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Letter of Acceptance

Acceptance for Publication of your Research Manuscript

Dear Author,

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[1,2,3] Universitas Muhammadiyah Prof Dr Hamka, Indonesia

On behalf of the Editorial Team of ***International Journal of World Economics***, we would like to thank you for your contribution to our Journal Based on the evaluation by the Scientific Committee of the Journal, your contribution:

"Auditor Competence in Implementing Private Entity Financial Accounting Standards"

Has been ***accepted*** for publication in regular issue 2026.

This letter will provide our formal acceptance of your paper.

We are looking forward to more participation. Best Wishes.

Sincerely,

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Auditor Competence in Implementing Private Entity Financial Accounting Standards

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Abstract

The implementation of the Private Entity Financial Accounting Standards (SAK EP) represents an important development in Indonesia's financial reporting framework, requiring auditors to possess adequate knowledge and competence to ensure its effective application. This study aims to explore auditors' understanding of SAK EP by examining the contributions of educational background, professional experience, and professional training. A qualitative descriptive approach was employed, with data collected through open-ended questionnaires distributed to auditors working in Public Accounting Firms in Indonesia. The data were analyzed using thematic analysis to identify recurring patterns related to auditors' understanding of SAK EP. The findings indicate that formal education provides the conceptual foundation for understanding accounting standards, while professional experience enhances auditors' practical ability to interpret and apply SAK EP in audit engagements. Continuous professional training further supports auditors by updating their technical knowledge and facilitating adaptation to newly introduced accounting standards. Participants also identified challenges during the early implementation of SAK EP, including limited practical guidance and the need for more comprehensive professional development programs. The study concludes that auditors' understanding 1 of SAK EP is developed through the interaction of education, experience, and continuous learning. These findings provide practical implications for Public Accounting Firms, professional associations, regulators, and higher education institutions in strengthening auditors' competencies and supporting the effective implementation of SAK EP in Indonesia.

Keywords: SAK EP; Auditors; Professional Competence; Accounting Standards; Qualitative Research; Public Accounting Firms.

INTRODUCTION

The adoption of high-quality financial reporting standards plays a crucial role in enhancing transparency, accountability, and comparability of financial information. Reliable financial statements enable investors, creditors, regulators, and other stakeholders to make informed economic decisions while strengthening public confidence in business entities. To achieve these objectives, accounting standards must continuously evolve in response to changes in the business environment, regulatory expectations, and international reporting practices. Consequently, many countries have revised their national 1 accounting standards to align more closely with globally accepted financial reporting frameworks while accommodating the characteristics of domestic business entities.

In Indonesia, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) has continuously updated national accounting standards to improve financial reporting quality. One of the most significant recent reforms is the introduction of the Private Entity Financial Accounting Standards (Standar Akuntansi Keuangan Entitas Privat—SAK EP), which became mandatory on 1 January 2025. SAK EP replaces the previous Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) and is primarily developed from the IFRS for SMEs Accounting Standard (2015) with several adjustments to reflect Indonesia's legal, economic, and business environments. The issuance of SAK EP demonstrates Indonesia's commitment to improving financial reporting quality while providing a more practical accounting framework for private entities with no significant public accountability.

Compared with SAK ETAP, SAK EP introduces several conceptual and technical improvements intended to simplify financial reporting while maintaining compliance with internationally recognized accounting principles. The standard provides clearer guidance on recognition, measurement, presentation, and disclosure requirements, thereby improving the consistency and comparability of financial statements prepared by private entities. Although the revised standard is designed to simplify reporting practices, its successful implementation depends largely on the competence of accounting professionals responsible for preparing, reviewing, and auditing financial statements. Therefore, the transition from SAK ETAP to SAK EP should be viewed not merely as a regulatory change but as a process requiring substantial improvements in professional knowledge and technical competence (DSAK IAI, 2024; IFRS Foundation, 2025).

Among accounting professionals, public accountants and auditors play a particularly important role in ensuring the effective implementation of accounting standards. Auditors are responsible for evaluating whether financial statements have been prepared in accordance with applicable financial reporting standards before expressing an independent audit opinion. Throughout the audit process, auditors assess accounting policies adopted by management, examine the appropriateness of financial statement recognition and measurement, evaluate disclosure adequacy, and determine whether financial reports fairly present an entity's financial position and performance. Consequently, auditors' understanding of SAK EP directly influences audit quality, professional judgment, and the credibility of audited financial statements.

The mandatory implementation of SAK EP presents new challenges for auditors. Unlike previous accounting standards that had been applied for many years, SAK EP introduces new concepts, revised accounting treatments, and updated disclosure requirements that require auditors to continuously improve their professional competencies. Failure to understand these changes may result in inappropriate audit procedures, inaccurate evaluation of financial statements, inconsistent audit judgments, and an increased risk of issuing inappropriate audit opinions. Furthermore, inadequate understanding of SAK EP may reduce audit effectiveness and weaken stakeholders' confidence in audited financial reports. Therefore, strengthening auditors' competence has become an essential prerequisite for ensuring the successful implementation of the new accounting standard. Professional competence is generally recognized as one of the primary determinants of audit quality. According to Human Capital Theory (Becker, 1993), investments in education, training, and professional development enhance individuals' knowledge, productivity, and performance. Within the auditing profession, human capital is accumulated through formal education, practical auditing experience, continuing professional education, and lifelong learning. Auditors possessing greater human capital are generally expected to understand accounting standards more comprehensively, exercise higher-quality professional judgment, and adapt more effectively to regulatory changes. This theoretical perspective suggests that auditors' understanding of SAK EP is not acquired solely through academic education but is continuously developed through practical experience and professional training.

Similarly, Cognitive Learning Theory explains that knowledge acquisition occurs through continuous interactions between theoretical learning and practical experience. Auditors initially acquire accounting concepts through higher education, strengthen those concepts during audit engagements, and subsequently refine their understanding through continuing professional education, seminars, workshops, and certification programs. Consequently, auditors' understanding of newly introduced accounting standards is expected to develop gradually through the integration of formal education, professional experience, and structured training activities. This perspective is consistent with the competency framework promoted by the International Federation of Accountants (IFAC), which emphasizes continuous professional development as an essential component of maintaining professional competence in an evolving regulatory environment.

Formal education constitutes the foundation of auditors' professional competence. University education equips future auditors with fundamental knowledge of accounting principles, auditing standards, financial reporting frameworks, and ethical responsibilities. Higher educational attainment generally enhances analytical ability, critical thinking, and conceptual understanding required for interpreting complex accounting standards.

Nevertheless, accounting standards continue to evolve after graduation, making formal education alone insufficient to maintain professional competence throughout an auditor's career.

Professional experience represents another essential dimension of auditor competence. Through repeated involvement in audit engagements, auditors encounter diverse accounting issues, industry characteristics, [10] internal control systems, and financial reporting practices. These practical experiences strengthen professional judgment, improve problem-solving abilities, and facilitate a deeper understanding of accounting standards. Experienced auditors are generally better able to identify material misstatements, interpret accounting regulations appropriately, and evaluate management's accounting decisions compared with less experienced auditors. Consequently, professional experience contributes substantially to auditors' readiness to implement newly introduced accounting standards.

In addition to education and experience, professional training plays a critical role in updating auditors' technical competencies. Training programs organized by professional associations, accounting firms, and regulatory institutions provide opportunities for auditors to learn recent regulatory developments, discuss implementation issues, analyze practical case studies, and improve technical skills relevant to evolving accounting standards. Continuing professional education is particularly important following the issuance [1] of SAK EP because auditors must understand both conceptual changes and practical implementation challenges before applying the new standard during audit engagements.

Previous empirical studies consistently demonstrate that education, professional [5] experience, and training contribute positively to auditors' competence and audit quality. Research has shown that auditors with higher educational qualifications generally possess stronger conceptual understanding of accounting standards, while experienced auditors exhibit superior [4] professional judgment and decision-making capabilities. Likewise, participation in [11] continuing professional education has been found to improve auditors' technical competence and readiness to implement new accounting regulations. However, despite extensive research on auditor competence, most previous studies were conducted within the context of established accounting standards such as IFRS or SAK ETAP. Empirical evidence concerning auditors' understanding of SAK EP, particularly following its mandatory implementation in 2025, remains relatively limited.

Furthermore, previous studies have predominantly examined the effects of education, professional experience, or professional training independently. Only a limited number of studies have investigated how these three dimensions collectively contribute to auditors' understanding of newly introduced accounting standards. Moreover, research specifically focusing on auditors employed in Indonesian Public Accounting Firms during the early implementation period of SAK EP is still scarce. This lack of empirical evidence represents an important research gap because auditors are expected to become the primary gatekeepers responsible for ensuring compliance with the new accounting standard.

Accordingly, this study seeks to examine auditors' understanding of the Private Entity Financial Accounting Standards (SAK EP) by considering the roles of education, professional experience, and professional training among auditors working in Indonesian Public Accounting Firms. The novelty of this research lies in its focus on the initial implementation period of SAK EP following its mandatory adoption in 2025 while integrating three fundamental dimensions of auditor competence within a single analytical framework. The findings are expected to contribute to the literature on accounting standard implementation, provide practical recommendations for Public Accounting Firms and professional organizations, and support the development of continuing professional education programs aimed at strengthening auditors' readiness to implement Indonesia's latest financial reporting standards.

METHOD

Research Design

This study employed a qualitative descriptive research design to explore auditors' understanding of the Private Entity Financial Accounting Standards (SAK EP). A qualitative descriptive approach was selected because the study aimed to obtain an in-depth understanding of auditors' perspectives regarding the role of education, professional experience, and professional training in supporting the implementation of SAK EP. Rather than measuring statistical relationships among variables, this study sought to describe participants' experiences, perceptions, and professional viewpoints concerning the adoption of the new accounting standard within Public Accounting Firms in Indonesia.

Participants

The participants consisted of auditors working in Public Accounting Firms (Kantor Akuntan Publik/KAP) in Indonesia. Participants were selected using purposive sampling, as this technique enables researchers to recruit individuals who possess relevant knowledge and experience related to the phenomenon under investigation (Patton, 2015).

To ensure the relevance of the collected data, participants met the following inclusion criteria:

1. Currently employed as an auditor in a Public Accounting Firm.
2. Have participated in audit engagements involving private entities.
3. Possess knowledge of Indonesian Financial Accounting Standards.
4. Are familiar with or have been introduced to SAK EP through professional practice, training, or independent learning.

The number of participants was determined based on data saturation, whereby data collection continued until no substantially new information or themes emerged from participants' responses (Guest et al., 2020).

Data Collection

Primary data were collected using an open-ended questionnaire distributed electronically to participating auditors. Unlike structured questionnaires employing Likert-scale responses, the questionnaire consisted of open-ended questions that encouraged participants to explain their opinions and experiences in their own words. This approach enabled respondents to provide richer information regarding their understanding of SAK EP and the factors influencing that understanding.

The questionnaire was developed based on the study objectives and relevant literature concerning auditor competence and accounting standard implementation. Four major themes guided the development of the questionnaire:

• Educational background;

• Professional audit experience;

• Professional training and continuing education;

• Understanding and implementation of SAK EP.

Examples of the guiding questions included:

• How has your educational background influenced your understanding of SAK EP?

• In what ways has your professional auditing experience helped you understand the implementation of SAK EP?

• How do professional training programs contribute to your readiness to implement SAK EP?

• What challenges do you encounter when understanding or applying SAK EP in audit practice?

These questions were intentionally broad to allow participants to express their perspectives freely while ensuring that the responses remained aligned with the objectives of the study.

Data Analysis

The collected data were analyzed using thematic analysis following the framework proposed by Braun and Clarke (2006). This analytical approach was selected because it enables researchers to identify, organize, and interpret recurring patterns across qualitative datasets.

The analysis consisted of six stages:

1. Familiarization with the data through repeated reading of participants' responses.

2. Initial coding by identifying meaningful statements related to auditors' understanding of SAK EP.

3. Grouping similar codes into broader categories.

4. Developing themes representing common patterns across participants' responses.

5. Reviewing and refining themes to ensure coherence and consistency.

6. Interpreting the findings by relating the identified themes to relevant theories and previous empirical studies.

The findings are presented descriptively, with each theme supported by representative excerpts and interpreted in relation to Human Capital Theory, Cognitive Learning Theory, and previous studies concerning auditor competence and accounting standard implementation.

Trustworthiness of the Study

To enhance the credibility and trustworthiness of the findings, the study followed the criteria proposed by Lincoln and Guba (1985), namely credibility, transferability, dependability, and confirmability. Credibility was strengthened through careful examination of participants' responses and consistent interpretation of emerging themes. Dependability was supported by maintaining a transparent analytical process, while confirmability was achieved by ensuring that interpretations were grounded in participants' responses rather than researchers' assumptions. Rich descriptions of the research context were also provided to improve the transferability of the findings to similar professional settings.

RESULTS AND DISCUSSION

Educational Background as the Foundation of Auditors' Understanding of SAK EP

The findings indicate that participants consistently regarded formal education as the primary foundation for understanding the Private Entity Financial Accounting Standards (SAK EP). Most participants explained that undergraduate and postgraduate accounting programs equipped them with fundamental knowledge of financial accounting, auditing, and financial reporting principles. This educational background enabled them to understand the conceptual basis of SAK EP more easily when the standard was introduced. Nevertheless, participants also emphasized that because SAK EP became mandatory only in 2025, many auditors had completed their formal education before the standard was implemented. Consequently, their university education did not specifically address the technical provisions of SAK EP.

Several participants noted that accounting education developed their analytical thinking and professional reasoning rather than providing comprehensive knowledge of every accounting standard. Therefore, while formal education established an important conceptual foundation, additional learning was required to understand the practical application of SAK EP in audit engagements.

These findings support Human Capital Theory (Becker, 1993), which argues that investment in education enhances individual knowledge and professional competence. Formal education contributes to auditors' conceptual understanding, enabling them to interpret new accounting standards more effectively. However, the findings also suggest that educational attainment alone is insufficient for maintaining professional competence in a dynamic regulatory environment. This observation aligns with the competency framework proposed by the International Federation of Accountants (IFAC), which emphasizes continuous professional development as an essential component of the accounting profession. Similar findings have been reported in previous studies, which conclude that educational background improves accounting knowledge but must be complemented by ongoing professional learning to maintain competence in response to changes in accounting standards.

Professional Experience Enhances Practical Understanding of SAK EP

Professional experience emerged as another significant factor influencing auditors' understanding of SAK EP. Participants consistently reported that repeated involvement in audit engagements enabled them to understand accounting standards beyond theoretical concepts. Through practical experience, auditors encountered various financial reporting issues, evaluated accounting treatments adopted by clients, and developed professional judgment when interpreting accounting regulations.

Participants explained that experience helped them identify differences between previous [1] accounting standards and SAK EP more effectively. Auditors who had worked with various private entities stated that they became more familiar with recognition, measurement, presentation, and disclosure requirements because they had observed different accounting practices across industries. Furthermore, experienced auditors reported greater confidence in evaluating clients' compliance with SAK EP during audit engagements.

These findings are consistent with [12] Cognitive Learning Theory, which suggests that knowledge develops through continuous interaction between theoretical understanding and practical experience. Professional experience enables auditors to transform academic knowledge into practical competence by exposing them to real audit situations requiring analytical thinking and professional judgment.

Previous empirical studies similarly indicate that experienced auditors generally demonstrate stronger technical competence and higher-quality professional judgment than less experienced auditors. Consequently, practical audit experience should be regarded [1] as an important mechanism through which auditors strengthen their understanding of newly introduced accounting standards such as SAK EP.

Professional Training Supports Continuous Competency Development

Participants overwhelmingly acknowledged the importance of professional training in improving their understanding of SAK EP. Many respondents explained that seminars, workshops, continuing professional education (CPE), and technical training organized by professional associations and Public Accounting Firms provided opportunities to understand the implementation of SAK EP more comprehensively.

Unlike formal education, professional training focuses on practical implementation issues. Participants reported that training programs commonly presented case studies, examples of financial statement preparation, audit implications, and discussions concerning challenges encountered during [7] the transition from SAK ETAP to SAK EP. Such practical learning experiences enabled auditors to connect theoretical knowledge with professional practice.

Several respondents also emphasized that continuous training [2] is particularly important because accounting standards continue to evolve. They considered professional development activities essential for maintaining technical competence and ensuring that audit procedures remain consistent with current accounting regulations.

These findings reinforce the principles [2] of Human Capital Theory, which argues that continuous investment in professional development enhances productivity and professional capability. They are also consistent with IFAC's competency framework, which recognizes continuing professional [11] development as a mandatory element of maintaining professional competence throughout an accountant's career. Previous studies similarly report that participation in professional training significantly improves auditors' readiness to implement [1] new accounting standards and strengthens their confidence when performing audit engagements.

Challenges in Understanding and Implementing SAK EP

Although participants generally demonstrated positive attitudes toward SAK EP, they also identified several challenges associated with its implementation. One frequently mentioned challenge concerned the relatively recent introduction of the standard. Because SAK EP became mandatory only in 2025, participants believed that practical guidance and implementation experience remain limited compared with previous accounting standards. Another commonly identified challenge was [1] the need for more structured training and technical guidance. Participants explained that although seminars and workshops had been conducted, additional practical examples, implementation guidelines, and industryspecific case studies would further improve auditors' understanding. Several respondents also noted that differences in organizational readiness among Public Accounting Firms influenced opportunities for learning and professional development.

Furthermore, participants indicated that adapting to a new accounting standard requires time and continuous learning. Understanding the conceptual changes introduced by SAK EP was considered relatively straightforward; however, applying those concepts consistently during audit engagements was viewed as more challenging. Consequently, respondents emphasized the importance of collaboration among professional associations, higher education institutions, regulators, and Public Accounting Firms to facilitate the effective implementation of SAK EP.

These findings suggest that the successful implementation of SAK EP depends not only on individual competence but also on institutional support. Continuous education, accessible implementation guidance, and collaboration among stakeholders are essential for ensuring that auditors possess sufficient knowledge and confidence to apply the new accounting standard consistently.

DISCUSSION

Overall, the findings demonstrate that auditors' understanding of SAK EP is shaped by the interaction of three complementary dimensions: formal education, professional experience, and continuous professional training. Formal education provides the conceptual basis for understanding accounting principles, professional experience transforms theoretical knowledge into practical competence, and professional training updates auditors' knowledge in response to regulatory changes.

From the perspective of Human Capital Theory, these findings indicate that investments in education and professional development contribute directly to the enhancement of auditors' competencies. Meanwhile, Cognitive Learning Theory explains that understanding develops progressively through the integration of academic learning and practical experience. Therefore, improving auditors' understanding of SAK EP should not rely on a single educational intervention but rather on a comprehensive professional development strategy involving universities, professional associations, regulators, and Public Accounting Firms.

The findings also highlight the importance of strengthening continuing professional education during the early implementation period of SAK EP. As Indonesia continues to refine its financial reporting framework, coordinated efforts among relevant stakeholders will be essential to ensure that auditors remain competent and capable of maintaining the quality and credibility of audited financial statements.

CONCLUSION

This study explored auditors' understanding of the Private Entity Financial Accounting Standards (SAK EP) using a qualitative descriptive approach. The findings indicate that auditors' understanding of SAK EP is influenced by three interrelated factors: educational background, professional experience, and professional training. Formal education provides the conceptual foundation for understanding accounting standards, while professional experience strengthens auditors' ability to apply SAK EP in audit engagements. Furthermore, continuous professional training plays an essential role in updating auditors' knowledge and improving their readiness to implement newly introduced accounting standards.

The study also revealed that the implementation of SAK EP continues to present several challenges, particularly due to its recent adoption and the need for more practical guidance and professional development opportunities. These findings highlight the importance of collaboration among Public Accounting Firms, professional associations, regulators, and higher education institutions in strengthening auditors' competencies and supporting the effective implementation of SAK EP. Future research is encouraged to involve a broader range of participants and employ interviews or mixed-method approaches to provide a more comprehensive understanding of SAK EP implementation across different organizational settings.

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