THE INFLUENCE OF FINANCIAL PERFORMANCE TO THE LEVEL OF ACCOUNTABILITY DISCLOSURE OF INDONESIA'S LOCAL GOVERNMENT

THESIS

To Fulfilling One of Requirement To Achieve Master Degree in Accounting

Majoring:

Public Sector Accounting

Proposed by:

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MASTER OF ACCOUNTING

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I hereby, declared truthfully that this thesis entitled **The Influence of Financial Performance to the Level of Accountability Disclosure of Indonesia Local Government** is originally made by me as a researcher. It is not a plagiarism nor made by others. The things related to other people’s study are written in quotation and included in the references.

If it is later discovered and proven that this statement is not true, the researcher willingly to accept any punishment or penalty from the Mater of Accounting Program in Economic Faculty, SebelasMaretUniversity.

Surakarta, March 31st 2010

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ABSTRACT

THE INFLUENCE OF FINANCIAL PERFORMANCE TO THE LEVEL OF ACCOUNTABILITY DISCLOSURE OF INDONESIA'S LOCAL GOVERNMENT

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The purpose of the study is gaining empirical evidence related to the influence of financial performance, which represent in profitability ratios, current ratio, capital structure ratio and efficiency ratio, to the level of accountability disclosure of Indonesia's local government that represented in modified LGA index.Size represented in the logarithm total assets. Furthermore, related to the purpose of the research, the writer uses population from all regencies/municipalities that issued the local governmental financial statement and publicized in the website of Indonesian Financial Inspector Bureau, (BPK RI) at *www.bpk.co.id* in 2005, 2006 and 2007.The method used in the study is purposive sampling method then getting 119 regencies/municipalities in 2005, 82 regencies/municipalities in 2006 and 103 regencies/municipalities in 2007, therefore the total observation used in the study is 304. The data analyses tool used in the research is multipleregressions then it uses SPSS version 17.00 computer software for statistic.

The study resulted that profitability (only PM), capital structure (DER and LTTA),and efficiency ratios (only OROE), giving a significant influence to the level of accountability disclosure of Indonesia's Local Government. While others does not give. Sizeis also a variable that significantly influence the level of accountability disclosure of Indonesia's local government.

The limitation of the study arises when the other non-financial measurement are omitted in the study. The subjectivity of respondent also becomesanother consideration in doing a future research.

Key words: local government financial statement, disclosure, financial performance ratio, and accountability.

CHAPTER 1

INTRODUCTION

Chapter 1 describes the introduction of the research, in which research backgrounds, research questions, research objectives and research contributions are explained.

A. **Research Background**

Indonesia is a country that divided into several local governments, both provincial governments and local government district. No less than 33 provincial governments and 349 municipal and 91 be an integrated part with the Indonesian government (www.depdagri.com, 2004). Nowadays, local governments existed is a local government that existed both before and after expansion because of the central government policy in recent years.

In relation to the management of local government, Indonesia has issued some regulations. Law No. 32/2004 about Local Government is a renewal of Law No. 22/1999 organizes various regional authorities. The authority is one of the authorities in the area of financial management. As a form of embodiment of the reforms in the financial sector related to local and central government relationship, government also issued Law No. 33/2004 on the financial balance between central government and local government. It is reform of the Law No. 25/1999. The second rule is a major part of financial sector reform areas. Issuance of the second law is an important momentum in the reform of local finances

(Halim and Damayanti, 2008). Of course, in addition to giving authority to local governments to manage the finances of each region, the central government also requires accountability. Therefore, the demands of transparency and accountability in the management of state finances increased.

Transparency and accountability in State financial management is one of factors that related to the financial performance of local government. Government Accounting Standards Board (GASB), the Concept Statements No. 2 stated the measurement of performance indicators in three categories, namely (1) indicators measuring service efforts, (2) indicators measuring service accomplishment, and (3) indicators that connects between efforts to accomplishment. Service efforts mean how resources are used to implement various programs or services that range. Service is defined as performance accomplishment of specific programs. In addition to specific explanations is also presented relating to this performance reporting (explanatory information). These measurements reported any services provided by the government, whether these services have to meet specified goals and whether the effects on service recipients/services. Benchmarking service efforts with service accomplishment is the basis to evaluate the efficiency of government operations (GASB, 1994).

Reporting of government performance through the financial statements is a manifestation of the accountability process. Entities that have obligations to the Organization and Performance Reporting public sector can be identified as follows: central government, local government, units of government work, and technical and operational units. Reports must be submitted to the public in general and the House of Representatives, so that the public and members of the House of Representatives (users) can receive a complete and detail about government programs and the performance of his unit. Published performance reporting on a regular basis would be a step forward in demonstrating the process of accountability. Comparison of performance measurement can be built for performance measurement and add another dimension to accountability comparison with other organizational work units, which has similarity.

For those outside the local government management, financial reporting is a window of information that allows them to know the condition of a government at a time of reporting. Where the information received from a company's financial statements depends on the level of disclosure from the relevant financial statements. Disclosure of information in the financial statements should be sufficient to be used as a basis for decision making resulting in a careful decision and appropriate. Local governments are expected to be more transparent in revealing financial information company that can help decision-makers such as investors, creditors, and other information users in anticipation of the growing economic conditions in the financial statements change. Disclosure can be grouped into two parts namely the disclosure required (Mandatory Disclosure) and voluntary disclosure (Darrough, in 1993, and Rakhman and Na'im, 2000). Mandatory disclosure is the minimum disclosure required by applicable accounting standards. While voluntary disclosure is a free choice of company management to provide accounting information and other information deemed relevant to the decision by the user of these financial statements.

Extensive disclosure is required by the users of information, especially investors and creditors, but not all the information a company has disclosed in detail and transparent. Management of the companies will consider the costs and benefits if they disclosing the information. In addition, management will also maintain confidential information is not known to the company and its competitors used that will weaken the company's position in the competitive business if the benefits derived exceed the cost to be borne, then management will disclose information to the public more broadly.

Research on the completeness of disclosures in annual reports and the factors that influence it is important to do. Because it will provide a description of the completeness of the disclosure of the nature of the differences between entities and factors that influence it, and may provide clues about the condition of the company at a time of reporting. In the achievement of efficiency and as a means of public accountability, disclosure of the report became a significant factor. Disclosure of financial statements can be made in the form of an explanation of, for example: the adopted accounting policies, contingencies, inventory methods, performance.

Some studies related disclosure in the financial statements, among others made by Grossi (2008); Robbins and Austin (1986); Ryan, Stanley, Nelson and Morton (2002); Ryan, Christine and Dunstan, Keitha and Brown, Jennet (2002); Kober, Lee and Ng, (2007); Ryan, Christine M and Mack, Janet (2006); Ryan, Christine M and Wals, Peter (2004); Ryan, Dunstan and Stanley (1999); Ryan, Dunstan and Brown (1996) Ryan, Mack, and Dunstan (2002); Kull and Abraham (2008); Kusumawati (2006), Subiantoro (2007), Mandasari (2009) and Hilda (2009).

Robbins and Austin (1986) assessed the sensitivity of tests of determinant of disclosure quality in municipal reports to the use of a compound measure, instead of one-dimentional (simple) measure. A compound disclosure index, the product of the extent and relative importance of financial disclosure items, was compared with the result obtained when using a simple disclosure index. Univariate correlation analysis showed that regardless of whether the simple or compound disclosure index was used, the same independent variables were significantly associated with the dependent variable. Multiple regression analysis showed that R^2 declined from 0.20 when using the simple index to 0.18 when using the compound index, indicating that a slight loss in the collective explanatory power of the independent variables had occurred. The association between a compound index, which captures both the importance of information and the extent of disclosure, and possible determinants of disclosure is compared with the use of a simple disclosure index. The result shows the independent variables, which were significantly associated with the simple index of disclosure quality were also significantly associated with the compound index. Using a compound measure of disclosure quality consisting of both the extent and importance of disclosure does not materially influence the result of possible determinant of disclosure in governmental financial reports.

Ryan et al. (2002), investigate the quality of annual reporting by local government in Queensland and the factor that may contribute to that level of quality. They developed Local Government Accountability (LGA) index, similar with The Modified Accountability Index (MAD) that previously used on Dixon et al. (1991), to measuring disclosures in annual report. The result of their study indicate that although the quality of reporting by local government has improved over time, councils generally do not report information on aspects of corporate governance, remuneration of executive staff, personnel, occupational health and safety, equal opportunity policies, and performance information. Moreover, the result also indicate there is positive correlation between size of the local government and the quality of reporting but the quality of disclosure is not correlated with the timeliness of reports.

Those are some examples of disclosure studies in public sector internationally, while Indonesia's accounting disclosure studies hasn't available yet. Although disclosure of financial report is one of critical aspect in order to reach the purposes of reporting financial report as mentioned in PSAP No.1, financial disclosure issues in Indonesia's public sector field-especially in governmental institution- have never been observed yet. Disclosure study is also closely related to the diversification issues especially accountability and transparency. For that reason, research in Indonesia governmental institution regarding to that issue is needed.

The research is a replication research, which is put Ryan et al. research in 2002 as a benchmark. The difference between this research and the prior one is that this research is not only to see the level of accountability disclosure but also to see the influence of financial performance to the index. Moreover, the disclosure index used in this research is LGA that based on SAP has been modified. The index becomes dependent variable that reflects the quality of accountability disclosure, while financial information reflected in financial performance ratios becomes independent variable that influences the dependent variable. Based on SAP, reporting entity has a responsibility to report all the activity they've done complete with the result of those activity on a systematically and structurally realization activities in certain period of time to show the accountability, to ease the management, to show the transparency and to make intergenerational equity (*Keseimbangan Antar generasi*) of the government. Therefore, the research is focusing on disclosure study to see accountability of the government institution as an impact of diversification issue in Indonesia. The research title is "The Influence of Financial Performance to the Level of Accountability Disclosure of Indonesia's Local Government".

B. Research Questions

The questions appear in the research are about:

1. To what extent profitability ratios (ROA, ROE, PM) influence the level of accountability disclosure of Indonesia's local government?
2. To what extent liquidity ratio (CR) influence the level of accountability disclosure of Indonesia's local government?

3. To what extent capital structure ratios (DER, LTTA) influence the level of accountability disclosure of Indonesia's local government?
4. To what extent efficiency ratios (AT, OROE, ORTR) influence the level of accountability disclosure of Indonesia's local government?

C. Research Objectives

Research about financial performance in conducting to see its influence in the level of accountability disclosure in Indonesia has an objective to find empirical evidence:

1. Whether profitability ratios (ROA, ROE, PM) influence the level of accountability disclosure of Indonesia's local government.
2. Whether liquidity ratio (CR) influence the level of accountability disclosure of Indonesia's local government.
3. Whether capital structure ratios (DER, LTTA) influence the level of accountability disclosure of Indonesia's local government.
4. Whether efficiency ratios (AT, ORTR, OROE) influence the level of accountability disclosure of Indonesia's local government.

D. Research Contribution

The research result hopefully can give mutual benefit to people such as:

1. Indonesia Government

   Hopefully the research result will contribute to the Indonesia's government in implementing government accounting based on accrual accounting system and by giving empirical evidence related to how much information should be disclosed as a form of government accountability.

2. Society

   Society individually or as represented with DPR/DPRD will get the information of local government nation financial usage through publicly published financial statement so that the nation finance is controllable.

3. Standard Setter

   The research can be used as basic information in arranging government accounting standard focusing on mandatory disclosure of local government financial statement so that the objective of reporting financial statement to give relevant information to its user is accomplished so that the government accountability is met.

4. Funding, investment and donation institution

   The research can be useful as a basic information in economical in decision making related to investment, donation and funding especially related to financial and non-financial information and its disclosure that is made by the government to assure the institution about government financial performance.

5. Future Research

   The research can be useful as a reference in doing the next research related to disclosure studies especially disclosure research of governmental financial statement.

CHAPTER 2

LITERATURE REVIEW

Chapter 2 describes the literature reviews from any related resources including review from prior researches that relevant to this research. Furthermore, research framework and research hypotheses are also described in this chapter.

A. Review of Financial Statement Reporting Objectives

The difference objectives between *Pernyataan Standar Akuntansi Keuangan No. 1* (PSAK No.1) and *Pernyataan Standar Akuntansi Pemerintahan No.1* (PSAP No.1) is as shown from the table below:

Table 1
The Objective of Reporting Financial Statement

PSAK No.1	PSAP No.1
1. To provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decision.	1. To provide relevant information about the financial position and all of transaction done by the reporting entity in one reporting period of time.
2. Financial statements prepared for this purpose meet the common needs of most users. However, financial do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information.	2. Financial statement especially used to compare realized income, spending, transfer and funding to the budget, to value financial condition, to evaluate effectiveness and efficiency of reporting entity and to help determine the compliance to the rules.
3. Financial statements also show the results of stewardship of management, or accountability of management for the resources entrusted to it. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions; these decisions may include, for example, whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management.	3. All the reporting entity has a responsibility to report the effort they've done and so the result achieved in the activity report systematically and structural on the reporting period to fulfill the needs of: a. Accountability b. Management c. Transparency d. Intergenerational equity

Source: PSAK Statement No.1 and PSAP Statement No.1

Standar Akuntansi Keuangan (SAK) is accounting standards under the accrual basis of accounting that are addressed to the private sector entities for the preparation of their financial reports while *Standar Akuntansi Pemerintah* (SAP) are accounting standards under the accrual basis of accounting that are addressed to the public sector entities for the preparation of their financial reports in Indonesia.

International Public Sector Accounting Standard (IPSAS) are accounting standards under the accrual basis of accounting that are addressed to the public sector entities for the preparation of their financial reports. According to IPSAS 1 (Presentation of Financial Statement), -.35 "…the objective of general purpose financial reporting in the public sector should be to provide information (to users) useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it…" Moreover, according to IPSAS 1, p.28. "Users of general purpose financial statements include taxpayers and ratepayers, member of the legislature, creditors, suppliers, the media, and the employees".

SAP is somehow is adopted from IPSAS so the application of the standard in Indonesia itself can be generalized internationally.

B. Review of Local Government Accountability Disclosure

Tetclock (1984) defined accountability as a form of psychological impulse that makes someone trying to account for all actions and decisions taken to the environment. Libby and Luft (1991), Cloyd (1997) and Tan and Allison (1999) mentioned three indicators to measure individual's accountability. First, how motivated are they to finish the job proficiency level. Motivation, in general, is a state in a person that derives the desire of individuals to perform certain activities in order to achieve the goal. According to Libby and Luft (1993), relating to the accountability of a person, people with high accountability will also have a high motivation in doing something. Second, how much effort (of mind) that is given to complete the job to the accountability of a person, people with high accountability devotes effort (of mind) is larger than those with low accountability when completing the work (Cloyd, 1997). Third, how confident they were that the supervisors would review their work. The belief that a job will be inspected or assessed by other people can improve desire and effort for someone to get higher quality of work. According to Tan and Alison (1999), a person with high accountability to have a higher confidence that their work will be inspected by a supervisor/manager/leader compared with people who has low accountability.

Disclosure means supplying information in the financial statements, including the statements themselves, the notes to the statements, and the supplementary disclosures associated with the statements. It does not extend to the public or private statement made by the management or information provided outside the financial statements (Evans, 2003). Disclosure, broadly interpreted, is also concerned with information in both the financial statements and supplementary communication including footnotes, post statement events, management's discussion and analysis of operations for the fort coming year, financial and operating forecast, and additional financial statements covering segmental disclosure and extensions beyond historical cost (Wolk, Tearney and

Dodd, 2001).

SAP states that there are some components in financial report that all the entity is mandatory to report them. Mandatory disclosures based on SAP are:

1. Budget Realization Report

   Budget Realization Report presents an overview of the source, allocation, and use of economic resources managed by the central government/ local, which illustrates a comparison between the budget and its realization in a single reporting period. Elements directly covered by the Budget Realization Report consist of revenues, expenditures, transfers, and financing. Each element is defined as follows.

   a. Revenue (cash basis) is the acceptance by the State General Treasurer/ General Regional Treasurer or by other government entities that add to the equity funds in the current budget period in question were entitled to government, and not have to be paid back by the government.

   b. Revenue (accrual basis) is a recognized right of government to add a net asset value.

   c. Expenditure (cash basis) are all expenditures by the State General Treasurer/ General Treasurer Regional equity funds which reduces smoothly in the corresponding period of the fiscal year that will not re-acquired by the government payment.

   d. Expenditure (accrual basis) is a government liabilities recognized as a reduction of net asset value.

   e. Transfer is the revenue/ expenditure of money from an entity reporting from/ to other reporting entities, including funds and fund balance for the results.

f. Financing is any revenue that needs to be paid back and/ or expenses will be accepted back, either in the relevant financial year and the years following the budget, which the government budgeting is primarily intended to cover the deficit or the use of budget surpluses. Acceptance of such financing may come from loans and the divestment. Expenditures include funding for repayment of loan principal, lending to other entities, and government capital participation.

2. Balance Sheet

Balance sheet describes the financial position of the reporting entity's assets, liabilities, and equity funds on a specific date. Elements covered by the balance sheet consist of assets, liabilities, and equity funds. Each element is defined as follows.

a. Assets are economic resources controlled and/ or owned by the government as a result of past events and from which economic benefits and/ or social future is expected to be obtained, both by governments and society, and can be measured in terms of money, including source non-financial resources required for providing services for the general public and the resources are preserved for historical and cultural reasons.

b. Liabilities are debts arising from past events that lead to the solution flow out the government's economic resources.

c. Equity Fund is the government's net worth is the difference between assets and liabilities of government.

3. Statements of Cash Flows

Statements of Cash Flows presents information with respect to cash operating activities, non-financial assets investment, financing, and non-budgetary transactions that describe the beginning balance, revenues, expenses, and cash balance end of the central government/ local for a certain period. Elements covered in the Statements of Cash Flows consist of cash receipts and expenditures, each of which is defined as follows.

a. Cash receipts are all cash flow into the State General Treasurer/ Regional.

b. Spending cash is all the cash flow out of the General Treasurer State/ Region.

4. Notes to the Financial Statements

Notes to the Financial Statements include a narrative explanation or details of the numbers listed in the Budget Realization Report, Balance Sheet, and Cash Flow Report. Notes to the Financial Statements also include information on accounting policies used by the reporting entity and other information required and recommended to be expressed in the Government Accounting Standards and the expression of a phrase that is required to produce financial statement presentation naturally. Notes to the Financial Statements reveal things as the following.

a. Present information about fiscal policy/ finance, macro economy, the achievement of the target State Budget Act/ Regulation Budgets, the following constraints and obstacles faced in achieving the target. Presents an overview of the achievement of financial performance during the reporting year. Presents basic information about the preparation of financial reports, accounting policies are selected to be applied on transactions and significant events other.

b. Disclose information required by the Government Accounting Standards is not presented on the face sheet the financial statements.
c. Disclose information to the posts of assets and liabilities that arise in connection with the application of accrual basis of revenue and expenditure, and reconciliation with the application of the cash basis.
d. Provide additional information necessary for a fair presentation, which was not presented on the face sheet the financial statement.

C. Review of Local Government Performance Measurement

Government Accounting Standards Board (GASB), in Statements No. 2 divide the measurement of performance indicators in three categories, namely (1) indicators measuring service efforts, (2) indicators measuring service accomplishment, and (3) indicators that connects between efforts to accomplishment. Service efforts mean how resources are used to implement various programs or services that range. Service is defined as performance accomplishment of specific programs. In addition to specific explanations is also presented relating to this performance reporting (explanatory information). These measurements reported any services provided by the government, whether these services have to meet specified goals and whether the effects on service recipients/ services. Benchmarking service efforts with service accomplishment is the basis to evaluate the efficiency of government operations (GASB, 1994).

Efforts or business is the amount of financial resources and non-financial, expressed in money or other units, which are used in the implementation of a program or service. Measurement service efforts include the use of a ratio that compares the financial resources to non-financial and other measures that indicate the potential demand for services provided.

There are two types of measures of accomplishment or achievement outputs and outcomes. Outputs measure the quantity of services provided, and outcomes to measure results from the provision of these outputs. Outputs can be measured only limited quantity of services provided, or more than that, measuring the quantity of services provided that meet certain quality standards. Outcomes measure the results that emerged from the existing output. Outcomes to be meaningful when in use compared with the outcomes of previous years or than the targets set earlier.

The first comparison is the comparison between the outputs efforts to measure efficiency. The information provided is the extent to which the results are given in relation to a certain amount of resources used. In this case users the explanatory report also informed information or any kind of information relevant to the services provided and the factors that influence the performance of government organizations, which are grouped into two elements, namely:

elements outside government control such as demographic and environmental conditions and elements which can be controlled by the government significantly as the pattern and composition of personnel.

Reporting of government performance through the financial statements is a manifestation of the accountability process. Entities that have obligations to the Organization and Performance Reporting public sector can be identified as follows: central government, local government, units of government work, and technical and operational units. Reports must be submitted to the public in general and the House of Representatives, so that the public and members of the House of Representatives (users) can receive a complete and sharp about government programs and the performance of his unit. Published performance reporting on a regular basis would be a step forward in demonstrating the process of accountability. Comparison of performance measurement can be built for performance measurement and add another dimension to accountability comparison with other organizational work units are similar.

In accordance to Statement of Public Sector Accounting Standards No. 1 about the Government Financial Report, the government's financial performance is measured by using the perspective of efficiency, effectiveness and economical. Mardiasmo (2006) stated that efficiency is the ratio of input to the input value expressed in monetary units. Meanwhile, the efficiency is the ratio of output / input associated with the performance standards or targets set. Achieving maximum output with certain input or the use of the lowest input to achieve a specific output condition is mentioned as a condition to be called efficient.

Effectiveness is the achievement level of the program with the target set or in other words, effectiveness is the comparison between the outcomes with the output.

D. Analysis of Local Government Financial Statement

To get a picture of a company's financial development, interpretation or analysis of financial data from the company and financial data that will be reflected in financial reports is needed. It is needed to get to know whether the financial statements reported the company's position at a certain time and operations for a period ago. However, the real value of the financial statements is the fact that financial statements can be used to predict earnings and future dividends (Brigham and Houston, 2001).

The interpretation or analysis of a company's financial statements would be very useful for the user of financial report to be able to know the financial situation and the development of the company concerned. By conducting financial statement analysis, managers will be able to know the circumstances and the financial development of the company, and will be known to the financial results achieved in the past and currently running. With a financial analysis from years past can be known weaknesses and strengths of the company. Furthermore, the management analysis of financial reports used to anticipate future conditions and functioning as a starting point in planning actions for the future.

The creditor is also put some attention in the financial statements of companies that have been or will be their debtor or their clients. Before taking a decision to give or refuse the demand for credit from a company, the creditor needs to hold a first analysis to measure the company's ability to repay its debts and also its interest. The long-term creditors are concerned to know whether the credit will be given a guarantee that enough of the assets, while short-term creditors are more interested in the ability of borrowers to repay the current liabilities from their current assets. Moreover, investors are also interested in the financial statements of a company in order to determine capital investment policy. Rate of return from funds, which will be invested in securities, is most likely to be important for the investor. From the perspective of investors, financial statements analysis is used to predict the future.

The main function of local government financial statements (LKPD) is to provide financial information to the parties concerned with those report that will be used as the basis of economic decision making, social, and political. Although the characteristic of the financial reports is general purposive, made to be generally accepted and simply easy possible to meet the information needed for of all parties, but not all readers can understand the report properly.

Since not all users of financial statements can understand accounting well, as they will rely on financial information for decision-making, the inability to understand and interpret financial statements should be assisted with the analysis of financial statements. Analysis of financial statements are intended to help understand how the financial statements, how to interpret the figures in the financial statements, how to evaluate financial statements, and how to use financial information for decision-making.

There are several methods in the analysis of financial statements. One of the most widely technique used to analyze the financial statements are the financial ratio analysis. There are various types of ratios that can be used to evaluate and interpret financial reports. The results of the calculation of financial ratios have to be interpreted, so that it can evaluate the financial performance of the organization and then made certain decisions. Some of the ratios to make analysis are the ratio that is provided by Cohen (2006). Those are ratios that will be used in this research.

E. Hypotheses Development

Belkaoui (1985) pointed out that there are several methods that can be used in the formulation of accounting theory, therefore:

1. Descriptive methods (pragmatic) that accounting theory tries to answer the question "what." In this method of accounting is considered as an art that cannot be formulated and hence the formulation of the method of accounting theory should be explained or descriptive. He describes and analyzes the existing practices and accepted now. Descriptive method mentioned that accountant observed behavior in dealing with accepted accounting principles. This method is also called descriptive accounting or a descriptive theory of accounting.
2. Phychological pragmatic, observed the reaction of users of financial statements on output accounting (financial statements) made from a variety of rules, standards, principles or guidelines. If there is a reaction it was

thought that it was useful and relevant accounting. But there is also illogical reaction from users of financial statements so that not only the reaction that caused the financial statements.

3. Normative method of accounting theory tries to answer the question "what should". Normative method mentioned that accounting is considered as regulatory norms to be followed no matter whether valid or practiced now or not. This method is also called normative accounting research or normative theory of accounting. This method is useful in terms of discussing the issues of true income and decision usefulness.
4. Positive method is a method, which starts from a theory or scientific model that is valid or generally acceptable. Based on this theory, so the research problem was formulated to observe behavior or a real phenomenon that does not exist in theory. Then developed a theory to explain this phenomenon and conducted research in a structured and regulatory standards by making the formulation of the problem, formulation of hypotheses, data collection and testing of scientific statistics. So it is known whether the hypothesis is formulated acceptable or not. Proponents are calling this method were classified as "scientific" because it uses a structured regulatory and objective empirical data and statistical models are mathematical logic.

Jensen (1976) is among the first to urge to use a positive approach in accounting for some of the research (with one or two exceptions) that has been done in accounting was not scientific because its focus is more on research that is normative and definitional. Jensen primary goal of positive accounting approach is to explain and predict choices by management standards by analyzing the costs and benefits of certain financial expression in relation to various individuals and resource allocation in the economy.

Positive theory is based on the proposition that managers, shareholders, and regulators / politicians are rational and they are trying to maximize their utility, which is directly related to their compensation, so that, in relation to their prosperity. Accounting policy choices by these groups is based on comparison of the relative costs and benefits of alternative accounting procedures in a way that maximizes their utility. In fact, the main ideals of the positive approach is to develop hypotheses about factors that affect the world of accounting practices and to examine the validity of these hypotheses empirically:

1. To improve the reliability of predictions based on averaging a series of accounting numbers that are observed along the trend is best viewed by management or normal.
2. To reduce the uncertainty caused by fluctuations in income figures in general and specifically the systematic risk reduction by reducing the company's return covariance with the market return.

The main problem in a positive theory is to determine how accounting procedures affect cash flow and, thus, utility management, the function to obtain insights about the factors that affect the manager's choice of accounting procedures. Resolution of these issues is guided by theoretical assumptions as follows:

a. Agency theory focuses on voluntary contracts that arise between various parties, organizational as an efficient solution to these conflicts of interest. The theory developed views about the company as a "nexus of contracts or series of contracts" with the statement of Jensen and Meckling (1976) that the company is "a legal fiction which serves as a series set in the contractual relationship between the individual". Fama (1980) to enter the capital market and the market for managerial labor contracts in the series.

b. In connection with the perspective of the company as "a series of contracts, contracting cost theory looked at the role of accounting information as a means of monitoring and enforcing these contracts to reduce agency costs of certain conflicts of interest. One possible conflict is a conflict of interest between lenders and shareholders of the company; in such cases, decisions that benefit shareholders is not always the best for the lender. This may cause lending agreement with the existence of provisions on profit measurement rules to calculate accounting numbers in order to protect the rental agreement. Another agreement is probably require the use of accounting figures from the audited financial statements to monitor the agreement on a deal that includes contract management and the company's compensation law. So that the contracting cost theory assumes that the accounting method chosen as part of the process of wealth maximization.

The implication of both proportion are that the proportion of management choosing an optimal choice of accounting procedures with a specific purpose. The main problem lies in the determination of a positive approach to factors that may affect whether the optimum choice, guided by the assumption of agency theory and contracting cost theory. Accounting choices depend on variables that represent the management incentive to choose accounting methods with bonus plans, debt contracts and the political process.

Agency theory, a premise often associated with Jensen and Meckling (1976), was first predicated by Alchian and Demsetz (1972) who emphasized that activities of firms governed by the role of contracts to facilitate voluntary exchanges. Agency theory explains how best to organize relationships in which one party (the principal) determines the work, which another party (agent) performs. Agency problems are created to help the shareholders (the principals) hire managers (agents) to make decisions that are in the best interests of the shareholders. These theoretical postulations continue that in general people are self-will of Interested and therefore have conflicts of interest in any cooperative endeavors (Jensen, 1994). Mutation of it naturally, some decisions of managers are motivated by self-interest, which reduces the welfare of the principals. As both parties can experience losses due to problems of conflict of interest, 'there is a strong motivation to minimize these agency costs of cooperation. Through monitoring and bonding, the costs of writing and enforcing contracts are minimized. Therefore, agency theory provides a theoretical foundation to understand human organizational arrangements including incentive compensation, auditing and many bonding arrangements.

Incomplete Information and where uncertainty exists, agency theory posits That follow two agency problems: adverse selection can not determine the principal if the agent is performing the work for which s/he is paid, and the principal moral hazard Nowhere is unsure as to whether the Performed on their agent has to work on their ability. Incentives and monitoring Mechanisms are proposed as safeguards against opportunism (Jensen and Meckling, 1976) in the agent/principal relationship. Opportunistic behavior is assumed in agency theory, and is perceived as self-interest seeking. Thus, the expectation is the economic actors that may disguise, mislead, distort or cheat, as they want partners in exchange (Wright and Mukherji, 1999).

Agency theory focuses on the problem of asymmetric information: agents have more information about the actual performance, motivation, and the real goal, which potentially create moral hazard and adverse selection. Principals themselves must pay (costs) to monitor the performance of agents and to determine the structure of incentives and efficient monitoring (Petrie, 2002). Stiglitz (1999) states that the agency problem occurs in all organizations, both public and private. According to Lane (2003), "... the modern democratic state is based on a set of principal-agent relationships in the public sector." According to Bergman & Lane (1990), principal-agent framework is a promising approach to analyze the policy commitments public because it involves the creation and implementation of contractual issues related to information asymmetry, moral hazard, bounded rationality, and adverse selection. The existence of asymmetric information between the executive-legislative and legislative-led voter opening room for the occurrence of opportunistic behavior in the budgetary process, which exactly greater than in the business world that has automatic checks in the form of competition (Kasper, Wolfgang & Streit, 1999). This study uses the basic framework of agency theory by declaring it in the form of actual performance of profitability, liquidity and capital structure and efficiency of local government in the accountability related to the principal that the general public, particularly local government, represented by the Parliament.

1. The influence of profitability on the level of disclosure of financial statements

Stiglitz (1999) states that agency problems occur in all organizations, both public and private. According to Lane (2003), "... the modern democratic state is based on a set of principal-agent relationships in the public sector." According to Bergman & Lane (1990), principal-agent framework is a promising approach to analyze the policy commitments and the public because it involves implementation of contractual issues related to information asymmetry, moral hazard, bounded rationality, and adverse selection. According to Andvig et al. (2001) principal-agent model is very useful in explaining the incentive problems in public institutions, because of two things: (1) there are some principals with their respective goals and interests that are not coherent and (2) principals can be applied corrupt and not act on interest society, but to pursue its own interests.

Agency theory focuses on the problem of information asymmetry: agents have more information about the actual performance, motivation, and the real goal, which has the potential to create moral hazard and adverse selection. Principals themselves have to pay (costs) to monitor the performance of agents and determine the structure of incentives and monitoring the efficient (Petrie, 2002). The presence of information asymmetry between executive-legislative and legislative-voter lead the opening of space for opportunistic behavior in the budgeting process, which was greater than in the business world that has automatic checks of competition (Kasper et al., 1999). This opportunistic behavior occurs in the context of wanting the budget surplus or deficit in the budget report to get a good assessment of the principals.

Profitability ratio is the ratio that measures the ability of the company in generating profits at the level of sales, assets, and capital. In this study uses the ratio of return on assets. Return on Assets is a ratio that measures the ability of companies in net profits over a number of assets owned. Shingvi and Desai (1971) explains that the high ROA will encourage managers to provide more detailed information, because they want to convince investors of the company's profitability and compensation of management. The higher the ROA of a firm, the higher the index of completeness of disclosure will be.

Simanjuntak and Widiastuti (2004) conduct research related to the influence of profitability disclosures in the financial statements. Profitability in the research Simanjuntak et al. (2004) use measurement of return on assets, return on equity and net profit margin. The result obtained is that the profitability ratio has a significant influence on the level of disclosure in the financial statements. These results support the findings obtained from Shingvi and Desai research's (1971) mentioned that the influence of profitability ratio disclosures in the financial statements is where the higher the ratio the more widespread profitability and detailed disclosure by companies in the financial statements in order to convince users of financial statements.

This study using profitability as used by Cohen (2006), which uses three measurements of profitability: return on assets, return on equity and profit margin. Unlike the private sector, high profitability in the public sector or the government shows that the government had a poor performance. It is similar for low profitability. This is due to determine the profitability ratio using the amount of deficit or surplus. If the surplus or deficit number influences the amount of profitability ratios, high numbers indicate a surplus that the government was incapable of doing the whole program or a predetermined plan that can be stated that the performance of local governments either lack or do not. Conversely, if the number of high deficit illustrates that local government make budget greater than the amount budgeted, and with this also can be stated that the performance of local governments either lack or do not. High amount of surplus that makes the ratio of height and number of profitability high deficit ratio makes low profitability, and both indicate that the performance of local government budgets in poor condition. To account for such poor performance, financial statements must disclose the amount of surplus or deficit and the cause of the surplus or deficit concerned. This disclosure needs to be done so that users of local government financial statements to obtain information relating the number of surplus or deficit that occurs in the report of local government budget.

High and low profitability ratio may influence the level of disclosure in the financial statements, other than to satisfy the applicable rules of SAP, the disclosure is also intended to convince users of financial statements information as stated Shingvi and Desai (1971) and Simanjuntak and Widiastuti (2004). It can be stated that the amount of surplus or deficit of high profitability ratios influence the level of broad trends causing or limited disclosure in the financial statements for the local government responsible the profitability reflected in the amount of surplus or deficit that is.

From the statement above, then the hypotheses in this study can be stated as follows:

H_{1a}: return on assets influence to the level of disclosure in the financial statements of local government in Indonesia.

H_{1b}: return on equity influence to the level of disclosures in the financial statements of local government in Indonesia.

H_{1c}: profit margin influence to the level of disclosure in the financial statements of local government in Indonesia.

2. The influence of liquidity on the level of disclosure of financial statements

Agency theory is a theory to analyze the contractual arrangement between two or more individuals, groups, or organizations. One party (the principal) made a contract, either implicitly or explicitly, with the other party (agent) with the expectation that agents will act/do the job as desired by the principal. Lupia & McCubbins (2000) states: delegation occurs when one person or group, called a principal, select another person or group, called an agent, to act on the principal's behalf. Contract in the theory of agency can occur between the agents with the lender relating to debt. In making the debt contract, one of the factors to consider is the liquidity of the entity.

Liquidity is a ratio that measures a company's ability to meet short-term liabilities to short-term creditors. Cooke (1989) explained that the level of liquidity could be viewed from two sides. On the one hand, high liquidity levels will indicate the strength of the entity's financial condition. In these circumstances, the entity likely to make disclosure more extensive information to outside parties because they want to show that the relevant entity is credible. Wallace Et al. (1994) states that liquidity is also seen as a measure of management performance in managing the company's finances. From this side of the entity with low liquidity tend to reveal more information to external parties in an attempt to explain the weak performance management. Results from these studies indicate that the liquidity ratio has a positive relationship with the broad disclosure. Healthy condition of the company, among others, indicated by a high level of liquidity associated with more extensive disclosure.

Research conducted by Marwata (2001) aims to find out whether there is a positive relationship between liquidity and significant expression of quality voluntary annual reports of public companies in Indonesia. The results of this study stated that the quality of voluntary disclosure is positively related to liquidity, as measured by current ratio is the ratio between the amounts of debt with current assets of the company. However, different studies obtained Fitriani (2001) that the company's liquidity level does not influence the level of disclosure of corporate financial statements.

In the public sector, liquidity is also demonstrated the ability of local governments to meet all short-term debt with current assets owned at the date of local government financial reporting. Number of high liquidity ratio indicates that the local government has a good ability to meet obligations in smoothness and vice versa. With high liquidity rate, the government has a tendency to make greater disclosure to demonstrate achievement of financial performance on the user local government financial reports. Because of this, it can be stated that the liquidity ratio of local government presented in the local government financial reports positively related to the level of disclosure in the area of local government financial reports.

On the basis of exposure at the top, then the hypotheses in this study can be stated as follows.

H_2: current ratio has a positive influence to the level of disclosure in the financial statements of local government in Indonesia.

3. The influence of capital structure to the level of disclosure of financial statements

In the agency contract the capital structure between the agents and the creditor who owned entity also becomes an important consideration. Agency costs are higher for firms with proportionally more debt in their capital structure (Jensen and Meckling, 1976). Member image capital structure repayment failure risk entities. Capital or capital structure is the ratio between owned capitals with external debt of the entity. This ratio describes the proportion of funding from internal sources and external entities. If the amount of debt is higher than the amount of own capital in the capital structure of an entity indicates that the financing entity is more dominated by corporate and external resources. One describes the ratio of capital structure is leveraged.

Leverage ratio is the proportion of total debt to average equity entities. The ratio is used to describe the capital structure of the company, so it can be seen the level of risk being paid not a debt (Luciana, 2007). Agency theory predicts that the ratio with higher leverage have a higher propensity to make disclosures in the financial statements in order to give confidence to the users of financial statements (Marwata, 2001).

According to Schipper (1981) Additional information required for lenders to remove doubt fulfilling their rights as creditors. Therefore, entities with high leverage ratios have the obligation to meet the information needs of long-term creditors, so that the entity will provide more comprehensive information. Na'im and Rakhman (2000) proved that the leverage ratio has a positive relationship with the completeness of the disclosure.

This study uses the ratio of capital structure in the form of government entity debt to equity and long term to total assets as used by Cohen (2006). Figures debt to equity ratio and long term to total assets indicates that the government has a number of debts higher than equity, which means that the risk of high debt is not paid. To convince the local government creditors, the local government makes an extensive disclosure in the financial statements of local governments.

Exposure on the above, then the hypotheses in this study can be stated as follows:

H_{3a}: debt to equity has a positive influence to the level of disclosure in the financial statements of local government in Indonesia.

H_{3b}: long term to total assets positively influence to the level of disclosures in the financial statements of local government in Indonesia.

4. The influence of the efficiency ratio to the level of disclosure of financial statements

Agency theory, which explains the principal and agent relationship, is rooted in economic theory, decision theory, sociology, and organizational theory. Agency theory analyzes the contractual arrangement between two or more individuals, groups, or organizations. One party (the principal) made a contract, either implicitly or explicitly, with the other party (agent) with the expectation that agents will act / do the job as desired by the principal. Lupia & McCubbins (2000) states: delegation occurs when one person or group, called a principal, select another person or group, called an agent, to act on the principal's behalf.

Theorists hold to the proposition that agents behave opportunistically toward Principals. Carr & Brower (2000) asserts, "Whenever opportunism implies that requires cooperation among people one party (principal) to Delegate responsibility to another (agency), losses due to agent self-interest can be expected to result." Opportunistic agent behavior is in order to get a good assessment of the agent's performance in managing the entity by the principal. Opportunistic behavior is done in showing the good performance of the entity's financial statements.

Government performance is the result of government activities in providing services to the general public. Government performance is measured by three aspects of efficiency, effectiveness and economical. Effectiveness is the achievement level of the program with the targets set. While economic gains input is a certain quantity and quality at the lowest prices. An economical comparison between the input and the input value expressed in monetary units. Economical comparison related to the extent of public sector organizations can minimize the input of resources used to avoid wasteful expenditure, which is not. Efficiency is the relationship between the input of resources by an organizational unit (input) and output produced (output) which provides information about the conversion of inputs into outputs (Mardiasmo, 2007). The government declared the region can achieve high efficiency if the resources or a particular input can achieve the optimal output or with minimal input of resources or achieve a certain output level.

High and low levels of efficiency, effectiveness and economies of local governments can influence the level of broad disclosure in the financial statements. Motivation of local governments to disclose the information efficiency, effectiveness and economy in the financial statements is to comply with the applicable rules of government accounting standards. In addition to meet the regulations, disclosures in the financial statements are also intended to give an explanation and user confidence in the financial statement information related to local government resource use to produce output for the local government. Output is referred to the amount of services provided to the community.

Economic, effectiveness and efficiency are the measurement of local government performance that is included in the financial ratios. This research uses performance ratio as in the Cohen study (2006), namely asset turnover, operating revenue to total revenue and operating revenue to operating expense.

On the basis of exposure at the above, then the hypotheses in this study can be stated as follows.

H_{4a}: asset turnover has a positive influence to the level of disclosure in the financial statements of local government in Indonesia

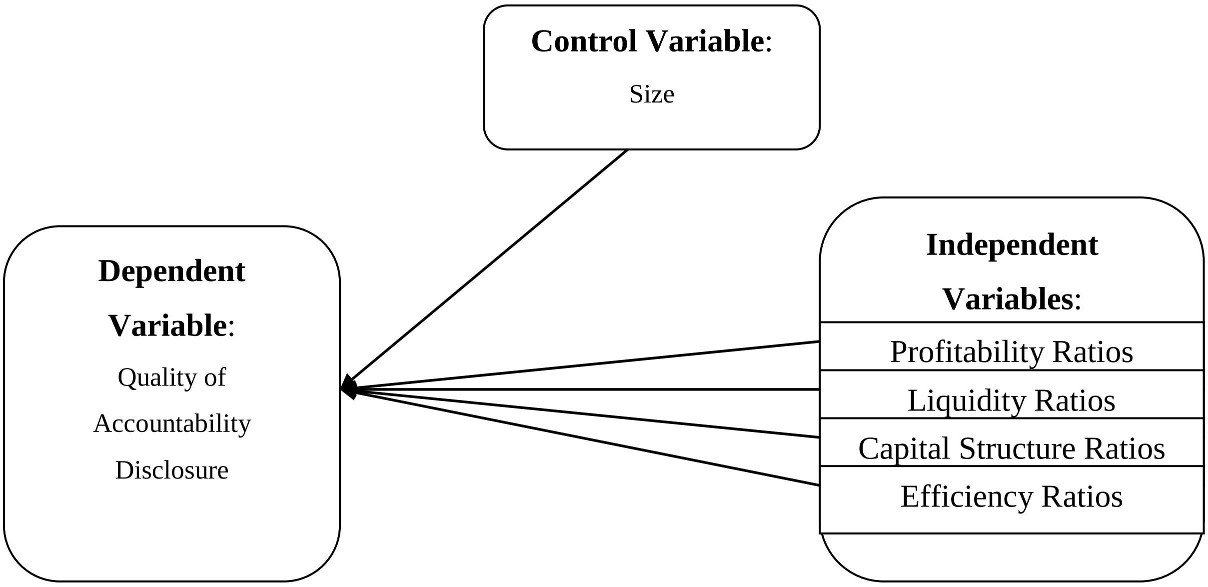
H_{4b}: operating revenue to total revenue has a positive influence on the level of broad disclosure in the financial statements of local government in Indonesia.

H_{4c}: operating revenue to operating expense has a positive influence to the level of disclosure in the financial statements of local government

F. Research Framework

From the hypotheses gathered above, research framework can be set as seen as the figure 1 below:

Figure 1
Research Framework



Local government financial reporting is a means to account for financial management by local governments in the stakeholder. Financial statements should be reported as a form of local government accountability related to financial performance within a period or one year. Financial performance information is expressed in the financial statements can be used by users of financial statements in making economic decisions as mentioned in government accounting standard.

This study aims to test the influence of financial performance with financial ratios represented in **Profitability ratio** measured by Return on Equity (ROE), Return on Assets (ROA), Profit Margin (PM). **Liquidity ratio** measuring with the current ratio (CR). **Capital structure ratio** measured with the Debt to Equity (DER), Long Term Liabilities to Assets (LTTA). **Efficiency ratio** measured with Assets Turnover (AT), Operating Revenues to Total Revenues (ORTR), Operating Revenues to Operating Expenses (OROE) as used by Cohen (2006) to the level of disclosure of accountability in local government financial reports in Indonesia. The level of disclosure accountability of local government financial reports in this study using the LGA index used in the study Ryan et al. (2002), which has been modified due to Indonesia's standard, rules and environment.

Tetclock (1984) defined accountability as a form of psychological impulse that makes someone trying to account for all actions and decisions taken to the environment. Disclosure means supplying information in the financial statements, including the statements themselves, the notes to the statements, and the supplementary disclosures associated with the statements.

CHAPTER 3

RESEARCH METHODS

Chapter 3 describes the research methodology which research design; population, sample and sampling techniques; data and data resources; definition and variable measurement and data analysis method is included in the description of this chapter.

A. Research Design

This research is a secondary data study. It tests nine hypotheses as discussed in chapter 2. The research is pooled research that is combination time series and cross section research.

B. Population, Sample and Sampling Techniques

Research population is Laporan Keuangan Pemerintah Daerah (LKPD) of all local government in Indonesia. These reports are published on BPK's website (**www.bpk.go.id**).

Sampling techniques used in this research is purposive sampling, which is taking sample with a specific criteria based on certain research policy. The research's sample criteria that used in the research are:

1. Government financial statement, which reported in 2005, 2006 and 2007, published in **www.bpk.go.id**
2. Government financial statement published in 2005 up to 2007, which has qualified audit opinion and unqualified opinion with explanation language.

3. Government financial statement that disclosed the whole data and information needed in variable measurement and data analysis for hypotheses test in the research.

C. Data and Data Sources

A data collection strategy and data resource is documentation strategy that has been collected from available the notes or database. A data resource from data collection strategy is secondary data. Secondary data research is data collection techniques that can be used gathered from database (Hartono, 2004: 81). The secondary data used in this research are:

5. Government financial statement published 2005, 2006 and 2007 that has been reported based on Pernyataan Standar Akuntansi Pemerintah (PSAP).
6. Government rules and any other policy that can be used as a basis in reporting deliver and publish the local government financial statement.

The data needed in this research are the notes or data base both hardcopy and softcopy that gathered from the download process, BPK’s official website, archive documentations and other related resources. In term of scoring process, a group of accountant from Banyumas local government and one of BPK’s auditor independently analyzed all of the LKPD given and scored each criteria used in the modified LGA index on 0-5 scale. The process of choosing to use some group of accountant from Banyumas local governemnt and BPK based on the availability of access held by researcher. The resultant scores become the data of dependent variable (see appendix 2).

D. Definition and Variable Measurement

1. Dependent Variable

Dependent variable used in this research is the quality of accountability disclosure. Local Government Accountability Index (see appendix 1) is used to measure the level of accountability disclosure. The concept of a disclosure index has been used in a significant body of prior research to investigate the quality of disclosures in annual reports of public sector agencies. Ryan et al (2002), was conducted the initial work in Queensland used an index based on local government needs. The LGA index assigns weights to each of the criteria with a 1 for low importance, 2 for medium importance and 3 for high importance. The criteria and weights were originally developed by Dixon (1991) and externally validated by reference to practitioners in the area and its modification have been validated by an analysis of local government literature, statutory requirements, accounting standard requirements, best practice recommendations from bodies such as Municipal Association of Victoria and the Public Estimates and Account Committee and consultation with practitioners Ryan et al. (2002).

Since the LGA index previously used in Australia that has a different standard with Indonesia, revision related to the SAP as a standard in Indonesia is made. Therefore, the total of 22 criteria to measure the quality of financial report disclosure, this study only use 15 criteria. The table of modified LGA index can be seen on appendix 1.

Selected Indonesia's local government financial statements from 2005 to 2007 used as a data in this research. The researcher analyzed all of the report and scored each of criteria in the modified LGA index on a 1-5 scale.

2. Independent Variable

Independent variable used in this research is local government financial performance. Financial performance is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (www.investodia.com)

Since the implementation of decentralization, local governments are managing about 40% of all public spending. The absence of systematic monitoring and evaluation and performance measurement systems for local governments leaves many questions on the policy implications of decentralization unanswered. The absence of a comprehensive performance measurement for local governments in Indonesia has lead to a multi-donor commitment for a joint initiative to develop a performance measurement system in close collaboration with the government of Indonesia.

Cohen (2006) proposed some ratios to measure local government financial performance. The table as shown below:

Table 2
Financial Performance ratios

Ratio name	Ratio name abbreviation	Ratio calculation	
Return on equity	ROE	$ROE = \frac{\text{Net Surplus (Deficit)}}{\text{Equity}}$	(1)
Return on assets	ROA	$ROA = \frac{\text{Net Surplus (Deficit)}}{\text{Total Assets}}$	(2)
Profit margin	PR	$\text{PR} = \frac{\text{Net Surplus (Deficit)}}{\text{Total Operating Revenues}}$	(3)
Current ratio	CR	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	(4)
Debt/equity	D/E	$D / E = \frac{\text{Debt}}{\text{Equity}}$	(5)
Long term liabilities/ Total assets	LA	$LA = \frac{\text{Long Term Liabilities}}{\text{Total Assets}}$	(6)
Assets turnover	AT	$AT = \frac{\text{Total Operating Revenues}}{\text{Total assets}}$	(7)
Operating revenues / Total revenues	OR/TR	$OR / TR = \frac{\text{Total Operating Revenues - Subsidies}}{\text{Total Operating Revenues}}$	(8)
Operating revenues/Operating expenses	OR/OE	$OR / OE = \frac{\text{Total Operating Revenues}}{\text{Operating Expenses}}$	(9)

Source: Cohen (2006)

Return on Equity is the ratio between the amount of surplus or deficit in the budget report with the total number of reported fund equity on the balance of local governments. This variable describes the ability of local governments to produce the amount of the difference between revenue expenditure of the total equity fund owned by local governments (Cohen, 2006).

Return on Assets is a financial ratio that describes the proportion between the amount of net surplus or deficit in the budget report with the amount of total assets presented in the balance of local governments. This ratio describes the ability of the company in producing the difference between total revenues with total expenditures made by local governments in a given period (Cohen, 2006).

Profit Margin is a ratio that describes the number of comparisons between the budget surplus and deficit in a period with the amount of local revenue in a single accounting period. The second number in the calculation of this ratio is taken from the report realization of local government budget (Cohen, 2006).

Current Ratio is a ratio that describes the ability of local governments to ensure the fulfillment of liabilities by assets owned smoothly. The second number in the calculation of this ratio is calculated by using the data in the government balance sheet. The higher this ratio gives portrayal that local governments have remaining assets are sufficient to ensure the fulfillment of liabilities (Cohen, 2006).

Debt to Equity ratio is the ratio between the total amounts of government debt to total equity fund**.** This ratio describes the government ability to guarantee the fulfillment of all amounts payable by the number of equity funds owned by the government on a specific date. The second ratio is determined by using the numbers in the government balance sheet (Cohen, 2006).

Long Term Liabilities to Total Assets is a ratio that describes the ratio of long-term debt to total assets of local government. This ratio indicates a guarantee of long-term debt provided by local governments with assets owned (Cohen, 2006).

Assets Turnover is the ratio of the amount of local revenue to total assets owned by the government. This ratio describes the ability of local governments to obtain local revenues by using the total assets owned by the respective local governments, the higher this ratio indicates that the better the ability of governments in seeking owned assets to generate revenue for the region (Cohen, 2006).

Operating Revenues to Total Revenues is the ratio between the amounts of local revenue to total income received by the relevant local government. Both figures used in calculating this ratio is taken from the government balance sheet (Cohen, 2006).

Operating Revenues to Operating Expenses is the ratio between the amounts of local revenues by the number of local operating expenditures in a given period. To determine the ratio of these numbers are the numbers used in the budget report. This ratio indicates the government's ability to obtain local revenues with operating expenditures incurred in a given period (Cohen, 2006).

3. Control Variable

Control variable used in this study is the description of the **size** of the entity. As noted by Foster (1986), the variable most consistently reported a significant in studies examining differences across firms in their disclosure policy is firm size. Agency theory states that large companies have greater agency costs than small firms (Jensen and Meckling, 1976). Large firms may disclose more information in an effort to reduce these agency costs. Generally, large firms disclose more information than small ones. Unfortunately, it is unclear what size proxies (Meek, 1995). Such information and material for the purposes of disclosure of information to external parties, so there should be no major additional cost to perform a more complete disclosure. In contrast, firms with resources that are relatively small may not have ready-to information as large firms, which need no additional costs can be relatively large to make complete disclosure of which is a big company. Measurement of firm's size using logarithm of total assets (Ramassamy, Ong and Yeung, 2005; Amato and Wilder, 1990; Dalton and Penn, 1976 and Shepherd, 1972).

Total asset is the description of the size of the entity. As noted by Foster (1986), the variable most consistently reported a significant in studies examining differences across firms in their disclosure policy is firm size. Agency theory states that large companies have greater agency costs than small firms (Jensen and Meckling, 1976). Large firms may disclose more information in an effort to reduce these agency costs. Generally, large firms disclose more information than small ones. Unfortunately, it is unclear what size proxies (Meek, 1995).

According Fitriani (2001) big companies have the ability to recruit skilled employees, as well as the demands of users report that large firms have an incentive to make a broader disclosure than smaller firms. A large company is that many entities highlighted by the general public. Reveal more information is part of the company's efforts to create public accountability. Another explanation is also often asked is because large companies have huge resources, so companies need and are able to finance the provision of information for internal purposes. Such information and material for the purposes of disclosure of information to external parties, so there should be no major additional cost to perform a more complete disclosure. In contrast, firms with resources that are relatively small may not have ready-to information as large firms, which need no additional costs can be relatively large to make complete disclosure of which is a big company.

Measurement of firm's size using logarithm of total assets (Ranassamy, Ong and Yeung, 2005; Amato and Wilder, 1990; Dalton and penn, 1976 and Sheperd, 1972).

E. Data Analysis Method

a. Multiple regression test

Multiple regression tests are analytical technique that explains the relationship between dependent variable with certain varying independent variable (Sumodiningrat, 1993). The research use multiple regression model that is show on the equation below:

$$LGA = \beta_0 + \beta_1 ROE + \beta_2 ROA + \beta_3 PR + \beta_4 CR + \beta_5 DER + \beta_6 LTTA + \beta_7 AT + \beta_8 ORTR + \beta_9 OROE + \beta_{10} SIZE + \varepsilon$$

Description:

LGA	= Local Government Accountability Index
ROE	= Return on Equity
ROA	= Return on Asset
PM	= Profit Margin
CR	= Current Ratio
DER	= Debt to Equity Ratio
LTTA	= Long Liabilities to assets
AT	= Asset Turnover
ORTR	= Operating Revenues to Total Revenues
OROE	= Operating Revenues to Total Expenses

SIZE = size of local government

$\beta_{0.....}$ β_{10} = Coeficient

e = Standard error

b. Assumption analysis to do Multiple regression are:

1. Normal Distribution

Normality test should be fulfilled so that the researcher know whether the sample taken has been normally distributed and distribution policy has been fulfilled Ghozali (2001).

One of the ways to make a normal distribution of data is trimming method that is eliminating the outlier data. Furthermore, normality test by using Kolmogorov-Smirnov should be taken after the outlier data eliminated. The result of Kolmogorov-Smirnov test shows whether samples normally distributed. Two-tailed test should also fulfill by comparing the level of probability with significant p value is 0,05. If the p value is more than 0,05 so the data is normally distributed.

2. Autocorrelation

According Ghozali (2006), autocorrelation is the correlation between members of the series of observations, sorted by time (as in the SPSS data in time series data) or space (such as cross section data). A good regression model if the does not occur autocorrelation. To detect the presence or absence of symptoms autocorrelation in regression analysis model in this study, it used the way of the Durbin-Watson statistics (DW).

According to Ghozali when the symptoms of autocorretion in the regression model, it can be eliminate by transforming the data and add data observation. Any decision of whether there is autocorrelation.

Table 3
Autocorrelation Measurement

Null hypotheses	Decision	if
No positive autocorrelation	reject	$0 < d < dl$
No positive autocorrelation	no decision	$dl \leq d \leq du$
No negative autocorrelation	reject	$4 – dl < d < 4$
No negative autocorrelation	no decision	$4 – du \leq d \leq 4 – dl$
No autocorrelation both positive and negative	Not rejected	$du < d < 4 - du$

3. Homogeneity of variances and Covariance

Homogeneity of variances is needed before doing the regression analysis. To see homogeneity of variances the research use heterocedasticity test. The heterocedasticity test objected to test whether homogeneity of variance exists from one observing event to another. Statistical test used for this test is Glejser test that is regressing the absolute residual with the independent variable (Gujarati, 1995). If the level of significance is more that 0,05 so the heterocedasticity is not exist in other word the homogeneity of variances is fulfilled.

4. Multicolinearity

Multicolinearity test is objected to testify whether correlation between independent variables exists. If each independent variable is correlate each other so that this variable is not orthogonal.

Orthogonal variable is independent variable that has correlation zero score between independent variable. Multicolololinearity is test by observing the tolerance value and value-inflating factor (VIF). Accepted tolerance values is 0,10 and VIF less than 10.

c. Hypotheses test

Hypotheses test used to test whether independent variable influence dependent variable with the level of significance (α = 1%, 5%, 10%).

Hypotheses test included:

1. Individual Parameter Significance test (t statistical test)

Individual parameter significance test objected to test independent variable to observe whether each independent variable is significantly influence dependent variable. Level of significance (α) in this research is 1%, 5%, 10%.

If p value is more than α so H_0 will be accepted and H_a will be rejected in other words independent variable individually does not give any influence to the dependent variable. If p value is less than α so H_0 will be rejected and Ha is accepted. It means independent variable is individually influencing the dependent variable.

2. Simultaneous regression test (F statistical test)

F statistical test carried out to determine the fittest or the good of the feasibility test for the regression models used in the analysis of the research hypotheses. The criteria used in this test is the probability value (sig.), if the probability value in the test results is less than 5%, it can be stated that the appropriate model (fit) to be used as a regression model in the study and vice versa if the value is greater than 5 %, it can be stated that the model is not feasible for use in testing the research hypotheses.

d. Coefficient of determination (R^2)

Coefficient of determination (R^2) is a score that show how independent variable can describe the dependent variable. Score of (R^2) is show in the result of multiple regression for independent variable, both economic factor and non-economic factor. Since the research use more than one independent variable, Adjusted R Square (Adj R^2) is used Ghozali (2001).

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

Chapter 4 describes the results of data processing and the analysis over the data description, data processing, and hypotheses testing and the discussion of its results. Statistical analysis was carried out in analyzing the data to test the hypotheses.

A. Population and Sample

Population in this research is 1133 local governments in Indonesia that their financial statement has been audited by BPK (Audit Board of Indonesia) and published in www.bpk.go.id. The research sample is determined by using purposive sampling. By using sampling methods and criteria sampling as described in chapter 3, the research obtained 304 samples. Details of sample in this research shows in the following table:

Table 4
Sample

Sample Criteria	Total Number
The local government financial reporting and publication through the website of BPK RI from 2005 to 2007	1133
Local governments with financial statements opinion is adverse and disclaimer	591
Local governments with financial statements that are not fully present the data and information needed in research	238
Local governments that were visited research	304

Source: www.bpk.go.id.

The description of sample in table 2 above shows that the total number of local government financial report in Indonesia gathered from BPK's website for three years view (2005, 2006 and 2007) are 1133 local government financial reports. On the amount of such financial statements, a number of financial reports have 591 adverse opinions and disclaimer opinion and because of these opinions, the financial statements are not used as samples in this study. The reason is that the information used in local government financial statements with adverse opinion and disclaimer opinion are presented unfairly, based SAP so can not be used in decision-making by users of financial statements.

Measuring independent variables in this research using not only BPK opinion criteria, but also other measurement that is mentioned in Cohen (2006). Those, which have met the criteria for sampling before but did not include information for the measurement of the independent variable, the financial statements are not used in this study. The number of government financial reports that are not fully present information is 238 government financial reports. After identification by using sampling criteria, then obtained a sample of 304 local government financial statements of 148 local government financial reports in 2006 and 84 local government financial reports in 2007. Moreover, outlier processed gives the final 82 of total local government that can be observed. Further description can be seen in the appendix 3.

B. Data and Data Collection

In order to analysis the factors that influence local government quality of accountability disclosure, the data about Return on Equity (ROE), Return on Asset (ROA), Profit Margin (PR), Current Ration (CR) debt to equity ratio (DER), asset turnover (AT), long liabilities to total assets (LTTA), operating revenue to total revenue (ORTR) and operating revenue to operating expense (OROE) gathered.

This research data is the data presented in the financial statements of local government throughout Indonesia that have been audited by the BPK RI. The data obtained from BPK's website (www.bpk.go.id) from year 2005 to 2007.

C. Data Analysis

This study tested the influence of Return on Equity (ROE), Return on Asset (ROA), Profit Margin (PR), Current Ratio (CR), Debt to Equity Ratio (DER), Asset Turnover (AT), Long Liabilities to Total Assets (LTTA), Operating Revenue to Total Revenue (ORTR) and Operating Revenue to Operating Expense (OROE) to local government quality of accountability disclosure. This study used a multiple regression model testing using computer software to aid in the form of statistical tool that is SPSS for Mac and Windows 17. 0. Then outlined the results of analysis of research data from statistical descriptions, the classical assumption test to test the hypotheses.

1. Descriptive Statistic

This section describes the data used in the study consisting of a minimum value, maximum value, average value (mean) and standard deviation value of the data. The descriptive result of this research is as shown in the table 4 below:

TABLE 5
Descriptive Statistic

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
roe	304	14.10634	-.15281	13.95354	.1227384	.06133633	1.06943549	1.144
roa	304	53.28903	-51.40007	1.88897	-.1328850	.16956123	2.95640107	8.740
pm	304	72.50282	-17.15339	55.34943	1.2845763	.24646389	4.29724477	18.466
cr	304	2801.06699	.00268	2801.06968	118.7520900	16.77022469	2.92398859E2	85497.093
der	304	17.24553	.00006	17.24558	.0919369	.05753993	1.00324300	1.006
ltta	304	153.55865	.00002	153.55866	.5357232	.50542390	8.81236686	77.658
at	304	48.30786	.00040	48.30826	.3590329	.20575026	3.58737836	12.869
ortr	304	1240.78178	-1239.88549	.89629	-17.3236506	4.28374455	74.68963830	5578.542
oroe	304	22.62031	.00057	22.62087	.2087871	.07485621	1.30516264	1.703
size	304	10.37	20.58	30.95	27.8004	.05826	1.01581	1.032
Valid N (listwise)	304							

Source: data processing results

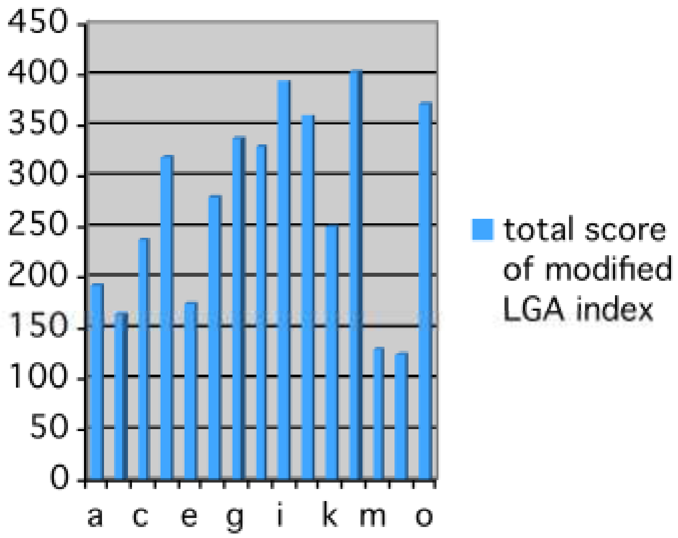
The table above shows that the average value of ORTR has the smallest number of other variables. The minimum value of this variable is -1239.88549 and its maximum value amounted to 0.89629 and the mean value and standard deviation respectively of -17.3236506 and 74.68963830. The result shows that the spread of data ranging -17.3236506 to 74.68963830 plus minus 17.3236506 to -74.68963830. The description of this data illustrates that the amount of local government revenue was very varied. High standard deviation indicates that there are still gaps or local income inequality among local government in Indonesia. The existence of this inequality shows that local governments have different source of income, there are local government that have vast natural resources to become a potential source of revenue for local governments. In the other hands, local government that did not have sufficient natural resources will have a limited source of income.

Meanwhile, for CR is variable with the average of the highest. The minimum value for the variable is 0.00268 and a maximum of 2801.06968. The mean value and standard deviation are 118.7520900 and 0.02920 for indicating that the transmission of data CR variable ranged from 118.7520900 to 0.02920 plus up to -118.7520900 reduced by 0.02920 82.02654259. The data illustrates that local government in Indonesia have a strong ability to repay current liabilities. Ability to pay current liabilities is important for local government so that when current liabilities are due, they had no difficulty in financing without disrupting the operations of local government in providing services to the community.

The modified LGA INDEX showed that the maximum value of the index reach at the amount of 0,67 while the minimum value of the index is 0.64. Furthermore, the highest score of the index reached from the qualitative ranking criteria. Criteria **l**, **Notes to Financial Statement**, giving the maximum score at 403 or 9.9%. On the other hand, the lowest score of the index reached from the qualitative ranking criteria **n.** Criteria n, **Investments**, giving the minimum score at 123 or 3% (see appendix 3). Total score of modified LGA index is as show in the figure 2 below.

Figure 2

Descriptive of Modified LGA Index Criteria Score



Source: data processing results

2. Classical Assumption Test

Regression models in the study can be used to estimate a significant and representative if the regression model did not deviate from the basic assumption of classical regression: normality, autocorelation, heterocedasticity and multicolinearity. Here are the results of the classical assumptions on the data used in the study:

a. Normality test

Data for normality test performed to test whether the residual value of the regression was normally distributed or not. A good regression model is a regression model that has a normal distribution of the residual value or nearly normal. Normality test data in this study used a Kolmogorov-Smirnov test for residual data and performed regression with SPSS 17.0. Results of normality test of Kolmogorov-Smirnov with can be seen in the following table.

TABLE 6
Normality Test
(One-Sample Kolmogorov-Smirnov Test)

		Unstandardized Residual
N		304
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.05585023
Most Extreme Differences	Absolute	.122
	Positive	.122
	Negative	-.081
Kolmogorov-Smirnov Z		2.124
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal.

b. Calculated from data.

The table above shows that the value of asymp. Sig in Kolmogorov Smirnov test on the entire residual value data used in this study is lower than research significance level (0.000 <5%). These results indicate that all the data used has an abnormal distribution. Normality of data is a prerequisite to be able to test the regression model. Therefore, to obtain normally distributed data, this study data outlier process. Outlier data was based on the Z-score values obtained from the statistical description of the data. The value of the data Z-score an extremely high or extremely low removed or excluded from the study sample.

After the data outlier process observation data obtained by the number of 82 observation data. This indicates that the extreme amount of data and are excluded from the sample of 222. After the outlier process has been done, the next observation data obtained residual value is determined and then tested for normality of data by using Kolmogorov Smirnov. The result of normality test data post of outlier process is as follows.

TABLE 7
Normality Test-Post Outlier
(One-Sample Kolmogorov-Smirnov Test)

		Unstandardized Residual
N		82
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.00873851
Most Extreme Differences	Absolute	.133
	Positive	.087
	Negative	-.133
Kolmogorov-Smirnov Z		1.204
Asymp. Sig. (2-tailed)		.110

a. Test distribution is Normal.
b. Calculated from data.

Source: data processing results

The table above shows that after the outlier data are normally distributed with proven asymp. sig value is bigger than the level of research of significance (0.110 >5%).

b. Autocorrelation Test

Autocorrelation refers to the relationship between the members of the series of observations data that is closely located in the form of time series (for the time series) or the relationship between the adjacent (cross sectional). For the autocorrelation test, this study used the Durbin Watson test, the result of the test can be seen on the table below that theDurbin Watson value amounted to 1862. These test results meets the criteria for making conclusions on the autocorrelation test 1773<1862<4-1773 which indicates n autocorrelation between the independent variables in multiple regression models used in this study. On the basis of these test results can be concluded that there is no autocorrelation in this study regression model.

Table 8
Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.632[a]	.399	.315	.00933	
2	.632[b]	.399	.324	.00927	
3	.632[c]	.399	.333	.00921	
4	.624[d]	.389	.331	.00922	
5	.610[e]	.372	.322	.00929	
6	.602[f]	.362	.320	.00930	1.662

a. Predictors: (Constant), size, cr, pm, ltta, at, der, ortr, roa, oroe, roe
b. Predictors: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe
c. Predictors: (Constant), size, cr, pm, ltta, der, roa, oroe, roe
d. Predictors: (Constant), size, pm, ltta, der, roa, oroe, roe
e. Predictors: (Constant), size, pm, ltta, der, oroe, roe
f. Predictors: (Constant), size, pm, ltta, der, oroe
g. Dependent Variable: index

c. Heterocedasticity Test

Heterocedasticity is a state in which all factors of unequal variance disturbance occurred from one observation to another observation. In this study, the test used to detect Heterocedasticity is Glejser method, namely the absolute value of the residual regressed with independent variables. The criteria used is: if the probability value> 0.05, heterocedasticity will not happen and if probability value <0.05 Heterocedasticity will occur. The statistic result of the test can be seen on the table 8 below.

Table 9
Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.016	.031		-.539	.592
	roe	-.048	.049	-.324	-.964	.338
	roa	.003	.051	.020	.066	.947
	pm	.001	.001	.216	.906	.368
	cr	-0.00006.745	.000	-.125	-1.048	.298
	der	.031	.056	.072	.550	.584
	ltta	.002	.008	.045	.279	.781
	at	.013	.031	.124	.423	.674
	ortr	.000	.000	.275	1.440	.154
	oroe	-.011	.009	-.340	-1.176	.244
	size	.001	.001	.174	.868	.388

a. Dependent Variable: abs_res1

Source: data processing results

From the table 7 above, it can bee seen that most of the variable has a sig. value more than 0,05. It can be concluded that the heterocedasticity is not occur in this study.

d. Multicolinearity Test

Multicolinearity test is used to indicate a linear relationship between the independent variables in the regression model. If the independent variables are perfectly correlated, then the least squares method cannot be used. Variables are not correlated to say orthogonal, which indicates that there is no multicolinearity problem. Multicolinearity used to determine the correlation between the independent variables. A good regression model is the model that there is no correlation between each independent variable or low correlation. The presence of multicolinearity can be seen in the value of inflating Variance Factor (VIF) and Tolerance. The criteria used in making the conclusion of the test is, multicolinearity tolerance values should be greater than 0.1 (10%) and inflating the value Variance Factor should be less than 10. Here are the results of tests in multicolinearity regression model used in this study.

Table 10
Multicolinearity Test

Variable	Tolerance	VIF
ROE	0.351	4.577
ROA	0.184	5.449
PM	0.941	1.062
CR	0.836	1.196
DER	0.898	1.113
LTTA	0.924	1.083
AT	0.139	7.210
ORTR	0.324	3.082
OROE	0.623	1.605
SIZE	0.567	1.762

Source: data processing results

The table above shows that the value of tolerance for all independent variables in a larger study 10% and VIF values less than 10. Based on this result, it can be stated that the heteroscedasticity does not occur.

D. Hypotheses Test

The purpose of this study is to obtain empirical evidence relating the influence of Return on Equity (ROE), Return on Asset (ROA), Profit Margin (PR), Current Ration (CR) debt to equity ratio (DER), asset turnover (AT), long liabilities to total assets (LTTA), operating revenue to total revenue (ORTR) and operating revenue to operating expense (OROE) to the level of accountability disclosure (INDEX). For research purposes, this research study conducted data analysis using multiple regression models for all performance measure of multiple regression equations. Here is the summary of test results data to the multiple regression models to infer the related hypotheses proposed in study.

1. Simultaneous regression test (F statistical test)

Simultaneous regression test (F statistical test) carried out to determine the fittest or the good of the feasibility test for the regression models used in the analysis of the research hypotheses. The criteria used in this test is the probability value (sig.), if the probability value in the test results is less than 1%, 5%, 10%, it can be stated that the appropriate model (fit) to be used as a regression model in the study and vice versa if the value is greater than 1%, 5%, 10%,, it can be stated that the model is not feasible for use in testing the research hypotheses. Here are presented the results of tests of significance-F for the regression model in this study.

Table 11
Simultaneous regression test
(F statistical test)

Model	Sum of squares	df	Mean square	f	Sig.
Regression	0,004	5	0,001	8,621	0,000
Residual	0,006	76	0,000		
Total	0,010	81			

Source: data processing result

The table above shows that the probability value of the regression model used in the study is smaller than the significance level of research (1%, 5%, 10%). These results indicate that the regression model used in this study feasible (fit) to be used as a hypotheses testing regression models.

2. Individual Parameter Significance test (t statistical test)

Individual Parameter Significance test (t statistical test) is intended to test the influence of independent variables on the dependent variable in the study as stated in the hypotheses of this research. In addition to test these effects, this test can also be used to determine the sign of regression coefficient of each independent variable can be determined so that the influence of each independent variable on the dependent variable. Deduction criteria for test results is the probability value (sig)-t, if the probability value (sig)-t is less than 1%, 5%, and 10%, it can be stated that the independent variables influence the dependent variables so that the hypotheses proposed in this research can be accepted or supported by research data, in another hand if the probability value (sig)-t greater than 1%, 5% and 10%, it can be stated that the independent variable has no effect on the dependent variable and the hypotheses is not accepted or not supported by research data. Here are the results of t-test of significance for the regression equations model in this study.

Table 12
Individual Parameter Significance test
(t statistical test)

Variable	Expectation sign	Coeficient	t	Sig.
CONSTANS		0.577	12.376	0.000*
ROE	?	0.063	1.093	0.278
ROA	?	-0.133	-1.446	0.152
PM	?	-.004	-3.902	0.000*
CR	+	0.00001504	1.103	0.274
DER	+	0.256	2.440	0.017
LTTA	+	0.024	1.950	0.055
AT	+	0.001	0.010	0.992
ORTR	+	0.00002553	0.163	0.871
OROE	+	0.046	4.863	0.000*
SIZE	+	0.003	1.995	0.050**

Source: data processing results
*Level of significance used is 1%
**Level of significance used is 5%

3. Test coefficient of determination

Coefficient of determination stated percentage of total variation of dependent variables could be explained by the independent variables in the model. For regression models with one independent variable is shown by coefficient determination R-square value ($R^{2)}$ and for regression models using two or more independent variables the coefficient of determination shown by the value of adjusted R square (R^2 adj.).

Adjusted R ^{2} values range from 0 to 1. If adjusted R^2 approaches 1, this indicates that the variation of the dependent variable can be explained by variations in the independent variable. Conversely, if the value of R^2 close to 0, then the variation of the dependent variable can not be explained by the independent variables. Here are the test results for the coefficient regression model used in this study.

Table 13
Coefficient Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.632[a]	.399	.315	.00933	
2	.632[b]	.399	.324	.00927	
3	.632[c]	.399	.333	.00921	
4	.624[d]	.389	.331	.00922	
5	.610[e]	.372	.322	.00929	
6	.602[f]	.362	.320	.00930	1.862

a. Predictors: (Constant), size, cr, pm, ltta, at, der, ortr, roa, oroe, roe
b. Predictors: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe
c. Predictors: (Constant), size, cr, pm, ltta, der, roa, oroe, roe
d. Predictors: (Constant), size, pm, ltta, der, roa, oroe, roe
e. Predictors: (Constant), size, pm, ltta, der, oroe, roe
f. Predictors: (Constant), size, pm, ltta, der, oroe
g. Dependent Variable: index
Source: data processing results

From the table above, the value of adj. R^2 is 0.320 that is close to 0. It can be concluded that the variation of dependent variable cannot be explained by the independent variables because the independent variable significantly only 32% influence the dependent variable while the rest 68% influenced by other factors outside the research.

4. Summary Results of the Hypotheses test

Hypotheses test result can be summarized into this table below.

Table 14
Summary Results of the Hypotheses test

Hypotheses	Variables	P-Value	Conclusion
H_{1a}	Return on asset	0.000	Hypothesis not supported
H_{1b}	Return on equity	0.278	Hypothesis not supported
H_{1c}	Profit margin	0.152	Hypothesis supported
H_2	Current ratio	0.000	Hypothesis not supported
H_{3a}	Long term liabilities to total assets	0.274	Hypothesis supported
H_{3b}	Debt to equity ratio	0.017	Hypothesis supported
H_{4a}	Assets turnover	0.055	Hypothesis not supported
H_{4b}	Operating revenue to total revenue	0.992	Hypothesis not supported
H_4	Operating revenue to operating expenses	0.871	Hypothesis supported
H_5	size	0.000	Hypothesis supported

Sources: data processing results

The table above shows that hypotheses of H_{1c}, H_{3a}, H_{3b} and H_{4c} supported with the data used on the study, on the other hand H1a, H_{1b}, H_2, H_{4a} and H_{4b} are not supported with the data used on the study.

E. DISCUSSION

Reflected ratios consisting of the profitability ratio measured by return on equity, return on assets, profit margin, the liquidity ratio in measuring the current ratio, capital structure in the measured ratio with the debt to equity, long terms liabilities to assets, assets turnover, performance ratio in measuring the operating revenues to total revenues, operating revenues to operating expenses as used by Cohen (2006) to the level of disclosure of accountability in local government financial reports by using accountability disclosure index developed by Ryan (2002). This research uses accountability disclosure index Ryan et al. (2002), which is adjusted with the government accounting standards based on government regulation number 24 in 2005.

For research purposes, this study uses the test data with multiple regression models. On the basis of multiple regression models testing the obtained results that the profit margin, operating revenues to operating expenses, debt to equity, long terms assets and liabilities to the status of the area by using the total assets influence the disclosure index of local government accountability in Indonesia. Meanwhile, the ratio for other variables which consist of: return on equity, return on assets, current ratio, asset turnover, and operating revenues to total revenues less influence on the disclosure index of local government accountability in Indonesia.

Profit margin ratio variables influence the disclosure index of local government accountability, which is indicated by the probability value for the variable profit margin ratio, is 0.000, which is smaller than the significance level of 1% in the study. Sign of regression coefficient for the variable profit margin is the negative ratio of -0.004, which indicates that the level of disclosure of accountability in local government financial statements is inversely proportional to the amount of profit margin ratio of local government. The higher the profit margin ratio of a local government, the lower the level of disclosure of local government accountability.

In the agency relationship between the executive and the legislative, executive and legislature is the agent is a principal (Halim & Abdullah, 2006; Fozzard, 2001; Moe, 1984; Strom, 2000). Lupia & McCubbins (1994) states that the legislator's problem can be characterized as one of a broad class of phenomena known as agency problems. In the legislative policy-making setting, a Legislature as a whole acts as principal that delegates to an expert agent (such as the government or a Congressional committee) the task of proposing alternatives to an existing policy. The principal-agent interaction in which we are interested begins after the agent makes a proposal and ends when the principal, either the full Legislature accepts the proposal or rejects it in favor of the existing policy. "Johnson (1994:5) calls an executive relationship/bureaucracy in the legislative/ congress with a self-interest model. Bureaucrats propose new programs and trying to show the good performance of the budget, because his agency wanted to develop and constituents believe that they receive benefits from the government.

These results indicate that local governments and the profit margin high ratio have a high number of surpluses. Number of high budget surplus indicates that the performance of local government budgets less or not good. Therefore, the number of high numbers of these surpluses, local governments will have a tendency to restrict the disclosure of financial accountability associated with management of surplus of information in order to obtain good performance by the legislature as a principal. The existence of surplus in local government budgets have consequences for local governments to restore the treasury surplus countries/ regions and in the next financial year are not allowed to submit the budget exceeds the amount realized a surplus in the budget. The existence of these consequences may encourage local governments to restrict the level of disclosures in the financial statements of government. The results of this study are consistent with the study Ryan et al. (2002) who tested the disclosure of accountability in local government financial reports in Australia.

These test results also show that the variable ratio of debt to equity influence disclosure levels of local government accountability in local government financial reports. This result is proved by the probability value for this variable is smaller than the significance level of 1% of the study 0.009. This variable has a positive sign for the regression coefficient of 0.270 indicates that the number ratio of debt to equity proportional to the level of disclosure of local government accountability in local government financial reports. This means that the higher the debt ratio to equity ratio will cause the higher tendency for local governments to disclosure broader accountability in local government financial reports.

According to Moe (1984) and Strom (2000), an agency relationship in the public sector is between (1) voters by the legislature, (2) the legislature and the government, (3) finance ministers in budget users, (4) prime minister with the bureaucrats, and (5) officials with funders. In accordance with the agency relationship between officials and providers of funds, a large number of obligations presented in the financial statements is a description of local government in the region's ability to return all liabilities totaling all the equity that funds owned by local governments. If a local government has a high amount of liabilities, the local government has the risk of default in payment of debts and interest and in this condition would deprive local governments to create new debt. For that, local governments should be able to convince the funders to remain willing to provide funds to local governments. One effort is to conduct a more extensive disclosure that funders have a more comprehensive picture of relevant plans and local government efforts in dealing with the high number of these obligations.

In addition, the high expression based on the grounds that local governments have obligations presented in the financial statements, the local government is required to perform such obligations related disclosures in the financial statements of government as stipulated in government regulation number 57 year 2005 about the loans. The results of this study in accordance with the study Ryan et al. (2002) which states that the level of local government financial health influences the level of accountability in the disclosure of local government financial reports in Australia.

For the variable long term liabilities to total assets indicates the results of the research results that influence the level of disclosure of local government accountability in local government financial reports. These results proved the value of a variable probability of long-term liabilities to total assets of 0.086 which is smaller than the significance level of 10% research. Variable long term liabilities to total assets has a positive sign for the regression coefficient of 0.021

which indicates that the number ratio of long term liabilities to total assets is proportional to the level of accountability disclosures in the financial statements of local governments. These results indicate that the higher rates long term liabilities to total assets will lead to the higher level of accountability in the disclosure of local government financial reports. The results of this research can be based on the existence of an obligation or requirement for local governments to disclose information related to long-term liabilities presented in the balance of local governments as expressed in government regulation number 57 year 2005 about the loans.

The results according to the statement by Moe (1984) and Strom (2000) that one agency in government relations is the relationship between donor officials, local authorities tried to show good capability in returning funds received from the funders. Therefore, if local governments have a number of long-term obligations that will try to convince high funders to conduct a more extensive disclosures in the financial statements relating to planning and local government business long-term liabilities in question. The results of this study are consistent with research that demonstrated by Ryan et al. (2002) related to the disclosure of local government accountability in Australia.

Test results data for the variable operating revenues to operating expenses indicates that these variables influence the level of disclosure of local government accountability in local government financial reports. Signs of regression coefficients obtained in the test data for this variable is positive. These results indicate that the ratio of operating revenues to operating expenses is directly proportional to the level of accountability disclosures in the financial statements of local government, meaning the higher the number of operating revenues to operating expenses wider disclosure of accountability in local government financial reports.

Von Hagen (2002) argues that the agency relationship between voters-executive basically shows how the voters choose the politicians to make public policy for them and they provide funds to pay taxes. Public policy is expected by the voters of policies that prioritize the interests of voters. Public policy in question is a policy that could produce an efficient government performance. Efficiency is the ratio between the number of input and output successfully obtained by the input. Input in this case is spending while the output is the revenue or income for local governments.

Related to the accountability of voters, giving the executive disclosures in the financial statements of local governments. Efficient performance of government to encourage local governments tend to provide broader disclosure of financial statements to show that public policies adopted by the executive can produce a good performance and with the hope of re-elected leadership in the next period. The existence of this fact underlies the reason that the higher efficiency of local government as indicated by the high ratio of operating revenues to operating expenses led to more extensive disclosure by local government in local government financial reports. These results are consistent with research done by Ryan et al. (2002).

Size influences the level of disclosure of local government accountability in local government financial reports. These results proved the value of the probability of 0.050 which is smaller than the significance level of 5%, 10% research. These results indicate that the amount of total assets in the balance sheet presented local governments influence the level of disclosures in the financial statements of local governments. If the local government assets in large numbers, then the relevant local government must disclose these assets in the financial statements, so the higher the number of local government assets, the higher the level of disclosure in the financial statements of accountability in local government financial reports. The results of this study are consistent with results obtained by Ryan et al. (2002) which states that the total assets owned by local governments in Australia associated with extensive disclosure level of accountability in local government financial reports.

For variables return on equity, return on assets, current ratio, asset turnover, and operating revenues to total revenues of test results indicated that these variables has a small influence to the level of accountability in governmental financial reporting areas. These results indicated by the probability value of each variable is greater than the significance level of research. Probability value for a variable return on equity amounted to 0.773, for a variable return on assets amounted to 0.534, current ratio, asset turnover of 0.496, and operating revenues to total revenues of 0.680. These test results indicate that the variable return on equity, return on assets, current ratio, asset turnover, and operating revenues to total revenues is not a variable that gives a significant influences the level of disclosure of accountability in local government financial reports in Indonesia.

CHAPTER V

CONCLUSSION AND RECOMMENDATION

Chapter 5 is the last chapter of this thesis that describes the conclusion, limitation of this research and recommendation for the future research.

A. **Conclusions**

Local government financial reports are used as a medium of financial accountability to stakeholders the government. Financial Accountability conducted with the financial disclosure in the financial and non financial reports. The average financial disclosure in the financial statements is 65%, which can be used as a basis for making conclusions that the local government financial statements do not fully disclose the information set forth in the government accounting standards. These results can be influenced by financial factors and non-local government finance.

Financial factors referred to are profitability, liquidity, equity structure and efficiency of local governments that become variable in this study, while non-financial factors may include human resources, information technology and implementation time that government accounting is relatively new (Robinson and Harun, 2004).

The study can be concluded that the profitability of government influence on the level of disclosure of local government financial reports. The profit margin negatively influence the level of disclosures in the financial statements of local governments that berate the higher the profit margin of local governments, lower the index disclosures in the financial statements of local governments. Meanwhile, return on assets and return on equity has a positive impact on the level of disclosures in the financial statements of local governments. However, the influence of return on assets and return on equity is weak is. It can be concluded that the liquidity of local government which is indicated by level of current ratio influential in the weak against the disclosure of local government financial reports in Indonesia.

The level of liquidity giving less influence to the level of disclosures of the local government's financial statements. This conclusion indicates that the liquidity of the local government is less influential on the level of disclosure accountability of local government in Indonesia.

Meanwhile, the capital structure of local government, which is indicated by debt to equity ratio and long term to total assets, has a positive effect on the level of disclosures in the financial statements of local governments. This conclusion indicates that the higher the amount of government debt both short-term debt and long-term debt causes higher local government disclosure index. The height level of this disclosure is intended to give users confidence in the financial statements related to local government in the local government's ability to return long-term loans of local government.

Efficiency ratio influences the level of disclosure in local government’s financial statement. The study resulted that the asset turnover influence the level of disclosure in the financial statements even though the impact of local government in a weak level. This conclusion indicates that the asset turnover less influential local government to the level of disclosures in the financial statements of local governments. Government efficiency given by the operating revenue to total revenue and operating revenue to operating expense impact on the level of disclosures in local government’s financial statements. However, the two different influences, the influence of operating revenue to total revenue are weaker compared with the influence of operating revenue to operating expense of the level of disclosures in the financial statements of local governments. Both operating revenue to operating expense and operating revenue to total revenue positive impact on the level of disclosure of financial statements so the higher the ratio of the local government performance, the higher the level of disclosure in the financial statements of local government in Indonesia.

B. **Limitations**

This research was conducted with some limited research with these limitations could influence the results. The limitations are: The study only uses financial ratios, omitted the non-financial ratio, which actually have a possibility to be the factor that can influence the level of accountability disclosure. The score of adjusted variable is 33, 5% that is too small to reflect the influence of independent variables to the dependent variable; the rest 66,5 % influence is from other factor outside the model. Furthermore, the level of subjectivity of the respondents is very high. The respondents were chosen based on the ability of correspondence with the researcher and the working background. Even though, they have similar working background, different educational background of each respondent giving a bias quality of measurement.

C. Future Research / Recommendation

The results indicate that the information in the financial statements has a value to influence the level of disclosure index. Even though the information in financial statement can influence the index, but it is relatively small (only four variables). Recommendation intended to KSAP to perform repairs in the socialization and implementation of the goal the preparation of financial statements in full local government can be achieved.

Moreover, research results indicate that PM, DER, OROE, LTTA and Assets are variables that influence the level of accountability disclosure of local government in Indonesia. These results have implications for local government to increase the level of accountability disclosure. The high level of accountability disclosure shows that the local government in Indonesia already put a greater responsibility on Law No. 17/2003, Law No.1/2004 and especially PP No. 24/2005.

In addition, research results have implications for lenders, investors and institutional donations to use the information that high PM ratio indicated that the government has a high surplus so that they lowering the level of accountability disclosure because of inability to report the surplus so that the following year the budget wouldn't be cut. In addition, creditors, investors and institutions need to make donations Review in-depth government debt given the government's debt has a different nature.

Furthermore, research results have implications for subsequent research to develop this research further by adding a study period so that predictive testing can be an even longer and is not limited to one-year test. By testing a longer prediction, it is expected to obtain more detailed results related to the influence of financial performance to the level of accountability disclosure of local government in Indonesia. In addition, subsequent research can add a variable in the model to obtain prediction models are more appropriate research (fit). Variables that can be added to include non-financial variables such as size of local governments, regional status, and other non-financial variables. Subsequent research could also separate the sample into further classifications, such as the status of non-expansion and expansion, and other classifications in order to obtain the results of accountability disclosure deeper. Furthermore, subsequent research can use the full measure of variables drawn from the data and information in local government financial and non-financial reports, so that research results obtained completely describe the relevance of the information to predict the level of accountability disclosure of Indonesia local government and other factor that may influence into it.

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APPENDIX 1

THE DIFFERENT BETWEEN LGA INDEX AND THE MODIFIED LGA

QUALITATIVE RANKING CRITERIA	LGA INDEX	MODIFIED LGA INDEX	DESCRIPTION
1. Statement of Objectives 5 Separate statement including vision/mission/values objectives/goals/ future performance targets/objectives specific, concise, understandable and realistic terminology all together at front 4 Not all together at front 3 Deficient in one (other than not together) 2 Deficient in more than one (other than not together) 1 Brief (rhetorical), incomplete	√	√	Described in conceptual framework of SAP paragraph 23 and PSAP No.01.
2. Mayor's Report Report by Mayor or equivalent 5 Through yet inviting to read full review reference to broad spectrum of activities and achievements, set in context of social,economic, and political environment. 4 As per 5, but lacking some of its substance 3 Broad discussion or sub-classifications 2 Brief description only 1 Bare discussion	√	√	Described in PSAP No 02 paragraph 9-13
3. CEO Report 5 Through yet inviting to read full review reference to broad spectrum of activities and achievements, set in context of planning and responsible management 4 As per 5, but lacking some of its	√	-	

substance 3 Broad discussion or sub-classifications 2 Brief description only 1 Bare discussion			
4. Corporate Structure 5 Composition of Council and senior adminsitrators contact information, organizational and decision structure linkages from council to CEO etc 4 As per 5, with all or part of one set omitted 3 As per 5, with all or part of two sets omitted 2 Two of the items in 5 only 1 One of the items in 5 only	√	√	Doesn't clearly described in SAP but commonly found in LKPD as one of its element.
5. Internal Control 5 Statement of the internal control mechanisms review of control systems risk management the use of an audit committee internal audit 4 As per 5, with all or part of one set omitted 3 As per 5, with all or part of two sets omitted 2 Two of the items in 5 only 1 One of the items in 5 only	√	√	Doesn't clearly described in SAP but commonly found in LKPD as one of its element.
6. Environment Report 5 Clearly titiled statement outlining relevant environmental protection programs such as: -land use planning -waste management -water quality 4 As per 5, but lacking some substance 3 As per 5, with all or part of one set omitted 2 Two of the items in 5 only 1 One of the items in 5 only	√	-	
7. Personnel 5 Clearly titled statement showing numbers of staff classified into major functions and/or departments classified by job type at least 3-year comparisons	√	√	Doesn't clearly described in SAP but commonly found in LKPD as one of its

4 As per 5, but lacking one sig feature 3 As per 4, but lacking two sig feature 2 As per 3, but lacking three sig feature 1 Sparse reference			element.
8. Occupational Health and Safety 5 Clearly titled statement showing safety record at least 3-year comparisons with descriptions of program(s) for occupational health and safety 4 As per 5, but lacking one sig feature 3 As per 4, but lacking two sig feature 2 As per 3, but lacking three sig feature 1 Sparse reference	√	-	
9. Equal Employment Opportunities 5 Separate titled section, disclosing quantitative and descriptive information about appropriate groups (eg. Gender, ethnic disabled), level of positions illustrations(s) comparatives. 4 As per 5, but lacking illustration(s) 3 As per 4, but lacking comparatives 2 As per 3, but descriptive information only 1 Sparse reference	√	-	
10. Summary Facts and Figures/ Key Statistics 5 Separate, titled section key facts and figures at least three year trends and comparatives possibly illustrations 4 As per 5, but lacking some significance feature 3 More than one-year summary 2 One-year summary but lacks compherensiveness 1 Sparse information	√	√	Doesn't clearly described in SAP but commonly found in LKPD as one of its element.
11. Performance Measurement 5 Separate, titled section comparing non-financial performance with objectives for key activities some indication of benchmarking meeting perform indicators derived from objectives	√	√	Described in conceptual framework of SAP paragraph 13 and PSAP No.1 paragraph

4 As per 5, but lacking some significance feature 3 Comprehensive one-year summary only (lacking two sig feature) 2 One-year summary but lacks compherensiveness 1 Sparse information			9-12
12.Financial Review 5 Separate, titled section providing review of revenues, expenses, assets, liabilities, capital projects and any other significant financial issues. At least three year comparisons explanation of trends possibly illustration 4 As per 5, but lacking some significance feature 3 Titled, brief review 2 Brief review as part of another section/report 1 Sparse	√	√	Described in Conceptual Framework of SAP paragraph 25-26 and PSAP No.1 paragraph 14-21.
13. Operating Statement/Statement of Financial Performance 5 An Operating Statement showing all revenues and expenses (either in the report or by note) not more than 10% of total in any single unanalyzed item one year comparative subheadings and other aids to understanding abnormal items, extraordinary items overall increase/ decrease in operating capability in Notes revenue and expenses by program/Function and comparison with previous year 4 As per 5, but either lacks some detailed disclosure or is more aggregated 3 As per 4, but either lacks some detailed disclosure and is more aggregated 2 A summary Operating Statement, but lacks any further attributes as described in 5 above 1 A summary statements(s) by input i items (eg. Salaries, consumables)	√	√	Described in PSAP No.1 paragraph 88-94
14. Statement of Financial Positions 5 Detailed statement, disclosing all assets and liabilities in major categories. Details of reserves and	√	√	Described in PSAP No.1

movements on reserves comparatives extensive footnotes subheadings, appropriate classifications not more than 20% of assets in a single item in Notes assets analyzed by function/program. 4 As per 5, but missing some detail 3 As per 4, but more than 20% of assets disclosed in a single analyzed item 2 Basic, includes comparatives and some foot notes, but over-aggregated. 1 Poor or no classification, major asset omitted sparse footnotes			paragraph 38-84
15. Statements of Cash Flow 5 Cash Flow format comparatives, subheadings, informative footnotes and other aids to understanding clear reconciliation with surplus/deficit. 4 As per 5, but lacking one significant feature 3 Basic statement with comparatives 2 Basic statement with comparatives 1 Minimal reference	√	√	Described in PSAP No. 01 paragraph 84-87 and PSAP No. 03
16. Notes to Financial Statements 5 Statement of Significant Accounting Policies with excellent detail, showing full basis of presentation. If a change, reason for change, detailed explanation, with quantitative impact clear statement that all changes have been disclosed and consistent application of all other items stated. Specific notes relating to all major items. 4 As per 5, but one section only with significant deficiency 3 As per 5, but under changes, limited reference to quantitative impact 2 As per 5, but two sections with significant deficiency 1 Any reference which fails to meet criteria in 2	√	√	Described in PSAP No.1 paragraph 97-100 and PSAP No. 04
17. Non Current Asset Acquisition and Disposal/Depreciation	√	√	

5 Comprehensive disclosure of asset acquisition and disposal, and depreciation of all assets in use. Includes policies and amounts analyzed by asset type with movement on accumulated depreciation account(s). 4 As per 5, but some assets used are omitted or over-aggregated 3 As per 4, but limited policy disclosure and/or analysis 2 As per 3, but movement on accumulated depreciation account(s) omitted 1 Minimal information, depreciation not shown as operating expenses			Described in PSAP No.1 paragraph 50-60
18. Investments (Look in Cash as well) 5 Separate schedule showing all holdings investment income basis of valuation. 4 As per 5, but omitting one sig. component. 3 As per 4, but omitting two sig. components. 2 Separate schedule but lacking in detail. 1 Minimal reference	√	√	Described in PSAP No.1 paragraph 103, PSAP No. 06 and *Buletin Teknis* No.01 Chapter 5.
19.Commitments and Contingencies 5 If no commitments and contingencies then clear statements to this effect. If commitments: separate statement with full disclosure, stating purpose/project and showing total expected expenditure and expenditure to date, with expected completion date. A clear statement that all items disclosed. If contingencies: separate,clear statement disclosing individual items with financial impact, clearly stating that all items disclosed 4 As per 5, mentioning both and financial impact but incomplete for either commitments or contingencies. 3 As per 4, but incomplete for both or complete for one and other not	√	-	Described in PSAP No.1 paragraph 99 but it is rarely to be found in LKPD.

mentioned 2 Commitments and contingencies referred to but no disclosure of financial impact 1 Sparse reference to either commitments or contingencies.			
20. Actual to Budget Comparison 5 Comprehensive disclosure of actual, budget And variance line by line in total and by program showing details of Operating Revenue, Operating Expenses, Abnormal items and increase/ decrease in operating capability. Explanation of significant differences. 4 As per 5, but variances excluded 3 Summary operating statement only with variances 2 Summary operating statement only 1 Sporadic, incomplete disclosure only.	√	√	Described in PSAP No.1 paragraph 32-37 and PSAP N0.2
21. Financial Performance Ratios 5 Separate section including financial performance ratios with some indication of benchmarking showing at least 5 items (ratios) with at least three-year trends and explanations. 4 As per 5, but lacking explanations, at least 4 items and less than 3-year trends. 3 As per 5, but at least 4 items and less than 3-year trends. 2 As per 5, but only three items and only two-year comparatives 1 Sporadic, incomplete disclosure only	√	-	
22. Remuneration of Councillors/ Executive Officers 5 Councilors remuneration listed by person including allowances and other entitlements, councilors attendance summary remuneration policy comparative information for councillor remuneration, remuneration of senior employees (CEO,Dept heads etc) by % bands. 4 As per 5, but lacking some significant feature 3 As per 5, but lacking two significant feature	√	-	

2 Only two features 1 One feature			
Council Size Total Assets $......	√	√	

KUESIONER
INDEKS PENGUKURAN TINGKAT PENGUNGKAPAN INFORMASI KEUANGAN PADA LAPORAN KEUANGAN PEMERINTAH DAERAH DI INDONESIA

Nama : …………………
Jabatan : …………………
LKPD : …………………

Berilah penilaian terhadap masing-masing kriteria penilaian tingkat pengungkapan informasi keuangan pada setiap LKPD yang disediakan dengan cara melingkari skor 0-5 yang telah tersedia.

Kriteria Penilaian
Pernyataan Tujuan 5. Memisahkan pernyataan termasuk visi/misi/nilai-nilai tujuan pencapaian dari target kinerja di masa depan/tujuan spesifik, ringkas, mudah dimengerti dan terminologi yang realistis keseluruhannya bersamaan di depan 4. Tidak semuanya muncul bersamaan 3. Kekurangan di lebih dari satu pernyataan (selain tidak bersamaan) 2. Kekurangan di lebih dari satu pernyataan (selain tidak bersamaan) 1. Singkat (retoris), tidak lengkap **Laporan Walikota** Laporan oleh walikota atau kepala daerahyang setara 5. Belum keseluruhan diundang untuk membaca keseluruhan referensi tinjauan untuk spektrum luas dari kegiatan-kegiatan dari pencapaian, ditetapkan dalam konteks ekonomi sosial dan lingkungan politis 4. Seperti tercantum di nomor 5, tetapi kekurangan beberapa substansinya 3. Diskusi dewan atau sub-klasifikasinya 2. Hanya penjelasan singkat 1. Diskusi tidak umum **Struktur Pemerintahan** 5. Komposisi dari dewan dan administrator senior, kontak informasi organisasi dan struktur keputusan terkait dari dewan ke CEO dan sebagainya 4. Seperti tercantum di nomor 5, dengan keseluruhan atau sebagian dari satu set

Dihilangkan
3. Seperti tercantum di nomor 5 dengan keseluruhan atau sebagian dari dua set Dihilangkan
2. Hanya memiliki dua dari keseluruhan kriteria yang ada di nomor 5
1. Hanya memiliki satu dari keseluruhan kriteria yang ada di nomor 5

Pengendalian Internal

5. Pernyataan dari mekanisme pengendalian internal, tinjauan dari manajemen risiko sistem pengendalian, penggunaan dari komite audit dan audit internal
4. Seperti tercantum di no. 5, dengan seluruh atau sebagian dari satu set dihilangkan
3. Seperti tercantum di no. 5 dengan seluruh atau sebagian dari dua set dihilangkan
2. Hanya memiliki dua dari keseluruhan kriteria yang ada di nomor 5
1. Hanya memiliki satu dari keseluruhan kriteria yang ada di nomor 5

Personil

5. Jelas menyatakan berapa jumlah staf yang diklasifkasikan ke dalam fungsi utama dan/atau departemen, diklasifikasikan berdasarkan jenis pekerjaan dengan minimal 3 tahun perbandingan
4. Seperti nomor 5, tetapi kekurangan satu fitur sig
3. Seperti nomor 4, tetapi kekurangan dua fitur sig
2. Seperti nomor 3, tapi kurang tiga fitur sig
1. Jarang referensi

Ringkasan Fakta dan Angka Statistik

5. Terpisah, berjudul bagian fakta-fakta kunci dan angka setidaknya 3 tahun tren dan perbandingan ilustrasi kemungkinannya
4. Seperti nomor 5, tetapi tidak memiliki beberapa fitur penting
3. Lebih dari satu tahun ringkasan
2. Satu tahun ringkasan tetapi kekurangan kelengkapannya
1. Jarang referensi

Pengukuran Kinerja

5. Memisahkan judul bagian yang membandingkan kinerja bagian non-keuangan dan kinerja bagian keuangan dengan tujuan untuk kunci kegiatan sebagai indikasi dari penstandaran memenuhi indikator kinerja yang berasal dari tujuan
4. Seperti nomor 5, tetapi kekurangan beberapa fitur yang signifikan
3. Menyeluruh tetapi hanya ringkasan satu tahun
2. Satu tahun ringkasan tetapi tidak lengkap
1. Jarang referensi

Tinjauan Keuangan

5. Terpisah, judul bagian menyediakan tinjauan dari pendapatan, belanja, aset, kewajiban, modal proyek dan isu keuangan lainnya yang signifikan dengan setidaknya tiga tahun perbandingan penjelasan dari ilustrasi kemungkinan tren
4. Seperti nomor 5, tetapi kekurangan satu fitur
3. Berjudul, tinjauan singkat
2. Tinjauan singkat sebagai bagian dari laporan bagian lainnya

1. Jarang

Pernyataan Operasi/Pernyataan dari Kinerja Keuangan
5. Sebuah pernyataan yang menunjukkan semua pendapatan dan pengeluaran (baik-dalam laporan atau catatan), tidak lebih dari 10% dari total dalam setiap kriteria yang tidak dianalisa, setahun perbandingan sub pos dan bantuan lain untuk pemahaman kriteria tidak wajar, kriteria luar biasa, keseluruhan peningkatan/ penurunan dalam operasi, kemampuan dalam catatan pendapatan dan pengeluaran oleh program atau fungsi dan perbandingan dengan tahun sebelumnya
4. Seperti nomor 5, tetapi juga kekurangan beberapa rincian pengungkapan atau lebih Agregat
3. Seperti nomor 5, tetapi tidak memiliki beberapa beberapa rincian pengungkapan dan lebih agregat
2. Sebuah Ringkasan pernyataan operasi tetapi tidak memiliki atribut lebih jauh seperti yang diuraikan dalam nomor 5 di atas
1. Sebuah ringkasan pernyataan dengan kriteria input (mis: gaji, barang habis pakai)

Laporan Posisi Keuangan
5. Pernyataan detail yang mengungkapkan semua aset dan kewajiban dalam kategori utama. Detail dari cadangan dan pergerakan cadangan. Perbandingan ekstensif sub pos catatan kaki, sesuai klasifikasi tidak lebih dari 20% dari aset dalam satu kriteria dalam aset catatan dianalisis seusai dengan fungsi/program
4. Seperti nomor 5, tetapi hilang beberapa detail
3. Seperti nomor 4, tetapi lebih dari 20% dari aset diungkapkan dalam satu item Dianalisis
2. Dasar, termasuk perbandingan dan beberapa catatan kaki tetapi selama-agregat
1. Buruk atau tidak ada klasifikasi, aset utama dihilangkan, jarang ada catatan kaki

Laporan Arus Kas
5. Format Arus kas perbandingan, terdapat sub pos, catatan kaki yang informatif dan bantuan lainnya untuk memahami dengan jelas rekonsiliasi dengan surplus/defisit
4. Seperti nomor 5, tetapi kurang satu fitur yang signifikan
3. Dasar pernyataan dengan perbandingan
2. Dasar pernyataan tanpa perbandingan
1. Referensi minim

Catatan untuk Laporan Keuangan
5. Pernyaataan dari Kebijakan Akuntansi yang signifikan dengan detail yang sangat baik, menunjukkan penuh dasar presentasi. Jika berubah, alasan untuk perubahan dirinci dengan jelas dengan dampak kuantitatif pernyataan yang jelas bahwa semua perubahan yang telah diungkapkan dan aplikasi dinyatakan konsisten dengan kriteria lainnya. Catatan khusus yang berkaitan dengan semua kriteria utama
4. Seperti nomor 5, tetapi hanya satu bagian dengan kekurangan yang signifikan
3. Seperti nomor 5, tetapi di bawah perubahan, terbatas referensi dampak kuantitatif
2. Seperti nomor 5, tapi dua bagian dengan kekurangan yang signifikan
1. Setiap referensi yang gagal memenuhi kriteria pada nomor dua

Akuisisi Aktiva Tidak Lancar dan Pembuangan/Penyusutannya

5. Pengungkapan komprehensif dari akuisisi aset dan pembuangan, dan depresiasi dari semua aset yang digunakan termasuk kebijakan dan jumlah dianalisis berdasarkan jenis aset dengan perubahan pada akun akumulasi penyusutan
4. Seperti no. 5, tetapi beberapa aset yang digunakan dihilangkan atau over-agregat
3. Seperti no. 4, tetapi terbatas pengungkapan kebijakan dan/atau analisis
2. Seperti no.3, tetapi perubahan di akun akumulasi penyusutan dihilangkan
1. Informasi minim, penyusutan tidak ditunjukkan sebagai biaya operasional

Investasi (Lihat di kas juga)
5. Pemisahan jadwal menunjukkan semua kepemilikan pendapatan investasi sebagai bagian dari penilaian dasar
4. Seperti nomor 5, tetapi mengabaikan satu komponen signifikan
3. Seperti nomor 4, tetapi menghilangkan dua komponen signifikan
2. Memisahkan jadwal tetapi kurang rinci
1. Minimal Pengungkapan

Komitmen dan Kontijensi
5. Jika tidak ada komitmen dan kontijensi maka pernyataan yang jelas untuk efek ini
Jika komitmen: pernyataan terpisah dengan penuh pengungkapan, menyatakan atau proyek dan menunjukkan total pengeluaran diharapkan dan pengeluaran tanggal tertentu dengan tanggal pelunasan yang diharapkan
Jika kontijensi: terpisah, pernyataan yang jelas yang jelas mengungkapkan setiap kriteria dengan dampak keuangan, jelas menyatakan bahwa setiap kriteria Diungkapkan
4. Seperti nomor 5, menyebutkan keduanya dan dampak keuangan tapi tidak lengkap untuk kedua faktor komitmen atau kontijensi
3. Seperti no. 4, tetapi tidak lengkap untuk kedua faktor atau lengkap untuk satu dan lainnnya tidak disebutkan
2. Komitmen dan Kontijensi sebagaimana dimaksud untuk namun tidak ada pengungkapan dampak ekuangan
1. Jarang referensi ke salah satu komitmen atau kontijensi

Perbandingan dari Aktual ke Anggaran
5. Pengungkapan komprehensif dari aktual, anggaran dan varians baris demi baris secara total dan oleh program menunjukkan rincian dari operating revenue, operating expense, kriteria tidak normal dan penaikkan/penurunan kemampuan Operasi
4. Seperti nomor 5, tetapi varians dikecualikan
3. Ringkasan pernyataan operasi hanya dengan varians
2.Ringkasan pernyataan operasi saja
1. Sporadis, tidak lengkap hanya pengungkapan

Ukuran Pemda
total aktiva   Rp.

APPENDIX 2

RESPONDENT OF THE MODIFIED LGA INDEX

	NAME	WORKING BACKGROUND
1	RASONO TS M.Si., Ak	Head of DPPKAD Banyumas Regency (Kepala DPPKAD Kabupaten Banyumas)
2	DRS WAHYU DEWANTO M.Si., SE	Head of Treasury DPPKAD Banyumas Regency (Kepala bidang perbendaharaan DPPKAD Kabupaten Banyumas)
3	DRS LUGINO REKSAWIDJAYA	Head of Department of Asset DPPKAD Banyumas Regency (Kepala Bidang Aset DPPKAD Kabupaten Banyumas)
4	BAWUK PUJI SANTOSO M.Si., SE	Head of verification and accounting section in treasury of DPPKAD Region (Kepala Seksi Verifikasi dan Akuntansi bidang perbendaharaan DPPKAD Kabupaten Banyumas)
5	Anthon Merdhiansyah	BPK auditor (Auditor BPK di bidang BpMigas)

APPENDIX 3

Qualitative Ranking Criteria of Disclosure

Qualitative Ranking Criteria	Total	Percentage (%)
a. Statement of Objectives	191	4,7
b. Mayor's Report	164	4,04
d. Corporate Structure	236	5,08
e. Internal Control	319	7,9
g. Personnel	174	4,3
j. Summary Facts and Figures/ Key Statistics	278	6,9
k. Performance Measurement	336	8,3
l. Financial Review	329	8,1
m. Operating Statement/Statement of Financial Performance	393	9,7
n. Statement of Financial Position	359	8,9
o. Statements of Cash Flow	251	6,2
p. Notes to Financial Statements	403	9,9
q. Non Current Asset Acquisition and Disposal/Depreciation	128	3,2
r. Investments (Look in Cash as well)	123	3
s. Actual to Budget Comparison	371	9,1

Source: data processing result

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
roe	304	14.10634	-.15281	13.95354	.1227384	.06133633	1.06943549	1.144
roa	304	53.28903	-51.40007	1.88897	-.1328850	.16956123	2.95640107	8.740
pm	304	72.50282	-17.15339	55.34943	1.2845763	.24646389	4.29724477	18.466
cr	304	2801.06699	.00268	2801.06968	118.7520900	16.77022469	2.92398859E2	85497.093
der	304	17.24553	.00006	17.24558	.0919369	.05753993	1.00324300	1.006
ltta	304	153.55865	.00002	153.55866	.5357232	.50542390	8.81236686	77.658
at	304	48.30786	.00040	48.30826	.3590329	.20575026	3.58737836	12.869
ortr	304	1240.78178	-1239.88549	.89629	-17.3236506	4.28374455	74.68963830	5578.542
oroe	304	22.62031	.00057	22.62087	.2087871	.07485621	1.30516264	1.703
size	304	10.37	20.58	30.95	27.8004	.05826	1.01581	1.032
Valid N (listwise)	304							

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
roe	82	-.03814	.16522	.0224873	.02999972
roa	82	-.03830	.14205	.0205137	.02596234

pm	82	-1.12029	3.99003	.9028120	1.13841375
cr	82	.09262	309.78498	59.1229293	82.02654259
der	82	.00018	.06227	.0080903	.01039870
ltta	82	.00002	.78818	.0136215	.08688869
at	82	.00601	.26184	.0376902	.04102360
ortr	82	-80.20698	.84907	-10.7729890	11.53009975
oroe	82	.02824	.92921	.1181283	.13747008
size	82	25.34	30.29	28.0042	.81846
Valid N (listwise)	82				

NORMALITY TEST

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		304
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.05585023
Most Extreme Differences	Absolute	.122
	Positive	.122
	Negative	-.081
Kolmogorov-Smirnov Z		2.124
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal.

b. Calculated from data.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		82
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.00873851
Most Extreme Differences	Absolute	.133
	Positive	.087
	Negative	-.133
Kolmogorov-Smirnov Z		1.204
Asymp. Sig. (2-tailed)		.110

a. Test distribution is Normal.
b. Calculated from data.

AUTOCORRELATION TEST

Model Summary[g]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.632[a]	.399	.315	.00933	
2	.632[b]	.399	.324	.00927	
3	.632[c]	.399	.333	.00921	
4	.624[d]	.389	.331	.00922	
5	.610[e]	.372	.322	.00929	
6	.602[f]	.362	.320	.00930	1.662

a. Predictors: (Constant), size, cr, pm, ltta, at, der, ortr, roa, oroe, roe
b. Predictors: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe
c. Predictors: (Constant), size, cr, pm, ltta, der, roa, oroe, roe
d. Predictors: (Constant), size, pm, ltta, der, roa, oroe, roe
e. Predictors: (Constant), size, pm, ltta, der, oroe, roe
f. Predictors: (Constant), size, pm, ltta, der, oroe
g. Dependent Variable: index

MULTICOLINEARITY TEST

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.016	.031		-.539	.592
	roe	-.048	.049	-.324	-.964	.338
	roa	.003	.051	.020	.066	.947
	pm	.001	.001	.216	.906	.368
	cr	-6.744E-6	.000	-.125	-1.048	.298
	der	.031	.056	.072	.550	.584
	ltta	.002	.008	.045	.279	.781

	at	.013	.031	.124	.423	.674
	ortr	.000	.000	.275	1.440	.154
	oroe	-.011	.009	-.340	-1.176	.244
	size	.001	.001	.174	.868	.388

a. Dependent Variable: abs_res1

Adjusted R square

Model Summary[g]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.632[a]	.399	.315	.00933
2	.632[b]	.399	.324	.00927
3	.632[c]	.399	.333	.00921
4	.624[d]	.389	.331	.00922
5	.610[e]	.372	.322	.00929
6	.602[f]	.362	.320	.00930

a. Predictors: (Constant), size, cr, pm, ltta, at, der, ortr, roa, oroe, roe

b. Predictors: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe

c. Predictors: (Constant), size, cr, pm, ltta, der, roa, oroe, roe

d. Predictors: (Constant), size, pm, ltta, der, roa, oroe, roe

e. Predictors: (Constant), size, pm, ltta, der, oroe, roe

f. Predictors: (Constant), size, pm, ltta, der, oroe

g. Dependent Variable: index

ANOVA[g]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.004	10	.000	4.722	.000[a]
	Residual	.006	71	.000		
	Total	.010	81			
2	Regression	.004	9	.000	5.320	.000[b]
	Residual	.006	72	.000		
	Total	.010	81			
3	Regression	.004	8	.001	6.063	.000[c]
	Residual	.006	73	.000		
	Total	.010	81			
4	Regression	.004	7	.001	6.736	.000[d]

	Residual	.006	74	.000		
	Total	.010	81			
5	Regression	.004	6	.001	7.402	.000[e]
	Residual	.006	75	.000		
	Total	.010	81			
6	Regression	.004	5	.001	8.621	.000[f]
	Residual	.007	76	.000		
	Total	.010	81			

a. Predictors: (Constant), size, cr, pm, ltta, at, der, ortr, roa, oroe, roe

b. Predictors: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe

c. Predictors: (Constant), size, cr, pm, ltta, der, roa, oroe, roe

d. Predictors: (Constant), size, pm, ltta, der, roa, oroe, roe

e. Predictors: (Constant), size, pm, ltta, der, oroe, roe

f. Predictors: (Constant), size, pm, ltta, der, oroe

g. Dependent Variable: index

HETEROCEDASTICITY TEST

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.524	.066		7.955	.000		
	roe	.141	.107	.375	1.321	.191	.105	9.525
	roa	-.148	.110	-.340	-1.343	.183	.132	7.569
	pm	-.003	.002	-.336	-1.666	.100	.208	4.808
	cr	1.519E-5	.000	.111	1.093	.278	.828	1.208
	der	-.160	.120	-.147	-1.324	.190	.686	1.459
	ltta	.029	.018	.223	1.639	.106	.457	2.187
	at	.001	.068	.003	.010	.992	.139	7.210
	ortr	2.553E-5	.000	.026	.162	.872	.324	3.083
	oroe	-.050	.020	-.616	-2.517	.014	.141	7.072
	size	.005	.002	.375	2.217	.030	.296	3.378
2	(Constant)	.525	.063		8.352	.000		
	roe	.142	.075	.377	1.882	.064	.208	4.812
	roa	-.148	.095	-.341	-1.557	.124	.174	5.759
	pm	-.003	.002	-.337	-1.772	.081	.231	4.328
	cr	1.518E-5	.000	.110	1.104	.273	.833	1.200
	der	-.159	.119	-.147	-1.335	.186	.687	1.456
	ltta	.029	.018	.223	1.652	.103	.458	2.184
	ortr	2.550E-5	.000	.026	.163	.871	.324	3.082
	oroe	-.050	.010	-.613	-4.890	.000	.530	1.887
	size	.005	.002	.374	2.320	.023	.321	3.119
3	(Constant)	.521	.058		9.033	.000		
	roe	.143	.074	.381	1.931	.057	.211	4.734

	roa	-.145	.093	-.334	-1.566	.122	.181	5.523
	pm	-.003	.002	-.351	-2.109	.038	.297	3.369
	cr	1.504E-5	.000	.109	1.103	.274	.836	1.196
	der	-.156	.117	-.144	-1.337	.185	.712	1.404
	ltta	.027	.012	.207	2.184	.032	.912	1.096
	oroe	-.050	.010	-.612	-4.924	.000	.533	1.877
	size	.005	.002	.384	2.568	.012	.369	2.712
4	(Constant)	.530	.057		9.284	.000		
	roe	.128	.073	.342	1.757	.083	.218	4.577
	roa	-.133	.092	-.307	-1.446	.152	.184	5.449
	pm	-.003	.002	-.347	-2.080	.041	.297	3.367
	der	-.204	.108	-.188	-1.885	.063	.829	1.206
	ltta	.026	.012	.204	2.145	.035	.913	1.095
	oroe	-.051	.010	-.618	-4.972	.000	.534	1.873
	size	.005	.002	.363	2.445	.017	.375	2.669
5	(Constant)	.541	.057		9.482	.000		
	roe	.063	.058	.169	1.093	.278	.351	2.847
	pm	-.005	.001	-.481	-3.446	.001	.430	2.325
	der	-.228	.108	-.210	-2.119	.037	.849	1.178
	ltta	.025	.012	.191	2.007	.048	.921	1.086
	oroe	-.051	.010	-.616	-4.921	.000	.534	1.873
	size	.005	.002	.336	2.264	.026	.381	2.626
6	(Constant)	.577	.047		12.376	.000		
	pm	-.004	.001	-.369	-3.902	.000	.941	1.062
	der	-.256	.105	-.236	-2.440	.017	.898	1.113
	ltta	.024	.012	.186	1.950	.055	.924	1.083
	oroe	-.046	.010	-.565	-4.863	.000	.623	1.605
	size	.003	.002	.243	1.995	.050	.567	1.762

a. Dependent Variable: index

Coefficient Correlations[a]

Model			size	cr	pm	ltta	at	der	ortr	roa	oroe	roe
1	Correlations	size	1.000	.113	-.264	-.111	.277	.389	-.342	.089	-.523	.176
		cr	.113	1.000	.033	.070	.081	.351	.062	-.070	-.049	.065
		pm	-.264	.033	1.000	.298	.316	-.139	.452	-.317	-.160	-.347
		ltta	-.111	.070	.298	1.000	.040	-.166	.706	-.162	-.097	-.041
		at	.277	.081	.316	.040	1.000	-.044	.017	.489	-.856	-.703
		der	.389	.351	-.139	-.166	-.044	1.000	-.190	-.144	-.030	.270
		ortr	-.342	.062	.452	.706	.017	-.190	1.000	-.168	-.052	-.103
		roa	.089	-.070	-.317	-.162	.489	-.144	-.168	1.000	-.410	-.702
		oroe	-.523	-.049	-.160	-.097	-.856	-.030	-.052	-.410	1.000	.500
		roe	.176	.065	-.347	-.041	-.703	.270	-.103	-.702	.500	1.000

	Covariances	size	5.423E-6	3.661E-9	-1.228E-6	-4.555E-6	4.372E-5	.000	-1.259E-7	2.289E-5	-2.441E-5	4.370E-5
		cr	3.661E-9	1.931E-10	9.092E-10	1.708E-8	7.663E-8	5.870E-7	1.370E-10	-1.065E-7	-1.357E-8	9.636E-8
		pm	-1.228E-6	9.092E-10	3.990E-6	1.050E-5	4.282E-5	-3.336E-5	1.426E-7	-6.969E-5	-6.404E-6	-7.391E-5
		ltta	-4.555E-6	1.708E-8	1.050E-5	.000	4.769E-5	.000	1.967E-6	.000	-3.452E-5	-7.707E-5
		at	4.372E-5	7.663E-8	4.282E-5	4.769E-5	.005	.000	1.871E-7	.004	-.001	-.005
		der	.000	5.870E-7	-3.336E-5	.000	.000	.015	-3.614E-6	-.002	-7.259E-5	.003
		ortr	-1.259E-7	1.370E-10	1.426E-7	1.967E-6	1.871E-7	-3.614E-6	2.494E-8	-2.915E-6	-1.661E-7	-1.730E-6
		roa	2.289E-5	-1.065E-7	-6.969E-5	.000	.004	-.002	-2.915E-6	.012	.000	-.008
		oroe	-2.441E-5	-1.357E-8	-6.404E-6	-3.452E-5	-.001	-7.259E-5	-1.661E-7	.000	.000	.001
		roe	4.370E-5	9.636E-8	-7.391E-5	-7.707E-5	-.005	.003	-1.730E-6	-.008	.001	.011
2	Correlations	size	1.000	.095	-.385	-.127		.418	-.361	-.055	-.576	.542
		cr	.095	1.000	.008	.067		.356	.061	-.126	.041	.172
		pm	-.385	.008	1.000	.301		-.132	.471	-.570	.226	-.185
		ltta	-.127	.067	.301	1.000		-.164	.706	-.209	-.123	-.018
		der	.418	.356	-.132	-.164		1.000	-.189	-.141	-.131	.337
		ortr	-.361	.061	.471	.706		-.189	1.000	-.202	-.073	-.127
		roa	-.055	-.126	-.570	-.209		-.141	-.202	1.000	.019	-.578
		oroe	-.576	.041	.226	-.123		-.131	-.073	.019	1.000	-.278
		roe	.542	.172	-.185	-.018		.337	-.127	-.578	-.278	1.000
	Covariances	size	4.939E-6	2.893E-9	-1.612E-6	-4.938E-6		.000	-1.259E-7	-1.156E-5	-1.316E-5	9.076E-5
		cr	2.893E-9	1.892E-10	1.944E-10	1.606E-8		5.847E-7	1.320E-10	-1.648E-7	5.738E-9	1.786E-7
		pm	-1.612E-6	1.944E-10	3.542E-6	9.918E-6		-2.961E-5	1.389E-7	.000	4.369E-6	-2.621E-5
		ltta	-4.938E-6	1.606E-8	9.918E-6	.000		.000	1.938E-6	.000	-2.214E-5	-2.401E-5

		der	.000	5.847E-7	-2.961E-5	.000		.014	-3.549E-6	-.002	.000	.003
		ortr	-1.259E-7	1.320E-10	1.389E-7	1.938E-6		-3.549E-6	2.459E-8	-3.021E-6	-1.171E-7	-1.502E-6
		roa	-1.156E-5	-1.648E-7	.000	.000		-.002	-3.021E-6	.009	1.910E-5	-.004
		oroe	-1.316E-5	5.738E-9	4.369E-6	-2.214E-5		.000	-1.171E-7	1.910E-5	.000	.000
		roe	9.076E-5	1.786E-7	-2.621E-5	-2.401E-5		.003	-1.502E-6	-.004	.000	.006
3	Correlations	size	1.000	.125	-.262	.194		.382		-.140	-.647	.537
		cr	.125	1.000	-.024	.033		.375		-.116	.045	.182
		pm	-.262	-.024	1.000	-.050		-.049		-.550	.295	-.143
		ltta	.194	.033	-.050	1.000		-.044		-.095	-.101	.102
		der	.382	.375	-.049	-.044		1.000		-.186	-.148	.321
		roa	-.140	-.116	-.550	-.095		-.186		1.000	.005	-.622
		oroe	-.647	.045	.295	-.101		-.148		.005	1.000	-.291
		roe	.537	.182	-.143	.102		.321		-.622	-.291	1.000
	Covariances	size	4.236E-6	3.522E-9	-8.885E-7	4.922E-6		9.156E-5		-2.667E-5	-1.358E-5	8.196E-5
		cr	3.522E-9	1.860E-10	-5.439E-10	5.577E-9		5.957E-7		-1.466E-7	6.282E-9	1.841E-7
		pm	-8.885E-7	-5.439E-10	2.721E-6	-1.017E-6		-9.430E-6		-8.395E-5	4.964E-6	-1.748E-5
		ltta	4.922E-6	5.577E-9	-1.017E-6	.000		-6.289E-5		.000	-1.273E-5	9.313E-5
		der	9.156E-5	5.957E-7	-9.430E-6	-6.289E-5		.014		-.002	.000	.003
		roa	-2.667E-5	-1.466E-7	-8.395E-5	.000		-.002		.009	4.644E-6	-.004
		oroe	-1.358E-5	6.282E-9	4.964E-6	-1.273E-5		.000		4.644E-6	.000	.000
		roe	8.196E-5	1.841E-7	-1.748E-5	9.313E-5		.003		-.004	.000	.006
4	Correlations	size	1.000		-.261	.191		.364		-.127	-.659	.527
		pm	-.261		1.000	-.049		-.043		-.556	.297	-.141
		ltta	.191		-.049	1.000		-.061		-.092	-.103	.097
		der	.364		-.043	-.061		1.000		-.155	-.178	.278

		roa	-.127		-.556	-.092		-.155		1.000	.010	-.615
		oroe	-.659		.297	-.103		-.178		.010	1.000	-.304
		roe	.527		-.141	.097		.278		-.615	-.304	1.000
	Covariances	size	4.182E-6		-8.808E-7	4.830E-6		8.052E-5		-2.396E-5	-1.374E-5	7.870E-5
		pm	-8.808E-7		2.727E-6	-1.004E-6		-7.710E-6		-8.462E-5	4.997E-6	-1.700E-5
		ltta	4.830E-6		-1.004E-6	.000		-8.099E-5		.000	-1.296E-5	8.786E-5
		der	8.052E-5		-7.710E-6	-8.099E-5		.012		-.002	.000	.002
		roa	-2.396E-5		-8.462E-5	.000		-.002		.008	9.625E-6	-.004
		oroe	-1.374E-5		4.997E-6	-1.296E-5		.000		9.625E-6	.000	.000
		roe	7.870E-5		-1.700E-5	8.786E-5		.002		-.004	.000	.005
5	Correlations	size	1.000		-.402	.182		.351			-.663	.573
		pm	-.402		1.000	-.121		-.157			.364	-.737
		ltta	.182		-.121	1.000		-.076			-.102	.052
		der	.351		-.157	-.076		1.000			-.179	.234
		oroe	-.663		.364	-.102		-.179			1.000	-.378
		roe	.573		-.737	.052		.234			-.378	1.000
	Covariances	size	4.174E-6		-1.136E-6	4.602E-6		7.727E-5			-1.391E-5	6.799E-5
		pm	-1.136E-6		1.910E-6	-2.073E-6		-2.344E-5			5.167E-6	-5.912E-5
		ltta	4.602E-6		-2.073E-6	.000		.000			-1.303E-5	3.757E-5
		der	7.727E-5		-2.344E-5	.000		.012			.000	.001
		oroe	-1.391E-5		5.167E-6	-1.303E-5		.000			.000	.000
		roe	6.799E-5		-5.912E-5	3.757E-5		.001			.000	.003
6	Correlations	size	1.000		.037	.186		.272			-.588	
		pm	.037		1.000	-.122		.023			.136	

	ltta	.186		-.122	1.000		-.091			-.089	
	der	.272		.023	-.091		1.000			-.100	
	oroe	-.588		.136	-.089		-.100			1.000	
Covariances	size	2.809E-6		5.756E-8	3.853E-6		4.786E-5			-9.384E-6	
	pm	5.756E-8		8.750E-7	-1.417E-6		2.238E-6			1.214E-6	
	ltta	3.853E-6		-1.417E-6	.000		.000			-1.054E-5	
	der	4.786E-5		2.238E-6	.000		.011			-9.989E-5	
	oroe	-9.384E-6		1.214E-6	-1.054E-5		-9.989E-5			9.067E-5	

a. Dependent Variable: index

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions										
				(Constant)	roe	roa	pm	cr	der	ltta	at	ortr	oroe	size
1	1	5.936	1.000	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	1.574	1.942	.00	.00	.00	.01	.00	.00	.04	.01	.01	.01	.00
	3	1.093	2.331	.00	.01	.01	.01	.01	.03	.20	.00	.02	.00	.00
	4	.896	2.574	.00	.00	.00	.00	.38	.04	.00	.00	.01	.00	.00
	5	.707	2.897	.00	.00	.00	.00	.00	.33	.08	.01	.00	.01	.00
	6	.293	4.505	.00	.01	.01	.02	.49	.25	.10	.00	.12	.00	.00
	7	.262	4.758	.00	.06	.01	.09	.00	.00	.04	.05	.04	.09	.00
	8	.142	6.469	.00	.00	.03	.09	.09	.13	.24	.03	.30	.02	.00
	9	.071	9.168	.00	.01	.40	.61	.01	.00	.27	.04	.37	.06	.00
	10	.027	14.910	.00	.87	.51	.09	.00	.05	.00	.78	.01	.54	.00
	11	.000	219.279	1.00	.03	.01	.07	.01	.16	.01	.08	.12	.27	1.00
2	1	5.506	1.000	.00	.00	.00	.00	.01	.01	.00		.00	.00	.00
	2	1.317	2.045	.00	.01	.00	.01	.03	.00	.10		.01	.05	.00
	3	1.082	2.256	.00	.02	.01	.02	.00	.03	.15		.02	.01	.00
	4	.851	2.544	.00	.00	.00	.00	.36	.16	.01		.01	.01	.00
	5	.579	3.083	.00	.00	.00	.00	.05	.23	.08		.00	.25	.00
	6	.290	4.354	.00	.01	.02	.01	.46	.24	.13		.15	.02	.00
	7	.194	5.326	.00	.26	.00	.33	.01	.02	.01		.01	.08	.00
	8	.117	6.869	.00	.13	.05	.02	.06	.12	.34		.45	.25	.00
	9	.064	9.246	.00	.27	.91	.47	.02	.01	.16		.21	.00	.00
	10	.000	202.771	1.00	.30	.00	.15	.01	.18	.02		.14	.32	1.00
3	1	4.929	1.000	.00	.00	.00	.01	.01	.01	.00			.00	.00
	2	1.257	1.980	.00	.02	.01	.02	.03	.00	.09			.05	.00

	3	.985	2.237	.00	.01	.00	.01	.06	.10	.48			.01	.00
	4	.783	2.510	.00	.00	.00	.00	.33	.11	.34			.00	.00
	5	.567	2.949	.00	.01	.00	.00	.11	.24	.04			.27	.00
	6	.217	4.764	.00	.00	.02	.00	.40	.33	.01			.22	.00
	7	.190	5.093	.00	.32	.00	.51	.02	.01	.00			.01	.00
	8	.073	8.196	.00	.35	.93	.40	.03	.04	.00			.02	.00
	9	.000	178.065	1.00	.29	.02	.07	.02	.15	.04			.41	1.00
4	1	4.644	1.000	.00	.00	.00	.01		.01	.00			.01	.00
	2	1.220	1.951	.00	.02	.01	.02		.02	.07			.07	.00
	3	.949	2.212	.00	.01	.00	.01		.05	.75			.00	.00
	4	.608	2.763	.00	.00	.00	.00		.51	.13			.15	.00
	5	.313	3.849	.00	.01	.01	.00		.25	.01			.31	.00
	6	.191	4.934	.00	.33	.00	.49		.00	.00			.02	.00
	7	.075	7.869	.00	.35	.95	.41		.02	.00			.02	.00
	8	.000	171.223	1.00	.28	.02	.07		.14	.04			.42	1.00
5	1	3.958	1.000	.00	.01		.01		.02	.00			.01	.00
	2	1.065	1.928	.00	.02		.03		.00	.41			.06	.00
	3	.881	2.120	.00	.05		.06		.07	.42			.02	.00
	4	.608	2.552	.00	.00		.00		.53	.13			.14	.00
	5	.298	3.644	.00	.07		.01		.25	.01			.31	.00
	6	.191	4.556	.00	.51		.74		.00	.00			.02	.00
	7	.000	156.757	1.00	.33		.16		.13	.03			.43	1.00
6	1	3.450	1.000	.00			.02		.02	.01			.02	.00
	2	1.015	1.843	.00			.02		.01	.72			.04	.00
	3	.670	2.269	.00			.40		.00	.18			.21	.00
	4	.587	2.425	.00			.16		.69	.05			.04	.00
	5	.278	3.524	.00			.39		.19	.01			.36	.00
	6	.000	119.648	1.00			.00		.08	.03			.33	1.00

a. Dependent Variable: index

Excluded Variables[f]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
2	at	.003[a]	.010	.992	.001	.139	7.210	.105
3	at	.002[b]	.008	.994	.001	.139	7.208	.106
	ortr	.026[b]	.163	.871	.019	.324	3.082	.174
4	at	-.020[c]	-.080	.936	-.009	.140	7.162	.107
	ortr	.015[c]	.095	.924	.011	.326	3.070	.176
	cr	.109[c]	1.103	.274	.128	.836	1.196	.181

5	at	.139[d]	.655	.514	.076	.188	5.325	.174
	ortr	-.030[d]	-.188	.852	-.022	.339	2.952	.317
	cr	.091[d]	.918	.361	.106	.848	1.180	.344
	roa	-.307[d]	-1.446	.152	-.166	.184	5.449	.184
6	at	.201[e]	1.176	.243	.135	.286	3.491	.192
	ortr	.024[e]	.161	.873	.019	.376	2.663	.376
	cr	.074[e]	.753	.454	.087	.865	1.156	.567
	roa	-.078[e]	-.457	.649	-.053	.295	3.389	.295
	roe	.169[e]	1.093	.278	.125	.351	2.847	.351

a. Predictors in the Model: (Constant), size, cr, pm, ltta, der, ortr, roa, oroe, roe

b. Predictors in the Model: (Constant), size, cr, pm, ltta, der, roa, oroe, roe

c. Predictors in the Model: (Constant), size, pm, ltta, der, roa, oroe, roe

d. Predictors in the Model: (Constant), size, pm, ltta, der, oroe, roe

e. Predictors in the Model: (Constant), size, pm, ltta, der, oroe

f. Dependent Variable: index

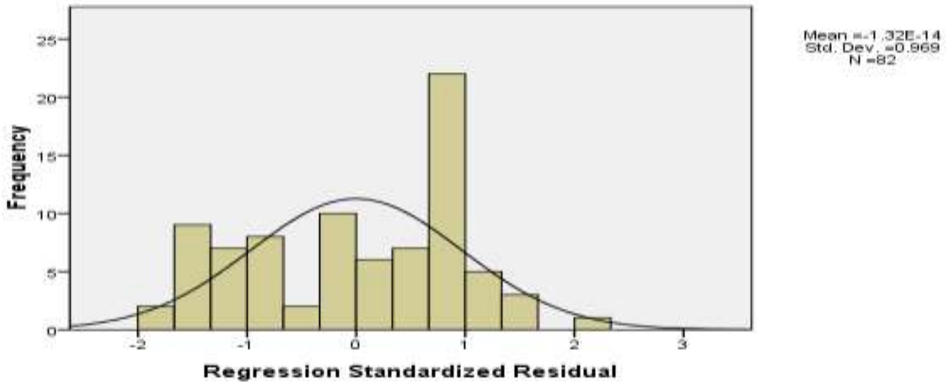
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.6331	.6707	.6599	.00678	82
Std. Predicted Value	-3.943	1.592	.000	1.000	82
Standard Error of Predicted Value	.001	.009	.002	.001	82
Adjusted Predicted Value	.4043	.6707	.6565	.02913	82
Residual	-.01735	.02074	.00000	.00901	82
Std. Residual	-1.866	2.230	.000	.969	82
Stud. Residual	-1.905	2.819	.032	1.036	82
Deleted Residual	-.01809	.26568	.00342	.03096	82
Stud. Deleted Residual	-1.940	2.960	.032	1.047	82
Mahal. Distance	.143	79.618	4.939	10.244	82
Cook's Distance	.000	135.391	1.671	14.949	82
Centered Leverage Value	.002	.983	.061	.126	82

a. Dependent Variable: index

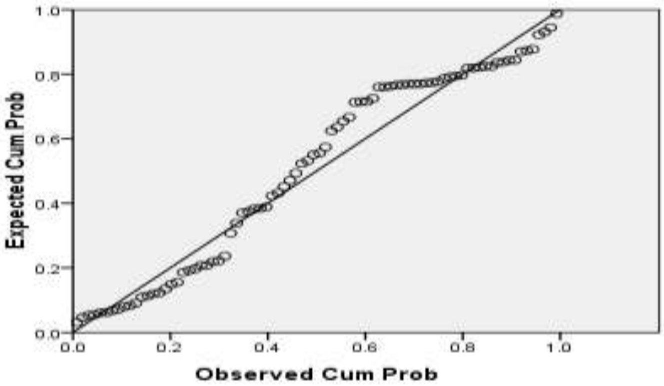
Histogram

Dependent Variable: index



Normal P-P Plot of Regression Standardized Residual

Dependent Variable: index



Scatterplot

Dependent Variable: index