THE PRELIMINARY STUDY OF ACCOUNTING PPROFESSIONAL'S PERCEPTIONS TOWARDS IFRS IMPLEMENTATION IN INDONESIA

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Abstract

Indonesian Institute of Accountants (Ikatan Akuntan Indonesia or IAI) has announced the plan to converge Indonesian GAAP (Pernyataan Standar Akuntansi Keuangan or PSAK) with IFRS as of 1 January 2009 starting to be effective on 1 January 2012. Indonesia as one of member of the Group of Twenty (G-20) should strive to achieve IFRS compliance as it is one of G-20 goal and commitment in enhancing economic cooperation around the world. This study aims to examine Indonesian accounting professionals' perceptions regarding IFRS convergence in 2012.
This study is based on a survey which focuses on accounting professionals' perceptions in Indonesia The total population in this study was 275 accountants and auditors who attended the four accounting events in Jakarta held by IAI and IAPI. There was a total sample of 143 respondents, 76 accountants from companies and 67 auditors from public accounting firms.

The research revealed many interesting findings. Language issue in understanding PSAK (a translation from IFRS) is perceived as a problem more to the accountants works in company rather than auditors. However both types of accountants sees IFRS training to staffs was viewed as an important issue for IFRS implementation in Indonesia. With regard to the advantages of IFRS implementation in Indonesia, the foreign-affiliated institutions voiced higher agreement that IFRS will result in greater comparability of financial performance. They are also confident that Indonesia is ready for IFRS convergence by 2012 in contrast with non-affiliated institutions. And lastly accountants with 0-5 years experience group expressed greater concerns towards Indonesia's readiness for IFRS implementation as compared to accountants with more than 15 years experience. However overall perception shows that accounting professionals surveyed has positive perceptions towards IFRS convergence in Indonesia

Keywords: IFRS Convergence, Implementation, Accountants perception

1.   Background

Indonesian Institute of Accountants (Ikatan Akuntan Indonesia or IAI) has announced a formal statement for the plan to have Indonesian GAAP (Pernyataan Standar Akuntansi Keuangan or PSAK) fully converged with IFRS as of 1 January 2009 starting to be effective on 1 January 2012 (Akuntan Indonesia, 2010). Moreover, Indonesia is a member of the Group of Twenty (G-20) Finance ministers and Central Bank Governors. Ahmadi Hadibroto as the national board chairman of IAI affirmed that, 'The creation of global harmonization of accounting standards is also one of G-20 goal and commitment in enhancing economic cooperation around the world'. This issue is driven by the perceptions and attitudes of various concerned groups, including auditors, corporate accountants and public accountants (Akuntan Indonesia, 2010).

Ultimately, financial reporting users in Indonesia should be fully-prepared for making this IFRS convergence successful by 2012. Some users might perceive that IFRS can provide so many advantages to their institutions, but other users may feel that IFRS convergence plan in Indonesia would be unsuccessful due to the complexity of IFRS and limited of time. Furthermore, the perceptions, attitudes and behavior of financial statement users are also varied; thus it would be very interesting to explore the perceptions of accounting professionals towards IFRS mandatory application in Indonesia. This study aims to examine Indonesian accounting professionals' perceptions regarding IFRS convergence in 2012.

1.1 Scope

The research would investigate the accounting professionals' perceptions towards mandatory IFRS implementation. The scope of this research is limited to the perceptions of accountants from companies and the perceptions of public accountants from public accounting firms (Kantor

Akuntan Publik or KAP) in Indonesia[1], who attended IAI and IAPI (Institut Akuntan Publik Indonesia) events in Jakarta during April to May 2010.

1.2 Research Questions

Based in the problem situation that has been noted previously, this thesis would answer the following research questions:

1. Do accountants and auditors possess different perceptions towards IFRS implementation in Indonesia?
2. Do accounting professional's works in the foreign-affiliated institutions possess greater agreement on IFRS implementation than those who are working in a non-affiliated institution?
3. Are there any differences in the perception towards IFRS implementation between accounting professionals of different group based on the years of working experience and also accounting professionals with different education attainment?

2. Literature Review

2.1 Perception

'Perception is a sensory experience in which an individual observes a behaviour, event, or condition; forms interpretations of the factors observed; develops attitudes; and allows the processed observation to become a factor influencing his or her behaviour. Perception is not necessarily reality, because perceptions are not always accurate or correct (Agarwal, 2009)'. In addition, according to Rookes & Willson (2000), 'Perception is a process which involves the recognition and interpretation of stimuli which register on our senses'.

2.2 Advantages and Disadvantages of IFRS Adoption

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[1] To avoid confusion, the author will refer 'accountants from companies' as 'accountants' and 'public accountants from public accounting firms' as 'auditors'. The word "Accounting Professionals" refers to the all respondents, both accountants from companies and auditing firm.

IFRS adoption enables the use of one accounting language company-wide. Therefore, this is very beneficial for the multi-national companies that operate in several countries. The multi-national companies and its subsidiaries from different countries only need to apply IFRS uniformly. Sir David Tweedie also commented on the benefits of global accounting standards for auditors where 'a single set of accounting standards enable international audit firms to standardize training and better assure the quality of their work on a global basis.'

Despite a belief of global acceptance of IFRS, some people believe that adopting IFRS that is principles-based rather than rules-based causes the significant costs that will outweigh the benefits, such as staff training and implementing IT support. IFRS has wide rules and less specific guidance applications; therefore, IFRS users need to be trained for making further judgments in the financial report.

2.3 Other Research on IFRS Convergence

A study on the mandatory application of IFRS has ever been conducted in Japan by Jun & Koga (2009). The research examined the Japanese managers' negative attitude towards IFRS adoption possibly because they thought IFRS application would be difficult.

P.L.Joshi, G.Bremser, & Al-Ajmi (2007) surveyed listed companies accountants and auditors in Bahrain asking them about their perceptions in the adoption and implementation of a single set of global accounting standards, IFRS. The respondents view optimism by that harmonization of accounting is a worthwhile objective that can be fairly, but gradually accomplished. Although challenges such as training and audit quality-control procedures emerged in IFRS adoption, the respondents viewed IFRS global adoption would bring benefits at the international level and would outweigh the costs.

PL.Joshi and S.Ramadhan (2002), in their study on IFRS adoption by small and closely held companies, found that '86% (31) of the 36 companies responding to the questionnaire applied IFRS and they considered IFRS to be very relevant for them'. The study aimed to examined the attitudes of professional accountants working in small and closely held companies towards the adoption of IFRS in Bahrain. The primary influence on the decision to adopt IFRS were the

external auditors, banks and management. The respondents did not find IFRS adoption was costly or they faced any problems in applying IFRS. There were few firms that experienced some problems in interpreting the standards sought clarification from their external auditors. This study revealed that external auditors exerted the greatest influence on getting firms to adopt IFRS.

Daske, Hail, Leuz and Verdi (2008) found that market liquidity increases for firms that adopt IFRS reporting when it becomes mandatory. A decrease in firm's cost of capital and an increase in equity valuations occurred prior to IFRS official adoption date. Daske, Hail, Leuz (2007) also confirms that the decrease cost of capital is signicant only to the serious IFRS adopter compare to IFRS adopter only for label.

Armstrong, Barth, Jagolinzer and Riedl (2008), in their study also suggest that IFRS adoption brought convergence benefits to investors in European firms such as greater comparability of firms' financial position. Investors in European firms belived that the expected benefits of IFRS adoption exceeded the expected co sts.In sum, there are a number of studies suggesting that IFRS adoption provides substantial benefits to the all users of financial reporting (Jermakowixz E.K.2004; Gassen,J&Sellhorn,T.2006; Ball R. 2006).

In Indonesia, Marlim (2009) conducted a research on measuring the level of conformity between SAK (Indonesian GAAP) as of 1 January 2008 with IFRS as of 1 January 2008. The study tested forty three accounting standards existed in SAK and IFRS as of 1 January 2008, and 75% of the accounting standards being tested was matched. From the research results, there was a significant association between SAK as of 1 January 2008 with IFRS as of 1 January 2008.

Wahyuni (2006) studied on evaluating the harmonization of PSAK (edition 2004) with IFRS as of 31 December 2006. The survey administered to accountants in Indonesia reported that accountants generally supported the harmonization of PSAK with IFRS and believed that it would be good for Indonesia's economy.

3.   **Research Method**

This study is based on a survey which focuses on accounting professionals' perceptions in Indonesia, where samples are taken from accountants working in various companies and also from auditors working in the public accounting firms in Indonesia, who attended IAI and IAPI during April to May 2010 in Jakarta, Indonesia. It contains demographic information and questions regarding the development and implementation of IFRS to investigate the respondents' perceptions. A closed-questions of 1 to 6 Likert scale is used in this study questionnaire − 6 = Very Strongly Agree (VSA), 5 = Strongly Agree (SA), 4 = Agree (A); 3 = Disagree (D); 2 = Strongly Disagree (SD); 1 = Very Strongly Disagree (VSD). This scale was used to measure the relative importance and level of agreement of the items. Space was also provided for some open-ended answers.

The total population in this study was 275 accountants and auditors who attended the four accounting events in Jakarta held by IAI and IAPI. There was a total sample of 143 respondents, 76 accountants from companies and 67 auditors from public accounting firms. Table 3.1 shows the response rate of the survey.

Table 3.1 – Response Rate

Details	IAI Public Hearing - 27 April	IAI Seminar - 12 May	PPL IAPI - 18 May	PPL IAPI - 27 May	Total
Questionnaire distributed	90	100	40	45	275
Questionnaire returned	47	55	23	21	146
Usable Questionnaire	44	55	23	21	143
Unused Questionnaire	3	-	-	-	3
Response Rate	52.22%	55.00%	57.50%	46.67%	53.09%

3.1 Reliability Analysis

Before conducting a further research, reliability analysis needs to be applied in order to identify how each item in the questionnaire relates to each other. Cronbach's Alpha for data reliability is an important step to make sure that the quality of the questions is good and it allows avenue for further research. A questionnaire can be deemed to be reliable when it provides consistent scores in each measurement.

A reliable measurement scale should have a cronbach's alpha value of at least 0.7 (Nunnaly and Bernstein, 1994). A high alpha (0.7 or higher) means that all of the items in the questionnaire are measured using the same construct. The cronbach's alpha of this research showed a result of 0.753 which means that the data is highly reliable, and can therefore be used for further analysis.

3.2 Data Analysis

The analysis consisted of 2 sections which were the descriptive analysis and independent sample test (t-test) analysis.

1. *Descriptive Analysis*

   The demographic profiles of respondents were analyzed. For instance, the descriptive analysis showed the respondents' level of agreement and thus related to better approach for IFRS harmonization and convergence. There are three measures of this analysis; mean, standard deviation and range.

2. *Independent Sample Test (t-test)*

   T-test is a statistical test that establishes a significant mean difference in a variable between two groups (Sekaran, 2003). According to Sekaran (2003), two groups might be different from each other on a particular interval-scaled or ratio-scaled variable of interest. A nominal variable that is split into two groups (as for instance, more experienced accountants and less-experienced accountants) is tested to see if there is a significant mean differences between them on a dependent variable of interval or scale ratio (as for example, advantages of global IFRS adoption).

   The t-test takes into consideration the means and standards deviations of the two groups on the variable. When we compare the mean differences between two different groups on a variable, we do a t-test two independent samples.

$$t = \frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{\sqrt{s_p^2 (1/n_1 + 1/n_2)}} \text{ and } s_p^2 = \frac{(n_1 - 1)s_1^2 + (n_2 - 1)s_2^2}{n_1 + n_2 - 2}$$

Where,

$\mu_1 - \mu_2$ is difference between two population means

s_p^2 is the pooled variance estimator, weighted average of two sample

variance

The data is processed and analyzed using the independent sample t-test and one-way ANOVA analysis to identify the significant mean difference. The author uses the statistical software of SPSS (version 14.0) in this study for interpreting data and for analyzing hypothesis testing. Statistical Package for the Social Sciences (SPSS) is a data mining and statistic software that provides analysis for data collection.

4.   Research Findings

4.1 Respondents Demographics

Insert Table 4.1.1 here

51% (73) of the respondents are male and 49% (70) are female. Based on the table above, 53.1% of the respondents are from KAP (or public accounting firms) while the other 46.9% are from companies. In summary, the percentage of both types of respondents is quite equal.

Insert Table 4.1.2 here

Based on the survey, 2.8% (4) of respondents have Diploma-degree, while the most of respondents hold Sarjana S1 (4 years Bachelor) Degree 70.6% (101), and 25.2% (36) have

Master-degree, and the remaining 1.4% (2) has unspecified degree. As expected by the author, majority of the respondents (70.6%) attained their education up to Bachelor-degree.

Insert Table 4.1.3 here

Majority of the respondents (21.7%) have worked for 0-5 years, 21% have working experience of 5-10 years, 21% have worked for 10-15 years, and 36.4% have working experience of 15 years and above. From the table, it can be seen that the frequency and percentage for each item is almost equal. This means that the respondents' years of experience are varied.

Insert Table 4.1.4 here

Approximately 50.3% (72) of the overall respondents had their institutions affiliated with foreign institutions. Meanwhile, 49.7% (71) of the overall respondents did not have their institutions affiliated with foreign institutions. Furthermore, 55.3% (42) of the respondents came from the foreign-affiliated KAP and 44.7% (34) of the respondents came from the non-affiliated public accounting firms. Additionally, the amount of respondents from foreign-affiliated companies and non-affiliated companies are 30 (44.8%) respondents and 37 (55.2%) respondents respectively.

4.2 Mean Analysis Based on All Respondents Respond

The research results on the perceptions of accountants and auditors towards IFRS convergence may be obtained through identifying the mean value on each item in the questionnaire. There were 27 questions provided in the questionnaire to reveal the respondents' level of agreement on factors that affect IFRS convergence in 2012. The questionnaire asked about IFRS implementation's objectives, advantages, challenges, approach and so forth. Moreover, the questionnaire is also designed to assess the perceptions of respondents towards IFRS convergence in Indonesia by 2012.

Insert Table 4.2.1 here

Table 4.2.1 described the mean analysis of the respondents' perceptions on the objective of IFRS as single set of global accounting standards. The mean value of 4.63 indicates that all respondents believed that IFRS is 'a worthwhile objective that can be fairly, but gradually accomplished'. In addition, all respondents (with a mean value of 2.85) strongly disagreed that IFRS is 'a highly idealistic objective that is impossible to accomplish'. To prove the significance of mean difference, independent t-test was used for this analysis. Referring to table 4.3.1, the p value (0.000) was less than α = 0.05, which shows that the mean between the two items are significantly different.

Insert Table 4.2.2 here

Based on Table 4.2.2, the most important advantage of IFRS adoption in Indonesia was to 'achieve greater comparability of financial performance'. This was evident in this table as the value of the mean for item number 2A, has the highest mean value (4.84). In addition, the lower mean (lower than 4.0) include item number 2C and 2D regarding the costs, which states that "the cost of compliance of accounting standards will be reduced considerably" and "IFRS enable to decrease the cost of capital". The reason for this is probably because all of the respondents considered that there would be extra implementation costs needed to adopt IFRS in their institution, for example: training costs. For that reason, the respondents mutually agreed that these two items (2C and 2D) should not be classified as advantages of IFRS adoption in Indonesia. Moreover, the results of this one-way ANOVA analysis showed that the mean value of all five-items are not equal, since the p value = 0.000 was less than α= 0.01. Therefore, there were significant mean differences on all the six items.

Insert Table 4.2.3 here

Respondents were queried on the challenges of applying IFRS. The mean of all of the items presented in table 4.2.3 are above 4.0, which means all respondents agreed on all the statements in table 4.2.3. The table described similar mean value within each item. However, there is a significant mean difference on item number 3B and 3E (p value 0.014 was less than α=0.05). Item 3B which states that 'Many fair-value applications in IFRS' were considered as the major

challenge in applying IFRS has the highest mean value of 4.48, which was followed by other challenges such as many disclosure requirements and professional judgments.

Fair-value application was considered as the biggest challenge for the accounting professionals, which was probably due to the fact that they have never practiced fair-value application in PSAK before. In contrast, respondents did not have much difficulty to understand the language of PSAK, despite being a translation of IFRS (Item 3E). Furthermore, one of the challenges in applying IFRS is the need of professional judgments for principle-based accounting. The author initially expected that item number 3D would be the biggest challenge in applying IFRS. Startlingly, the respondents did not show a high level of agreement on this particular item. In addition, the fair-value application was considered as the major challenge, instead of item number 3D.

Insert Table 4.2.4 here

There are 3 issues that affect accounting professionals in adopting IFRS, which include: training of staff to understand and implement IFRS principles, applying institutions' existing quality-control procedures relating to IFRS, and providing IFRS convergence team in institutions as a place to ask questions. The mean of those items were 4.80, 4.38 and 4.09 respectively. Based on the table above, the mean differences were significant within each item as the p value (0.000) was lower than $\alpha = 0.05$. Furthermore, all respondents agreed that the training of staffs related to IFRS principles affect them the most, with the highest mean value of 4.80 on item number 4A. The least affecting issue was on item number 4B which was 'the existence of IFRS convergence team in institutions as a place to ask questions is important', with a mean value of 4.09. The low mean positively suggest that there are still a limited amount of IFRS experts in Indonesian companies and public accounting firms, to guide accountants and auditors to adopt IFRS. This is perhaps one of the factors that cause a slow IFRS implementation in Indonesia.

Insert Table 4.2.5 here

There were three particular professional associations that help in supporting the readiness of accounting professionals towards IFRS convergence by 2012. They were: IAI, IAPI and governments. Based on table 4.2.5, two of the three items had a mean value of below 4.0 which means that the respondents did not think that IAI's and the Government's efforts in supporting accountants and auditors are sufficient. However, item number 5A-IAI efforts and 5B-IAPI efforts reported similar mean values of 3.98 and 4.00, which are significantly higher than 5C-Government efforts (3.15). As for the significance, the table showed that the p value (0.000) is lower than $\alpha = 0.05$, therefore the items' mean are unequal. The results indicate that IAI and IAPI efforts have been more sufficient in preparing accounting professionals towards IFRS convergence compared to the Governments. The reason for this was most likely because IAI and IAPI are vigorously conducting public hearing, seminar and some training to assess Indonesia's readiness of adopting IFRS by 2012.

Insert Table 4.2.6 here

It is also evident from this table, that most respondents preferred item number 6A in preparing the general purpose financial statements to public during the gradual convergence process in Indonesia. The table showed that item number 6A 'Companies in Indonesia are allowed to apply early IFRS full-compliance in the reporting year, when capable' has the highest mean value of 4.04. Besides that, the respondents also choose to comply fully with IFRS, by providing reconciliation with PSAK that is applicable at the reporting year. This item, represented by item number 6B, has a mean value of 3.78. As shown in the table, the p value (0.000) was smaller than $\alpha = 0.05$, which shows inequality with the value of their means. Item number 6C- 'following PSAK only' (3.61) and 6D- 'using SAK non-IFRS' (3.53) have significantly lower mean value compared to item number 6A (4.04). It is apparent, that the respondents favored the view of applying early IFRS full compliance during the gradual convergence process, rather than following SAK non-IFRS.

Insert Table 4.2.7 here

In Indonesia and other Islamic countries, certain banks and companies follow Islamic conventions of conducting the businesses, such as interest-free banking. As shown in the table above (on Question 7), the respondents were asked on their opinion whether IFRS could be used for this kind of entity. All of the respondents disagreed that IFRS could be used for Islamic entities, demonstrated by a mean value of 3.89. This is probably because respondents thought that Islamic conventions have dissimilar aims and principles with IFRS. Furthermore, all respondents disagreed with the statement in Question 10 which states: 'I worry that IFRS convergence will negatively affect the profitability of companies in Indonesia' (mean value = 3.46). This evidence suggested that all respondents believed IFRS would help to increase the profitability of companies in Indonesia.

The respondent's level of agreement on whether Indonesia is ready for IFRS convergence by 2012 were asked on Question 8 – 'I believe Indonesia is ready for IFRS convergence' and Question 9 – 'I worry that Indonesia is ready for IFRS convergence'. Unexpectedly, the mean value of Question 8 (3.86) and Question 9 (3.51) were both below 4.0. Hence, this shows that all of the respondents disagreed with both statements. Moreover, the mean value of both questions were significant, as the p value of 0.004 was higher than $\alpha = 0.05$. This means the respondents preferred statement in Question 8 that Indonesia is ready for IFRS convergence by 2012.

4.3 Accounting Professionals Perceptions Based on Institutions

The samples used for this research are obtained from accountants of companies and auditors of public accounting firms or KAP. To compare the perceptions among them, mean value analysis was performed on each item in the questionnaire, and independent sample t-test was also applied to test the significant mean difference of the two samples.

Table 4.3.1 – Significant Mean Difference based on Institution

	KAP	General Companies	Lev Sig.	*p*-value	α
2e) Advantage: Facilitate Indonesian companies to enter the foreign capital markets which are based on IFRS	**4.97**	4.67	0.390	0.019	0.05
3e) Challenge:Difficult to understand the language of PSAK, which is the	3.95	**4.40**	0.015	0.002	0.05

translation of IFRS					
4a) Approach:Training of staffs to understand and implement IFRS principles	4.62	**5.01**	0.292	0.005	0.05

After the independent sample t-test was tested on each item in Appendix B.1, there are 3 items that had significant mean differences. Item number 2E focuses on the advantages of IFRS adoption in Indonesia. Based on the table above, the respondents from KAP reported a higher level of agreement (significant at 0.05 level) on item 2E which was 'to facilitate Indonesian companies to enter the foreign capital markets which are based on IFRS'. The author previously expected that respondents from companies would have greater agreement on this item compared to respondents from KAP. Nonetheless, the result showed an opposite outcome where the mean were 4.97 for KAP and 4.67 for companies. This is probably because companies' respondents felt that IFRS would more likely results in a greater comparability of financial performance rather than facilitating Indonesian companies to enter the foreign capital markets. The reason might be because companies' respondents comprehend that it is not easy to enter the foreign capital markets.

In addition, item number 3E was about the challenges of applying IFRS. Accountants who worked for companies tend to have more problems of understanding the language of PSAK which is a translation of IFRS, as evident in Table 4.3.1. Auditors from KAP disagreed with the notion that it is difficult to understand the language of PSAK in applying IFRS, since they reported a mean of 3.95. As it is a one-tailed t-test, the p value became 0.001 (0.002/2 = 0.001). The mean between them was **significant** (p value one-tailed 0.001 < 0.05). Hence, it is proven statistically that auditors' mean (3.95) was significantly lower than that of the accountants (4.40).

The result indicated that accountants and auditors have different view on the challenges in applying IFRS. This is possibly because auditors or KAP respondents are more familiar with the language of PSAK as consulting with PSAK was part of their activities in practicing as an auditor. Auditor can, therefore, be expected to have a deeper understanding of accounting standards as compared to accountants. In comparison, accountants from companies consult with

PSAK less frequently. Therefore, in applying IFRS, accountant respondents felt that it is such a burden to understand the language of PSAK (which is a translation of IFRS).

The third significant mean difference was on item number 4A – 'training to staff to understand and implement IFRS principles' regarding the IFRS approaches. Since its p value (0.005) was lower than α = 0.05, the mean difference between KAP and companies is **significant**. Companies' respondents reported a higher mean value of 5.01 on item 4A while KAP respondents only reported a mean value of 4.62. The reason is possibly because there were many staffs in companies that do not have deep accounting background as compared to staffs in KAP. Consequently, respondents from companies believed that training would affect them in adopting IFRS.

4.4 Accounting Professionals Perceptions Based on Affiliation

In the questionnaire, the author asked whether the respondent's respective institutions) are affiliated with foreign institution (Multinational Companies or Foreign Affiliated Accounting Firms). The data then used to compare the perceptions between the foreign-affiliated group and the non-affiliated group. According to Table 4.1.7, 50.3% (72) of the respondents came from the foreign-affiliated group; in contrast, 49.7% (71) of the respondents are from the non-affiliated group. Based on 27 questions on the questionnaire, there are five significant items between the two groups, item number 2A, 3A, Question 8, Question 9 and Question 10.

Table 4.4.1 - Significant Mean Difference based on Affiliation

	Foreign-affiliated	Non-affiliated	Lev Sig.	*p*-value	A
2a) Advantage: The standardization of accounting principles around the world will result in greater comparability of financial performance	**5.00**	4.68	0.308	0.028	0.05
3a) Challenge: Different interpretations of IFRSs which may result in divergence	3.97	**4.42**	0.612	0.002	0.05
8) Self-efficacy: I believe that Indonesia is ready for IFRS convergence by 2012	**4.06**	3.66	0.053	0.019	0.05

9) Anxiety: I worry Indonesia is not ready for IFRS convergence in 2012	3.28	**3.73**	0.039	0.008	0.05
10) I worry that IFRS convergence will negatively affect the profitability of companies in Indonesia	3.27	**3.67**	0.638	0.013	0.05

Table 4.4.1 examined the results of significant mean value analysis based on foreign-affiliated or non-affiliated groups. Thus, the independent sample t-test was exercised to compare the means of the two groups of variables. It is clear that there was a mean difference between the foreign-affiliated (5.00) and the non-affiliated groups (4.68) on item 2A, which was 'the standardization of accounting principles will result in greater comparability of financial performance'. To prove the significance, one-tailed t-test was applied to test that the foreign-affiliated group had a significantly higher mean than the non-affiliated one. The one-tailed p value of 0.014 (0.028/2 = 0.014) was lower than significant level of 0.05, therefore, the mean of foreign-affiliated group was **significantly higher**.

It can be concluded that the foreign-affiliated group reported a higher level of agreement that IFRS will result in greater comparability of financial performance compared to the non-affiliated group. This possibly occurred because the foreign-affiliated group is used to compare their financial report with its IFRS-based foreign affiliation and foreign competitors. In the meantime, the non-affiliated companies or KAP probably compared their financial performance with domestic competitors that were similarly prepared based on PSAK. Consequently, they did not feel that 'greater comparability of financial performance' is a major advantage of IFRS convergence for the non-affiliated group.

The second mean value difference was on item 3A which was about the challenges in adopting IFRS, as exposed in Table 4.4.1. The foreign-affiliated group showed a lower mean compared to the non-affiliated group, 3.97 and 4.42 respectively. For the significance test, the one tailed p value 0.001 (0.002/2 = 0.001) was lower than 0.05, and thus the mean value of foreign-affiliated group was **significantly lower** than that of the non-affiliated group. This is possibly because, the non-affiliated group was less likely to adapt and implement IFRS. Therefore, they felt that there would be different interpretations occurred during their first time IFRS adoption. While for the

foreign-affiliated group, they would be able to get help from their foreign affiliation for guidance in adapting IFRS.

Referring to table 4.4.1, the foreign-affiliated group of respondents reported a higher level of agreement (4.06) on Question 8-'Indonesia's readiness for IFRS convergence in 2012' when compared to the non-affiliated group (3.66). The one-tailed p value was 0.0095 (0.019/2 = 0.0095) lower than α = 0.05, thus the mean differences between both groups were **significant**. Hence, it can be concluded that the foreign-affiliated group is more confidence that Indonesia is ready for full IFRS convergence in 2012. The reason might be because the foreign-affiliated group could adapt easily with IFRS as they would get the technical supports from their foreign institutions that had an earlier IFRS adoption. In addition, the foreign-affiliated group recognized IFRS more than its non-affiliated peers.

In addition, there were also other significant mean differences on Question 9 regarding the anxiety towards Indonesia's readiness for IFRS convergence by 2012. The foreign-affiliated group expressed lower trepidation towards this issue (3.28) compared with the non-affiliated group (3.73). The mean of foreign-affiliated group was **significantly lower** than the non-affiliated group, where the one-tailed p value (0.008/2 = 0.004) was lower than α = 0.05. It can be concluded that the non-affiliated group is concerned that Indonesia may not be ready for IFRS convergence in 2012. Moreover, the non-affiliated group reported a higher mean (3.67) on Question 10 – "I worry that IFRS convergence will negatively affect the profitability of companies in Indonesia". Perhaps, this is due to the fact that the non-affiliated group still has not yet fully grasps the meaning of applying IFRS and how to apply it in their respective companies or KAP.

4.5 Mean Value Analysis based on Education Attainment

One of the many ways to compare respondent's perception is using respondent's background of education. One-way analysis of variance was conducted in order to examine the significance of differences between groups for each questionnaire item. The mean value analysis of each group was shown on Appendix B.3. The data were gathered from 4 Diploma-degree respondents, 101 Bachelor-degree respondents, 36 Master-degree respondents, and 2 other degree respondents.

As the sample of Diploma and other-degree respondents was less than 30, the author decided to analyze the mean difference of Bachelor and Master-degree respondents (excluding, Diploma-degree and other degree). From 27 questions asked, there were three items reported with a significant mean difference between groups, as shown in Table 4.5.1 below. The levene's significance, the F value and p value of ANOVA, and the alpha significance level were also shown in the table below to prove the mean difference statistically.

Table 4.5.1 – Significant Mean Difference based on Education Attainment

	ANOVA				Mean Value				
	Lev.sig	F	sig.	α	Diploma	Bachelor	Master	Others	Total
4a) IFRS approach: Training of staff to understand and implement IFRS principles	0.141	5.568	0.001	0.05	3.50	4.77	4.97	6.00	4.80
8) I believe that Indonesia is ready for IFRS convergence by 2012	0.295	7.522	0.000	0.05	3.75	3.63	4.50	4.00	3.86
9) I worry Indonesia is not ready for IFRS convergence in 2012	0.012	4.793	0.003	0.05	4.00	3.68	2.97	3.50	3.51

As shown in Table 4.5.1, there was a significant mean value difference among the four groups on item 4A, since the p value $0.001 < \alpha = 0.05$. Diploma-degree respondents (3.50) and other degree respondents (6.00) have significant mean differences. The table showed that the p value is 0.001 which is lower than $\alpha = 0.05$. Since the sample of Diploma-degree and other degree was less than 30, the author decided not to analyze the mean value difference as it would not represent the population.

Referring to Table 4.5.1, another significant mean difference among the four education level groups was on Question 8 and 9. In Question 8, the Master-degree group believed that Indonesia is ready for IFRS convergence by 2012 with a level of agreement of 4.50. In contrast, the Bachelor-degree respondents reported a mean value of 3.63 (negative respond). The negative mean value of 3.63 means that they did not believe that Indonesia is ready for IFRS convergence by 2012. Based on the table, it is evident that the mean value of the four groups on Question 8 are

not similar as the p value is 0.000 which is lower than 0.05 (α). Consequently, the mean value of Bachelor-degree group and Master-degree group on Question 8 is **significant**.

The anxiety level towards Indonesia's readiness for IFRS convergence was also significant between Bachelor-degree respondents and Master-degree respondents, as shown in Table 4.5.1 on Question 9. The ANOVA test measured that there was a **significant** mean difference among the four groups where the p value (0.003) was lower than α = 0.05. It can be seen that the mean of Bachelor-degree respondents (3.68) was significantly higher than the mean of Master-degree respondents (2.97). In brief, Bachelor-degree respondents are more concerned that Indonesia is not ready for IFRS convergence in 2012 compared to Master-degree respondents. The results of Question 8 and Question 9 suggest that Master-degree respondents have more faith on the readiness of Indonesia for IFRS convergence in 2012 compared to Bachelor-degree respondents. This was probably due to the fact that Master-degree respondents attained more understanding on accounting principles during their study.

4.6 Accounting Professional Perception Based on Years of Experience

Despite comparing the mean value of respondent based on the institution, affiliation, and education attainment, the respondents were grouped by their experience level for analysis in this section. The one-way ANOVA was exercised to investigate the significant mean differences among the four groups of variables based on respondent's years of experience.

Table 4.6.1 – Significant Mean Difference based on Years of Experience

	ANOVA				Mean Value				
	Lev.sig	F	sig.	α	0-5 yrs	5-10 yrs	10-15 yrs	>15 yrs	Total
9) I worry Indonesia is	0.121	4.332	0.006	0.05	3.74	**3.90**	3.46	**3.16**	3.51

not ready for IFRS convergence in 2012										

The mean values reported that the more-experienced respondents showed a higher level of agreement that Indonesia is ready for IFRS convergence in 2012 compared to the less-experienced respondents.

4.7 Over All Perceptions of Accounting Professionals towards IFRS Convergence

The survey result on accounting professionals' perceptions towards IFRS convergence are obtained from each of the respondent's score from answering the questionnaire. There are a total of 24 questions in the questionnaire, excluding item 6B, 6C and 7. Therefore, the minimum score obtained was 24 (minimum score = 24x1) and the maximum was 144 (maximum score = 24x6).

Based on the data analyzed, the total score from the overall respondents were 9,247, with the average score of 64.66. Most of the respondents showed a positive perception towards IFRS Implementation in Indonesia. The results reported that 72% of the respondents have a positive perception, while only 21% respondents have a negative perception. It can therefore be concluded that, accountants and auditors expressed a **positive perspective** towards IFRS convergence in Indonesia. From these results, it can be reported that accountants and auditors in Indonesia supported the IFRS convergence plan.

5. Conclusion, Implication and Limitation.

Accountants expressed significantly different views from auditors on some issues. Accountants of companies tend to have more problems of understanding the language of PSAK (which is the translation of IFRS) when applying IFRS. Training of staffs to understand and implement IFRS principles was viewed as an important approach for IFRS implementation by both accountants and auditors. However, accountants tend to have greater agreement on this approach. In conclusion, accountants and auditors possess different perceptions of several IFRS implementation issues.

Foreign-affiliated and non-affiliated institutions possess different agreement on 5 out of 27 items queried in the questionnaire. With regard to the advantages of IFRS implementation in Indonesia, the foreign-affiliated institutions voiced higher agreement that IFRS will result in greater comparability of financial performance. They are also confident that Indonesia is ready for IFRS convergence by 2012 in contrast with non-affiliated institutions.

There was one implementation issues reported with a significant mean difference between accounting professionals of different experience groups. Accountants and auditors with 0-5 years experience group expressed greater concerns towards Indonesia's readiness for IFRS implementation by 2012 in Question 9, as compared to accountants and auditors with more than 15 years experience group.

The Implication of this study is to give confidence for Indonesian Institution of Accountants that the convergence process is perceived positively by the accounting professionals. However as Indonesia is on the early stage of convergence process by the time when this research is conducted, the perception of respondents may change closer to the effective year of IFRS implementation which is year 2012.

The limitation of this study is number of respondents that is too small and does not represent accounting professionals in all over Indonesia. A further study with larger respondents will be beneficial to enrich the finding of this research.