The Effect of Accounting Information Systems and Internal Control Systems on The Quality of Financial Reports on Umkm in Randuagung Sub-District With Accounting Understanding as an Intervening Variable.

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Abstract— **Accounting information systems and internal control systems' effects on Randuagung District SMEs' financial reports were the focus of this study. Accounting understanding was also examined as an intervening element in this relationship. A structured accounting information system helps decision makers access information. These systems record, store, and process data. System type: internal control system Management uses an internal control system to achieve its goals. From financial statements to recording, accounting comprehension encompasses accounting ideas and practices. This study uses quantitative methodologies. This study sampled primary data via conscious selection. 32 respondents from 15 Randuagung sub-district MSMEs participated in this survey. The study uses multiple linear regression. Internal control and accounting information systems did not affect financial statement quality or accounting expertise. For credible financial accounts, the public has a solid accounting foundation.**

Keywords— Accounting Information System, Internal Control System, Understanding Accounting, Quality of Financial Statement

I. INTRODUCTION

MSMEs, namely businesses owned by individuals, organizations, or entities that meet business criteria, are defined based on the Law of the Republic of Indonesia No. 20 of

2008. According to IAI (2016) in [1] MSMEs have started to develop in Indonesia, which is proven by the distribution of contributions to the Indonesian economy. Despite the growth of micro, small, and medium-sized firms (MSMEs), owners are not becoming more aware of the necessity to record financial reports. MSMEs may struggle to submit reliable financial reports, preventing them from growing [1]. Due to the large number of import-export businesses carried out in Indonesia today, MSME players do not understand the importance of keeping financial reports for their businesses [2].

Most of the problems faced by MSME players are that they don't know how to distinguish their personal and business financial records, and they don't understand financial statement analysis, which means they need accounting skills to solve them. For small and medium enterprises (MSMEs),

reliable decisions are made using accounting information systems, just like large companies do. [3] her research outlines the explanation that by using an accounting information system, business people can more easily make decisions about the market developments, set prices, and adjust to applicable accounting standards when making financial reports. In addition, the financial records are correct and based on the application of accounting information systems which can make it easier for MSME players to obtain financing to develop their business [4] [5].

II. LITERATURE REVIEW

A. Accounting Information System

According to [6] Financial data collected, classified, processed, analyzed, and communicated by the organization is included in the financial information system. Accounting is an important tool that helps company management in financial recording, which is a representation of the company. Business people need accounting information systems because they can ensure all financial transactions and business records are timely.

B. Internal Control System

[7], [8] provides the definition of this internal control system, which includes structures, techniques, and methods that are meticulously designed to safeguard company assets. Its duties include ensuring accurate financial reports, improving operational accuracy, and motivating employees to comply with regulations.

C. Quality of Financial Statement

According to [9], [10], [11] Financial statements, the result of the final process of the accounting cycle that is routinely prepared by a management organization, provide an overview of the overall financial condition of the organization.

D. Accounting Understanding

According to [9] explains that accounting understanding means understanding and understanding all transactions related to accounting, from journaling to preparing financial

reports. Understanding is a mindset that can be found secretly in others.

E. Decision Usefullness Theory

Decision-usefulness theory is the basis of a financial report used to prepare financial statements theoretically, the quality of reports used to determine decisions, such as relevance and credibility values, can present financial statements that are useful for determining decisions [12].

III. RESEARCH METHODS

This is descriptive quantitative research. A descriptive research test determines if one or more variables have an independent value, according to [13].

MSMEs in the Randuagung District of the Lumajang Regency are the focus of this study. The selection process involves adhering to the guidelines outlined in Government Regulation No. 27 of 2021. The criteria for selection include micro firms with a maximum company capital of 1 billion and an annual sales volume of 2 billion. Additionally, the focus of this study is on micro, small, and medium enterprises (MSMEs) operating within the industrial sector. The present study employs purposive sampling as its sampling technique. The sample size for this study consisted of 32 respondents, which represents approximately 15% of the total population

A. Data Quality Test

Two tests exist: validity and reliability. Questionnaire validity is determined by the validity test. The Alpha Cronbach (α) method is a common reliability measurement method used in reliability tests. According to Cronbach's Alpha, research instrument respondents answer questions or comments consistently.

B. Classical Assumption Test

- The issue of multicollinearity is addressed through the application of a multicollinearity test, which aims to ascertain the presence of correlations among the independent variables.

- According to [13] Statistical and parametric studies require a normality test to assess if the data follows a normal distribution.

- The heteroscedasticity test is designed to determine whether a regression model exhibits homoscedasticity or heteroscedasticity, which indicates that there is no inequality in the residual variable from one review to the next.

C. Multiple Linear Regression

Multiple linear regression equations can be done with the following formula:

$$AU = a + b1AIC + b2ICS + e \dots (I)$$
$$QFS = a + b1AIC + b2ICS + b3AU + e \dots (II)$$

Description:

a	: Constant
b1b2b3	: Regression coefficient
X1	: Accounting Information System
X2	: Internal Control System
Z	: Accounting Understanding
Y	: Quality of Financial Statements
e	: error or tram

D. Hypothesis Testing

Hypotheses are tentative conclusions or study findings that will be confirmed. Ho is rejected and Ha is accepted if the probability is less than 0.05, showing a partial link between the independent and dependent variables. If the probability exceeds 0.05, Ho or Ha is accepted.

E. Coefficient of Determination (R2)

The coefficient of determination (R2) measures the model's dependent variable explanation. The coefficient of determination must be between 0 and 1, and a small number suggests that the independent variable cannot explain enough variance in the dependent variable.

F. Sobel Test

To determine the direct and indirect effects of the independent variable on the dependent variable, the Sobel test will be used. Intervening variables affect the independent-dependent relationship.

IV. RESULT AND DISCUSSION

Descriptive Statistical Analysis

A. Gender of Respondents

No	Gender	Respondents	(%)
	Number of Respondents by Gender		
1	Male	18	56%
2	Female	14	44%
	Jumlah	**32**	**100%**

B. Education Level s

Number of Respondents by Education Level

No	Education Level	Respondents	(%)
1	SD	0	0%
2	SMP	0	0%
3	SMA / SMK	22	69%
4	D3/S1	10	31%
	Jumlah	**32**	**100%**

Data Quality Test Results

A. Data Validity Test

The data validity test shows that this study's variables are valid because the estimated r value exceeds the r table value.

B. Reliability Test

Recapitulation of Reliability Testing Results

Variable	Cronbach's Alpha	Interval Reliability	
(X_1)	0.616	0.601 − 0.80	Reliabel
(X_2)	0.869	0.601 − 0.80	Reliabel
(Z)	0.701	0.601 − 0.80	Reliabel
(Y)	0.706	0.601 − 0.80	Reliabel

**Classical Assumption Test Results**

- The multicollinearity test revealed all VIF values were <10. This states that the independent variables in the study are not correlated if they do not display multicollinearity.

Variable	Tolerance	VIF	
X1	.829	1.206	No Multikolinierity
X2	.826	1.211	No Multikolinierity
Z	.992	1.008	No Multikolinierity

- Normality Test, Asymp. Sig (2-tailed) > 0.05, namely 0.200, this means that the regression model shows that it has a normal distribution.

One-Sample Kolmogorov-Smirnov Test		
N	**Unstandardize d Residual**	
Asymp. Sig. (2-tailed)	.200ᶜ,ᵈ	normal distribution

- **Heteroscedasticity Test,** The two regression models do not exhibit heteroscedasticity since the heteroscedasticity test shows no obvious pattern of dots.

Scatterplot
Dependent Variable: Kualitas Laporan Keuangan
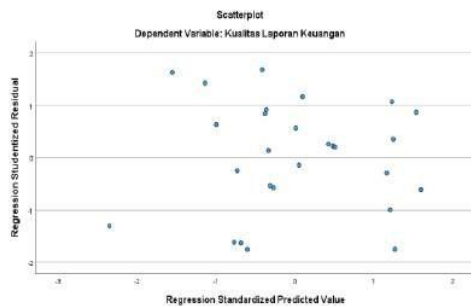
C. Mulyiple Linear Regression

Multiple Regression Test Results First Model

Variable	Standardized Coefficients Beta
Accounting Information System	.323
Internal Control System	.054

a. Dependent Variable: Pemahaman Akuntansi

Multiple Regression Test Results Second model

Variable	Standardized Coefficients Beta
Accounting Information System	.316
Internal Control System	.027
Accounting Understanding	.342

a. Dependent Variable: Kualitas Laporan Keuangan

Research results are shown in the equation:

$$Z = 0{,}323\ X_1 + 0{,}054\ X_2$$
$$Y = 0{.}316\ X_1 + 0{.}27\ X_2 + 0{,}342\ Z$$

From the equation, we can conclude:
- Accounting information systems affect comprehension by 0.323

- Internal control systems affect comprehension by 0.054
- The accounting information system affects financial statement quality by 0.316.
- Internal control system affects financial statement quality by 0.27.
- The accounting understanding affects quality by 0.170.

D. Hypothesis Testing

First Model Hypothesis Test Results

Variable	Sig.
Accounting Information System	.102
Internal Control System	.781

Second Model Hypothesis Test Results

Variable	Sig.
Accounting Information System	.092
Internal Control System	.882
Accounting Understanding	.048

Based on hypothesis testing, the significant value on average is above the significance limit value, hence hypotheses one through six are rejected with sig values above 0.05. The significance value for the seventh hypothesis is less than 0.05, hence it can be accepted

E. Test Results of the Coefficient of Determination (R2)

R2 Coefficient of Determination Test Results

Model Summary	
R Square	.139
Adjusted R Square	.047

Accounting understanding, accounting information systems, and internal control systems affect 6.1% of financial statement quality. The other 93.9% can be explained by things that aren't part of this study.

F. Sobel Test Results
- As the z value is 1.3 and the achieved z value is 1.305 < 1.96, the accounting information system cannot mediate the relationship between accounting comprehension and financial statement quality.

- Internal control system variable z = 0.276, which is less than 1.96, showing that internal control does not mediate accounting comprehension and financial statement quality.

V. CONCLUSION

Based on data analysis and testing, numerous conclusions might be drawn:
1) Testing the impact of accounting information system factors on financial statement quality reveals no effect.
2) Testing shows no effect of internal control system variability on financial statement quality.
3) There was no correlation found between accounting knowledge and accounting information systems.
4) Testing internal control system variables on accounting understanding shows no effect.

5) Accounting information systems affect financial statement quality regardless of skill.
6) Accounting expertise cannot reduce internal control system effects on financial statement quality.
7) Accounting knowledge significantly affected financial statement quality, according to the study.

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