

**DETERMINANTS OF CAPITAL EXPENDITURES AND THE
IMPLICATIONS ON THE QUALITY OF GOVERNMENT FINANCIAL
STATEMENTS IN SOUTHEAST WEST NUSA**

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Abstract

This study aimed to examine the effect of regional income, revenue-sharing, the general allocation fund and special allocation funds regency/city governments in Southeast West Nusa Tenggara for capital expenditures, and the implications of it on the quality of financial statements of the Government of Regency / City in NTB. The population in this study are all regency/city governments in NTB using secondary data that Local Government Financial States of the fiscal year 2009-2015. The results showed that the local revenues and the special allocation fund has a significant positive impact on capital expenditures and capital expenditures has a positive significant effect on the quality of financial statements of the Government of regency/city in NTB. Meanwhile, revenue-sharing and the general allocation fund in regency/city Government has no effect on capital spending. The implications of this research can be used as a basis for decisions about the management of local revenue to capital expenditure that can touch directly to community service, and can be used as consideration in the preparation of the Regional Budget (APBD).

Keywords : Regional Income, Revenue-Sharing, Special Allocation Funds, Quality of Financial Statements

1. Introduction

One of the government's goal is to improve the welfare of all people. In connection with that the government is trying to achieve fiscal balance by maintaining the financial capacity of the State derived from income taxes and other sources in order to meet the wishes of the people. With the enactment of the regional autonomy law which bestows all power from central government to the government, the region, the public sector budget management in local government is managed directly by local governments.

Impact of the implementation of regional autonomy are claims against the government in creating a good governanace as a prerequisite to promotie accountability and transparency. Budget is a managerial plan for action for the achievement of government organizations. Public sector budget is an instrument of accountability for public funds management and implementation of programs financed from public money (Mardiasmo, 2009: 61). Budgetting public sector involved in the process of determining the amount of the allocation of funds for each program and activity is in monetary units. Phase budgetting becomes very important because the budget is not effective and performance-oriented will be able to thwart the plans that have been prepared.

Shifting the composition of spending is a logical effort made the local government in order to improve the level of public confidence. This shift is intended to improve capital investment in the form of fixed assets, namely the building of equipment, infrastructure and other fixed assets. The higher level of capital investment is expected to improve the quality of public services, because the fixed assets held as a result of capital expenditure is a precondition for providing services to the public by the Government. The government allocated funds in the form of capital expenditure in the budget to increase fixed assets. Capital expenditure is based on regional needs for facilities and infrastructure, both for the smooth implementation of the tasks for the government and public facilities.

In line with the aspirations of the people are emboldened to make demands desire and inspiration to the government, the public is increasingly critical to exercise control over what government does. In these conditions, the government should provide public services more professional, effective, efficient, simple, transparent, open, timely, responsive, and adaptive and can

simultaneously build a "human quality" in the sense of increasing the capacity of individuals and communities to actively determine his own future. Thus the implementation of public services as the delivery of services to improve public welfare is absolutely to be implemented by the government.

The consequences on the delivery of power from central government to the Government is resulted in the need for revenue sharing between the central government and the blood that lead to transfer significant in the budget of the central government to local government, and the local government can freely be able to use these funds to provide better services to the public. Local Government closer to the people assumed to know better the needs of society compared with much of the central government. So that the allocation of resources by the government to be more responsive in addressing the needs of the community.

In 2009 to 2015 the District / city governments in NTB province has realized a shopping area reached Rp. 54.041 trillion while capital spending reach Rp. 10.104 trillion. The proportion of government capital expenditure districts / cities in West Nusa Tenggara province is still below the national target. If the total capital expenditure compared to total public expenditures, the proportion of capital expenditure District / city governments in NTB province amounted to only 18.70%. This figure is still below the national average targets for the proportion of capital expenditure that is between 23% - 30%.

Locally-generated revenue studies linking the capital expenditures in a number of regions in Indonesia have been carried out. Overall revenue accruing to the Government affect the capital expenditure (Darwanto and Yustikasari (2007); Tuasikal (2008); Ardhani (2010); Oktriniatmaja (2011); Kusnandar and Siswantoro (2012); Andriana (2012); Wertianti (2012); Mawarni, Darwanis and Syukriy Abdullah (2013); Nuarisa (2013); Kurniawan (2013); Aprizay, YS, Darwanis and Arfan, M. (2014); Sholikhah and Wahyudin (2014); Dihastuti (2014); Anjani (2015)). Meanwhile, Oktora and Pontoh (2013) found that there were less close relationship between revenue and capital expenditure due to the low proportion of locally-generated revenue (PAD) in the composition of Revenue. In line with this, and Halim Abdullah studies (2006), Wandira (2013), as well as Darmayasa and Suandi (2014), found that the PAD does not affect the capital expenditures in a number of government in Indonesia.

Besides revenue, increase in revenue is due to the region annually as well as increasing the transfer of funds from the central government. Transfer of funds from the central government has become the main source of funding to finance the activities of the Government (Adam, Umar and Sosilo. 2013). Even the General Allocation Fund (DAU) The most significant amounts to virtually the entire government in Indonesia (Adam et al. 2013). The same conditions occurred in the district / city in the province of West Nusa Tenggara (NTB), the revenue derived from the balance funds have increased, and this increase is due to an increase in the General Allocation Fund (DAU). The equalization fund is a fund that can potentially be used in district / city in NTB to increase the infrastructure, facilities and infrastructure of the area in the form of capital expenditure.

Government capital expenditure can be influenced by the amount of Balance Funds received by the Government of the Central Government (Abdullah and Halim 2006). Studies looking at the effect of balancing funds component consisting of DAU, DAK and DBH to capital expenditures have also been carried out and obtained different results. DAU is the central government transfers funds to cover the fiscal gap in the area have a very close relationship with capital expenditure (Oktora and Pontoh, 2013). DAU also affect capital expenditure (Harianto and Adi (2007); Tuasikal (2008); Ardhani (2010); Oktriniatmaja (2011); Andriana (2012); Wertianti (2012); Nuarisa (2013); Wandira (2013); Kurniawan (2013); Darmayasa and Suandi (2014)). This indicates the higher DAU received an area, the higher capital spending. Instead DAU negatively affect capital spending Mawarni et al. (2013). Studies look at DAU does not affect capital expenditure found by Kusnandar and Siswanto (2012), Sholikhah and Wahyudin (2014), and Dihastuti (2014), and Anjani (2015).

Special Allocation Fund influential because it will more likely be used to increase fixed assets owned by the government to improve public services (Tuasikal (2008). DAK was allocated to support local fund physical needs of basic facilities and infrastructure which is a national priority in the field of education, health, infrastruktur, marine and fisheries, agriculture, infrastructure, government, and environment. DAK also has a close relationship with the capital expenditure of the Government (Oktora and Pontoh, 2013). DAK also indicated an effect on the capex (Tuasikal (2008); Kurniawan (2013)

;Oktriniatmaja (2011); Wandira (2013); and Nuarisa (2013). While Ardhani (2010); Darmayasa and Suandi (2014), and Anjani (2015) found no effect of DAK to the allocation of capital expenditures.

Revenue Sharing (DBH) is a source of local revenue in addition to PAD, DAU and DAK can be used by the Government to the shopping area. Research Wandira (2013), Darmawan (2013), Sholikhah and Wahyudin (2014), as well as Darmayasa and Suandi (2014) saw the influence of DBH against government capital expenditures. While Kurniawan (2013) and Anjani (2015) found the DBH has no effect on capital spending.

With increasing local revenue sources for capital expenditure is expected the Government will increase, so the fixed assets owned by the Government will increase. For most government issues these regional assets seem to be very complicated and complex, profanity asset inventory is the biggest majority for the Government to achieve an unqualified opinion (WTP) of the Supreme Audit Agency (BPK). Above that, the importance of a serious effort for the Government is to fix it. The government could use the assistance of local CPCs. If the document is no longer an asset, the Government is also able to calculate the value of assets with the help of appraisal. Settling assets into a job is not easy for the Government. In fact, there is also a need to pitch search by taking a census of assets.

This research was motivated by the phenomena of capital expenditures in the District / City Se-NTB for 7 (seven) years from 2009 to 2015 are still below the national average. Still the regency / city governments in NTB province who got opinions Fair With Exceptions (WDP) of the results of the audit on Government Financial Report (LKPD) conducted by BPK.

Based on the background outlined above, this study aimed to find out the determinants of capital expenditures and their implications on the quality of the financial statements at the District / City in the whole West Nusa Tenggara province. In more detail boundary problem in this study can be formulated in the following questions:

1. Is the PAD effect positive on capital expenditure in the District / City governments in Southeast West Nusa?
2. Do Revenue-sharing (DBH) have a positive effect on capital expenditure in the District / City governments in Southeast West Nusa?

3. Do DAU have a positive effect on capital expenditure in the District / City governments in Southeast West Nusa?
4. Do DAK positive effect on capital expenditure in the District / City governments in Southeast West Nusa?
5. Does Capital Expenditure affect the quality of financial reporting in the district / city governments in Southeast West Nusa?

Based on the background and the formulation of the problem that has been described previously, the purpose of the study is to test and find empirical evidence about the influence of the PAD, DBH, DAU and DAK to capital expenditures and the impact of capital expenditure on the quality of the financial statements at the District / City governments in West Nusa Tenggara.

2. Theoretical Framework and Hypothesis Development

2.1. Local Revenue with Capital Expenditure

Local revenues are revenues derived from the original source area and can be used for shopping area that is mainly expected to support priority activities in areas such as increasing capital expenditure. Based Permendagi 13 of 2006, the PAD group consists of four types of income, namely: tax, retribution, the results of which are separated regional wealth management, and other legitimate PAD. Society as a principal gives authority to regulate and provide resources to the government as an agent to increase revenue (PAD). Local Government as an agent in this case, it should provide feedback to the community in the form of adequate public services funded from the local revenues.

Improvement of public infrastructure is expected to improve the quality of public services, where the presence of quality public services is expected to have an impact on improving the ability of the public economy as reflected in the community's ability to pay a number of fees that have been set by local governments. As disclosed by Mayasari et.al (2014), the increase in shopping areas in the capital expenditure will be able to improve the quality of public services, which in turn can increase the public contribution to development as reflected in the increase in local revenue.

Research Sulistiawan (2005), Darwanto and Yustikasari (2007), Tuasikal (2008), Ardhani (2010), Kusnandar and Siswanto (2012), Nuarisa (2013), Kurniawan (2013), Solikhah and Wahyudin (2014), Dihastuti (2014) and Anjani (2015) found that the PAD has a positive effect on capital

spending, indicating that the higher the PAD which is owned by the Government, the higher capital expenditure undertaken by the local government and vice versa. Andriana (2012) and Aprizay, Y.S., et al. (2014) saw no effect of PAD to capital expenditures with a negative direction, indicating that if the PAD increases, it will cause a decrease in local government capital expenditures. While there are also studies that found there is a low correlation between revenue and capital expenditure (Oktora and Pontoh, 2013). In line also with Abdullah and Halim (2006), Wandira (2013) and Darmayasa and Suandi (2014) who found the PAD does not affect the capital expenditure, because PAD is more widely used to finance other expenditure.

Past research shows that the PAD should be optimized by the Government to improve local capacity in order to improve services to the community through the realization of capital spending continues to increase from year to year. Increased public servants through capital expenditures reflected in the infrastructure and infrastructure necessary to support the economy of the community. Based on the description above hypothesis can be stated as follows:

H1 :*Local Revenue has a positive effect on Capital Expenditure.*

2.2. Revenue Sharing with Capital Expenditure

The allocation of capital expenditures in some areas can not only rely on the PAD, because the number of PAD is still minimal, for the region needs additional funds in the form of equalization funds from the Central Government. For areas larger financial needs of the potential reception area, the central government transfer of funds to a specific calculation. Study Abdullah and Halim (2006) overall found a significant relationship between the fund balance and capital expenditures.

One component is the equalization fund (Revenue-Sharing) is a fund source from APBN which is allocated to regions based on percentage to finance the needs of the region in the framework of decentralization. Revenue-Sharing aims to equalize fiscal capacity among regions that are intended to reduce imbalances between regions financial capabilities through the application of a formula that takes into account the needs and potential of the region, so that the government can use it for infrastructure provision with respect to this potential through capital expenditure.

Technical instructions and guidelines of several Revenue-Sharing being transferred to the area may be allocated for capital expenditures that support the development of results and potential of the region. To that end, Revenue-Sharing is expected to significantly affect capital spending. Wandira (2013) saw a positive influence Revenue-Sharing to capital expenditures. It indicates when the Revenue-Sharing increases, capital expenditure also increased (Solikhah and Wahyudin (2014); and Darmayasa and Suandi (2014)). Darmawan (2013) found the effect Revenue-Sharing negative direction and not significant capital expenditure, which means that the local government can not rely on the fulfillment of capital expenditure of Revenue-Sharing. Meanwhile, Kurniawan (2013) and Anjani (2015) found the Revenue-Sharing has no effect on capital spending. Based on the description above hypothesis can be stated as follows:

H2 : *Revenue-Sharing positive effect on Capital Expenditure.*

2.3. General Allocation Fund with Capital Expenditure

In addition Funds (Revenue-Sharing), another component of the equalization fund is the General allocation fund, which funds sourced from APBN is allocated to bring equality among the regions financial ability to fund the needs of the region in the framework of decentralization. Public allocation fund aims to equalize fiscal capacity among regions that are intended to reduce imbalances between regions financial capabilities through the application of a formula that takes into account of the needs and potential of the region.

General Allocation Fund can also be used to increase capital spending, indicating General Allocation Fund highly correlated and the effect on capital expenditure (Oktora and Pontoh (2013), Nuarisa (2013). The higher the General Allocation Fund received by a region, the higher also capital expenditure of obligatory, meaning General Allocation Fund positive effect on capital expenditure ((Harianto and Adi (2007), Darwanto and Yustikasari (2007), Tuasikal (2008), Ardhani (2010), Andriana (2012); Nuarisa (2013); Kurniawan (2013), Darmawan (2013)). Thus, based on the description above hypothesis can be stated as follows:

H3 : *General Allocation Fund has a positive effect on Capital Expenditure.*

2.4. Special Allocation Fund with Capital Expenditure

Besides Revenue-Sharing and General Allocation Fund, component equalization fund is also the Special Allocation Fund is a fund sourced from APBN allocated to a particular region with the aim of helping to fund special activities and local activities in accordance with national priorities. Because finance has specific activities, the Special Allocation has a significant effect on the capex (Simorangkir).

Other revenue sources and can be used for government expenditure, especially capital expenditure is Special Allocation Funds. Special Allocation Funds is one component of balance funds of physical activity that is devoted to finance certain areas of the program in line with the priority programs of the Central Government. Research Oktora and Pontoh (2013), found Special Allocation Funds closely related to capital expenditures, thus the greater the Special Allocation Funds received by the Regional Government of the capital spending is greater (Tuasikal (2008); Kurniawan (2013); Nuarisa (2013); and Wandira (2013). While research Ardhani (2010); Darmawan (2013); Darmayasa and Kelvin (2014) and Anjani (2015) found the Special Allocation Funds not affect capital expenditure, due to receipt of Special Allocation Funds is still dependent on the program of the Central Government. The previous study showed that Special Allocation Funds effect on capital expenditures that can be expressed as the following hypothesis:

H4 : *Special Allocation Fund (DAK) positive effect on Capital Expenditure.*

2.5. Capital Expenditure with Quality Financial Statements

According to the Regulation No. 59 of 2007 on State Financial Management, capital expenditures are defined as costs incurred in order to purchase / acquisition or construction of fixed assets of intangibles that have a benefit value of more than one year to be used in government activities, such as in the form of land, equipment and machinery, building and construction, roads, irrigation networks and other fixed assets.

With increasing capital expenditure, it will increase the fixed assets owned by the local government, thus requiring the administration (accounting, inventory and reporting) fixed assets more adequate, accurate and thorough. For the majority of local governments, they have local asset problems

that seem very complicated and complex, profanity inventory of assets most major deterrents for local governments in achieving an unqualified opinion (WTP) of the Supreme Audit Agency (BPK).

Based on the results of the findings showed that the biggest stumbling neighboring districts / cities in West Nusa Tenggara province to obtain an unqualified opinion is the issue of asset management (BPK Representative NTB). In line with Purwanti study (2012) found that the relationship between asset management and financial report has a very strong quality that is equal to 0.645. The same was found by Febrianti (2015), and Slamet (2016) that the statements of assets will affect the quality of the financial statements, so the hypothesis can be stated as follows:

H5 :*Capital expenditures negatively affect the quality of financial statements.*

3. Research Method

3.1. Types of research

Research type used is associative research. Associative research is research that aims to determine the influence or relationship between two or more variables, the research data in the form of figures and statistical analysis using (Sugiono, 2014: 7). Relationships that wants to know is about the influence of Shopping PAD, DBH, DAU and DAK to capital expenditures as well as capital expenditures influence on the quality of financial reporting in the District / City Se-West Nusa Tenggara.

3.2. Population and Data Research

The population used in this study are all over the District / City in the province of West Nusa Tenggara as many as ten (10) Local Government which consists of 8 (eight) District, namely: West Lombok, East Lombok, Central Lombok, North Lombok, Sumbawa Barat , Sumbawa, Dompu and Bima and two (2) City is the City of Mataram and Bima City. The samples are all over the District / City in the province of West Nusa Tenggara as many as 10 (ten) Regency / City Government. While the analysis unit amounted to 70 (seventy) of data, obtained from a population that is 10 (ten) Regency/ City Government Se-NTB multiplied by the number of years of observation 7 (seven) years. The data used in this research is secondary data in the form of Local Government Finance Report and opinion

Financial Supervisory Agency (BPK) to the financial statements of local government districts / cities in NTB 2009-2015.

3.3. Sample Collection Techniques

The technique used in the sampling in this study is Non-Probability Sampling with saturated sampling approach or the Census, ie sampling technique with all members of the population used as a sample; this is done because the population is relatively small, at less than 30 objects. So the sample is whole District / City in the province of West Nusa Tenggara as many as 10 (ten) Regency / City Government. While the analysis unit is amounted to 70 (seventy) of data, obtained from a population that is 10 (ten) Regency / City Government Se-NTB that multiplied by the number of years of observation 7 (seven) years.

3.4. Variables and Variable Operational Definition

This study consisted of two four endogenous variables and exogenous variables. The endogenous variable is the quality of financial reports and capital expenditure, while the exogenous variable is PAD, DBH, DAU and DAK. The operational definition of variables is as follows.

3.4.1. Quality of Financial Statements

According to the Indonesian Government Regulation No. 71 of 2010, the qualitative characteristics of financial statements are normative measures that need to be realized in the accounting information so that it can fulfill its purpose. As for the qualitative characteristics of financial statements that are prerequisites normative government required that the government's financial statements meet the desired quality that is relevant, reliable, comparable and understandable. Quality of Financial Statements in this study was measured by looking at the results of opinion Financial Supervisory Agency (BPK) on the report of local government keuangan (LKPD) in the period 2009-2015. As for the quality of financial reporting in this study were measured with a Likert scale as shown in Table 3.1 below:

Table 3.1.

Scores for each of the CPC opinion

No	Category	Score
1.	WTP	4
2.	WDP	3
3.	TW	2
4.	TMP	1

3.4.2. Capital expenditure

Capital expenditure according to Regulation No. 59 of 2007 on State Financial Management is defined as the costs incurred in order to purchase / acquisition or construction of fixed assets of intangibles that have a benefit value of more than one year to be used in government activities, such as in the form of land, equipment and machinery, building and construction, roads, irrigation networks and other fixed assets. Capital expenditure was measured by the Log number of realization of land, equipment and machinery, buildings and facilities, roads, irrigation networks and other fixed assets that existed at the LKPD 2009 until 2015.

3.4.3. Locally-generated revenue

Regional Income is income derived from local area itself. Included in the income tax of this type is retribution, the results of which are separated regional wealth management, and other legitimate PAD (Nurdiawan 2004). PAD is measured by the Log number of tax realization, retribution, the results of which are separated regional wealth management and other legitimate PAD LKPD exist in the year 2009 to 2015.

3.4.4. Revenue Sharing

Revenue Sharing is the right regions for the sources of state revenue generated from each region, which is determined over the region based on the provisions of existing law. Broadly speaking consists of Revenue Sharing taxation and Revenue Sharing natural resources (SDA). Revenue Sharing is measured by the Log number of existing Revenue Sharing realization in LKPD 2009 to 2015.

3.4.5. general allocation fund

General Allocation Fund is a fund that comes from the state budget allocated for the purpose of financial equalization between regions to finance its expenditures within the framework of decentralization. DAU measured by the actual number of DAU Ln exist in LKPD 2009 to 2015.

3.4.6. Special Allocation Fund

Special Allocation Fund is a fund sourced from APBN allocated to a particular area with the aim to help fund special activities of regional affairs and in accordance with national priorities. DAK measured by Ln the realization of the DAK in LKPD 2009 to 2015.

3.4.7. Data Analysis Techniques

The model was tested with the following equation:

- a. For variabel laten X1 (PAD): formatif

$$X1 = \lambda_{1i1}X1 + \lambda_{2i2}X1 + \lambda_{3i3}X1 + \lambda_{4i4}X1 + \delta_1$$
- b. For variabel laten X2 (DBH) : formatif

$$X2 = \lambda_{1i1}X2 + \lambda_{2i2}X2 + \delta_2$$
- c. For variabel laten X3 (DAU) : formatif

$$X3 = \lambda_{1i1}X3 + \delta_3$$
- d. For variabel laten X4 (DAK): formatif

$$X4 = \lambda_{1i1}X4 + \delta_4$$
- e. For variabel laten Y1 (BM) : formatif

$$Y1 = \lambda_{1i1}Y1 + \lambda_{2i2}Y1 + \lambda_{3i3}Y1 + \lambda_{4i4}Y1 + \lambda_{5i5}Y1 + \delta_3$$
- f. For variabel laten Y2 (KLK) : reflektif

$$KLK_{WTP} = \lambda_1 KLK_{WTP} KLK + \varepsilon_1$$

$$KLK_{WDP} = \lambda_2 KLK_{WDP} KLK + \varepsilon_2$$

$$KLK_{TW} = \lambda_3 KLK_{TW} KLK + \varepsilon_3$$

$$KLK_{TMP} = \lambda_4 KLK_{TMP} KLK + \varepsilon_4$$

Equivalent model of structural / structural models (inner model)

$$Y1 = \gamma_1 X1 + \gamma_2 X2 + \gamma_3 X3 + \gamma_4 X4 + \zeta_1$$

$$Y2 = \beta_1 Y1 + \zeta_2$$

Information :

- Y2 : The quality of financial statements
 $\beta_1 Y1$: Beta, koefisien influence variabel *endogen* (BM) to variabel endogen KLK
Y1 : capital expenditure
 γ : Gamma, koefisien influence variabel eksogen to endogen
 ζ : Zeta, galat model

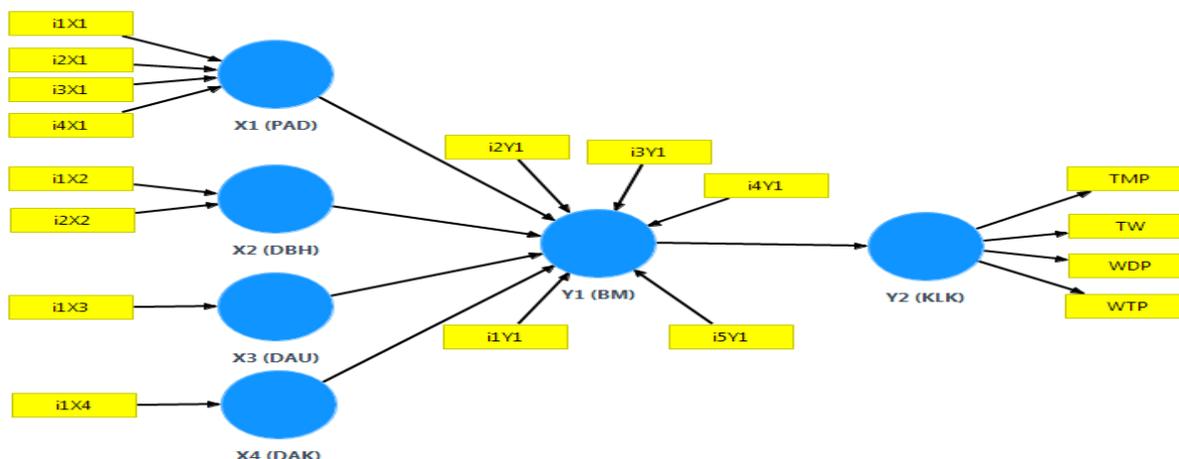


Figure 3.1 Measurement and Structural Models

4. Results

4.1. Data Analysis Research

The initial step with the PLS model evaluation in this study, as described in Chapter 3 is evaluated in the measurement model / measurement (outer model). The first outer evaluation model is evaluation of the constructs with reflective indicators. The result of the final calculation algorithm PLS model of this study are as follows:

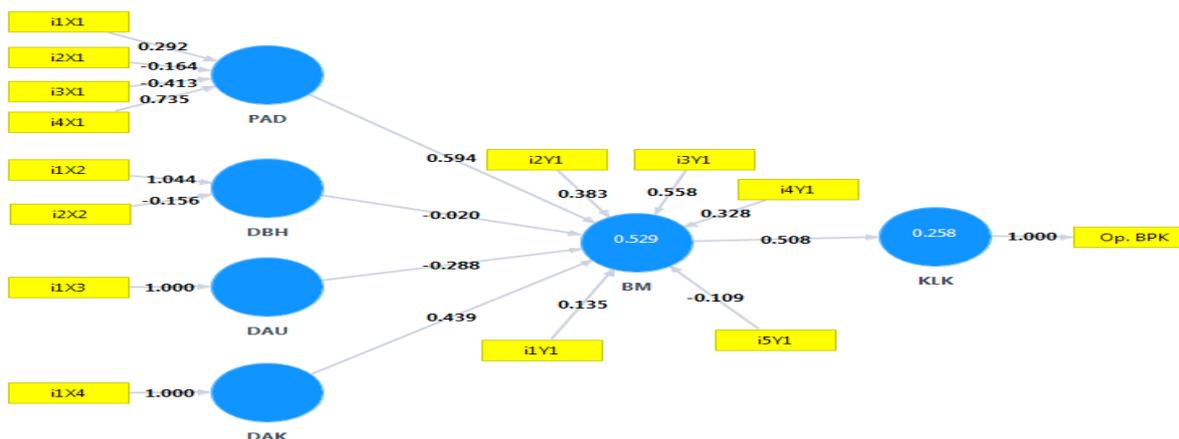


Figure 4.1
Results Calculation Algorithm PLS

Based on the figure 4.1, it can be seen loading factor for Op.BPK indicator is 1, so it can be expressed constructs KLK already meet the test of Convergent Validity for loading factor > 0.5. In addition to

Convergent Validity test, construction with reflective indicators can also be tested as Discriminant Validity to see cross loading, where the cross loading construct KLK is $1 > 0.7$ so that the construct KLK declared invalid. In addition to testing the validity of the model, constructs with reflective indicators also need to be tested the reliability of the model by looking at the output of the algorithm Composite Reliability PLS, as in table 4.1 below:

Table 4.1
Composite Reliability

Konstruk	Composite Reliability	Keterangan
BM		
DAK		
DAU		
DBH		
KLK	1	RELIABEL
PAD		

Table 4.1 shows that the construction of KLK has Composite Reliability > 0.7 , meaning that KLK constructs can be expressed reliably.

After the entire outer subsequently evaluated models is an evaluation of the inner model and test hypotheses of this research model. Inner evaluation models and hypothesis testing model of this study are as follows:

4.1.1. R-square

R Square is the coefficient of determination on endogenous constructs, used to look at the ability of exogenous variables to explain the endogenous variables. The following table R-square of endogenous variables:

Table 4.2
R Square

Konstruk	R Square
BM	0,529
KLK	0.258

Based on table 4.2, it can be concluded that constructs variable capital expenditure (BM) can be explained by the variable constructs PAD, DBH, DAU and DAK 52.9% while 47.1% is explained by other variables not examined. Besides variable PAD, DBH, DAU and DAK in the category of moderate to explain variable capital expenditure for the value of R square = 0.529. The construct of the variable quality of the financial statements (KLK) can be explained by the construct variable capital expenditure (BM) of 25.8% in the category of weak or because the value of R square = 25.8%. Meanwhile 74.2% variable quality of the financial statements is explained by other variables not examined.

4.1.2. Goodness Of Fit (GOF)

Goodness of Fit (GOF) was measured by using Prediction relevance (Q square). This test is performed to determine the predictive capability of the model. If the value obtained 0:02 (weak), 0.15 (moderate) and 0.35 (strong). Q square calculations can be calculated using the formula:

$$\begin{aligned} Q^2 &= 1-(1-R_1^2) (1 - R_2^2) \\ &= 1-(1-0,529^2)(1-0,258^2) \\ &= 0,33 \end{aligned}$$

Q2 value obtained was 0.33 or square Q value > 0 so that it can be stated structural model has relevance Prediction of 0.33. Thus it can be said predictive capability of the structural model developed in this study included in the strong category.

4.1.3. Hypothesis testing

To test the hypothesis, it can be seen from the value of t-statistics obtained. Limits to reject and accept the proposed hypothesis is 1.65 (t-table), which if the t-statistic values > 1.65 (t-table), then the hypothesis will be accepted, and otherwise will be rejected. T-statistic estimation results are presented in Table 4.3 Result for coefficients Path below:

Table 4.3

Path Coefficients (Mean, STDEV, T-Values)

Hubungan antar Variabel	Original Sample (O)	Sample Mean (M)	T Statistics (O/STERR)	P-Values	Kesimpulan
PAD -> BM	0,594	0,643	5,155	0,000	H₁ Diterima
DBH -> BM	-0,020	0,031	0,216	0,414	H ₂ Ditolak
DAU -> BM	-0,288	-0,188	1,679	0,047	H ₃ Ditolak
DAK -> BM	0,439	0,303	1,671	0,048	H₄ Diterima
BM -> KLK	0,508	0,552	3,997	0,000	H ₅ Ditolak

Sumber : *output bootstrappingSmartPLS (2016)*

From Table 4.3 it can be seen that the value of the original sample (coefficient alleged parameter) for the relationship between variables in this study, can further be explained as follows:

1. Variable parameters PAD has a coefficient of 0.594 and 5.155 t statistic > 1.65 (t table), with a 5% significance (one-tailed) and the p-values smaller than 0.000 alpha of 0.05 (5%) means PAD have a significant effect positive for capital spending. The larger the PAD owned by Government of Regency / City in the province, the capital spending will also increase. These studies therefore accept H1.
2. Variable revenue-sharing (DBH) has a coefficient of -0.020 means parameter variables affect revenue sharing funds with a negative direction. Judging from the value of the t statistic 0.216 < 1.65 (t table), with a 5% significance (one-tailed) and the p-values greater than 0.414 alpha of 0.05 (5%) then the variable revenue-sharing does not significantly affect capital expenditure, so H2 in this study was rejected.
3. Variable general allocation fund (DAU) has a coefficient of -0.288 means parameter variables affect revenue sharing funds with a negative direction. Judging from the value of the t statistic 1.679 > 1.65 (t table), with a 5% significance (one-tailed) and the p-values smaller than 0.047 alpha of 0.05 (5%) so despite significant variable affecting the general allocation fund capital expenditure but negative direction, so that the H3 in this study was rejected.
4. Variable special allocation funds (DAK) has a coefficient of 0.439 means that the variable parameters of a special allocation affect with a positive direction. Judging from the value of the t

statistic $1.671 > 1.65$ (t table), with a 5% significance (one-tailed) and the p-values smaller than 0.0048 alpha of 0.05 (5%), the special allocation fund significant variables affecting capital expenditure, thereby H4 in this study received.

5. Variable capital expenditure has a coefficient of 0.508 and the value of the parameter t statistic $3.997 > 1.65$ (t table), with a 5% significance (one-tailed) and the p-values smaller than 0.000 alpha of 0.05 (5%) means that capital expenditure positive significant effect on the quality of the financial statements. The higher capital expenditure undertaken County Government / Cities in NTB, the quality of financial reports is also increasing. Thus H5 in this study was rejected.

4.2. Discussion Hypothesis Testing Results

4.2.1. The influence of the PAD to the Capital Expenditure

Acceptance of Hypothesis 1 (H1) in this study may provide evidence that the acceptance of PAD district / city in NTB may affect the realization of capital expenditure. This indicates that the district / city in NTB use the PAD to increase their capital expenditure.

The results of this study can provide evidence that other legitimate PAD is an indicator of the most dominant and significant in shaping the PAD because the value of t-statistic > 1.65 . Nevertheless, the district / city in NTB province should also continue to boost revenue from local taxes, the results of which are separated wealth management, as well as of retribution, so that more optimal in increasing revenues. Overall Revenue (PAD) at the regency / city governments in NTB province accounted for 8.67% of total local revenue during 2009 to 2015.

Based on the calculation algorithms and bootstrapping PLS, reception PAD district / city in NTB positive significant effect on the capex, because it has a value above 1.65 T-statistic is 5.155. This indicates the district / city in the province of NTB using PAD to realize some capital expenditure. The results are consistent with research Wertianti (2012), Mawarni et al. (2013) and Anjani (2015) that there is a link between revenue and capital expenditure. Darwanto and Yustikasari (2007), Tuasikal (2008), Ardhani (2010), Oktriniatmaja (2011), Kusnandar and Siswantoro (2012), Nuarisa (2013), Kurniawan (2013), Solikhah and Wahyudin (2014) seta Dihastuti (2014) see that the PAD has a positive effect on

capital spending, indicating that the higher the PAD which is owned by the county, the higher capital expenditure undertaken by the local government and vice versa.

4.2.2. Effect of Revenue-Sharing (DBH) to the Capital Expenditure

The second hypothesis (H2) in this study was rejected and provided evidence that the funds for the results do not affect the realization of capital expenditure on district / city in the province, coefficient of profit revenue sharing (DBH) of 0.216 means that revenue-sharing (DBH) does not significantly influence Capital expenditure (BM) Regency / City Government in the whole West Nusa Tenggara province since the coefficient of profit sharing fund (DBH) point were smaller than 1.65. So DBH is not a major determinant of capital expenditures, indicating that, although the contribution of funds for a yield of 6% of the local revenue in 2009 up to 2015, the local government has not been able to be utilized to maximize capital expenditures.

The results also provide evidence that DBH is an indicator of a significant tax form DBH variable because the value of t statistics $2.922 > 1.65$. Nevertheless, the district / city in NTB province must also continue to spur revenue from non-tax revenue sharing funds, thus increasing revenue-sharing (DBH). Going forward Regency / City in NTB can further optimize the DBH to finance public expenditures, especially capital expenditure, since a number of studies such as research Wandira (2013), Solikhah and Wahyudin (2014), as well as Darmayasa and Suandi (2014) found no effect DBH positive towards capital expenditure. Regency / City in NTB can determine the program activities that are more pro-people through capital expenditure, which is one of the funds sourced from DBH.

4.2.3. Effect of General Allocation Fund (DAU) to the Capital Expenditure

The third hypothesis (H3) in this study was rejected because it provides evidence that the general allocation fund capex affect negative direction at district / city in the province, meaning that although the DAU has increased, the negative effect on capital spending. This indicates that, despite the general allocation fund contributions amounting to 62 percent of local revenue in 2009 up to 2015, the local government has not been able to be utilized to maximize capital expenditures.

The coefficient of General Allocation Fund (DAU) amounted to 1.679 greater than 1.64 with negative direction means the General Allocation Fund (DAU) significantly negatively to the Capital

Expenditure (BM) Regency / City Government Se-West Nusa Tenggara province. This suggests that the General Allocation Fund (DAU), which comes from the Central Government in this regard affect Capex Budget at Regency / City Government Se-West Nusa Tenggara province in the negative. The results are consistent with several studies including Wandira (2013), Kusnandar and Siswanto (2013), Sholikhah and Wahyudin (2014), Dihastuti (2014), as well as Anjani (2015) who found that the general allocation fund has no effect on capital spending.

Regency / City Government in NTB can use the DAU to increase capital spending by reducing the use of DAU for personnel expenditure or operational expenditure and spending on goods and services. A number of studies including Harianto and Adi (2007), Darwanto and Yustikasari (2007), Tuasikal (2008), Situngkir and Manurutng (2009), Ardhani (2010), Oktriniatmaja (2011), Andriana (2012), Wertianti (2012), Kurniawan (2013), Oktora and Pontoh (2013), Darmawan (2013) and Darmayasa and Suandi (2014) found no correlation and the positive impact of the DAU to local government capital expenditures. It is expected to budgeting were planned and directed, General Allocation Fund can be optimized use of capital expenditure in the District / City in NTB.

4.2.4. Effect of Special Allocation Fund (DAK) to the Capital Expenditure

The fourth hypotheses (H4) in this study received and provide evidence that the special allocation affect capital expenditures on district / city in the province, meaning that DAK is a determining factor for capital expenditure. This indicates that, despite the general allocation fund contribution of 8% of the local revenue in 2009 up to 2015, but can be utilized to maximize the local government capital expenditures.

Coefficient of Special Allocation Fund (DAK) of 1.671 is more than 1.65 means that the Special Allocation Fund (DAK) significantly affects the Capital Expenditure (BM) Regency / City Government Se-West Nusa Tenggara province. This suggests that the Special Allocation Fund (DAK), which comes from the Central Government in this regard affect Capex Budget at Regency / City Government Se-West Nusa Tenggara province. The results are consistent with several studies including Tuasikal (2008), Oktriniatmaja (2011), Kurniawan (2013), Nuarisa (2013), Wandira (2013), as well as Oktora and Pontoh (2013).

Regency / City in NTB future can be more creative in developing a program of activities primarily related to public infrastructure to be able to obtain special allocation funds (DAK) from the central government, so that DAK is devoted to improvement of infrastructure and public infrastructure can be encourage the realization of capital expenditure on district / city in NTB. Some studies found no effect of DAK to Capital spending is research by: Ardhani (2010), Darmayasa and Kelvin (2014), as well as Anjani (2015). In the future, the district government / cities in NTB are encouraged to be creative in designing breakthrough program activities in line with the central government program, so that the DAK can be increased in number and may ultimately positive effect on capital expenditures at district / city in NTB.

While other areas of income factors suspected to affect capital expenditures and did not go on in this study are other legitimate income areas and Silpa (Time over Budget Financing). Both of these components is another source of revenue for the district / city in NTB.

4.2.5. Capital Expenditure influence on the Quality of Financial Statements

The fifth hypothesis (H5) in this study was rejected and provided evidence that the positive effect of capital expenditure towards quality of financial reporting in the district / city in NTB. Based on the calculation algorithms and bootstrapping PLS, capital expenditures positive significant effect on the quality of the region's financial statements reflected by unqualified opinion (WTP) with a t-value for statistically $3.997 > 1.65$. This shows that the Capital Expenditure (BM) consisting of expenditure Land (iY1), Equipment and Machinery (i2Y1), Buildings and structures in (i3Y1), Road Irrigation Network (i4Y1) and Fixed Assets Other (i5Y1) has a positive effect on the Quality Reports Finance (KLK) at the District / City Se-West Nusa Tenggara province. The addition of Capital Expenditure (BM) in the District / City Se-West Nusa Tenggara provincial administration was offset by a relatively good management, so that the financial statements of the Government of Regency / City Se-Nusa Tenggara Barat more qualified. This is evidenced by the increasing number of District / City Government Se-West Nusa Tenggara province that received an unqualified opinion (WTP) of the Financial Supervisory Agency in a vulnerable period from 2009 to 2015.

The results are consistent with research Purwanti (2012) who found that the closeness of the relationship between asset management with the quality of local government financial statements. The same was found by Febrianti (2015), Slamet (2016) that the statements of assets will affect the quality of financial reporting. Going forward, the Government of Regency / City Se-Nusa Tenggara Barat continually strive to improve asset management, particularly in the planning and procurement of capital expenditure, so as to improve the quality of financial statements.

5. Conclusion, Implication and Limitation

5.1. Conclusion

Based on the analysis of data and testing hypotheses about the influence of local revenue (PAD), profit sharing fund (DBH), general allocation fund (DAU) and Special Allocation Fund (DAK) to capital expenditures and the impact of capital expenditure on the quality of the financial statements at the District Government / City Se-West Nusa Tenggara province, then the results can be summarized as follows:

1. The results of this study indicate that the PAD has a significant positive effect on capital expenditure, so that PAD is an important determinant of capital expenditures District / City Government Se-West Nusa Tenggara province. This indicates that the higher the revenue received by the Local Government capital spending is also higher. Going forward Regency / City Government Se-West Nusa Tenggara province should seek to increase revenue and to use it more for capital expenditure, so as to achieve the national target in capex.
2. Funds (DBH) do not affect the capital expenditure so that revenue-sharing is not a determining factor for capital expenditure Regency / City Government Se-West Nusa Tenggara province. This is due to the low proportion of profit sharing fund (DBH) to total local revenues from 2009 to 2015 amounting to 5.88 percent so it does not affect the allocation of capital expenditures in the budgets of the Regency / City Se-West Nusa Tenggara province.
3. The general allocation fund (DAU) does not affect the capital expenditure so that the general allocation fund is not a determining factor for capital expenditure Regency / City Government Se-West Nusa Tenggara province. This indicates that the Government of Regency / City Se-Nusa Tenggara Barat more use of general allocation funds for expenditures other than capital

expenditures, such as personnel expenditures, expenditures for goods and services as well as other routine expenditures. Regency / City Government Se-West Nusa Tenggara province have not utilized optimally general allocation funds for capital expenditure so that capital expenditures in the District / City Se-West Nusa Tenggara province realization not meet national targets.

4. The Special Allocation Fund (DAK) has a significant positive impact on capital expenditures so that a special allocation is an important determinant of capital expenditures District / City Government Se-West Nusa Tenggara province. Although the proportion of DAK to total revenues is from 2009 to 2015 amounted to only 7.90 percent, but was able to influence the allocation of capital expenditures in the budgets of the Regency / City Se-West Nusa Tenggara Province as DAK is usually reserved as a capital expenditure.
5. Capital expenditures were realized District / City Se-West Nusa Tenggara positive significant effect on the quality of the financial statements. This indicates that the greater the capital expenditure realized Regency / City Government Se-West Nusa Tenggara Province, the quality of financial reports is increasing, which is marked by the increasing number of District / City in the province of NTB get WTP opinion on the quality of the financial statements by the CPC on the period from 2009 until 2015. So the additions of Capital Expenditure in the District / City Se-West Nusa Tenggara provincial administration were offset by better management.

5.2. Implication

Based on the conclusions that have been presented in section 5.1, the future District / City Government Se-West Nusa Tenggara province should continue to increase local revenue by exploring potential revenue sources in the District / City Se-West Nusa Tenggara province. Based on the discussion in Chapter 4, PAD that need attention are those other PAD lawful and wealth management outcomes separated areas. Nevertheless, the acquisition of local taxes and levies also needs to be improved and stabilized in order to increase every year.

Funds transfer of Central Government obtained the District / City Se-West Nusa Tenggara province needs serious attention in its use, particularly with regard to the acquisition of DBH or revenue-sharing, because these funds actually obtained funds local government but paid to the state and back

again to Local Government. PAD and DBH must be increased, and local governments are required to be more creative in designing programs that can increase local revenue. General Allocation Fund is more widely used for personnel expenditure and other routine expenditures, the rest should be able to be managed Regency / City Government Se-West Nusa Tenggara province optimally productive to shopping areas such as capital expenditures. DAK also be managed optimally, because DAK are funds earmarked for the construction of facilities, infrastructure and local infrastructure in synergy with the Central Government.

Regency / City Government in the whole West Nusa Tenggara province makes efficiency on non-priority programs. Efficiency can also be done for personnel expenditure, operational expenditure and spending on goods and services, so that a greater allocation of capital expenditure. Regency / City Government Se-West Nusa Tenggara province can improve the allocation of capital expenditure in the form of road, irrigation and networks as well as equipment and machinery for capital expenditure is related to the overall public infrastructure, such as health and education infrastructure. Yet other capital expenditures such as land, buildings and buildings and other fixed assets need attention in order to improve public services.

5.3. Research limitations

Some of the limitations in this study can provide direction for future research. First, this study has not entered a non-financial variable and variable income other areas listed in Local Government LKPD the predicted effect on capital spending. Thus further research can add non-financial variables such as population, area and economic growth (GDP) as well as other areas such as SILPA income, and other income as a legitimate area of variables expected to affect capital expenditures of Local Government. Second, this study only used data of 7 years. Subsequent research can add data from more than 7 years of budgets that research results better.

Third, constructs variable quality of financial statements (KLK) can be explained by the construct variable capital expenditure (BM) of 25.8% in the category of weak or because the value of R square = 25.8%. Meanwhile 74.2% variable quality of the financial statements is explained by other variables not examined. Thus further research can add indicators of the quality of financial statements.

So they can know the key factor that can improve the quality of financial reporting area. Fourth, this study only uses agency theory as a theoretical reference, subsequent research when picking up the same topic, can add another grand theory.

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