

The Influence of Good Corporate Governance Mechanism and Audit Quality on the Level of Accounting Conservatism

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ABSTRACT

The objective of this study is to determine whether Managerial Ownership, an Independent Board of Commissioners, a Board of Directors, an Audit Committee, and Audit Quality influence Accounting Conservatism in Manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022. The sampling technique was purposive sampling of 37 companies that satisfied the criteria. The technique employs panel data regression analysis with the Eviews 12 software. The outcomes of the study show that partial managerial ownership and the board of directors have an impact on accounting conservatism. Meanwhile, the independent board of commissioners, audit committee, and audit quality all demonstrate that they have little impact on accounting conservatism. Simultaneously, the research findings reveal that managerial ownership, an independent board of commissioners, a board of directors, an audit committee, and audit quality all have an impact on accounting conservatism.

INTRODUCTION

Company financial reports include important information about the company's performance and financial position during a certain period. This information must be submitted in accordance with the objectives, standards and applicable accounting principles to produce financial reports that are accountable and useful for each user. Each company presents financial reports which will be provided to all interested parties. Financial reports are intended to inform those who make economic decisions about a company's financial situation, performance, and changes (Putri, 2018).

Financial Accounting Standards (FAS) give company management the freedom to choose accounting methods and estimates for preparing financial reports, so that they can create different reports for each company entity according to their needs. The principle of accounting conservatism emerged as a result of uncertainty in the company's operations, which became the basis for the company's considerations in the financial statements. Accounting conservatism is the principle of prudence to recognize costs and profit losses more quickly, slow down the recognition of revenues and profits, and reduce the valuation of assets and increase the valuation of liabilities (Anggraeni, 2017) in (Nurhaliza et al., 2019). The goal of accounting conservatism is to anticipate losses in profits, as well as to recognize, measure and report low asset values and income. This is often referred to as the concept of pessimism which is considered better in certain accounting theory literature (Fitranita, 2019).

The existence of cases of applying accounting conservatism shows that there are many incidents of non-conservative financial reporting, such as what happened at PT Garuda Indonesia (Persero) Tbk. The controversy over Garuda Indonesia's financial reports began on April 24 2019, when the GMS agenda approved the 2018 annual financial report. However, chaos occurred during the GMS because two commissioners refused to sign the report. In the 2018 financial report, PT Garuda recorded a partial net profit of PT Mahata Aero Teknologi which was worth US\$ 239.94 million or around Rp. 3.48 trillion. After the Finance Professions Supervisory Center, the Ministry of Finance conducted an additional audit. Audits carried out by Indonesia Stock Exchange (IDX), Financial Services Authority (OJK) and Audit Board of The Republic of Indonesia (BPK). Finally, Finance Professions Supervisory Center and Financial Services Authority admitted that there was an error in GIAA's 2018 financial report. The company was asked to re-present its financial report and was subject to a fine of Rp. 100 million together with the directors and commissioners who signed the financial reports. After adjusting the accounts, National Airlines finally experienced a loss of US\$ 175 million or the equivalent of Rp. 2.53 trillion. From this incident there was a difference of US\$ 180 million from what was stated in the financial report, whereas at that time the profit reported was US\$ 5 million or the equivalent of Rp. 72.5 billion. Therefore, the Financial Services Authority issued a written order for Garuda to correct and restate its 2018 financial report and conduct a public expose for 14 days (*source: CNBN Indonesia, 2021*).

There are several factors that influence accounting conservatism. The first is Managerial Ownership. Managerial ownership can impact in the company because having partial ownership the company's shares will give rise due to financial interests that will As a result, management adopts more conservative accounting (Padmawati & Fachrurrozie, 2015).

Second factoris The board of commissioners is independent. A board of commissioners is independent one that is unaffiliated with controlling shareholders, board members, other boards of commissioners, or the corporation itself, whether through business or family links. In this case, the board of commissioners may not involve itself in management duties and may not represent the company in transactions with third parties (Rohadi, 2018).

The third factor is Board of Directors. All members of the corporation participate in the execution of corporate governance, with a board overseeing and managing the organization's operations. In managing and supervising company performance, the board of directors as company managers have the authority to determine company policies and implement these policies (Rohadi, 2018).

The fourth factor is Audit Committee. The audit committee is responsible for supporting the board of commissioners in making sure that the company's internal control structure is appropriately implemented, Financial reports are presented fairly and in line with generally accepted accounting principles, internal and external audits are undertaken in compliance with applicable audit standards, and management conducts follow-up audit results (Sari et al., 2016) in (Rohadi, 2018).

The fifth factor is Audit Quality. Audit quality is defined by whether the audit performed by the auditor is outstanding or not, and it can be attained if it meets commonly accepted audit standards. Audit standards are broad rules that enable auditors perform their professional responsibilities when auditing financial statements (Akram et al., 2018).

Based on the ideas offered, the goal of this study is to determine how characteristics such as managerial ownership, an independent board of commissioners, a board of directors, an audit committee, and audit quality influence accounting conservatism.

THEORETICAL REVIEW

Agency Theory

According to Jensen & Meckling (1976), agency theory explains the contractual relationship between founders and agents. In this case, company management acting as agents is responsible for running the company's operations in an appropriate and effective manner like investors acting as founders (Febrilianty, 2022). The relationship between the agent and the founder must have a strong commitment because the agent is responsible for reporting company information owned by the founder. This is because only management knows more clearly about the company's developments (Mahendra et al., 2022).

The influence of managerial ownership on accounting conservatism

Managerial ownership is the proportion of ordinary shares owned by company management, where managers will maximize their performance by setting profit targets through managerial ownership (Sinambela, Maria Oktavia Elizabeth Almilia, 2021). Manager share ownership can align the interests of shareholders by managers, because managers experience direct benefits from decisions taken and bear the risks of decision making (Putra et al., 2019).

According to research conducted by Tria Anggita Yuniarti and Dudi Pratomo (2020), there is a relationship between accounting conservatism and managerial ownership. In line with Hosea Rhemananda's research, Widaryanti and Mohklas (2022) found that accounting conservatism is influenced by managerial ownership. Because managers act as shareholders and agents, financial statements are made more conservative along with the number of shares the company owns. Based on the description above, the following hypothesis can be drawn:

H1: managerial ownership influences accounting conservatism

The influence of independent commissioners on accounting conservatism

An independent commissioner is a body within a company consisting of a board of independent commissioners who come from outside the company and are responsible for assessing the company's overall performance (Lestarinigrum, 2019). Apart from that, independent commissioners also have a role in the company to ensure the implementation of strategy and supervise company management and implementation of accountability.

Accounting conservatism is not affected by an independent board of commissioners, according to Ferli Anggi Mandasari's (2022) study. This differs from study undertaken by Dudi Pratomo and Vivi Havivah (2021), It discovered that the size of the board of commissioners and the percentage of independent commissioners had a beneficial impact on accounting conservatism. According to Khanasya Ismy Lutfiany's (2022) research, an independent board of commissioners influences accounting conservatism. Based on the preceding description, the following hypothesis can be derived:

H2: Independent commissioners have an influence on accounting conservative.

The influence of the board of directors on accounting conservatism

A person designated to head a Limited Liability firm (PT) is known as a board of directors. They can be someone who owns the firm or a professional appointed by the business owner. The board of directors is very important for a company because they are different from the board of commissioners and are responsible for all company resources. As to provisions of Law No. 40 of 2007 pertaining to Limited Liability Companies, the board of directors is an authoritative body within the company that has complete responsibility for the company's interest. The board of directors also represents the company in accordance with the provisions of the articles of association, both inside and outside the court. (Rohadi, 2018). The board of directors referred to in this research is the number of members of a company's board of directors mentioned in the annual report (Maulida, 2023).

A study conducted by Dyah Novitasari (2022) found that the level of accounting conservatism is not influenced by the position of the director. This is different from research conducted by David Rohadi (2018), who found that accounting conservatism is influenced by the size of the board of directors. According to Sari et al. (2016) stated that the board of directors would decide the company's policies and strategies. Based on the previous description, the following assumptions can be made:

H3: the board of directors influences accounting conservatism

The Audit Committee's Impact on Accounting Conservatism

The audit committee helps commissioners ensure that the company complies with regulations and implements good corporate governance (Cahyaningtyas & Abbas, 2022). In this case, the audit committee is given the task of examining a company.

According to research conducted by Maya Aulia Saputri et al. (2021), audit committees have a good impact on accounting conservatism. According to Tria Anggita Yuniarti and Dudi Pratomo's (2020) research, audit committees have a beneficial impact on accounting conservatism. Furthermore, Novi Ayu Arthasari and Agustina Ratna Dwiati's (2022) research discovered that the audit committee affects accounting conservatism, with the number of audit committee members increasing the amount of accounting conservatism. Based on this description, we can form the following hypothesis:

H4: audit committees influence accounting conservatism

Audit Quality's Impact on Accounting Conservatism

Audit quality refers to how carefully and accurately the independent auditor examines a company's financial statements. Audit quality is the auditor's assessment of their ability to find and report Errors in the client's financial system. The systematic process of evaluating evidence relating to the assessment of economic activities and events to convey the results to interested users is known as audit quality (Cahyaningtyas & Abbas, 2022).

Research by Dudi Pratomo and Vivi Havivah (2021) found that audit quality has a negative impact on accounting conservatism. Research by Ika Ria Padmawati and Fachrurrozie (2015) also found that Audit quality has an adverse effect on accounting conservatism. However, research by Dwi Urip Wardoyo et al. (2022) found that audit quality has a positive impact on accounting conservatism. Based on this description, the following hypothesis can be drawn:

H5: managerial ownership has a negative effect on accounting conservatism

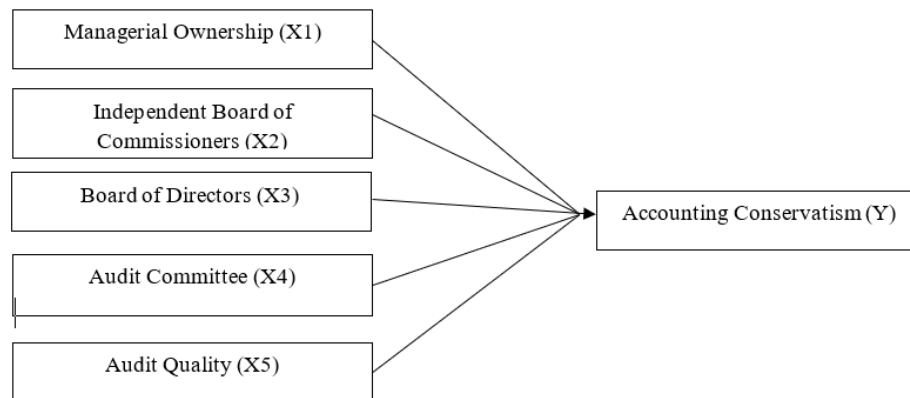


Figure 1. Conceptual Framework

METHODOLOGY

This study utilizes a quantitative approach In the shape of secondary data. The population used for this research is Manufacturing businesses listed on the Indonesian stock exchange (IDX) for the 2019-2022 period with a sampling technique using a purposive sampling method which obtained 37 company data that met the specified criteria. The analysis techniques used include descriptive statistics, traditional assumption tests, panel data models, panel data regression analysis, partial tests (t), and simultaneous tests (f), using E-Views 12 software.

Variable	Indicator	Scale
	$CONNAC = \frac{(NI + DEP - CFO) \times (-1)}{TA}$	
Accounting Conservatism (Y)	Note: CONNAC : Accounting conservatism NI : Net profit DEP : Depreciation expense CFO : Operational cash flow TA : Total assets	Ratio
Managerial Ownership (X1)	$KM = \frac{\text{Number of shares held by the manager}}{\text{Number of outstanding shares}}$	Ratio
Independent Commissioner (X2)	$KI = \frac{\text{Number of independent commissioners}}{\text{number of board of commissioners}}$	Ratio

Board of Directors (X3)	\sum board of directors members	DD = Nominal
Audit Committee (X4)	\sum audit committee member in the company	KA = Nominal
Audit Quality (X5)	If audited by a large KAP (big 4) = value 1 If audited by a small KAP (non big 4) = value 0	Big 4 : Ernst & Young (EY), Deloitte, KPMG, and PWC

RESULTS

Descriptive statistics

Table 1. Results of Descriptive Statistical Analysis

	KM	KI	DD	KA	KUA	CONNAC
Mean	0.225775	0.411554	4.635135	2.986486	0.229730	-0.017708
Median	0.079800	0.400000	4.000000	3.000000	0.000000	-0.015866
Maximum	0.969100	1.000000	11.000000	4.000000	1.000000	0.216711
Minimum	0.000200	0.300000	2.000000	1.000000	0.000000	-0.294350
Std. Dev.	0.276870	0.096621	1.884952	0.308309	0.422087	0.062264
Skewness	1.159016	1.677265	1.042520	-3.128786	1.284985	-0.393553
Kurtosis	3.033896	10.24871	3.538974	28.24296	2.651187	5.964098
Jarque-Bera	33.14224	393.4129	28.60027	4170.913	41.47958	58.00003
Probability	0.000000	0.000000	0.000001	0.000000	0.000000	0.000000
Sum	33.41470	60.91000	686.0000	442.0000	34.00000	-2.620757
Sum Sq. Dev.	11.26856	1.372343	522.2973	13.97297	26.18919	0.569883
Observations	148	148	148	148	148	148

In table 1 the results of descriptive statistical tests show that the total number of research observation data is 148 data. The Managerial Ownership (KM) variable found a sample average of 0.225775 or 22.58% of the total company with a standard deviation of 0.276870.

The Independent Commissioners (KI) variable obtained a minimum value of 0.3, a max value of 1.0 and a median of 0.4. This research found that the sample companies on average had an independent board of commissioners of 0.411554 or 41.16% with a standard deviation of 0.096621.

The variable board of directors (DD) possesses a maximum value of 11 and a minimum value of 2, which means that overall the sample company has at least 2 boards of directors and a maximum of 11 boards of directors. In addition, the median value obtained is 4 which can be explained that most of the sample companies have 4 boards of directors. This research found that the

sample companies had an average board proportion of 0.435135 or 43.51% with a standard deviation of 1.884952.

The audit committee (KA) variable's minimum value is 1 and a maximum value of 4, which means that overall the sample companies have at least 1 audit committee and a maximum of 4 audit committees. The median value obtained is 3 which can be explained that most of the sample companies have 3 audit committees. This research found that the sample companies had an average audit committee of 2.986486 or 3 with a standard deviation of 0.308309.

The audit quality variable (KUA) has a minimum value of 0.00, a maximum value of 1.0. The median value is 0.00, which indicates that the majority of companies use KAPs other than large KAPs (big 4) to measure audit quality. This research found that the sample companies on average had good audit quality of 0.229730 or 22.97% of the total company with a standard deviation of 0.422087.

The dependent variable accounting conservatism (CONNAC) obtained a minimum value of -0.294350, a maximum value of 0.216711 and a median value of -0.015866. This research found that the average sample company had an accounting conservatism value of -0.017708 or -1.77% of the total company with a standard deviation of 0.062264.

Multicollinearity Test

Table 2. Multicollinearity Test Results

	KM	KI	DD	KA	KUA
KM	1.000000	0.055774	-0.198244	-0.088966	0.050530
KI	0.055774	1.000000	-0.082401	-0.154577	0.149651
DD	-0.198244	-0.082401	1.000000	0.354334	0.336927
KA	-0.088966	-0.154577	0.354334	1.000000	0.233119
KUA	0.050530	0.149651	0.336927	0.233119	1.000000

The findings of the multicollinearity test shown in table 2 above state that overall the correlation coefficient of the independent variables consisting of KM, KI, DD, KA, and KUA does not have multicollinearity. Considering the outcomes of the collected data, the values for all independent variables show results of less than 0.85 so that all independent variables are free from multicollinearity.

Heteroscedasticity Test

Table 3. Heteroskedasticity Test Results

Dependent Variable: ABS(RE SID)
 Method: Panel Least Squares
 Date: 06/30/24 Time: 01:54
 Sample: 2019 2022
 Periods included: 4
 Cross-sections included: 37
 Total panel (balanced) observations: 148

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.067890	0.039048	1.738621	0.0843
KM	-0.021588	0.012260	-1.760942	0.0804
KI	-0.036835	0.035349	-1.042041	0.2992
DD	-0.003462	0.001999	-1.731651	0.0855
KA	0.003371	0.011698	0.288194	0.7736
KUA	0.007755	0.008627	0.898941	0.3702

R-squared	0.040416	Mean dependent var	0.043658
Adjusted R-squared	0.006628	S.D. dependent var	0.040112
S.E. of regression	0.039979	Akaike info criterion	-3.561221
Sum squared resid	0.226963	Schwarz criterion	-3.439713
Log likelihood	269.5304	Hannan-Quinn criter.	-3.511853
F-statistic	1.196151	Durbin-Watson stat	1.538198
Prob(F-statistic)	0.314116		

The results of the heteroskedasticity test in table 3 states that all independent variables, namely KM, KI, DD, KA, and KUA have probability values > 0.05 so that all independent variables do not experience heteroskedasticity.

Panel data model

a. Chow test

Table 4. Chow Test Results

Redundant Fixed Effects Tests
 Equation: Untitled
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.704601	(36,106)	0.0192
Cross-section Chi-square	67.597779	36	0.0011

Based on the results of the Chow test, a probability value of 0.0011 < 0.05 was obtained, so the data model chosen was the FEM model.

b. Hausman test

Table 5. Hausman Test Results

Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.733092	5	0.0569

The probability value was 0.0569 > 0.05, hence the REM model was chosen.

c. LM Test

Table 6. LM Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses : No effects
Alternative hypotheses : Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.524327 (0.2170)	7.363157 (0.0067)	8.887484 (0.0029)
Honda	1.234636 (0.1085)	2.713514 (0.0033)	2.791764 (0.0026)
King-Wu	1.234636 (0.1085)	2.713514 (0.0033)	2.949486 (0.0016)
Standardized Honda	1.765309 (0.0388)	3.419934 (0.0003)	-1.312230 (0.9053)
Standardized King-Wu	1.765309 (0.0388)	3.419934 (0.0003)	0.729891 (0.2327)
Gourieroux, et al.	--	--	8.887484 (0.0044)

The probability value is $0.2170 > 0.05$, so the CEM model was selected.

*Hypothesis testing**Panel data regression analysis***Table 7. Analysis results**

Dependent Variable: CONNAC
Method: Panel Least Squares
Date: 06/30/24 Time: 01:57
Sample: 2019 2022
Periods included: 4
Cross-sections included: 37
Total panel (balanced) observations: 148

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.023039	0.059026	-0.390314	0.6969
KM	0.057930	0.018532	3.125989	0.0021
KI	-0.023620	0.053434	-0.442047	0.6591
DD	0.005994	0.003022	1.983148	0.0493
KA	-0.009298	0.017683	-0.525839	0.5998
KUA	0.008530	0.013041	0.654140	0.5141
R-squared	0.089971	Mean dependent var	-0.017708	
Adjusted R-squared	0.057927	S.D. dependent var	0.062264	
S.E. of regression	0.060433	Akaike info criterion	-2.734856	
Sum squared resid	0.518610	Schwarz criterion	-2.613348	
Log likelihood	208.3794	Hannan-Quinn criter.	-2.685488	
F-statistic	2.807782	Durbin-Watson stat	1.571032	
Prob(F-statistic)	0.018908			

Table 7 shows the results of statistical tests using panel data and using the Common Effect Model (CEM). Based on this table, a panel data regression model equation is formulated which explains the influence of managerial ownership (KM), independent board of commissioners (KI), board of directors (DD), audit committee (KA) and audit quality (KUA) on accounting

conservatism (C) in companies. Manufacturers listed on the Indonesian Stock Exchange for the 2019-2022 period are as follows:

Panel data regression equation

$$CONNAC = -0.02304 + 0.05793*KM - 0.02362*KI + 0.00599*DD - 0.00929*KA + 0.00853*KU A$$

Partial Test (t)

Based on table 7, It displays the partial findings hypothesis test of The independent variable's influence on the dependent variable as follows:

- a. The results of the t test on the Managerial Ownership (KM) variable obtained a sig value. $0.0021 < 0.05$, then the first hypothesis (H1) is accepted, which means that the managerial ownership variable has an effect on accounting conservatism.
- b. The results of the partial test on the variable Board of Independent Commissioners (KI) obtained a sig value. $0.6591 > 0.05$, then the second hypothesis (H2) is rejected, which means that the independent board of commissioners variable has no effect on accounting conservatism.
- c. The results of the partial test on the variable Board of Directors (DD) obtained a sig value. $0.0493 < 0.05$, then the third hypothesis (H3) is accepted, which means that the board of directors variable has an effect on accounting conservatism.
- d. The results of the partial test on the Audit Committee (KA) variable obtained a sig value. $0.5998 > 0.05$, then the fourth hypothesis (H4) is rejected, which means that the audit committee variable has no effect on accounting conservatism.
- e. The results of the tpartial test on the Audit Quality (KUA) variable obtained a sig value. $0.5141 > 0.05$, then the fifth hypothesis (H5) is denied, which suggests that the audit quality variable has no impact on accounting conservatism.

Simultaneous Test (f)

Table 8. F test results

R-squared	0.089971
Adjusted R-squared	0.057927
S.E. of regression	0.060433
Sum squared resid	0.518610
Log likelihood	208.3794
F-statistic	2.807782
Prob(F-statistic)	0.018908

The F test is a test of all regression coefficients simultaneously for all independent variables on the dependent variable. The table above shows the results of the hypothesis test. The calculated F value is $2.807782 > F$ table, namely 2.522358 and the sig value is $0.018908 < 0.05$, so it can be interpreted that the independent variables of managerial ownership, independent board of

commissioners, board of directors, audit committee and audit quality have an effect on accounting conservatism .

Determination Coefficient Test (R²)

Table 8 shows the results of the coefficient of determination test (R² Test), which reveal an Adjusted R-Square value of 0.057927, or 5.79%. The coefficient of determination value can be taken as implying that the independent variables consist of managerial ownership, an independent board of commissioners, a board of directors, Audit Committee, and Audit Quality can explain 5.79% of the accounting conservatism variable, with the remainder explained by additional independent factors not included in the model used in this study.

DISCUSSION

The Influence of Managerial Ownership on Accounting Conservatism

Based on the submission of the first hypothesis which states that managerial ownership influences accounting conservatism. The results of the analysis show that the managerial ownership variable has a significance value of 0.0021 < 0.05, which means that the managerial ownership variable influences accounting conservatism, so H1 is accepted.

The influential test results show that the greater the amount of share ownership given to management, the higher the sense of ownership of the company. Management will tend to prioritize the company's survival over short-term personal gain. In this case, the application of conservative accounting principles will be management's main choice compared to the application of aggressive accounting principles (Putra et al., 2019).

The Influence of an Independent Board of Commissioners on Accounting Conservatism

Based on the second premise, which asserts that an independent board of commissioners has no impact on accounting conservatism. The analysis results demonstrate that the independent board of commissioners variable has a significance value of 0.6591 > 0.05, indicating that it has no effect on accounting conservatism, therefore rejecting H2.

Independent commissioners are considered to be people who come from outside the company and do not have sufficient information so that the presence of independent commissioners in the company is only for regulatory purposes. This can reduce the optimality of independent commissioners in carrying out their duties without prioritizing any interests. (Ayuningtias et al., 2023).

According to Financial Services Authority regulation Number 57/POJK.04/2017 article 19 states that the percentage of independent commissioners is at least 30% of the total number of members of the board of commissioners. Meanwhile, according to the Minister of State-Owned Enterprises Regulation Number PER-01/MBU/2011 Article 13 paragraph 1 stipulates a percentage of at least 20% where the average value obtained in this research is 41.16%. Even though on average the proportion of the independent

board of commissioners has met or exceeded the provisions of the POJK and the Regulation of the Minister of state-owned enterprise (BUMN), in this case the independent commissioners still have no effect on accounting conservatism because the supervisory function carried out by the directors is not optimal to be able to monitor management performance in implementing conservatism in financial statements. Apart from that, from the data results in table 7 the coefficient value of the KI variable is negative. If the coefficient is negative, then variable C will decrease. This proves that the higher the proportion of independent commissioners, the lower the level of accounting conservatism or the less conservative the profits generated. As the number of independent commissioners in a company increases, there will be difficulties in communicating and coordinating the tasks carried out by the independent commissioners. As a result, the supervisory function carried out is less than optimal, which can result in a decline in the quality of profits and company performance (Bimandama et al., 2018).

The Influence of the Board of Directors on Accounting Conservatism

Based on the third hypothesis, which asserts that the board of directors influences accounting conservatism. The analysis shows that the board of directors variable has a significant value of $0.0493 < 0.05$, indicating that it has an effect on accounting conservatism. Therefore, H3 is acceptable.

The board of directors in a company will determine strategic policies related to the principle of conservatism that the company uses for financial reporting. The larger the board of directors in the company, the more effective it will be in managing the company, as the size of the board is correlated with asset turnover and operating expenses (Rohadi, 2018).

The Influence of the Audit Committee on Accounting Conservatism

Based on the proposal of the fourth hypothesis, which asserts that the audit committee influences accounting conservatism. The study results demonstrate that the audit committee variable has a significant value of $0.5998 > 0.05$, indicating that it has no impact on accounting conservative, and hence H4 is rejected.

As part of its responsibilities, the audit committee helps the board of commissioners for example, enhancing the caliber of financial reports, monitoring GCG implementation, and reviewing control systems that can reduce the possibility of errors in company operations, so this makes the existence of the audit committee less effective in monitoring management. in applying conservatism to the company's financial reporting process. From the data obtained, the average audit committee consists of 3 people, which is calculated to be a minimum, causing management performance in this company to be less effective in implementing the principle of conservatism.

The large number of audit committees in a company does not promise the implementation of the principle of accounting conservatism because the company does not really pay attention to the frequency of audit committee

meetings and aspects of the accounting competency of each audit committee member (Sari & Siahaan, 2021).

The Influence of Audit Quality on Accounting Conservatism

Based on the fifth hypothesis, which claims that audit quality has a detrimental impact on accounting conservatism. The analysis results demonstrate that the audit quality variable has a significant value of $0.5141 > 0.05$, This indicates that it has no influence on accounting conservatism, hence H5 is rejected.

The test results which had no effect prove that audit quality capabilities will not influence management to practice implementing accounting conservatism in financial reporting in the company (Pangkey et al., 2024). What causes audit quality to have no influence on accounting conservatism because companies that use large audit services such as the big 4 manufacturing companies on the IDX during the observation period are still low, which in this research is that most companies that use audit services other than the big 4, so audit quality capabilities will not influencing management to practice implementing conservatism in financial reporting in the company. This is because high-quality auditors can help ensure that more conservative assumptions are applied consistently, increasing the transparency and reliability of financial information for stakeholders. Kap big 4 is known for its high audit quality and ability to provide comprehensive and client-oriented audit services, so that kap big 4 has a better reputation and performance. The greater the reputation of the public accounting auditor, the greater the quality of the audit provided.

CONCLUSIONS AND RECOMENDATIONS

Based on the results of hypothesis testing, management ownership has an impact on accounting conservatism in manufacturing enterprises between 2019 and 2022. This is because the greater the degree of managerial ownership, the more conservative it will be in implementing accounting conservatism in the company.

The impartial board of commissioners has no effect on accounting conservatism in manufacturing companies for the 2019-2022 period because the level of application of conservatism by independent commissioners to managers is ineffective so it does not have a big influence in implementing accounting conservatism in companies.

The board of directors influences accounting conservatism in manufacturing companies for the 2019-2022 period. This demonstrates that the larger the board of directors, the easier it will be for the company's performance to implement a level of accounting conservatism.

The auditing committee has no bearing on the practice Accounting conservatism in industrial firms for the 2019-2022 period because the audit committee also has the function of assisting the board of commissioners in improving the quality of financial reports and monitoring the company, so this causes the audit committee's performance to be inefficient.

Audit quality has no effect on accounting conservatism in manufacturing companies for the 2019-2022 period because the probability and ability of audit quality in companies does not provide encouragement for management to carry out accounting practices, so that the higher the level of audit quality, the less management's actions to present overstated profits.

Based on the outcomes of the F test, it shows that the value obtained is 0.018908 which is smaller than 0.05. This means that management ownership, an independent board of commissioners, a board of directors, and an audit committee, and audit quality simultaneously or together have an influence on accounting conservatism.

ADVANCED RESEARCH

An independent variable in this study is limited in comparison for the dependent variable. This is evident from the low corrected R-squared value of only 5.79%, with the rest impacted by other independent factors. Suggestions for future researchers could be to add several other independent variables related to accounting conservatism such as institutional ownership variables, frequency of audit committee meetings, audit committee competence, and other variables not explained in this research. Apart from that, future researchers are expected to use objects other than manufacturing companies such as companies in the mining sector, state-owned enterprise (BUMN), Property and others which will be used as the sample population for the next research.

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