Determinant Variables Affecting Accounting Conservatism (In Consumer Goods Sector Manufacturing Companies Listed On The Indonesia Stock Exchange In 2020-2022)

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Abstract: The purpose of this study is to determine the effect of company growth, investment opportunity set, and debt covenant variables on accounting conservatism. This study used a sample of 60 respondent data consisting of 20 (twenty) companies with the consumer good sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2022 period. Sampling using purposive sampling technique and using the explanatory method. Collecting data in this study used a document review technique, where data collection was carried out by reviewing the related company's financial statements. descriptive statistical analysis, by carrying out the coefficient of determination, multiple regression analysis, and hypothesis testing. The research was conducted using the Eviews program version 12. The results show that: 1) Company Growth has no partial effect on Accounting Conservatism; 2) Investment Opportunity Set partially has no effect on Accounting Conservatism; 3) Debt Covenant partially has a positive and significant influence on Accounting Conservatism; and 4) Debt Covenant, Investment Opportunity Set, and Debt Covenant have a significant influence on Accounting Conservatism. According to the coefficient of determination test, which finds an R Square value of 0.731617 or 73.16%, the independent variables in this study are able to explain the dependent variable of 73.16%. This shows that Company Growth, Investment Opportunity Set, Debt Covenant together (simultaneously) have a significant effect on accounting conservatism.

Keywords: Company Growth, Investment Opportunity Set, Debt Covenant, Accounting Conservatism.

INTRODUCTION

The company's financial statements are prepared using one basic concept. basic concepts can be used as basic content to build accounting information on financial statements. Watt in

Novianti defines accounting conservatism as a conservative accounting concept because it must report the lowest accounting information of several possible values of income and the highest of several possible values for liabilities and expenses. The conservatism of profit and asset accounting will be presented based on the recognition of delayed income and the recognition of speedy revenue recognition of Jao and Ho's losses. There is confirmation of relatively high losses, recognition of revenue can lead to a reduction in corporate profits. The opportunity for managers to commit fraud on financial statements can be limited by the recognition of *understatement profits.*

One of the principles adopted in the financial reporting process is the principle of conservatism. The endorsement of this principle is based on the assumptions that companies face Uncertainty about the future economy, so the measurement and confirmation of these figures End with caution. Financial statements must be in accordance with the objectives, rules and principles of accounting, follow generally accepted standards to produce financial statements, financial statements that are reliable, responsible, and useful for each user.

There are many variables using the principle of conservatism through corporate policy is essential for the overall development of the business. in deciding whether to use a cautious approach or not by the manager. Company growth is the first element that impacts accounting conservatism. Company growth (company growth) becomes an increase or decrease in total assets owned by the company. to grow the company is considered Percentage change in assets for the year specifically the previous year (Suprantiningrum, 2013). increase the amount Assets, including current assets and assets Long-term fund needs There are alternatives to internal funds or with external funding. Investment opportunity set is the second factor that has an impact on accounting conservatism. Investment opportunity set (IOS) refers to how financial managers should distribute assets to investment vehicles that have the potential to produce financial statements of future rewards (Sutrisno, 2012). Investment opportunity set, on the other hand, is a variable that describes an organization's investment choices, claims Yuliani (2013). IOS policies will impact a number of areas of business finance, including capital structure, debt agreements, dividend practices, contract agreements, and accounting standards. According to Savitri (2016: 77), in her research, the market to book ratio acts as a proxy for accounting conservatism and increases with the size of the investment opportunity set. The smaller the market-to-book ratio, a measure of accounting conservatism, the narrower the pool of investment opportunities available.

The debt covenant is the third element that has an impact on accounting conservatism. A debt covenant is a debt agreement that a lender has with a borrower to prevent actions that could reduce the value of the loan and hinder loan recovery. Leverage was used in this study as a proxy for corporate debt agreements. The term "leverage" refers to the contrast between a company's total debt and total assets. Savitri (2016: 81) states in his book that the greater the leverage ratio used to measure debt covenants, the more likely the company will use procedures that increase reported profits for the current period or the financial statements presented tend to be unconservative.

One of studies have conducted research on factors affecting accounting conservatism such as research conducted by Haloman Josua Frengky, Vinny Alfionita, Prianka, Ninta Katharina (2021) with variables of corporate governance, debt covenant, bonus plan and political cost on accounting conservatism and the results showed The results showed that partially Corporate Governance and Debt Covenant had a significant positive effect and simultaneously Corporate Governance, Debt Covenant, Bonus Plan, and Political Cost had a significant effect on Accounting Conservatism with value significant, partially Bonus Plan and Political Cost have no significant effect.

LITERATURE REVIEW

According to MyNote in Accounting, signaling theory, developed by Ross, states that business executives who have better information about their companies will be forced to communicate this information to potential investors. to increase the company's stock price. The positive thing in signaling theory is that a company that provides good information will distinguish it from a company that does not have "good news" by informing the market about its condition, and a company that has had poor financial performance in the past will signal good future performance. Will not be trusted by the market.

This signal comes in the form of information about what management is doing to fulfill the wishes of the owner. Signaling theory explains that signals are sent by managers to reduce information asymmetries that usually occur between the company and external parties, where management has a better understanding of the company's condition and future opportunities than external parties or investors. According to Sidik and Nurmala managers provide information through financial reporting that implements conservatism of accounting policies, which leads to higher quality income, which leads to this principle, prevents companies from exaggerating profits and helps financial reporting users by presenting profits and assets that are not excessive. Practically, management uses conservative accounting policies by calculating high depreciation that will give you permanently low returns. This means that there is no temporary influence on the decline in profits that will reverse in the future.

This theory was put forward by Jensen and McLean. The relationship between shareholders (principals) and management (agents) as described by Jensen and Meckling (1976) is as follows: "We define an agency relationship as a contract with one or more persons (principals) hiring another person (agent) to perform a particular service for him Representation involves delegation of some decision-making authority to an agent". From this definition it can be seen that the power entrusted to him by the owner (*principal*) includes Decisions made to management (*agents*) based on contracts. Contract An agreement between two or more people to agree on something. permission and Once approved, the responsibilities of the agent and principal are stipulated in the general employment contract. An agent contracts to do the work for the benefit of the principal and not for the benefit of the private principal. Agency theory also arises because there is a difference in information between the manager as an agent and as the main owner.

According to Chariri and Ghozali (2007), "positive accounting theory upholds the notion of maximization of wealth and individual self-interest". So this theory can be used to explain the nature of managers who are motivated to maximize their own wealth. The theory can also be used to predict poor performance of managers, which can be compensated by an increase in profits earned by the company. Watts and Zimmerman argue that three assumptions in positive accounting theory can motivate.

According to Subramanyam, et. all, (2017), conservatism is a reporting that occurs based on an unoptimistic view if the company is faced with a choice about uncertainty. Recognition of costs and debts is carried out in advance if there is a possibility of loss. Meanwhile, the recognition of income and assets should not be recognized directly but can only be recognized when the income and assets are actually realized. With the application of this principle, the recognition of profits and the value of assets will become smaller, the recognition of profits and the value of assets that are smaller will minimize misunderstandings by users of financial statements, this shows the quality of profits generated is high.

RESEARCH METHODS

The research method used in this study is statistical calculations with Microsoft Excel and processed using e-views, then data analysis is carried out using descriptive statistics, classical assumption tests, multiple linear analysis, and hypothesis tests. The population in this

study is all companies and manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2022. The total population for companies listed on the IDX is 864 while the total population of manufacturing companies is 193 companies listed on the Indonesia Stock Exchange. The sample for this study will use the purposive sampling method. The purposive sampling method is based on consideration of the object of research, selecting samples in accordance with sample characteristics and the suitability of specified sample standards, so that representative samples are obtained

FINDINGS AND DISCUSSION

Multiple linear regression tests were conducted to get an idea of how independent variables including *Company Growth, Investment Opportunity Set*, and *Debt Covenant* affect the dependent variable, namely Accounting Conservatism with a significance level of 0.05 (Ghozali, 2018). Results in multiple linear regression testing are as follows.

Tabel 1. Hasil Uji Regresi Linier Berganda

Dependent Variable: KA
Method: Least Squares
Date: 07/01/23   Time: 19:06
Sample: 1 60
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-77674.65	54308.08	-1.430260	0.1582
CG	-79161.13	131672.2	-0.601199	0.5501
IOS	-0.048272	0.605537	-0.079718	0.9367
DC	0.133394	0.139133	0.958752	0.3418

source: secondary data processed with Eviews 12

Then the multiple linear regression equation can be compiled as follows.
AC= (0.078)+(0.079)CG+(0.048)IOS+0.133DC+e

How much influence each variable has on accounting conservatism can be seen from the multiple linear regression equation above. Below is the value of each independent variable based on its convergence regression line, and this is the result when used in practice:

1. The regression coefficient of the CG (Company Growth) variable is -0.079, which means that if the *Company Growth* variable increases by 1 unit, it will result in a decrease of -0.079 units in the AC (Accounting Conservatism) variable.
2. The regression coefficient of the IOS (*Investment Opportunity Set*) variable is -0.048, which means that if the IOS variable increases by 1 unit, it will result in a decrease of -0.048 units in the AC (Accounting Conservatism) variable.
3. The regression coefficient of the DC variable (*Debt Covenant*) is 0.133, which means that if the DC variable increases by 1 unit, it will result in an increase of 0.133 units in the AC (Accounting Conservatism) variable.

Partial Test (Test t)

The T test is a test used to see the significance of the influence of the independent variable individually on the dependent variable. Here are the results of the T test conducted in this study.

Table 2. Partial Test Results (T Test)

Dependent Variable: KA
Method: Panel Least Squares
Date: 07/01/23   Time: 18:41
Sample: 2020 2022
Periods included: 3
Cross-sections included: 20
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-537219.4	69715.68	-7.705862	0.0000
CG	-78536.77	96605.47	-0.812964	0.4214
IOS	-0.299455	0.480957	-0.622623	0.5374
DC	1.471055	0.196244	7.496036	0.0000

Source*: secondary data processed with Eviews 12*

In the t-statistics table attached to the appendix with df=(n-k-1) = (60-3-1) = 56 and a degree of freedom of 0.05, a Ttable value of 1.67252 is obtained.

Based on the table data above, the partial test shows that Company Growth has a Tcount of (0.812964) and with a probability of 0.4214, the Investment Opportunity Set (IOS) variable has a Tcount of (0.622623) with a probability of 0.5374, and the Debt Covenant has a Tcount of 7.496036 with a probability of 0.0000. Based on the data above, it can be seen that:

1. Company growth has a Tcalculate < Ttable (0.812964) < 1.67252 and a probability of 0.4214>0.05 This states that company growth partially has a negative and insignificant effect on accounting conservatism.
2. The investment opportunity set (IOS) has a Tcalculate > Ttable (0.622623)>1.67252 and a probability of 0.5374>0.05 This states that IOS partially has a negative and insignificant effect on accounting conservatism.
3. Debt covenant has a Ttable > Ttable 7.496036>1.67252 and a probability of 0.0000<0.05 this states that the debt covenant partially has a significant positive effect on accounting conservatism.

Simultaneous Test (Test F)

To test the significance of simultaneous regression parameters, statistical test F is used. Statistical test F basically shows whether all independent variables namely Company Growth, Investment Opportunity Set (IOS), and Debt Covenant have an influence together on the dependent variable, namely Accounting Conservatism. Here are the results of the F Test conducted in the study:

Table 3. Simultaneous Test Results (Test F)

Cross-section fixed (dummy variables)

R-squared	0.731617	Mean dependent var	-40441.68
Adjusted R-squared	0.572038	S.D. dependent var	162259.0
S.E. of regression	106147.9	Akaike info criterion	26.26629
Sum squared resid	4.17E+11	Schwarz criterion	27.06913
Log likelihood	-764.9888	Hannan-Quinn criter.	26.58033
F-statistic	4.584671	Durbin-Watson stat	3.283942
Prob(F-statistic)	0.000024		

Source*: secondary data processed with Eviews 12*

Based on the results of the Fixed Effect Model output above. in the F-statistics table attached to the appendix with df1= k-1 = (3-1) = 2 and df2 = (n-k-1) = (60-3-1) = 56 with a degree of freedom of 0.05, the F-table value is 3.162. So F-statistic 4.584671>3.162 with probability values of 0.000024 < 0.05 so that it can be concluded Company Growth, Investment Opportunity Set (IOS) and Debt Covenant that together affect Accounting Conservatism.

Coefficient of Determination Test

The coefficient of determination test is used to determine the percentage (%) of variables - independent variables against their dependent variables. The independent variables in question are Company Growth, Investment Opportunity Set (IOS), and Debt Covenant and for the dependent variable is Accounting Conservatism. The value of the coefficient of determination is measured by the value of R-Square. The following are the results of the coefficient of determination test conducted in the study:

Table 4. Determination Coefficient Test Results

Dependent Variable: KA
Method: Panel Least Squares
Date: 07/01/23   Time: 18:47
Sample: 2020 2022
Periods included: 3
Cross-sections included: 20
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-537219.4	69715.68	-7.705862	0.0000
CG	-78536.77	96605.47	-0.812964	0.4214
IOS	-0.299455	0.480957	-0.622623	0.5374
DC	1.471055	0.196244	7.496036	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.731617	Mean dependent var	-40441.68
Adjusted R-squared	0.572038	S.D. dependent var	162259.0
S.E. of regression	106147.9	Akaike info criterion	26.26629
Sum squared resid	4.17E+11	Schwarz criterion	27.06913
Log likelihood	-764.9888	Hannan-Quinn criter.	26.58033
F-statistic	4.584671	Durbin-Watson stat	3.283942
Prob(F-statistic)	0.000024		

Source: secondary data processed with Eviews 12

Based on the table above, the R-squared value of 0.731617 is obtained, this means that the Company Growth, Investment Opportunity Set (IOS), and Debt Covenant variables have a contribution of 73.16% in explaining Accounting Conservatism, while the remaining 26.84% (100% - 73.16%) are the contributions of other variables that are not studied in this study.

CONCLUSION

Based on data analysis, findings and previous discussions, it can be concluded that:
1. The results showed that Accounting Conservatism was not partially influenced by company growth. This shows that an increase or decrease in the company does not guarantee that the company will exercise prudence on the financial statements.

2. Investment opportunity set (IOS) negatively affects Accounting Conservatism. This shows that the higher the IOS value does not guarantee that the greater the application of Accounting Conservatism in the company.
3. Debt covenants are partially positive, This shows that financial risk for creditors and shareholders tends to increase along with the increase in yield from this ratio. This is because the higher the leverage value shows that the greater the application of accounting conservatism in the company, the greater the application of accounting conservatism.

From the conclusions above, the advice that can be given is that the company is expected to provide more detailed and accurate information in calculating company deappreciation so that outsiders / external parties of the company do not feel misled because this is a trust that will then stick in the eyes of potential investors. The results of this study are expected to help investors or potential investors in making decisions to invest shares in the company. They are also expected to be more careful in analyzing the company's performance so that investment can run smoothly and as expected. To advise investors, it is advisable not to get too interested in large companies. They have to believe that the bigger and more famous the company, the greater the profit every year.

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