

The comparative analysis of discretionary accruals viewed from the styles of audit and IFRS adoption

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ABSTRACT

Discretionary accruals in auditing have been the essential factor. Therefore, an analysis of this factor viewed from different styles of audit and IFRS adoption can be more interesting to study. This study discusses financial statement comparability in terms of audit style and IFRS adoption. It took the sample consisting of 43 manufacturing companies listed in Indonesia Stock Exchange; all have published their financial statements for the period of 2010-2013. The data were analyzed by using Kruskal-Wallis test and Wilcoxon test. The results showed that financial statement with the same accounting standards and audited by the same big 4 auditors, subject to the same audit style, are more likely to have comparable discretionary accruals than financial statement audited by different Big 4 firms with different styles. By comparable, it means that different financial statements in the same industry and the same accounting standard will have more similar discretionary accruals.

ABSTRAK

Daya banding laporan keuangan (discretionary accruals) telah menjadi faktor penting. Oleh karena itu, jika analisis faktor dilihat dari gaya yang berbeda dari audit dan adopsi IFRS hasilnya akan lebih menarik untuk diketahui. Penelitian ini menganalisis daya banding laporan keuangan (discretionary accruals) ditinjau dari gaya audit dan adopsi IFRS. Penelitian ini menggunakan sampel yang terdiri dari 43 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia; semua telah menerbitkan laporan keuangan mereka untuk periode 2010-2013. Data dianalisis dengan menggunakan uji Kruskal-Wallis dan uji Wilcoxon. Hasilnya menunjukkan bahwa laporan keuangan dengan standar akuntansi yang sama dan diaudit oleh KAP yang sama akan lebih memungkinkan untuk memiliki discretionary accruals yang lebih mirip daripada laporan keuangan yang diaudit oleh KAP Big 4 berbeda dan penggunaan standar akuntansi yang berbeda. Penelitian ini juga menunjukkan bahwa daya banding laporan keuangan pada industri yang sama dan penerapan standar akuntansi yang sama akan memiliki discretionary accruals yang lebih mirip.

1. INTRODUCTION

The issue of the comparability of the financial statements essentially attracts the users of financial statements, particularly in the more open economy and free trade phenomenon. The comparability of the financial statements is expected to rise, not only on that between companies in a particular country but also on the financial statements of companies in cross-countries (De Franco 2011). Such statement comparability is important to improve the transparency and ac-

countability of financial reporting as well as to increase the global investment flows. According to Barton (2004) financial statements of the high-power appeal is a protection to shareholders and investors. Comparability of financial statements between companies can be increased if the basic concept is the reference capable to interpret and run through understanding the similar policy (Jere et al. 2013).

Moreover, the issue of comparability of financial statements also increases such as chang-

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ing standards that is applicable globally. International Accounting Standards Board (IASB) requires all its members to converge their accounting standards using IFRS. One of its goals is to improve the comparability of financial statements around the world (Barth et al. 2011). In addition to the application of accounting standards, the application is also due to the adoption of IFRS comparability of financial statements which are affected by economic agents such as the auditor (Ball et al. 2003 and Leuz et al. 2003). This makes the auditors play a role in enhancing the ability of the comparability of financial statements of a company that looks at the interpretation of the application of the accounting standards of their clients.

It has been noted that each Public Accounting Firm (KAP) has a unique set of rules that guide the work of internal auditors and sets standards in the application of auditing and accounting standards. The rule is a unique work of each firm led to the so-called style of audit (Jere et al. 2013). Style of audit in each KAP causes systematic differences in audit approach, as well as the interpretation and implementation of the accounting standards.

This study analyzes the comparability of financial statements related to audit style with accruals analysis that focuses on the style of the audit carried by KAP Big 4. According to DeAngelo (1981) KAP Big 4 firms have better quality compared to non-Big 4 Firm, thereby enabling the auditor of KAP Big 4 to find violations related to accounting systems.

The strategic position held by the auditors both in the perspective of management as and that of the users of financial statements resulted in the view that the style of the audit can be found by doing a comparative analysis of financial statements. This should be based on the level of similarity quality of accruals for several companies in the same industry, in the same period, and in accordance with KAP Big 4 firms they use (Jere et al. 2013). However, this comparability analysis by examining accruals is also due to a major component of the income that is subject to the policy and that in which economic agents in this case is the auditor that can directly affect the value of such accruals.

Hence, it appears that the importance of the auditor's role in the formation of the comparability of the financial statements, it is assumed that this has an impact on decision-making by the users of financial statements. This phenomenon

attracts the researchers to conduct a study to see the relationship of the styles of audits and comparability of financial statements by considering the use of different accounting standards, namely accounting standards of non-adoption and that of IFRS adoption..

Based on the problem above, there are some important cases to analyze such as whether (1) the financial statements audited by Big 4 with different KAPs have different discretionary accruals. (2) whether the financial statements audited by KAP Big 4 have the same discretionary accruals, and whether (3) the financial statements audited by KAP Big 4 are equally likely to have high levels of the same discretionary accruals despite using different accounting standards and finally, whether (4) the financial reports audited by Big 4 with different KAPs in the period before and after the convergence of IFRS have different discretionary accruals.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Auditor Style and Discretionary Accruals

Fan et al. (2005) describe that the KAP with Big 4 play a role in enforcing corporate governance in emerging markets with a concentrated ownership structure. By doing so, the quality of the client company auditors could force them to disclose corporate information in a more transparent and higher quality. Meanwhile, according to Gul et al. (2010) the appointment of KAP Big 4 can also help facilitate the flow of information to make the company more credible to the market. That is the auditor's role in facilitating the reporting of high-quality earnings, with an emphasis on the quality of accruals according to research Jere et al. (2013).

Cole et al. (2011) found saw some important factors related to the comparability of financial statements by taking into account the auditors' views. In this study, the auditor considers that the interpretation of accountants and auditors can affect the comparability of financial statements. In this situation, the role of the auditor looks at the style of the audit carried by each KAP Big 4 in performing the audit with a unique approach to their internal work standards for interpreting and implementing accounting standards.

It is the policy of each KAP Big 4 who, formerly, coined the term audit style. Style of interpretation was due to arise from the audit of financial accounting standards that is operated

and carried out by the auditors and their clients. The conclusion is that, some companies that used services of the same KAP Big 4 were more likely to interpret and apply accounting standards in the same way. Therefore, the results of financial statements are likely to have the same comparability. Yet, the financial statements are audited by KAP Big 4 would have different interpretations of accounting standards so as to allow comparability of the financial statements to be different.

Audit style is related to the comparability of the financial statements which will increase the comparability of standards and rules, by taking into account the work (in-house rules) KAP Big 4 that is applied. It can bring out the prediction that the financial statements of a company with the same KAP Big 4 will have a greater proportion of the financial statements of a company with different KAP Big 4. According to Jere et al. (2013), that condition is supported by the assumption that managers have the flexibility in the application of accounting standards. Thus, the quality of the KAP Big 4 auditors also affect the application of accounting standards to be more consistent and correct suitable for the style of each KAP. Furthermore, if the effect of the audit exists in the client's financial statements, the observations should be made on the consistency of financial statements, for example, those of the larger companies in the same industry and a division of the same year. Therefore, the two hypotheses can be stated as the following.

H1: The financial statements audited by different KAP Big 4 levels have different comparability degrees of discretionary accruals.

H2: The financial statements audited by the same KAP Big 4 have the same comparability degrees of discretionary accrual.

IFRS Convergence and Discretionary Accruals

International Financial Reporting Standards (IFRS) has become the global accounting standard agreement and it is supported by many countries and international agencies in the world. G-20 agreement in Pittsburgh on September 24-25, 2009, stated that the authority overseeing the international accounting rules should improve the global standard to reduce the gap in the rules of the country members of the G-20. Since 2008, it has been estimated about 80 countries require companies to be registered in the global stock exchanges for applying IFRS in preparing and presenting financial statements. Finally, IFRS in One Global Accounting Standards has recorded

150 countries using IFRS standards as guidelines for financial reporting (Bieber 2011).

Comparability of financial statements, in various literatures, is defined generally and properly in a broad sense, i.e. the set of economic events, in which the two companies have an accounting system comparable when they result in financial statements of that type (De Franco et al. 2011). One of the main goals, in the application of IFRS accounting principles to be comparable, is to increase more consistent interpretation, audits, and enforcement of standards.

The IFRS adoption is intended to improve the comparability of financial statements. This is the focus in this study. Some studies have been done previously. For example, Brochet et al. (2012) used the dependent variable of abnormal return to assume that any changes can be as a result of the adoption of IFRS which is able to increase the power of public information appeal. From this, all of the users can, further, conclude that the corporate performance and valuation can be increase through their comparability of financial statements. Some companies that reported that, in the same accounting standards, they can be different in comparability. Another example of the previous study, however, Ball (2003) used high-quality accounting standards but do not always guarantee the high quality of financial statements. It is due to its being closely related to incentives received by the company. Furthermore, the study attempts to reveal to what extent the IFRS adoption in Indonesia can generate comparative financial statements with higher level than before the implementation of IFRS. Therefore, based on the theoretical basis above, the hypotheses can be stated as the following:

H3: The financial statements audited by the same KAP Big 4 are likely to have the same degree of discretionary accrual, despite using different accounting standards.

H4: Financial statements audited by Big 4 different KAP in the period before and after the convergence of IFRS have different levels of discretionary accrual.

3. RESEARCH METHOD

Research Design

This is a quantitative approach-associative-comparative research, aimed to compare the comparability of financial statements of manufacturing companies listed on the Stock Exchange with two different groups, based on the respective period, namely 2010-2011 (financial state-

Table 1
Process of Sample Selection

Description	Total
Manufacturing companies listed on ISE 2010	129
Companies didn't publish and publicize financial statements for book year 2010-2013	(33)
Companies were not audited by Big 4 KAP	(51)
Companies changing Big 4 KAP for period of 2010-2013	(2)
Final total sample	43
Total year of observation	4
Total data observation	172

Source: The processed secondary data.

Table 2
Descriptive Statistics of Discretionary Accruals Based on Big 4 KAPs

Names of KAP	N	Range	Min	Max
PWC	24	17.2260	-0.0632	16.5940
KPMG	20	0.4488	-0.2466	0.2022
Deloitte	44	0.8286	-0.7620	0.0640
EY	84	11.1210	-0.5165	0.5956

Source: SPSS output.

ments of non-adoption of IFRS) and 2012-2013 (financial statements of the IFRS adoption). In addition, this study also examined the association relationship and the influence of the variables in several different groups that fit the style of the KAP Big 4 audit affiliation in each company.

Population and Sample

The object of this research is manufacturing companies listed on Indonesia Stock Exchange (ISE). They were taken by using purposive sampling technique where the population sampled. It used the criteria associated with the purpose of research. The criteria for the determination of the samples in this study are as follows:

1. Manufacturing companies listed on the Indonesian Stock Exchange (BEI) in the period 2010- 2013.
2. The Companies have always published the audited financial statements for the fiscal year 2010-2013 to public.

The companies audited by KAP of non-affiliated Big 4 are not included in the object of research.

Operational Definition of Variables

Discretionary Accruals

Variables used in this study are discretionary accruals as a variable that is used to look at the

level of comparability of financial statements. Discretionary accrual measurement refers to the model of Jones (1991) as modified by Dechow et al. (1995) as follows:

$$DA_{it} = TA_{it} - NDA_{it}. \quad (1)$$

The Total Discretionary accrual is calculated using the formula:

$$TA_{it} = Earnings_{it} - CFO_{it}. \quad (2)$$

And, the Non discretionary accruals are calculated using the formula:

$$NDA_{it} = a1(1/A_{it-1}) + a2(\Delta REV_{it} - \Delta REC_{it}) + a3(PPE_{it}). \quad (3)$$

Description:

TA_{it} = Total company accruals i at year t .

ΔREV_{it} = Company income i at year t subtracted by annual income year $t-1$.

ΔREC_{it} = company account receivable i at year t subtracted by account receivable at year $t-1$

PPE_{it} = Company fixed asset i at year t .

$Earnings_{it}$ = company operational profit i at year t .

CFO_{it} = Company Cash Flo from Comp operation i year t .

Data Normality Test

Before the test, the hypothesis was tested to get the data normality. This is done to determine whether the testing will be done by parametric or non-parametric test. If the data does not qualify normality test, it will be done by non-parametric testing (Wiyono 2011).

Table 3
Results of Normality Test

Variables	Mean	Std. deviation	Kolmogorov smirnov Z	Asymp. Sig (2-tailed)
Discretionary Accruals	0.028768	0.2712713	1.555	0.016

Source: Processed data by SPSS.

Table 4
Results of d-Test of Discretionary Accruals with Different Big 4 KAPS

Variables	Chi-Square	Df	Asympt.Sig
Discretionary Accruals	46.76	3	0.0000

Source: SPSS Output.

Table 5
Results of D-Test for Discretionary Accrual of 4 Big 4 KAPs

Variables	Chi-Square	DF	Asympt. Sig
DA_PWC	10.260	5	0.068
DA_KPMG	5.500	4	0.240
DA_Deloitte	24.439	10	0.007
DA_EY	43.811	20	0.002

Source: SPSS Output.

Data Analysis

To test the hypothesis 1, two and three tests are done using the independent sample t-test or Kruskal Wallis if normality test results are not met. And, the testing of paired sample t-test was used to test the hypothesis 4. However, if the data used were not normally distributed, it would be tested using the Wilcoxon test. And, the technical sequence and testing are as follows:

1. To answer the first hypothesis, financial statements audited by different Big 4 KAP have a different degree of discretionary accruals. The test was conducted to answer this hypothesis by using independent sample t test (Kruskal-Wallis when the data were not normally distributed). The test was performed by dividing the company's financial statements based Big 4 KAP auditing.
2. To answer the second hypothesis, financial statements were audited by the same KAP have the same degree of discretionary accruals. Thus, the test used independent sample t test (Kruskal if the data did not qualify normality). The test is performed by dividing the company's financial statements are audited by the same KAP into two groups without considering the period of the IFRS adoption.
3. To answer the hypothesis 3, financial statements were audited by Big 4 KAP.
The first group of the company's financial

statements were prepared by the IFRS adoption accounting standards (the company's financial statements in 2012 and 2013) and the second group of the company's financial statements were not prepared by the non-adoption of the IFRS accounting standard (the financial statements in 2010 and 2011). Testing was done by using independent sample *t test* (Kruskal Wallis test for normally distributed data).

4. To answer the hypothesis 4, the financial statements that were audited by different Big 4 KAP and using different accounting standards have the same degree of discretionary accruals. The test was performed using paired sample *t test* (Wilcoxon test if the data were not normally distributed). Sample of the company's financial report was divided into two groups of financial statements prepared using a standard non-adoption of IFRS (before the adoption of IFRS) and the financial statements prepared after the adoption of IFRS.

4. DATA ANALYSIS AND DISCUSSION

Description of Research Objects

The population consists of manufacturing companies listed on the Indonesian Stock Exchange (BEI) during the observation period 2010-2013. The selection process of the samples can be seen in Table 1. Descriptive Statistics f can be seen in Table 2.

Table 6
Results of D-Test for Discretionary Accruals with Big 4 KAPs of the non IFRS Adoption and IFRS Adoption Financial Statements

Variables		Chi-Square	Df	Asymp. Sig
DA_PWC	Group of financial statements by the non adoption of accounting standards	10.077	5	0.073
	Group financial statements with the IFRS adoption accounting standards	3.154	5	0.676
DA_KPMG	Group of financial statements by the non adoption of accounting standards	2.727	4	0.604
	Group of financial statements with the IFRS adoption accounting standards	4.255	4	0.373
DA_Delloite	Group of financial statements by the non adoption of accounting standards	16.032	10	0.099
	Group of financial statements with the IFRS adoption accounting standards	16.577	10	0.084
DA_EY	Group of financial statements by the non adoption of accounting standards	22.990	20	0.289
	Group of financial statements with the IFRS adoption accounting standards	28.179	20	0.105

Source: SPSS output.

Table 7
The d-Test of Discretionary Accruals Period before and after IFRS

Variable	Z	Asymp. Sig (2-tailed)
DA_BeforeIFRS_AfterIFRS	-3.645	0.0000

Source: SPSS output.

Hypothesis Testing

Before the hypothesis test, the data to be used was tested for getting the normality. It aims to determine whether the hypothesis test will be done using parametric or non-parametric test. Normality test results of the research data can be seen in Table 3.

From Table 3, it can be seen that the data obtained are not normally distributed. Since the data obtained did not meet the test of normality, test the hypothesis in this study was done using a non-parametric test of Kruskal-Wallis and Wilcoxon tests. Kruskal Wallis test was used to answer the hypothesis 1, 2 and 3 while the Wilcoxon used to answer a hypothetical 4.

This hypothesis test is divided into four steps in accordance with the four initial hypotheses that have been determined. The first test and the second test of the different discretionary accruals on the style of the same Big 4 KAP audit and the different Big 4 KAP, and the third and fourth tests were performed with different test of discretionary accruals with both the same and different Big 4 KAP audits by considering the use

of the accounting standards of non-adoption and adoption IFRS.

Testing of Hypothesis 1

This testing was done by comparing the different Big 4 KAPs. Different test results for a single hypothesis can be seen in Table 4. In Table 4, it can be seen that the significance value (Asymp.Sig) 0.000 or it is less than 0.05. Thus, H0 is rejected and it can be concluded that there is a difference of discretionary accrual values generated by the companies with the different group of Big 4 KAPs. The Big 4 KAPs and the other ones have a difference in the interpretation and application of accounting standards. Therefore, it raises the degree of different discretionary accruals.

The evidence above, according to research conducted by Jere et al. (2013), stating that that the audit of different styles due to being carried by two different groups of auditors. Thus, it can be explained that the auditors actively participate in the financial reporting system. It is also described by Cole et al. (2011), there are some important factors relating to the comparability of

financial statements, one of which is a view that is not always the same auditor for accounting standards.

Different audit styles affect discretionary accrual value differences. Thus, it can be concluded that the comparability of the financial statements can be affected by the firm that audits. This different audits style is expected to be a consideration for stakeholders in assessing and taking economic decisions through the basic financial statements.

Testing of Hypothesis 2

Hypothesis 2 testing was done for the two respective KAPs by dividing the company's financial statements into two groups without considering the use of IFRS adoption. Results from these tests for the Big 4 KAPs can be seen in Table 5. From Table 5, it can be seen that the significance (Asymp.Sig) for financial statements audited by KAP PWC and KPMG are greater than 0.05. Thus, H_0 cannot be rejected by these two KAPs. For that reason, it can be concluded that there is no difference of the values of discretionary *accrual* between financial statements audited by KAP PWC and KAP KPMG. Yet, the result of *d-test* for KAP Deloitte and EY shows that the significance (Asymp.Sig) is lower than 0.05. Thus, H_0 is rejected. Statistically, it can be said that it cannot show the audit styles of both KAPs affect discretionary accrual. Therefore, it creates the same discretionary accruals.

The second hypothesis test is statistically unable to explain that the style of the same Big 4 KAP audits will produce the same discretionary accrual consistently. This inconsistent result in different test level of similarity discretionary accrual was carried by each style of Big 4 KAP audit that indicates that there are other factors that affect the changes or adjustments to discretionary accrual.

The IFRS adoption is one factor that can affect change in discretionary accrual generated by each client of Big 4 KAP. This is consistent with the study by De Franco et al. (2011) which says that the degree of comparability of financial statements would be consistent with the application of IFRS in the auditor's interpretation activity. Thus, for the next stage, it is required to have a test of different degrees of discretionary accruals generated by the company with Big 4 KAPs that are the same with regard to the use of non-standard adoption and that with the IFRS adoption in order to see whether the discreti-

nary accrual will remain inconsistent or bring the same consistent statistical results

Testing of Hypothesis 3

The test was performed on each of the Big 4 KAPs with the same as the grouping company financial statements into the financial statements using the accounting standards of non-adoption of IFRS (the financial statements in 2010 and 2011) and the financial statements using accounting standards IFRS adoption (financial reports in 2012 and 2013). Different test results can be seen in Table 6.

The *d-test* was done by adding a factor of change in accounting standards. It aims to see how the level of similarity of Big 4 KAP accruals in each group financial statements with different accounting standards. They are the groups of financial statements by the non-adoption of accounting standards and the group financial statements with the adoption of IFRS accounting standards. This test is needed to answer why the two different test hypothesis, namely that the Big 4 KAP audit the same style will generate discretionary accrual is different for each of their clients.

From the results of different tests that have been done, it generates discretionary accrual on the group financial statements of non-adoption of IFRS on the firm PWC for 0073 > 0.05, with KPMG for 0604 > 0.05, the firm Deloitte amounted to 0.099 > 0.05, and KAP EY for 0289 > 0.05. Thus, we can conclude that every KAP Big 4 in the group of companies that have not adopted the IFRS significantly raises the same discretionary accrual. Likewise, for different test discretionary accrual financial statements of the group companies have adopted IFRS convergence. It also produces a significance level of KAP PWC amounted to 0.676 > 0.05, with KPMG for 0373 > 0.05, the firm Deloitte for 0084 > 0.05, and KAP EY for 0105 > 0.05, this could explain that consistently every KAP Big 4 resulted the same discretionary accrual if the testing is done in the group financial statements with the same accounting standards.

The results above are consistent with research by Jere et al. (2013), who explains that the style of the audit can be found by doing a comparative analysis of financial statements based on the level of accruals similarity for several companies in the same industry, in the same period, and in accordance with Big 4 KAP respectively. Another study conducted by De Franco et al.

(2011) regarding the two companies produces similar financial statements when it had a comparable accounting systems can be explained again in this study. However, the results of this test are also not in line with the results of research conducted by Barth (2011) who concluded that the application of IFRS standards can improve the comparability of financial statements on a non-American company with American companies that use the standard US-GAAP. This study proves that the comparability of the financial statements may be influenced by accounting standards as the basis for financial reporting.

The third hypothesis testing was done and it shows that the style of the audit and the adoption of IFRS may affect the comparability of financial statements. Thus, the implications for stakeholders in considering Big 4 KAPs and the adoption of IFRS are for decision making. Since the tendency of KAP clients use the procedures and techniques brought by the firms that audit, it resulted in the interpretation and implementation of financial accounting standards. As it is mentioned by Jere et al. (2013), the same Big 4 KAPa will likely have the same interpretation in the application of accounting standards.

Testing of Hypothesis 4

The next is for the purpose of testing the level of discretionary accrual similarity between periods before and after the adoption of IFRS, the researchers tested the hypothesis further, using different test Wilcoxon. This test is a non-parametric test because the data were not normally distributed. It is necessary to see the extent of adoption of IFRS becomes the distinguishing factor in generating discretionary accrual. Table 7 is the result of the *d-test* of Wilcoxon discretionary accruals before and after the adoption of IFRS.

Output in Table 7, explains that the significance of 0000 is less than 0.025. Therefore, H0 is rejected and it can be concluded that there is a difference in the value of discretionary accruals in the period before and after the adoption of IFRS. This is a factor why the previous test, namely between Big 4 KAPs are the same and the other without separating the period of the adoption of IFRS is not consistently generating the hypothesis test results that vary in degree of discretionary accruals.

This last *d-test* can answer the fourth problem and accept the hypothesis that the financial statements were audited by different Big 4 KAPs

in the period before and after the adoption of IFRS led to a different value of discretionary accruals. It can be concluded that the comparability of the financial statements may be influenced by the style of the audit and the implementation of standards. The results support the opinion by Ball et al. (2003) and Leuz et al. (2003) that says that the comparability of the financial statements is not only affected by the application of accounting standards but also by economic agents that is the auditor.

In accordance with all the tests of the hypotheses, this research can explain that the comparability of the financial statements would be enhanced if every company is audited by the same Big 4 KAPs, the accounting standards and this was confirmed when the second hypothesis test produce test results that are not consistent, i.e. not all of the financial statements audited by the same Big 4 KAPs shows the same discretionary accrual value for this second test is known not to classify financial statements based on the accounting standards and the adoption and non-adoption of IFRS. In addition, the results of hypothesis testing against different Big 4 KAPs show discretionary accrual of each company that is different. This was reiterated that the comparability of the financial statements was decreased, so was the result of hypothesis testing financial statements audited by different Big 4 KAPs by grouping into those of IFRS adoption and the non-ones for their financial with also different results.

The above results expected to provide evidence that the comparability of the financial statements can be increased not only because of the application of accounting standards uniform only, but also in accordance with the rationale for the adoption of IFRS. Yet, the factor of economic agents, especially in this study is the auditor styles also need to be considered in facilitating financial statements with a powerful comparability. This opinion supports the statement by Jere et al. (2013) that suggests every Big 4 KAPs audit be related to the interpretation and implementation of auditing standards and interpretations enforcement of accounting standards in accordance with the existing internal rules.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The results provide evidence that the comparability of the financial statements is influenced by two factors: economic agents (auditors) and the

applicable accounting standards. Comparability in this research is the degree of similarity of discretionary accruals on each of the company's financial statements. The results are corroborated with the conclusion of research conducted by Jere et al. (2013).

This study has limitations such as, for the next study, the researchers should conduct the study by considering as the following: (1) since this study was conducted for a period of 4 years (2010-2013), and it used manufacturing companies on the Stock Exchange, it might not be able to explain the overall discretionary accruals with company policy of different types, (2) This research focused only on Big 4 KAPs, thus, it was not able to explain the degree of discretionary accruals with the style of non-Big 4 KAP audits.

In general, the researchers suggest that that further studies consider namely: (1) Further research is expected to expand the sample, not just limited to manufacturing companies, to get the degree of complexity and the standards of sample companies to make it more varied, (2) Future studies are expected to distinguish the styles of the Big 4 KAP audits and the Non Big 4 ones. They can add a sample of companies with non-Big 4 KAPs.

Finally, the implication is that the stakeholders can provide additional analysis on each decision-making related to the firm that audits the financial statements and the use of accounting standards.

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