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THE EFFECT OF CORPORATE GOVERNANCE ON ACCOUNTING INFORMATION QUALITY
(Survey on Publicly Listed Companies in Indonesia Stock Exchange 2011-2016)

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Abstract: This research is conducted to know the current situation of Indonesia's corporate governance and accounting information quality. Good corporate governance is one of the aspects that should be considered to obtain accounting information quality. Good corporate governance was measured by using corporate governance perception index (CGPI) while accounting information quality was measured using discretionary accruals (Jones Model). The result showed that good corporate governance has a significant effect on accounting information quality. Companies that practice good governance will eventually produce accounting information with quality.
Keywords: corporate governance, accounting information quality, CGPI, Jones Model

Introduction

The weakening of Indonesia rupiah recently reminds the country of what happened in 1998, the financial crisis. This economic situation shocked and brought uncertainties on the economy of Indonesia. Despite the situation, Indonesia government was able to recover from weakening to a strengthening of rupiah against the dollar. Indonesia integrates its economic activities to the global market, called globalization. The global market includes buying or selling of goods or services all over the world. Transactions regarding buying or selling of long-term debt or equity securities can be found in the capital market. Shares, bonds, and other long-term investments are offered in the capital market, and these transactions of buying and selling securities sustain Indonesia's economy. In order to sustain the economy, valuable information must be available in the capital markets. Capital markets can run fairly, orderly, and efficiently only through the steady flow of comprehensive and meaningful information (Hewitt, 2007). Information quality is one of the important factors to accelerate economic development (Yu and Wang, 2007:254). The purchaser of shares, the purchaser of bonds, investors, and potential investors of long-term investments are considered stakeholders. Stakeholders have a financial interest to a certain company in which they kept themselves abreast to the real situation of the business they are into. Keeping them abreast is through the information that they received. Most of the stakeholders need useful information in order to make a good decision to invest or not to invest. Obviously, the notion of information quality depends on the actual use of information (Huang, Lee, and Wang, 1999:17).

Information must be of quality in order to be useful to all stakeholder or users. There is a lot of information but the quality is at stake. Information is not only for the shareholders, bondholders, and investors but is for the organization and individual as well. Information is one of the most important assets for today's enterprises since it is the basis for organizational decisions (Caballero and Piattini, 2007:119). The quality of information is a crucial factor for the effectiveness of organizations and individuals.

Collapsing companies are the result of the poor quality of the information that was given to the market (Pugh, 2002: 41). Management is obliged to release accounting information that is relevant and faithfully represented in which it is fit to its use or purpose. Releasing information such as accounting information is very important to all stakeholders. A well-informed individuals, companies, or organizations will surely minimize mistakes in making decisions, on the other hand, a poor decision is made if these decision makers are misinformed. Incorrect or incomplete accounting information may lead to failure. Accounting information quality is one of the critical aspects of the business. Usually, accounting information is incorporated into the annual report. Majority of users view annual reports as the most important source of company information (De Zoysa and Rudkin, 2010: 183-202). Managers value the integrity of financial information because accurate financial information helps them make better decisions (Jensen and Payne, 2003). High-quality information is information that is desirable to management in terms of both content and format and includes attributes such as relevance, understandability, accuracy, usability, and timeliness (Petter, DeLone, and McLean, 2013). Although only management was mentioned above, this is also the desire of other information users, desire to have access to relevant, understandable, accurate, usable, and timely accounting information.

The quality of accounting information has become a significant issue for the accounting profession over the world (Chai and Wen, 2010:194-197). Even the Securities and Exchange Commission (SEC) — the top U.S. market watchdog — exists primarily to ensure that publicly traded companies, as well as those engaged in new offerings of securities, deliver complete and accurate information to investors in the marketplace (Pugh, 2002:41). The information to be delivered is in the form of financial statements such as Financial Performance (Income Statement), Financial Position (Balance Sheet), Statement of Cash Flows, and Statement of Changes in Equity.

Financial statements are the end results of a company's operation, yet, sometimes fraud exists in the preparation of financial statements. Financial statement fraud happens because of perpetrator's motives and the users of financial statements are the victims of this misleading financial statements report. When fraud occurred it will apparently affect the accounting information quality. The occurrence of financial statement fraud in big companies is due to unethical behavior (greediness, indulgences, etc.) of the people who manage the company. Likewise, fraud happens in big companies because of bigger and wider opportunity to commit fraud. For this reason, external auditors are being hired to do the audit and to assure financial statements' consistency with the principles and standards.

Preceding statements were the considered phenomenon in this study. There is a demand for audit because audit assures all the financial statement users about its credibility. Auditing financial statements are intended to reduce the information risk and improve the decision making (Arens, Elder, and Beasly, 2017).

Those incidents had left deep scars on the corporate world in general. It has been shown that most corporate failures can be caused by bad corporate governance. Accounting scandals hastened the understanding of the wide-ranging effect poor corporate governance can have on a country's economy, through the effects on the capital markets. Such incidents have adversely affected public confidence in the reliability of corporate reporting (Haat, Rahman, and Mahenthiran, 2008).

Accounting information is generated in the form of financial statements and notes to financial statement. Accounting information must be relevant and faithfully represented.

A company that practices good corporate governance may enhance accounting information that is of good or high quality. Sound corporate governance is badly needed by each business entity in order to maintain the quality of accounting information. It was proven that governance has a positive effect on the quality of financial statement information (Holland, 1999; Mattingly, 2007; Klai & Omri, 2011). But then there was inconsistency stating that governance has a negative effect on the quality of financial statement information due to non-transparency, unfairness, discrimination, and inefficiency (Góis, 2009). Also, good governance effect is negative and not significant on the quality of financial statement information (Simon, et al., 2016). The effect is negative because the leaders and finance personnel did not yet fully implement corporate governance principles. Good corporate governance affects negatively the accounting information because corporate governance principles were not implemented properly. Thus, to attain high-quality accounting information, it needs sound corporate governance. As noticed from the previous statements above, a gap exists in which research results are inconsistent, thus, another research is to be done to test its consistencies and to test the effect of audit quality and good corporate governance on accounting information quality.

In this study, the main research units of analysis are the companies that were awarded by the Indonesia Institute for Corporate Governance (IICG) from 2011 to 2016. Recipients of the award for six (6) consecutive years are believed to be performing well in practicing good corporate governance principles. The implementation of good corporate governance by the awardees convey to the public that there are companies that issue accounting information with quality as accompanied by audit quality and sound corporate governance. The preceding statements are the main reason for choosing the awardees for six (6) consecutive years.

Statement of the Problem and Research Objectives

Based on the above background of the study, the research question is developed: How is good corporate governance? How is accounting information quality? Does good corporate governance affect accounting information quality?

In this study, the research objective is: To understand the practice of good corporate governance. To understand the quality of accounting information. To comprehend and analyze the effect of good corporate governance on accounting information quality.

Overview of Corporate Governance in Indonesia

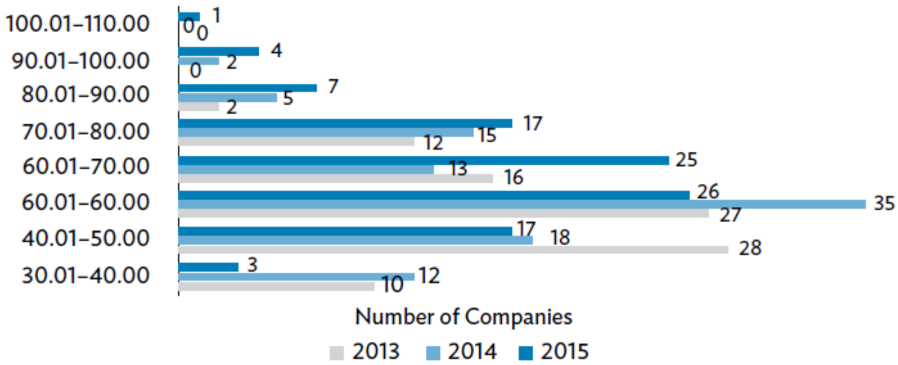
Indonesian economy had suffered during the 1998 financial crisis. The Indonesia Institute of Corporate Directorship to implement Good Corporate Governance.

The following are the excerpt from ASEAN Report (adb.com):

> Since the corporate governance reform through the development of the Indonesia corporate governance road map, the corporate governance framework in Indonesia has been moving forward by gradually adopting best practices. The corporate governance road map was developed on the basis of the Organisation for Economic Co-operation and Development (OECD) principles: the corporate governance framework, protection of shareholders' rights, the role of stakeholders, disclosure and transparency, and responsibility of the board. The main objective of the road map is to serve as a milestone to improve the implementation of corporate governance practices in Indonesia. Several new regulations and/or amendments of the existing regulations have been released by the Financial Services Authority or Otoritas Jasa Keuangan (OJK) as a consequence of the road map. A stronger regulatory framework is necessary to meet international standards as they are specified in the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard (ACGS). OJK continually strengthens the country corporate governance regulatory framework to set a basis for corporations to adopt international best practices. Approaches to corporate governance were extended to the application of a "comply or explain regime" by issuing a corporate governance code for publicly listed companies (PLCs).".

In addition to the statement above, Indonesia Corporate Governance Manual was commissioned by International Finance Corporation (IFC) as part of the Indonesia Corporate Governance Program that IFC is implementing in Indonesia since 2012. This program is in cooperation with *Otoritas Jasa Keuangan* (OJK). The following are Corporate Governance Scores of Publicly Listed Corporations (PLCs) from 2013 -2015:

Fiugre 1 – Corporate Governance Scores: Moving Forward to Higher Clusters (2013-2015)



Most of the Indonesian companies obtained higher scores in 2015 assessments. This is an indication that the goverment of Indonesia is improving.

Corporate Governance and Accounting Information Quality

Corporate governance

Corporate governance can be refer to the framework of rules, practices and processes that are applied by the board of directors to direct and control their company for ensuring GCG principles of accountability, fairness, and transparency in a company’s relationship with all its stakeholders including its shareholders, management, customers, suppliers, financiers, government and the community (Cadbury, 2000). Corporate governance focuses on how the company can be well structured so that its management is in accordance with the company's principles. Top management is given the power to lead and regulate in corporate entities. Corporate governance is a system or principles used to direct and manage the company's business affairs towards increasing business prosperity and corporate accountability with the ultimate goal of realizing long-term shareholder value, while still taking into account the interests of other stakeholders. (Keasey et al., 1997).

Corporate governance is the set of actions and procedures that ensure a company is soundly managed so all investors receive a return on their investment that is reasonable given the risks involved (Hennessey, 2015). The implementation of corporate governance is avoiding massive disasters when something occurred. It how people govern their own people along with the principles mentioned above.

Corporate Governance Measurement

The Indonesian Institute of Corporate Directors used four (4) elements in measuring the practice governance of each company. The four elements are used by The Indonesian Institute of Corporate Directors, these are:

1. Self-Assessment is an independent assessment by all organs, members, and stakeholders about the quality of Good Corporate Governance (GCG) implementation in the company. At this stage, the company fills out the questionnaire by inviting respondents to give the

honest and objective perception in order to provide good feedback and evaluation to the company.

2. Documentation System is the stage of fulfillment of assessment requirements in the form submission of various documents that have been owned by the company related to the implementation of Good Corporate Governance (GCG).

3. Paper is a fulfillment of assessment requirements that describes a series of Good Corporate Governance (GCG) implementation processes and programs in the company. The paper created illustrates the direction and focus of the assessment in accordance with established systematic writing guidelines.

4. Observation is the final stage of assessment as an important part of Good Corporate Perception Index (GCPI) research and ranking process, which is a direct review to the company by the CGPI assessment team to ensure the quality of Good Corporate Governance (GCG) implementation obtained from data and information in all three stages.

The above elements are the criteria used by the Indonesia Institute of Corporate Governance (IIGC). IIGC evaluates all the companies that are governance compliance. In the process of evaluation, there is a corresponding corporate governance score, which is called Corporate Governance Perception Index (CGPI) for each company being evaluated. The corresponding corporate governance score will be ranked into a category of Most Trusted, Trusted, and Fairly Trusted.

Accounting Information Quality

Information produces by the accountants are very important. Such information is in the form of financial statements. Accounting information is also known as financial information. Socea (2012) said that “To be useful for decision making, financial accounting information must be intangible, relevant, reliable and comparable.” The accounting information object is to provide information that is useful to the needs of the stakeholders. Since accounting is the language of business, information provided must of high quality. Useful information will give a clearer view for the stakeholders to make and execute decisions.

The International Accounting Standard Board (2010) officially described the fundamental qualitative characteristics as relevant financial information and faithful representation. According to IFRS Foundation (2016), ”Relevant financial information is capable of making difference in the decision made by users. In order to make a difference, financial information has predictive value, confirmatory value or both.”

Relevance refers to the capacity of information to essentially influence the decision-making process. Relevant information is those that help users evaluate past, present or future events, to confirm or correct their future assessments (IASB, 2011). Relevant information is sufficient information to help people get the information they need. Adequate information in this context indicates that the classification space (or extent) of the information is in accordance with the information (quite comprehensive), that accuracy and level of detail are accurate, arguments for clarity of argument are easy, easy to transfer, or clear enough) information that is easily applied to the target community (Eppler, 2006:79-80).

According to the Australian Accounting Standard Board Framework (ICAA, 2008), relevance has a “predictive and confirmatory role” (para 27), where “to be useful, information must be relevant to the decision making needs of users. Information has the quality of the relevance of the compilation of information that can affect the economic decisions of its users (paragraph 26). The relevance of information can be seen when viewed from nature and materiality (paragraph 29), and the information is material if it is found negligence or misstatement that can affect the economic decisions of users taken using financial statements (paragraph 30) (ICAA, 2008). Relevant financial information is the information that makes the difference between the decisions of users of financial statements. An important aspect of relevance, which is specific to each entity, is materiality, which depends on the nature or size of the item of financial statements to which the information relates. To be useful, financial information must also represent faithfully the phenomena it purports to represent, which means that information should be complete, neutral, and reported without errors (Obradović, Stefanović & Vuksanovića, et al, 2012). One of the main objectives of the financial reporting system is to provide investors, creditors and all interested parties with relevant information that would assist them in firm valuation and evaluation of managerial performance (Yuan & Jaing 2008). Relevant information helps users form expectations about the outcomes of past, present, and future events as well as confirm or correct past evaluations (Miller and Bahnson, 2007a, and b).

With respect to relevance, information is relevant when it influences the decision-making needs of users. It relates to the predictive value and confirmatory value of accounting information.

Relevant Information and Faithful Representation

Relevant information is useful when it contains the following elements:

a. Predictive Value

Earnings predictability is related to the degree to which investors can predict future earnings change of a firm or a group of firms (Hussainey, 2009). Investors are using accounting information to study the current performance of a particular firm of interest and then to predict its future prospects (Hussainey, 2009). Earnings predictability is measured by the degree to which investors are able to better anticipate future earnings changes when financial statements are audited by the big four accounting firms (Hussainey, 2009). Predictive value relates to the usefulness of information to the investor who wants to evaluate (predict) the company's future prospects; it does not mean the value of the information as a prediction (Jonas & Blanchet, 2000). This characteristic focuses on how segmented information about a company's business allows investors to better understand a company's prospects (Jonas & Blanchet, 2000).

Predictive information helps the user to understand future prospects and will be able to predict its outcome.

b. Confirmatory Value

Confirmatory is a way to prove the correctness of certain transactions. Kimmel, Weygandt, and Kieso (2011:65) adopted the definition by IASB and FASB for confirmatory value as "confirmatory value confirms or corrects prior expectations." It confirms the accuracy of a prediction for future accurate decision.

According to IFRS Foundation (2016), "Faithful Representation replaces the previous term "reliability", as the Boards determined that there is a lack of common understanding of reliability.

Representational faithfulness means that there is an agreement between measurement and the economic activity or item that is being measured (Stice, Stice, & Skousen, 2007:25). It focuses on whether the financial information is consistent with the facts, reflects the substance of events, and portrays the underlying economics of the transactions. It asks whether the information is an honest and clear portrayal of what happened (Jonas & Blanchet, 2000). Information has a quality of reliability when it is free from material errors and is biased and reliable by users to explain confidently what is intended to be returned (ICAA, 2008). The information reflects the actual economic transactions occurred in an entity.

According to IFRS Foundation (2016), "Financial information that faithfully represents economic phenomena." Information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent (IASB, 2010). In addition, the characteristics are as follows:

a. Complete

Information in financial statements must be complete in terms of materiality and costs. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance (IASB, 2010).

b. Neutral

The information contained in financial statements must be neutral, which is free from fraud in the provision of financial statements. Non-neutral financial statements can influence decision making to achieve pre-determined results or results (IASB, 2010). Neutrality is similar to the all-encompassing concept of "fairness" (Stice, Stice, & Skousen, 2007:25). This characteristic focuses on objectivity and balance. It is about whether it conveys facts in an unbiased manner, without intent to influence the investor's opinion or behavior (Jonas & Blanchet, 2000). Information is not subjective as to what to be conveyed to the users.

c. Free from Error

The above qualities will give information to more usable and applicable for future predictions.

Representational faithfulness means that there is an agreement between measurement and the economic activity or item that is being measured (Stice, Stice, & Skousen, 2007:25). It focuses on whether the financial information is consistent with the facts, reflects the substance of events, and portrays the underlying economics of the transactions. It asks whether the information is an honest and clear portrayal of what happened (Jonas & Blanchet, 2000). Information has a quality of reliability when it is free from material errors and biased and reliable by the user to explain confidently what is intended to be represented or expected to represent naturally "(ICAA, 2008). The information reflects the actual economic transactions occurred in an entity. Useful financial information must be both relevant and reliable (Rusmin & Evans, 2017).

It is known that reliability has been replaced by faithful representation. Information must be relevant and faithfully represented. All entities are compelled to provide information containing the characteristics mentioned above, thus helping users of information to make decision.

Accounting Information Quality Measurement

It was mentioned earlier that relevance and faithful representation are the two fundamental characteristics of accounting information quality. In this study, relevance is measured by predictability value. Predictive value relates to the usefulness of information to the investor who wants to evaluate (predict) the company's future prospects; it does not mean the value of the information as a prediction (Jonas & Blanchet, 2000). According to Kao & Wei (2014), predictive value is computed as follows:

Predictability Value (PV) = Operating Net Income / Net Income

In addition, faithful representation is measured through discretionary accruals. Discretionary means that management has some leeway to affect earnings based on accounting judgment (Morris, 2014). Discretionary accrual is a non-mandatory or non-obligatory expenses or assets that are yet to be realized but recorded in the books. Discretionary accruals result from management exercise of accounting judgment and therefore are more subjective than nondiscretionary accruals (Pounder, 2013). Numerous studies show that earnings management is proxy for the quality of accounting information (Assidi & Omri, 2012). Discretionary accrual is measured through the residuals of the Dechow, Sloan, & Sweeney (1995) accrual model. The remaining is the difference that is the discretionary accrual. This model is described below:

$$\boxed{DAit = (TAit/Ait - 1) - NDAit}$$

Where:

DAit = Discretionary Accruals year t (based on modified Jones Model)

TAit = Total Accruals year t
Ait-1 = Total Assets last year
NDAit = Non-discretionary Accruals year t

Methodology

An explanatory research method is used in this study since it depicts causal relationship between variables. This research focuses on corporate governance and accounting information quality. There were 199 firm year observations based on the recipient of trusted company award (unit of analysis) which was awarded by Indonesian Institute of Corporate Directors (IICD) for good corporate governance category from 2011 to 2016. IICD evaluated the companies based on the four categories in scoring corporate governance, these are, self-assessment, document, paper, and observation. Out of 199 firm years, only 36 firm years were the units of analysis because these were the only compliant of sample criteria specifically the six consecutive year awardees.

Independent variable is represented by good corporate governance which is measured by Corporate Governance Perception Index (CGPI). Dependent variable is represented by accounting information quality which is measured by Discretionary Accruals.

RESULT AND DISCUSSION

Corporate Governance of Publicly Listed Companies

This section describes companies from different sector in which the data were gathered from annual report 2010 to 2015. These were the awarded companies based on Corporate Governance Perception Index (CGPI) in the category Most Trusted (MT), Trusted (T), and Fairly Trusted (FT) for the year 2011-2016. Corporate governance perception index (CGPI) was provided by the Indonesia Institute of Corporate Governance and was published in SWA Magazine. These companies received the award for six consecutive years. Receiving an award for six consecutive signifies good governance and good performance. Following are the awardees for six consecutive years. See the following table:

Table 1- Awarded Companies Based on Corporate Governance Perception Index (2011 -2016)

No.	Name of Company	Sector	2011	2012	2013	2014	2015	2016
1	PT. Aneka Tambang (Persero) Tbk	Mining	86.15	86.55	88.70	88.92	89.12	88.64
			MT	MT	MT	MT	MT	MT
2	PT. Bank Mandiri (Persero) Tbk	Banking	91.81	91.91	91.88	92.36	92.88	93.30

No.	Name of Company	Sector	2011	2012	2013	2014	2015	2016
			MT	MT	MT	MT	MT	MT
3	PT. Bank Negara Indonesia (Persero) Tbk	Banking	85.35	85.75	86.06	87.19	87.46	87.74
			MT	MT	MT	MT	MT	MT
4	PT. Bank Tabungan Negara (Persero) Tbk	Banking	85.70	85.90	85.43	84.94	85.75	86.59
			MT	MT	MT	MT	T	MT
5	PT. Jasa Marga (Persero) Tbk	Service	83.41	83.65	84.53	85.16	85.47	85.81
			T	T	T	MT	MT	MT
6	PT. Timah (Persero) Tbk	Mining	70.73	75.68	77.81	80.10	81.70	82.15
			T	T	T	T	T	T

Table 1 above showed that PT. Aneka Tambang (Persero) Tbk, PT. Bank Mandiri (Persero) Tbk, PT. Bank Negara Indonesia (Persero) Tbk are companies that purely received the Most Trusted (MT) Companies and thus lies on the CGPI score range of 85-100. There were years that Bank Tabungan Negara (Persero) Tbk, and PT. Jasa Marga (Persero) Tbk, received a Trusted for three years and Most Trusted for three (3) years companies award while PT. Timah (Persero) Tbk received Trusted (T) award throughout the six years.

Accounting Information Quality of Publicly Listed Companies

Table 2 - Variable *Accounting Information Quality (Faithful Representation)*

No.	Name of Company	Indicator	2010	2011	2012	2013	2014	2015
1	PT. Aneka Tambang (Persero) Tbk	Faithful Representation (Discretionary Accrual)	0.0283	0.0792	0.2001	-0.0163	-0.0551	-0.1004

2	PT. Bank Mandiri (Persero) Tbk	Faithful Representation (Discretionary Accrual)	-0.0716	-0.0075	0.0225	0.0188	0.0075	0.0188
3	PT. Bank Negara Indonesia (Persero) Tbk	Faithful Representation (Discretionary Accrual)	0.0854	-0.0329	0.0065	0.0498	0.0360	-0.0308
4	PT. Bank Tabungan Negara (Persero) Tbk	Faithful Representation (Discretionary Accrual)	-0.0364	-0.0558	-0.0044	0.0455	0.0241	0.0035
5	PT. Jasa Marga (Persero) Tbk	Faithful Representation (Discretionary Accrual)	-0.0044	-0.0051	0.0037	-0.0159	-0.0004	0.0109
6	PT. Timah (Persero) Tbk	Faithful Representation (Discretionary Accrual)	-0.0751	0.0838	-0.1607	0.1497	0.1208	-0.1013

Based on Table 2 above, it shows that Faithful Representation represents Discretionary Accruals value varies from year 2010 to 2015. Discretionary accruals are used because most of the studies used it as proxy for accounting information quality. Faithful Representations asks whether the information is an honest and clear portrayal of what happened (Jonas & Blanchet, 2000). Information has qualities that are compatible with free and biased materials so that users can be relied upon to represent faithfully what is expected or expected to be represented (ICAA, 2008). The more it is near to 0 the more it is faithfully represented. All accounting information must be represented faithfully, and it represents what it purports.

Good Corporate Governance on Accounting Information Quality

The coefficient reveals the direction of good corporate governance to accounting information quality for the Trusted Company.

Table 3 below shows the result of calculating path coefficient, it is known that the path coefficient between Good Corporate Governance and Accounting Information Quality is 0.367. The path coefficient signals a positive direction. This indicates that as the Good Corporate Governance increases the Accounting Information Quality increases. Furthermore, the path coefficient is tested to prove whether Good Corporate Governance has significant effect on Accounting Information Quality. The following test of significance:

Table 3 - Result of Testing the Effect of Good Corporate Governance on Accounting Information Quality

Path Coef.	t_{value}	$t_{critical}$	H_8
0,367	2,463	1,96	Accepted

Based on Table 3 above, the variable Good Corporate Governance is 2.463. The t_{value} of 2.463 is bigger than the $t_{critical}$ value of 1.96. The t_{value} is bigger than $t_{critical}$ value at a significance level of 5%, and therefore it is decided to reject H_0 and accept H_a, which is Good Corporate Governance has significant effect on Accounting Information Quality.

The positive direction is a proof that as good corporate governance increases, the accounting information quality increase as well. This finding is supported by various studies, such as, Klai & Omri (2011) revealed that the governance mechanisms affect the financial information quality. Kao & Wei (2014) also support the findings in this study that here was a significant and positive correlation between corporate governance and timeliness. Habib & Azim (2008) in their studies, saying that firms with strong governance structure exhibit higher value-relevance of accounting information. Cadbury (1992) regards corporate governance structure as a monitoring mechanism to lessen the conflicts of interests among stakeholders by mitigating agency costs via to the separation between ownership and management along with the majority of outside directors on the management board.

Previous assertions convey that good corporate governance is an internal inescapable factor for accounting information quality. The practice of good corporate governance in Indonesia has been improving year-by-year as elaborated by Asian Development Bank (ADB) which is based on ASEAN Corporate Governance Scorecard. The scorecard includes how international best corporate governance practices are being followed. This is an indication that Indonesian corporate governance is getting better. Indonesian corporations are very active to response in implementing the corporate governance best practices thus it reflects on the effect of company's accounting information quality. No doubt that good corporate governance supports accounting information quality.

Conclusion

Corporate governance plays a vital role in the quality of accounting information. Publicly listed companies are required to comply with all the requirements promulgated in the corporate governance manual. Publicly listed companies are assessed every year by the Indonesian Institute of Corporate Directors in which companies must govern well and adhere to every policy and procedure. It is concluded that the companies who were awarded for six consecutive years are believed to the compliant of good corporate governance, and these companies had prepared the accounting information based on its relevance and faithful representation.

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