the IFRS effectively valid in Indonesia?
   (date-month-year)
5. ETAP stand for?
6. Mention the transaction that create OCI?
7. Mention the regulator in Indonesia that obligate all
   companies under its authority to apply IFRS?
8. Where is the basis (country or continent) that IFRS come from?