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The Art of Accounting: Driving Accuracy and Accountability in Business

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Abstract

This research aims to find out the influence of accounting understanding on the quality of financial reporting and to emphasize the importance of Accounting Understanding in preparing accurate and reliable financial reporting. This research utilizes a quantitative approach with primary data get from questionnaires and interviews. The research population consists of employees in the accounting, finance, and related departments in the trade, services, manufacturing, banking, and education sectors in the city of Bandung. A total of 140 respondents were selected as the sample. The analysis technique used is simple linear regression with the assistance of IBM SPSS version 25 statistical testing tools. The results of the study show that accounting understanding influences the quality of financial reporting. It was found that 73.8% of the variation in the quality of financial reporting is explained by accounting understanding, while the other is influenced by other variables. Increasing accounting understanding has an impact on the quality of financial reporting more accurate and reliable and encourages the creation of a transparent, accountable and integrity-based business environment both locally and nationally. The novelty of this study lies in the simultaneous approach between questionnaires and interviews to measure accounting understanding in more depth as well as a wider coverage of sectors in the Bandung City area that have not been widely explored in previous studies.

Keywords: *Accounting Understanding; Bandung City; Employees; The Quality of Financial Reporting*

INTRODUCTION

The rapid progress of the economy has made accounting an essential function for all companies in presenting financial information (Firnanda, 2023). Accounting is a process that includes recording, classifying, processing, and reporting financial information so that it can be used by all parties (Nur, 2020). Financial information that assists users in making capital allocation decisions is called to as financial reporting (Kieso et al., 2024). Financial reporting has qualitative characteristics that are divided into two categories: basic characteristics such as relevance and fair presentation, and reinforcing characteristics such as comparability, verifiability, timeliness, and understandability (Mubarakah, 2023). If financial reporting meets its qualitative criteria, such as consistency, the ability to show profits, and the ability to generate cash flow, then financial reporting is considered high quality (Digdowiseiso et al., 2022).

High of the quality of financial reporting shows the economic activity and financial condition of a company at the end of the reporting period (Phornlaphatrachakorn & Kalasindhu, 2021). Financial reporting must be prepared by companies located in all cities in Indonesia, both for-profit and non-profit (Melia, 2022). Bandung is one of the cities in Indonesia that has many business sectors with investment potential, such as trade, services, and manufacturing (Sutrisno, 2024). Bandung also has a good education sector, as evidenced by Bandung's inclusion in the ranks of the best student cities in Southeast Asia according to the Quacquarelli Symonds (QS) World University Rankings (WUR) in 2023 (Nasher, 2024). The West Java Province, including the city of Bandung, experienced positive growth in the banking sector during 2025 (Surjadireja, 2025).

Despite its many advantages, Salman Fauzi, Secretary of the Bandung City Council, noted that the Bandung City Government received a financial audit report from the State Audit Agency (BPK) in 2022 due to incomplete asset reporting (Herdiana, 2023). Another finding occurred at the Bandung City Prosecutor's Office (KEJARI) in 2023, which uncovered a case of PT Telkom Akses Regional Jawa Barat manipulating financial reporting for company projects by managers, assistant managers, and financial staff (Alhamidi,

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2023). Not only in Bandung City, but several companies in Indonesia were also found to have manipulated their financial reporting, resulting in an inaccurate portrayal of their actual conditions (Muis, 2024). The government uncovered a case of financial reporting manipulation at PT Delta involving the finance director and other senior executives (Fitrianingsih, 2024). A similar case was also found at PT Indofarma Tbk, which engaged in manipulation and concealment of financial information in its financial reports from 2020 to 2022 (Rokhimah, 2024).

This case may occur because management covers up the company's unhealthy condition by reporting good financial performance in collusion with accountants to remain attractive to investors and stakeholders (Ramadani et al., 2021). This situation indicates manipulation in the form of fictitious financial records (Nurul, 2024). Errors and fraud in financial reporting reduce the quality and integrity of financial information and affect the trust of parties involved (Lestari & Jayanti, 2021). n addition, the government has experienced difficulties in preparing annual Local Government Financial Reports (LKPD), resulting in low-quality local government financial reporting characterized by unsynchronized data between components, lack of detail in presentation, and incomplete financial reporting (Rizal, 2025). There are also findings of difficulties in preparing financial reports for MSMEs in Indonesia due to a lack of accounting understanding in financial reporting, resulting in MSME transactions not being recorded consistently and well documented (Rachmawati & Hidayatullah, 2024).

According to research by Wiska & Colin (2021) the majority of MSMEs do not utilize financial reporting due to poor accounting implementation and skills. The low number of workers in the finance and accounting industry due to recruitment practices that do not pay attention to credentials can be a source of this lack of accounting understanding (Wijayanti & Ariyani, 2022). Therefore, this issue appearances how important it is to improve staff accounting understanding to maintain the quality of financial reporting (Wijayanti & Ariyani, 2022). Accounting understanding is the level of a person's understanding of the accounting process (Taufiqurrohman et al., 2021). Accounting professionals realize that the standards and principles of financial reporting are fundamental to them (Indrawan & Dewi, 2022).

Reports made with a good understanding of accounting will be better (Wijayanti & Ariyani, 2022). Understanding accounting can help accountants make better decisions because accurate and responsible reporting is provided in all areas (Gardi et al., 2021). Accountability and accuracy are very important in financial reporting to assure that the data presented is accurate, transparent and accountable (Efunniyi et al., 2024). Accurate and accountable financial reporting can be trusted by creditors, investors, and other stakeholders will increase investment and economic growth (Boiko et al., 2024). Accordance with research by Erawati & Setyaningrum (2021) and Indrawan & Dewi (2022) which found that the quality of financial reporting is influenced by accounting understanding, while studies by Ngo & Cong (2024) and Nur et al. (2023) found that accounting understanding has no effect on the quality of financial reporting.

Different from previous studies, this research focuses on the influence of accounting understanding on the quality of financial reporting in the context of employees from the education, trade, services, manufacturing, and banking sectors in Bandung. The aim is to find out how employee accounting understanding affects the quality of financial reporting of companies in certain sectors in Bandung. The implications of this research suggest that companies can prioritize improving employee accounting understanding in making more effective financial reporting plans. Practically, businesses can use these findings to improve the accuracy, accountability, and trust of stakeholders in the business world, especially in Bandung and nationally. The theoretical benefit of this research is to increase understanding of the relationship among accounting understanding and the quality of financial reporting.

MATERIALS

Agent Theory

Agent theory where the principal and agent are two parties connected by this theory (Gama et al., 2024). Although the agent has the authority to decide what is best for the principal, the principal can also give instructions to the agent on how to perform tasks on behalf of the principal (Chenkiani & Prasetyo, 2023). According to this theory, agents are responsible for running the business in the best interests of the principal (Kiran et al., 2024). In a business, investors are the principals and management is the agent (Yulianti et al., 2023). This theory emphasizes how principals and agents differ in their preferences and behaviors, which can lead to conflicts, especially in financial reporting, which is often the cause of problems (Said et al., 2022; Wardoyo et al., 2022).

This is because the agent is unable to meet the substantial profit increase expected by the principal, which can result in fraudulent financial reporting (Sutisna et al., 2024). Because agents have access to information about business transactions and activities that can be misused, fraud can harm the principal (Chenkiani & Prasetyo, 2023). Information imbalance in financial reporting is generated by this situation, and this can occur in various public and private sector organizations (Somad et al., 2023; Ternalemta et al., 2021). Although the lack of mastery of accounting standards and transparency principles can increase the risk of report manipulation, a good accounting understanding by principals and agents is essential to incresing the quality of financial reporting, lessen information imbalances, and minimizing conflicts of interest (Ding et al., 2022). A strong accounting understanding enables agents to create financial reports that comply with relevant standards, providing accurate and reliable data that can be used by principals to inform their decision making (Calabrò et al., 2022; Indrawan & Dewi, 2022).

The Quality of Financial Reporting

According to Kieso et al. (2024), financial reporting is the preparation of financial data by a company to assist stakeholders in decision making. Financial reporting that

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complies with relevant accounting standards and produces accurate data to assist decision making is called quality (Taufiqurrohman et al., 2021). Income statement, changes in equity, cash flow, financial position, and notes to financial statements are forms of financial reporting (Saragih et al., 2023). Financial reporting is considered of high quality if it has persistence value, reflects future profits and cash flows, and meets the qualitative characteristics of financial reporting (Digdowiseiso et al., 2022). These characteristics are divided into two categories: basic and reinforcing characteristics (Mubarakah, 2023).

Basic characteristics consist of relevance, which includes predictive value, requiring information to be utilize to predict future outcomes, confirmatory value, requiring information to confirm or change previous evaluations, and materiality, which requires that inaccuracies in information can influence users' decisions, as well as fair presentation that is complete, understandable to users, neutral, and free from misstatements without errors or omissions in the reported information (Mubarakah, 2023). In addition, the qualitative characteristics of reinforcement consist of comparability, which allows users to identify figures in financial reporting, verifiability, which ensures the accuracy of data, timeliness, which ensures information is available in a timely manner for decision-making, and understandability, which involves the classification, grouping, and presentation of information in a clear and concise manner (Mubarakah, 2023). Financial reporting as a form of accountability in financial management must be prepared with quality that meets qualitative characteristics, so that it can serve as an appropriate guide for decision-making (Suyono & Fitri, 2023). By providing information about a company's financial position and performance, financial reporting aims to help internal and external parties make decisions (Kieso et al., 2024; Sukamulja, 2022). Good the quality of financial reporting provides relevant information about the economic activities and financial condition of a company during a certain period of time (Phornlaphatrachakorn & Kalasindhu, 2021).

According to agency theory, raising the standard of financial reporting can increase accountability and transparency, which lessens information asymmetry and guarantees that agents behave in the principal's best interests (Taufiqurrohman et al., 2021). The research by Dyah et al. (2021) explains that improving the quality of financial reporting requires the involvement of employees who understand the accounting process and can comply with applicable regulations and standards when preparing the report. Employees' accounting understanding and competence are important for companies to pay attention to because they can support the timeliness of financial statement preparation and reduce errors and fraud in reporting (Ternalemta et al., 2021; Wijayanti & Ariyani, 2022). Fraud in financial reporting will reduce the quality and integrity of the financial information presented and influence related parties (Lestari & Jayanti, 2021). Thus, a company is considered healthy if it has quality financial reporting without any irregularities in its accounting process (Taufiqurrohman et al., 2021).

Accounting Understanding

Accounting is a process that includes recording, classifying, processing, and reporting finances, thereby producing information that can be used by all parties who need it (Nur, 2020). Accounting understanding is the extent to which a person understands and comprehends facts or information related to the accounting cycle and produces financial information as a basis for corporate decision-making (Taufiqurrohman et al., 2021). There are four basic principles of accounting: the measurement principle, which governs the valuation of transactions using historical cost, current cost, current market value, or net realizable value, revenue recognition, expense recognition, and full disclosure in financial reporting (Mubarakah, 2023). By adhering to basic accounting principles and applicable standards, a person can be said to have accounting understanding (Indrawan & Dewi, 2022). Having a good accounting understanding can increase the quality of financial reporting (Wijayanti & Ariyani, 2022).

Research by Saragih et al. (2023) explains that financial reporting needs to be accompanied by a good accounting understanding. Linked to agency theory, someone with an understanding of accounting can minimize misinformation and agency problems and increase the appeal of financial reporting (Ding et al., 2022). Accounting understanding act in improving transparency, accuracy, and accountability in a company, as well as detecting and preventing financial statement manipulation practices that can harm stakeholders (Al-Hashimy, 2022; Sari & Hwihanus, 2025). Research by Rahman et al. (2023), Lestari & Dewi (2020), Rahmiyanti et al. (2020), and Rashid (2020) state that accounting understanding influences the quality of financial reporting. In contrast, research by Ngo & Cong (2024) dan Nur et al. (2023), the quality of financial reporting is not influenced by accounting understanding.

H1: Accounting understanding influences the quality of financial reporting.

METHODS

Population and Sample

This research involved five sectors in the city of Bandung, namely trade, services, banking, manufacturing, and education. The research subjects are employees working in one of these sectors. This study uses purposive sampling techniques with several criteria: 1) Employees in the finance, accounting, and accounting-related departments; 2) Working in one of the five sectors studied in Bandung City; and 3) Employees who can be contacted by the researcher. Since the population size is not known with certitude, this study calculates the sample size using the Lemeshow formula (Wadji et al., 2024). Through this calculation, the minimum sample size necessary is approximately 96 employees. The Lemeshow formula used is as follows (Wadji et al., 2024):

$$n = \frac{Z^2 \times P\ (1-P)}{d^2}$$

Description:

n = Sample Size

Z = Z-score at 95% confidence level = 1.96

P = Maximum estimate = 0.5

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d = sampling error = 10%

Data Collection Techniques

This research utilizes a quantitative approximate with primary data get from interviews and questionnaires distributed to employees in five sectors according to the established sampling criteria. Interviews were conducted with two employees and used to strengthen the findings of the questionnaire, so that the exegesis of the research results was more accurate and reliable. This research uses a 5-point Likert scale as a data collection technique, with a rating range of 1 (Strongly Disagree) to 5 (Strongly Agree) to measure the influence of variables (Wijayanti & Ariyani, 2022).

Operational Definition of Variables

The operational definitions of the variables used in this research are as follows:

Table 1. Operational Definition of Variables

Variable	Dimensi	Indicator	No item	Question Item
Accounting understanding is the extent to which a person understands and comprehends accounting (Taufiqurrohman et al., 2021), a process that includes recording, classifying, processing, and reporting finances, thereby producing information that can be used by all parties who need it (Nur, 2020).	Accounting understanding: the extent to which a person understands and comprehends accounting (Taufiqurrohman et al., 2021).	Accounting Understanding	1	You understand the meaning and role of accounting (Example: You know that accounting is the process of recording transactions to play a role in reporting financial information)
			2	You know and understand the concepts of debit and credit in accounting (Example: You understand that debit is used to record add in assets and expenses, while credit is used to record add in liabilities, equity, and revenue)
	Accounting Process: includes recording, classifying, processing, and reporting economic events and transactions (Nur, 2020).	Recording Transactions	3	You are able to record financial transactions properly (Example: You record cash purchase transactions according to the account, transaction date, and amount paid)
		Classification of Transactions	4	You are able to distinguish and classify financial transactions according to the type of account in financial reporting, namely assets, liabilities, equity, revenue, and expenses (Example: You classify cash as an asset and electricity expenses as an expense)
		Transaction Processing	5	You can process and summarize each financial transaction that occurs (Example: You recapitulate financial transactions according to the appropriate account type)

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			6	You understand the importance of accuracy in recording financial transactions (Example: You cross-check financial transaction records before presenting financial reports)
		Transaction Reporting	7	You know and understand the types of financial reporting (Example: You know the difference among an income statement and a balance sheet)
Financial reporting is financial information provided by a company to assist users in making capital allocation decisions regarding the company (Kieso et al., 2024), which has the quality of consistency between financial statements and accounting principles (Taufiqurrohman et al., 2021).	Basic Accounting Principles: There are four basic accounting principles: measurement of financial statement elements, revenue recognition, expense recognition, and full disclosure (Mubarakah, 2023).	Measurement of Financial Elements	8	You can measure accounts in financial reporting (Example: You accurately calculate total revenue)
		Recognition of revenue and expenses	9	You can distinguish between the recognition of revenue and expenses (Example: You recognize revenue when goods/services are provided, while expenses are recognized when goods/services are used)
		Full disclosure	10	You understand that disclosure of information must be adequate and complete for all elements of financial reporting (Example: You understand that all information in financial reporting must be presented completely)
	Qualitative characteristics of financial statements: Financial information has basic characteristics, namely relevance if it has predictive value, confirmatory value, and materiality, and is presented fairly, completely, neutrally, and free from misstatement. Meanwhile, the reinforcing characteristics are comparability, verifiability, timeliness, and understandability (Mubarakah, 2023).	Basic qualitative characteristics	11	You understand the relevance of using financial reporting (Example: You understand the importance of financial reporting in predicting future financial conditions and evaluating decisions based on clear and relevant information)
			12	You know that financial reporting is presented fairly (Example: You understand that financial reporting presents financial information completely, neutrally, without manipulation, and free from errors)

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	Reinforcing qualitative characteristics	13	You understand that financial reporting can be compared (Example: You realize that financial reporting can be compared for decision-making)
		14	You understand that financial reporting needs to be verified for accuracy (Example: You are aware of the importance of checking financial reporting to prevent errors)
		15	You know that financial reporting is available on time (Example: You know that the 2023 financial reporting must be completed and available in full in 2024)
		16	You are able to understand the contents of financial reporting (Example: You realize that financial reporting is prepared and presented in clear language and format)

Data Analysis Techniques

This study begins data analysis with instrument validity and reliability tests and descriptive statistics. For validity test, R table is get from calculating the df value as follows (Fridayani & Kusuma, 2023):

df = n - 2

Description:

df = free degree

n = sample used

After the instrument is stated valid and reliable, the analysis is continued with a classical assumption test to assure the regression model meets statistical requirements including normality and heteroscedasticity tests. The main analysis used is simple linear regression. In this analysis, a t-test, a determination coefficient test (R^2), and a correlation test. The simple regression analysis equation is as follows (Wiska & Colin, 2021):

$$Y = \alpha + \beta_1 X_1 + \varepsilon$$

Description:

Y = Financial Reporting Quality

α = Constant value

β = Regression coefficient

ε = error

Based on the above explanation, this research uses the following conceptual framework:

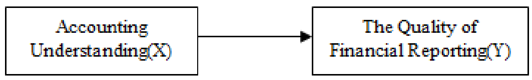

Figure 1. Conceptual Framework

RESULTS

Descriptive Statistics

Descriptive statistical tests are utilized for describe variable data such as the number of data points, mean, minimum, maximum, and standard deviation (Priyatno, 2022). The results of these tests help to understand the patterns and structure of the data (Alhempi et al., 2024).

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean
X	140	21.00	35.00	32.0286
Y	140	27.00	45.00	40.9214

Source: Primary data, 2025

Based on Table 2, this research used a sample of 140 people. For the accounting understanding variable, the minimum value is 21, the maximum value is 35, the mean value is 32.03, and the standard deviation is 4.49. For the quality of financial reporting variable, the minimum value is 27, the maximum value is 45, the mean value is 40.92, and the standard deviation is 4.55. The data show a stable level of variation because the relatively high means for both variables indicate that the majority of respondents gave a fairly good

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assessment of their accounting understanding and the quality of financial reporting. However, the wide range of values, especially on the quality of financial reporting with a difference of 18 points, indicates a considerable variation in responses among respondents. This condition indicates the possibility of outliers from respondents assessments. Therefore, although in general the data distribution looks good, it is necessary to conduct further tests such as normality tests to assure the accuracy of the analysis results and the fulfillment of the basic assumptions of regression analysis.

Validity Test

Validity test is a test utilized for see the accuracy of variables in research (Somad et al., 2023). Statements in research are said to be valid if they can provide actual results and respondents can answer each statement given (Bhegawati & Novarini, 2021). The data will be declared valid by having criteria with R count > R table (Wiska & Colin, 2021).

Table 3. Validity Test Results

Variable	No	R Table	R Count	Description
X	1		0,812	
	2		0,820	
	3		0,862	
	4		0,840	
	5		0,841	
	6		0,734	
	7		0,763	
Y	1		0,794	
	2		0,756	
	3		0,795	
	4	0,166	0,743	Valid
	5		0,777	
	6		0,769	
	7		0,802	
	8		0,776	
	9		0,800	

To get the R table value, the researcher used the df calculation formula with n of 140. Thus the R table value was obtained at 0.166. Based on the table 3, each statement item regarding the two variables in the questionnaire is declared valid. In accordance with research by Wiska & Colin (2021), variables are stated to be valid if they have a value of r count> r table. R table is calculated build upon on the df formula using a significance value of 5% (Fridayani & Kusuma, 2023).

Reliability Test

Reliability test is a test utilized for see the consistency of research results repeatedly (Said et al., 2023). Research with a high degree of reliability shows that the research is increasingly trustworthy and reliable (Bhegawati & Novarini, 2021). This research uses the Cronbach's Alpha value to test the reliability of each variable, with a value that is considered reliable if ≥ 0.70 (Said et al., 2023). In this manner, the variable value is deemed unreliable if it is < 0.70 (Simatupang & Yuhertiana, 2021).

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	N of Items	Description
X	0,910	7	Reliable
Y	0,916	9	Reliable

Source: Primary data, 2025

Based on table 4, it indicates that both variables are considered reliable because the Cronbach's alpha value is > 0.70. According to research by Said et al. (2023), the data is considered reliable if the Cronbach's Alpha value is ≥ 0.70. With this finding, the study can be continued to the classical assumption test stage.

Classical Assumption Test

The regression equation in the research was ensured by classical assumption tests to be accurate, valid, and free from errors (Sholihah et al., 2023). The aim is to assure that the regression model utilized produces accurate, unbiased estimates and produces consistent and reliable results (Juprianto et al., 2025). The normality and heteroscedasticity tests are the classical assumption tests utilized (Yuniasara, 2024).

Normality Test

The normality test is conducted to find out if the data has a normal distribution (Juprianto et al., 2025). This normality test utilizes the Kolmogorov Smirnov test and a significance value of ≥ 0.05 represents that the data is normally distributed (Sholihah et al., 2023).

Table 5. Normality Test Results

Residual	N	Mean	Std. Deviation	Asymp Sig. (2-tailed)	Exact Sig. (2-tailed)
Model 1	136	0,1618	2,1799	0,001	0,090

Source: Primary data, 2025

Since the Asymp Sig (2-tailed) value indicates that the data is not normally distributed, this study uses the Exact Sig (2-tailed) value to evaluate the normality of the data on table 5. Data that is not normally distributed can use the exact method because the asymptotic approach can produce less accurate or unreliable results, according to research by Hartini et al. (2022), data that is not normally distributed can use the exact method because the asymptotic approach can produce less reliable or inaccurate results. This study also identified outliers in four respondents who had very low values and deviated from the majority of the data. After the outliers were

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removed, the data distribution became more normal than before. The data is said to be normal because the sig value is 0.090> 0.05 (Sholihah et al., 2023).

Heteroscedasticity Test

The heteroscedasticity test is used to ensure if there are unequal variables in the regression equation (Sholihah et al., 2023). The ideal regression model is one that has constant residuals between observations, that is, there is no heteroscedasticity (Wiska & Colin, 2021). This test is do with the Glejser test and the data will be considered free from heteroscedasticity problems with a significance value of≥ 0.05 (Sholihah et al., 2023).

Table 6. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3,351	1,227		2,732	0,007
X	-0,050	0,038	-0,115	-1,336	0,184

Source: Primary data, 2025

On the table 6, the sig value is 0.184> 0.05, which means that there is no heteroscedasticity in the data. Research by Wiska & Colin (2021) explains that the ideal regression model is characterized by constant residuals, so it does not contain heteroscedasticity. In the absence of heteroscedasticity, the regression model in this research fulfills the classical assumptions, so that the resulting interpretations and predictions are more accurate and stable.

Simple Linear Regression Test

A simple linear regression test analysis is carried out to determine how much influence the independent variable (X) has on the dependent variable (Y) if the number of each variable is one (Putriyanti et al., 2024). In this analysis, hypothesis testing is do, namely the t test, the coefficient of determination, and the correlation test (Priyatno, 2022).

Table 7. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	4,342	1,908		2,275	0,024
X	1,143	0,059	0,859	19,448	0,000

Source: Primary data, 2025

Based on the table 7, a simple linear regression equation between accounting understanding (X) and financial reporting quality (Y) can be formed as follows:

$Y = \alpha + \beta_1 X_1 + \varepsilon$

$Y = 4{,}342 + 1{,}143X + e$

The regression equation could be interpreted if the accounting understanding variable is zero, then the quality of financial reporting variable will be 4.342. If the accounting understanding variable improves by one unit, the quality of financial reporting variable will increase by 1.143.

Statistical test t (t-test)

The influence of independent variables on dependent variables is measured using the t-statistic test (Wiska & Colin, 2021). This test is do by referring to the significance value (Sig) listed in the coefficient table. If the significance value is < 0.05, it could be deduced that the two variables have a significant influence at the 5% significance level (Sholihin et al., 2021). On table 7, the sig value is 0.000 < 0.05. Thus, the first hypothesis is accepted and there is a significant on both variables.

Coefficient of Determination

Coefficient of determination determines how well the independent variable explains the dependent variable (Wiska & Colin, 2021). This test is indicated by the R Square value (Lestari & Dewi, 2020). The coefficient of determination approaching 1 indicates that the independent variable could explain almost all the data from the dependent variable (Sholihin et al., 2021).

Table 8. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0,859	0,738	0,736	2,08081

Source: Primary data, 2025

Table 8 shows the R Square value of 0.738, which announces that accounting understanding influences the quality of financial reporting by 73.8%, with other variables influencing 26.2%. In line with the research of Sholihin et al. (2021), A value approaching one indicates that the independent variable is could to explain almost all the information from the dependent variable, so it can be decided that accounting understanding is able to explain information in financial reporting.

Correlation Test

The degree to which variables correlate with one another is determined by the correlation test (Alhempi et al., 2024). The interpretation of the correlation test (rs) is as follows (Alhempi et al., 2024):

- rs = 0: There is no linear relationship among the two variables,

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- $0.00 \leq rs < 0.30$: Weak linear relationship and low relatedness,
- $0.30 \leq rs < 0.70$: Moderate linear relationship,
- $0.70 \leq rs < 1.00$: Strong linear relationship, and
- $rs = 1$: Perfect positive linear relationship.

Table 9. Correlation Test Results

Variable		X	Y
Pearson Correlation	X	1,000	0,859
	Y	0,859	1,000
Sig. (2-tailed)		0,000	0,000
N		136	136

Source: Primary data, 2025

On the table 9, the Pearson Correlation value is 0.859. In accordance with the book written by Alhempi et al. (2024), this value indicates a positive and strong linear relationship among accounting understanding (X) and the quality of financial reporting (Y).

DISCUSSION

The results in this study were obtained through two methods, namely questionnaire and interview data tests. The quality of financial reporting is significantly impacted by accounting understanding, according to data testing results. The quality of financial reporting and accounting understanding are positively and strongly correlated. In addition, research shows that accounting understanding has an impact of 73.8% on the quality of financial reporting, while other factors such as information systems, internal control, organizational culture, and resource competence affect the remaining 26.2% (Nur et al., 2023; Safitri et al., 2023; Saragih et al., 2023; Sari & Hwihanus, 2025). Research by Wijayanti & Ariyani (2022), Rahman et al. (2023), Lestari & Dewi (2020), and Rashid (2020) supports the findings of this study by showing that accounting understanding significantly and positively affects the quality of financial reporting.

The researchers also conducted interviews with two workers in the trade and service sector to ensure a real correlation between these variables. One interviewee is employed as a financial manager, and the other is employed as a financial administrator. Even though administration is not directly involved in financial reporting, administration with an understanding of accounting can help make more informed choices (Gardi et al., 2021). Research by Suyono & Fitri (2023) explains that the quality of financial reporting can be better if the administration involved in the preparation process has an understanding of accounting. According to research by Nur et al. (2023) explain that having an accounting background will facilitate accounting understanding.

Based on the results of the interview, both informants have an accounting education background, so this supports their understanding of accounting. Judging from their work, only one informant as a financial manager carries out the accounting process from recording to financial reporting, while the other informant records and categorizes certain transaction documents, such as expenses and income. The transaction document is the first step in the accounting process because it serves as evidence of recording during the process of preparing financial reporting from internal and external sources (Saragih et al., 2023). Both informants have carried out accounting processes such as recording and measuring transactions according to the type of account accurately and completely. Through recording, all transactions that occur will be recapitulated, recognized, and disclosed properly for easy understanding (Fadhia & Ningsih, 2024).

Accurate recording of transactions can assist in providing adequate financial reporting (Gardi et al., 2021). Thus, informants who work as financial administrators use transaction recording to assist in preparing expense and income reports every month, while informants as financial managers use transaction recording to assist in preparing financial reports. Research by Kurniawan & Rita (2022) states that someone will make records for financial reporting when they have a good accounting understanding. Based on the interview results, both sources showed a good accounting understanding, including an understanding of the role and meaning of accounting in supporting the process of recording and reporting company finances. In addition, both interviewees also understand the basic concepts of accounting, such as debit and credit which they directly practice in their daily work.

Mubarakah (2023) in his book wrote that there are four accounting principles, namely transaction measurement, revenue recognition, expense recognition, and full disclosure in financial reporting. Both informants have measured each transaction according to the type of account in accounting, recognized each income and expense transaction, and disclosed the transaction fully and completely. Both interviewees also mentioned that it is very necessary to understand accounting in this field of work because this helps in the preparation of financial reporting. Thus, both interviewees have applied these principles in the accounting process for the company's financial transactions. Research by Indrawan & Dewi (2022) explains that someone who is guided by the basic principles of accounting and applicable standards is considered to have an understanding of accounting, so the two informants can be concluded to have an understanding of accounting.

Attributed to agency theory, someone who has an understanding of accounting can minimize misinformation, agency problems, and result in increased comparability of financial reporting (Ding et al., 2022). Because it improves the quality of information and reduces uncertainty, comparability is an important component of the qualitative characteristics of financial reporting (Ding et al., 2022). Research by Shuraki et al. (2021) explains that the higher the degree of comparability, the better the quality of financial reporting. In addition to comparability, Mubarakah (2023) in his book writes that the qualitative characteristics of financial reporting are divided into two, namely basic characteristics which include relevance and fair presentation, and reinforcing

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characteristics which include comparability, verifiability, timeliness, and understandability. Based on the interview results, both interviewees use the reports that have been made to compare financial conditions with the previous year, evaluate current financial performance, and predict future financial conditions.

Both interviewees double-check each transaction, so that the resulting reports can be prepared and presented fairly in full, free from errors, and neutral from manipulation. In addition, both informants also prepare reports in a timely, accurate and understandable manner. Although one of the interviewees who works as a financial administrator does not use the financial statements directly due to limited access, both of them know that the company's financial statements have been verified by the auditor. This shows that the qualitative characteristics of financial reporting have been applied to the process of preparing financial statements. In addition, both sources have a good understanding of accounting, so they are capable to support the accounting process from recording to financial reporting in appropriate with applicable principles and characteristics.

If financial reporting meets the qualitative criteria of financial reporting, then financial reporting is rated of high quality (Digdowiseiso et al., 2022). High-quality financial reporting provides relevant information by reflecting the economic reality of a company's activities and financial condition during a specific time period while meeting qualitative characteristics that demonstrate accountability, accuracy, and assistance in decision making (Phornlaphatrachakorn & Kalasindhu, 2021; Suyono & Fitri, 2023). The interview results showed that both sources emphasized the importance of accurate financial reporting because it shows the company's true financial condition and can influence decisions. Thus, it could be concluded that the results of data testing and interviews consistently show that accounting understanding increases the quality of financial reporting by applying appropriate accounting principles and accurate and accountable recording and reporting processes. Attributed to agency theory, increasing the quality of financial reporting could strengthen transparency and accountability, thereby minimizing information asymmetry and ensuring agents act in appropriate with the interests of the principal (Taufiqurroh man et al., 2021).

In this case, understanding accounting plays an important role, both for MSMEs and in government financial management. Many MSMEs experience obstacles in preparing adequate financial reporting because they still operate simply and do not understand accounting principles (Setyaningsih & Farina, 2021; Wiska & Colin, 2021). Therefore, it is necessary to have an accounting understanding in order to help increase the quality of financial reporting in MSMEs (Erawati & Setyaningrum, 2021; Rahmiyanti et al., 2020). Similar problems also occur in the government sector where the quality of Local Government Financial Statements (LKPD) is often low due to data unsynchronization between components, presentation that is not detailed, and incomplete reporting (Rizal, 2025). Thus, high accounting understanding in government financial managers is also necessary because it has influence on the quality of financial reporting, as seen in LPD, BUMDes Jembrana, and BPKAD Badung (Bhegawati & Novarini, 2021; Indrawan & Dewi, 2022; Lestari & Dewi, 2020).

Although accounting understanding generally has influence on reporting quality, in some cases, accounting understanding can actually be one of the factors causing a lessen in the quality of financial reporting (Setyaningsih & Farina, 2021). Research by Nur et al. (2023) found that accounting understanding is not always directly proportional to improving the quality of financial reporting, and can even have a negative impact if misused. In line with research by Ngo & Cong (2024), the more company leaders who have expertise in finance and accounting, more the intervention in earnings management and causes a decrease in the quality of financial reporting. Earnings management such as manipulation and fraud in financial statements can occur through recording fictitious transactions (Nurul, 2024). When management is under pressure to meet the profit expectations of stakeholders, this type of fraud usually occurs (Sutisna et al., 2024).

This practice not only reduces the quality of reporting, but also damages the integrity of the financial information presented and can mislead decision makers (Lestari & Jayanti, 2021). Fraud in financial reporting can harm interested parties because management has access and control over information related to company activities and transactions that have the potential to be misused (Chenkiani & Prasetyo, 2023). Therefore, strict supervision and effective internal audit implementation are important to ensure compliance with accounting standards and detect potential fraud early on (Pebrianti & Handayani, 2024). In this case, companies need to balance the improvement of accounting understanding with the implementation of a strict supervisory system, so that expertise is used ethically and responsibly (Mandal & Amilan, 2023). To achieve high financial reporting quality, companies need to consistently apply accounting standards and improve employee competence in accounting (Mahmud & Lukum, 2023).

Efforts to increase the accuracy and transparency of financial information could be carried out through training and development of human resources, and supported by the utilize of technology in accounting systems that increase the efficiency of the financial recording and reporting process (Fanshurna et al., 2025; Rahmattuwloh et al., 2024). More accountable, accurate, and informative financial reporting for strategic decision making will be generated by combining the assistance of technology, internal control, and human resource expertise (Alzoubi, 2023). According to research by Salehi et al. (2023), effective internal control and reporting transparency can help ensure accurate and accountable financial reporting. If accuracy refers to the precision and reliability of data in financial reports, accountability refers to the accountability and disclosure of information (Ahrens & Ferry, 2021). To promote information transparency, stakeholder trust, sustainable investment, and economic growth, accountability and accuracy of financial reporting are essential (Efunniyi et al., 2024; Boiko et al., 2024).

CONCLUSION

This study shows that accounting understanding greatly influences the quality of financial reporting in the manufacturing, trade, services, banking, and education sectors in Bandung City. Workers who understand the basics of accounting can produce more accurate, relevant, and accountable financial reports. The interview results also show how important accounting understanding is for the process of making financial reports. These results strengthen the application of agency theory which explains how accounting understanding can reduce information asymmetry among principals and agents, improving reporting accuracy and stakeholder accountability. The implications of this research indicate that improving employee accounting understanding needs to be a primary concern for companies in developing better financial reporting strategies.

This research has several limitations. The research only discussed five sectors in Bandung City, so the results cannot be generalized to other areas or sectors. Data collected through questionnaires and interviews are subjective and could be influenced by the personal experiences of respondents. In addition, this research only uses one independent variable, namely accounting understanding and a simple linear regression method that does not consider the possibility of moderating or mediating variables that could influence the quality of financial reporting. The presence of outliers in the data can also affect the results of the analysis and cause potential bias.

For future research, it is approved to utilize more complex analytical methods such as multiple regression or path analysis. Research also needs to consider additional variables such as internal control, information technology utilization, and organizational culture. In addition, data management needs to be done more carefully, especially in dealing with outliers. To find out the influence of accounting understanding more comprehensively and sustainably, further research needs to consider methods with observations over a certain period of time. With these steps, future research is expected to produce more comprehensive and practically useful findings.

STATEMENT OF COMPETING INTEREST

The authors state that there are no known conflicts of interest in connection with this publication and no significant financial support that could influence the results of the study.

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