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# Impact of knowledge and professional for material considerations with experience in conjunction variables

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

**Keywords**---knowledge, professional, experience, and material considerations.

## **Introduction**

An accountant is identical to a professional profession that respects the dignity of the accounting job and task completions. The responsibilities include: improving the financial report reliability and establishing professional ethics. Herawaty & Susanto (2009) explain that professionalism refers to the promotion of financial auditing tasks with adequate experience. The results of the auditors are useful to make corporate decisions. Thus, auditors must remain neutral although they receive various pressures from the clients. Auditors frequently receive pressure to change the auditing results. Thus, the auditors must be assertive and hold professional ethics.

The profession provides a service to the community by applying the regulated code of and moral principles toward professionalism (Sukrisno Agoes, 2004). A profession should provide comfortability for the users and the owners. However, an accountant profession aims to confirm how an accountant could bring comfortability to clients.

In this case, an accountant's experience influences the accountant's professional performance. Thus, long years of services of an accountant will influence the *owner's* trust to hire the accountant. Knowers & Hadinoto (1999) explain that excellent and strong teachings to improve an individual's experience is - adequate practice. Purnamasari (2005) explains that excellent experience will make an employee is respected highly.

This research is the extension of the previous study by Prickyana Nilasari et al., Nanik Ernawati (2017), and Herawati & Susanto (2009). The previous found that excellent experience facilitated auditors to solve problems. This research, as the extension or follow-up research of the previous authors, applied SEM as the analysis technique. Thus, the current researchers examined the conjunctive variable, the experience of auditors. This research analyzed the knowledge and ethics of the professions toward material consideration with experience as the conjunctive variable.

## **Review of Related Literature Knowledge**

Knowledge for a public accountant is achievable and obtainable from soft and hard skills by joining some training held by government or event organizers. The improvement of knowledge provides an accountant benefit to accomplish his jobs immediately and maximally. In the auditing field, knowledge is strongly correlated with possibilities of unawareness and error in reporting the financial statement for effective auditing plans (Noviyani & Bandi, 2002).

Knowledge strengthens human resources to solve their jobs excellently. The knowledge of an accountant is accessible from both formal and non-formal training, such as seminars, workshops, and lectures from senior auditors (Herawaty & Susanto, 2009).

### **Professional Ethics**

The word of the profession has a wider meaning and so does the meaning of professional ethics. The auditor's professional ethics refers to skills in providing service for clients or the community to meet their satisfaction. Each professional in the community has a code of ethics thus the moral principle instrument regulates professional behavior (Agoes, 2004).

The absence of an accounting process occurs due to the function of an accountant as the information provider for business doers. These business doers are those involved directly and indirectly. This involvement leads to transactions so the roles of accountants as the information providers are important to make decisions.

Every business doer needs detailed information to realize accurate decision-making. An accountant will only provide complete information if the accountant has the providing skill for the leaders. Thus, an accountant needs accurate steps to realize corporate advancement. The code of the Indonesian Institute of Public Accountants (IAPI), the professional ethics regulation, and the public standard profession of accountants regarding auditing quality become the reference to obeying by accountants.

The principles of ethics formulated by IAPI and become the code for Indonesian accountants. The principles are responsibility, prioritizing community interest, integrity, objectivity, independence, competence and professional requirement, secrecy, and professional behavior. Thus, an excellent public accountant obeys the code of ethics and has better material consideration.

### **The Experience of Auditors**

Experience brings auditors to gain more trust and adds more value. The experience of auditors is important because experienced auditors are trusted by the community. They also have more added values to solve problems and provide information.

Learning that gains immediate changes in certain behaviors can improve the practices, experience, and understandings (Knoers & Haditono, 1999). The experience of auditors is strongly correlated to auditors' skills to innovate. Thus, experience does not only refer to formal education and intense experience of auditors.

Farmer *et al.* (1987) explain that experienced auditors will not recklessly agree with the preferred accounting treatment offered by clients. Gusnardi (2003) explains that the experience of auditors is measurable from the levels and the official positions within the job's structure, years of service, and training experience. Shelton (1999) explains that experience decreases irrelevant information influence in making decisions for auditing.

From the experts' definitions of experience of auditor, the researchers define the term as the auditors' skill to provide comfortability for the community concerning auditing information.

### Material Consideration

Auditors need material consideration to arrange auditing plans. A material consideration is more quantitative with the purpose to provide financial reports. The materials among the auditing consideration factors refer to auditing evidence adequacy. Auditors have the job to generalize the connections among the materials, auditing evidence, terms differences, and account deposits.

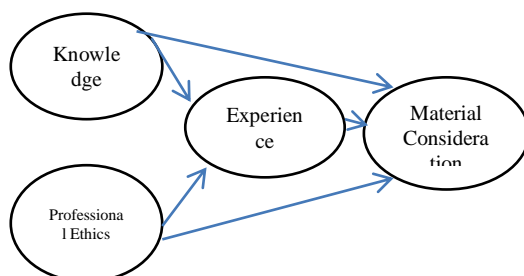
Higher or significant account deposits must require much evidence. Mulyadi (2002) explains that observable accounting information is the situation of a party that trusts the information. Arens (2005) explains three levels of material concepts for considering financial report types. they are the immaterial amounts, the material amount that does not interrupt the financial report, and the material amount with wider influence that makes the financial report is questioned. A financial report or statement that is incorrectly represented occurs due to fraudulence or human reporting mistakes (Ikatan Akuntan Indonesia, 2001).

### Previous Studies

Arleen Herawaty & Yulius Kurnia SUSanto (2009), with their research titled *“pengaruh profesionalisme, pengetahuan mendeteksi kekeliruan, dan etika profesi terhadap pertimbangan tingkat material akuntan publik,”* found that professionalism, detecting knowledge on mistakes, and professional ethics influenced the public accounting material consideration in checking the financial report. Irma Paramita Sofia & Risha Trisantya Damayanti (2017), with their research titled *“Pengaruh Pengalaman, Profesionalisme, dan Etika Profesi Auditor Terhadap Penentuan Tingkat Materialitas,”* found that experience and professional ethics influenced significantly the levels of materiality.

Dirangga Madali et al. (2016), with their research titled *“Pengaruh profesionalisme auditor, pengetahuan Mendeteksi kekeliruan, pengalaman auditor dan etika profesi terhadap pertimbangan Tingkat materialitas akuntan publik,”* found that professionalism, detecting knowledge, experience of auditors, and professional ethics influenced the material consideration levels.

### Theoretical Framework



Source: The developed previous study by the researcher

## **Research Method**

This action research aimed to develop hypotheses and determine the correlation among the investigated variables (Abdullah et al. 2019) & Ghani et al. 2019).

### **Population and sample**

Population refers to the generalized area (Kuncoro, Amin & Sudarman, 2018). The sample of this research consisted of public accountants who worked at Public Accountant Offices in Central Java, with 100 participants. The researchers took the sample with a non-probability sampling technique with the type of purposive sampling. The researchers determined the sample, 100 participants, by considering that a multivariate study needs regression and correlation. Thus, the researchers determined the sample to be 100 participants (Ferdinand, 2014).

### **Operational definitions of the variables**

#### **Knowledge**

Knowledge of auditors is an important matter to improve the auditing quality. Excellent knowledge refers to broader knowledge that can influence auditing quality. Wandita et al. (2014) explain that auditing knowledge is measurable by the auditors' performance experience. The researchers measured this variable with five indicating items, scaled from 1 until 5.

#### **Professional Ethics**

Nasution (2015) explains that professional ethics refers to regulations that must be obeyed by public accountants. Ethics is important for public accountants. Ethics explains a public accountant's skills. Generally, a public accountant is bound by regulation from a government or a comprehensive corporation from the association of Indonesian accountants. The researchers measured this variable with six indicating items, scaled from 1 until 5.

#### **The Experience of Auditors**

The experience of auditors refers to the auditors' skill to provide information about corporate wealth. Asih (2006) defines the experience of an auditor as a learning process and potential behavioral improvement process with formal education and excellent skills.

The researchers measured this variable with four indicating items, scaled from 1 until 5.

#### **Material Consideration**

A material consideration is important as the reason to correct or ignore both accidental or intended incorrect report presentations. A material consideration is mostly applied by management. This consideration is important for auditors. However, the role of an auditor to be a financial report composer is the most important. An accountant should not ignore the accuracy and reliability while composing the financial report due to some reasons, such as matters of relevance.

Suryono (2013) explains that an auditor should have adequate experience. High-experienced auditors can differ the acceptable information during the auditing process. Febrianti (2012) explains that material refers to reasonable accounting information based on the financial report by attaching or detaching the financial information. The researchers measured this variable with five indicating items, scaled from 1 until 5.

### **Data Quality Test**

The applied quality data test was useful to determine the validity and reliability. The test also showed how a questionnaire measured the data. The researchers compared the r-count value and r-table value (the critical value) of each question item to determine the validity. Each question item would be valid if the r-count was higher than the r-table. The researchers obtained the r-count value from the Pearson correlation while the r-table value from the Product Moment correlation table ( $\alpha=0.05$ ;  $n=30$ ).

The researchers used the reliability test to measure the questionnaire based on the indicators of each variable or construct. An excellent questionnaire should have higher reliability levels to measure consistently indifferent or contrast situations (Cooper & Schindler, 2011). The reliability test used the *Cronbach Alpha* statistics test with  $\alpha > 0,60$  (Hair et al., 2010).

### **Hypothesis Developments**

#### **The knowledge of auditors and material consideration**

Wandita et al. (2014) explain that years of service influenced the decision-making because decision-making would influence the material consideration. Thus, higher knowledge of auditors would explain the material consideration.

H<sub>1</sub> : the knowledge of auditors influences material consideration.

#### **The Professional Ethics and material consideration**

Agoes (2004) explains that each serving profession should apply a certain code. The code is a set of moral principles about professional behaviors. Professional ethics refers to the skill of unrevealing problems. Thus, professional ethics influence material consideration.

H<sub>2</sub> : professional ethics influences material consideration.

#### **The knowledge of auditors and material consideration**

The knowledge of auditors refers to the implementation of knowledge and professional skills to improve awareness about the causes and consequences of mistakes (Sularso & Niam, 1999). Knowledge dominates the maximum results, especially broader knowledge. The knowledge of auditors will improve if the knowledge is enhanced by the auditors' knowledge.

H<sub>3</sub> : the knowledge of auditors influences the experience of the auditors

### **The professional ethics and material consideration**

Herawaty & Susanto (2009) explain that professional ethics refers to given services related to wider community interests. A public accountant's professional ethics refers to how the accountant provides the service in a corporation that hires the accountant. Thus, professional ethics has a broader meaning to support auditors' experience.

H<sub>4</sub> : the knowledge of auditors influences the experience of auditors

### **The experience of auditors and material consideration**

The experience of auditors provides added value for public accountants. Thus, a corporation will trust the accountants to process the reports independently. Mulyadi (2002) explains that experience refers to the frequency of accountants promoting the auditing process, the financial auditing process, and reports based on the period, job, and corporate type. The superiority of accountants with higher years of service is observable from the material consideration.

H<sub>5</sub> : the experience of auditors influences material consideration.

### **Results**

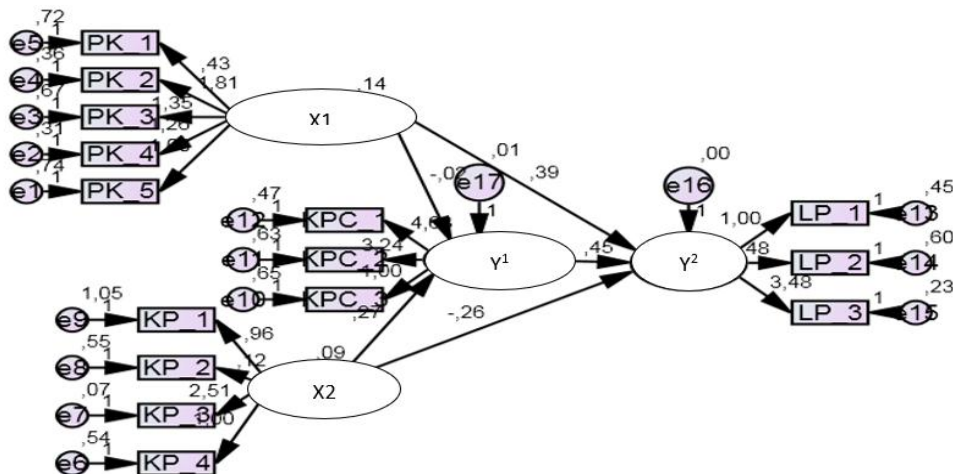
The validity test shows the value of  $r_{\text{count}} > r_{\text{table}}$ , 0.4533 with  $r_{\text{table}}$  of 0.3494 and 30 respondents as the sample. The reliability test shows that all Cronbach Alpha values have higher values than 0.7. These values indicate the research items are valid and reliable.

The correlation test about the inter-connection among the models aimed to determine the respondents' answers, for example statistically significant or not. Most studies used t-table 1.96 to examine the correlation. However, in this research, the researchers used AMOS software to show the p-value by comparing the alpha values ( $\alpha$ ). Figure 1 shows the multivariate analysis model with Structural Equation Model, SEM, to answer the selected respondents.

### **The Model Test**

The researchers used a model test by connecting and developing the previous studies. In this research, the researchers used SEM. The researchers used this model to find the best model, *goodness-of-fit*. The process of examining the model occurred twice to determine the significant p-value. The first model test used all indicators. However, the results did not meet the problem formulation. Thus, the researchers removed indicators on professional ethics. The researchers also removed the second model and obtained insignificant results. Thus, the indicators of experience, the insignificant indicators, and the indicators of material consideration as shown in this figure.

Figure 1:



Source: Primary processed data

Table 1  
The Goodness of Fit of the Modified Index

No	Goodness-of-Fit	Critical Values (Cut-of-Value)*	The Model Test Results	Descriptions
1	$X^2$ (Chi-square)	199.244	436.387	Small
2	RMSEA	0.08	0.074	Excellent
3	GFI	$\geq 0.90$	0.826	Margin
4	AGFI	$\geq 0.90$	0.772	Margin
5	CMIN/DF	$\leq 2.00$	1.992	Excellent
6	TLI	$\geq 0.90$	0.907	Excellent
7	CFI	$\geq 0.94$	0.923	Margin

Source: Ferdinand, 2002

The table shows the value of goodness-off-fit in a chi-square. The value is low, 451.134; Cmin/Df 1.992; RMSE 0.08 (0.007), strong GFI with 0.90 (0.819), AFGI closed to 0.90 (0.760), and higher TLI than 0.90 (0.80) and the close CFI with 0.94 (0.916). After that, the researchers modified some indexes based on the requirements. Thus, the SEM analysis model adjusted the condition.

## Hypotheses

### The knowledge of auditors contributed to the material consideration

The knowledge of the auditors refers to the applied soft skill to realize comfortability while auditing. Shitna Utami (2017) explains that knowledge



influences material consideration. Thus, excellent knowledge improves the auditors' material considerations.

Table 2  
T-test (CR) of the knowledge toward material consideration

Loading Factor	Estimate		S.E.	C.R.	P	Remarks
	Unstandardized	Standardized				
X <sub>1</sub> ←Material consideration	1,323	0,428	0,107	2,958	0,003	Significant
X <sub>2</sub> ←Material consideration	1,000	0,291	0,090	3,415	0,000	Significant

Source: Primary data analysis, 2018

All dimensions of knowledge toward material consideration are significant. The coefficient and probability values, P, are less than 0.5. The significance occurred due to the given limit. The significance also indicates that the position of p is significant  $\lambda_1 = 0.428$ ;  $\lambda_2 = 0.291$ , meaning that the dimension of experience (X1) contributes dominantly toward the material consideration because the estimated coefficient is higher than 0.428.

### Knowledge is correlated with experience

Excellent auditor's knowledge provided information as the auditing results. The experience also had added value for the auditors because excellent knowledge influenced auditors' experience. Andreani Hanjani (2014) explains that the experience of auditors influences auditing quality. Tri Suyanti (n.d) explains that experience significantly influences the auditing results partially and simultaneously.

Table 3  
T-test (CR) of the knowledge toward experience

Loading Factor	Estimate		S.E.	C.R.	P	Remarks
	Unstandardized	Standardized				
X <sub>3</sub> ←Experience	1,000	0,758			***	Significant
X <sub>4</sub> ←Experience	1,230	0,773	0,088	11,914	***	Significant
X <sub>5</sub> ←Experience	0,290	0,169	0,066	2,644	0,008	Significant

Source: Primary data analysis, 2018

$\lambda_1 = 0,758$ ,  $\lambda_4 = 0,773$ ,  $\lambda_5 = 0,169$ , Experience contributes dominantly toward experience because the estimated coefficient is higher than 0,773. The value proves that experience has a good impact. This impact is also influenced by the knowledge of auditors.

### Professional ethics toward experience

Professional ethics contributed to the improvement of experience. Andriani (2010) explains that professional ethics influence material consideration.

Table 4  
T-test (CR) of the Professional Ethics toward experience

Loading Factor	Estimate		S.E.	C.R.	P	Remarks
	Unstandardized	Standardized				
X <sub>6</sub> ← Experience	0.23	0,165	0,093	2,304	0,021	Significant
X <sub>7</sub> ← Experience	1,000	0,888				Significant
X <sub>8</sub> ← Experience	0.61	0,596	0,082	7,524	***	Significant

Source: Primary data analysis, 2018

### The knowledge of auditors and material consideration

The results explain that the knowledge of the auditor influenced the material consideration. Thus, higher knowledge of auditors could provide excellent material consideration skills. Arleen Herawaty & Yulius Kurnia Susanto (2009) also found that knowledge of auditors led to responsible auditing results.

### Knowledge toward material consideration moderated by experience

The experience could be the conjunctive variable. Excellent experience of auditors contributed toward knowledge. Then, this correlation would improve the added values of auditors to promote auditing service.

### The Professional Ethics toward material consideration

Professional ethics explains that an auditor must obey the regulation and applied rules by all accountants in Indonesia. Thus, auditors must prioritize the rules to create an excellent situation. Excellent and strong professional ethics improved material consideration.

### Professional Ethics toward material consideration moderated by experience

The excellent experience could be the moderating variable or conjunctive variable of professional ethics and material consideration. The excellent experience could improve professional ethics and material consideration. Irma Paramita Sofia & Risha Trisantya Damayanti (2017) also found that professional ethics influenced material consideration.

### Conclusion

Knowledge influenced the material consideration. Thus, excellent knowledge of auditors led to an excellent material consideration. Professional ethics positively influenced material consideration. Thus, excellent professional ethics would lead to an excellent material consideration. The experience could be the conjunctive

variable between the knowledge of auditors and material consideration. The experience could also moderate professional ethics and material consideration.

### **Managerial Implication**

The public accounting offices, KAP, are service providers. Their existence is regulated by the Law of Indonesia. Thus, the offices are important and needed by corporations and individual parties to hire their services and to provide financial information. Thus, the competition for public accounting offices gets more intense in this globalization era. The professional demand of an accountant is still in a situation in which the accountant cannot provide information maximally. It happens because the accountant is lack experience and knowledge. Thus, auditors need to have various experts because expert auditors could provide maximum information for the stakeholders.

### **Theoretical Implication**

The law regulating the performance ethos of a public accountant is acknowledged by all Indonesian people. Thus, professional ethics can be the reference for an auditor to behave properly while auditing. The skills to explain the material consideration influenced corporations due to incorrect financial report information. Thus, auditors must improve their knowledge and experience.

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