The Influence of Culture on the Development of Accounting Practices in Indonesia

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Abstract
This article investigates the cultural impacts on the development of accounting values and practices in the context of Indonesia. It attempts to link both Hofstede’s four cultural dimensions (individualism versus collectivism, large versus small power distance, strong versus weak uncertainty avoidance and masculinity versus femininity) and Gray’s accounting values (professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism and secrecy versus transparency) and apply them to the Indonesia’s accounting systems and practices, such as, authority/enforcement, measurement of assets and profit and information disclosure. The results show that there has been small progress for auditors or accountants to exercise their individual professional judgments; however, despite the capitalist system with heavy government intervention in the stages of the accounting profession, professionalism is still weak; this in turn influences to the disclosure of accounting information. Indonesian’s collectivistically-oriented society, thus results in lower level of professionalism where management, including accountants and auditors of the firms find hard to exercise their professional judgments, this then has a direct impact on the uniformity of accounting practices as well as the disclosure of accounting information. Stronger uncertainty avoidance in Indonesia results in the conservatism of accounting practices where the use of historical cost of asset valuation, recognition of internally generated assets and amortization of those intangible assets are largely practiced. Stronger masculinity society, then influences the secrecy in accounting information disclosure where the fact that the concepts of masculinity restrict accounting information disclosure to avoid competition among the society.

Keywords: cultural dimensions, accounting values, accounting practices, measurement, information disclosure