ABSTRACT

This study aims to analyze the effect of enterprise resource planning (ERP) systems implementation on the existence of internal control weaknesses over State-Owned Enterprise firms' financial reporting in Indonesia. Using this variable, for instance Morris (2011), discovered the direct effect of ERP systems implementation on the effectiveness of internal controls over financial reporting. Using control variables, for instance W. Ge and S. McVay (2005), Doyle et al. (2007), Ashbaugh-Skaife et al. (2007) and Morris (2011) discovered the effects of indicators of resource constraint, operating risk, and age of the company as control variables on the effectiveness of internal controls over financial reporting. The control variable uses earn to prove the argumentations of ERP vendors that ERP systems implementation will help firms improve their internal controls over financial reporting.

The samples of this research consisted of fifty four State-Owned Enterprise firms which had conducted operating business activities in 2010 and 2011, either have or have not announced implementation of ERP systems. Purposive sampling was used to select the control firms. Logistic regression was run by IBM SPSS software for data analysis and hypothesis examination, for instance Ogneva et al. (2007).

Result of this study indicated that implementation of ERP systems contributes a positive influence, which is significant to the effectiveness of internal controls over State-Owned Enterprise firms' financial reporting. Firm values as an indicator of resource constraint, total inventories to total assets as operating risk measurement, and age of company also show the significant influences to the existence of general (entity related) internal control weaknesses over State-Owned Enterprise firms' financial reporting.

Key words : enterprise resource planning, ERP, internal control, State-Owned Enterprise, logistic regression