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The Rashomon Effect in Financial Reporting: Exploring Multi-Interpretation Financial Accounting Standards' Phenomenon

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ABSTRACT

This study delves into the phenomenon of multi-interpretation in financial reporting, using Garuda Indonesia's 2018 annual financial statements as a case study, inspired by the Rashomon Effect—an approach that highlights how a single event can be interpreted differently by different parties. We conducted in-depth interviews with auditors, academicians, regulators, and users, employing qualitative research and study techniques. Our study uncovers parallels to the Rashomon Effect, as each stakeholder group presents distinct viewpoints on a financial transaction. Auditors emphasize compliance and the need for clearer guidelines, while academicians point to subjectivity within principle-based accounting; regulators voice concerns about misinterpretation and advocate standardized accounting rules, and users seek transparency for informed decision-making. The adoption of principle-based accounting standards is identified as the core driver of these interpretative disparities. Implications stress the importance of ongoing collaboration among stakeholders to enhance accounting literacy and tackle multi-interpretation issues. Addressing the limitations of principle-based standards and applying a shared understanding are crucial to improving the reliability of financial reporting. This research contributes by applying the Rashomon Effect framework to financial reporting, offering holistic insights from auditors, academicians, regulators, and users, while proposing a potential transition from principle based to rule-based standards as a solution to mitigate multi-interpretation issues.

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1. INTRODUCTION

The problem of multiple interpretations in financial reporting is a pressing macro-level issue within accounting that hampers the effective utilization of financial statements. Despite the presence of Generally Accepted Accounting Principles (GAAP) and standardized accounting frameworks, such as the Statement of Financial Accounting Standards (*Pernyataan Standar Akuntansi Keuangan/PSAK*), disparate conclusions often arise from the same financial data. This divergence in interpretation can lead to misinformed decision-making, stakeholder disputes, and a loss of trust in financial reporting (Jones and Smith, 2019; Suryandari and Kurniawati, 2018).

The phenomenon of multiple interpretations in financial reporting can be likened to the Rashomon Effect, as observed in Akira Kurosawa's renowned film, which illustrates how a single event may be interpreted differently by various actors (Rorty et al., 2004). In accounting, this phenomenon aligns with interpretivist theory, which views financial reporting not as an objective representation of reality but as a social construction shaped by the perceptions, judgments, and interests of its interpreters (Zhang and Andrew, 2018). In this context, different stakeholders, including regulators, businesses, auditors, and investors, approach financial statement interpretation through their unique perspectives and interests, resulting in conflicting viewpoints (Wagenhofer, 2020).

The significance of addressing this problem cannot be overstated. Clarity, consistency, and objectivity are essential in financial reporting to ensure the integrity and reliability of information. Achieving a common understanding and reducing interpretation divergence would enhance the effectiveness of financial statements as decision-making tools, promoting transparency and accountability in the business world (Trombetta et al., 2017).

Therefore, this research aims to explore the reasons behind multiple interpretations in financial statements, with a specific focus on PT Garuda Indonesia (Persero) Tbk's financial statements for 2018. Prior studies on financial reporting interpretation have predominantly emphasized technical compliance, earnings manipulation, or ethical violations, while paying limited attention to the interpretive processes and subjective judgments underlying the application of principle-based accounting standards (Andriyana and Trisnaningsih, 2022; Christian et al., 2021; Kurniawati and Febiolla, 2022). By employing the Rashomon Effect as an analytical framework, this study addresses this limitation by explicitly examining how different stakeholders construct meaning from the same accounting standards and transactions (Rorty et al., 2004; Suryandari and Kurniawati, 2018).

This research seeks to address limitations in prior studies explicitly, emphasizing its novelty in integrating interpretivist perspectives into the analysis of financial reporting practices (Zhang and Andrew, 2018). By unravelling the factors contributing to multiple interpretations and examining their implications for various stakeholders, this study contributes to ongoing discussions on improving financial reporting practices. Ultimately, the findings of this study inform efforts to enhance the reliability, comparability, and usefulness of financial statements, leading to better-informed economic decisions and increased trust in financial reporting within the broader field of accounting (Howieson et al., 2024; Richards and van Staden, 2018).

2. METHODS

This study employs an interpretivist approach to delve into the multifaceted world of financial reporting, recognizing the inherent diversity of perspectives within this domain. The objective is to comprehend and interpret the subjective experiences and meanings held by individuals closely involved in Garuda Indonesia's financial reporting. This approach aligns with the recognition that financial information is not an objective truth but a product of interpretation influenced by various stakeholders (Zhang and Andrew, 2018; Wagenhofer, 2020).

The core analytical framework employed in this study is the Rashomon Effect, inspired by Akira Kurosawa's cinematic masterpiece. The Rashomon Effect illustrates how different individuals can interpret the same event in contrasting ways (Rorty et al., 2004). Drawing from this concept, we explore financial reporting through the lenses of subjectivism and interpretation, considering the viewpoints of four distinct actors: regulatory authorities (DSAK), auditors, academic experts, and companies actively engaged in financial reporting (Suryandari and Kurniawati, 2018).

The methodology section, comprising approximately 15% of this article, aligns with the prescribed guidelines. We maintain a balanced presentation of our research approach, ensuring that it complements, rather than dominates, the broader context of our study.

To gather insightful data, in-depth interviews are conducted with knowledgeable respondents who possess expertise relevant to Garuda Indonesia's financial reporting case. Our pool of respondents includes regulatory authorities from DSAK, experienced auditors, esteemed academicians, and representatives from companies intimately involved in financial reporting practices. Through these interviews, we aim to capture nuanced insights that enable an in-depth exploration of our research subject (Zhang and Andrew, 2018).

Our data analysis follows a thematic approach, emphasizing the emergence of recurrent themes and patterns within the interview transcripts. This analysis employs an inductive methodology, allowing themes and categories to organically surface from the collected data (Zhang and Andrew, 2018). By adhering to this inductive approach, we ensure that our interpretations remain rooted in the data itself, providing a faithful reflection of the diverse perspectives articulated by our respondents.

During the interpretation phase, we focus on frequent expressions and recurring ideas voiced by our respondents. Our goal is to gain a profound understanding of the distinct perspectives put forth by regulatory authorities, auditors, academicians, and companies engaged in financial reporting. This approach facilitates a comprehensive analysis of financial reporting practices at Garuda Indonesia, taking into consideration the unique interests, roles, and interpretations of each involved actor (Wagenhofer, 2020).

In sum, our research methodology, guided by the interpretivist approach and the Rashomon Effect framework, serves as a robust foundation for unraveling the complexities of financial reporting, ensuring clarity, depth, and balanced coverage within the scope of this article (Rorty et al., 2004; Zhang and Andrew, 2018).

3. RESULTS AND DISCUSSION

3.1. Rashomon Effect and Principle-Based Accounting in Financial Reporting

The Rashomon Effect, as described by Werhane (1999), refers to the varied interpretations and perspectives that individuals may hold when presented with the same event. This phenomenon is not limited to the realm of filmmaking but extends to broader intellectual and professional contexts, especially where ethical judgment, perception, and decisionmaking shape how information is understood and acted upon (Werhane, 1999). In organizational settings, the

Rashomon Effect has also been used to describe how multiple parties can form competing ethical interpretations of the same situation, influenced by their roles, interests, and values (Rorty et al., 2004).

The Rashomon Effect is relevant in financial reporting because financial statements are frequently interpreted differently by various stakeholder groups. This issue becomes increasingly significant as reporting environments evolve toward international harmonization and the adoption of complex reporting standards. Prior studies highlight that accounting narratives and disclosures may create conceptual ambiguity, which can lead to interpretive divergence even when stakeholders refer to the same information (Jones and Smith, 2019). In addition, the increasing complexity of IFRS has raised concerns about the understandability and interpretability of accounting standards, potentially intensifying the likelihood of misinterpretation among preparers and users (Howieson et al., 2024; Morais, 2020).

One of the most notable changes associated with IFRS adoption is the shift from a rule-based approach toward a principle-based approach. In principle-based accounting, standards emphasize broad concepts and principles rather than detailed rules, thereby requiring greater professional judgment in recognition, measurement, and disclosure decisions (Wagenhofer, 2020). This approach offers flexibility but also creates interpretive space, where two competent professionals may reasonably reach different conclusions under the same standard (Suryandari and Kurniawati, 2018). Consistent with the Rashomon Effect, this condition illustrates that differences in interpretation may not always stem from misconduct, but from how individuals perceive and construct meaning from the same event or set of facts (Werhane, 1999; Rorty et al., 2004).

Another fundamental change in contemporary financial reporting is the increased use of fair value measurement. While traditional accounting practices predominantly relied on historical cost, fair value methods can enhance relevance but also increase complexity, estimation uncertainty, and reliance on judgment (Trombetta et al., 2017; Wagenhofer, 2020). These measurement choices may invite differing stakeholder expectations and contested interpretations, especially when valuation inputs are subjective or dependent on management assumptions. In this context, the Rashomon Effect becomes increasingly visible, as the “same” economic event may be interpreted as transparent disclosure by one party and as biased measurement by another (Werhane, 1999; Trombetta et al., 2017).

The challenge arises because stakeholders bring different perspectives, experiences, incentives, and mental models into the interpretation of accounting information. This subjectivity can influence how principles are applied in practice and how financial reporting decisions are evaluated. In interpretive environments, auditors may focus on compliance and faithful representation, regulators may emphasize comparability and enforcement, academicians may highlight conceptual ambiguity, and users may prioritize clarity and decision usefulness (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). Such divergence aligns with the Rashomon Effect, which emphasizes that meaning and judgment are shaped by the observer’s context rather than determined solely by the event itself (Werhane, 1999; Rorty et al., 2004).

To address these interpretive challenges, management in each business entity must anticipate and prepare for the practical demands of principle-based reporting by strengthening accounting systems, ensuring adequate infrastructure, and investing in human resources capable of exercising professional judgment consistently. Such preparation is crucial because interpretive differences can be reduced when organizations develop shared understanding, clear internal guidance, and effective communication across stakeholder groups (Wagenhofer, 2020). Furthermore, enhancing accounting literacy and improving the clarity of financial reporting

narratives may support better stakeholder understanding and reduce the risk of conflicting interpretations (Howieson et al., 2024; Richards and van Staden, 2018).

In conclusion, the Rashomon Effect serves as a reminder that interpretation and perception play central roles in financial reporting. The transition toward principle-based accounting, combined with increasing reporting complexity and greater reliance on fair value measurement, introduces interpretive challenges that require deeper understanding and stronger professional judgment. As stakeholders may form different conclusions from the same standards and transactions, clear communication and continuous dialogue become essential to improving the reliability and transparency of financial reporting (Werhane, 1999; Jones and Smith, 2019; Richards and van Staden, 2018).

3.2. Interpretation, Perception, and Subjectivity in Accounting Standards

As a follow-up to the commitment made by the G-20 leaders at the Summit Meeting in London in 2008, the Indonesian Institute of Accountants' Financial Accounting Standards Board (DSAK IAI) initiated a program to converge Indonesian financial accounting standards with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The convergence program was implemented gradually, and it was expected that by the end of 2011, Indonesian Financial Accounting Standards (PSAK), which numbered more than 60, would have been adjusted to adopt IFRS.

With the convergence of IFRS, all business entities in Indonesia—except for those categorized as Entities Without Public Accountability (ETAP)—are required to apply PSAK that has adopted IFRS. Consequently, management in each business entity must anticipate this transition by evaluating and adapting their accounting and financial reporting systems to align with the principles outlined in IFRS (Wagenhofer, 2020). The adoption of IFRS into Indonesian financial accounting standards has brought significant changes to the accounting paradigm understood by practitioners in Indonesia. The two most fundamental changes are as follows, first, From a Rule-Based Principle to a Principle-Based Approach. IFRS no longer recognizes detailed accounting standards designed specifically for certain industries. Instead, IFRS emphasizes fundamental principles for recognition, measurement, and reporting across transactions with similar characteristics. With its principle-based nature, practitioners are required to carefully understand the substance of business transactions and determine the most relevant accounting principles in IFRS based on their specific circumstances. This shift increases reliance on professional judgment and can create interpretive divergence among stakeholders, even when the same accounting standards are applied to the same transaction (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). Second, From a Cost Principle to a Fair Value Principle. Traditional accounting practices predominantly relied on recognition and measurement based on historical cost. While IFRS still allows limited cost-based models, it generally encourages broader application of fair value measurement. This shift may enhance relevance and transparency, but it also increases estimation uncertainty and the subjectivity of judgment in measurement and disclosure decisions (Trombetta et al., 2017; Wagenhofer, 2020). Therefore, fair value-based reporting can intensify interpretive differences across stakeholder groups when assumptions and valuation inputs are contested or perceived differently (Trombetta et al., 2017).

As an accounting framework that differs substantially from earlier standards, the implementation of IFRS in practice requires strong commitment from management, adequate support in terms of resources and infrastructure, and investment in the development of necessary human resources.

This is particularly important because the complexity and ambiguity of standards can reduce understandability and increase the risk of inconsistent interpretation among preparers, auditors, regulators, and users (Howieson et al., 2024; Richards and van Staden, 2018). This article focuses on the first issue above, namely the convergence from a rule-based principle to a principle-based approach. As discussed, IFRS adopts a principle-based approach by eliminating detailed industry-specific standards and instead relying on fundamental principles. The challenge lies in the fact that each individual may interpret the same accounting principle differently depending on their perceptions, experiences, and professional judgments (Werhane, 1999; Wagenhofer, 2020).

Perception. Perception plays a critical role in shaping how individuals interpret information. Toha (2003) explains that factors influencing perception can be categorized into internal and external factors. Internal factors include feelings, attitudes, personality, biases, desires or expectations, attention, learning processes, physical conditions, mental disorders, values and needs, as well as mindset and motivation. External factors include family background, acquired information, knowledge, surrounding needs, intensity, size, contrast, repetition of movements, novelty, and familiarity of an object.

Similarly, Walgito (2010) explains that several factors influence perception, including: (1) the perceived object, which produces stimuli affecting the sensory organs; (2) the sensory organs, nerves, and nervous system, which transmit stimuli to the central nervous system (brain) as the center of awareness; and (3) attention, which enables an individual to become consciously engaged in perception.

These factors contribute to individuals forming different perceptions of the same object or stimulus, even when the underlying facts are identical. Differences in perception may arise from variations in personality, attitudes, motivation, and knowledge, and are shaped by experience and learning processes. In financial reporting, differences in perception can influence how stakeholders interpret accounting disclosures and narratives, which may lead to multiple interpretations of the same financial statements (Jones and Smith, 2019; Werhane, 1999).

Interpretation. Interpretation is also a key concept in understanding how meaning is constructed from information, including accounting standards. Gracia (1995) explains the nature of interpretation from both etymological and terminological perspectives. Etymologically, the term “interpretation” originates from the Latin term *interpres*, which refers to an agent between two parties and can also mean an explainer, expounder, or translator. In this sense, interpretation may refer to meaning, translation, or explanation (Gracia, 1995).

Gracia (1995) further notes that interpretation is not limited to texts, as it can also apply to facts, human behavior, and nature. However, the hermeneutic approach developed by Gracia specifically pertains to textual interpretation. Terminologically, Gracia explains that the term interpretation may be used in three primary ways. First, interpretation may refer to an understanding one has of a text, recognizing that a particular understanding is not the only possible valid understanding and that interpreter subjectivity plays a central role. Second, interpretation may refer to a process or activity through which an understanding of a text is developed. Third, interpretation may refer to a comprehensive form of interpretation that includes the text being interpreted.

In particular, [Gracia \(1995\)](#) emphasizes that interpretation should involve three elements: (1) the interpretandum (the object being interpreted), (2) the interpreter, and (3) the interpretans (additional explanations or clarifications produced by the interpreter to support understanding). By including both the interpretandum and interpretans, misunderstandings may be reduced and interpretation can become more structured and meaningful ([Gracia, 1995](#)).

In the context of financial reporting, these concepts are directly relevant because accounting standards function as “texts” that must be interpreted and applied to real economic transactions. As a result, variations in interpretation may arise not merely because of technical disagreement, but because meaning is constructed differently depending on stakeholder perspectives, judgment, and contextual understanding ([Werhane, 1999](#); [Zhang and Andrew, 2018](#)). This explains why principle-based accounting standards may generate multiple interpretations, particularly in complex and judgmentbased areas, and why consistent application requires shared understanding and continuous communication among stakeholders ([Suryandari and Kurniawati, 2018](#); [Wagenhofer, 2020](#)).

3.3. Background of the Garuda Indonesia Financial Reporting Case

Unexpectedly, Garuda Indonesia managed to report a notable performance turnaround in 2018. Instead of further losses, the company recorded a net profit of USD 5.01 million. However, this outcome was not universally accepted. Two commissioners of Garuda Indonesia refused to sign the company’s 2018 annual report, citing disagreement with the recognition of revenue arising from a cooperation transaction with PT Mahata Aero Teknologi ([Andriyana and Trisnaningsih, 2022](#); [Christian et al., 2021](#)).

The dispute was primarily related to the accounting treatment of a cooperation agreement associated with PT Citilink Indonesia. Under the agreement, the Garuda Indonesia Group reported revenue linked to compensation for in-flight connectivity and entertainment services, which significantly influenced reported profit in 2018 ([Christian et al., 2021](#)). Concerns emerged because, despite revenue being recognized in the financial statements, the company allegedly had not received cash payment from Mahata by the end of the reporting period, raising questions regarding whether the recognition was consistent with applicable revenue recognition criteria ([Christian et al., 2021](#); [Ikatan Akuntan Indonesia, 2015](#)).

The controversy did not result in a revision of the published financial statements, as the annual report was accepted in the Annual General Meeting of Shareholders (RUPST). Nevertheless, the presence of dissenting opinions illustrates how stakeholders can interpret the same transaction differently depending on their perspectives, incentives, and interpretation of accounting standards ([Werhane, 1999](#); [Wagenhofer, 2020](#)).

Looking back, Garuda Indonesia’s financial performance had been under substantial pressure in preceding years. The company experienced significant volatility, moving between periods of profit and loss. In particular, financial reporting fluctuations and unusual patterns in reported figures have been recognized as potential red flags that warrant closer scrutiny, especially when large improvements occur without corresponding changes in operational fundamentals ([Bwarleling, 2020](#); [Schilit et al., 2019](#)).

In 2018, Garuda Indonesia's operating revenue increased compared to the prior year, but not at a magnitude that fully explained the dramatic turnaround from loss to profit. At the same time, other net revenues reportedly increased substantially and were supported by compensation related to in-flight connectivity installation and content management services. Such unusually large jumps in revenue categories can be indicative of earnings quality concerns and may reflect aggressive revenue recognition policies, particularly when revenue timing and collectability are uncertain (Schilit et al., 2019; Trombetta et al., 2017).

Further examination suggested that the in-flight connectivity and entertainment services were linked to a collaboration agreement signed between Garuda Indonesia and Mahata during 2018. Under this agreement, Mahata committed to bear costs related to the provision, installation, operation, maintenance, and replacement of connectivity service equipment. The arrangement covered installation across multiple aircraft types and involved substantial valuation amounts assigned to equipment and related services (Christian et al., 2021).

A key issue raised by dissenting parties was that the agreed compensation amount had not yet been received by the end of the reporting period, yet it was recognized as revenue in the financial statements. Without the recognition of this compensation revenue, Garuda Indonesia would have remained in a loss position. From a financial reporting perspective, the timing of revenue recognition is critical because it affects not only reported earnings but also tax exposure and stakeholder decision-making, especially when reported profit does not reflect realized cash flows (Ikatan Akuntan Indonesia, 2015; Schilit et al., 2019).

The dissenting parties also argued that the recognition of the compensation as revenue was inconsistent with PSAK No. 23 regarding revenue recognition, specifically with the criteria governing when revenue can be recognized based on the probability of economic benefits and reliable measurement (Ikatan Akuntan Indonesia, 2015). The dispute illustrates the core issue of principle-based accounting standards: transactions may be recorded differently depending on how preparers, auditors, regulators, and users interpret the same requirements and apply professional judgment (Suryandari and Kurniawati, 2018; Wagenhofer, 2020).

Overall, the Garuda Indonesia–Mahata case highlights the risk of multi-interpretation in financial reporting, particularly in environments where stakeholders face complex transactions and judgment-based revenue recognition decisions. Such conditions are closely aligned with the Rashomon Effect, where different actors interpret the same event differently and reach competing conclusions (Rorty et al., 2004; Werhane, 1999). From an anti-fraud and financial reporting quality standpoint, this case also reflects the importance of strengthening accounting literacy, audit rigor, and stakeholder communication to prevent misunderstandings and reduce opportunities for financial shenanigans (Jamieson et al., 2019; Schilit et al., 2019).

3.4. Stakeholders' Interpretations: Empirical Findings

Rashomon tells the story of a single event narrated from the perspectives of four different characters, illustrating how the same reality may produce different yet plausible interpretations depending on the observer's role and assumptions (Werhane, 1999; Rorty et al., 2004). In this study, the author conducted interviews with four informants who represent four stakeholder perspectives commonly involved in financial reporting: auditors, users of financial statements, regulators/standard-related parties, and academics. Consistent with the Rashomon framework, the four informants provided different views regarding the interpretation of Garuda Indonesia's 2018 financial statements, shaped by their perceptions, interests, and professional judgment (Werhane, 1999; Wagenhofer, 2020).

The Auditor informant expressed the view that although the informant was not directly involved in the audit engagement, the auditors who audited Garuda Indonesia may have applied insufficient professional skepticism in fulfilling their responsibilities. The informant emphasized that auditors should critically evaluate management assertions rather than accepting signed contracts and invoices as automatic evidence for the assertions of existence/occurrence, completeness, and accuracy. Instead, auditors should also evaluate other key assertions, including rights and obligations, valuation and allocation, as well as presentation and disclosure (AICPA, 2021). This viewpoint aligns with the auditing literature emphasizing that professional judgment and skepticism are essential in audit decisionmaking, particularly when transactions are complex or involve significant estimation or interpretation (Knechel et al., 2017).

In addition, the Auditor informant argued that understanding Financial Accounting Standards (PSAK) requires strong accounting literacy and interpretive capability. Because Indonesian accounting standards increasingly align with IFRS and adopt a principle-based approach, practitioners must interpret the substance and intent of accounting requirements rather than applying standards word-for-word as if they were purely rulebased checklists (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). The Auditor informant concluded that as long as PSAK remains principle-based, interpretive disputes will persist and similar cases may re-emerge, potentially harming stakeholders. The informant also stated that DSAK-IAI is unlikely to fully shift PSAK back into a rule-based approach due to practical implementation risks and unintended consequences where transactions may fall outside narrowly defined rules (Wagenhofer, 2020).

In line with the Auditor informant's concerns, the User informant believed that errors existed on the part of both auditors and management. The User informant argued that from the user's perspective, the transaction and contract in the case were relatively straightforward. The contract was understood as granting rights or access to install connectivity and entertainment equipment on Garuda and Citilink aircraft. The informant stated that PSAK 23 specifies that royalty income generally arises from the use of intangible assets, such as copyrights, patents, trademarks, and similar rights (Ikatan Akuntan Indonesia, 2015). Based on this logic, the User informant viewed the arrangement as being closer to a rental or service-related arrangement rather than royalty income, implying that misclassification may have occurred (Ikatan Akuntan Indonesia, 2015).

Another strong point raised by the User informant concerned the timing of revenue recognition. The informant questioned the recognition of a long-term stream of revenue when the contract was signed late in 2018 and implementation had only begun. The User informant suggested that management may have had incentives to accelerate revenue recognition and improve reported profit, even though operational activity and cash inflows may not have supported such recognition (Schilit et al., 2019). The informant further suggested that returning to a more rule-based approach would simplify application, support consistency, and potentially reduce opportunities for strategic interpretation, particularly where users compare financial reporting outcomes with tax-oriented recognition rules.

The Regulator informant provided a direct opinion that the case should have been treated as straightforward and that the transaction between Garuda Indonesia and Mahata was more appropriately categorized as rental income. The informant argued that revenue recognition should follow the contract period and reflect economic substance and timing. Furthermore, the Regulator informant expressed concern that auditors—who are expected to possess strong PSAK expertise—may sometimes seek justification within standards that can be used to support “financial engineering” rather than faithful representation. This aligns with concerns in the broader anti-fraud literature that aggressive accounting can be rationalized through selective

interpretation when oversight and skepticism are weak (Jamieson et al., 2019; Schilit et al., 2019). The informant concluded that if PSAK remains principle-based, stronger coordination among DSAK, regulators, auditors, and academics is necessary to build shared understanding and consistent interpretation across stakeholders (Wagenhofer, 2020).

Interestingly, the Academic informant offered a contrasting and more interpretivist perspective. The informant acknowledged that multiple interpretations existed among directors, commissioners, auditors, regulators, and users; however, the informant emphasized that differences in interpretation do not automatically imply that one interpretation is entirely correct while the other is entirely wrong. From this academic standpoint, principle-based accounting standards may produce multiple defensible interpretations depending on how stakeholders interpret contractual substance and align it with standard criteria (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). The Academic informant noted that parties involved may interpret PSAK 23 differently depending on whether they frame the transaction as rights-based, service-based, or time-based recognition, and how they assess whether criteria for recognition have been satisfied (Ikatan Akuntan Indonesia, 2015).

The Academic informant further stressed that improvement is needed not only in the standard itself, but also in the way users and practitioners think about PSAK. The informant emphasized that not all transactions can be resolved by “matching” them mechanically to one specific standard, and that when ambiguity exists, preparers and auditors should strengthen conceptual reasoning and professional judgment to support consistent interpretation and faithful representation (Wagenhofer, 2020).

3.5. Discussion: Rashomon Effect and Financial Reporting Interpretation

The Garuda Indonesia case exemplifies the phenomenon of multi-interpretation, as depicted in the Rashomon Effect. The different perspectives presented by the four stakeholder groups in this case highlight the challenges and complexities of interpreting financial statements and accounting standards (Rorty et al., 2004; Werhane, 1999). This discussion section analyzes and argues the issues arising from the multi-interpretation demonstrated through the Rashomon Effect in the Garuda Indonesia case.

Firstly, the multi-interpretation observed in this case raises concerns about the subjective nature of financial reporting. The diverse perspectives of the Auditor, User, Regulator, and Academician informants underscore that interpretations can vary significantly depending on individuals’ backgrounds, knowledge, professional roles, and biases. This subjectivity may lead to differing opinions on the recognition, measurement, and disclosure of financial transactions, which can substantially affect the reported financial performance and financial position of an organization (Wagenhofer, 2020; Zhang and Andrew, 2018).

Secondly, the multi-interpretation exposes the potential for manipulation or financial engineering within financial reporting. The User informant’s assertion that there may have been misinterpretation of the transactions to meet the criteria of PSAK 23 in order to boost revenue and profit highlights the risk of opportunistic behavior by management. This suggests that interpretations of accounting standards may be used strategically to present a more favorable financial picture, which raises concerns regarding the reliability and integrity of financial information (Ikatan Akuntan Indonesia, 2015; Schilit et al., 2019). Such risks reinforce the importance of anti-fraud awareness and stronger stakeholder vigilance in preventing reporting practices that may mislead decision-makers (Jamieson et al., 2019).

Moreover, the multi-interpretation of the Garuda Indonesia case emphasizes the need for improved clarity and guidance within accounting standards. The differing views on the classification of the transaction between GIA and Mahata as either rental income or royalty income highlight the challenges in applying principle-based standards such as PSAK. When standards rely heavily on professional judgment and provide limited transaction-specific guidance, ambiguity may arise and generate differing stakeholder interpretations (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). This ambiguity can open the door for interpretive plurality and inconsistent application of accounting standards across entities and engagements (Jones and Smith, 2019).

The issues arising from multi-interpretation have implications for various stakeholders, including investors, regulators, and the public. Divergent interpretations can create uncertainty and erode stakeholders' confidence in financial reporting reliability. Investors may struggle to make informed decisions when faced with conflicting interpretations, potentially contributing to inefficiencies in economic decision-making (Trombetta et al., 2017). Regulators may also face challenges in ensuring consistent compliance and enforcing uniform application of standards across reporting entities (Wagenhofer, 2020).

It is therefore crucial to enhance the clarity and guidance provided by accounting standards to address these issues. The Rashomon Effect reflected in the Garuda Indonesia case highlights the importance of developing robust and comprehensive guidance within accounting standards to reduce ambiguity and provide a clearer framework for financial reporting decisions (Howieson et al., 2024; Richards and van Staden, 2018). Such improvement may involve providing clearer examples for complex transactions or refining the balance between flexibility and consistency within a principle-based approach (Howieson et al., 2024; Morais, 2020).

In addition, fostering greater collaboration among standard-setters, regulators, auditors, and academics can reduce the potential for multi-interpretation. Regular dialogue and knowledgesharing mechanisms can help align interpretations and promote stronger shared understanding of the intent and application of accounting standards. This collaborative approach may enhance reporting consistency and mitigate risks arising from interpretive divergence (Wagenhofer, 2020).

Overall, the multi-interpretation displayed in the Rashomon Effect within the Garuda Indonesia case underscores the challenges and implications of differing perspectives in financial reporting. The subjective nature of interpretation, the potential for manipulation, and the need for improved clarity within accounting standards highlight the importance of addressing interpretive ambiguity. Enhancing clarity, providing comprehensive guidance, and strengthening collaboration among stakeholders can minimize the negative impacts of multi-interpretation and improve the reliability and transparency of financial reporting (Howieson et al., 2024; Richards and van Staden, 2018; Wagenhofer, 2020).

The findings of this study are consistent with interpretivist theory, which views accounting standards not as neutral or purely technical rules but as interpretive texts that require judgment and contextual understanding (Zhang and Andrew, 2018). The divergent interpretations articulated by auditors, regulators, users, and academicians demonstrate that the application of principlebased accounting standards is shaped by the interpreter's professional role, experience, and institutional interests rather than by a single objective meaning embedded in the standards themselves (Wagenhofer, 2020).

Viewed through the Rashomon Effect framework, the Garuda Indonesia case illustrates how a single accounting transaction can generate multiple coexisting interpretations without a definitive authoritative narrative (Rorty et al., 2004; Werhane, 1999). Similar to the Rashomon story, each stakeholder's interpretation reflects a partial truth grounded in perspective and accounting literacy. This finding reinforces the theoretical argument that principle-based standards inherently intensify interpretive plurality, thereby increasing the likelihood of divergent financial reporting outcomes (Suryandari and Kurniawati, 2018; Wagenhofer, 2020).

4. CONCLUSION

This study demonstrates that the phenomenon of multi-interpretation in financial reporting closely resembles the Rashomon Effect, in which a single event may be interpreted differently by various actors depending on perspective, judgment, and contextual understanding (Rorty et al., 2004; Werhane, 1999). Based on interviews with regulators, auditors, academicians, and users, the findings indicate that principle-based accounting standards (PSAK) constitute a primary source of interpretive plurality in financial reporting practices. Rather than stemming solely from technical errors, differences in interpretation arise from variations in accounting literacy, professional judgment, institutional roles, and underlying interests (Suryandari and Kurniawati, 2018; Wagenhofer, 2020). The study further shows that these divergent interpretations do not necessarily imply the presence of a single correct or incorrect view, but instead reflect the inherently interpretive nature of principle-based accounting standards and the social construction of meaning within financial reporting (Zhang and Andrew, 2018).

In response to this condition, the study highlights collaboration and shared understanding as the most viable solution to mitigating multi-interpretation challenges in financial reporting. Continuous coordination among regulators, auditors, academicians, and users is essential to strengthen accounting literacy and promote more consistent interpretation of accounting standards (Wagenhofer, 2020). From an academic perspective, this study reinforces the relevance of interpretivism and the Rashomon Effect as analytical frameworks for understanding complexity and contested meaning in financial reporting (Rorty et al., 2004; Zhang and Andrew, 2018). Practically, it underscores the need for transparency, clarity, and effective communication among financial reporting stakeholders to reduce ambiguity, support decision usefulness, and prevent opportunistic interpretations (Howieson et al., 2024; Richards and van Staden, 2018; Schilit et al., 2019). Ultimately, improving the quality of financial reporting requires collective efforts to balance professional judgment with interpretive discipline, thereby enhancing the reliability and credibility of accounting information in a broader accounting context (Trombetta et al., 2017; Wagenhofer, 2020).

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