

**THE INFLUENCE OF ACCOUNTING UNDERSTANDING, ACCOUNTING  
INFORMATION SYSTEM QUALITY AND SUPERVISORY BOARD FUNCTION ON  
THE QUALITY OF FINANCIAL REPORTING OF VILLAGE-OWNED ENTERPRISES**  
(A Study on Village-Owned Enterprises in Tabanan District)

**Ni Kadek Yuna Ristyani**

Faculty of Economics, Ganesha University of Education, Indonesia  
(yuna.ristyani@undiksha.ac.id)

**Desak Nyoman Sri Werastuti**

Faculty of Economics, Ganesha University of Education, Indonesia  
(sri.werastuti@undiksha.ac.id)

**I Made Pradana Adiputra**

Faculty of Economics, Ganesha University of Education, Indonesia  
(adiputra@undiksha.ac.id)

**ABSTRACT**

This study aims to analyze the influence of accounting understanding, accounting information systems quality, and supervisory board function on the quality of financial reporting of Village-Owned Enterprises in Tabanan District. The background of this study is the phenomenon of delays and low-quality financial reports, which have implications for the quality of Village-Owned Enterprise financial reporting. These problems are influenced by managers' limited understanding of accounting, suboptimal utilization of accounting information systems, and weak oversight functions. The novelty of this study lies in the integration of these three main variables into the quality of Village-Owned Enterprise financial reporting, a previously rarely studied study. This study used quantitative methods. The research data were sourced from primary data through questionnaires distributed to managers. The population of this study was 12 Village-Owned Enterprises in Tabanan District. The sampling technique used purposive sampling, resulting in a sample of 7 Village-Owned Enterprises in Tabanan District with 42 Village-Owned Enterprise managers as respondents. The results indicate that accounting understanding, accounting information system quality, and supervisory board function have a positive and significant effect on the quality of Village-Owned Enterprise financial reporting.

**Keywords:** financial reporting quality, accounting understanding, accounting information system quality, supervisory board function

## INTRODUCTION

To support rural development, the government has encouraged the establishment of Village-Owned Enterprises as a key instrument for improving the village economy. Village-Owned Enterprises are established by village governments to manage local economic potential with the aim of enhancing community welfare through various business activities. The purpose of Village-Owned Enterprises is to accommodate all community economic activities in the form of a business entity that is managed independently, effectively, and efficiently (Indrawan et.al, 2022). Village-Owned Enterprises are also designed to optimize local economic potential and improve the welfare of rural communities through the professional and accountable management of village resources.

Village-Owned Enterprises (BUMDes) are village-owned business institutions managed by the village government together with the village people who have efforts to strengthen the village economy and are formed based on social cohesion, which is formed based on the needs and potential that exist in the village itself (Sinarwati et.al, 2023), which is formed based on joint deliberation. The Village-Owned Enterprise business organization is an economic driver in the context of the local community (village) and has a major impact on economic growth in the village to improve the welfare of the village community (Kurniawan.P.S et al, 2024). Village-Owned Enterprises are under the ownership of the village government, used for the prosperity of the village community. Both the establishment, capital, implementation, and profits obtained are under the auspices of the village (Sujarweni, 2019). The existence of Village-Owned Enterprises is regulated in Government Regulation of the Republic of Indonesia Number 11 of 2021 concerning Village-Owned Enterprises, which aims to regulate the establishment, management and development of Village-Owned Enterprises at the village level. Village-Owned Enterprises are economic and social institutions established to increase PADes. Village-Owned Enterprises are also expected to be able to resolve social problems that occur in the village (Sinarwati et al., 2021).

The Province of Bali is one of the regions in Indonesia that has a large number of Village-Owned Enterprises, which are spread across all its regencies and cities, with a total of 627 Village-Owned Enterprises units across the 8 regencies in the province. The development of Village-Owned Enterprises in Bali has continued to increase from year to year. This growth is driven by a mandate from the Head of the Community Economic Development and Empowerment Division of the Bali Provincial Village Community Empowerment Agency, I Nengah Suta Maryana, who set a target for all villages in Bali to have established their own Village-Owned Enterprises by 2023. This statement was published on the website [www.tribunbali.com](http://www.tribunbali.com) in an article titled *"91 Villages in Bali Do Not Yet Have BUMDes, PMD Office Targets Completion by 2023"*, published on Wednesday, September 25, 2015. This directive is expected to encourage all regencies in Bali to establish Village-Owned Enterprises and further promote their development in every village.

Tabanan Regency, as the district with the highest number of Village-Owned Enterprises in the Province of Bali, naturally becomes a focal point for the government in its efforts to promote rural economic development. The growth and development of Village-Owned Enterprises require strong support from local governments. In response, the Tabanan Regency government, together with the Village Community Empowerment Agency, has actively encouraged the establishment of Village-Owned Enterprises in Tabanan to stimulate economic progress at the village level. However, despite efforts to promote the development of Village-Owned Enterprises in Tabanan, several operational challenges have emerged. One

key issue involves the quality of financial reporting, particularly in terms of timeliness and the overall quality of financial statements produced by the Village-Owned Enterprises.

Financial reporting is a form of accountability for an organization or entity that must be presented in accordance with the actual situation, which is presented to produce financial information as a basis for decision-making by interested parties (Pertiwi, 2021). Adequate financial reporting is one indicator of a business's success (Herawati et al., 2020). Financial reports are a tool used to analyze financial performance in making financial decisions and to account for management's use of resources in the business (Dewi & Sari, 2019). With financial reports, business owners will clearly understand how their business is performing, how its capital is developing, and whether inventory needs are sufficient or not. The quality of financial reports is crucial for an organization or entity to demonstrate its performance over a certain period and benefit stakeholders (Adiputra, 2018). Financial reporting must be carried out with transparency, namely being open, clear, and accessible. Accountability, as well as accountability, means that every use of funds can be accounted for according to applicable procedures and regulations. To increase transparency and accountability, Village-Owned Enterprise managers are expected to be able to employ honest people and create a good work culture (Werastuti et al., 2023), thus resulting in adequate financial reporting. The phenomenon that occurred in Tabanan District concerns the quality of its financial reporting, namely the low level of compliance with the reporting of financial reports of Village-Owned Enterprises in Tabanan District, with the lowest frequency of financial report submission compared to other districts in Tabanan Regency. Therefore, the Village-Owned Enterprises of Tabanan District are said to be Village-Owned Enterprises that do not report quality financial reports in accordance with the regulations. This is supported by a publication entitled "55 BUMDes Not Optimal" published on [www.nusabali.com](http://www.nusabali.com) on January 16, 2023. By stating that the cause of Village-Owned Enterprises in Tabanan not running optimally lies in their financial report reporting.

Based on the results of interviews at the Community and Village Empowerment Service with Mr. Wayan Arka, who stated that the main problem that occurred in Village-Owned Enterprises in Tabanan Regency was regarding financial report reporting. Reporting of Village-Owned Enterprises' financial reports is carried out at the end of each month, but based on existing data, there are still many who do not submit their financial reports to the Community and Village Empowerment Service of Tabanan Regency based on circulars, so that monthly financial reports cannot be presented. Based on the information obtained in the initial observation, there are several problems that are the cause of the existence of Village-Owned Enterprises in Tabanan District that do not report financial reports, namely the quality of Human Resources (HR) in Village-Owned Enterprises, namely the managers of Village-Owned Enterprises themselves, Accounting Information Systems and lack of supervision from the supervisory board in the preparation of Village-Owned Enterprises' financial reports. Based on initial observations, in the study there are three factors that are suspected to influence the quality of financial reporting in Village-Owned Enterprises.

The first factor is Accounting Understanding. The operational activities of Village-Owned Enterprises (BUM Desa), especially in financial management, are inseparable from the presence of competent human resources (Atmadja et al., 2024). The lack of knowledge and understanding of accounting among BUM Desa managers can affect the preparation of financial reports. Accounting understanding is a key asset for a financial manager in preparing financial reports (Dwiyanti & Werastuti, 2024). Having good knowledge and understanding of accounting will certainly improve the quality of financial reporting

(Riyanto, 2023). BUM Desa managers in Tabanan District still lack an understanding of accounting based on existing regulations. This is because there is no specific accounting training for each BUM Desa manager, so BUM Desa managers only rely on their own knowledge without specific training to align the contents of the financial reports for each BUM Desa in Tabanan District. Research conducted by Sopanah, et al. (2023), states that accounting understanding has a positive and significant effect on the quality of financial reporting. Research conducted by Riyanto (2023), states that accounting understanding has a positive and significant effect on financial reporting. Research conducted by Andari et al., (2022), states that the level of accounting understanding has a significant positive effect on the quality of financial reporting. Meanwhile, research conducted by Pratiwi et al. (2021) stated that the level of accounting understanding has a negative effect on the quality of financial reporting.

H<sub>1</sub>: Accounting Understanding Has a Positive and Significant Influence on the Quality of Financial Reporting

The second factor is accounting information system quality. An Accounting Information System is a system that plays a role in collecting, processing, backing up, and disseminating information used in decision-making by interested parties (Lestari et.al, 2020). An Accounting Information System is a system that also plays a crucial role in the process of preparing financial reports so that it can later improve the quality of financial reporting. In Village-Owned Enterprises in Tabanan District, the quality of the existing accounting information system is still lacking due to updates to the accounting information system application that can slow down the financial reporting process, so that the utilization of the accounting information system has not been optimally implemented, as well as a lack of understanding of the accounting information system among Village-Owned Enterprises financial managers. Research conducted by Wiratama et.al (2022), stated that the accounting information system has a positive and significant effect on the quality of financial reporting. Research conducted by Andari et al. (2022), stated that the quality of the accounting information system has a positive and significant effect on the quality of financial reporting. Research conducted by Indrawan et al, (2022), stated that the utilization of the accounting information system has a positive and significant effect on the quality of financial reports. Meanwhile, research conducted by Nurazizah (2024) stated that the quality of accounting information systems has a negative effect on the quality of financial reports.

H<sub>2</sub> : Accounting Information System Quality Has a Positive and Significant Influence on the Quality of Financial Reporting

The third factor is supervisory board function. The supervisory board is a group formed to supervise, monitor, and evaluate the operational activities of an organization or entity. The supervisory board's function is to ensure that activities are carried out in accordance with applicable regulations, objectives, and principles. In Village-Owned Enterprises, the supervisory board is a crucial element in the organizational structure of Village-Owned Enterprises, overseeing the operational and financial activities of BUMN to ensure they remain in accordance with laws and regulations, village regulations, and the interests of the village community. Research conducted by Pebriantari et al. (2021) found that the supervisory board has a positive and significant effect on the quality of financial reports. Research conducted by Miliani et al. (2022) found that the supervisory board has a positive and significant effect on

the quality of financial reports. Research conducted by Hermayani et al. (2023) found that the supervisory board has a positive and significant effect on the quality of financial reports. Meanwhile, research conducted by Pratiwi et al. (2021) found that the supervisory board's function has a negative effect on the quality of financial reporting.

H<sub>3</sub>: Supervisory Board's Function Has a Positive and Significant Effect on the Quality of Financial Reporting

This research is important because Village-Owned Enterprises play a strategic role in driving the village economy and managing significant public funds. The quality of financial reporting is key to ensuring transparency, accountability, and public trust in the management of Village-Owned Enterprises. By examining the influence of accounting understanding, the quality of accounting information systems, and the function of the supervisory board, this study can identify factors that influence the reliability of financial reports. Reliable financial reports are produced by human resources, namely Village-Owned Enterprises managers who possess knowledge and understanding of accounting, can utilize accounting information systems and maintain the quality of the accounting information systems within Village-Owned Enterprises, and Village-Owned Enterprises supervisory bodies that carry out their duties and authorities in accordance with their obligations.

Based on the background description above, the problems in this research are: a). Low levels of compliance with financial reporting by Village-Owned Enterprises in Tabanan District, with the lowest frequency of financial report submission compared to other districts in Tabanan Regency. b). Human Resources (HR), such as Village-Owned Enterprise managers, lack knowledge and understanding of accounting, and Village-Owned Enterprise supervisors are less than optimal in overseeing Village-Owned Enterprise operational activities, which impacts the financial report preparation process. c). The low quality of the Accounting Information System in Village-Owned Enterprises, which should assist Village-Owned Enterprise managers in more timely financial recording, results in a lack of relevant information in the submission of financial reports.

## **LITERATURE REVIEW**

### **Grand Theory**

#### *Human Capital Theory*

Human Capital Theory was developed by Becker (1964), who stated that investment in education, training, and work experience will enhance individual capabilities, thereby increasing productivity and contribution to an organization or society. Human Capital Theory argues that investment in human resources has a significant impact on increasing workforce productivity, which can be driven through education and training.

#### *DeLone & McLean IS Success Model*

The DeLone & McLean IS Success Model is an information system success evaluation model developed by William H. DeLone and Ephraim R. McLean in 1992. According to Jogiyanto (2007), the DeLone & McLean IS Success Model is a framework for measuring information system success that can

be used to assess system effectiveness through user satisfaction and the system's benefits to organizational performance.

#### *Agency Theory*

According to Jansen & Meckling (1976), agency theory is a conceptual framework that explains the relationship between a principal and an agent, namely, between two or more individuals, a group, or an organization. Agency theory explains the relationship between a company owner (principal) and company management (agent). In this relationship, the principal mandates the agent to carry out a specific task with the expectation that the agent will act and perform the task in accordance with the interests of the principal and the stakeholders.

#### **Village-Owned Enterprises**

According to Sujarweni & Wiratna (2020), Village-Owned Enterprises are village-owned business institutions managed by the village government and the village community. They aim to strengthen the village economy and are established based on the needs and potential of the village itself, established through mutual deliberation. According to Nugroho et.al, (2021), Village-Owned Enterprises are institutions established by the village government and the community, managing them based on the needs and economy of the village. Village-Owned Enterprises are owned by the village government and used for the prosperity of the village community, including in terms of establishment, capitalization, operations, and profits earned (Nuraini, 2021).

#### **Financial Reporting Quality**

Financial reports are reports that show the company's financial condition at the current time or over a specific period (Illaihisyah, 2023). According to Illaihisyah (2023), financial reporting is all the methods used by companies to convey financial information. Financial reporting quality refers to the manner and process by which an organization communicates its financial information to stakeholders. This includes timeliness, clarity of presentation, transparency of information, and compliance with applicable reporting standards. High-quality reporting provides a fair and accurate picture of a company's financial condition, enabling it to be used effectively in economic decision-making.

#### *Accounting Understanding*

Understanding is the process, method, or act of understanding or comprehending (Abidah, 2023). According to Anaan (2020), accounting understanding is the ability to master how accounting procedures are implemented into financial statements based on accounting principles. According to Mahmudi (2010), as cited in the research of Illaihisyah (2023), accounting understanding is the extent to which a person can truly understand or comprehend accounting, both as a board of knowledge and as a process, from recording transactions to preparing financial statements. It can be concluded that accounting understanding is a person's ability or skill in understanding and implementing the accounting process, from recording transactions to preparing financial statements, based on accounting principles.

#### *Accounting Information System Quality*

An Accounting Information System is a system used to collect, record, store, process, and present financial data and accounting information useful for management in decision-making. According to Endaryanti (2021), an Accounting Information System plays a crucial role in organizing, recording, and

processing a company's financial data to produce accurate and relevant information. According to Endaryanti, an AIS assists in decision-making, asset management, and ensures compliance with regulations and accounting standards. By using an Accounting Information System, a company or organization can improve efficiency, transparency, and effectiveness in financial management. The quality of an Accounting Information System reflects the characteristics desired by users in producing accurate, complete, and timely accounting information (Darma et.al, 2020).

### **Supervisory Board Function**

A supervisory board is the party authorized to supervise, evaluate, and assess the operations of an organization or institution. The existence of a supervisory board is crucial to ensure operational activities are carried out in accordance with regulations, are transparent, and accountable, and to prevent abuse of authority and fraud.

## **METHOD, DATA, AND ANALYSIS**

### **Research Method**

This study uses a quantitative research method. Quantitative research is an approach to proving a theory by measuring several variables, which are then analyzed using statistics. The data is presented in numerical form using tables, graphs, and other formats (Creswell et.al, 2023).

### **Research Data**

This research data is sourced from primary data obtained from questionnaire responses distributed to respondents. The population used in this study was all 12 Village-Owned Enterprises in Tabanan District. The sample was drawn using purposive sampling, resulting in a sample of 7 Village-Owned Enterprises. A total of 42 respondents were selected from these 7 villages, consisting of the Director of the Village-Owned Enterprise, the Secretary of the Village-Owned Enterprise, the Treasurer of the Village-Owned Enterprise, and the Supervisor of the Village-Owned Enterprise.

### **Data Analysis Technique**

The data collection technique in this study used a questionnaire, a list of statements. The instrument used in data collection was a Likert scale. This scale ranges from strongly agree to strongly disagree (Siyoto & Sodik, 2015), with a value range of 1 to 5. The collected data were presented in tabulated data and then analyzed using SPSS 27 for Windows. Data analysis began with data quality testing, consisting of validity and reliability tests, followed by classical assumption tests, consisting of normality tests, multicollinearity tests, and heteroscedasticity tests. Hypothesis testing was then conducted, consisting of multiple linear regression tests, coefficient of determination tests, and partial t-tests.

## **RESULT AND DISCUSSION**

Table 1. Descriptive Statistics Results of Research Variables

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Accounting Understanding	42	20.00	30.00	25,024	2,474

Accounting Information System Quality	42	20.00	30.00	24,643	2,574
Supervisory Board Function	42	20.00	34.00	26,476	3,542
Financial Reporting Quality	42	23.00	35.00	29,095	3,114

Source: SPSS 27, Data processed 2025

Based on the results of the statistical test in Table 1, it shows that the respondents' assessment of each research variable is classified as good, and the standard deviation for each variable is lower than the average value, which shows that the distribution of respondents' answers is quite even.

Table 2. Results of the Normality Test for Research Data Shapiro-Wilk

Shapiro-Wilk			
	Statistic	Df	Sig.
Accounting Understanding	0.968	42	0.281
Accounting Information System Quality	0.967	42	0.265
Supervisory Board Function	0.963	42	0.196
Financial Reporting Quality	0.966	42	0.250

Source: SPSS 27, Data processed 2025

Based on the results of the normality test using the Shapiro-Wilk method in Table 2, it shows that the significance value for the Accounting Understanding variable ( $X_1$ ) is 0.281, the Quality of the Accounting Information System ( $X_2$ ) is 0.265, the Function of the Supervisory Agency ( $X_3$ ) is 0.196 and the Quality of Financial Reporting ( $Y$ ) is 0.250. It can be concluded that all significance values for each variable are  $\geq 0.05$ , so the data from this study have been normally distributed.

Table 3. Results of Multicollinearity Test of Research Data

Collinearity Statistics		
Variabel	Tolerance	VIF
Accounting Understanding	0.769	1.300
Accounting Information System Quality	0.620	1.612
Supervisory Board Function	0.715	1.398

Source: SPSS 27, Data processed 2025

Based on the test results in Table 3, it shows that the tolerance and VIF values have been obtained for each independent variable ( $X$ ). The accounting understanding variable ( $X_1$ ) obtained a tolerance value of  $0.769 > 0.1$  and a VIF value of  $1.300 < 10$ , so it is declared free from multicollinearity. The accounting information system quality variable ( $X_2$ ) obtained a tolerance value of  $0.620 > 0.1$  and a VIF value of  $1.612 < 10$ , so it is declared free from multicollinearity. The supervisory board function variable ( $X_3$ ) obtained a tolerance value of  $0.715 > 0.1$  and a VIF value of  $1.398 < 10$ , so it is declared free from multicollinearity.



Table 4. Results of Heteroscedasticity Test of Research Data

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	Constant	5.324	2.478		2.149	0.038
	Accounting Understanding	-0.004	0.097	-0.007	-0.039	0.969
	Accounting Information System Quality	-0.086	0.104	-0.162	-0.821	0.416
	Supervisory Board Function	-0.064	0.070	-0.167	-0.911	0.368

Source: SPSS 27, Data processed 2025

Based on the heteroscedasticity test results in Table 4, a significance value was obtained for each independent variable (X). Accounting understanding (X<sub>1</sub>) obtained a significance value of 0.969 > 0.05, thus not experiencing heteroscedasticity. The quality of the accounting information system (X<sub>2</sub>) obtained a significance value of 0.416 > 0.05, thus not experiencing heteroscedasticity. The function of the supervisory board (X<sub>3</sub>) obtained a significance value of 0.368 > 0.05, thus not experiencing heteroscedasticity.

Table 5. Results of Multiple Linear Regression and t-Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	Constant	1.564	3.771		0.415	0.681
	Accounting Understanding	0.436	0.148	0.346	2.943	0.006
	Accounting Information System Quality	0.361	0.158	0.299	2.282	0.028
	Supervisory Board Function	0.292	0.107	0.332	2.720	0.010

Source: SPSS 27, Data processed 2025

Based on the test results in Table 5, the equation obtained is:

$$Y = 1.564 + 0.436 \text{ AU} + 0.361 \text{ AISQ} + 0.292 \text{ SBD} + 3.771$$

Table 5 shows that the regression coefficients for each independent variable are positive and have a significance value <0.05. These test results indicate that all independent variables (X) in this study have a positive and significant influence on the dependent variable (Y). The t-test results in Table 5 indicate that each independent variable (X), namely accounting understanding, accounting information system quality, and supervisory board function, has a significant influence on the dependent variable (Y), namely financial reporting quality.

Table 6. Results of the Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.772 <sup>a</sup>	0.596	0.564	2.05641

Source: SPSS 27, Data processed 2025

Based on the test results in Table 6, the Adjusted R Square value is 0.564. These results indicate that the independent variable (X) influences the dependent variable by 56.4%, while the remaining 44.6% is influenced by other factors.

### **The Influence of Accounting Understanding on Financial Reporting Quality**

The results of the research hypothesis test indicate that accounting understanding has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises in Tabanan District, thus H1 is accepted. Based on their practices, as seen in the questionnaire responses, most Village-Owned Enterprise managers have recorded transactions routinely, thus ensuring proper financial record management. This is because Village-Owned Enterprise financial record management is a crucial element in organizational management (Musmini et al., 2024). Furthermore, managers have archived transaction evidence, entered it into daily journals, and transferred it to the general ledger. This is supported by interviews with several Village-Owned Enterprise managers in Tabanan District, who stated that every incoming transaction is recorded in a daily journal and that transaction evidence is properly archived, allowing it to be used as proof of payment or purchase to be presented to relevant parties.

However, the reality on the ground also demonstrates limitations faced by Village-Owned Enterprise managers. In this regard, Village-Owned Enterprise managers acknowledge a lack of understanding of accounting standards and inadequate financial reporting skills. Furthermore, most Village-Owned Enterprise tend to use government-mandated recording formats, thus not fully adhering to generally accepted Financial Accounting Standards. Nevertheless, Village-Owned Enterprise managers are still able to produce sound financial reports with the support of supporting factors.

This study's findings align with Human Capital Theory, which states that the quality of human resources, particularly in the form of individual knowledge, skills, and competencies, is a crucial asset within an organization, as it directly contributes to productivity and the quality of work. This research is in line with research conducted by Andari et al. (2022) and Riyanto (2023) which stated that accounting understanding has a positive and significant effect on the quality of financial reporting. In addition, this research is also in line with research conducted by Indrawan et al. (2022) which stated that accounting understanding has a positive and significant effect on the quality of financial reporting. Conversely, this research is not in line with research conducted by Pratiwi et al. (2021) which stated that accounting understanding has a negative effect on the quality of financial reporting.

### **The Influence of Accounting Information System Quality on Financial Reporting Quality**

The results of the research hypothesis test indicate that the quality of the accounting information system has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises in Tabanan District, thus H1 is accepted. Based on the situation on the ground, several accounting information systems are used in the financial management of Village-Owned Enterprises in Tabanan District, namely the Bamboo Media application and Microsoft Excel. Both systems are relatively easy to understand and easy to access, resulting in fast and accurate information. With these information systems, the process of recording, processing transaction data, and preparing financial reports can be carried out more orderly, efficiently, and avoid manual errors. This is supported by interviews with several Village-Owned Enterprise managers in Tabanan District, who stated that the existing accounting information

system can assist in the process of preparing financial reports. Although Village-Owned Enterprise managers lack adequate accounting knowledge, the presence of a supporting accounting information system can facilitate the process of preparing financial reports in Village-Owned Enterprises.

This aligns with the accounting information system quality model according to DeLone and McLean, which states that accounting information systems can be measured using several key aspects: system quality, information quality, and service quality. Based on the information quality aspect, the existence of an accounting information system at Village-Owned Enterprises in the District, in accordance with respondents' statements, is proven to produce accurate results. Based on the service quality, the accounting information system is easy to understand, errors are easy to correct, and has easy access. The ease and speed in producing financial data are important factors directly felt by Village-Owned Enterprise managers. This research aligns with research conducted by Andari et al. (2022) and Wiratama et al. (2022) which stated that the quality of the accounting information system has a positive and significant effect on the quality of financial reporting. Conversely, this study is inconsistent with research conducted by Nurazizah (2024) which stated that the quality of the accounting information system has a negative effect on the quality of financial reports. Thus, the findings in Tabanan District strengthen the evidence that the quality of the accounting information system is a key factor in improving the quality of financial reporting in Village-Owned Enterprises.

### **The Influence of the Supervisory Board's Function on Financial Reporting Quality**

The results of the research hypothesis test indicate that the quality of financial reporting has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises in Tabanan District, thus H1 is accepted. Based on the situation in the field, the supervisory board at Village-Owned Enterprises in Tabanan District can carry out its duties quite effectively. The supervisory board's role is crucial in ensuring that the financial reporting process is carried out in accordance with applicable procedures and standards. With effective oversight, errors and irregularities in reporting can be minimized, resulting in more accurate, transparent, and credible financial reports for various stakeholders. This significantly contributes to improving the quality of financial reporting at Village-Owned Enterprises. This is supported by an interview with one of the managers of a Village-Owned Enterprise in Tabanan District, who stated that the supervisory board routinely supervises the operational activities of the Village-Owned Enterprises. The supervisory board is also able to read the financial reports prepared by the Treasurer before submitting them to the village administrators. The supervisory board is able to carry out its duties in accordance with its duties and authority within the Village-Owned Enterprises.

This is in line with the principles of Agency Theory, which emphasizes the importance of a supervisory mechanism to reduce the possibility of conflicts of interest between principals and agents. The supervisory board is responsible for ensuring that Village-Owned Enterprise managers carry out their responsibilities in accordance with their objectives and maintain transparency and accountability. This research aligns with research conducted by Bhegawati et al. (2021) and Setianingsih et al. (2024), which stated that the supervisory board function has a positive and significant effect on the quality of financial reporting. Research conducted by Hermayani et al. (2023) stated that the supervisory board has a positive and significant effect on the quality of financial reporting. Conversely, this research is inconsistent with research conducted by Mawuntu et al. (2020) which stated that the supervisory board does not affect the

quality of financial reporting. Research conducted by Andari et al. (2022) stated that the supervisory board function does not affect the quality of financial reporting.

## **CONCLUSION**

This quantitative study aims to determine the effect of the independent variables, namely accounting understanding (X1), the quality of the accounting information system (X2), and the function of the supervisory board (X3), on the dependent variable, namely the quality of financial reporting (Y). Based on the test results, the following conclusions can be drawn: 1). Accounting understanding has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises. The results of this study indicate that the higher the accounting understanding of Village-Owned Enterprise managers, the higher the quality of their financial reporting performance. 2). Accounting Information System Quality has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises. The results of this study indicate that the higher the quality of the Accounting Information System owned by Village-Owned Enterprise managers, the higher the quality of their financial reporting performance. 3). Supervisory Board Function has a positive and significant effect on the quality of financial reporting of Village-Owned Enterprises. The results of this study indicate that the higher the level of oversight of Village-Owned Enterprises, the higher the quality of their financial reporting performance.

## **IMPLICATION/LIMITATION AND SUGGESTIONS**

Practically, this research strengthens the success model of Human Capital Theory, DeLone and McLean, and Agency Theory, the main theories (grand theories) in this research. Furthermore, this research provides important input for Village-Owned Enterprise managers. Managers are advised to regularly attend accounting training to improve their understanding from basic to more complex levels, and to consistently use accounting information systems to produce timely and accurate reports. Improving network quality and optimizing Microsoft Excel features can help expedite the report preparation process. Furthermore, the supervisory board needs to strengthen its capacity through training in financial report analysis, maintaining independence, and conducting regular financial and operational oversight to ensure optimal financial reporting.

There are several suggestions that would like to be conveyed in this study, including: 1) For Village-Owned Enterprises in Tabanan District, it is hoped that they will continue to strive to improve the understanding of accounting for managers, utilize accounting information systems and maintain the quality of available accounting information systems and strengthen supervisory functions such as conducting regular training and conducting monthly evaluations for managers. 2) For further researchers, it is hoped that they will expand the research object, which can be carried out in several Village-Owned Enterprises in different regions to obtain more varied results and stronger generalizations. In addition, it is recommended to add research variables by further exploring other factors, for example, such as workforce competence, business capital, regulatory changes, compliance with accounting standards, organizational culture, and transparency and accountability.

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