

The Effect Of Company Characteristics On Accounting Conservatism In Manufacturing Companies Listed On The Indonesia Stock Exchange In 2019-2021

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh karakteristik perusahaan terhadap konservatisme akuntansi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2019-2021. Variabel bebas dalam penelitian ini adalah karakteristik perusahaan yang terdiri dari kepemilikan institusional, kinerja perusahaan, dan ukuran perusahaan. Variabel dependen dalam penelitian ini adalah konservatisme akuntansi. Melalui pemilihan sampel dengan menggunakan metode purposive sampling, diperoleh sebanyak 30 perusahaan sebagai sampel atau sebanyak 90 observasi. Teknik analisis data dalam penelitian ini menggunakan analisis linier berganda dengan menggunakan program komputer SPSS Versi 23. Hasil penelitian ini menunjukkan bahwa kepemilikan institusional, kinerja perusahaan, dan ukuran perusahaan berpengaruh positif dan signifikan terhadap konservatisme akuntansi.

Kata Kunci: Konservatisme Akuntansi, Kepemilikan Institusional, Kinerja Perusahaan, Ukuran Perusahaan

Abstract

This study aims to examine the effect of company characteristics on accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The independent variables in this study are company characteristics consisting of institutional ownership, company performance, and company size. The dependent variable in this study is accounting conservatism. Through sample selection using the purposive sampling method, a total of 30 companies were obtained as sample companies or as many as 90 observations. The data analysis technique in this study was to use multiple linear analysis using the SPSS Version 23 computer program. The results of this study indicate that institutional ownership, firm performance, and firm size have a positive and significant effect on accounting conservatism.

Keywords: Accounting Conservatism, Institutional Ownership, Company Performance, Company Size

INTRODUCTION

Accounting conservatism is the precautionary principle of a manager in presenting financial reports where the company is not in a hurry to recognize assets and income and immediately recognizes losses and debts Rizki & Rahasyuningsih (2021).

Conservatism as one of the most important characteristics in reducing agency costs and improving the quality of financial reporting information so that in the end it will be able to increase the value of the company and its share price.

Therefore, many researchers have conducted research on the influence of company characteristics on accounting conservatism, such as research conducted by Aliza and Serly (2020) regarding the Effect of Institutional Ownership and CFO Tenure on Accounting

Conservatism in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2014-2018 shows that managerial ownership has a negative and insignificant effect on accounting conservatism in registered manufacturing companies on the Indonesia Stock Exchange (IDX) in 2014-2018. Institutional Ownership has a positive and significant effect on accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018.

And research conducted by Hasina Tazkiya (2019) regarding the Effect of Company Characteristics, Governance Corporate, And Ceo Retirement Against Accounting Conservatism (Empirical Study of Manufacturing Companies Listed on the IDX in 2013-2017) shows that institutional ownership structure has no effect on accounting conservatism. The low institutional ownership structure with an average of 0.665643 indicates that institutional investors are suspected of not being optimal in monitoring management behavior and performance.

And research by Risky Diyan Maulana, Rida Prihatni and Indah Muliasari (2021) shows that institutional ownership has a significant positive significant effect on accounting conservatism. Firm size does not have a significant negative effect on conservatism. Financial distress has no positive significant effect on conservatism.

Along with the convergence of IFRS, the concept of conservatism has now been replaced by prudence, what is meant by prudence in IFRS is that revenue recognition may be recognized even though it is still in the form of potential, as long as it meets the requirements for revenue recognition but still uses the precautionary principle in its recognition. Financial Accounting Standards (SAK) that use the concept of prudence are PSAK No. 14 concerning Inventories and PSAK No. 48 concerning Impairment of Asset Value. In PSAK No. PSAK No. 14 explains that inventories in the balance sheet are presented based on the lowest value between acquisition cost and net realizable value, while PSAK No. 48 explains that impairment of assets is a loss that must be recognized immediately in the statement of comprehensive income.

Company characteristics are things that are attached to the company, so that the company can be recognized by the existence of these things. Company characteristics can be in the form of company size (size), leverage, company base, type of industry, as well as other profiles and characteristics.

Institutional Ownership is part of the elements of corporate governance. Corporate governance was established to improve company performance and improve Aliza and Serly's best practice company management (2020).

The company's performance measurement uses two performance ratios, namely Return On Assets (ROA) and the company's market value while the independent variable is accounting conservatism, where the measurement is conservative accounting adopts accrual-based measurements. achievements that are influenced by the company's operational activities in utilizing its resources li, (2017).

Company size is the scale of the company as seen from the company's total assets at the end of the year. Total sales can also be used to measure the size of the Ganvia company (2022). Because costs that follow sales tend to be larger, companies with high levels of sales tend to choose accounting policies that reduce profits.

Theoretical basis

The theory underlying this research is:

Agency Theory. According to Jansen and Meckling 1976, said that agency theory is a relationship based on a contract in which one or more parties (principal) assign tasks to another party (agent) to carry out services and delegate authority to decision makers.

Accounting Conservatism According to Basu 2009 Accounting conservatism is a concept where companies recognize debt and expenses that are higher than assets and income in the process of financial reporting. This concept is a form of corporate management accountability for its performance which has an impact on the company in predicting the company's survival in the future. Accounting conservatism can be measured using the earning/accrual measure.

Company characteristics. Company characteristics are characteristics or inherent

characteristics of a business entity which can be seen from several aspects, including the type of business or industry, ownership structure, company performance, company size, etc. Institutional Ownership is the total shares owned by institutional parties from the total number of shares outstanding on the Indonesia Stock Exchange. Examples of institutional parties include investment and insurance companies, pension funds, banks and other institutions. Institutional ownership can be measured using $SKI = (\text{shares owned by institutional parties} / \text{amount outstanding})$. According to (Silaban and Harefa 2021) Performance company is a view of the overall condition of the company over a certain period of time, is the result or achievement that is influenced by the company's operational activities in utilizing circulating resources, company performance can be measured using ROA (Return on Assets) = $\text{net profit after tax} / \text{total assets}$ Company size is a size scale that is seen from the total assets of a company or organization that combines and organizes various resources with the aim of producing goods or services for sale company size can be measured using $\text{size} = \text{natural log}(\text{total assets})$.

Theoretical Thinking Framework

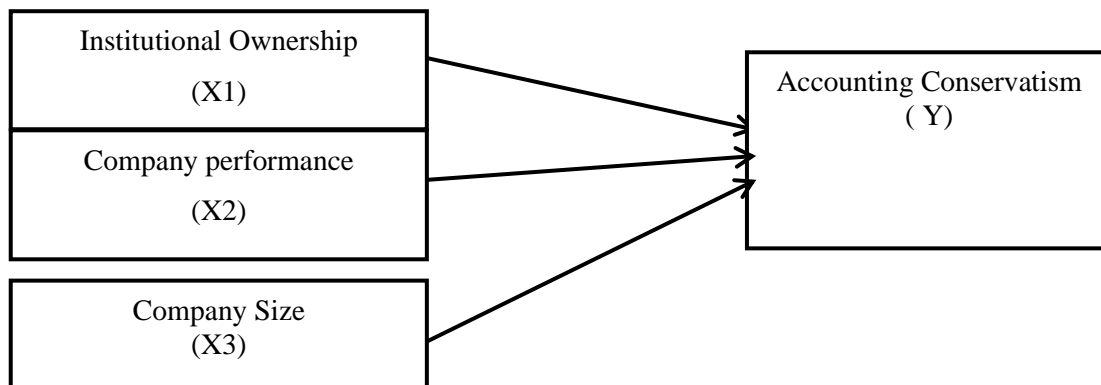


Figure 1 Effect of Independent Variables on Dependent Variables

Effect of Institutional Ownership on accounting conservatism

Based on agency theory, companies will increasingly apply the principle of accounting conservatism if their share ownership in the company is high. This is because the company is not only concerned with large profits in financial statements but is more concerned with the continuity of the company. The higher the number of institutional investors' shareholding, the more they have greater rights to monitor the performance and behavior of company management. Based on the description above, it can be concluded that the first hypothesis in this study is:

H1: Institutional ownership has a positive effect on accounting conservatism

Effect of company performance on accounting conservatism

Conditional conservatism, depending on expected events leads to a higher degree of verification of good news than bad news. Conditional conservatism is assumed to improve the efficiency of debt contracts and corporate governance. It encourages managers to improve company performance. The use of debt in capital can encourage managers to avoid unnecessary operational costs and manage the company more efficiently. The more conservative the accounting, the higher the stock value. However, supporters have proven in their research that profits and assets calculated conservatively can improve the quality of earnings so that they can be used to measure the company. Based on the description above, it can be concluded that the second hypothesis in this study is:

H2: Company performance has a positive effect on accounting conservatism.

Effect of firm size on accounting conservatism

Company size will affect the level of political costs faced by the company so that it will affect the use of conservative accounting principles. What is meant by political costs here is the tax imposed by the company by the government because the larger the size of the company, the greater the tax that is borne so that this will affect the use of conservative accounting principles as well. Large companies will tend to report relatively permanent low profits by holding conservative accounting. Therefore, the reported profit will be smaller so that the tax that must be paid is also smaller so that there is a positive relationship between company size and conservatism. Based on this description, it can be concluded that the third hypothesis in this study is:

H3: company size has a positive effect on accounting conservatism.

METHOD

The research design used in this study is a quantitative descriptive study. This research was conducted at banking companies listed on the Indonesia Stock Exchange (IDX), by observing the research object which consisted of the variables studied, namely institutional ownership (x1), company performance (x2), company size (x3) which are variables independent. Meanwhile, accounting conservatism (y) is the dependent variable.

The population in this study are industrial and chemical manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2019-2021, totaling 84 companies. Sampling was carried out by purposive sampling technique which met the criteria so that a total of 30 companies were obtained.

Data collection is done through documentation. The data source was obtained from the Indonesia Stock Exchange in the form of company financial reports. After all the data has been collected, then the normally distributed data is processed using multiple linear regression analysis. In the SPSS (Statistical For Social Science) program version 23. Then, hypothesis testing was carried out using the partial test/t test.

RESEARCH RESULTS AND DISCUSSION

From the results of the research conducted, the following results were obtained:

Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,657	,021		-31,945	,000
	X1	,100	,005	,398	21,967	,000
	X2	,069	,027	,048	2,609	,011
	X3	,035	,001	,890	48,459	,000

- a. Dependent Variable: Accounting Conservatism Based on the test results, it can be seen that institutional ownership, company performance, company size affect accounting conservatism with a probability level of less than 5%.

Institutional ownership variable (X1) has $t = 21.967$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%). This shows that institutional ownership has a significant positive effect on accounting conservatism. The results of this study are in line with those conducted by Aliza and Sherly (2020) where in their research, they proved that institutional ownership has a significant positive effect on accounting conservatism in companies. Thus the first hypothesis (H1) which states that institutional ownership has a positive and significant effect on accounting conservatism is accepted.

The company performance variable (X2) has a value of $t = 2.069$ with a significant level

of 0.011 which is less than the significance level of 0.05 (5%). This shows that company performance has a significant positive effect on accounting conservatism. The results of this study are in line with those conducted by Sholichaa (2022) where in his research, it proved that company performance has a significant positive influence on accounting conservatism in companies. Thus the second hypothesis (H2) which states that firm performance has a significant positive effect on accounting conservatism is accepted.

The firm size variable (X3) has a value of $t = 48.459$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%). This shows that firm size has a significant positive effect on accounting conservatism. The results of this study are in line with those conducted by Sinarti (2014) where in his research, it proved that company size has a significant positive effect on accounting conservatism in companies. Thus the third hypothesis (H3) which states that firm size has a significant positive effect on accounting conservatism is accepted.

CONCLUSION

In this study it can be concluded that:

1. Institutional ownership has a positive effect on accounting conservatism. With a value of $t = 21.967$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%).
2. Firm performance has a significant positive effect on accounting conservatism. With a value of $t = 2.069$ with a significant level of 0.011 which is less than a significance level of 0.05 (5%).
3. Firm size has a significant positive effect on accounting conservatism. With a value of $t = 48.459$ with a significance level of 0.000 which is less than a significance level of 0.05 (5%).

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