



THE INFLUENCE OF TRANSPARENCY AND INTERNAL CONTROL SYSTEM TO CREATIVE ACCOUNTING: EMPIRICAL STUDY OF ISSUERS IN INDONESIA STOCK EXCHANGE

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Abstract

Transparency set about what will have to be unveiled to the public and also regulating the communication media companies like, company website and a number of publications that they must be fit in the mass media. Internal control system is a plan organizations and method of business that used to keep asset, to provide information accurate and reliable and encourage and improve the efficiency, organization the way and encourage conformity to a policy that has been set. Creative accounting is all the process whereby several parties using what comprehension knowledge accounting standard, (including in it, technique etc) and use it to manipulate financial reporting. The purpose of this research is to test and analyze the influence of transparency and SPI to creative accounting. The sample used is 125 manufacturing firms in Indonesia Stock Exchange. There are two variables: creative accounting as dependent variable and transparency, internal control system as the independent variable. Methods used in this study the multiple linear regression analysis. Findings suggested simultaneously transparency and internal control system have a significant effect to creative accounting. On this fact internal control system have a significant effect to creative accounting, while transparency did not have any influence that significantly correlates with heard of creative accounting.

Keywords: Transparency, Full Disclosure, Internal Control System, Discretionary Accrual, Profit Management, Creative Accounting

INTRODUCTION

Transparency is a form of access for all parties who are interested to the any information relevant institution such as been various new regulations and legislation, for upon and above the gaff least social on information, implementing the economic, reliable (and reliable) and periodical should available and accessible by the public (usually through a filter mass media that responsible) (Parnomosidi, 2015).

Full disclosure is the disclosure of data the company has complete and clear financial covering, management and lain-lain in order to give a clear picture to the general public to judge securities listed in Indonesia Stock Exchange.

Internal control system is the organization and method of business to keep asset, under provide information accurate and reliable encourage and improve efficiency, the organization and encourage conformity to set policy (B, Marshall Romney, 2015: 229).

According to the definition of internal controls COSO, internal controls is a process that influenced the board of directors, management and the other personnel, on an entity, is designed to provide underwriting in charge of the achievement of the purpose to do with, operational the report and the achievement of the purpose of creative accounting is all the process whereby multiple parties using the ability comprehension knowledge (included accounting standards, technique, etc and using it to) manipulate financial reporting (Amat, Blake and Dowd, 2016).

Cases accounting scandal of them a case; pt ades alfindo to have been hiding information material for this accident and he also said management ades have reported the existence of discrepancy between the production and sale in the 2004 of 600 thousand to 3.9 million gallon drinking water., pt indofarma, pt the state gas company, pt bank lippo, pt kimia farma, enron corporation, green tree financial corporation, xerox, and worldcom (Sulistiawan, Dedhy, 2017).

Discretionary accrual accounting policy is a way to reduce reporting a difficult detected through the manipulation of accrual relating to accounting policy. Accounting creative ways to cope with had offered facilities including tax new challenges in the years out of the ordinary of the profession of accounting in which the as he was driven to negative the extremes of, had cast suspicions about the credibility of principles and the standard imposed. In general, accounting creative ways to cope with suitable as practice of one who deceived and cheated and thrown and unwanted. Ethical implications of accounting creative ways to cope with give rise to the need to tight control over both the potential abuse policy options accounting and manipulation of the transactions that take place. This study establish facts the relations properties multi-dimension financial crisis in the that is on going having roots that and went down deep financial

reporting, should be burdened with more with the application of the accounting. Creative ways to cope with Adopt set of standards of the global financial reporting which came to be known as a standard reporting of the international finance must be embraced by all the operators accounts and those who are guilty of accounting assignments. The results of studies revealed the existence of a significant relationship that is between flattening, profit transparency, internal controls and profitability and, accounting rules the report, accounting financial performance of its effect on. creative accounting Needs more transparency, influence of creative accounting, SPI because in terms of this research many factors that influence (Haruna Ndebugri, 2007).

As for the purpose of this research is to test and analyzes the influence of transparency and internal control system to creative accounting.

LITERATURE REVIEW

Transparency study is a form of access for all parties and generally the disclosure of information set about what should be handled to the public and also regulates about communication media companies like website company, and a number of publications that must be in goods in mass media (generally daily newspapers).

One of the media the disclosure of information that concern the important is financial reports and annual report and website company (Parnomosidi, 2015).

Internal control system is a process which is run by the board of commissioners, management and other personnel entity which is designed to give confidence sufficient, purpose of the three groups like the reliability of the financial report, effectiveness and efficiency, operation and adherence to law and regulations (Harjito, 2016: 55).

Based on that definition, third then we can conclude that the system internal controls is a system, a structure or the procedures that are interconnected have some basic purpose is to keep wealth, organization check precision and the reliability of data which coordinated in such a way as, accounting and encourage holds legal policy and regulations to implement major function of the company.

Creative accounting is to use techniques and corporate activities accounting policy is to obtain a desired result, as our profit or asset higher or lower hanging motivation these individuals do it. The company said if it is creative interpretation of grey area accounting standard to benefit from the results of the its interpretation (Amat, Blake and Dowd, 2016).

This research was intended to analyze association and influence of the independent variable dependent variable. There are some measure of financial performance will be used in this research where each transparency, SPI used to indicate their influence on creative

accounting .The financial performance will be discussed in this research , of transparency , SPI , and creative accounting .

The conceptual framework and hypotheses

Variable in this research is transparency. Research conducted by Gheorghe V Lepadatu , and Mironela Pirnau expressing the result a balance sheet , income statements , cash flow statement, watchdog transparency influential to financial statements .research next required to be added influence transparency to financial statements / creative accounting , because seen from the study a lot of factors influential .This study showed that a balance sheet , income statements, cash flow statement, watchdog transparency having influence to financial statements .Of the study it can be formulated hypothesis first in this research is:

H1 : There is the influence of transparency on creative accounting

The next variables that might have the correlation is spiResearch conducted by Laura, Maria Popescu revealed the existence of a significant relationship that exists between, manipulation internal control system, regulations, detection, prevention, accounting practices to depend on creative accounting. Research next need added the influence of internal control system of creative accounting / , financial statements because in terms of this research many factors that influence. Of the results obtained, then the hypothesis could be calculated in the second of this research is:

H2 : There is an effect of internal control system against heard of creative accounting

The formulation of both the hypothesis then added one hypothesis to test the influence of between transparency and internal control system against creative accounting.

H3 : Any impact transparency and good and internal control system partial together to creative accounting.

There are two variables the variable free and variable bound. Variable free consisting of transparency and internal control system. And variable bound here is creative accounting. Dim the think about how the theory was the conceptual relating to factors which have defined as critical. Conceptual so the researchers is presented in figure as follows: an variable free (x) affecting variable bound (he) (Sumarni and wahyuni, 2006).

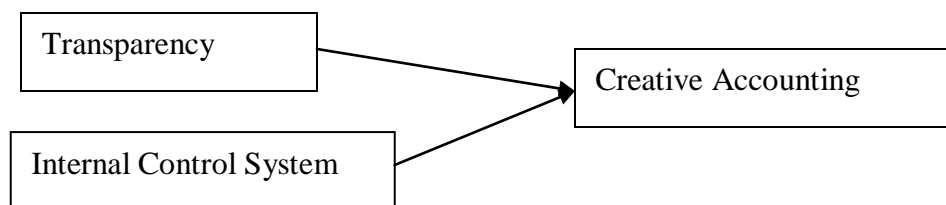


Figure 1 Conceptual Framework

METHODOLOGY

Object of Research

This research take an object to the research done by, pt pgn promised to supply 125 several manufacturing companies who enrolled in Indonesia stock exchange (bei) and official website also pay attention to a subsidiary to us company, have a report is proven that the financial complete and published in www.idx.co.id and website of official the company a period of 2017. The central office of the Indonesia stock exchange (bei) building located on jln.

Population and Sample Research

In this research the use writers purposive dating techniques of sampling the sample with certain consideration used as research company is registered and website company at ISE official period 2017, data needed for research together the manufacturing firm 125. For consideration as the criteria for selecting the: sample is as follows

1. The manufacturing firm was a firm go public and registered on the website official companies and Indonesia Stock Exchange the period 2017 in data is complete successive during the period research , and not is in the process of delisting in the period observation .
2. The company released a report financial audited a complete and use rupiah in 2017 .

Types and Data Sources

Types of data on used in this research is taken from secondary data from the company listed on public Indonesia stock exchange (bei). The data used was the annual financial report data a 2017, where period cover it Indonesia Stock Exchange condition is considered relatively normal.

Research variables

The research is quantitative research with test purposes hypothesis formed and based on the previous study. Data used in this research is taken from secondary data. The data from official website firm and Indonesia Stock Exchange.

Researchers use secondary data to examine and analyzes influence transparency, and internal control system to creative accounting.

Dependent Variables

Dependent variable the research is creative accounting. A scale of measurement used is ratio scales (Sulistyanto, 2008).

$$DAC_{PT} = (TAC_{PT}) - (TAC_{PD}) \quad (SALES_{PT}) \quad (SALES_{PD})$$

DAC : Discretionary Accruals TAC :
Total Accruals

PT : A period of the test PD : A period
of the base

Measurements accruals tac (total) according to Sulistyanto (2008), the: $TAC = Net\ Income - Cash\ Flow\ From\ Operation$

Independent Variables

An independent variable in this research is transparency .This variable is measured using scale ratio (Subiyanto).

Broad disclosure = Total the score obtained / The total should be disclosed

An independent variable in this research is internal control system. This variable is measured using nominal scales (COSO, 2013).

There are 17 the principle of internal controls by the component internal controls as described in COSO: Control Environment, Risk Assessment, Control Activities, Information & Communication, Monitoring.

Analysis technique in this research using analysis statistic with software aids SPSS 20.1. Multiple linear regression analysis is a method of public statistic used to scrutinize the relation between a variable dependent with some independent variable. (Sulaiman, 2016: 79).

Ho: No significant impact of transparency and SPI simultaneously against creative accounting.

Ha: Any impact internal control system welfare between transparency and simultaneously to accounting creative.

RESULTS

The data process is a summary of annual financial report of any company that analyzed in the period 2017. In this research, researchers discussed 125 firms operating in the manufacturing sector.

Table 1 Corporate Information

No	Description	Total
1	A company total manufacturing listed on Indonesia Stock Exchange	154
2	A company that delisting	0
3	Companies in foreign currency	-29
4	The total manufacturing companies who meet the criteria study sample	125

Classic Assumption Test: Normality Test

Table 2 Normality Test

	Unstandardized Predicted Value
N	125
Mean	-,0862497
Normal Parameters ^{a,b} Std.	
Deviation	,07058680
Absolute	,063
Most Extreme Positive Differences	,063
Negative	-,050
Kolmogorov-Smirnov Z	,710
Asymp. Sig. (2-tailed)	,695

Other coal companies owing royalties statistical tests can be used to test normality residual is statistical tests non-parametric kolmogorav-smirnov (k-s) .Draw conclusions from that data were distributed normally and it can be seen taken is to look at the significance of (asymp.sig. (2-tailed)) a greater thing than 0,05 (Ghozali, 2005: 110).

Multicollinearity Test

According to (priyatno, 2008) : Multicollinearity 39 is a condition where there was a perfect or linear relationship between an independent variable in near perfect regression models .

The decision-making in the Multicollinearity, the:

If $VIF > 5$, Then we are Multicollinearity

If $VIF < 5$, So there will be no Multicollinearity

Table 3 Multicollinearity Test Results

Model		Collinearity Statistics VIF
	(Constant)	
1	Transparency	1,044
	SPI	1,044

Of the results of data processing in table show no variable free (transparency, internal control system) and having vif value greater than 5. So it can be concluded that no Multicollinearity between variables free in the model regression, regression so model used to identify the effects of transparency, and internal control system to creative accounting.

Autocorrelation Test

Is a condition where the autocorrelation between residual observation on one other observation regression on the model. The autocorrelation used to know whether there were any of the classical autocorrelation, the strong correlation occurred between the residual observation on one other observation regression on the model. A prerequisite that must be met is the absence of autocorrelation regression on the model (Priyatno, 2008:47).

Table 4 Autocorrelation Level

AUTOKORELASI WATSON) DW	LEVEL	(DURBIN CONCLUSION
Less than 1,10		Autocorrelation there
1,10 – 1,54		There is no conclusion
1,55 – 2,46		There is no conclusion
2,47 – 2,90		There is no conclusion
More than 2,91		Autocorrelation there

Table 5 Autocorrelation Test Results

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin- Watson
1	,089 ^a	,408	-,008		,79768	1,991

In table above d count or durbin watson is 1,991 be between 1,55- 2,46 so that it can be concluded that no autocorrelation or in other words disorder estimation a observation do not correlate seriously with an estimate of observation that other .

Heteroscedasticity Test

Heteroscedasticity showed up when a mistake or a residual of the model that observed do not have variance that constant of an observation to other observation. It means, each have different reliability observation due to a change in conditions that background overwhelmed no summed up in the specification.

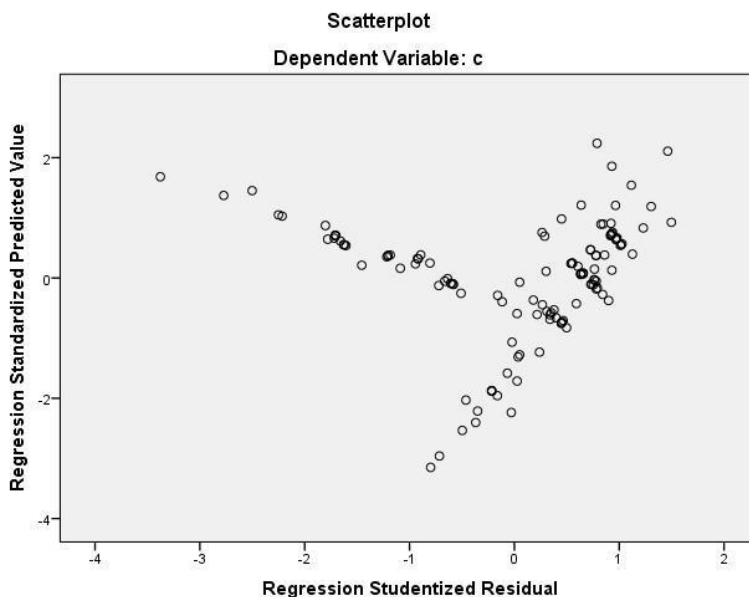


Figure 2 Heteroscedasticity Test Result

On the outcome, data processing by spss obvious that the spread of points above and below 0 on an axis he not forming a specific pattern (wavy, dilated, then narrows), have inferred that does not happen heteroscedasticity.

Hypothesis Testing

Multiple Linier Regression Analysis

Analysis technique in this research using analysis statistics with SPSS 20.0 version. Multiple linear regression public is a statistics method used to scrutinize the relation between a variable dependent with some independent variable (Solomon, 2004: 79).

Table 6 Results of Multiple Linier Regression Test

Model		Unstandardized		Standardized	t	Sig.
		Coefficients				
		B	Std. Error	Beta		
	(Constant)	-,683	,610		-1,120	,265
1	Transparency	,501	,760	,061	,659	,511
	SPI	,323	,556	,054	2,582	,045

From the above, constant of explained -0,683 claimed that if transparency (x1), internal control system (x2) and its value was 0, so creative accounting (he) value -0,683.

The regression coefficient (x1) 0,501 transparency even if the independent variable of another figure is still relatively % transparency and increased 1, so increasing performance management in detecting 0,501 of creative accounting. The positive values that there was a positive relationship between transparency with creative accounting, rising transparency and increasing performance management in detecting creative accounting.

The regression coefficient variable internal control system (x2) as much as 0,323 means that if other independent variables the value remained and internal control system increased 1 %, then increase the performance management in detecting creative accounting by 0,323. The coefficients are positive that is a positive relationship between internal control system, with creative accounting it goes up transparency then increase the performance management in detecting creative accounting.

Determination Coefficient Test (R^2)

Of the coefficient of determination, pt pgn promised to supply is used to view the extent to which unsolved the proportion of (the percentage) of the variation in y that is all be explained by models the regression or for measuring large the contribution has been paid of the variables free in the diversity of variables reaches as high as bound (y).

Table 7 Coefficient of Determination Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,089 ^a	,408	-,008	,79768	1,991

From table to be determined the magnitude of the coefficients determination or r 0,408, as much as it means that the variable creative accounting (y) can be influenced by transparency (x1), and spi (x2) 40,8 %, as much as while the rest % 59,2 contributed the independent variable that has not included in this research.

Partial Parameter Significance Test (t Test)

The t , the test to affect the variable freely in partial to variable bound .

Table 8 Partial Parameter Significance Test Results (t Test)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-,683	,610		-1,120	,265
1 Transparency	,501	,760	,061	,659	,511
SPI	,323	,556	,054	2,582	,045

The analysis and measures to see the influence of in partial: is as follows

1. Transparency (x1) against creative accounting (y) conclusion because the value t count is smaller than t table (0,659 & lt; 1,999) then ho accepted, it means that transparency no significant impact on creative accounting
2. Internal control system / (spi x2) against creative accounting (y)

As the value t count is bigger than t table (2,582 & gt; 1,979) then ho denied, that means that spi significant impact on creative accounting.

Simultaneous Parameter Significance Test (F Test or Anova Test)

The f test which is a test to see the influence of between variables free together (simultaneous) on variables bound.

Table 9 Simultaneous Parameter Significance Test Results (F Test or Anova Test)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	,618	2	,309	,485	,417 ^b
1 Residual Total	77,627	122	,636		
	78,245	124			

From a rough estimate regression analysis can be seen the value of significantly by 0,417 which means the value of significant an smaller than the prescribed level, of budget 0,5. As well as an f count the tune of 0,485. At 95 %, level of confidence $\alpha = 5\%$, the number of df_1 (variabel-1) = 2, and df_2 (n-k-1) or $125-2-1 = 122$ obtained f table 3,07 as much as because the value f table & gt; f calculate (3,07 & gt; 0,485) then ho accepted. The conclusion can be drawn that

transparency (x1), and internal control system (x2) in together has influence significantly to creative accounting (y).

DISCUSSIONS

Based on the research done detailed statistically, so to obtain the picture more comprehensive, the result of this research described further in accordance with financial aspects underlying. Of the calculation on regression analysis it can be seen that simultaneously independent variable influential dependent on variables. This is proven of the value of significantly by 0,417 which means value significant an smaller than the economic situation of specified, is as much as 0.5. Thus proven transparency (x1), and internal control system (x2) simultaneously have leverage a significant impact on creative accounting (y). Constant of -0,683 claimed that if transparency (x1), and internal control system (x2) its value was 0, so creative accounting (y) value -0,683. This result indicates that the use of financial ratio as a financial analysis can be used for measuring the performance of the company made on economic decision making in particular on. manufacturing companies.

The test of hypothesis shows that transparency in partial have no influence a significant impact on creative accounting, by using the economic situation of Significant as much as $\alpha = 0.05 / 2$ (the two sides and degree of freedom (df) $n-k-1 = 122$, that t count (0,659) & it; t table (1,979 and hypothesis zero of (H_0) accepted. As demonstrated by numbers significant of & gt; 0,511 > 0.05 after undergone a t, variable transparency having the regression coefficient are positive of 0,501 it means when there was an increase in variable transparency of 1 % the increased performance management in detect creative accounting of 0,501. Transparency is a form of access to all interested parties for every information related to legislation and regulations. Social information, economic, reliable and periodical should available and accessible by the public (usually through a filter mass media that responsible). And, transparency builds upon footing freedom inadequately supplied the information to be understood monitored. Transparency reduces the uncertain in the decision-making process and implementation of public policy.

Internal control system (SPI) in partial significant impact on, creative accounting by using level significantly by $\alpha = 0,05 / 2$ (test two sides) and degrees of freedom (df) $n-k-1 = 122$, that t count (2,582) & gt; t table (1,979) then hypothesis zero (H_0) denied. As demonstrated by the number is the significance of 0,045 & lt; 0.05, after t, were tested variable internal control system having the regression coefficient are positive as big as meaning that 0,323 price hikes internal control system variable of 1 % then increase the performance management in detecting creative accounting by 0,323. Internal control system is a planning which includes the

organizational structure and all the methods and tools which coordinated used inside the company in order to maintain the security company owned property, check for accuracy and truth, accounting data encourage, efficiency and helped drive holds management policy has been assigned.

Table 10 Research Summary

NO	DESCRIPTION	RESULT	CONCLUSION
1	Simultaneous test (transparency , and internal control system to creative accounting)	- Significant Value - $0,417 < 0,5$ - $F_{table} > F_{calculate}$ - $(3,07 > 0,485)$	Transparency, and internal control System simultaneously Significant impact on creative accounting
2	Partial test (transparency to Creative accounting)	- Significant Value - $0,511 > 0,5$ - $T_{calculate} < T_{table}$ - $(0,659 < 1,979)$	Transparency in partial no significant impact on creative accounting
3	Partial test (internal control system to Creative accounting)	- Significant Value - $0,45 < 0,5$ - $T_{calculate} > T_{table}$ - $(2,582 > 1,979)$	In partial internal control system significant impact on creative accounting

CONCLUSIONS

Simultaneously, transparency and internal control system significantly affect creative accounting. This result indicates internal control system of transparency and a financial analysis can be used to detect creative accounting especially in manufacturing firm. In partial internal control system (SPI) significantly affects creative accounting. The higher the internal control system show the performance, the proportion of the company reflect the relative risk so high and Minimize the fraud. So the higher internal control system will improve performance, the firm and minimize the fraud effectiveness internal control system but when the company low-growing will promote fraud in company.

Currently, a sample of just 125 firms operating in the manufacturing sector registered in Indonesia stock exchange was considered. For the future research so that researchers can enlarge study sample and not just confined to manufacturing companies who go public.

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