Impact of Knowledge and Professional Ethics for Material Considerations with Experience as their Conjunction Variable

Septian Yudha Kusuma¹, Hani Krisnawati², Amin Kuncoro³
High School of Economic AKA SEMARANG

Abstract: This study aims to prove and analyze profiles that can improve the material with experience as a conjunction variable. The research method used a descriptive correlational research with the source of distributing questionnaires to the selected sample of the auditor who works Central Java Public Accountant Office. The sampling technique used purposive sampling technique so that there are 100 respondents selected. Data analysis techniques using SEM test with the results of knowledge contribute to improved material consideration. Professional ethics is also able to contribute to material considerations and experience capable of being a conjunction variable between knowledge and professional ethics.

Keywords: knowledge, professional ethics, experience and material considerations

1. Background

Accountant is deific as profession done professionally and have principles to accomplish the tasks as his or her responsibilities. The realization of the responsibilities are report improvement ability so to improve financial report will need professional ethics. According to Heraway and Susanto (2009) explain that to be professional it means when doing audit tasks upon financial reports, then all accountants should have sufficient audit skills.

The results of the auditors will be used by companies to decide so an auditor must behave neutrally although many pressures coming from clients. The realization of the pressures may vary. The auditors often experience this influencing the results, so that they need to be assertive toward their professional ethics.

The profession provide services to society with certain professional ethics managed by moral principles toward professionalism (Sukrisno Agoes, 2004). The profession provides comforts for the users or owners. However, the profession should provide more clearness of how capable an accountant is, to provide comfortable service.

More experience will provide more meaning of how an accountant works professionally so the longer an accountant works, then owner will believe and trust to hire his service. According to Knoers and Hadinoto (1999), good and relative learnings will give increasing strength point to by having sufficient practices. Purnamasari (2005) explains the higher an employee’s experience, then he will be more respected.

This study is a development from the previous study done by Siwi Prickyana Nilasari, et el, Nanik Ernawati (2017), and Heraway and Susanto (2009), explaining that the stronger experience will help auditor in solving problems. Besides that, the realization of the development from this previous research is about the technique of analyzing the data, using SEM. It is expected to test conjunction variable that is auditor’s experience.

The purposes of the research are to analyze knowledge and professional ethics toward material development and experience as its conjunction variable.

2. Review of Related Literature

Knowledge

Knowledge of a public accountant can be learnt and gained through soft skill and hard skill by joining various trainings hold by government or instructions. Increasing knowledge will give an accountant benefit so to solve problems, he will be quick and the results will be maximal. Related to audit, knowledge has role with possibilities related to any mistakes in reporting financial report to plan an effective audit (Noviyani and Bandi, 2002).

Knowledge gives power to human resources to give better problem solving. An accountant knowledge can be gained from formal and informal trainings from various seminars and workshops and also a senior audit’s explanation (Herawaty and Susanto, 2009).

Professional Ethics

Profession has greater skills so professional ethics of auditor means to have skill in providing services toward clients or society to get satisfaction. Each profession given to society must have ethical codes, so some moral principle sets are managed about professional attitude existence (Agoes, 2004).

By the absence of accountant profession will happen when the functions of accountants is to provide information toward business doers. Those business doers are people whom directly or indirectly involved in transaction, so the role of an accountant is seen as information giver to make decision. Complete information will be given if an accountant has ability to present it to his leader about the appropriate steps for the sake of the company. IAPI ethical codes and the rules of public accountant profession as well as the professional standards of public accountant related to...
quality control of auditing is the basic to obey by an
accountant to maximize the results.

Ethical principles are formulated by IAPI and considered to
be ethical codes of accountants’ attitudes in Indonesia. It
covers: firstly responsibility, society oriented priority, integrity, objectivity and independence, competency and
profession rules, secrecy and professional attitudes. Thus, the
better an accountant obeys the codes, then the better
material considerations will be.

Auditor Experience
Experience will give an auditor to work confidently and
have more values. Auditor experience is needed because it
will help his confidence and make client believe because of
his length of experience. Besides that, auditor experience is
trusted by society as additional values in solving and
providing information.

Relative appropriate changes of learning from behaviors
causes increasing practices, experience, and understanding
(Knoers and Haditono, 1999). Auditor experience has strong
relationship to ability to get auditor findings because it not
only about his formal education but also strong experience
of the auditor.

Farmer et al. (1987) state that an expert auditor will be less
to agree compared to those with no experience to agree
explains auditor’s experience can be measured by level or
position in his working structures, the length of his working
and training. Shelton (1999) states that experience will help
decreasing the influence of irrelevant information in an
auditor’s decision.

From some definitions above by experts that auditor
experience is the ability of auditors to give comfort for
society, especially related to auditing information.

Material Consideration
Auditor often needs material consideration in planning audit.
It is more dominant in quantitative consideration to present
financial report.

Materials among auditor’s consideration factors are
sufficient audit evidence. The role of auditor is to generalize
the relationship between materials or audit evidence, in
administration of terms and account balance.

The greater or more significant a balance account is, the
more evidence are needed. Mulyadi (2002) explains one of
accountant information seen is the situation covering
consideration of a party believing the information. Arens
(2005) states material concepts uses three levels to consider
the types of reports, such as amounts without materials. The
amounts are materials but not disturbing financial report
completely and the amounts are very materials or have
greater influences so the financial report normality is
doubted. Financial report contains one of the item can be
occurred because of mistakes or cheatings (Indonesian
Accountant Association, 2001).

3. Previous Studies

Arleen Herawaty and Yulius Kurnia Susanto (2009) with
the title the influence of professionalism, knowledge of
detecting mistake, and professional ethics toward levels of
material consideration of public accountant show those
variables influence toward the levels of material
consideration of public accountant in checking financial
report. Irma Paramita Sofia and rishi Trisantya Damayanti
(2017) with title the influences of experience, professionalism, and professional ethics of auditors toward
the determination of levels of materials show those variables
influence significantly toward the levels of material
consideration.

Dirangga Madali, et al. (2016) with title the influence of
auditor professionalism, knowledge of detecting mistakes,
auditor’s experience and professional ethics toward the
levels of material consideration of public accountant show
those variables influence the level of material consideration.

4. Theoretical Frameworks

Knowledge

![Knowledge Diagram]

Source: Previous study developed by current researcher

Research Method

This action research has purpose to develop hypothesis and
find out the correlation among variables.

Population and Sample
Population is area to generalize (Kuncoro, Amin and
Sudarman, 2018). Meanwhile sample of a research is public
accountant working in public accountant office, KAP, in
whole Central Java area, consisting of 100 people. The
sampling technique use non probability sampling typed
purposive sampling. The determination of number 100 is by
considering that on multivariate study, including regression
and correlations, then the researchers determine the number
of the sample consists of 100 people as selected sample
(Ferdinan, 2014).

The Definition of Variable Operational

Knowledge
It is an important thing to improve audit quality. Besides
that, good auditor knowledge will have greater knowledge
resulting in being able to influence audit quality. According
to Wandita, et al. (2014), auditor knowledge can be
measured through auditor’s performance. The variable is
measured by using 5 indicator items with likert scale 1 to 5.
Professional Ethics
Nasution (2015) explains that professional ethics are rules to obey by public accountants. The codes are needed when the accountants really obey the rules generally. The ethics explain ability of public accountants. Generally, public accountants are bound by rules determined by government through deeper cooperation from the association of Indonesian accountants. Professional ethic variable is measured using six indicator items with 1 to 5 Likert scale.

Auditor Experience
It is an ability to explain information to companies about their wealth. Asih (2006) states it is a process of learning and potency addition as well as attitudes by giving formal education with better skills. Working experience variable is measured by using four indicators using 1 to 5 Likert scale.

Material Consideration
It is used as reasons to check or let one of materials from the beginnings, even a single intentionally mistake done. In the reality of considering material, it is frequently used by management. It is important for auditors but it will be more important for accountants to arrange financial reports buy not ignoring accuracy and reliability with relevancy arguments.

Suryono (2013) explains an auditor making audit report is expected to have sufficient experience so the higher the experience will differ his point of view to accept the information during audit. Febrianti (2012) explains materials are accounting information about reasonability based on financial report by providing or ignoring accounting information. Material consideration variable is measured using five indicator items and 1 to 5 Likert scale.

Data Quality Test
It is used to test validity and reliability. It proves how far an instrument (questionnaire) measure the item. An r-score calculation from r-table (critical score) of each question item is compared to check it validity. Each question item is said valid when r calculated is greater than r-table. An r-score is gained from Pearson correlation, meanwhile r-table score is gained from product table correlation moment ($\alpha = 0.05; n = 30$).

Reliability test is used to measure questionnaire using indicators from each variable or construction. A strong level of instrument reliability will properly work both in different situation under different condition (Cooper and Schindler, 2011). Reliability test is measured by statistic test Cronbachalpha with $\alpha > 0.60$ (Hair et al., 2010).

Hypothesis Development

**Auditor knowledge and material consideration**
Auditor knowledge based on Wandita, et al. (2014) is strong affective working experience in deciding. The taken decision will influence material consideration, so the higher auditor knowledge is then it will explain material consideration.

**H$_1$ : auditor knowledge influence material consideration**

**Professional ethics and material consideration**
Agoes (2004) explains each profession giving services toward large society must have ethical codes in the form of moral principle set about professional attitudes. Professional ethics have ability to elaborate into problem so materials consideration will be influenced by professional ethics.

**H$_2$ : professional ethics influence material consideration**

**Knowledge and experience of auditor**
Knowledge auditor is knowledge and professional skill used to improve knowledge about causes and consequences of mistake (Sularso and Niam, 1999). Knowledge dominates maximal results because they make knowledge greater. Auditor experience will be more supported if it is strengthened by auditor knowledge.

**H$_3$ : auditor’s knowledge influences auditor’s experience**

**Professional ethics and auditor’s experience**
Herawaty dan Susanto (2009) explain professional ethics are services given related to large society’s needs. Professional ethics of public accountants are more meaningful to serve companies using their services, so those ethics are will have greater meaning to support auditor’s experience.

**H$_4$ : professional ethics influence auditor’s experience**

**Auditor’s experience and material consideration**
Auditor’s experience gives more values for public accountant so the company will believe upon the independent reports. Mulyadi (2002) explains experience is how frequent an accountant audits in the form of financial audit seen from the length of working, task, and types of companies. The quality of auditor is the length of working so material consideration will gain maximal results.

**H$_5$ : auditor’s experience influence material consideration**

5. Findings
Validity test results show score of $r_{calculated} > r_{table}$. It is 0.4533 with r table 0.3494 by taking 30 respondent sample to have validation test. Then, reliability test show all alpha chonbach scores have scores above 0.7. It rpvoes that all questions are valid and reliable.

The results of correlation test with relationship among model have purposes to find out respondents’ answers. Whether the coefficient has significant score statistically or not. In fact, two direction test are often discussed using t-table 1.96, meanwhile this research uses AMOS software to show p-value by comparing alfa score ($\alpha$). Below, there is figure to represent SEM structural equation model of multivariate analysis to answer the chosen respondents.

Model Testing
Model testing by combining and developing the previous studies using SEM is done to find the most appropriate model (Goodness-off-fit). The process of model testing of this research is done through twice modeling; those are to find out significant p-value. The first model is done by using all indicators with unsatisfying results, so the indicators of...
professional ethics are deleted one. The second model test with significant results using experience variable. In this case, non-significant indicators are removed and material consideration variable indicators are also removed because they are not significant. This figure explains further. Figure 1

Table 1: The Test of Model Reliability (Goodness-of-fit) after Modifying Indexes

<table>
<thead>
<tr>
<th>No</th>
<th>Goodness-of-Fit</th>
<th>Critical Values (Cut-of-Value)*</th>
<th>The Model Test Results</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>X² (Chi-square)</td>
<td>199.244</td>
<td>436.387</td>
<td>Small</td>
</tr>
<tr>
<td>2</td>
<td>RMSEA</td>
<td>≤0.08</td>
<td>0.074</td>
<td>Good</td>
</tr>
<tr>
<td>3</td>
<td>GFI</td>
<td>≥0.90</td>
<td>0.826</td>
<td>Margin</td>
</tr>
<tr>
<td>4</td>
<td>AGFI</td>
<td>≥0.90</td>
<td>0.772</td>
<td>Margin</td>
</tr>
<tr>
<td>5</td>
<td>CMIN/DF</td>
<td>≤2.00</td>
<td>1.992</td>
<td>Good</td>
</tr>
<tr>
<td>6</td>
<td>TLI</td>
<td>≥0.90</td>
<td>0.907</td>
<td>Good</td>
</tr>
<tr>
<td>7</td>
<td>CFI</td>
<td>≥0.94</td>
<td>0.923</td>
<td>Margin</td>
</tr>
</tbody>
</table>

Source: Ferdinand, 2002

From table, it is explained that score of goodness - off - fit in chi square is very low (451,134), Cmin / Df is 1.992, RMSE is 0.08 (0.007), GFI closely related to 0.90 (0.819), AFGI closes 0.90 (0.760), TLI is greater than 0.90 (0.898) and CFI is closed to 0.94 (0.916). After that, there are some indexes modified based on requirements so SEM model analysis fits to the condition.

Hypothesis

Knowledge contributes to material consideration
Auditor’s knowledge has meaning soft-skill of auditor used to realize comfort during auditing. Shinta Utami (2017) explains knowledge influences toward material consideration. So, the higher the knowledge is will improve material consideration of auditor.

Table 2: t test (CR) Knowledge toward Material Consideration

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate Unstandardized</th>
<th>Standardized</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁→P.Material</td>
<td>1.323</td>
<td>0.428</td>
<td>0.107</td>
<td>2.958</td>
<td>0.003</td>
<td>Significant</td>
</tr>
<tr>
<td>X₂→P.Material</td>
<td>1.000</td>
<td>0.291</td>
<td>0.090</td>
<td>3.415</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Analyzed primary data, 2018

It is explained that all dimension of experience toward material consideration are significant. Coefficient and probability (P) are lesser than 0.5. It is due to the limitation given and the position of p is considered significant λ₁ = 0.428; λ₂ = 0.291 meaning all dimensions of experience (X₁) contribute dominantly toward material consideration because estimation coefficient is greater, 0.428.

Knowledge Correlated toward Experience

Good auditor’s knowledge will give information for auditing results, besides that working experience also has additional values for auditors because if an auditor’s knowledge is improved then it will affect auditor’s experience. Auditor’s experience, according to Andreani Hanjani, 2014 will influence audit’s quality. Tri Suyanti (unknown year) explains experience significantly influences auditing results both partially and multiply.

Table 3: t test (CR) Knowledge toward Experience

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate Unstandardized</th>
<th>Standardized</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁→Experience</td>
<td>1.000</td>
<td>0.758</td>
<td>***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X₂→Experience</td>
<td>1.230</td>
<td>0.733</td>
<td>0.088</td>
<td>11.914</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>X₃→Experience</td>
<td>0.290</td>
<td>0.169</td>
<td>0.066</td>
<td>2.644</td>
<td>0.008</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Analyzed primary data, 2018
Experience dominantly contributes toward experience because it has a greater estimated coefficient 0.773. It proves experience has good impacts followed by auditor’s knowledge.

Professional ethics contribute to improve experience. Andriani (2010) explains professional ethics will influence material consideration.

Knowledge influences material consideration
The findings explain knowledge of auditors influence material consideration so the higher the knowledge is will help to provide ability in material consideration. The findings are supported by Arleen Herawaty and Yulius Kurnia Susanto (2009) explaining auditor’s knowledge will give responsible audit results.

Knowledge toward material consideration through experience
Experience is able to be conjunction variable because the better experience an auditor has it will influence material consideration contributions and knowledge will gain more values for the auditor in auditing.

Professional ethics toward material consideration
Professional ethics explain an auditor is limited by rules and set of rules agreed by Indonesian accountants. It makes auditor to prioritize rules to create better condition. Material consideration will improve if supported by strong professional ethics.

Professional ethics toward material consideration through experience
Experience is able to be conjunction variable or mediator for professional ethics and material consideration because the higher experience will be able to explain how far professional ethics and materials consideration are becoming better. The findings are supported by Irma Paramita Sofia and Risha Trisantya Damayanti (2017) explaining ethical profession influencing material consideration.

6. Conclusion
Knowledge influences material consideration so the higher knowledge had by auditor will have material consideration better. Professional ethics positively influence material consideration if professional ethics are improved then they will be followed by material consideration. Experience is able to moderate between auditor’s knowledge and material consideration as well as auditor’s experience is able to moderate between professional ethics and material consideration.

Managerial Implicaiton
Public Accountant Office (KAP) is service business in which it existence is managed by rules of Indonesia. SO, the office is needed by companies or individuals whom use the service to provide financial information. Then, the roles of KAP are still dominant in this globalization era. The demand of professional accountant is still in not maximal condition to provide information because of auditors’ experience and knowledge. It is expected the roles of expert auditors to provide information will be maximum for stakeholders.

Table 4: t test (CR) professional ethics toward experience

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xc↔Experience</td>
<td>0.23</td>
<td>0.082</td>
<td>2.304</td>
<td>0.021</td>
<td>Significant</td>
</tr>
<tr>
<td>Xc↔Experience</td>
<td>1.000</td>
<td>0.888</td>
<td>0.093</td>
<td>2.304</td>
<td>Significant</td>
</tr>
<tr>
<td>Xc↔Experience</td>
<td>0.61</td>
<td>0.596</td>
<td>0.082</td>
<td>2.304</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Analyzed primary data, 2018

References