Qualitative characteristics of accounting information in the belief revision of the users for the securities prospects in Indonesia Stock Exchange (IDX)

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A B S T R A C T

The research attempts to reveal, in explanatory causality, the effect of the use of accounting information on the belief revision of stock selection for the security prospects in Indonesia Stock Exchange. The data were collected using survey on investment managers with individual unit analysis, through simple random sampling. They were analyzed using structural equation model (SEM). The result shows that there is positive effect of the usefulness of accounting information on belief revision and return preferences; there is positive effect of the usefull of price information on belief revision and return preferences; there is positive effect of systematis risk on the usefulness of price information, and there is positive effect of belief revision on return preferences. This result also indicates negative effect of the usefulness of accounting information on the unsystematic risk; the negative effect of systematic risk on belief revision, as well as the negative effect of unsystematic risk on belief revision. Variables of unsystematic risk and belief revision are a mediating variable because it is increasing the effect and the relationships among variables. Yet, the use of price information is as a mediating because it lowers the effect between variables.The study also shows that accounting information is very useful because it contains value, relevan, reliabel, comparative information and has prospect in the future in decision making. Investment managers shlod be sophisticated, rational, prudent, and have risk preferences that can make a positive contribution in the advisory to investors.

A B S T R A K

Penelitian ini menguji efek dari penggunaan informasi akuntansi pada revisi keyakinan pemilihan saham untuk prospek keamanan di Bursa Efek Indonesia. Data dikumpulkan melalui survey pada manajer investasi dengan unit analisis individu, melalui simple random sampling. Data dianalisis menggunakan structural equation model (SEM). Hasilnya menunjukkan bahwa ada pengaruh positif dari penggunaan informasi akuntansi, revisi keyakinan, dan kembali preferensi; ada pengaruh positif dari penggunaan informasi harga pada revisi keyakinan dan preferensi kembali; ada pengaruh positif dari risiko systematis pada manfaat informasi harga, dan ada efek positif dari revisi kepercayaan pada preferensi kembali. Hasilnya ini juga menunjukkan efek negatif dari kegunaan informasi akuntansi terhadap risiko sistematis; efek negatif dari risiko sistematis pada revisi keyakinan, serta efek negatif dari risiko sistematis pada revisi keyakinan. Variabel risiko sistematis dan revisi keyakinan yang variabel mediasi karena meningkatkan efek dan hubungan antar variabel. Namun, penggunaan informasi harga adalah sebagai mediasi karena itu menurunkan efek antara studi variables.The juga menunjukkan bahwa informasi akuntansi sangat berguna karena mengandung nilai, relevan, reliabel, informasi komparatif dan memiliki prospek di masa depan dalam pengambilan keputusan. Manajer investasi harus canggih, rasional, bijaksana, dan memiliki preferensi risiko yang dapat memberikan kontribusi positif dalam advisory kepada investor.

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1. INTRODUCTION

Valuation of securities on stock exchanges reflects the attention to all information, both financial and non-financial, for making investment decision. In this condition, market participants capture information, conduct research, analysis, interpretation, and make rational decisions to maximize the utilities (Scott 2009; Arrozi 2011, 2011a, 2012). In addition, information is used for the revision of stock in order to increase price volatility in trade transaction process. Revision of stock is carried out because the stock represents the company's prospect and value, being in an environment of uncertainty, and part of financial instrument in a form of risky asset. Therefore, market participants ask for protection against the risks, and the capital markets actualize it through market efficiency (Fama 1970; Zamahsari 1990; Hartono 2005).

For the investment managers, information is a signal that serves as a stimulus to the belief as it influences cognitive process (Bruns 1968). Belief revision process occurs through central understanding of cognitive information processing. Thus, the information signal can be considered either as good news or bad news. The manifestation of good news and bad news is an actualization of expected values and risk perceptions and shows the attention to the determination of changes in the belief and investment decision making (Hogarth and Einhorn's 1992). This process is shown through the prospect of stock assessment, belief revision, rational behavior, risk preference of shares, and utility maximization (Scot 2009; Arrozi 2011a, 2012).

Belief revision shows an assessment of the company value that is reflected in the stock price. In this case, investment managers process all information prudently, professionally, in high control, and rationally, basing on the fundamental and technical aspects, as well as attention to the risks. If the stock price increases, the company's stock is considered to have prospects. The implication is that the investors will get benefit in the form of capital gain when the shares are sold, or held to earn dividends, or both benefits.

Human information processing in the investment managers is considered relative, because it depends on stock management and the tendency of the participants to be fanatical in a stock which has different preference from other participants. On the other hand, stock analysis view and intuition of the participants can influence the views of other paticipants who have implications for stock selection. This process shows that other participants analyze information but they have limited cognitive abilities in the interpretation of the information they received (Bruns 1968; Arrozi 2011). In such a situation, the participants act naively, irrationally, and unsophisticatedly. They lose their collective rationality because the pricing of commodity of stock trading is a manifestation of psychological and emotional factors of the participants. As a result, the participants undergo misdirection in the initial belief revision about the expected values, rational decision making, and the prediction error in the financial environment.

This research is motivated by some aspects: first, it is the small number of the research issues of behavioral accounting in capital markets. Indonesia Stock Exchange as an emerging market, the decision making is speculative and in mass behavior. Meanwhile, the decision-making in the field of accounting and finance focuses on evaluating financial statement information through fundamental analysis. Second, belief revision on decision-making on the prospect of the stock is an objective consideration of the size of the market participants through the company's fundamentals and technical aspects. Third, the consideration of the accounting aspects by considering qualitative characteristics of accounting information that is useful in gaining knowledge. Knowledge will give confidence to make revisions and perceive the risks. Fourth, the inconsistency of the simultaneous relationship results among the benefits of accounting information, the benefits of price information, risk perception, belief revision, and return preferences.

The purpose of the study is to assess and obtain empirical evidence about the usefulness of qualitative accounting information that is capable of performing beliefs revision of stock selection for the company's prospect in Indonesia Stock Exchange. The implication is the maximation of utility.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Decision Usefulness Approach

Decision usefulness plays an important role in the identification of financial statements and information selection required by the users of the financial statements to make the best economic decisions. Consequently, accounting information contained in the financial statements should give benefits or usefulnes to users. An accountant as a presenter of information makes the financial statements useful by knowing the meaning of the benefits of the information presented, and understand the users of the information by knowing the decision problem faced by the users of financial statements. The accountant will adjust the accounting information presented in

the financial statements to the needs of the users so as to produce better decisions. In this way, decision usefulness makes accounting information contained in the financial statements more useful (Scott 2009; Henderson et al. 2004:11-12).

The assumption of decision usefulness is rational individual in making a decision to maximize the expectation and satisfaction. When the individual thinks rationally, the efficient market is created. In an efficient market conditions, full disclosure of accounting information is really required. Since market requires complete accounting information, the accounting information is viewed as perspective information, and the financial statements are useful for economic decision (IAI 2012). The role of financial accounting is to provide level playing field through full disclosure about the information that is relevant, reliable, and cost effective to investors and other users (Scott 2009). Financial accounting should be able to help investors make economic decisions.

Belief Revision

Belief is a critical component in the decision making process because it can explore the decision-making process critically. Since the level of belief determines the behaviour of decision-making (Beaver 1989), the role of information is to change the belief. The behaviour of decision-making will change when the new information change the belief. The investor's belief is not visible. In this case, the stock price is seen as the embodiment of the investor's belief equilibrium.

Belief revision gives consideration of prediction to investors in responding financial statement information (Scott 2009) such as, first, investors have initial beliefs about the return risk of company's stock expected. This belief is based on the information available in the market, which include the market price before the company's current net income is published. Although it is based on the information available in the market, the belief is not the same because of differences in the placement of information and interpretation capabilities. Second, after the publication of the current year's net income, investors know better by analyzing income figures. For example, if the net income is higher than expected, it becomes good news. Third, investors, who already revised their beliefs that future returns profitability ishigher, tend to buy company shares at the current market price.

Risk Perception

Perception is an individual view in understanding objects or events through five senses gained from the experience about the objects or events by inferring information and interpreting the message. Perception is subjective and situational because the object depends on the framework of space and time. So, the individual's perception and other individuals's perception of the same object are different (Matlin 1998:57; Robbins 1996:45). The requirements to meet the perception are the existence of object perceived (physical), a tool to receive stimulus in the form of the senses (physiological), and the attention as the first step in making perception (Walgito 1997:36).

Investment risk is the deviation from the expected profit. Risk is often associated with a deviation between the outcome received and the outcome expected (Hartono 2008:214). The forms of risk that the investors will accept are the loss of foreign exchange decrease, the failure to receive cash dividends, the failure to receive principal of bonds because the issuer is declared bankrupt, and the stocks are not sold because the issuer is removed from the stock exchange. Types of investment risks are classified into two groups (Jones 2006:142), such as:

1. *Systematic Risk / Undiversifiable Risk*

Systematic risk is the market risk that can not be eliminated through diversification by portfolio. The value of a well-diversified portfolio will fluctuate against the changes in the market return results, for example, significant rise in inflation, recession, the rise of interest rates and economic cycles. To reduce risk, market participants perform hedging in future market or options market.

2. *Unsystematic Risk / Diversifiable risk*

Unsystematic risk is specific in any company. This includes policy and strategic decisions, operations, and corporate finance. This risk is different among the various companies that it focuses on the specific impact on certain stocks or sectors. For example, the government regulations prohibit the export or import of cement that, in the end, affects the stock price issuers that produce cement, property, or other products that use cement materials. To reduce losses, market participants invest in different types of stocks from various sectors. If one type of the stocks incures losses, there are still other stocks that may produce profit.

Accounting research states that the critical accounting information is used by individual investors to assess risk and make investment decisions. Accounting information provides fundamental of financial risk as measured by dividend payout ratio, current ratio, asset size, asset growth, leverage, variability in earnings, covariability in earnings, and capital structure (Beaver 1989:125; Selva 2004) to show poor performance, financial difficulties, and

the company has no prospect so as to affect the decline in the value of the firm. Thus, the perception of risk is expressed as an individual view of the fundamentals of financial risks affecting the company's stock price.

Koonce et al. (2004) defines risk perception as an individual view on how big is the possibility for the individual to suffer from financial risk expossure on the use of the financial statements. This perception of risk is an integrated model that combines behavioral risk characteristics with the risk in the standard deviation (probability and expected value) associated with losses and gains. The premise of the research is the perception of users of financial statements which is better understood and explained by incorporating behavioral risk characteristics. The indicators of integrated model for behavioral risk are worry, loss control, known, and catastrophic potential. Meanwhile, an indicator of financial risk is loss outcomes, loss probability, and the gain outcome. The incorporation of these models gets empirical support from the two characteristics of risk (Ricciardi 2004:56).

Preference
Preference is defined as the choice and decision-making that has the rational essence with the purposeful behavior (Slovic 1995). Hirshleifer and Glazer (1992) presented an ideal overview of the individual preferences over alternative consumption goods in two laws or revealed preference, namely:
a. Axiom of comparison, i.e. any two different items, between A and B can be compared to a kind of preference or by the individual. Each comparison inevitably leads to one of the three following items, for example, item A is preferred over item B, or item B is preferred over item A, or both items, A and B, are equally prefered.
b. Axiom of transitivity, i.e. if there are 3 items A, B, and C. Item A is preferred over item B, and item B is preferred over item C, then item A is surely preferred over item C.

The assumption model of investor preferences (Markowitz 1952) is based solely on expected return and risk of the portfolio which implicitly assumes that investors have the same utility function. But in reality, each investor has a different utility function. If the investors' preference for portfolios is different because the investor has a different utility function, optimal portfolio for each investor will be different. Markowitz model does not consider this case, since the focus is on the value of the portfolio with the least risk for a given expected return. But the preferences of investors are different. The investors, who are risk averse, will choose according to the response of Markowitz model, while investors, who are risk seekers, will select a high risk with implication of obtaining a high return. The election of portfolio, which is in accordance with the investors' preferences, is an efficient portfolio which is still in the efficient set. Which portfolio that the investors will be choosing depends on the function of each utility. Optimal portfolio for each investor is located at the intersection point between the utility function of the investors and the efficient set.

Based on the preference, investors use the axiom in the investment decision-making process which is based on the expected utility model and underlying the selection of investments on the portfolio in the context of the mean-variance model (Husnan 2008). The goal is to maximize the expected utility index on income or discounted interest rate. Preparation of a utility function is used to select investments that have an element of uncertainty. Investors will choose investments based on expected return on the maximum or higher level. Each investor may have different utility functions, and hence can choose different or the same investment opportunities. The utility function tends to be individual in nature. It means that there are differences among the financers. The utility of investors differs from one to another at the same level of risk, but investors prefer to choose the level of utility at a higher return. It shows risk preferences for the investors.

The Result of Previous Research
Belief revision is the users' perception on accounting information that motivates to change the initial belief (Scott 2009; Hogart and Einhorn's 1992; Arrozi 2011a). This study uses indicators containing of performance, prospects, and dividends, as well as the prediction that belief revision has positive effect on the intention to make decisions.

The users respond to environmental uncertainty by gathering information as much as possible to predict the environment accurately. Since stock is affected by market risk, the external information must be mastered completely in order to minimize the circumstances that may cause the loss in the company's stock. The users' control and planning are done to reposition the stock so that there are stocks that should be sold and remain selected. Consequently, the intention for decision making in the selection of stocks is high. These results are the research results of the JSE Team (1997), Luo (1999), Kim and Lim (1988), and Arrozi (2011).

The benefit of accounting information does not affect the return preference. It is indicated in the result of studies of Banker et al. (1993), Stainbank

and Peebles (2006), Epstein (1975), and Chen and Hsu (2005). The users do not have beliefs about the usefulness of accounting information that generates return preference. This shows the inability of sophisticated interpretation of accounting information so that the information does not have economical value and the company's decision-making is incorrect. The implication is that the expected return is not achieved.

The study results of Epstein (1975), and Chen and Hsu (2005) proved that the usefulness of accounting information does not affect the belief revision. The information of company news and advices contributes higher than the information of financial statements in altering investors' beliefs and actions. This indicates that the users act naive because they cannot utilize, analyze, and interpret accounting information so as not to be useful in the decision-making proces

The studies of Lambert and Verrechia (2005) and Ferris et al. (1990) did not show positive or negative attitudes toward the company's stock. This suggests that the users reduce the dependence on the performance of the company due to lack of importance of accounting risk measures and tend to perform speculative trading. While the results of studies of Beaver et al. (1970), Lee (1999), Koonce et al. (2004), Capstaff (1992), Arrozi (2011.2012) showed that the users control the unsystematic risks by applying stocks diversification of the variation in the types of company, industry, and composition. So, the users take a stand against the risks based on risk preferences, such as risk averter, risk seeker, or risk neutral.

Hypothesis Development
Based of theory and empirical study result that have been discussed, the hypothesis proposed is as follows:

H1: The usefulness of accounting information affects belief revision.

H2: The usefulness of price information affects belief revision.

H3: The usefulness of accounting information affects unsystematic risk.

H4: Systematic risk affects belief reservation.

H5: Systematic risk affects the usefulness of price information.

H6: Unsystematic risk affects belief revision

H7: The usefulness of price information affects return preference.

H8: The usefulness of accounting information affects return preference.

H9: Belief revision affects return preference.

3. RESEARCH METHOD
Research Design
This study is using causal-explanatory approaches and explaining the phenomenon of belief revision in decision making. This type of data is primary. The method of data collection is a survey. The research data is the subject data of the investment managers stating opinions, attitudes, justifications, experiences, or the characteristics of the subjects in decision making. The respondents are investment managers. The unit of analysis is the individual.

Population, Sample, Large Sampel, and Sampling
The population of this research is the investment managers of the scurities companies who have become the member of Investment Managers Association. The number of large samples in the estimation using maximum likelihood (ML) is 100-200 (Augusty 2002). The unit of analysis is the individual of investment manager. Sampling is done in random by using simple random sampling technique.

Operationalization Defition of Variables
Based on the identification of variables, the opeational definition of variables can be explained as follows:

Usefulness of Accounting Information
The usefulness of accounting information is the degree of positive or negative effect which is directly determined by the beliefs of investment managers in the quality of information that is useful in decision making. Instruments to measure the usefulness of accounting information are developed by researchers from the SAK (IAI 2012), and Ho and Wong (2005). The usefulness of accounting information is identified through 5 latent variables and 15 measured variables, namely:
1. Relevance (IA1) consists of three indicators, i.e. predictive, feedback, and puctuality.
2. Reliability (IA2) consists of three indicators, i.e. can be checked/tested, symbolizing accuracy, and neutral.
3. Secundary quality (IA3) consists of three indicators, i.e. comparative, consistency, and easy to understand.
4. Limitation (IA4) consists of two indicators, i.e. the costs and benefits, materiality.
5. Performance (IA5) consists of two indicators, i.e. short-term performance, and prospects of the company.

The instrument of the usefulness of accounting information is developed using a Likert scale. This scale is to measure the usefulness of information

Table 1
Appropriateness Criteria of Structural Equation Modeling

No.	Goodness of Fit Index	Cut Off Value
1	Degree of freedom	
2	Probability of significance	≥ 0.05
Absolute Fit Measures		
3	Chi-Square	Expected small
4	RMSEA	≤ 0.08
5	GFI	≥ 0.90
Incremental Fit Measures		
6	TLI	≥ 0.95
7	CFI	≥ 0.95
Parsimonious Fit Measures		
8	AGFI	≥ 0.90
9	CMIN/DF	≤ 2.00

Source: Ferdinand (2002) and Hair (2007).

with the number 1, which indicates that the accounting information is not very useful, and the number 5, which indicates that the accounting information is very useful.

Perception of Systematic Risk
Systematic risk is operationalized as the investment managers' perceptions on various aspects of their external environment which cannot be predicted accurately. The instrument of systematic risk measurement consists of 5 questions obtained by modifying the instrument developed by Gordon and Narayanan (1984), and Farid and Siswanto (1998). Systematic risk is identified through 5 indicators, namely: Economic (RS1), Government (RS2), Politics (RS3), Financial Markets (RS4), and Interest Rate (RS5). The Measurement of these variables is using Likert scale of 1 to 5. Respondents were asked about their perceptions by selecting a value on a scale of 1 (very unpredictable) up to a scale of 5 (very predictable).

Perception of *Unsystematic Risk*
Perception of risk is an investment manager's view of the financial statement items that is considered occuring a negative potential or loss of results. The measurement instrument of the perception of unsystematic risk consists of seven indicators developed from Koonce et al. (2004), namely:
1. The financial statement shows the financial difficulties (RU1).
2. The concerns about the company's financial condition (RU2).
3. The Financial condition is uncontrollable (RU3).
4. The relationship between the financial risk and the time of its occurence (RU4).
5. The probability of economic losses of financial statements (RU5).
6. The loss which is predicted to happen to the company (RU6).

7. The financial risk that happens to the company (RU7).

The instrument of risk perception is developed by using a Likert scale ranging from scale of 1 to 5. Respondents were asked to respond with the answers provided from not very risky (1) to very risky (5).

Usefulness of Price Information
The usefulness of price information is the degree of positive or negative affect which is directly determined by the belief of the investment managers in the stock price performance that is useful in the selection of stocks. The instruments to measure the usefulness of stock price information were developed by Brunnermeier (2001) that are identified through 4 latent variables and 11 indicators as follows:
a. *Useful*: The stock price is useful to provide information content, market information, and asymmetry information. (IH1)
b. *Relevant*: The stock price is useful to provide feedback, price accuracy, and estimated price information. (IH2)
c. *Prediction*:The stock price is useful to provide estimated value and prediction of future price. (IH3)
d. Valuation: The stock price is useful to provide sale time information, buy time information, and stock reposition information. (IH4)

The instrument of the usefulness of price information is developed using a Likert scale with the number 1, which shows that the stock price information is not very useful, and the number 5, which shows that the stock price information is very useful.

Belief Revision
Belief revision is the belief of investment managers in the information that motivates to change the initial belief. The instrument to measure belief revision is developed by Scott (2009), which consists of six indicators, namely:

a. Earning carries news (RK1)
b. Return carries information content (RK2)
c. Devidend carries news (RK3)
d. Devidends carry information content (RK4)
e. Price Earning Ratio performance contains positive information (RK5)
f. Performance encourges the change of candidate (RK6)

The instrument to measure belief revision is developed using a Likert scale ranging from number 1 to 5. Respondents were asked to respond from number 1, which is very unsure, to number 5, which is very sure.

Return Preference
Rreturn preference is the investment managers' preference and expectation to gain a benefit in decision-making. The instrument of return preference is developed from Snelbecker et al. (1990) and Arrozi (2012) through 5 indicators, namely:
a. The preference to obtain high return on stock selection (PR1).
b. The preferences to obtain stock return exceeding the market return (PR2).
c. The preference to obtain stock return exceeding deposit interest rate (PR3).
d. The preference to obtain optimum return through stock performance revision (PR4).
e. The preference to obtain optimum return that suits the investor's wish. (PR5).

The instrument of return preference is developed using a Likert scale from 1 to 5. Respondents were asked to respond with alternative answers from do not really want to *be achieved* from *the* number 1, to *really want to be achieved from* the number 5.

Data Analysis
The data analysis is done using Structural Equation Modeling. This analysis is an integrated approach among the factor analysis, structural models, and path analysis. Fit model must meet the criteria, such as: Degree of Freedom (DF) the value should be positive; Non-significant Chi-Square should be above the required value (p = 0.05) and above the acceptable conservative limits (p = 0.10); Incremental fit value is above 0.90 that is for the GFI, TLI, and NFI; the lowest values of RMR and RMSEA. Index summary used for the appropriateness of the study models is in Table 1.

Determination of Belief Revision Model on Stock Prospect Valuation
The determination of belief revision models in rational decision making is the goal to maximize utility. The research model is contained in Figure 1.

4. DATA ANALYSIS AND DISCUSSION
Data Analysis
Questionnaire Return
Data were collected through survey with 200 questionares distributed and 182 were returned. However, among this number, there were 180 copies were used. The response rate is 91%. The overview of the questionnaire is presented in Table 2.

Demographics of Respondents
The demographics of investment managers are in Table 3 which shows the greatest characteristics: age 41-45; male gender; S2 education; CFA education; worked for 11-15 years; and certification of the investment manager (MI).

Reliability and Validity Test
Reliability testing was done using Cronbach alpha with the result value between 0.718 and 0.847, in which it has a value above 0.60. Thus, it can be concluded that the variables of the study are reliable (Nunnally 1978). And, the validity testing is using factor analysis with MSA value of between 0.778 and 0.882, which has a value above 0.50. So it can be concluded that the variables of the study is valid (Kaiser and Rice 1974). The results of reliability and validity testing in the variables of the study are presented in Table 4.

Goodness-of-fit Test
Goodness-of-fit test which is generated in this study can be seen in Table 5 and it indicates that research model is accepted. The results of model testing are presented in Table 5.

Hypothesis Test
The result of SEM analysis shows the test of H1 through H9. The hypotheses of 1 through 9 are accepted when having significance value of below 0.05. The test result shows the acceptance of hypothesis 1, 2, 3, 4, 5, 6, 7, 8, and 9. The acceptance of hypotheses is as in Table 6.

Discussion
Hypothesis 1: Usefulness of accounting information affects belief revision
The test result demonstrates the usefulness of accounting information significantly has possitive effect on belief revision. This suggests that investment managers have a high degree of positive affect on accounting information so that the attitudes to perform belief revision of the previous belief is also high. The information signals in the financial statements are able to make the investment managers
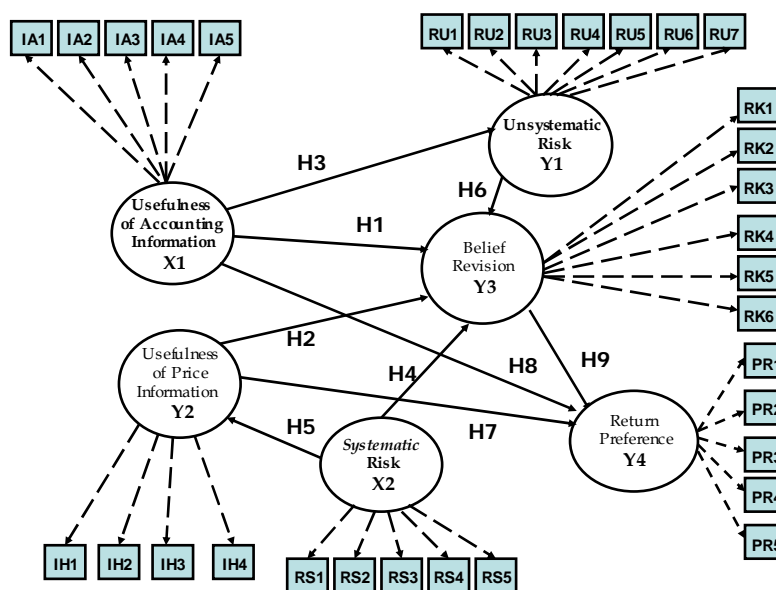
Figure 1
Research Model

Table 2
Deployment Overview and Questionnaire Acceptance

Description	Quantity
Questionnaire sent	200 copies
Returned due to unknown address	-
Number of delivery	200 copies
Questionnaire returned	182 copies
Percentage of questionnaire returned	91 %
Questionnaire which can be used	180 copies
Percentage of questionnaire which can be used	99 %

Source: Processed data.

change the belief that was held previously. The previous belief was based on the financial information of a concerned issuer of the shares that are available in the market. When the financial statements are published, the investors read, examine, analyze, and interpret financial statements whether they have good news or bad news signals. They utilize accounting information in financial statements to assess the performance and prospects of the issuer as the information containing good news or bad news information in the context of economic decision making. This suggests that accounting information has the quality of information, and has a value for the investment managers because it adds belief so that the information is understandable, relevant, and reliable for decision-making. The implication is that financial statements provide information that is easily understood in the analysis and results in a change of the investment managers' belief. Thus, the financial statements provide information usefulness for investment managers in decision-making (decision usefulness). This results supports the study of Bea-

ver (1989), Barberis and Thaler (2003), Scott (2009), Easton and Zmijewski (1989), Hogart and Einhorn (1992), Stuerke (2005), and Arrozi (2010).

Hypothesis 2: Usefulness of price information affects belief revision
Hypothesis 2 shows that the usefulness of price information has positive effect on belief revision. Stock price information is considered as a signal that should be reviewed so as to revise the initial belief because of the information content, economic value, and reflects the value of the firm for the issuers concerned. The implication is that the stock price increases or decreases in trade transactions. This makes the investment managers perform decision-making through belief revision in order to meet the independence, integrity, prudent, and use their expertise to assess the stocks (Bapepam 1996). To meet this, the investment managers have initial beliefs about the performance of the stock about return and risk. This revised stock depends on the interpretation of either sophisticated or naive by investment

Table 3
Demographics of Respondents

Description	Quantity
Age of Respondents	
20 – 25 years	8.6 %
26 – 30 years	10.6 %
31 – 35 years	10.7 %
36 – 40 years	14.9 %
41 – 45 years	40.5 %
46 – 50 years	14.9 %
Gender	
Male	82.0 %
Female	18.0 %
Formal Education	
S1	31.0 %
S2	66.0 %
S3	3.0 %
Education in Capital Market	
CFA	44.7 %
Forecasting and Valuation	42.0 %
Financial Modeling	3.3 %
Risk Management	10.0 %
Work Duration in Capital Market	
1 – 5 years	2.1 %
6 – 10 years	19.0 %
11 – 15 years	65.8 %
16 – 20 years	13.1 %
Certification	
CFA	23.4 %
MI	42.7 %
WMI	14.9 %

Source: Processed Data.

managers that resulted in the change of performance of each stocks issuer, which in turn change the stock candidates. Thus, there will be stocks that stay because of good performance, and there are stocks that are out because of poor performance. The implication is to show the degree of positive affect through the acceptance of stock candidate or the degree of negative effect through of stock candidate. It is the belief of investment managers in the return estimation and performance estimation. The level of belief determines the decision-making behavior. The role of information is to change the belief. Decision-making behavior changes when the new information changes the belief. Belief is not visible. The stock price is seen as representing an equilibrium process of investor's belief. This result supports the study of the Beaver (1989), Barberis and Thaler (2003), Scott (2009), Easton and Zmijewski (1989), Hogart and Einhorn (1992), Stuerke (2005), and Arrozi (2010).

Hypothesis 3: Usefulness of accounting information affects unsystematic risk

The finding of this research demonstrates that the usefulness of accounting information have a signifi-

cant effect on the perception of risk with negative direction. The financial statements provide information about the issuer's financial risk so as to give the belief that the company's shares are at risk because the perception regarding the financial condition of the company shows the probability of risk and alarming financial predictions as well as the potential hazard to the stock concerned. With such risks interpretation, there is a cognitive understanding of the investment managers for each of the stocks issuer listed on stock exchanges which has indication of risk. Accounting information is useful to signal either bad news or good news concerning the financial condition of the company either at risk or not. So the analysis and interpretation of financial statements result in negative or positive potential in the development of the company's business. To reduce the potential risks and losses, the investment managers will issue a report analysis of issuers and advisory as a recommendation regarding the risky stocks issuers with a preference view of risk seeker, risk averter, and risk neutral. The result of this study reinforces the findings of previous studies by Beaver et al. (1970), McDonald and Stehle (1975), Farelly et al. (1985), Capstaff (1992), Koonce et al. (2004), as well as Arrozi (2010).

Hypothesis 4: Systematic risk affects belief revision

Hypothesis 4 shows that the systematic risk affects belief revision with negative direction. Systematic risk of competitors, economic, politic, financial markets, and interest rate are able to reduce the investment managers' belief in assessing the prospects of the shares. This suggests that the probability and prediction of losses will occur in the company because the company's shares are in a particular industry or sector within a country, and prone to turbulence conjuncture of dynamic changes. Thus, the stocks will be affected by risks of market that can not be avoided due to certain factors that lead to lower performance of the companies in the industry related to finance, services, and manufacturing. This is because the company environment in an industry will determine the stability of the company in conducting its operations, as determined by the economic conjuncture in a country, a competitor in the stock market, the attention of market participants on the company's shares, and the government regulation on certain industries. The dynamics of global influence and volatility in the stock is a manifestation of systematic risk that may not be avoided. However, investment managers are seized with the uncertainty due to the lack of good information from the external so that less able to revise the belief relevantly over the prospect of the stocks with the situa-

Table 4
The Test Result of Reliability and Validity of Variables

Variable	Reliability	Validiy
Usefulness of Accounting Information	0.847	0.832
Usefulness of Price Information	0.718	0.851
Belief Revision	0.828	0.882
Unsystematic Risk	0.796	0.849
Systematic Risk	0.788	0.816
Return Preference	0.826	0.778

Source: Processed Data.

Table 5
Suitability Index of Structural Equation Model (SEM)

Criteria	Cut of Value	Result of Calculation	Description
Chi-Square (X2)	Expected small	278.3	X2 with df = 264 adalah 278, Accepted
Sig. of Probability	≥ 0.05	0.4241	Accepted
RMSEA	≤ 0.08	0.0070	Accepted
GFI	≥ 0.90	0.9570	Accepted
AGFI	≥ 0.90	0.9351	Accepted
CMIN/DF	≤ 2.00	1.0481	Accepted
TLI	≥ 0.95	0.9831	Accepted
CFI	≥ 0.95	0.9725	Accepted

Source: Processed Data.

tion. The result of this study supports the study team JSE (1997), Luo (1999), McGhee and Rubach (1996), Yeoh and Jeong (1995), Gordon and Narayanan (1984), as well as Arrozi (2010).

Hypothesis 5: Systematic risk affects usefulness of price information
Hypothesis 5 suggests that the systematic risk has positive effect on the usefulness of price information. The investment managers' perception over the price information perception is positive because the content of stock price information helps the investment managers under conditions of uncertainty to make an assessment, relevance in decision- making, and is able to make predictions. The investment managers' ability is to interpret the price because the information is used to reduce the uncertainty of the environment. Knowledge of volatility, momentum, and the dynamics of change in the price mastered by investment managers is to minimize the risk of the market even though it can not negate the environmental uncertainty conditions. The implication is that the investment managers tend to be prudent and rational in deciding risk actions of decision making of stocks selection. The advisory on investment managers is to connect the decision-making with the risk preferences of investors. The result of this study supports the study team JSE (1997), Luo (1999), and Kim and Lim (1988).

Hypothesis 6: Unsystematic risk affects belief revision
Hypothesis 6 suggests that the unsystematic risk

perception negatively affect the belief revision. Risk perception reflects the views of users about the potential loss on the financial statement items that show an alarming condition of performance, prospects, and the value of the company. So, the investment manager will conduct the performance evaluation and revision of the issuer's shares. The implication is that the investment managers will conduct adverse selection return, i.e. the assessment and selection of stocks that have adverse return deviation lower than the average return of the same company size. Investment managers minimize risk stock selection through comparison of the company's prospects in the same industry or sector. This process shows professional, rational and cautious, not impulsive, and impatient ways in the company's stock price volatility. The result of this study reinforces the findings of Chen and Steiner (1990), Fletcher (2000), Daniel et al. (200), and Arrozi (2010).

Hypothesis 7: Usefulness of price information affects return preference
Hypothesis 7 shows that the usefulness of price information has a positive effect on return preferences. This suggests that the investment managers have predictive attitude toward stock price information on the stock market to obtain an optimal return preferences and have consequences on the value of the company. The implication is that the investors can expect and realize their hopes in the form of return capital gain in order to be achieved optimally based on the utility maximization and return preferences.The preference may change due to various

Table 6
Parameter Estimation of Structural Model

Variable	Est.	S.E.	C.R.	Prob.	Hypotheses
Usefulness of accounting information → belief revision	2.160	0.228	6.423	0.000	H1 *(accepted)
Usefulness of price information → belief revision	0.471	0.264	2.658	0.045	H2 *(accepted)
Usefulness of accounting information → unsystematic risk	-0.903	0.113	-2.936	0.035	H3 *(accepted)
Systematic risk → belief revision	-2.025	0.169	-3.142	0.033	H4 *(accepted)
Systematic Risk → usefulness of price information	0.289	0.075	3.791	0.000	H5 *(accepted)
Unsystematic risk → belief revision	-0.472	0.583	-2.853	0.047	H6 *(accepted)
Usefulness of price information → return preference	0.323	0.099	3.352	0.013	H7 *(accepted)
Usefulness of accounting information → return preference	2.323	0.081	4.526	0.001	H8 *(accepted)
Belief revision → return preference	0.628	0.137	3.538	0.003	H9 *(accepted)

* Significance is at α = 5%.

Table 7
Indirect Relationship

Relationship of Variables	Total Relationship	Direct Relationship	Indirect Relationship
Usefulness of accounting information → Return preference	3.6031	1.7530	1.9501
Usefulness of accounting information → Belief revision	2.3306	0.8746	1.4560
Systematic risk → Belief revision	- 0.7767	- 0.8847	0.1080

Source : Processed Data.

considerations (Scott 2009:10; Wahlund and Gunnarsson 1996). One of the considerations is the stock price information that shows the price of short-term performance and return capital gain. The participants, who have return preferences on capital gains, expect to be able to receive the return on the results of the performance of the issuers over a short period of time. Stock price information gives signal and information content, as well as stock price information is usefull to obtain capital gain based on the investors' subjectivity. The result of this study supports the studies of the Beaver (1989), Ball and Brown (1968), Beaver et al. (1979), Wahlund and Gunnarsson (1996), as well as Arrozi (2010).

Hypothesis 8: Usefulness of accounting information affects return preference
Hypothesis 8 shows that the usefulness of accounting information has a positive effect on return preference. The investment managers undertake a review, analysis, and interpretation of financial statements as a signal either good news or bad news. Thus the investment managers must be sophisticated in conducting valid analysis to obtain return preferences they wanted. One of the considerations is the accounting information that shows the usefulness of financial reporting information on the short-term performance on the dividends as the returns promised, as well as the future prospects of the issuers. The participants, who have return preferences on dividends, expect to be able to gain the result of the performance of the issuers during one period. This process occurs to determine the financial performance of the issuers concerned so that the infor-

mation is understandable, relevant, and reliable for decision-making. This information has value to the investment managers because it adds to the belief about the profitability expectations of dividends. The investment managers determine the performance expectations of dividends gain because the fundamental type of investor requires for good performance of the issuers so as to yield prospective dividend y. The accounting information provides information content and has usefulness to obtain the benefit based on its subjectivity. The result of this study supports the studies of Beaver (1989), Barberis and Thaler (2003), Scott (2009), Easton and Zmijewski (1989), Hogart and Einhorn (1992), Stuerke (2005), and Arrozi (2010).

Hypothesis 9: Belief revision affects return preference
Hypothesis 9 shows that the belief revision has positive effect on return preferences. The investment managers have initial beliefs about the stocks that have prospects and economic value. Based on presence of new information, the initial belief is revised depending on the interpretation of the information believed so that the performance of the stock issuers changed. Belief will determine whether the information is valid signal and can be trusted. In addition, securities investment is affected by the investment strategy that shows return preference desired and it varies from one participant to another due to different preferences based on the return preferences. There are participants who like dividends, or capital gains, or emphasize on both the dividends and capital gains.

The preferences can be changed due to the belief, the views, personal attitudes, and consideration. One consideration is the information derived from accounting information and stock price information. Such information has implications to gain dividends, capital gains, or both. This result supports the studies of Wahlund and Gunnarsson (1996), Bruns (1968), Hunton and McEwen (1997), Arrozi (2010).

Based on Table 7 on the indirect effect of the belief revision on the relationship between the usefulness of accounting information and return preference shows the indirect effect of 1.9501 which is greater than the direct effect of 1.7530. The indirect effect of the perception of unsystematic risk on the relationship between the usefulness r of accounting information and the belief revision shows the indirect effect of 1.4560 which is greater than the direct effect of 0.8746. This means that the belief revision and unsystematic risk increase the effect of the usefulness of accounting information on the belief revision and return preferences. The result of this analysis proves that the perception of unsystematic risk and belief revision can provide an increase on expectation of return in the form of dividends as the prospect of future profits by performing diversification process through adverse selection p return so as to provide benefits, prospects, and the value of the accounting information content. This is consistent with the results of studies of Goodwin et al. (1986), Barth et al. (2001), Ball and Brown (1968), Snelbecker et al. (1990), Gordon (1962), Beaver (1989), Beaver et al. (1979), East (1993), as well as arrozi (2010, 2011, 2012). Meanwhile, the indirect effect of the usefulness of price information on the relationship between systematic risk perception and belief revision shows the indirect effect of 0.1080 which is smaller than the direct effect of -0.8847. This means that the belief revision, as intervening, decreases the relationship between systematic risk perception and belief revision and proved that there is a weak effect in the relationship. The indirect effect is found in Table 7.

5. CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

The result of the study provides evidence of acceptance of hypotheses 1, 2, 3, 4, 5, 6, 7, 8 and 9. It appears that the usefulness of accounting information in performing belief revision is essential because the content of the information covers important issues such as the value, prospects, and benefits in decision making. The characteristics of useful information are relevant, reliable, comparative, and gives prospects for the future. The concept of decision usefulness in the financial statements gives value and benefit to the users in decision-making. The users know the usefulness of financial statements by determining the meaning of the usefulness of the information presented, understanding the information needs, as well as knowing the decision made. The accountant adjusts to the accounting information presented in the financial statements by understanding the needs of the users so as to produce better decisions. Thus, the decision usefulness makes accounting information more useful. The investment managers have the sophisticate, rational, and prudent attitude, and have risk preferences that can give a positive contribution in the advisory to investors. The investors' return preferences are realized by investment managers with the diversification through adverse selection returns so as to provide benefits, prospects, and the value of the issuers.

The limitation is related to the accounting research process in the field of behavioral with an explanatory perceptional research resulted in a very varied view with cognitive limitation. This is because the respondents answer the questionnaire either in simple or complex situation and time. Another one is concerned with the determination of price information perception which is technical. It would hinder the research mapping because of the problems such as momentum, volatility, syclical, bubbles market conditions, the occurance of crashes, as well as the bearish market. This process needs to be grouped to produce the correct timing in investment decisions.

This study recommends that future researchers expand the study sample with different types of respondents to obtain a variation of attitudes, behaviors, and actions in decision making. The possible respondents include brokers, securities analysts, investors, underwriters, and investment advisors. Besides that, the behavioral study in the capital market requires market timing, momentum, and the decomposition of market conditions in a state of bullish and bearish. This is necessary in order to obtain better information and description about the behavior of the users. Another recommendation deals with the development of the concept. It requires additional variables such as investment motives, type of decision, interest in investment, investment planning and control, risk control, the fear attitude, the greedy attitude, and so forth. Finally, the development of the concept should be done by including variables such as risk subjectivity, return preferences, investment motives, and the usefulness of price information, mental accounting, decision type, and other factors. These variables can also be developed as moderating or intervening variables.

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