

Information Framing And Locus Of Control Effect On Investors' Interpretation Of Risk

Fitria Husnatarina

Accounting Department, Economics and Business Faculty, Palangka Raya University, Palangka Raya, Indonesia.

Email Address:

fitria.husnatarina@feb.upr.ac.id

Abstract: This study aimed to determine the comparison of IFRS 8 segment reporting with PSAK 5 based on framing information with external risk interpretation. Locus of control, proxied in internal risk preferences analysis by non-professional investors, was also determined. This was an experimental study with a 2x2x2 factorial design between subjects. The subjects comprised 133 novice investors in the Central Kalimantan Investor Community. Furthermore, the data were analyzed using the Analysis of Variance (ANOVA) while the Two Ways Anova Test was used for hypothesis testing. The results showed that, in segment information in IFRS 8 and PSAK 5 stated in positive and negative framing, non-professional investors highly interpret external risk in IFRS 8 cases. Therefore, segment information in IFRS 8 and PSAK 5 expressed positively and negatively is significantly similar to internal risk preferences. However, the hypotheses on locus of control variables were not supported because non-professional investors lack enough experience.

Keywords: Information Framing; Locus of Control; External Risk; Internal Risk.

Abstrak: Penelitian ini bertujuan untuk mengetahui perbandingan pelaporan IFRS 8 segmen dengan PSAK 5 berdasarkan framing information dengan interpretasi risiko eksternal. Locus of control, yang diproksikan dalam analisis preferensi risiko internal oleh investor non-profesional, juga ditentukan. Penelitian ini merupakan penelitian eksperimen dengan desain faktorial 2x2x2 antar subjek. Subjek penelitian terdiri dari 133 investor pemula di Komunitas Investor Kalimantan Tengah. Selanjutnya data dianalisis dengan menggunakan Analisis Varians (ANOVA) sedangkan Uji Anova Dua Arah digunakan untuk pengujian hipotesis. Hasil penelitian menunjukkan bahwa, dalam informasi segmen dalam IFRS 8 dan PSAK 5 yang dinyatakan dalam framing positif dan negatif, investor non-profesional sangat menginterpretasikan risiko eksternal dalam kasus IFRS 8. Oleh karena itu, informasi segmen dalam IFRS 8 dan PSAK 5 dinyatakan positif dan negatif secara signifikan mirip dengan preferensi risiko internal. Namun, hipotesis pada variabel locus of control tidak didukung karena investor non-profesional kurang memiliki pengalaman.

Kata Kunci: Framing Informasi; Locus of Control; Risiko Eksternal; Risiko Internal.

INTRODUCTION

International Financial Reporting Standards (IFRS) are the guidelines for preparing globally and internationally accepted financial statements. IFRS enables businesses to connect worldwide with global reporting standards, as reflected in financial statements. However, its adoption raises various challenges, such as the need for a long time to adjust and understand the new financial reporting rules. These difficulties cannot be avoided by non-professional investors. Therefore, an investor should proficiently analyze and understand the information in the company's financial statements. In line with this, (Adhikara et al., 2014) stated that non-professional investors respond to naive and unsophisticated financial details. This is due to their limited ability to analyze and interpret information. However, a professional or non-professional investor should understand and interpret the data from the presented financial statements.

Concerning IFRS and non-professional investors, one aspect that has changed in standards is the operating segment in IFRS 8, especially the reporting format. Before IFRS 8, segment disclosures were regulated in PSAK 5, which governs reporting from operating segments with additional details per geographical area. Conversely, IFRS 8 only reports the segment's operating section. Information about operating segments is usually found in the annual report contained in the management analysis and discussion column. Segment reporting informs users about management discussions that include operational activities and an overview of the financial performance. Indonesia's rules regarding operating segments changed periodically from applying PSAK 5 to adopting PSAK 5 (revised 2020) and IFRS 8. These changes alter the presentation format of the information, indirectly affecting the interpretation by non-professional investors. An entity's number of operating segments provides information on assets, liabilities, revenue, costs, and profitability measures. Furthermore, it provides information about important decisions made and prioritized by each Chief Operating Decision Maker (CODM) in each segment. The diverse components of financial performance end up in the profit of each section. Although the main target of investors is profit, they always analyze other supporting information before it influences the interpretation of segment earnings, especially for non-professional investors.

A biased perception in decision-making overshadows non-professional investors. Perception bias is a psychological condition of someone that does not perceive something objectively (Rasheed et al., 2018). This is due to information ignorance, doubt in judging, and wrongly understanding the presented data. Moreover, non-professional investors rely on simple and easy ways (Bazerman and Moore, 2012). This happens because they have limited ability to analyze and interpret the information provided. Instead, they use rumors and speculation and conduct mass investments (Hanafi, 2017). In this regard, framing information is one factor causing the emergence of bias. It implies the delivery of the same information but framed differently, leading to various assessments. This relates to a different framing of information presented to investors, affecting their decisions when it contains both gain and loss (Best and Charness, 2015; Guo et al., 2017). Furthermore, this bias could occur to non-professional investors when provided with operating segments with IFRS 8 and PSAK 5, with additional geographical details. Researchers suspect differences when the information is presented in a simple format, which in this study is IFRS 8 positive and IFRS 8 negative frames.

There is a difference between previous study and this study that adds the locus of control variable. The variable was added because each individual has different psychological behavior that affects investment decisions and the results. (Robbins, 2017) stated that locus of control is the person's beliefs about events, fate, luck, and destiny due to internal or external factors. A person with an internal locus of control has more self-confidence and believes they are responsible for everything that happens to them. Conversely, someone with an external locus of control believes that all events depend on their destiny and environment. According to (Lather et al., 2020), investors with an internal locus of control readily take risks because they have better trust. However, they assume that failure originates from within themselves, meaning risk preferences are higher in people with an internal locus of control. Therefore, in this study, the locus of control is proxied in internal risk preferences.

This study empirically tests the differences in reporting operating segments with IFRS 8 and PSAK 5 expressed in positive and negative information framing. Also, it examines differences in non-professional investors' interpretations of internal risk preferences in reporting operating segments with IFRS 8 and PSAK 5 stated in positive and negative information framing. This study contributes to the impact of IFRS 8 adoption and adds references on non-professional investors. Additionally, it is the basis for considering and evaluating segment information. Therefore, it helps non-professional investors understand and reliably interpret investment options related to segments.

THEORETICAL REVIEW

Prospect Theory. Prospect theory is an argument that explains framed influences (Kahneman and Tversky, 1979). The framed impact shows that decision-makers respond differently to the same problem when presented in a different format (Best and Charness, 2015; Guo et al., 2017). A critical implication of prospect theory is that people show certain behaviors to take or avoid risk by manipulating the problem formulation or changing reference points.

Effects of Framing Information. Framing information, often called framed, affects people's judgment because of the way information is delivered. The same information offered in different ways leads to various assessments (Hanafi, 2017). Usually, when examining financial statements, investors only focus on profit or loss according to the bottom line principle. Therefore, when the company makes a profit, investors continue to invest and evaluate on an ongoing basis. However, they are reluctant to invest when the company suffers losses. In line with this, (Wang et al., 2020) stated that investors focus more on information about their investments' gain or return and loss or gain. When information is presented as high gain or return, investors readily accept risk, hoping for future higher gains. However, they avoid taking risks, remain neutral, or select other beneficial alternatives when the information is presented as high loss or risk.

Locus of control is the degree to which a person accepts personal responsibility for what happens to them. According to (Robbins, 2017) and (Lather et al., 2020) locus of control is divided into internal and external. Internal locus of control implies individuals that believe they are in control of whatever happens to them. In comparison, external locus of control implies individuals that believe whatever happens to them is controlled by

outside forces, such as luck or opportunity, and other people's presence in power. (Feldman and Wong, 2018) established that investors with an internal locus of control readily take risks because they have better trust. However, investors assume that failure originates from within, meaning that higher-risk preferences are owned by someone with an internal locus of control.

Non-Professional Investor. The Financial Services Authority (OJK) is preparing a new regulation to facilitate debt or bond purchase transactions. In this new regulation, OJK would classify professional investors to make it easier to place funds in debt securities. In this regulation, the category of professional investors is parties other than Financial Services Institutions. Therefore, individuals with investment experience in the capital market of at least Rp 10 billion or a taxable income per year of at least Rp 1.5 billion have investment portfolios in the capital market of at least Rp. 3 billion.

IFRS 8 and PSAK 5. IFRS 8 is an international accounting standard that regulates reporting on operating segments. (Ankarath, 2012) showed that FRS 8 separates individual from consolidated financial statements of a group of companies within the parent company. According to IFRS 8, an operating entity is a component of a substance four aspects, including 1) operating in business activities from which income and expenses arise. This implies that a segment is not required to have external customers and revenue from transactions and other components of the same entity, 2) operating results regularly reviewed by the entity's Chief Operating Decision Maker for decision-making regarding resource allocation and performance of a segment, 3) providing different financial information, and 4) regarding operating segments, an investor refers to comprehensive reporting and disclosing reports.

IFRS 8 discloses and reports entity segments based on management's perspective and for internal purposes, which is different from the rules in PSAK 5. Specifically, IFRS 8 only reports operating segments that cover discussion of general operations. These include discussions of segment profit or loss information and review of assets, liabilities, and total income and loss reconciliation. In PSAK 5, companies report operating, industry, and geographical segments (Suryandari and Imelda, 2017).

Hypothesis Development

Effects of Framing Positive Information with Non-Professional Investor's External Risk Preferences. Reporting Operating Segments with IFRS 8 and PSAK 5 in positive framing results in different interpretations by non-professional investors. Segment reporting is a disclosure that investors need to have a positive response. IFRS 8 is a segment reporting standard that reports and discloses overall company operating information. (Suryandari and Imelda, 2017) showed that information on the entire operating segment is not based on geographical areas, such as PSAK 5, but comprehensive for each segment or division. In IFRS 8, segment information is more integrated and simplified into an easier overview for investors to understand.

Non-professional investors have little experience, knowledge, and proficiency in analyzing financial statements. Therefore, the simplified information that is "ready to use" helps non-professional investors to analyze investment decisions. They process

information differently from professional investors. Also, they read the financial statements in the order in which they are presented, obtaining unstructured information because they lack their valuation models (Latief, 2017).

The prospect theory states that the frame adopted by an individual or group influences their decision. According to (Girtz et al., 2017), framing information occurs when a problem presented results in different choices on the actual issue. This is because of the information selection process that only focuses on certain parts. Moreover, (Putri et al., 2012), stated that participants take action not at risk when presented with positive framing information. Since the information is framed positively and looks beneficial, most individuals choose acceptable decision options that are not risky. Therefore, the first hypothesis is formulated as follow:

H1: Non-professional investors with IFRS 8 positive framing information without the locus of control have a higher external risk preference than non-professional investors with PSAK 5 positive framing information.

Effects of Framing of Negative Information with Non-Professional Investor's External Risk Preference. Report of operating segments with IFRS 8 and PSAK 5 in framing negative information affects the interpretation of non-professional investors. Segment reporting is a disclosure that investors need to have a positive response. IFRS 8 is a segment reporting standard that reports and discloses overall company operating information. (Suryandari and Imelda, 2017) showed that information on the entire operating segment is not based on geographical areas, such as PSAK 5, but comprehensive for each segment or division. In IFRS 8, segment information is more integrated and simplified into an easier overview for investors to understand.

Non-professional investors have little experience, knowledge, and proficiency in analyzing financial statements. Therefore, the simplified information that is "ready to use" helps non-professional investors to analyze investment decisions. They process information differently from professional investors. Also, they read the financial statements in the order in which they are presented, obtaining unstructured information because they lack their valuation models (Kanojia et al., 2018).

The prospect theory states that the frame adopted by a person individually or in groups affects their decision. (Girtz et al., 2017) and (Bolton et al., 2015), stated that framing information occurs when a problem presented results in different choices. This is because of the information selection process that only pays attention to certain parts. Furthermore, (Hanafi, 2017) stated that framing information influences the nature of the decision when not simplified. When information is presented as gain or loss, it does not significantly impact the participant's decision-making. Therefore, the second hypothesis is formulated as follow:

H2: Non-professional investors with IFRS 8 negative framing information without the locus of control have higher internal risk preferences than non-professional investors with PSAK 5 negative framing information.

Positive Information Framing with Locus of Control. Reporting Operating Segments with IFRS 8 stated in positive framing has more internal risk preferences than reporting on

PSAK 5 segment stated in positive framing. Segment reporting is a disclosure that investors need to have a positive response. IFRS 8 is a segment reporting standard that reports and discloses overall company operating information. (Suryandari and Imelda, 2017) showed that information on the entire operating segment is not based on geographical areas, such as PSAK 5, but comprehensive for each segment or division. In IFRS 8, segment information is more integrated and simplified into an easier overview for investors to understand.

Non-professional investors have little experience, knowledge, and proficiency in analyzing financial statements. Therefore, the simplified information that is "ready to use" helps non-professional investors to analyze investment decisions. They process information differently from professional investors. Also, they read the financial statements in the order in which they are presented, obtaining unstructured information because they lack their valuation models (Fitri and Cahyaningdyah, 2021; Pinger et al., 2018).

Psychological factors could influence decision-making, such as the locus of control, an individual's control of work, and their belief in self-success. The two types of locus of control are internal and external. An internal locus of control implies someone believing that the ability for success lies within themselves.

In the external locus of control, a person believes that success or destiny is determined by factors outside themselves (Pinger et al., 2015). According to (Lather et al., 2020) investors with an internal locus of control readily take risks. Moreover, they have a better trust but assume that failure originates from within themselves. This means that risk preferences are higher in people with an internal locus of control. Therefore, the locus of control is proxied in internal risk preferences in this study. The prospect theory states that the frame adopted by an individual or group influences their decision. Additionally, (Hanafi, 2017) stated that framing information occurs when a problem presented leads to different choices.

Framing information could occur because of the selection process that only focuses on certain parts. In this regard, (Putri et al., 2012) stated that participants take less-risky actions when presented with framing positive information. Since the information is framed positively and looks beneficial, most individuals choose acceptable decision options that are not risky. Therefore, the third hypothesis is formulated as follow:

H3: Non-professional investors with IFRS 8 positive framing information with the locus of control have higher external risk preferences than non-professional investors with IFRS 8 positive framing information without the locus of control.

Framing Negative Information with Internal Risk Preferences of Non-Professional Investors. The effect of Reporting Operating Segments with IFRS 8 in framing negative information has more internal risk preferences than PSAK 5 segment reporting in the framing of negative information. Segment reporting is a disclosure that investors need to have a positive response. IFRS 8 is a segment reporting standard that reports and discloses overall company operating information. (Suryandari and Imelda, 2017), showed that information on the entire operating segment is not based on geographical areas, such as PSAK 5, but comprehensive for each segment or division. In IFRS 8, segment information is more integrated and simplified into an easier overview for investors to understand.

Non-professional investors have little experience, knowledge, and proficiency in analyzing financial statements. Therefore, the simplified information that is ready to use that helps non-professional investors to analyze investment decisions. They process information differently from professional investors. Also, they read the financial statements in the order in which they are presented, obtaining unstructured information because they lack their valuation models (Kanojia et al., 2018).

Psychological factors could influence decision-making, such as the locus of control, an individual's control of work, and their belief in self-success. The two types of locus of control are internal and external. An internal locus of control implies someone believing that the ability for success lies within themselves.

In contrast, in the external locus of control, a person believes that their success or destiny is determined by other factors outside of themselves (Feldman & Wong, 2018). According to (Pinger et al., 2018), investors with an internal locus of control are more willing to take risks because they have better trust. However, they assume that failure originates from within themselves, meaning risk preferences are higher in people with an internal locus of control. Therefore, the locus of control is proxied in internal risk preferences in this study.

The phenomenon of framing information occurs because of the selection process that only focuses on certain parts. According to (Hanafi, 2017) and (Latief, 2017) the framing of information influences the nature of decisions. Moreover, when not simplified or presented as gain or loss, it becomes framing negative information that insignificantly impacts the participant's decision-making. Therefore, the fourth hypothesis is formulated as follow:

H4: Non-professional investors with PSAK 5 negative framing information with the locus of control have higher internal risk preferences than non-professional investors with PSAK 5 negative framing information without the locus of control.

METHOD

Research Design. This study uses an experimental method with factorial 2x2x2 between subjects. It examines positive and negative framing in segment reporting based on IFRS 8 (operating segments) and PSAK 5 (operating and industrial segments). Also, it adds locus of control variables proxied in internal and external risk preferences.

Table 1. Experiment Design 2x2x2 Between Subject

Experimental Design		Information Framing		
		Positive	Negative	
Locus of Control	Without	IFRS 8	Cell 1	Cell 3
		PSAK 5	Cell 2	Cell 4
	With	IFRS 8	Cell 5	Cell 7
		PSAK 5	Cell 6	Cell 8

Table 1 explains that this study subjects were divided into eight case groups. Participants in case 1 were treated with IFRS 8 in positive framing and were asked to choose alternative A or B. Subjects in case 2 were treated with IFRS 8 in negative framing and were asked to choose alternative A or B. Furthermore, participants in case 3 were treated with PSAK 5 in positive framing and were asked to choose alternatives A or B. Similarly, participants in case 4 were treated with PSAK 5 in negative framing and were asked to choose alternative A or alternative B. Additionally, the Locus of Control, proxied in internal risk preferences, is measured in case 5 and repeated for cases 6, 7, and 8.

Research Participants. Participants in this study comprised novice investors in the Central Kalimantan Investor Community. This study employed the Gay method that uses a minimum of 15 participants in each group (Gendro, 2011). Furthermore, eight cases were used, repeating the research design into two stages to test non-professional investors' internal risk preferences.

Experiment Tasks. This experiment was designed in four research stages. The first stage was the Participant Demographic Data Filling Phase conducted by participants. The participants were asked to fill in their names, ages, and the demographic data provided. The second phase was the Treatment Stage, in which participants gave case illustrations divided into five treatments. These were case illustrations with IFRS 8 and PSAK 5 formats in positive and negative frames. The third phase was the Assessment or Interpretation Stage, in which the participants were asked to choose between two alternatives to continue or stop the segment. Furthermore, the participants were asked to assess whether the alternative chosen was beneficial. This helped determine whether the participant could interpret the information provided in the case. The options were measured using the Semantic Differential Scale according to participants' perceptions by circling the numbers or points from the scale. The fourth phase was the Manipulation Check Stage, in which the participants were asked to complete the manipulation check problem, consisting of four questions. They were asked to circle the right answers (R/W) on each written item. In general, checking is an experimental study conducted to ensure participants obtained, understood, and appreciated manipulation. As a result, the level of manipulation effectiveness becomes known in this process (Nahartyo and Utami, 2015).

Experimental Instrument. The dependent variable is the interpretation of non-professional investors. It was measured by evaluating the participants' answers on a scale of 1 to 7. In this case, scale 1-3 is an adverse interpretation, while 4-7 is accepted. Moreover, the independent variables are applying the operating segment format (IFRS 8 and PSAK 5), information framing, and locus of control. IFRS 8 is a standard applied in multi-segment companies related to the disclosure and reporting of operating segments. In contrast, PSAK 5 is the accounting standard applied in Indonesia to regulate the operating segments.

Framing information is a format of delivering information framed in a particular direction that affects individual decision-making. It is divided into positive and negative information framing. Positive framing is the delivery of information in the form of gain/loss, while framing negative information is the delivery of loss/gain.

Locus of control refers to the level of trust about the determinants of the lives of individuals (Gibson et al., 2011). According to (Robbins, 2017), it is divided into the internal and external locus of control. (Fitri and Cahyaningdyah, 2021); (Grable et al., 2020) stated that investors with an internal locus of control readily take risks because they have better trust. However, they assume that failure originates from within themselves, meaning risk preferences are higher in people with an internal locus of control. Therefore, in this study, the locus of control is proxied in internal risk preferences. It was measured by giving scores of 1 and 2. Participants with an external locus of control were given a score of 2, while those with an internal locus of control were given 1.

RESULTS

The statistical results of the experimental test show that hypothesis 1 is accepted because the test results produce a p-value of 0.047 which is higher than a significance value of 0.050. The information obtained by F arithmetic is 9.312 which is higher than F table 4.14 (at distribution F for 5 percent significance, with df denominator equivalent with 1 and the df numerator is equal to 33, therefore, H1 which states non-professional investors with IFRS 8 Positive framing information without a locus of control has a higher external risk preference than non-professional investors with positive framing information PSAK 5 is accepted.

Hypothesis 2 is accepted because the test results produce a significance value of 0.021 which is higher than a p-value of 0.050. Information obtained that F arithmetic is 9.363 which is greater than F table 2.363 (accepted in the F distribution for 5 percent significance, df denominator is equivalent to 1 and the df numerator is equivalent to 33). Therefore, H2 states that non-professional investors with IFRS 8 negative framing information without a locus of control have a higher internal risk preference than non-professional investors with negative PSAK 5 framing information.

Hypothesis 3 is rejected because the test results produce a significance value of 0.421 which is higher than a p-value of 0.050. From the information obtained, the calculated F is 1.048 which is lower than the F in table 4.140 (in the distribution of F for 5 percent significance, the df denominator is equivalent to 1 and the df numerator is equivalent to 33). Therefore, H3 which states that non-professional investors with IFRS 8 positive framing information with the locus of control have a higher external risk preference than

non-professional investors with IFRS 8 positive framing information without a locus of control is rejected.

Hypotheses 4 is rejected because the test results produce a significance value of 0.131 which is higher than a p-value of 0.050. The information obtained is an F count of 1,836 which is lower than F in table 4.14 (in the distribution of F for 5 percent significance, the df denominator is equivalent to 1 and the df numerator is equivalent to 33), then H4 states non-professional investors with PSAK 5 negative framing information with the locus of control have a higher internal risk preference than non-professional investors with PSAK 5 negative framing information without a locus of control is rejected.

DISCUSSION

External Risk Perception of Positive Information Framing PSAK 5 with IFRS 8.

Hypothesis 1 test results indicate an interpretation of external risk in segment information in IFRS 8 and PSAK 5 stated in positive framing. Non-professional investors in positive framing with IFRS 8 provide higher risk interpretation than in PSAK 5. This indicates that the proposed hypothesis 1 is accepted. Therefore, IFRS 8 segment reports significantly influence investor choices and the valuation of these options. The operating segment report format in IFRS 8 presents simpler and more comprehensive segment information than PSAK 5. In contrast, PSAK 5 presents segment information with additional geographical area details. Non-professional investors process information differently from professional investors. They read the financial statements in the order in which they are presented, obtaining unstructured details because they lack valuations (Wang et al., 2020). Therefore, reporting segment operations in different forms does not lead to different investment decisions. In line with (Putri et al., 2012) the participants did not give different weights to the risk report format presented. Therefore, the two risk report formats in the study did not affect investment decisions.

When information is presented in a positive framing, investors choose an option profitable for them. This is seen in Table 4 from the two operating segment report formats, IFRS 8 and PSAK 5, with a positive frame. The participants that chose to stop and rate the option as profitable were more than the other assessments. This means participants take definite benefits rather than risking uncertain profits by stopping the project. Therefore, there is no difference in interpretation of the option to stop segments between the two report formats in a positive framing condition. Similarly, there is no difference in the analysis of the segment report format.

This study is consistent with (Putri et al., 2012), which stated that participants take less risky actions when presented with the information in positive framing. Since information is framed positively and looks beneficial, most individuals choose acceptable and less risky decision options.

Based on the prospect theory, the results are consistent with (Wang et al., 2020). The information presented with a positive frame makes decision-makers avoid risk rather than facing uncertainty risks by stopping the project. The results support (Nahartyo and Utami, 2015) which showed that individuals are risk-averse in a profit condition and risk-seeking in a loss condition.

External Risk Perception of Negative Information Framing PSAK 5 with IFRS 8. Hypothesis 2 test results indicate different risk interpretations of segment information in IFRS 8 and PSAK 5 expressed in negative information framing. In IFRS 8 with negative framing, non-professional investors interpret external threats as lower than PSAK 5, meaning that the second hypothesis is accepted. Therefore, IFRS 8 segment reports significantly influence investor choices and the valuation of these options. The operating segment report format in IFRS 8 presents simpler and more comprehensive segment information than PSAK 5. In contrast, PSAK 5 presents segment information with additional geographical area details. However, the experimental results which obtained are different.

Non-professional investors process information differently by reading the financial statements in the order in which they are presented. As a result, they obtain unstructured information because they lack valuations (Wang et al., 2020). Therefore, reporting segment operations in different forms does not lead to different investment decisions. This is in line with (Putri et al., 2012) The participants did not give different weight to the risk report format presented. Therefore, the two risk report formats did not affect investment decisions.

When information is presented in a negative framing, investors choose beneficial options. This is seen in Table 4 from the two operating segment report formats, IFRS 8 and PSAK 5, the negative frame. Participants who chose the stop option and judged the choice as profitable were more than the other assessments. However, this contradicts (Nahartyo and Utami, 2015), which showed that individuals are averse to risk in a profit condition and risk-seeking in a loss condition. This study supports (Wardani and Sukirno, 2014), which showed that negative framing does not significantly affect risk-taking behavior or an increase in individuals' risk preferences. When decision information cannot be simplified or presented in a gain-domain or negative-frame and loss-domain or positive-frame, it does not significantly influence participant decision making. Positive and negative information framing have the same risk preferences, meaning that decision-making is not different.

Internal Risk Perception of Positive Information Framing PSAK 5 with IFRS 8. The hypothesis 3 test results indicate similar internal risk preferences for segment information in IFRS 8 and PSAK 5 stated in positive framing. The results indicate that hypothesis 1 is rejected. The IFRS 8 segment report format's role should significantly influence the choice of investment and the valuation of these options. The operating segment report format in IFRS 8 presents simpler and more comprehensive segment information than PSAK 5. In contrast, PSAK 5 presents segment information with additional area details geographical, though the experimental results which obtained are different. (Putri et al., 2012), that the participants did not give different weight to the risk report format presented. Therefore, the two risk report formats in this study did not affect investment decisions.

When information is presented in a positive framing, investors choose an option that is profitable for them. This is seen in Table 3 from the two operating segment report formats, IFRS 8 and PSAK 5, which have a positive frame. Participants that chose to stop and rate the option as profitable were more than the other assessments. Therefore, they avoid risk by taking definite benefits rather than risk uncertain profits by stopping the project. This indicates no difference in interpretation of the option to stop segments

between the two report formats in a positive framing condition. Additionally, there is no difference in the description of the segment report format.

The results are consistent with (Putri et al., 2012) which stated that participants take less risky actions when presented with information in positive framing. Since information is framed positively and looks beneficial, most individuals choose acceptable and less risky decision options. Based on Table 4, the Internal Locus of Control value is 28 participants or 84.800 percent, while External locus of control is 5 participants or 15.200 percent. Therefore, the reporting of the operating segment in IFRS 8 and PSAK 5 stated in positive framing has the same internal risk preferences or internal locus of control. This supports the theory of locus of control, where individuals prioritize their efforts in dealing with something and work hard with the hope to succeed. However, investors assume that everything in their life happens due to their respective business factors. Therefore, individuals with a high internal locus of control blame themselves when they encounter failure.

Internal Risk Perception of Negative Information Framing PSAK 5 with IFRS 8. The hypothesis 4 test results indicate similarity between the segment information in IFRS 8 and PSAK 5 framing negative information. The results suggest that hypothesis 2 is rejected. IFRS 8 segment report format should significantly influence the choice of investment options and their valuation. This is because IFRS 8 presents simpler and more comprehensive segment information than PSAK 5. In contrast, PSAK 5 presents segment information with additional area details geographical. However, the experimental study results which obtained are different.

Non-professional investors process information differently by reading the financial statements in the order in which they are presented. As a result, they obtain unstructured information because they lack valuations (Gonçalves, 2022). Therefore, reporting segment operations in different forms does not lead to different investment decisions. This supports (Putri et al., 2012), in which the participants did not give different weight to the risk report format presented. Therefore, the two risk report formats in this study did not affect investment decisions.

When information is presented in a negative framing, investors choose beneficial options. This is seen in Table 4. 12 from the two operating segment report formats, IFRS 8 and PSAK 5, negative frames. The participants who chose the stop option and considered the choice profitable were more than the other assessments. This study contradicts (Nahartyo and Utami, 2015), which showed that individuals are averse to risk in a profit condition and risk-seeking in a loss condition. However, the results are consistent with (Wardani and Sukirno, 2014), which showed that negative framing does not significantly affect risk-taking behavior or an increase in risk preferences by individuals. When decision information is not simplified or presented in a gain-domain or negative-frame and loss-domain or positive-frame, it does not significantly influence the participant's decision-making. The risk preferences in the positive and negative information are the same, meaning that decision-making is not different.

Table 4 shows that the internal locus of control value is 25 participants or 75.800 percent, while external locus of control is 8 participants or 24.200 percent. Therefore, the reporting of the operating segment in IFRS 8 and PSAK5 stated in positive framing has the same internal risk preferences or Internal Locus of Control. This supports the theory of

locus of control, where individuals prioritize their efforts in dealing with something and work hard with the hope to succeed. However, they assume that everything in their life happens due to the business factor of the individuals.

CONCLUSION

This study has discussed the effect of IFRS 8 and PSAK 5 on non-professional investors' interpretation of framing information. The results showed that non-professional investors define external risk following the proposed theory. First, segment information in IFRS 8 and PSAK 5 stated in positive framing is interpreted differently. Second, segment information in IFRS 8 and PSAK 5 stated in framing negative information is interpreted differently. Third, segment information in IFRS 8 and PSAK 5 stated in positive framing have the same internal risk preferences. Fourth, segment information in IFRS 8 and PSAK 5 stated in negative framing information have the same locus of control.

This analysis results in several suggestions to solve the problems specified to be useful as input for the parties concerned. It is necessary to search and analyze in advance the reference whether the issue to be investigated has existed in practical areas before conducting experimental study. Furthermore, it is important to determine whether the study instruments available could be modified. Future studies could also include supporting factors as independent variables, such as gender, investment experience, and education level, to explain their effects on the interpretation of non-professional investors.

REFERENCES

- Adhikara, MF, A., Maslichah, M., & Diana, N. (2014). Qualitative characteristics of accounting information in the belief revision of the users for the securities prospects in Indonesia Stock Exchange (IDX). *Journal of Economics, Business, and Accountancy Ventura*, 17 (1), 91 – 104. <http://dx.doi.org/10.14414/jebav.v17i1.269>.
- Ankarath, N. (2012). *Memahami IFRS Standar Pelaporan Keuangan Internasional*. PT Indeks.
- Bazerman, M. H., & Moore, D. A. (2012). *Judgment In Managerial Decision Making* (8rd ed.). Wiley.
- Best, R., & Charness, N. (2015). Age difference in the effect of framing on risky choice: A meta- analysis. *Psychology and Aging*, 30(3), 688–698. <https://doi.org/10.1037/a0039447>.
- Feldman, G., & Wong, K. F. E. (2018). When Action-Inaction Framing Leads to Higher Escalation of Commitment: A New Inaction-Effect Perspective on the Sunk-Cost Fallacy. *Psychological Science*, 29(4), 537–548. <https://doi.org/10.1037/a0039447>.
- Fitri, H. K., & Cahyaningdyah, D. (2021). The Influence of Representativeness on Investment Decision through Overconfidence. *Management Analysis Journal*, 10(2), 243–256.
- Gendro, W. (2011). *Merancang Penelitian Bisnis Dengan Alat Analisis SPSS 17.0 dan Smart PLS 2.0*. Percetakan STIM YKPM.
- Gibson, J. L., Ivancevich, J. M., Donnelly Jr, J. H., & Konopaske. (2011). *Organizations: Behaviour, structure and process*. McGraw-Hill Companies Inc.

- Gonçalves, T. C. (2022). The Impact of Discretionary Measurement Criteria on Investors. *Judgement and Decisions Games*, 13, 3. <https://doi.org/10.3390/g13010003>.
- Grable, J., Eun Jin Kwak, E., J., F., M., & Routh, A. (2020). A Simplified Measure of Investor Risk Aversion. *Journal of Interdisciplinary Economics*, 1–28. <https://doi.org/10.1177/0260107920924518>.
- Guo, L., Trueblood, J. S., & Diederich, A. (2017). Thinking Fast Increases Framing Effects in Risky Decision Making. *Psychological Science*, 28(4), 530–543. <https://doi.org/10.1177/0956797616689092>.
- Hanafi, T. (2017). Testing Of Belief-Adjustment Model And Framing Effect On Non-Professional Investor's Investment Decision-Making. *The Indonesian Accounting Review*, 7(1), 1–14. <https://doi.org/10.14414/tiar.v7i1.945>.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis Of Decisions Under Risk. *Econometrica*, 47, 263–291. <https://doi.org/10.2307/1914185>.
- Kanojia, S., Singh, D., & Goswami, A. (2018). An Empirical Analysis of The Factors Influencing Individual Investors in The Indian Stock market. *Journal of Business and Management*, 20(3), 30–37. <https://doi.org/10.9790/487X-2003123037>.
- Lather, A. S., Jain, S., & Anand, S. (2020). An Empirical Examination of The Impact of Locus of Control on Investor Behavioral Biases. *International Journal of Management*, 11(1), 98–107. <https://doi.org/10.34218/IJM.11.1.2020.010>.
- Latief, R. N. A. (2017). The Testing Of The Effect Of Belief-Adjustment Model And Framing Effect On Investment Decision Making By Using Long Series Accounting Information. *The Indonesian Accounting Review*, 7(2), 165–176. <https://doi.org/10.14414/tiar.v7i2.955>.
- Nahartyo, E., & Utami, I. (2015). *Panduan Praktis Riset Eksperimen*. PT Indeks.
- Pinger, P., Schäfer, S., & Schumacher, H. (2018). Locus Of Control And Consistent Investment Choices. *Journal of Behavioral and Experimental Economics*, 27, 66–75. <https://doi.org/10.1016/j.socec.2018.05.004>.
- Putri, N. K., B., Z., & Supriyadi., N. E. (2012). Experimental Test Of Framing And Non-Professional Investor's Decision: Study Of Risk Information In IFRS no. 7. *Journal of Economics, Business, and Accountancy Ventura*, 15(2), 305–316. <https://doi.org/10.14414/jebav.v15i2.82>.
- Rasheed, M. H., Rafique, A., Zahid, T., & Akhtar, M. W. (2018). Factors Influencing Investor's Decision Making In Pakistan: Moderating The Role Of Locus Of Control. *Review of Behavioral Finance*, 10(1), 70–87. <https://doi.org/10.1108/RBF-05-2016-0028>.
- Robbins, S. P. (2017). *Organizational Behavior*. University of Minnesota Libraries Publishing.
- Suryandari, E., & Imelda, P. A. (2017). Interpretasi Investor Non-Profesional Atas Implementasi International Financial Reporting Standard (IFRS) 8 dan Pernyataan Standar Akuntansi Keuangan (PSAK) 5 Dalam Perspektif Framing Information. *Journal of Accounting and Investment*, 18(1), 128–140. <https://doi.org/10.18196/jai.18165>.
- Wang, T., Li, H., Zhou, X., Huang, B., & Zhu, H. (2020). A Prospect Theory-Based Three-Way Decision Model. *Knowledge-Based Systems*, 203(5), 106–129. <https://doi.org/10.1016/j.knosys.2020.106129>.

Wardani, E. K. & Sukirno. (2014). Pengaruh Pembingkai Informasi Terhadap Keputusan Investasi Dengan Locus Of Control Sebagai Variabel Pemoderasi. *Jurnal Nominal*, 3(1). <https://doi.org/10.21831/nominal.v3i1.2153>.

ACKNOWLEDGEMENTS

Thank you to Rector of Palangka Raya University and Dean of Economic and Business of Palangka Raya University which funded the research. Lastly, we would like to thank you the respondents and Central Kalimantan Investor Community.