

CHAPTER I

INTRODUCTION

A. Background of The Problem.

عَنْ أَبِي سَعِيدٍ الْخُدْرِيِّ رَضِيَ اللَّهُ عَنْهُ قَالَ : سَمِعْتُ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يَقُولُ
: مَنْ رَأَى مِنْكُمْ مُنْكَرًا فَلْيُغَيِّرْهُ بِيَدِهِ، فَإِنْ لَمْ يَسْتَطِعْ فَبِلِسَانِهِ، فَإِنْ لَمْ يَسْتَطِعْ فَبِقَلْبِهِ وَتِلْكَ
أَضْعَفُ الْإِيمَانِ

[رواه مسلم]

“Whosoever of you sees an evil, let him change it with his hand; and if he is not able to do so, then [let him change it] with his tongue; and if he is not able to do so, then with his heart — and that is the weakest of faith.”. (Muslim)

Based on the hadith above, every effort must be done until our last ability. Effort will not be maximum if it is not balanced with prayer, because prayer is the weapon of a believer. The above hadith is relevant for every day life. For instance, when it is applied in the work environment. The employees could also make mistake that will affect the organization. This could experienced by accounting students that will be an auditor in the Finance Department that will commit a lot of wrongdoing. Therefore, the existence of auditors is one attempt to overcome the wrongdoing that exist in the work environment. One of the characteristics that an auditor must have is professional skepticism. Having a high ability of professional skepticism as an auditor provides great benefits.

In 2002, one of the largest and seemingly most successful energy companies in the world, Enron, collapsed and subsequently declared bankruptcy. Research by the Securities and Exchange Commission's (SEC) found that one of the causes of bankruptcy in Enron was because of auditors who had a low level of skepticism. The Securities and Exchange Commission's (SEC) investigation revealed that the audit team failed to gather enough information on Enron's more complicated transactions. This failure, in addition to harming the public accounting firm economically, also caused public lack of trust of accountant and the loss of creditor and investor confidence in the capital market. Problems regarding the low quality of audits are the major issue recently with the involvement of public accountant. Agency theory related to audit issues shows that the demand of audit services arises because of a conflict interests between management as agents and shareholders as principal, with other parties contracting with clients (Srimindarti, 2006).

In this case, auditors are considered capable of connecting the interests of principals and agents in managing company finances (Setiawan, 2006). A study conducted by the SEC (Securities and Exchange Commission) found that the third order and cause of audit failure was an inadequate level of professional skepticism. Also, 40 audit cases examined by the SEC, 24 cases (60%) of which occurred because auditors did not apply adequate levels of professional skepticism (Beasley, 2001). Therefore the low level of professional skepticism can cause failure to detect fraud. Along with significant economic growth, causing increasingly complex problems in the economic field. The problem of

improvement in this field will continue with the increase in audit requirements. Therefore, the auditor will get more work demands. auditors are expected to have a high level of skepticism to minimize errors in audit data. Many companies have implemented training to increase the level of skepticism of auditors, this has also been confirmed in regulation by International Auditing Standard (ISA 200) that states “building in professional skepticism from the outset is key”.

Nelson (2009) defines professional scepticism as being indicated by auditor judgements and decisions that reflect a heigh-tened assessment of the risk that an assertion is incorrect, conditional on the information available to the auditor. This states that auditors who have a relatively high level of skepticism will gather more evidence than directly trust the available evidence. Given the importance of professional skepticism for auditors, a significant number of studies have attempted to identify the factors that influence auditors’ professional skepticism (e.g., Carpenter & Reimers 2013; Ciolek, at al 2019; Hurtt 2010; Fatmawati 2018,). Of particular relevance to the current study are the individual trait of auditors that can be influenced by formal education and the clients’ characteristics, which are listed as factors that affect professional skepticism.

Fatmawati et al. (2018) show that the higher the level of the participants’ formal education is, the higher their trait skepticism level will be. Along with the results, research shows that gender has a significant influence in determining the level of skepticism of students. in that study, researchers tried to measure the effect of accounting education on students' skeptical levels. The study used a case-based questionnaire. This research approach tends to measure situational

skepticism, because it refers to certain conditions. This concludes the issue of whether the research can measure student skepticism in nature. In this study it is also difficult to state whether university accounting programs can influence students' level of skepticism. This is because research does not include control variables that are useful for limiting the influence of external factors. Therefore, it is not possible to state that formal accounting education has an impact on the level of professional skepticism.

Earlier researchers (Ciolek et al., 2019) has identified whether the university accounting programs had any significant impact on students' trait professional skepticism. The researchers in the aforesaid study compared the change of professional skepticism level measured with Hurtt's Professional Skepticism Scale (HPSS) over a four-year period, with students enrolled in a standard accounting program, ACCA-accredited (Association of Chartered Certified Accountants) accounting program, and management program (control group). The researcher found that students who enrolled in the ACCA accreditation program (Association of Certified Accountants) of the six characteristics of skepticism, they have two characters whose scores are higher compared to other programs..

Ciolek et al., (2019) purpose that replicating this study in other universities may generate different results. Therefore, I adapt this research at universities in Yogyakarta. Yogyakarta has both universities that have been and not have been accredited by Association of Chartered Certified Accountants (ACCA). One instance for an ACCA-accredited university is ABC University ,

whereas XYZ University (UMY) becomes an example of non ACCA-accredited university. With all these reasons, it is hoped that this research can provide more evidence that it is possible to build students skepticism through university accounting programs that are oriented to solving "real life" accounting and audit problems.

The main goal of this study was to identify whether the university accounting programs had any significant impact on students' trait professional skepticism, as defined by Hurtt (2010). Based on the aforesaid study, it has chance to build the level of professional skepticism through training and accounting education. However, the other research findings did not mention about the standard academic programs in accounting that the researcher used. As the requirements regarding the level of professional skepticism demanded from graduates by the audit firms are high, it is important to determine whether university accounting education develops this trait, along with knowledge and skills.

Based on the explanation of the research gap of some studies above and further suggestion from some researches, the researcher takes an interesting subject matter of research that has never been studied before, the researchers proposed the title that is:

**“THE COMPARISON OF PROFESSIONAL SKEPTICISM LEVEL BETWEEN
ACCA-ACCREDITED DAN NON ACCA-ACCREDITED ACCOUNTING
PROGRAM’S STUDENT”**

B. Limitations of Problem

The study has some limitations that should be taken into consideration when interpreting the findings. It should be noted that professional skepticism in this study was measured with HPSS, which means that all of the results refer to those of previous research and the construct of professional skepticism. Other studies utilized different measurement standards other than HPPS, making it difficult to make comparison between the results of the current study.

C. Research Questions

Researcher formulated a research question based on the explanation above, as follows :

1. Is the level of Professional Skepticism of ACCA-accredited accounting program students higher than that of non ACCA-accredited accounting program students?
2. Is the level of Professional Skepticism of non ACCA-accredited accounting program students higher than that of management program students ?
3. Is the level of Professional Skepticism of ACCA-accredited accounting program students the highest among other programs ?

D. Research Objective

1. To examine and find the empirical evidence of the influence of professional skepticism towards Accounting program.

2. To identify the effects of different accreditation of university Accounting program towards the level of professional skepticism.
3. To identify whether it is possible to shape trait professional skepticism of accounting students through final year undergraduate.

E. Research Benefit

There are contributions to knowledge and related parties which are certainly expected to be benefits of this research. The expected benefits of this study are as follows:

1. Practical Benefits

a. Company / Management

This research will contribute to provide information that is beneficial and relevant to the company management as important reference materials that are used in a decision making process of recruiting accounting graduates to be part of the company. Specifically those with high trait skepticism and positive personality traits.

b. Society

This research contributes to providing awareness and encouragement to the public, so that they pay more attention to the accreditation standards of each existing university and increase knowledge about the importance of forming an auditor's skepticism.

2. Theoretical Benefits

a. Academics

The results of this study are expected to offer some the benefits in the form of insight knowledge that can be taken into account. The contribution is in the form awarness for academics related to the importance of accounting standards for undergraduate programs in cultivating skepticism in their students.

b. Company

The current study offers an insight to the companies to pay more attention to the program that natures and strengthens the skeptical aspect of their auditors in doing auditing because the auditor's skepticism greatly influences the success of knowing the errors in the audited data. Therefore, this mandatory programs can be done seriously by the company.