

I

STUDYING FINANCIAL REPORTING PRACTICE WITHIN CULTURAL PERSPECTIVE: A NOTE FOR DOING RESEARCH IN THE INDONESIAN ENVIRONMENT

Anis Chariri
Universitas Diponegoro Semarang

ABSTRACT

Studies of financial reporting have proceeded in several directions and have raised concerns about the roles of corporate governance mechanisms, auditors and regulators in monitoring managers' behaviour. Most of these studies have been dominated by the positive accounting research paradigm framework. However, empirical studies have not provided conclusive and convincing evidence to support the claims made for the usefulness of financial reporting. Such studies produced different results, but they did not provide conclusive and convincing explanations for such different findings. This paper argues that accounting practice is influenced not only by economic variables as claimed by the proponents of positive research, but also by institutional, political and cultural environments. Consequently, this study suggests some notes to study financial reporting practice within cultural perspective especially in the Indonesian environment.

Keywords: financial reporting, Javanese culture, institutions, qualitative research

INTRODUCTION

Financial reporting is purported to be a useful mechanism for managers to communicate with outside parties such as investors, creditors and financial analysts. From the perspective of usefulness to decision making, financial reporting should be able to present useful information to help investors and creditors make economic decisions. This perspective is consistent with the objectives of financial reporting proposed by authoritative bodies such as the US Financial Accounting Standard Board (FASB) in the Statement of Financial Accounting Concepts (SFAC No. 1) and the Australian Accounting Research Foundation (AARF) in the Statement of Accounting Concepts (SAC No. 1).

Usefulness to decision making implies that to provide the information users need, a manager, as a preparer of financial reports, should be able to communicate the information and safeguard its relevance and reliability. The relevant and reliable information supplied by financial reporting can also have significant effects for companies and for public confidence in capital markets (Bromwich 1992; Miller and Bahnsen 2002). However, whether financial

reporting is capable of providing sufficient and appropriate information to help users make economic decisions is questionable.

Conflicts of interests between managers and outside parties, especially investors, create distortions in financial reports. In fact, through "creative ways", managers are capable of manipulating accounting numbers to achieve their own objectives (Jennings 2003; Plijper 1993). This usually occurs when there is divergence in shareholders' and managers' objectives. Such divergence could motivate managers to make financial reporting decisions in their own interest and could provide incentives to distort reported profits (see Dye 1988; Schipper 1989; Watt and Zimmerman 1986). Some studies also provide evidence supporting this argument (Collins and DeAngelo 1990; Healy 1985; McNichols and Wilson 1988). As a result, financial reporting has been the subject of serious criticism in recent years.

The public has witnessed a number of well-known examples of accounting scandals and bankruptcy involving large and prestigious companies in developed countries. The media has reported scandals and bankruptcies in companies such as Sunbeam, Kmart, Enron, Global Crossing (USA), BCCI, Maxwell, Polly Peck (UK) and HIH Insurance (Australia). Besides scandals in developed countries, which have sophisticated capital markets and regulations, similar cases can be also seen in developing countries with emerging capital markets. As reported by Johnson, et al. (2000), Asian countries have experienced similar cases, such as PT *Bank Bali*, and *Sinar Mas Group* (Indonesia), Bangkok Bank of Commerce (Thailand), United Engineers Bhd (Malaysia), Samsung Electronics and Hyundai (Korea).

These cases imply that the corporations have failed to supply accurate information to their investors, and to provide appropriate disclosures of any transactions that would impact their financial position and operating results. Indeed, information provided in financial reports can be misleading. Accordingly, investors and other users of financial reports are raising questions about the quality and integrity of the financial reporting process (Dunn 2003) and about the usefulness of financial reports in helping investors make economic decisions.

In addition, the recent accounting scandals have induced a crisis of confidence in financial reporting practice and effectiveness of corporate governance mechanisms (Bartley 2002; Browning 2002; O'Connell, et al. 2005). A number of surveys point out that annual financial reports are not widely read by users nor used as the main source for making economic decisions (Anderson 1979; Anderson and Epstein 1995; Bartlett and Chandler 1997; CPA Australia 2002). Meanwhile, other studies have been directed towards investigating how to enhance the quality of financial reporting (Cohen, et al. 2004; Jonas and Blanchot 2000) and how information provided by financial reports affects market efficiency and individual behaviour (Amir and Lev 1996; Healy, et al. 1999; Lev and Ohlson 1982; Lev and Zarowin 1999). However, current research mostly ignore the cultural perspective of accounting.

This paper will discuss the possibility to study financial reporting practice within cultural perspective, especially unique culture such Javanese culture in the Indonesian environment. The first section of this paper will point the problem with current accounting research and the need for further research. This will be followed discussions on doing research in Indonesian setting, research issues and research approach.

CURRENT RESEARCH IN ACCOUNTING: PROBLEM DAN ALTERNATIVE

Studies of financial reporting, as Mathews and Perera (1993); Ryan, et al. (2002) and Wolk, et al. (2004) note, have proceeded in several directions, such as a decision-usefulness approach (Gilman 1939; Grady 1965; Paton 1922; Paton and Littleton 1940), behavioural research (for example, Anderson 1979; Anderson and Epstein 1995; Chenhall and Juchau 1977; Lee and Tweedie 1975a; 1975b) and market-based accounting research (for example, Amir and Lev 1996; Botosan 1997; Francis and Schipper 1999; Healy 1985; Healy, et al. 1999; Lev and Ohlson 1982; Lev and Zarowin 1999). Moreover, studies of financial reporting have been dominated by the positive accounting research paradigm framework, which addresses particular problems to be analysed using mathematical and statistical techniques, and which is aimed at explaining and predicting how self-interested individuals behave when facing economic consequences of particular accounting issues (Holthausen 1990; Watt and Zimmerman 1986). Studies of financial reporting have also raised concerns about the roles of corporate governance mechanisms, auditors and regulators in monitoring managers' behaviour (Berle and Means 1975; Cohen, et al. 2004; Fama and Jensen 1983; Forker 1992; Jensen 1986; Jensen and Meckling 1976; Weir, et al. 2002; Williamson 1985b).

However, empirical studies have not provided conclusive and convincing evidence to support the claims made for the usefulness of financial reporting. For example, findings of empirical studies on the association between a corporate governance mechanism and quality financial reporting showed contradicting evidence (see for example, Beasley 1996; Beasley, et al. 2000; Chen and Jaggi 2000; Dunn 2003; 2004; Forker 1992; Goodwin and Seow 2002). The studies produced different results, but they did not provide conclusive and convincing explanations for such different findings.

There might be some reasons for the mixed evidence. One might be that the nature of instruments used to measure variables affecting transparent financial reporting is based on a proxy, such as the presence of an independent board of directors and audit committee, the proportion of their independent members and the size of the board or committee. Therefore, such different measures could result in different conclusions. Watt and Zimmerman (1986) also have acknowledged that the application of vague proxies, different sample sizes, and incorrectly specified functional models have produced inconclusive and mixed results. The differences in research findings might also be because of differences in the time period of the studies or the cultural environment of countries (Adams and Kuasirikun 2000; Chen and Jaggi 2000; Hofstede 1987; Perera 1989), and the cultural uniqueness of organisations (Gerlesh 2003; Loebbecke, et al. 1989; Merchant 1987; Rezaee 2002).

It has been argued that the presence of a corporate governance mechanism does not guarantee transparent financial reporting practice (Fogarty and Kalbers 1998; Tricker 1994a). The effectiveness of a control mechanism depends on values, norms and beliefs accepted in an organisation (Jennings 2004a; 2004b; 2005a; Oliver 2004) and the involvement of actors in control structures in monitoring managers (Cohen, et al. 2004; Jennings 2005b). However, none of those studies tries to analyse financial reporting practice from a perspective of the power exercised by actors in the corporate governance structure, and institutional factors such as regulations and rules. This might be because of the commonly made claim that accounting

is merely concerned with matters of fact and efficiency. Tinker (1988) contends that problems of accounting are associated with the way in which marginalist economics has colonised the notion of efficiency. This implies that accounting is seen as representation of "itself, variously, as 'technical', 'neutral', and 'value free'" (Munro 1998, p. 201).

However, accounting is no longer seen by some as "a neutral device that merely documents and reports 'the facts' of economic activity" but as "a set of practices that affects the type of the world we live in, the type of social reality we inhabit" (Miller 1994, p. 1). Financial reporting practice is influenced not only by economic variables as claimed by the proponents of positive research, but also by institutional, political and cultural environments. It is recognised that the current research in accounting and corporate governance is alert to the fact that actors' behaviour is modified by procedures, rules, incentives and other economic factors. Most research to date has all but ignored the institutional, political and cultural environment in which financial reporting practice takes place. Consequently, calls for studying financial reporting within its environmental contexts have emerged in accounting literature (Adams 1997; Gray 1988; Rezaee 2002; Miller 1994; Munro 1998).

Considering the above view, a further study is necessary to understand and analyse the dynamics of financial reporting practice from the perspective of a corporate governance mechanism involving institutions, power and culture. Such research should be directed to understand how power is exercised by actors in a corporate governance mechanism, and how institutional pressures and organisational beliefs, values, and norms influence financial reporting practice of a company.

The above views insinuate that financial reporting practice should be studied within the framework of an interpretative, rather than a positivist, paradigm. Such a study is attainable because accounting can shape and be shaped by the environment in which it takes place, and because accounting procedures are intertwined with interpretation and understanding (Mouck 1992). Indeed, managers and other organisational actors who construct financial reporting are both influenced by and influence the environment (Mangos and Lewis 1995). Moreover, Hopper, et al. (1995, p. 528) highlight that

...in communicating reality accountants simultaneously construct it (Hines 1988) and accounting is a social practice...and not merely a market practice guided by equilibrium in an efficient market.

Hopwood, et al. (1994, p. 228) also claims that "...accounting is intimately implicated in the construction of facilitation of the contexts in which it operates. It cannot be extracted from its environment like an individual organism from its habitat" [original emphasis].

Studying financial reporting practice from the perspective of institutions, power and culture can enhance prior studies of financial reporting practice that have been focused on technical and economic issues. Cooper (1980) and Tinker (1980) insist that the scope of accounting research should be broadened beyond traditional positivist investigations with its technical-efficiency focus to incorporate social and political phenomena. In a similar vein, Neu (1992) argues that accounting studies should go beyond the traditional positivist investigation to encompass socio-political factors.

More recently, Geriash (2003) and Cohen, et al. (2004) also suggest that further research of financial reporting should focus on the political, social, and cultural forces that influence accounting decisions. These views are shared by Hopwood, et al. (1994, p. 228) who opine that "accounting cannot be isolated and analysed as practice that is free from culture. The existence of accounting is determined by culture, customs, norms, and institutions".

To date, what has been studied in accounting is how power and institutions influence individual behaviour in decision making within a management accounting framework, such as in budgeting (Bartlett 1980; Covalleski and Dirsmith 1986; Pfeffer and Salancik 1974), and how power and culture affects interested parties in accounting standard setting, such as those of the US (Puro 1984; 1985; Sutton 1984; Tandy and Wilburn 1992; 1996), the UK (Hope and Gray 1982; Nobes 1991; Sutton 1984), Australia (Klumpes 1994; Walker and Robinson 1993; 1994), New Zealand (Rahman, et al. 1994) and Germany (McLeay et al. 2000). What is missing from the prior studies is research into the relation between institutions, power and culture in financial reporting practice of an organisation.

Study of financial reporting practice should be built on a belief that accounting is a socially constructed reality (Hines 1988; Miller 1994; Morgan 1988; Munro 1998; Nelmark and Tinker 1986). In line with financial reporting, such practice involves interactions among organisational actors; and between the actors and external institutional environment/constituents. It is the institutional environment that shapes financial reporting practice, and it is the people who process information, make judgment and decisions regarding information presented in financial reports. This means that corporate financial reporting is a dynamic process - a continuous conversation.

Financial reporting practice is an institutional and political practice concerning the supply of information, and that it takes place in a political arena involving rules of the game (regulations/rule), culture and players (interested parties). As Guthrie and Parker (1990, p. 166) argue

the political economy perspective perceives accounting reports as social, political and economic documents. They serve as a tool for constructing, sustaining and legitimising economic and political arrangements, institutions and ideological themes.

In addition, Baker and Bettner (1997, p. 293) point out that

accounting capacity to create and control social reality translates into empowerment for those who use it. Such power resides in organisations and institutions, where it is used to instil values, sustain legitimising myths, mask conflict and promote self-perpetuating social orders... Contrary to the public opinions, accounting is not a static reflection of economic reality, but rather is highly partisan activity.

Accordingly, the dynamics of financial reporting practice might be better understood by analysing how players behave in organisations according to norms, values and beliefs accepted in the organisation, and how external institutional pressures influence the actors in financial reporting practice.

Within the mechanism of corporate governance, at least, five players are involved in making judgments on financial reporting: managers, boards of directors, audit committees, internal auditors and external auditors. However, it can be argued that owners, especially controlling shareholders or founders (mostly in developing countries) might also be intensively involved in determining the information disclosed in financial reports. Even so, it is believed that although all players may have convergent objectives, power in organisations tends to be dominated by managers. Crowther (2002, p. 44 note 5) argues that:

when considering power in the context of a disciplinary practice of surveillance (Foucault 1977) through the use of the reporting mechanisms of accounting, it is clear that the majority of power resides in the managers of the organisations who control and distribute this reporting to other stakeholders in the manner they choose. It is recognised however that legislative and regulatory requirements provide a limit to their ability to control this information and pose demands upon the reporting framework.

The previous examples of accounting scandal and bankruptcy, such as Enron and HIH Insurance, showed that boards of directors, audit committees and external auditors seem unable to monitor and supervise managers to act in the interest of shareholders (Fox 2003; HIH Royal Commission 2003; Miller and Bahnsen 2002).

Further, a study of the dynamics of financial reporting practice by involving institutions, power and culture could make a significant contribution to studies on financial reporting practice. This is because such a study could provide insights into how institutional pressures and culture influence financial reporting practice, and how power is distributed and exercised by actors in an organisation to determine contents, formats and disclosures of financial statements and explain why certain companies are committed to quality financial reporting. The only studies considering power in financial reporting are those by Dunn (2004), Fogarty and Kalbers (1998) and Kalbers and Fogarty (1993); whereas a study concerning institutional aspects of financial reporting was undertaken by Mezas (1990).

However, Dunn (2004) only investigated power from insider perspectives and found that the decision to issue fraudulent financial reports is more likely to occur when there is a concentration of power in the hands of insiders. On the other hand, studies by Fogarty and Kalbers (1998) and Kalbers and Fogarty (1993) only considered power of the audit committee and neglected how power is exercised and mobilised in an organisation to influence financial reporting practice.

In relation to institutional aspects, Mezas (1990) only investigated the influence of institutional variables on the recording of the income statements for financial reporting purposes of the investment tax credit (the use of the flow-through method versus the deferral method). This study neglected a social and political process by which a certain method was adopted.

Studies by Fogarty and Kalbers (1998) and Kalbers and Fogarty (1993) concluded that it is difficult to measure power and suggested that research should be undertaken by using an indepth interview approach; whereas Mezas' (1990) study suggested that further work in an institutional setting is required to improve understanding of institutional effects on organisations. Such suggestions imply that studies of financial reporting practice within its

environmental context should employ a qualitative approach and should be conducted in an organisational setting.

DOING RESEARCH IN AN INDONESIAN SETTING

A Lot of Regulations but Weak in Law Enforcement

Indonesia is the world's largest archipelago, the world's fourth-largest nation, and its population consists of different ethnic groups including Javanese (45 per cent) Sundanese (14 per cent), Madurase (7.5 per cent) and coastal Malays (7.5 per cent) (ADB 2003). After being colonised by the Netherlands (350 years) and Japan (3.5 years), Indonesia declared independence on 17 August 1945. In respect to economic activities, the government is seen as a major actor in Indonesia's market-based economy. Following its independence, Indonesia experienced rapid economic growth and has been regarded as an emerging capital market. Indonesia also changed from using a Dutch to a US accounting practice.

In spite of an abundance of natural resources and growth rates of seven to eight per cent in the early 1990s, Indonesia has faced a number of economic problems, including the practice of accounting, auditing and financial disclosure (ADB 2003). Pressures for improvement of financial reporting practice grew in the wake of a series of financial reporting scandals such as Bank Duta (early 1990), Plaza Indonesia Realty (mid 1992) and *Barito Pacific Timber* (1993)¹. In addition, an empirical study showed that the level of disclosure in annual reports of Indonesian companies for the year ended 1993 was 55 per cent of international accounting standard disclosure (Craig and Diga 1998).

To avoid similar scandals and to develop a capital market for mobilising long-term investment flows, the Indonesian government and professional bodies have developed regulations governing both the capital market and accounting. As a result, in September 1994, the Accounting Standard Committee of the Indonesian Institute of Accountants (KPSAK) released a new set of accounting standard called *Pernyataan Standard Akuntansi Keuangan* (PSAK). The new standard (PSAK) replaced the 1984 Indonesian accounting standards called *Prinsip Akuntansi Indonesia 1984* (PAI 1984)². However, KPSAK adopted the international accounting standards without doing any preliminary research to determine whether the standards are compatible with the Indonesian environment and whether those standards are capable of improving the quality of financial reporting in Indonesia³. The government also issued

1 For detailed discussion see ADB (2003)

2 Pre-1973 financial requirements were prescribed by Dutch-based company law that required only that "adequate financial records be kept". In 1973, the Indonesian Institute of Accountants (IAI) released *Prinsip Akuntansi Indonesia* (Indonesian accounting principle)—commonly called PAI-1973 that reflected the 1965 US generally accepted accounting principles (GAAP). In 1984, IAI revised *Prinsip Akuntansi Indonesia* and issued the *1984 Prinsip Akuntansi Indonesia* (PAI-1984). In 1994, through the Seventh National Congress of IAI, Indonesia has adopted International Accounting Standards as the basis for domestic financial reporting (ADB 2003; Chariri and Ghozali 2002).

3 In an emerging capital market, financial reporting has been increasingly viewed as a vital infrastructure for the growth of capital. Although the markets are characterised by both structural problems such as small size of market capitalisation, low liquidity and limited investment choices, and political and economic problems associated with political risk and uncertainty, unfavourable government regulation and macroeconomic stability, quality financial reporting plays an important role in attracting international investors (for a detailed discussion see Saudagaran and Diga (1997). This is because the quality of financial reports enables investors to reduce potential risks caused by the political and economic problems.

Corporate Law No 1/1995 in March 1996 to replace corporate law codified in Indonesian Commerce Law called *Kitab Undang-Undang Hukum Dagang*, which was translated from Dutch commercial laws.

Under the new law, nonetheless, whether the quality of financial reporting in Indonesia is higher than before is still in question. In fact, a number of corporate scandals occurred not long after the release of new regulations/law. A number of instances of business misconduct, especially concerning the lack of transparency in publishing relevant and reliable information, are evidence of such scandals. This can be seen from the cases of collection of private funds to support the N-2130 jet aircraft project of IPTN⁴ (McLeod 1997), privatisation processes including private provision of public services (World Bank 1997) and the *Bapindo/Golden Key* scandal of 1994–1996⁵ (Cole and Slade 1996). The 1997 Indonesian economic crisis with the collapse of the Indonesian Rupiah was the ultimate result of a series of accounting and corporate scandals. This crisis, which made many of the country's conglomerates technically collapse (ADB 2003) and made the Indonesian government lose legitimacy with the fall of President Suharto's dynasty in 1998, further increased pressure for the government to improve the quality of financial reporting.

On August 1999 through the Decree issued by the Minister of Economics, Finance and Industry No.10/M.Ekuin/08/1999, the Indonesian government established the National Committee on Corporate Governance (NCCG), which is responsible for developing a framework of good corporate governance for the Indonesian business environment. As a result, in March 2000, The NCCG released "the Code of Good Corporate Governance/Rev. 4.0" as guidance for companies in running a transparent, responsible, accountable, and fair business. This includes good corporate governance principles and guidelines concerning the role of the board of directors, audit committee, corporate secretary and corporate disclosure. The NCCG is also responsible for initiating regulatory reform. To support such reform, *Bapepam* (the capital market supervisory agency) and other authoritative bodies, such as the Indonesian Institute of Accountants, issued other regulations and accounting standards.

Even though a number of regulations have been issued to regulate financial reporting and business practice in Indonesia, they have not been able to ensure sound business practice and transparency in financial reporting. Implementation of regulations has not been smooth, and is impeded by weak law enforcement (ADB 2003). Disappointing implementation and weak enforcement might not be able to force companies to publish quality financial reports. Such weak law enforcement has led a number of companies to create and use "their own systems", which often neglect good corporate governance principles and ethics. Consequently,

- 4 IPTN is the National Aircraft Maker, a mega project, which was built by Habibie, the Minister for the Development of Technology during the era of President Suharto. In 1994 Suharto took \$190 million from a reforestation fund to support the sagging state aircraft maker. However, this project was seen as failure.
- 5 The Indonesian public witnessed that this scandal involved Sudomo, the chair of the Supreme Advisory Council and the former Minister for Politics and Internal Security Coordination during the era of President Suharto. Sudomo issued *Surat Sakti* (a special letter of reference) that allowed Edy Tanzil (a businessman) to take illegally money from Bapindo Bank.

within unethical and corrupt governance, it can be argued that commitment to quality financial reporting and compliance with regulations is largely determined by companies themselves within their own ethical culture.

Although a number of regulations have been released to improve financial reporting quality in Indonesia, none of studies in the Indonesian environment was directed to consider the relationship of institutions (regulations/rules) and financial reporting practice. Most accounting studies in Indonesia have been directed to investigating the relationship between economic factors, such as ownership structures, company sizes, industry types and financial performance and disclosure (for example Arifin 2002; Fitriani 2001; Marwata 2001; Susanto 1992). However, as with other empirical studies of accounting, the studies resulted in inconclusive and contradictory findings. Using Tinker's (1991) words, accounting research in Indonesia has been "colonised by the notion of efficiency". It is apparent that there is an institutionalised myth in the Indonesian accounting research community that accounting studies are considered to be outstanding only when they are conducted by employing "sophisticated statistical models".

Studies of financial reporting in the Indonesian setting tend to ignore the cultural beliefs and values accepted in Indonesian society. Nevertheless, as the language of business, accounting is not value free. Hofstede's (1982) study concluded that local culture influenced the behaviour of the Indonesians both in business and government institutions. This "local culture" refers to Javanese culture (Yudianti and Goodfellow 1997).

The Dominance of Javanese Culture

It has been documented that dominant culture in a society imposes pervasive influences on individual and corporate behaviour (Hofstede 1987; Kanungo and Mendonca 1996; Schein 2004). In the Indonesian business environment, it is claimed that Javanese culture is dominant in influencing the behaviour of Indonesian people (Antlov 1994; Magnis-Suseno 1997; Mann 1996; Mulder 1994; Yudianti and Goodfellow 1997).

The maintenance of social harmony is the core value of Javanese culture. To maintain social harmony, a social relationship of the Javanese is characterised by two basic principles indicating the Javanese ideas of the good life: conflict avoidance and respect. The principle of conflict avoidance and principle of respect are manifested in the Javanese social life in terms of a hierarchical position and collectivism. Such manifestation can be seen in social relationships in the Indonesian environment both in business organisations and in government institutions (Hofstede 1982)⁶. Indeed, the "socio-cultural environment determines management beliefs, values and assumptions of workers and work behaviour that characterise the organisation's work culture" (Kanungo and Mendonca 1996, p. 109).

Moreover, Javanese culture influences how individuals exercise power to lead and direct people in an organisation. The concept of a leadership style based on Javanese culture is built on a belief that a leader is a figure of *Bapak*-father and an exemplary model for their

6 It should be noted that even though Javanese culture has an ethical view on a social relationship, this culture could be misleadingly interpreted and implemented in practice for self-interest at the cost of others. The leadership of President Suharto and his cronies in government institutions was an example of the misinterpretation of Javanese culture (See Marsh and Goodfellow 1997; Liddle 1996).

subordinates. To maintain social harmony, a leader will focus on collectivism in making a decision. In fact, as Marsh and Goodfellow (1997) emphasise, two important concepts about the leadership and decision making process in Javanese culture: *musyawarah* (mutual deliberation) and *mufakat* (the common unanimous decision) should be considered when a leader is making a decision. This is because the outcomes of decision-making are ultimately for *kepentingan bersama*-public interests/benefits (Magnis-Suseno 1997).

As culture is learned and derived by individuals from a social environment throughout their lifetime, Javanese culture is reflected in Indonesian social relationships, such as workplaces, political organisations and other institutions including financial reporting practice. March and Olsen (1989, p. 22) highlight that "behaviour is contained or dictated by cultural dicta and social norms. Actions are often based more on identifying the normatively appropriate behaviour than on calculating the return expected from alternative choices".

Because financial reporting practice, as a part of accounting activities, is value laden (Hines 1988; Miller 1994; Morgan 1988; 1998; Munro 1998), the use of Javanese ideas of an ethical social relationship will be useful to understand how quality financial reporting has been practised in a company. Jaggi (1975) claims that the value orientation of managers greatly influences them in making financial disclosures, and that value orientation of individuals in a society to a large extent is affected by the social environment of the society.

Studies of financial reporting that consider the cultural context in the Indonesian setting include those by Sudarwan and Fogarty (1996; 1997) and Tabalujan (2001; 2002). Sudarwan and Fogarty (1996) investigated the relationship among the cultural characteristic of Indonesian society, reporting practices and accounting standards promulgated by KPSAK. It was suggested that the development of accounting standards and disclosure practices were patterned by change in cultural norms (Sudarwan and Fogarty 1996).

However, as they mentioned, their study suffered from certain weaknesses such as their inability to conduct an analysis of the influence of firm's specific culture on financial reporting practice. In addition, it is suggested that culture and accounting may be more dynamic than suspected and there may be "important qualitative aspects of the social relations" that underlie financial reporting practice that have been ignored by researchers (Sudarwan and Fogarty 1997, p. 214).

A study by Tabalujan (2001) also confirmed that culture influenced the practice of transparency in Indonesia. Tabalujan (2001) analysed practice of corporate governance (in terms of responsibility, accountability, fairness and transparency) in three Indonesian banks and concluded that such practice still diverged significantly from the stated principles of corporate governance. Such divergence, as he (2001) argues, might be due to local culture.

Elsewhere, Tabalujan (2002) analysed the impact of local culture on corporate governance practice in 259 companies listed on the Jakarta Stock Exchange in mid 1997 and 2001. He (2002) concluded that corporate governance practice was influenced by family relationship, one characteristic of Javanese values (Yudianti and Goodfellow 1997). In addition, a study by Hofstede (1982) confirmed that the four cultural dimensions (power distance, conflict avoidance, individualism/collectivism and masculinity/femininity) of Indonesian society are closely related to the characteristic of Javanese culture. This is why further study should study consider financial reporting practice in a company from a perspective of Javanese culture.

RESEARCH ISSUES: FOCUS AND CONTRIBUTION

Efforts made by the Indonesian government and professional and accounting bodies have been intended to achieve a clean and fair business practice where no one gains benefit at the cost of others. However, it is recognised that despite significant improvement to the corporate governance framework during the 1990s, actual corporate governance behaviour during that decade diverged substantially from stated principles (Tabaluja 2001). A number of financial reporting problems still occur in Indonesia.

One publicly debatable case of financial reporting is the case of Lippo Bank, which published two different financial reports to the public and to *Bapepam* in 2002 (Antara 2003a; 2003b; Donnan and Hidayat 2003), although the bank had an independent board of directors and audit committee. Furthermore, during the period of 2002, there were more than 20 companies provided misleading information (*Bapepam* Annual Report 2002). *Bapepam* also reported that until the deadline of annual report submission, 31 March 2002, 87 companies (23.26 per cent of listed companies) had not submitted their annual financial statements to *Bapepam*. This figure increased to 30 per cent of listed companies (117 companies) in 2003.

On the other hand, it is recognised that some companies have published quality financial reports and awarded by *Bapepam* as the companies with the best annual reports. *PT. Aneka Tambang Tbk*, *PT. Bank Niaga, Tbk* and *PT. Asuransi Bintang, Tbk* (publicly listed companies) are an example of those which publishes annual reports transparently and have been a recipient of annual report awards. This particular companies could be was selected as the research setting in a study of accounting within cultural perspective. The reason is that as publicly listed companies, they have a unique culture. Furthermore, They have been successful in implementing a corporate governance mechanism that drives their organisational members to commit to quality financial reporting practice. This can be inferred from its ability to cope with the Indonesian economic crisis while many other companies went bankrupt, and from its success in winning a number of annual report awards.

Hence, instead of studying companies with fraudulent financial reporting, which has been investigated by a number of empirical researchers, the next study should focus on a company with the best annual reports. In other words, such study should seek to understand why, within a dirty and corrupt environment⁷, a particular company is committed to quality financial reporting practice, whereas other companies engage in unethical and fraudulent financial reporting. By understanding the financial reporting practice of such company and its organisational uniqueness, the future study should aims to seek answers to the following specific questions:

1. Why is a particular company committed to quality financial reporting?
2. How does the company construct its financial reports to deliver a message to its audience?
3. To what extent do external institutional pressures, such as regulations/rules, force the company to provide information in financial reports?
4. In what ways do intra-organisational dynamics, such as beliefs, values, norms, power and leadership, influence financial reporting practice?

7 See International Corruption Watch, which ranked Indonesia as one of the most corrupt countries.

Focus of Research: Interpretation and Research Method

Understanding the dynamics of financial reporting practice is not easy. The starting point for the next study should be the belief that financial reporting practice is an institutional and political practice. As a part of accounting systems, it is a socially constructed reality. From this view, financial reporting practice can only be developed by reference to the particular setting in which it is embedded (Burchell, et al. 1980; Hopwood 1983; Miller 1994). Thus, following Nahapiet (1988), the further research should be guided by a desire to develop an understanding of the way people communicate, behave and act in their everyday life and how this affects and is affected by financial reporting practice. This means that the study does not set out to test a set of specific hypotheses, but to observe and describe the actions and views of organisational members of a particular company and to identify the meanings underlying such actions (Burchell et al. 1980; Harre and Secord 1972; Nahapiet 1988). Following a view expressed by Hopwood (1983), such a study must be directed at financial reporting practice in an organisational setting.

Studying accounting within such cultural perspective could contribute to the development of accounting theory and practice. Consequently, the significance of the next study would come from two sources. First, the concepts developed here are relatively new to financial reporting studies. As such, the study represents an first effort to familiarise accountants with organisational uniqueness, power politics and a unique culture in financial reporting practice. Such study can enhance sociological studies on accounting and develop the understanding of accounting knowledge and practice within social, political, institutional and cultural contexts.

Second, findings of the study could help industry groups, insurance regulators (the Directorate General of Financial Institutions), accounting standard setters (*Bapepam* and the Indonesian Institute of Accountants), and others to better determine the reporting requirements of insurance companies, and assist them to develop more effective regulatory initiatives such as regulations on disclosure and type of enforcement.

Research Approach

Several research approaches or methods are currently available to help researchers analyse phenomena, but these can be categorised into two main types: scientific research and naturalistic research (Holmes, et al. 1991). The first approach is well known as the mainstream or positivistic approach; but the second has been variously labelled as critical, interpretive and so on, according to the different characteristics in approaches and methods (Bernard 1994; Denzin and Lincoln 1998; Guba and Lincoln 1998; Lincoln and Guba 1986). The differences between scientific research and naturalistic approaches can be traced further into their ontology, epistemology and methodology. However, it is not within the scope of this paper to discuss the differences.

The next study could be based on the understanding that reality exists as a social product and as a result of human interaction, symbolic discourse and creativity (Burrell and Morgan 1979; Denzin 1983; Hopper and Powell 1985; Morgan 1980; 1988; Tomkin and Groves 1983). Furthermore, it assumes that humans are incapable of total objectivity because they are situated in a reality constructed by subjective experience (Berger and Luckmann 1984).

Meanings and the search for the truth is possible only through social interactions (Streubert and Carpenter 1999). Consequently, it is necessary to consider a wide social environment in order to understand a phenomenon (Bryman 1989). Cooper and Sherer (1984) shared a view with Burchell, et al. (1980) and Tinker (1980) which is that to design better accounting systems, we need to understand how accounting systems operate in their social, political and economic contexts. Failure to take such context into account has led to an emphasis on designing accounting reports that are in "the interests of shareholders", and not necessarily in "the interests of other groups in society" (Cooper and Sherer 1984, p. 224)

As previously discussed, financial reporting practice can be seen as an institutional and political practice concerning the supply of information of a certain entity. Because actors can shape, and be shaped, by the environment, financial reporting practice can be viewed as a reality that is socially constructed and subject to political, economic and social pressures. By considering the social and political context, Cooper and Sherer (1984, p. 225) suggested that accounting research should

be explicitly normative—make your value judgment explicit; *be descriptive*—describe and interpret the practice of accounting, accounting in action; and *be critical*—recognise the contested nature of the accounting problematic and particularly the concept of the public interest [original emphasis].

Therefore, to understand why and how a company is committed to quality financial reporting practice, an appropriate research approach is needed. The inability quantitatively to measure some phenomena has led to intense interest in using other approaches to particularly human phenomena. Based on the coherence between ontology, epistemology and human nature assumptions, the next study should be designed with an interpretive method of inquiry. Nahapiet (1988) claims that from an interpretative approach, the process by which meanings that people attach to their social world are created and sustained are the central focus of understanding social action.

The interpretative approach is appropriate for the future study because it enables a researcher to understand how financial reporting is practised in an organisation by considering values, beliefs, norms and structures accepted by organisational members, and by considering external factors, which are viewed as influencing financial reporting practice. This means that all human behaviours are shaped in the context of organisational culture (Dey 2001). In addition, such an approach could be used because the aspect of human values, culture and relationships are unable to be described fully using quantitative research methods. In common with Boland and Pondy (1983, p. 225), the research objective "is not to study accounting *per se*, but to study individuals acting in organisations as they make and interpret accounts".

Financial reporting practice can only be developed by reference to a particular setting in which it is embedded (Burchell, et al. 1980; Hopwood 1983; Miller 1994). Thus, the next research should be conducted within qualitative approach, and should employ a combination of two research methods: case study and ethnography. Both methods share a paradigm called interpretivism (Burrell and Morgan 1979; Guba and Lincoln 1989), and are situated within subjective epistemology (Guba and Lincoln 1998).

CONCLUSION

This paper discussed the development of accounting research and showed that such research has been dominated by positive accounting research. However, as discussed before, the result of research findings was not convincing and conclusive. This is because current research of financial reporting has been conducting within different environment. Different environment could result in different findings. Unfortunately, such research ignored such differences by excluding cultural factor when studying accounting.

Based on such problem, this paper provided arguments about the needs for doing research within specific culture, especially when doing research in the Indonesian environment. Within this environment, it is suggested that the next study of accounting should consider Javanese culture-a dominant culture in Indonesia. Furthermore, this paper suggested that the next research of accounting issues in Indonesia should be directed within an organisational setting because accounting is a socially constructed reality. Consequently, the next study should employ qualitative research within an interpretive paradigm.

REFERENCE

- Adams CA and Kuasirikun N. 2000. A Comparative Analysis of Corporate Reporting on Ethical Issues by UK and German Chemical and Pharmaceutical Companies. *European Accounting Review*. 9(1): 53-80.
- Adams M. 1997. Ritualism, Opportunism and Corporate Disclosure in the New Zealand Life Insurance Industry: Field Evidence. *Accounting, Auditing, and Accountability Journal*. 10(5): 718-734.
- ADB 2003. *Diagnostic Study of Accounting and Auditing Practice (Private Sector) Republic of Indonesia*. Manila, Asian Development Bank.
- Amir E and Lev B. 1996. Value-Relevance of Non Financial Information: The Wireless Communications Industry. *Journal of Accounting and Economics*. 22.
- Anderson RH. 1979. The Usefulness of Annual Reports to Australian Investors'. the Accounting Association of Australian New Zealand 1979 Conference, University of Melbourne, Australia.
- Anderson RH and Epstein MJ. 1995. The Usefulness of Annual Reports. *Australian Accountant*. April: 25-28.
- Antara. 2003a. Lin Che We Briefs ago on Bank Lippo Case. *Antara*. Jakarta: 1.
- Antara. 2003b. Sanction on LIPPO Bank Management 'Insignificant'. *Antara*. Jakarta: 1.

- Antlov H. 1994. Village Leaders and the New Order. in *Leadership on Java: Gentle Hints, Authoritarian Rule*. H Antlov and S Cederroth. Richmond, Surrey, Curzon Press Ltd.
- Arifin 2002. Firms' Characteristics Affecting the Level of Voluntary Disclosure of Indonesian Companies Listed on the Jakarta Stock Exchange. *PhD Thesis*, Penang, Malaysia, Universiti Sains Malaysia.
- Baker C and Bettner M. 1997. Interpretative and Critical Research in Accounting: A Comment on Its Absence from Mainstream Accounting Research. *Critical Perspective on Accounting* 8: 293-310.
- Bartlett RW. 1980. *Power Base Attribution and The Perceived Legitimacy of Managerial Accounting*. The Faculty of the College of Business Administration. Houston-USA, University of Houston.
- Bartlett SA and Chandler RA. 1997. The Corporate Report and the Private Shareholders: Lee and Tweedie Twenty Years On. *British Accounting Review*. 29: 245-262.
- Bartley RL. 2002. Thinking Things Over: Risk Aversion in the Corner Offices. *The Wall Street Journal*. 2 December: A19.
- Beasley MS. 1996. An Empirical Analysis of the Relationship between Board of Director Composition and Financial Fraud. *The Accounting Review*. 71(4): 443-465.
- Beasley MS, Carcello JV, Hermanson DR and Lapedes PD. 2000. Fraudulent Financial Reporting: Consideration of Industry Traits and Corporate Governance Mechanism. *The Accounting Horizon*. 14(4): 441-445.
- Berger PL and Luckmann T. 1984. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. Middlesex, England, Penguin Books (First published in the USA, 1966).
- Berle AA and Means CC. 1975. *The Modern Corporation and Private Property*. New York, Harcourt, Brace and World. (First Edition 1932).
- Bernard HR. 1994. *Research Method in Anthropology: Qualitative and Quantitative Approach*. Thousand Oaks, CA, Sage Publication.
- Boland RJ and Pondy LR. 1983. Accounting in Organization: a Union of Natural and Rational Perspectives. *Accounting, Organization and Society*. 8(2/3): 223-234.
- Botosan C. 1997. Disclosure Level and the Cost of Equity Capital. *The Accounting Review*. July.
- Bromwich M. 1992. *Financial Reporting, Information, and Capital Market*. London, Pitman Publishing.

- Browning ES. 2002. Investor Confidence Remains Rickle: Dow Barely above Post September 11 Low as S&P, Nasdaq Still Languish: Terrorism is Discounted as Factor. *The Wall Street Journal* 9 September: C1.
- Bryman A. 1989. *Research Methods and Organizational Studies*. London, Unwin Hyman Ltd.
- Burchell S, Clubb C, Hopwood A, Hughes J, and Nahapiet J. 1980. The Role of Accounting in Organizations and Society. *Accounting, Organization and Society*. 5(1): 5-27.
- Burrell G and Morgan G. 1979. *Sociological Paradigms and Organizational Analysis: Elements of Sociology of Corporate Life*. London, Heineman Educational Books Ltd.
- Chariri A and Ghozali I. 2002. *Teori Akuntansi*. Semarang, Badan Penerbit UNDIP.
- Chen CP and Jaggi B. 2000. Association between Independent Non-Executive Directors, Family Control and Financial Disclosure in Hong Kong. *Journal of Accounting and Public Policy*. 19: 285-310.
- Chenhall RH and Juchau R. 1977. Investor Information Need-An Australian Study. *Accounting and Business Research*. (Spring): 111-119.
- Clarke F, Dean G, Oliver K. 2003. *Corporate Collapse: Accounting, Regulatory, and Ethical Failure*. Cambridge, UK, Cambridge University Press.
- Cohen J, Krishnamoorthy G and Wright A. 2004. The Corporate Governance Mosaic and Financial Reporting Quality. *Journal of Accounting Literature*. 23: 87-152.
- Cole DC and Slade BF. 1996. *Building a Modern Financial System: Indonesian Experience*. Cambridge, UK, Cambridge University Press.
- Collins D and DeAngelo L. 1990. Accounting Information and Corporate Governance: Market and Analyst Reactions to Earnings of Firms Engaged in Proxy Contests. *Journal of Accounting and Economics*. 13: 213-247.
- Cooper D. 1980. Discussion Toward Political Economy of Accounting. *Accounting, Organization and Society*. 51: 207-232.
- Cooper DJ and Sherer MJ. 1984. The Value of Corporate Accounting Report: Arguments for a Political Economy of Accounting. *Accounting, Organization and Society*. 9(3/4): 207-232.
- Covaleski M and Dirsmith H. 1986. The Budgetary Process of Power and Politics. *Accounting, Organizations and Society*. 11(3): 193-214.
- CPA Australia 2002. *Research Survey in Corporate Reporting*, CPA Australia.

- Hope T and Gray R. 1982. Power And Policy Making: the Development of An R&D Standard. *Journal of Business, Finance and Accounting* 9: 531-558.
- Hopper T and Powell A. 1985. Making Sense of Research into The Organizational and Social Aspect of Management Accounting: A Review of its Underlying Assumptions. *Journal of Management Studies* 22(5): 429-465.
- Hopper T, Annisette M, Dastoor N, Uddin S and Wickramasinghe D. 1995. Some Challenges and Alternatives to Positive Accounting Research. In *Accounting Theory: A Contemporary Review*. S Jones, C Romano and J Ratnatunga. Sydney, Harcourt Brace and Company.
- Hopwood AG. 1983. On Trying to Study Accounting in the Contexts in which it Operates. : 287-305.
- Hopwood A, Burchell S, Clubb C. 1994. Value-Added Accounting and National Economic Policy. In *Accounting as Social and Institutional Practice*. A Hopwood and P Miller. Cambridge, Cambridge University Press: 211-236.
- Jennings MM. 2003. Ethics and Non-GAAP Financial Reporting. *Corporate Finance Review*. 8(3 (November/December)): 43-46.
- Jennings MM. 2004b. Parmalat: Ethical Collapse Goes Global. *Corporate Finance Review*. 85 (March/April): 43-46.
- Jennings MM. 2005b. Conspicuous Governance Failures: Why Sarbanes-Oxley is not An Ethics Warranty. *Corporate Finance Review*. 9(5 (March/April): 41-47.
- Jensen MC. 1986. Agency Cost of Free Cash Flow, Corporate Finance and Takeovers. *American Economics Review*. 76: 322-329.
- Jensen MC and Meckling WH. 1976. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*. 13: 305-360.
- Johnson S, Boone P, Breach A and Friedman E. 2000. Corporate Governance in the Asia Financial Crisis. *Journal of Financial Economics*. 58(1/2): 141-186.
- Jonas GJ and Blanchot J. 1993. Assessing Quality of Financial Reporting. *Accounting Horizon*. September: 353-363.
- Kalbers L and Fogarty TJ. 1993. Audit Committee Effectiveness: An Empirical Investigation of the Contribution of Power. *Auditing: A Journal of Practice and Theory*. 12(Spring): 24-49.
- Kanungo RN and Mendonca M. 1996. *Ethical Dimensions of Leadership*. Thousand Oaks, Sage Publications.

- Klumpes P. 1994. The Politic of Accounting Rule-Making: Developing an Australian Pension Accounting Standard. *Abacus*. 30: 159-189.
- Lee TA and Tweedie DP. 1975a. Accounting Information: an Investigation of Private Shareholder Usage. *Accounting and Business Research*. Autumn: 280-291.
- Lee TA and Tweedie DP. 1975b. Accounting Information: an Investigation of Private Shareholder Understanding. *Accounting and Business Research*. Winter: 3-17.
- Lev B and Ohlson JA. 1982. Market-Based Accounting Research in Accounting: A Review, Interpretation, and Extension. *Journal of Accounting Research*. 20 (supplement): 249-332.
- Lev B and Zarowin P. 1999. The Boundaries of Financial Reporting and How to Extend Them. *Journal of Accounting Research*. 37(2).
- Liddle RW. 1996. *Leadership and Culture in Indonesian Politics*. Sydney, Allen & Unwin.
- Lincoln YS and Guba EG. 1986. *Naturalistic Inquiry*. California, Sage.
- Loebbecke JK, Eining MM, and Willingham A. 1989. Auditor's Experience with Material Irregularities: Frequency, Nature, and Detectability. *Auditing: A Journal of Practice and Theory* Fall: 1-18.
- Magnis-Suseno F. 1997. *Javanese Ethics and World-View: The Javanese Idea of the Good Life*. Jakarta, PT Gramedia.
- Mangos NC and Lewis NR. 1995. A Socio-Economic Paradigm for Analysing Managers' Accounting Choice Behaviour. *Accounting, Auditing, and Accountability Journal* 8(1): 38-62.
- Mann RI. 1996. *The Culture of Business in Indonesia*. Jakarta, Gateway Books.
- March JG and Olsen JP. 1989. *Rediscovering Institutions: the Organizational Basis of Politics*. New York, Free Press.
- Marsh A and Goodfellow R. 1997. Management in Indonesia: A State of Transition. In *An Insider's Guide: Indonesian Business Culture*. R. Goodfellow. Singapore, Butterworth-Heinemann Asia.
- Marwata 2001. Hubungan Antara Karakteristik Perusahaan dan Kualitas Ungkapan Sukarela Dalam Laporan Tahunan Perusahaan Publik di Indonesia. *National Conference on Accounting IV*, Bandung.
- Mathews MR and Perera MHB. 1993. *Accounting Theory and Development*. Melbourne, Victoria, Thomas Nelson Australia.

- McLeay S, Ordelheide D. 2000. Constituent Lobbying and Its Impact on the Development of Financial Reporting Regulation: Evidence from Germany. *Accounting, Organizations and Society*. 25: 78-98.
- McLeod RH. 1997. Survey of Recent Development. *Bulletin of Indonesian Economic Studies*. 33(1): 3-33.
- McNichols M and Wilson P. 1988. Evidence of Earning Management from the Provision for Bad Debts. *Journal of Accounting Research*. 26(supplement): 1-31.
- Merchant KA. 1987. *Fraudulent and Questionable Financial Reporting: A Corporate Perspective*. Morristown, NJ, Financial Executive Research Foundation.
- Mezias S. 1990. An Institutional Model of Organizational Practice: Financial Reporting at the Fortune 200. *Administrative Science Quarterly*. 35: 431-457.
- Miller P. 1994. Accounting as Social and Institutional Practice: An Introduction. In *Accounting as Social and Institutional Practice*. A Hopwood and P Miller. Cambridge, Cambridge University Press: 1-39.
- Miller PBW and Bahnson PR. 2002. *Quality Financial Reporting*. New York, McGraw-Hill.
- Morgan G. 1988. Accounting as Reality Construction: Toward a New Epistemology for Accounting Practice. *Accounting, Organization and Society*. 13(5): 477-485.
- Mouck T. 1992. The Rhetoric of Science and the Rhetoric of Revolt in the 'Story' of Positive Accounting Theory. *Accounting, Auditing, and Accountability Journal* 5(4): 35-56.
- Mulder N. 1994. The Ideology of Javanese-Indonesian Leadership. In *Leadership on Java: Gentle Hints, Authoritarian Rule*. H. Antlov and S. Cederroth. Richmond, Surrey, Curzon Press Ltd.
- Munro R. 1998. Ethics and Accounting: the Dual Technologies of Self. In *Ethics and Organization*. M. Parker. London, Sage Publications: 197-220.
- Nahapiet J. 1988. The Rhetoric and Reality of an Accounting Change: A Study of Resource Allocation. *Accounting, Organization and Society*. 13(4): 333-358.
- Neimark M. and Tinker T. 1986. The Social Construction of Management Control Systems. *Accounting, Organization and Society*. 11(4/5): 369-395.
- Neu D. 1992. The Social Construction of Positive Choices. *Accounting, Organization and Society*. 17(3/4): 223-237.
- Nobes C. 1991. Cycles In UK Standard Setting. *Accounting and Business Research*. 21: 265-274.

- O'Connel B, Webb L and Schwarzbach HR. 2005. Batten the Hatches! US Accounting Scandals and Lessons for Australia. *Australian Accounting Review*. 15(2 (July): 52-67.
- Oliver RW. 2004. *What is Transparency?* New York, McGraw-Hill.
- Paton WA. 1922. *Accounting Theory*. Lawrence, Kansas, Scholar Book Co.
- Paton WA and Littleton AC. 1940. *An Introduction to Corporate Accounting Standard*. New York, American Accounting Association.
- Perera MHB. 1989. Toward a Framework to Analyse the Impact of Culture on Accounting. *The International Journal of Accounting*. Spring: 42-56.
- Pfeffer J and Salancik GR. 1974. Organizational Decision Making as a Political Process: The Case of University Budget. *Administrative Science Quarterly*. 19(June): 135-151.
- Pijper T. 1993. *Creative Accounting: the Effectiveness of Financial Regulation in the UK*. Houndmills, Basingstoke, England, Macmillan Publishers Ltd.
- Puro M. 1984. Audit Firm Lobbying Before the Financial Accounting Standards Board: An Empirical Study. *Journal of Accounting Research*. 22: 624-646.
- Puro M. 1985. Do Large Accounting Firm Collude in the Standard-Setting Process? *Journal of Accounting, Auditing, and Finance*. 8: 165-177.
- Rahman AR and Ng LW,. 1994. Policy Choice and Standard Setting in New Zealand: an Exploratory Study. *Abacus*. 30: 98-117.
- Rezaee Z. 2002. *Financial Statement Fraud Prevention and Detection*. New York, John Wiley and Sons, Inc
- Ryan B, Scapen RW and Theobald M. 1992. *Research Method and Methodology in Finance and Accounting*. London, Academic Press Limited.
- Saudagaran SM and Diga JG. 1997. Financial Reporting in Emerging Capital Markets: Characteristics and Policy Issues. *Accounting Horizon*. 11(2): 41-64.
- Schein EH. 2004. *Organizational Culture and Leadership*. San Francisco, CA, Jossey-Bass.
- Schipper K. 1989. Commentary on Earning Management. *Accounting Horizon*. 3(4): 91-102.
- Streubert HJ and Carpenter DR. 1999. *Qualitative Research in Nursing: Advancing the Humanistic Imperative*. Philadelphia, Lippincott.
- Sudarwan M and Fogarty TJ. 1996. Culture and Accounting in Indonesia: an Empirical Examination. *The International Journal of Accounting*. 31(4): 463-481.

- Sudarwan M and Fogarty TJ. 1997. The Relationship Between Culture and Accounting Regulation: Questioning Conventional Analysis with the Case Study of Indonesia. *Research in Accounting Regulation Supplement*. 1: 199-219.
- Susanto D. 1992. An Empirical Investigation of the Extent of Corporate Disclosure in Annual Reports Companies Listed on the Jakarta Stock Exchanges. *Unpublished PhD Thesis* University of Arkansas.
- Sutton TG. 1984. Lobbying Of Accounting Standard-Setting Bodies In The UK And The USA: A Downsian Analysis. *Accounting, Organization and Society*. 9: 81-95.
- Tabalujan BS. 2001. Corporate Governance Of Indonesian Banks: The Legal And Business Contexts. *Australian Journal of Corporate Law*. 14(67).
- Tabalujan BS. 2002. Family Capitalism and Corporate Governance of family-controlled listed companies in Indonesia. *UNSW Law Journal*. 25(2): 486-514.
- Tandy P and Wilburn N. 1996. The Academic Community's Participation in Standard Setting: Submission of Comment Letter On SFAS Nos. 1-117. *Accounting Horizon*. 10: 92-111.
- Tinker T. 1980. Toward Political Economy of Accounting: An Empirical Illustration Of The Cambridge Controversies. *Accounting, Organization and Society*. 5(1): 147-160.
- Tinker T. 1988. Waving Goodbye to the TWA Bus: Paper Prophets and the Sraffian Critique of Marginalism. *Advances in Public Interest Accounting*. 1: 121-141.
- Tinker T. 1991. The Accountant as Partisan. *Accounting, Organization and Society*. 16(3): 297-310.
- Tomkin C and Groves R. 1983. The Everyday Accountant and Researching His Reality. *Accounting, Organization and Society*. 8(4): 361-374.
- Tricker RI. 1994a. International Corporate Governance: Text, Readings and Cases. New York, Prentice Hall. Jennings, M. M. 2004a. Privilege, Financial Fraud, and Noisy Lawyers. *Corporate Finance Review*. 8(4 (January/February)): 43-47.
- Walker RG and Robinson SP 1993. A Critical Assessment of the Literature on Political Activity and Accounting Regulation. *Research in Accounting Regulation*. 7: 3-40.
- Watts R and Zimmerman J. 1986. *Positive Accounting Theory*. Englewood Cliffs, New Jersey, Prentice-Hall.
- Weir C, Laing D and McKnight PJ. 2002. Internal and External Governance Mechanism: Their Impact on the Performance of Large UK Public Companies. *Journal of Business Finance and Accounting*. 29(5/6): 579-611.

- Williamson O. 1985. The Modern Corporation: Origin, Evolution, Attributes. *Journal of Economic Literature*. 91(10): 1537-1568.
- Wolk HI, Dodd JL and Tearney MC. 2004. *Accounting Theory: Conceptual Issues in a Political and Economic Environment*. USA, Thompson-South Western.
- World Bank. 1997. *Indonesia: Sustaining High Growth with Equity*. Washington DC.
- Yudianti N and Goodfellow R. 1997. An Introduction to Indonesian Corporate Culture. In *An Insider's Guide: Indonesian Business Culture*. R Goodfellow. Singapore, Butterworth-Heinemann Asia.

Corresponding author:

Anis Chariri, Email: anis_chariri@undip.ac.id