

Factors Affecting Accounting Conservatism in Indonesia

Anita Noviyanti ^{*1} and Linda Agustina ²

¹PT Sekawan Niaga Jaya

²Accounting Department, Faculty of Economics, Universitas Negeri Semarang

ARTICLE INFO

Article History:

Received August 1st, 2021

Accepted September 4th, 2021

Available September 30th, 2021

Keywords:

Accounting Conservatism;
Good Corporate Governance;
Leverage; Liquidity; Growth
Opportunity; Litigation Risk

ABSTRACT

The purpose of this study is to analyze and obtain empirical evidence regarding the role of managerial ownership, institutional ownership, independent commissioners, leverage, liquidity, growth opportunity, and litigation risk that affect accounting conservatism. The population in this research is manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 with 147 companies. The sample in this research was selected through a purposive sampling technique so that the final sample was obtained by 37 companies with 111 units of analysis. Data collection techniques use documentation techniques. The data analysis technique used in this research is descriptive statistical analysis and inferential statistical analysis which uses multiple linear regression analysis with IBM SPSS 22. The results of the research indicate that independent commissioners have a positive and significant effect on accounting conservatism. Institutional ownership has a negative and significant effect on accounting conservatism while managerial ownership, leverage, liquidity, growth opportunity, and litigation risk do not affect accounting conservatism. This study concludes that institutional ownership and independent commissioners influence accounting conservatism.

© 2021 The Authors. Published by UNNES. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>)

INTRODUCTION

Financial statements presented by an entity reflect the ability of management to manage resources. Wardhani (2008) stated that the Financial Accounting Standards provide flexibility to take accounting procedures and estimates in carrying out accounting records and financial transaction reporting, where this will affect the behavior of managers to create different financial statements in an entity based on the needs and interests of the company. The presentation of financial statements is faced with the consideration of the principle of accounting conservatism in order to present qualified financial statements. Conservatism is the principle in which losses are recognized immediately, profits are recognized longer, assets are valued using the lowest value, and liabilities are valued high (Basu, 1997). An entity that implements accounting conservatism can prevent managers from overestimating profits and asymmetry of information that can be used in meeting claims regarding company assets (Savitri, 2016).

The implementation of the principle of accounting conservatism should be able to avoid the practice of

fraudulent financial statements but the implementation of the principle of accounting conservatism in Indonesia is still relatively low. Saputri (2013) and Sumiari & Wirama (2016) proved that the implementation of accounting conservatism in Indonesia to manufacturing companies is still low with an average value of conservatism below one. Saputri (2013) found that accounting conservatism in the manufacturing companies in 2009-2010 had an average value of 0.2238. Meanwhile, Sumiari & Wirama (2016) found that accounting conservatism has an average value of -0.002.

The manipulation cases of financial statements that occur indicating that the accounting conservatism principle is not applied, where the conservatism principle produces fluctuating profits, which will reduce the estimate of profit. This raises suspicion, which is, whether the principle of conservatism carried out by the company is carried out according to the rules or it is fraudulent so that the company's performance in the financial statements does not disclose factual conditions. The manipulation cases of financial statements that occur have resulted in the parties use financial statements lowering their trust. Therefore, an entity must implement the principle of conservatism so that the financial statements presented by the company are useful for users.

Research that intends to find out the variables that affect the level of accounting conservatism has been

* E-mail: anitanoviyanti03@gmail.com

Address: Jl. Terminal Terboyo, Terboyo Wetan, Kec. Genuk, Kota Semarang, Jawa Tengah 50112, Indonesia

studied quite a lot but research related to managerial ownership, institutional ownership, independent commissioners, leverage, liquidity, growth opportunity, and risk of litigation on accounting conservatism reveals differences in results. Several previous studies on the seven variables show inconsistent results, which is Pratanda & Kusmuriyanto (2014), Al-Sraheen et al. (2014), and Septian & Anna (2014) revealed if managerial ownership has a positive effect on accounting conservatism. On another side, Sinambela & Almilia (2018), Lafond & Roychowdhury (2007), and Mohammed et al. (2017) did not find the effect of managerial ownership on accounting conservatism.

Risdiyani & Kusmuriyanto (2015) found a negative effect between institutional ownership and accounting conservatism. Ahmed & Duellman (2007) and Prananti (2018) did not find the effect of institutional ownership with accounting conservatism. Meanwhile, Wardhani (2008) and Al-Sraheen et al. (2014) found a positive relationship. Pratanda & Kusmuriyanto (2014) and Wardhani (2008) found that independent commissioners have an important impact on accounting conservatism. Meanwhile, Risdiyani & Kusmuriyanto (2015) did not find the effect of independent commissioners and accounting conservatism.

Risdiyani & Kusmuriyanto (2015), Lafond & Roychowdhury (2007), as well as Alfian & Sabeni (2013) proved if leverage has a positive effect on accounting conservatism. Meanwhile, Priambodo & Purwanto (2015), Susanto & Ramadhani (2016) as well as Moeinaddin et al. (2012) found no effect. Pratanda & Kusmuriyanto (2014) showed there is no relationship between liquidity and conservatism accounting. However, Nasir et al. (2014) showed that liquidity has a significant positive effect. Alfian & Sabeni (2013) revealed that growth opportunity affects accounting conservatism. On the contrary, Septian & Anna (2014) revealed that growth opportunity does not have a significant effect. Nugroho & Mutmainah (2012) revealed that litigation risk has a positive and significant effect on accounting conservatism while Nasir et al. (2014) stated if litigation risk does not have an effect.

This research aims to find out the effect of managerial ownership, institutional ownership, independent commissioners, leverage, liquidity, growth opportunity, and litigation risk on accounting conservatism in the manufacturing companies in 2015-2017. The originality in this research is the research model and the measurement of accounting conservatism. This study develops research conducted by Pratanda & Kusmuriyanto (2014) which examines managerial ownership, institutional ownership, independent commissioners, liquidity, profitability, and leverage. This study does not use profitability because of the same results from the previous research. Meanwhile, this study adds growth opportunity and litigation risk variables because of inconsistent results from the previous studies. In addition, the originality of this study lies in the measurement of accounting conservatism which is still rarely studied. The measurement of accounting conservatism which is often used is the accrual measure while accounting conservatism in

this study is measured by Net Asset Measure which is proxied using Market to Book Value. An entity is considered to implement accounting conservatism when the market to book value is above one, indicating that the entity implements the precautionary principle in recording the book value of shares which are low compared to the market value.

The implication of agency theory regarding accounting conservatism is that there is information asymmetry between agent-principal. It needs a certain scheme to maintain the agent-principal relationship in order to reduce information differences and increase the trust relationship between the two. Watts (2003) revealed that conservatism can be an intermediary in reducing agency costs because it can reduce information discrepancies and inaccurate benefits in agreements.

Positive accounting theory asserts that to create more value for shareholders, the company can create certain policies that are adapted to the situation and condition of the company. The theory of positive accounting tries to explain the behavior of management in making financial statements. Watts & Zimmerman (1990) explained that there are three hypotheses in positive accounting theory where the three hypotheses reflect the interaction between management and shareholders. This study uses the political cost hypothesis to explain the variables of liquidity and growth opportunity. This policy can reduce the political costs imposed by the company so that the principle of accounting conservatism is applied by the company.

The ownership of shares by management which is more than those outside the company, makes the company tend to implement the precautionary principle due to the sense of belonging of management towards which is big towards companies and is concerned with enlarging the company. Agency theory explains that owners and managers experience conflicts of different interests due to the tendency of managers to behave opportunistically. An effort to overcome this is the owner of the company giving certain incentives to the manager so that the manager conducts activities based on the will of the principal. The percentage of shares owned by the manager can direct the manager to always be in line with the interests of the shareholder. Pratanda & Kusmuriyanto (2014), Al-Sraheen et al. (2014), and Septian & Anna (2014) also found the fact that there is a positive relationship between the variable of stock ownership by managers on accounting conservatism.

H₁: Managerial ownership has a positive effect on accounting conservatism

Institutional-owned shares represent one alternative to corporate governance. Institutional parties that have many shares indicate that the institution can control management efficiently (Brilianti, 2013). The monitoring carried out can prevent opportunistic actions from management and tend to require managers to implement the precautionary principle so that the funds invested are guaranteed and have a maximum rate of return. This is done so that the interests of shareholders can be protected. In agency theory, Jensen & Meckling

(1976) emphasized that the differences between the principal and management could be mitigated through the shares owned by the institution. Wardhani (2008) proved that if shares owned by institutions are getting increasing, it will encourage the use of accounting conservatism when accounting conservatism is measured using market size. It is in line with Al-Sraheen et al. (2014) and Ramalingegowda & Yu (2012).

H₂: Institutional ownership has a positive effect on accounting conservatism

Independent commissioners need accurate and qualified information in carrying out their functions. A strong board of commissioners in an entity can be seen from the number of independent commissioners, thus the greater desired accounting conservatism to be applied by the company (Savitri, 2016). The relationship between independent commissioners and accounting conservatism is explained through agency theory. The presence of the board of commissioners can reduce friction that occurs between agents and principals (Risdiyani & Kusmuriyanto, 2015). The independent commissioner will carry out strict supervision on the performance of managers and force managers to implement the precautionary principle so that the information produced has high quality and avoids the unpredictable economy by being pessimistic about the profits obtained. It is in line with Kukah et al. (2016) and Pratanda & Kusmuriyanto (2014) found a significant result between independent commissioners and accounting conservatism. Wardhani (2008) also stated that independent commissioners have a significant effect when is measured using market size. An excessive number of independent commissioners will lead to tighter monitoring of the performance of an entity.

H₃: Independent commissioners have a positive effect on accounting conservatism

Increased corporate debt means that the demands of creditors are also getting bigger in ensuring the return of primary loans and the interest they give to the company. Agency theory explains that differences in information cause agency problems, where management can manipulate reports without being noticed by creditors. High debt indicates that the greater the role of creditors in controlling managers in managing the company. Monitoring conducted by creditors causes information differences that occur increasingly shrink, because managers cannot cover up financial information that allows for misappropriation or exaggeration of assets (Susanto & Ramadhani, 2016). High leverage makes managers think of returning the interest associated with the loan (Risdiyani & Kusmuriyanto, 2015). This will make managers use the precautionary principle to avoid big risks. Risdiyani & Kusmuriyanto (2015), Lafond & Roychowdhury (2007), as well as Alfian & Sabeni (2013) also proved that leverage has a positive effect on accounting conservatism.

H₄: Leverage has a positive effect on accounting conservatism

A company is said to be good when the value of the liquidity ratio is greater because a large liquidity ratio means that an entity is able to cover its debts with its current assets. The political cost hypothesis on positive accounting theory suggests that an entity will apply the precautionary principle when the liquidity ratio is higher. High liquidity implies the financial strength of an entity and triggers the emergence of more and more political costs. Political costs can be in the form of taxes or claims by employees. The greater the liquidity ratio, the manager tends to carry out accounting conservatism to shrink profits so that there is no increase in political costs. Healthy liquidity makes managers apply the principles of accounting conservatism to prevent opportunities for disputes with creditors and principals. Nasir et al. (2014), Ghavi et al. (2013), and Luo (2013) revealed if liquidity has a positive effect on accounting conservatism.

H₅: Liquidity has a positive effect on accounting conservatism

Conservatism tends to be applied by growing entities because companies that are undergoing growth will continue to make efforts to enlarge the company. This drives managers to be able to equalize income and use debt that is needed by the companies. High growth opportunity makes companies need abundant funding and the inherent political costs are getting bigger so that management applies the principle of accounting conservatism. The attached political costs can be in the form of taxes that must be borne by the companies or claims by employees. The political cost hypothesis assumes that managers have plans to minimize profits to reduce political costs. Alfian & Sabeni (2013), Widya (2014), and Agustina et al. (2016) stated if growth opportunity has an effect on accounting conservatism.

H₆: Growth opportunity has a positive effect on accounting conservatism

Litigation risk is a lawsuit from interested parties against an entity when they feel that they have been harmed by the company. Investors or creditors have the authority to carry out lawsuits when financial statements are not presented comprehensively. Agency theory states that lawsuits or litigation risks arise due to differences in interests. The financial statements presented which are not comprehensive will pose a high risk of litigation, thus driving managers to apply accounting conservatism so that they are free from legal risks. Nugroho & Mutmainah (2012), Qiang (2007), and Rahayu et al. (2018) stated if litigation risk positively affects accounting conservatism.

H₇: Litigation risk has a positive effect on accounting conservatism

RESEARCH METHODS

This study was deductive research. The population of this research was manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017.

The manufacturing companies were chosen because their business operations are increasingly complex, enabling greater financial reporting fraud. The research sample was determined through purposive sampling and obtained 37 companies and 111 analysis units. The sampling criteria can be seen in table 1.

The dependent variable was accounting conservatism; and the independent variables were managerial ownership, institutional ownership, independent commissioners, leverage, liquidity, growth opportunity, and litigation risk. The operational description of the research variable is described in table 2.

The data collection technique used documentation techniques. The data was obtained through the IDX website in the form of annual reports in the observation period t 2015-2017. The hypothesis testing applied descriptive statistical analysis methods and inferential statistical analysis. Before testing the hypothesis, the initial data need to be examined for classical assumptions. Hypothesis testing applied multiple regression analysis with a significance level of 5%. The regression equation by applying multiple linear analysis using equation formula 1:

$$KONSERV = \alpha + \beta_1KEP_MEN + \beta_2KEP_INS + \beta_3KMSRS_IND + \beta_4LEV + \beta_5LIKUID + \beta_6GROWTH + \beta_7RSK_LTG + \epsilon \dots\dots\dots(1)$$

RESULTS AND DISCUSSION

The results of descriptive statistics on managerial shares, ownership of institutional shares, independent commissioners, leverage, liquidity, growth opportunity, litigation risk, and accounting conservatism can be seen in table 3.

The classical assumption test intends to assess the feasibility of the regression equation. The result of the normality test using Kolmogorov-Smirnov has a significance value of 0.200 > 0.05, this indicates that the

Table 1. Research Sample

Sample Criteria	Beyond Criteria	Included Criteria
a. Manufacturing companies on the Indonesia Stock Exchange 2015-2017		147
b. Companies that published annual reports consistently for the 2015-2017 period [†]	(32)	115
c. Manufacturing companies with the market to book value exceeds 1	(72)	43
d. Manufacturing companies that have complete data on the research variables	(06)	37
Years of observation		4
Total samplesTotal units of research analysis year 2015-2017		37
		111

Source: Secondary data processed[†], 2019.

data are normally distributed. The multicollinearity test shows a tolerance value > 0.10 and a VIF value < 10, meaning that there is no interaction between the independent variables. The autocorrelation test using the Durbin-Watson test shows the Durbin-Watson value of 1,856. The upper limit value (du) in the table is 1.8262. The result shows that there is no autocorrelation because the Durbin-Watson value is greater than 1.8262 (du) and less than 2.1738 (4-du). Then the heteroscedasticity test using the white test shows that R² is 0.715, so the c2 count value is 79.365 and the c2 table is 135.480. The results reveal that if the c2 count < c2 table, it means that there is no heteroscedasticity problem.

The hypothesis testing is carried out after the data are free from the classical assumption test. The coefficient of determination of adjusted R² is 13.6%, which means managerial ownership, institutional ownership, independent commissioner, leverage, liquidity, growth opportunity, and litigation risk can explain the accounting conservatism variable about 13.6% while other external factors can explain about 88.5%. The result of the hypothesis test is presented in table 4. Based on the hypothesis testing, it can be written equation 2:

$$KONSERV = -1.292 + 0.526 KEP_MEN - 0.741 KEP_INS + 4.073 KMSRS_IND + 0.085 LEV + 0.064 LIKUID + 0.170 GROWTH - 0.027 RSK_LTG \dots(2)$$

The Effect of Managerial Ownership on Accounting Conservatism

Shares owned by managers do not affect the implementation of the precautionary principle of an entity. This can be indicated that the manager is always consistent in implementing the precautionary principle at work because of the loyalty of the manager. The Manager's sense of loyalty causes his work to be done wholeheartedly and presents conservative financial statements. This can be seen in Unilever Indonesia Tbk company in 2017, the managers still applied the precautionary principle with a value of accounting conservatism of 82.44 even though share ownership by managers is 0.00 (low). The research result is not in line with agency theory, which explains that agency problems between investors and principals can be handled by implementing accounting conservatism. This research is in line with Younos & Ismail (2010), Sinambela & Almilia (2018), Lafond & Roychowdhury (2007), and Mohamed et al. (2017).

The Effect of Institutional Ownership on Accounting Conservatism

Institutional shares and accounting conservatism have a negative effect. This proves that a large proportion of institutional shares will weaken the practice of accounting conservatism. It is assumed that the institution wants a high rate of return regardless of the methods and concepts used by the company in calculating profits and cost recognition because the institution will give a positive assessment of financial statements that present high profits (Risdiyani & Kusmuriyanto, 2015).

Table 2. Operational Definition of Research Variables

No	Variables	Definition	Measurement
1	Accounting Conservatism (KONSERV)	It is a precautionary principle where profit is recognized later while losses are recognized immediately even though the loss has not yet occurred (Watts, 2003).	KONSERV: (market value)/(book value) (Watts, 2003)
2	Managerial Ownership (KEP_MEN)	Share ownership by management illustrates the comparison between shares owned by managers and shares owned by external parties of the entity (Brilianti, 2013).	(total managerial shares)/(total shares outstanding) (Pratanda & Kusmuriyanto, 2014)
3	Institutional Ownership (KEP_INS)	The ratio between the shares of the institution with all the shares owned by the external parties of the company (Risdiyani & Kusmuriyanto, 2015).	(total institutional shares)/(total shares outstanding) (Brilianti, 2013)
4	Independent Commissioner (KMSRS_IND)	Components of the board of commissioners from outside the issuer or do not have an attachment to the company (Risdiyani & Kusmuriyanto, 2015).	(total independent commissioner)/(total members of board of commissioner) (Risdiyani & Kusmuriyanto, 2015)
5	Leverage (LEV)	Leverage is a ratio to see the ability of an entity to pay its long-term loan which shows how much assets and capital are funded by loans from parties outside the entity (Purnama & Daljono, 2013).	(totaldebt)/(total equity) (Rahayu <i>et al.</i> , 2018)
6	Liquidity (LIKUID)	The ability of an entity to pay off loans that are repaid in less than one year using current assets (Pratanda & Kusmuriyanto, 2014).	(current asset)/(current debt) (Pratanda & Kusmuriyanto, 2014)
7	Growth opportunity (GROWTH)	The ability of an entity to increase the size of the company (Saputri, 2013).	$(TS_t - TS_{(t-1)})/TS_{(t-1)}$ (Risdiyani & Kusmuriyanto, 2015)
8	Litigation Risk (RSK_LTG)	Litigation risk is a factor of external conditions, where investors and creditors have legal protection (Agustina <i>et al.</i> , 2016).	(total asset _t - total asset _(t-1))/total asset _(t-1) (Agustina <i>et al.</i> , 2016)

Source: Secondary data processed, 2019.

High share ownership by institutional parties wants high dividends on the shares invested so that the tendency of the company manager of to maximize the profit earned in accordance with the wishes of the manager. Agency theory states that there is a maximization of welfare by the principal where the principal wants the maximum return on his investment. The result of this study is consistent with Risdiyani & Kusmuriyanto (2015), Ahmed & Duellman (2007), and Prananti (2018).

The Effect of Independent Commissioners on Accounting Conservatism

Independent commissioners and accounting conservatism have a positive effect. This proves that if the number of independent commissioners is abundant, the implementation of accounting conservatism will be increased in an entity. Independent commissioners have the authority to monitor and supervise managers in carrying

Table 3. Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
KEP_MEN	111	0.00000	0.37320	0.0314928	0.08172687
KEP_INS	111	0.00000	0.99780	0.8057991	0.24454804
KMSRS_IND	111	0.28570	0.80000	0.4170622	0.10486662
LEV	111	0.07610	11.09790	0.9266477	1.15665513
LIKUID	111	0.22870	36.37840	2.8079676	3.70866732
GROWTH	111	-0.49130	0.67830	0.0494703	0.16615368
RSK_LTG	111	-0.40940	1.23400	0.1109901	0.18669035
KONSERV	111	1.05370	82.44440	5.8218667	11.48574751
Valid N (listwise)	111				

Source: Processed secondary data, 2019.

Table 4. Summary of Hypothesis Test Results

No	Hypothesis	β	Sig	Explanation
1	H ₁ : Managerial ownership has a positive effect on accounting conservatism	0.526	0.348	Rejected
2	H ₂ : Institutional ownership has a positive effect on accounting conservatism	-0.741	0.037	Rejected
3	H ₃ : Independent commissioners have a positive effect on accounting conservatism	4.073	0.000	Accepted
4	H ₄ : Leverage has a positive effect on accounting conservatism	0.085	0.570	Rejected
5	H ₅ : Liquidity has a positive effect on accounting conservatism	0.064	0.697	Rejected
6	H ₆ : Growth opportunity has a positive effect on accounting conservatism	0.170	0.827	Rejected
7	H ₇ : Litigation risk has a positive effect on accounting conservatism	-0.027	0.973	Rejected

Source: Processed secondary data, 2019

out company operations. Abundant independent commissioners indicate a stronger board of commissioners, thus the implementation of the coveted precautionary principle is also increasing (Savitri, 2016). The relationship between independent commissioners and accounting conservatism is explained by agency theory which explains that the presence of independent commissioners can control the ability of managers so that managers do not act opportunistically and present qualified financial reports. This study is in line with Wardhani (2008) through market size. Pratanda & Kusmuriyanto (2014) and Kukah et al. (2016) proved that independent commissioners and accounting conservatism have a significant positive effect.

The Effect of Leverage on Accounting Conservatism

The leverage value does not have an impact on the implementation of accounting conservatism in an entity. Leverage and accounting conservatism that are not significant are thought because managers will increase earnings so that leverage generated by the companies seems low, so it will be easier for the companies to seek credit. Priambodo & Purwanto (2015) also explained that the absence of the leverage effect and accounting conservatism could be due to many determinants that could affect political costs. It could also mean that accounting conservatism is applied only to certain things. This study is consistent by Priambodo & Purwanto (2015), Susanto & Ramadhani (2016), and Moeinaddin et al. (2012)

The Effect of Liquidity on Accounting Conservatism

Low or high liquidity cannot affect the precautionary principle. This is presumably due to the ease of receivables provided by the companies so that the companies' current assets seem to be very high. Since liquidity is related to the creditor's trust towards the companies, the companies must maintain performance in order to continue to gain trust from creditors by implementing certain policies. The creditors will have more trust in the companies when corporate liquidity is high as high liquidity indicates the company's financial strength. Purnama & Daljono (2013), Pratanda & Kusmuriyanto (2014), and Kiseleva (2017) showed if liquidity does not affect accounting conservatism.

The Effect of Growth Opportunity on Accounting Conservatism

Small or big growth opportunity does not affect the implementation of accounting conservatism. This may be suspected because not all managers apply the principles of accounting conservatism to meet the funding requirements needed when the entity is developing. In developing its business, the company requires a lot of funding, most of which the funds are obtained from outside the company (Susanto & Ramadhani, 2016). It can be seen in Alaska Industrindo Tbk in 2017, where ALKA had a company growth value of 0.68, which was balanced by a debt level value of 2.89. A growing company decides to implement the precautionary principle so that the performance of an entity is considered good. Septian & Anna (2014) showed that growth opportunity does not significantly affect accounting conservatism. This research is consistent with Susanto & Ramadhani (2016) and Sari et al. (2014).

The Effect of Litigation Risk on Accounting Conservatism

Litigation risk does not affect the implementation of accounting conservatism to an entity. Litigation risk does not have an impact on accounting conservatism, indicating that Indonesian law does not threaten the life sustainability of the entity. Agustina et al. (2016) stated that an entity will not give too much thought to a lawsuit which arises when impunity fades. However, an entity will be consistent in implementing the precautionary principle in disclosing financial statements so that the resulting information can be accounted for and ingratiate outside parties to invest capital. This research is in line with Agustina et al. (2016), Sinambela & Almilia (2018), and Nasir et al. (2014) proved that litigation risk does not affect the implementation of accounting conservatism because the measurement of litigation risk is seen from the presentation of comprehensive financial statements or not.

CONCLUSIONS

This study examines empirical studies of the effect of managerial ownership, institutional ownership, independent commissioners, leverage, liquidity, growth opportunities, and litigation risk on accounting conser-

vatism. The research result concludes that if the number of independent commissioners makes accounting conservatism applied would be higher. Meanwhile, the higher the institutional share ownership, the lower accounting conservatism will be. Meanwhile, managerial ownership, leverage, liquidity, growth opportunity, and litigation risk do not influence accounting conservatism.

Independent commissioners have the authority to monitor and supervise managers in carrying out company operations so that the financial statements presented by management are high qualified. Independent commissioners who are abundant in an entity indicate the strength of independent commissioners, thus the implementation of accounting conservatism will increase. Therefore, this study recommends that the companies add independent commissioners because the number of independent commissioners makes the accounting conservatism applied to increase. In addition to increasing the presence of independent commissioners, the companies must also increase share ownership by institutions. The research proves that institutional ownership has an effect on accounting conservatism, where the institution can monitor the company's operations so that the shares invested by the institution have a high rate of return.

There are shortcomings in this research. First, this research only applies to manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017. Further studies can expand the object of research by using other types of industry with a newer year in order to represent the current condition. Second, further research can apply different measurements for accounting conservatism measurements so as to obtain transparent comparisons, namely using earnings/accrual measures. Accounting conservatism will encourage continuous accruals in an entity, thus accrual measure is more suitable to be applied.

REFERENCES

- Agustina, Rice, & Stephen. (2016). Akuntansi Konservatisme Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Jurnal Dinamika Akuntansi Dan Bisnis*, 3(1), 1–16.
- Ahmed, A. S., & Duellman, S. (2007). Accounting Conservatism and Board of Director Characteristics : An Empirical Analysis.
- Al-Sraheen, D. A.-D. O., Fadzil, F. H. B., & Ismail, S. S. B. S. (2014). The Influence of Corporate Ownership Structure and Board Members' Skills on the Accounting Conservatism: Evidence from Non-Financial Listed Firms in Amman Stock Exchange. *International Journal of Accounting and Financial Reporting*, 4(1), 177. <https://doi.org/10.5296/ijaf.v4i1.5661>
- Alfian, A., & Sabeni, A. (2013). Analisis Faktor-Faktor Yang Berpengaruh Terhadap Pemilihan Konservatisme akuntansi. *Jurnal Administrasi Bisnis*, 36(1), 92–100.
- Basu, S. (1997). The conservatism principle and the asymmetric timeliness of earning. *Journal of Accounting and Economics*, 24, 3–37.
- Brilianti, D. P. (2013). Faktor-faktor Yang Mempengaruhi Penerapan Konservatisme Akuntansi Perusahaan. *Accounting Analysis Journal*, 2(1), 1–10.
- Ghavi, K., Najafi, Y., & Arfai, A. (2013). The study of effects of accounting conservatism on the flexibility of the financial decisions. *International Research Journal of Applied and Basic Sciences*, 4(1), 131–138.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm : Managerial Behavior , Agency Costs and Ownership Structure Theory of the Firm : Managerial Behavior , Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305–360.
- Kiseleva, M. E. (2017). Relationship Between Accounting Conservatism And Solvency And Liquidity Levels : Evidence From The Russian Banking Sector. St. Petersburg University.
- Kukah, M. A., Amidu, M., & Yindenaba, J. (2016). Corporate governance mechanisms and accounting information quality of listed firms in Ghana. *African J. Accounting, Auditing and Finance*, 5(1), 38–58.
- Lafond, R., & Roychowdhury, S. (2007). Managerial Ownership and Accounting Conservatism.
- Luo, G. Y. (2013). Accounting Conservatism , Market Liquidity and Informativeness of Asset Price : Implications on Mark to Market Accounting. *Journal of Applied Finance & Banking*, 3(1), 177–190.
- Moeinaddin, M., Dehnavi, H. D., & Abadi, H. Z. B. (2012). The Relationship Between Firm Size, Debt Contracts And The Nature Of The Operations With The Accounting Conservatism. *Interdisciplinary Journal Of Contemporary Research In Business*, 4, 628–645.
- Mohammed, N. F., Ahmed, K., & Ji, X. (2017). Asian Review of Accounting Article information : Asian Review of Accounting.
- Nasir, A., Ilham, E., & Yusniati. (2014). Pengaruh Struktur Kepemilikan Manajerial, Risiko Litigasi, Likuiditas, Dan Political Cost Terhadap Konservatisme Akuntansi. *Jurnal Ekonomi*, 22, 93–109.
- Nugroho, D. A., & Mutmainah, S. (2012). Pengaruh Struktur Kepemilikan Manajerial, Debt Covenant, Tingkat Kesulitan Keuangan Perusahaan, Dan Risiko Litigasi Terhadap Konservatisme Akuntansi. *Diponegoro Journal of Accounting*, 1, 1–13.
- Prananti, P. C. (2018). Factors Affecting The Integrity Of Financial Statements In Manufaktur Companies Listed In Indonesia Stock Exchange. *RJOAS*, 11(November), 40–48.
- Pratanda, R. S., & Kusmuriyanto. (2014). Pengaruh Mekanisme GCG, Likuiditas, Profitabilitas, dan Lverage Terhadap Konservatisme Akuntansi. *Accounting Analysis Journal*, 3(2), 255–263.
- Priambodo, M. S., & Purwanto, A. (2015). Analisis Faktor – Faktor Yang Mempengaruhi Tingkat Konservatisme Perusahaan – Perusahaan Di Indonesia. *Diponegoro Journal of Accounting*, Volume 4(1), 1–10.
- Purnama, W., & Daljono. (2013). Pengaruh ukuran Perusahaan, Rasio Leverage. Intensitas modal dan Likuiditas Terhadap Konservatisme Akuntansi. *Diponegoro Journal Of Accounting*, 2(3), 1–11.
- Qiang, X. (2007). The Effects of Contracting , Litigation , Regulation , and Tax Costs on Conditional and Unconditional Conservatism : Cross-Sectional Evidence at the Firm Level, 82(3), 759–796.
- Rahayu, S., Kusmuriyanto, Kiswanto, & Gunawan, D. I. (2018). Factors Influencing the Application of Accounting Conservatism in the Company. In *International Conference on Economics, Business and Economic Education 2018 (Vol. 2018, pp. 180–197)*. <https://doi.org/10.18502/kss.v3i10.3128>
- Ramalingegowda, S., & Yu, Y. (2012). Institutional Ownership And Conservatism. *Journal of Accounting and Economics*, 53(1–2), 98–114. <https://doi.org/10.1016/j>

jacceco.2011.06.004

- Risdiyani, F., & Kusmuriyanto. (2015). Analisis Faktor-faktor Yang Mempengaruhi Penerapan Konservatisme Akuntansi. *Accounting Analysis Journal*, 4(3), 1–10. <https://doi.org/ISSN 2252-6765>
- Saputri, Y. D. (2013). Faktor-Faktor yang Mempengaruhi Pilihan Perusahaan Terhadap Konservatisme Akuntansi. *Accounting Analysis Journal*, 1(2), 1–6. <https://doi.org/ISSN 2252-6765>
- Sari, D. N., Yusralaini, & Al-Azhar. (2014). Pengaruh Struktur Kepemilikan Institutional, Struktur Kepemilikan Manajerial, Struktur Kepemilikan Publik, Debt covenant dan Growth Opportunities Terhadap Konservatisme Akuntansi ByNo Title. *Jom Fekon*, 1(2), 1–15.
- Savitri, E. (2016). *Konservatisme Akuntansi Cara Pengukuran, Tinjauan Empiris dan Faktor-faktor yang Mempengaruhinya*. Pustaka Sahila Yogyakarta.
- Septian, A., & Anna, Y. D. (2014). Pengaruh Kepemilikan Manajerial, Ukuran Perusahaan, Debt Covenant, dan Growth Opportunities Terhadap Konservatisme Akuntansi. *E-Proceeding of Management*, 1(3), 131. <https://doi.org/http://dx.doi.org/10.4236/ojo.2014.48035>
- Sinambela, M. O. E., & Almilial, L. S. (2018). Faktor-faktor Yang Mempengaruhi Konservatisme Akuntansi. *Jurnal Online Mahasiswa Fekon*, 2(1), 1–15. Retrieved from [http://download.portalgaruda.org/article.php?article=439199&val=6445&title=Faktor-Faktor Yang Mempengaruhi Konservatisme Akuntansi Pada Perusahaan Manufaktur Yang Terdaftar di BEI \(2008-2011\)](http://download.portalgaruda.org/article.php?article=439199&val=6445&title=Faktor-Faktor Yang Mempengaruhi Konservatisme Akuntansi Pada Perusahaan Manufaktur Yang Terdaftar di BEI (2008-2011))
- Sumiari, K. N., & Wirama, D. G. (2016). Pengaruh Ukuran Perusahaan Terhadap Konservatisme Akuntansi Dengan Leverage sebagai Variabel Pemoderasi. *E-Jurnal Akuntansi Universitas Udayana*, 5(4), 749–774. <https://doi.org/10.1016/j.firesaf.2018.08.011>
- Susanto, B., & Ramadhani, T. (2016). Faktor-Faktor Yang Mempengaruhi Konservatisme. *Jurnal Bisnis Dan Ekonomi*, 23(2), 142–151.
- Wardhani, R. (2008). Tingkat Konservatisme Akuntansi Di Indonesia Dan Hubungannya Dengan Karakteristik Dewan Sebagai Salah Satu Mekanisme Corporate Governance. *Simposium Nasional Akuntansi*. <https://doi.org/10.1360/zd-2013-43-6-1064>
- Watts, R. L. (2003). *Conservatism in Accounting Part II : Evidence and Research Opportunities*.
- Watts, R. L., & Zimmerman, J. L. (1990). *Positive Accounting Theory : A Ten Year Perspective*. *The Accounting Review*.
- Widya. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Pilihan Perusahaan Terhadap Akuntansi Konservatif. In *Simposium Nasional Akuntansi VIII*.
- Younos, R. M., & Ismail, Z. (2010). Accounting Conservatism And Ownership Concentration: Evidence From Malaysia. *Journal Of Business and Policy Research*, 55(2), 1–15.