



# The influence of accounting knowledge, auditing knowledge and ability to solve problems on the considerations of audit committee members

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## ABSTRACT

The aim of this study was to examine the influence of accounting knowledge, auditing knowledge and problem-solving skills on the considerations of audit committee members. Accounting knowledge for each member of the audit committee in this study was measured through eleven questions related to the field of accounting. Audit knowledge is measured by six questions related to various aspects in the field of auditing. The ability to solve problems is measured by five questions related to the ability to solve practical problems. Meanwhile, the consideration of audit committee members is measured by providing case questions regarding differences of opinion between management and external auditors regarding revenue recognition accounting policies. This study used a research questionnaire using a Likert scale. Based on the results of the regression analysis, it shows that accounting knowledge, auditing knowledge and ability to solve problems are positively related to audit committee members. Simultaneously accounting knowledge, auditing knowledge and ability to solve problems have a significant effect on the quality of judgment of audit committee members. Partially, auditing knowledge and problem-solving skills have a significant effect on the quality of judgment of audit committee members. In contrast, accounting knowledge has no significant effect on the quality of judgment of audit committee members.

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## 1. INTRODUCTION

The audit committee is one of the elements of Good Corporate Governance (GCG) which is formed by the company's Board of Commissioners. The audit committee was formed with the aim of realizing sound corporate governance. Audit committee members are appointed for a period of three years and can be extended at the end of the term of office (Sutojo & Aldridge, 2005: 129). The Capital Market Supervisory Agency started SE-03/PM/2000, requiring the number of audit committee members in Indonesian public companies to be at least three people, known by the company's independent commissioners with two people from external parties who are independent of the company and control and have accounting and finance backgrounds.

The audit committee is an additional organ required in the implementation of GCG principles. The audit committee is responsible for assisting the Board of Commissioners and management individually in implementing GCG principles. The audit committee's assistance is primarily needed in carrying out internal control duties, accounting policies, risk management, compliance with applicable legal provisions, compliance with the company's articles of association and bylaws as well as transparent and accurate disclosure of financial reports.

In carrying out the company's financial preparation and reporting activities, there may be differences of opinion between management and the external auditor. Such differences of opinion, for example, in terms of determining the appropriate accounting method used in presenting the company's financial statements. An example of the difference in income, for example, is in determining the method of recognizing income and expenses, whether to use the accrual basis or the cash basis.

In carrying out their duties and responsibilities as effective mediators, members of the audit committee need to have knowledge in accounting, auditing and the ability to solve problems (Read and Raghunandan, 2001; Dezoort and Salterio, 2001). Previous research conducted by Dezoort (1998) found that knowledge and ability to solve problems are needed by audit committee members in carrying out their duties and responsibilities as effective mediators.

Meanwhile, the financial accounting standards (SAK) provide approval for companies to choose which accounting method to use. There are differences of opinion between management and external auditors, according to the active role of audit committee members to provide the best solution. In this case, audit committee members will act as mediators and provide impartial input to anyone (Dezoort and Salterio, 2001). After that, members of the audit committee will make a fair judgment or decision on the matter.

So it can be concluded that members of the audit committee must have knowledge in the fields of accounting, auditing and the ability to solve problems in carrying out their duties and responsibilities as an effective mediator in disagreements between management and external auditors. Rita Anugerah (2005) conducted research on the influence of accounting and auditing knowledge and ability to solve problems on the considerations of audit committee members, using a sample of audit committee members from various companies listed on the Bursa Malaysia. The results of this study indicate that members of the audit committee who have knowledge of auditing and accounting and the ability to solve problems tend to support the external auditors, if there is a difference of opinion between the external auditors and the management.

Dezoort and Salterio (2001) also conducted research on the effect of financial reporting and auditing knowledge on the judgment of audit committee members. The results of this study found that audit committee members who have extensive audit reporting knowledge will provide support to external auditors in disagreements with management. While knowledge of financial reporting has no significant effect on the considerations of audit committee members.

Based on previous research, researchers are interested in conducting research on the influence of accounting knowledge, auditing knowledge and problem solving skills on the considerations of audit committee members. This study uses respondents from audit committee members at banking in Pekanbaru who are considered to have quality accounting and auditing knowledge and their ability to solve problems. Based on various previous studies and considerations.

## 2. RESEARCH METHOD

Population is defined as a group of people, events or anything that has certain characteristics to be studied and conclusions drawn. The population of this research is a member of the audit committee at the banking in Pekanbaru. The following are the names of banks that have audit committee members in Pekanbaru which will be sampled. The data collected for this study are primary data and secondary data. According to Indriantoro et al (1999:146) primary data is research data obtained directly from original sources (not through intermediary media). While secondary data is a source of research data obtained by researchers indirectly through intermediary media (Indriantoro et al, 1999: 147). Primary data for this study were obtained by distributing questionnaires to respondents.

Questionnaires were given directly to audit committee members at banks in Pekanbaru. This research variable has one dependent variable and three independent variables. The dependent variable is the consideration of the audit committee members. While the independent variables are accounting knowledge, auditing knowledge and the ability of audit committee members to solve problems.

### 3. RESULTS AND DISCUSSIONS

#### Research Results and Discussion

##### 1. Descriptive statistics

The distribution of the research questionnaire was carried out by visiting members of the audit committee at banking in Pekanbaru one by one. The number of questionnaires distributed was 58 questionnaires, according to the number of audit committee members working at banks in Pekanbaru. Only 58 people. The return rate for the questionnaire was 58.62% ( $34/58 \times 100\%$ ).

Table 1. Questionnaire Description

Respondents	Amount distributed	Return amount	Number of fall	Amount can be processed	The amount is not returned
Audit Committee in Banking d Pekanbaru	58	34	0	34	24

From Table 1. it can be seen that the number of questionnaires that did not return was 24 or 41.38% of the total questionnaires that were returned. This happened because the audit committee members were on average very busy, causing some audit committee members not to return the questionnaire. Of the 34 returned questionnaires, the authors concluded that the sample was sufficient for data processing with multiple linear regression analysis.

Table 2. Respondents' demographic information

Characteristics	Category	Amount	Percentage (%)
Respondent Age	<40	15	44,12
	40-50	10	29,41
	50-60	9	26,47
	>60	0	0
	Total	34	100
Gender	Man	21	61,76
	Woman	13	38,24
	Total	34	100
Education	S1	22	64,71
	S2	9	26,47
	S3	3	8,82
	Total	34	100
Professional Skills	Ak. Public	18	52,94
	Ak. Internals	16	47,06
	Ak. Mgt	0	0
	Total	34	100
Work experience	Director	1	2,94

Based on Table 2 above, information is obtained that the most dominant respondents, namely as many as 44.12% of respondents aged between <40 years, then respondents aged 40-50 amounted to 29.41%, while the remaining 26.47% of respondents aged between 50- 60. There were 21 more male respondents (61.76%) than 13 female respondents (38.24%). The average education level of the respondents was S1, namely 22 people or 64.71%, while the remaining 12 people or 35.59% had Masters and Doctoral degrees. Professional expertise of all respondents such as public accountants, internal

accountants and so on. Respondent's work experience as an executive (management), external and internal auditors and even as a member of the audit committee.

Table 3. Respondent Value Characteristics

Field	Mark	Number of Respondents	Percentage (%)
Accounting Knowledge	110	0	0
	105	1	2,9
	100	1	2,9
	95	5	14,7
	90	4	11,8
	85	4	11,8
	80	6	17,6
	75	5	14,7
	70	6	17,6
	65	2	5,9
Total	34	100	
Auditing Knowledge	60	2	5,9
	55	6	17,6
	50	11	32,4
	45	7	20,6
	40	2	5,9
	35	6	17,6
Total	34	100	
Ability to Solve Problems	10	4	11,8
	9,8	6	17,6
	9,6	1	2,9
	9,4	5	14,7
	9,2	2	5,9
	9	5	14,7
	8,8	4	11,8
	8,6	5	14,7
	8,4	0	0
	8,2	0	0
8	1	2,9	
7,8	1	2,9	
Total	34	100	
Considerations of Audit Committee Members	5	6	17,6
	4	12	35,3
	3	8	23,5
	2	7	20,6
	1	1	2,9
	0	0	0
	-1	0	0
	-2	0	0
	-3	0	0
	-4	0	0
-5	0	0	

	Total	34	100		
Table 4. Descriptive Statistics					
Variable	N	Minimum	Maximum	Means	std. Deviation
Accounting Knowledge	34	65.00	105.00	81.91	10.58
Auditing Knowledge	34	35.00	60.00	47.20	7.40
Problem Solving Ability	34	7.80	10.00	9.20	0.58
Considerations of Audit Committee Members	34	1.00	5.00	3.44	1.10
Valid N (listwise)	34				

From the table above it can be seen that the highest value for the consideration of audit committee members is 5, while the lowest value is 1 and a standard deviation of 1.10 is obtained, which means that the audit committee consideration data varies by 1.10. Furthermore, the highest accounting knowledge of audit committee members is 105 while the lowest score is 65 with an average of 81.91 and a standard deviation of 10.58, which means that the accounting knowledge data of audit committee members varies by 10.58.

## 2. Data Validity Test

To test the validity of the research data using content validity test, which is one of the validity measurement concepts that is used to measure the concept to be measured adequately, based on the evaluation of experts (Sekaran, 2003). The instrument used in this study was an instrument created and developed by Dezoort and Salterio (2001), so it is assumed that this research questionnaire is believed to have good content validity. This research questionnaire is assumed to have tested its validity, because it has been used by experts, such as Dezoort and Salterio (2001) in previous studies which gave quite good results.

Accounting Knowledge consists of 11 statements from the calculation results of each item statement to the total, the results obtained range from 0.362 to 0.625 the results of calculating the correlation of each item statement  $p > 0.05$  and it is concluded that each statement is valid and each statement has a positive correlation with the total score with a significant level of 0.05 the test results can be seen from table 5. 6.

Table 5. Summary of Validity of Accounting Knowledge

Statement items	r <sub>count</sub>	r <sub>table</sub>	Information
1	0.625	0.339	Valid
2	0.401	0.339	Valid
3	0.420	0.339	Valid
4	0.409	0.339	Valid
5	0.409	0.339	Valid
6	0.583	0.339	Valid
7	0.401	0.339	Valid
8	0.362	0.339	Valid
9	0.364	0.339	Valid
10	0.378	0.339	Valid
11	0.561	0.339	Valid

While Auditing Knowledge consists of 6 questions from the calculation results of each item statement to the total, the results obtained range from 0.349-0.894 the results of calculating the correlation of each item statement  $p > 0.05$  and it is concluded that each statement is valid and each statement has a positive correlation with the total score with a significant level of 0.05

Table 6. Summary of Audit Knowledge Validity

Statement items	r <sub>count</sub>	r <sub>table</sub>	Information
1	0.894	0.339	Valid
2	0.777	0.339	Valid
3	0.429	0.339	Valid
4	0.498	0.339	Valid
5	0.349	0.339	Valid
6	0.359	0.339	Valid

And the Ability to Solve Problems consists of 5 questions from the calculation results of each item statement to the total, the results obtained range from 0.411 to 5.596 the results of calculating the correlation of each item statement  $p > 0.05$  and it is concluded that each statement is valid and each statement has a positive correlation with the total score with a significant level of 0.05.

Table 7. Summary of Ability Validity

Statement items	r <sub>count</sub>	r <sub>table</sub>	Information
1	0.557	0.339	Valid
2	0.515	0.339	Valid
3	0.544	0.339	Valid
4	0.411	0.339	Valid
5	0.596	0.339	Valid

**3. Reliability Test**

The reliability test in this study was carried out using the cronbach alpha technique to test the feasibility of the consistency of all the scales used. Based on the tests conducted, the Cronbach alpha level obtained was  $0.723 > 0.60$  which means that the instrument for this research variable is at an acceptable alpha level so that the instrument is reliable to use.

Table 8. Data Reliability Test Results

Variable	Cronbach Alpha	Conclusion
Accounting Knowledge	0.723	reliable
Auditing Knowledge	0.723	reliable
Problem Solving Ability	0.723	reliable

**4. Data Normality Test**

The data normality test in this study was carried out with the help of normal probability plot statistical tests for each variable. According to Gujarati (2005) the normal probability plot is done by observing and the expected value of the normal distribution. If the data distribution is around the diagonal line, it can be concluded that the data is normally distributed. However, if the data spreads away from the diagonal line and/or does not follow the direction of the diagonal line, then the regression model does not meet the assumption of normality.

**a. Hypothesis Testing and Discussion**

Test the hypothesis in this study using multiple regression analysis. The results of the regression analysis are presented in the following table,

Table 9. Results of testing the hypothesis data

hypothesis	$\beta$	Q	Sig	Information
H1: Knowledge-Accounting-affect considerations of audit committee members	2,917	2,260	0.031	H1: accepted

H2: Knowledge-Auditing-affects-consideration-members audit committee	0.006	0.261	0.796	H2: rejected
H3: Ability-Solving-problems-influence consideration of members of the audit committee	0.958	3.315	0.002	H3: accepted
R <sup>2</sup> = 0.336				
F = 5.056				

Based on the table above it can be explained that simultaneously or the entire research hypothesis can be accepted. This can be seen from the probability value of  $0.006 < \alpha (0.05)$ . This shows that  $H_0$  is rejected,  $H_1$  is accepted. So it can be concluded that the quality of judgment of audit committee members is influenced by accounting knowledge, auditing knowledge and ability to solve problems.

Partially, the probability values for  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  are 0.031, 0.796, 0.002, respectively. The probability value for  $\beta_1$  is  $0.031 < \alpha (0.05)$  which means that  $H_1$  is acceptable. Furthermore, the probability value for  $\beta_2$  is  $0.796 > \alpha (0.05)$ , which means that  $H_2$  is unacceptable. The cause of the auditing knowledge variable has no significant effect on the considerations of audit committee members allegedly because the questions in the questionnaire are relatively long, so that respondents who have limited time and are busy cannot focus on answering the questions asked. This results in the answers given being inaccurate and possibly biased. Furthermore, the probability value for  $\beta_3$  is  $0.002 < \alpha (0.05)$ , which means that  $H_3$  is acceptable.

Research conducted by Rita Anugerah (2005) which examines the effect of accounting/auditing knowledge and ability to solve problems on the considerations of audit committee members also found the same result that overall accounting knowledge, auditing knowledge and ability to solve problems affect the quality of audit committee members' judgments as a whole significant. Acceptance of the three research hypotheses simultaneously in this study shows that the variables of accounting knowledge, auditing knowledge, and problem-solving abilities have a significant effect on the quality of the audit committee members' judgments.

This is seen in terms of the coefficient of determination. Research conducted by Rita Anugerah (2005) which examined the effect of accounting/audit knowledge and problem-solving abilities on the considerations of audit committee members also found similar results that overall accounting knowledge, auditing knowledge and problem-solving skills significantly affect the quality of consideration of members of the audit committee. Acceptance of the three research hypotheses simultaneously in this study shows that the variables of accounting knowledge, auditing knowledge, and problem-solving abilities have a significant effect on the quality of the audit committee members' judgments. This is seen in terms of the coefficient of determination.

The results of previous research are also inconsistent about the relationship between problem solving ability with consideration, perhaps because the relationship is not just a direct relationship. But it may also be influenced by intermediary factors. Libby and Tan (2002) in Anugerah (2005) in their research on the external auditor's judgmental achievement argued that knowledge can mediate the relationship between problem solving ability and judgment achievement. According to Libby and Tan (2002) in Anugerah (2005) the high level of ability to solve problems causes external auditors to try to acquire more knowledge. In this context, knowledge is an intermediary variable for the ability to solve problems in influencing judgment.

Based on the research by Libby and Tan (2002) in Anugerah (2005) above, the relationship between problem-solving skills and the achievement of audit committee members' considerations is still mediated by knowledge, so that it becomes a consideration for future researchers to examine the knowledge variable as an intermediary variable.

#### 4. CONCLUSION

This study aims to examine the effect of accounting knowledge, auditing knowledge and ability to solve problems on the judgment of audit committee members. The sample used is a member of the audit committee at the banking in Pekanbaru. The results of this study found evidence that the variables of accounting knowledge, auditing knowledge and problem-solving skills have a positive correlation or relationship to the considerations of audit committee members, meaning that when the variables of accounting knowledge, auditing knowledge and problem-solving abilities increase, the quality of the audit committee members' judgments will experience increase too. However, on average the relationship is relatively weak, namely  $<0.5$ , namely only 0.298 for accounting knowledge variables, 0.081 for auditing knowledge variables and 0.451 for the variable ability to solve problems. From a statistical point of view, it turns out that accounting knowledge, auditing knowledge and ability to solve problems have a significant effect on the quality of judgment of audit committee members, namely 33.6%, the remaining 66.4% are influenced by other variables that were not observed in this study.

Simultaneously it can be seen that the probability value is  $0.006 < \alpha (0.05)$ , while Partially it can be seen that the probability values obtained for  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  are 0.031, 0.796, 0.002 respectively. The probability value for  $\beta_1$  is  $0.031 < \alpha (0.05)$  which means that  $H_1$  is acceptable. Furthermore, the probability value for  $\beta_2$  is  $0.796 > \alpha (0.05)$ , which means that  $H_2$  is unacceptable. The cause of the auditing knowledge variable has no significant effect on the considerations of audit committee members allegedly because the questions in the questionnaire are relatively long, so that respondents who have limited time and are busy cannot focus on answering the questions asked. This results in the answers given being inaccurate and possibly biased. Furthermore, the probability value for  $\beta_3$  is  $0.002 < \alpha (0.05)$ , which means that  $H_3$  is acceptable. So it can be concluded that simultaneously the consideration of audit committee members is influenced by accounting knowledge, auditing knowledge and ability to solve problems.

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