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Research Article

How Profitability, Leverage, Financial Distress, Institutional Ownership, and Capital Intensity affect Accounting Conservatism

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Abstract
This research seeks to ascertain how accounting conservatism is impacted by institutional ownership, profitability, leverage, financial hardship, and capital incentives. The study employs secondary data, specifically manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2016–2020 timeframe, using a quantitative correlation research approach. Twenty-six companies made up the research sample. Purposive sampling was the method of sampling that was applied. Analysis using multiple linear regression is the analytical technique employed. The study's findings indicate that while financial distress and capital intensity are related to accounting conservatism, profitability, leverage, and institutional ownership do not. Management implications for accounting conservatism in relation to profitability, leverage, financial distress, institutional ownership, and capital are financial strategies. Implications related to capital intensity can influence the company's financial strategy; if capital intensity is related to the level of accounting conservatism, managers can consider a capital structure that is in accordance with conservative goals.

Keywords: Accounting Conservatism, Profitability, Leverage, Financial Distress, Institutional Ownership, Capital Intensity

JEL Classification: M41, G32, G34

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1. Introduction

The principle of conservatism is a concept that recognizes expenses and liabilities as soon as possible even though there is uncertainty about the results but only recognizes income and assets when it is certain that they will be received. According to the conservative approach, one should generally record losses even in cases when there is doubt regarding them. It is not necessary to record earnings if there is doubt regarding them. As a result, wanting to be safe, profit reports typically result in lower profit numbers and asset valuations. The conservative concept is the need to exercise prudence in an unpredictable environment in order to prevent managers and business owners from being overly optimistic. The fundamental tenet of conservatism is that losses that are very likely to occur should be recognized rather than profits that are realized before they happen. The accountant is required to select the accounting system that yields the lowest profit margin for the company when presented with two or more options.

Suppose the company's ability to pay off its long-term obligations could be higher. In that case, creditors may think again about providing loans to the company because the risk posed by creditors may also be greater regarding the return of receivables from creditors. Usually, if this happens, managers can take action to increase profits so that the leverage ratio looks low and creditors are willing to provide loans. Financial distress can encourage shareholders to replace company managers because managers are deemed unable to manage the company well. This statement can encourage managers to change profits, which is one of the benchmarks for manager performance, by adjusting the level of accounting conservatism.

Research on the principle of conservatism has produced mixed findings. States that financial distress does not affect accounting conservatism. In this study, researchers added capital intensity as an independent variable. Capital intensity can influence the company in implementing accounting conservatism. Capital intensity can reflect how much assets are used to generate income for the company. The higher the capital intensity ratio, the more capital-intensive the company is. Meanwhile, Alfian and Sabeni (2013), in their research results, show that capital intensity is a factor that has a positive influence on accounting conservatism.

Every person who is classified as a taxpayer is expected to carry out their tax obligations obediently. However, not all taxpayers who have large tax obligations pay the tax they have to pay. As a result, state revenues from the taxation sector are reduced, and this directly disrupts state finances due to non-compliance (Zainuddin, 2017). The International Consortium of Investigative Journalists (ICIJ) made a report called The Panama Papers explaining how politicians, the super-rich, and officials hide their wealth by setting up shell companies in asylum countries or tax havens. Tax avoidance is called reducing the tax burden that must be paid by carrying out businesses. Taking action to minimize tax obligations within the legal corridor is tax avoidance (Aumeerun et al., 2016).

Tax evasion behavior is the process of evading tax payments carried out by taxpayers legally to reduce the amount of tax owed by looking for regulatory weaknesses or violating tax regulations (Halim, Bawono & Dara, 2020). Zarai et al. (2013) that increasing company profitability will have an impact on increasing ETR, which means there will be less tax avoidance. Leverage is a comparison that reflects the amount of debt used for financing by the company in carrying out its operational activities (Koming & Praditasari, 2017). This research was conducted referring to research conducted by Ariannandini & Ramantha (2018). The novelty in this research is the addition of the capital intensity variable as a form of financial decision by company management with a focus on increasing the company's profitability.

2. Literature Review and Hypothesis

Agency Theory

Agency theory is a theory of the cooperative relationship between shareholders and management. This relationship is formed because shareholders, in carrying out the activities of the company, own and employ other people, namely management. In a company, shareholders act as providers of resources for management. Meanwhile, management, as the recipient of resources, is obliged to complete tasks in accordance with the interests of shareholders. Management will later receive compensation for the efforts or services provided in the form of salaries, bonuses, and other awards (Sugiarto & Santosa, 2018; Dewi & Suardika, 2021).

Accounting Conservatism

Conservatism is a prudent financial reporting practice wherein the business takes its time to identify and quantify its assets and profits and promptly acknowledges any potential losses and obligations. This principle's application leads to the selection of an accounting technique that exhibits smaller profits or assets and larger debt. Thus, lenders will receive downside risk protection from balance sheets that present net assets and financial statements that report bad news in a timely manner (Budiantoro et al., 2022).

Profitability
Profitability can be used to measure the extent to which a company is able to utilize all its resources to generate profits and business. A high profitability value means a higher income tax burden that must be paid (Santosa et al., 2021; Dwiyanti & Jati, 2019). Therefore, many company managers are trying to plan carefully to reduce their tax burden by taking advantage of tax avoidance, which legally does not violate regulations. The company's goal is to obtain profits, which can be done using profitability ratios (Indriana & Handayani, 2021). Profitability is a ratio used to measure the effectiveness of management of a company (Hakim & Naelufar, 2020).

Leverage
Leverage is the the capacity of the business to consistently fulfill and preserve its ability to meet its commitments, including timely debt payments. According to Pangestu and Pratomo (2020), the ratio is used to determine the extent to which a firm uses debt as a source of funding for its operational activities or how much debt it has to finance its assets. This ratio is generally used to assess the company's capacity to settle all of its debts, both current and future, in the event that the business is dissolved (liquidation). What is the ratio of the company's debt to its assets? A company with a high level of leverage indicates that the company has higher liabilities compared to the assets it owns (Albart et al., 2020).

Financial Distress
Financial distress is a condition where a company is unable to pay its financial obligations due to a lack of funds, resulting in business activities being hampered and indications of bankruptcy. Companies that are trapped in conditions of company sustainability (Nadhifah & Arif, 2020). Financial distress is the inability of the company's assets to fulfill its obligations. Financial difficulties have two aspects: the company's assets are insufficient to meet all maturing obligations, and the company's assets are insufficient to meet all obligations at the time of liquidity (Santosa et al., 2020).

Institutional Ownership
Institutional ownership is share ownership owned by institutions, including banks, insurance companies, investment companies, pension funds, etc. (Mehrani et al., 2016). The greater the percentage of share ownership belonging to institutions that the company obtains, the more influence it will have on control from external parties to the company, thereby reducing agency conflicts (Hsu et al., 2016).

Capital Intensity
Capital intensity is a comparison that calculates the total assets required to obtain one rupiah (Rp. 1) in sales (Ehrhardt & Brigham, 2019). The lower the capital intensity value, the better it is because the assets required to carry out production are lower. On the other hand, the higher the capital intensity value, the higher the assets needed to generate sales.

Research Hypothesis
The Influence of Profitability on Accounting Conservatism
Companies with high profitability will tend to use conservative accounting to manage earnings so that they do not experience too much fluctuation. This opinion is in line with research by interpretation that in the mining sector in Indonesia, companies that have high profitability will apply less conservative accounting principles. This result is because the company is more confident and shows investors the company's prospects. This finding is in line with research conducted by Lie & Santioso (2020), which found that profitability had a positive effect on accounting conservatism. In contrast, Hakim and Naelufar (2021) found that profitability did not affect accounting conservatism.
H1: Profitability influences the implementation of accounting conservatism

The Effect of Leverage on Accounting Conservatism
The first hypothesis is that leverage has a positive effect on accounting conservatism. This hypothesis shows that leverage does not have a significant influence on accounting conservatism, in line with research by Jesica et al. (2012). Other empirical results conducted previously also

showed differences. Dewi and Suryanawa (2014) stated that leverage influences accounting conservatism.

H2: Leverage influences the implementation of accounting conservatism

The Influence of Financial Distress on Accounting Conservatism

Financial distress has a positive effect on accounting conservatism. Management is trying to improve its performance after going through difficult financial conditions in 2013-2015. These results are in line with what was stated by Sinarti (2014), Setyaningsih (2008) and Jesica et al. (2012) stated that financial distress influences accounting conservatism.

H3: Financial Distress influences accounting conservatism

The Influence of Institutional Ownership on Accounting Conservatism

Share ownership by institutions can influence management decisions in applying conservatism. Institutional ownership is ownership of shares in companies that own institutions such as insurance companies, banks, and pension funds (Mehrani et al., 2016). The more institutions there are, the higher the company's external control. In this way, agency conflicts also decrease (Habiba, 2017).

Institutional ownership can be a preventive measure for fraud committed by management, so management is increasingly careful because its performance is monitored by other parties outside the Company (Rahmadhani & Nur, 2016). Efforts to prevent profit overstatement and large institutional share ownership stimulate demand for more conservative accounting applications in financial reporting (Hakiki & Solikhah, 2019). Research conducted by Sa'ad and Hanan (2015) shows that low conservatism plays an important role in market value. This finding demonstrates how the idea of accounting conservatism, which captures the underlying connection between conservatism and historical costs. Thus, large institutional ownership can stimulate management to apply conservatism. In Moghaddam's (2013) research, institutional ownership can be divided into active and passive categories. This researcher predicts a positive influence of active institutional ownership on accounting conservatism.

H4: Institutional ownership influences accounting conservatism

The Effect of Capital Intensity on Accounting Conservatism

Capital intensity can reflect how much assets are used to generate income for the company. Saying that capital intensive companies are faced with relatively large political costs, so management tends to be careful and will choose accounting procedures that do not overstate profits, thus the resulting financial reports are conservative (Ardianto & Rivandi, 2018).

Research conducted by Alfian and Sabeni (2013) and Susanto and Ramadhani (2016) states that capital intensity influences accounting conservatism. These results show that financial accounts often lean conservatively, or that capital-intensive businesses are thought to incur higher political costs and be more likely to see a decline in earnings.

H5: Capital intensity influences accounting conservatism

Framework

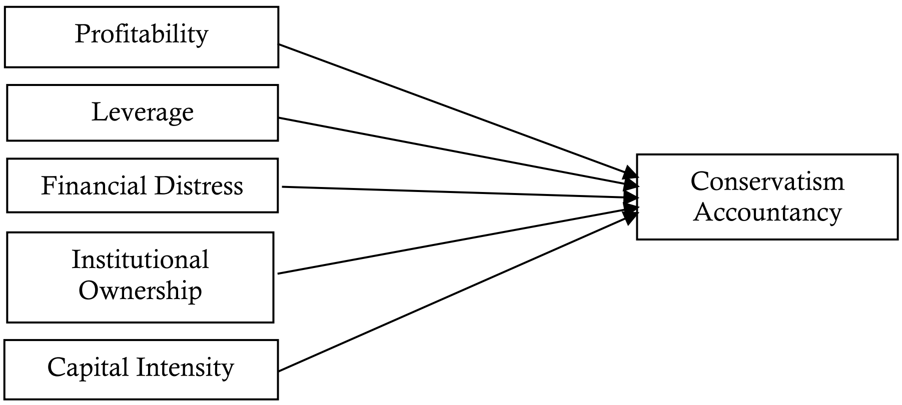


Figure 1. Conceptual Framework

In the conceptual framework as noted above, researchers have a number of independent factors. The financial reports of the company are directly associated with these variables, where these financial reports are born from the company's accounting process. The author took these variables because the author considers these variables to reflect the influence of variables on accounting conservatism adequately.

3. Data and Methods

Data Analysis Method

This kind of study is known as quantitative research since it uses statistics to analyze research data that takes the shape of numbers. Such research is called the discovery method. Quantitative research has the assumption that a symptom can be classified and that the relationship between these symptoms is casual.

Population and Sample

All manufacturing companies that were listed between 2016 and 2020 The population under research is made up of traders on the Indonesia Stock Exchange (BEI). Meanwhile, the study's sample was selected using the purposive sampling method. Manufacturing companies that are listed on the Indonesia Stock Exchange between 2016 and 2020 are one of the sampling criteria used in this research. 2) Businesses have released financial reports that have undergone consecutive audits. 3) The research requires all necessary data.

Data Collection Techniques and Data Analysis Methods

The documentation methodology is the method utilized in this study to collect data. This document serves as a record and makes use Providing financial report information for manufacturing companies between 2016 and 2020 from the Indonesian Stock Exchange. Statistical Product and Service Solutions (SPSS) Version 26 software was utilized in this study along with the multiple linear regression method to evaluate this hypothesis.

4. Results

Descriptive Statistics Results

The goal of descriptive statistics is to give a summary or explanation of the data that may be observed through the variance, maximum, minimum, standard deviation, and average. Data are defined by descriptive statistics as information that is more comprehensible and transparent. Table 1's statistical computation results are shown in the table below.

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Profitability	130	,002	,186	.06930	.038875
Leverage	130	0.92	,649	.360026	.166284
Financial Distress	130	1,333	8,023	4.00775	1.812021
Institutional Ownership	130	.104	,997	.70380	211362
Capital Intensity	130	.028	,737	.36785	-166719
Conservatism	130	-.133	,157	-.00903	.052993
Valid N (litwise)	130				

Source: Data processed (2016)

As can be seen from the above table, the following data can be retrieved from 130 research data samples from manufacturing enterprises listed on the IDX between 2016 and 2020: With a value of 0.002, The variable with the lowest value is profitability. The Leverage variable has the lowest value, at 0.092. With a score of 1.333, the financial distress variable has the lowest value. The variable with the lowest value, institutional ownership, is 0.104. 0.028 is the value with the lowest capital intensity.

Results of Multiple Regression Analysis

Multiple linear regression is employed in research involving multiple independent variables. Multiple linear regression analysis is used to determine which way the independent variable influences the dependent variable. The findings of multiple linear regression analysis will be used to assess how much accounting conservatism is impacted by profitability, leverage, financial hardship, institutional ownership, and capital intensity.

Table 2. Results of Multiple Linear Regression Analysis

Coefficients						
Model	**B**	**Std. Error**	**Coefficients Beta**	**t**	**Tolerance**	**VIF**
(Constant)	-.170	0.52		-2,273	0.001	
Profitability	,067	0.125	0.49	,535	0.593	1,188
Leverage	,110	0.060	0.345	1,819	0.071	5,051
Financial Distress	.017	0.006	,567	2,660	0.009	6,382
Institutional Ownership	,035	0.23	0.138	1,524	0.130	1,160
Capital Intensity	0.71	0.33	0.223	2,129	0.035	1,540

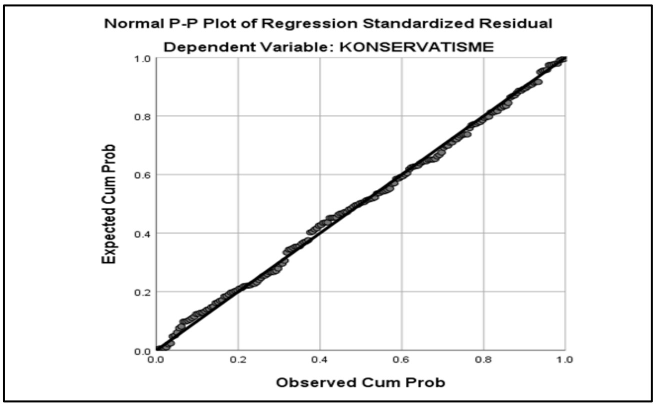
Source: Data processed (2016)

Since the constant value is -0.017, If the variables of profitability, leverage, financial distress, institutional ownership, and capital intensity are taken into consideration, accounting conservatism will rise by -0.017. 2) Profitability is 0.067, meaning that for every unit increase in the profitability variable, accounting conservatism will increase by 0.067. 3) Leverage is 0.110, meaning that for every increase of 1, the accounting conservatism will increase by 0.110. 4) The financial distress variable has a coefficient of 0.017, meaning that accounting conservatism will increase by 0.017 for every unit increase in the financial hardship variable.5) Institutional ownership is 0.035, which indicates that accounting conservatism will rise by 0.035 for every increase in a leadership variable of 1. 6) Capital intensity is 0.071, indicating that accounting conservatism will rise with each unit increase in the capital intensity variable.

Classic assumption test

Normality test

Test of normalcy the data utilized needs to possess a normal distribution to avoid bias. Two methods are available to determine whether the residuals are regularly distributed or not: graphical analysis and statistical analysis. Testing is carried out using visual analysis by utilizing the cumulative data distribution to compare with the normal distribution using the normal probability plot curve.



Source: Data processed with SPSS version 26

Figure 1. Normality Test Results

Graphic analysis can be used to interpret the residual data as regularly distributed since the secondary graph shows how the residual plot data spreads around the diagonal line and moves in that direction.

Multicollinearity Test
So, the regression model's independent variables do not exhibit multicollinearity. The multicollinearity test findings for the study's regression model are as follows. Table 2 shows that the independent variables have a VIF value less than 10 and a tolerance value more than 0.1. Therefore, this regression model's independent variables do not exhibit multicollinearity.

Autocorrelation Test
Autocorrelation testing in this research uses the Durbin-Watson test. The condition that autocorrelation does not occur is if du < d < 4-du.

Table 3. Auto-correlation Test Results

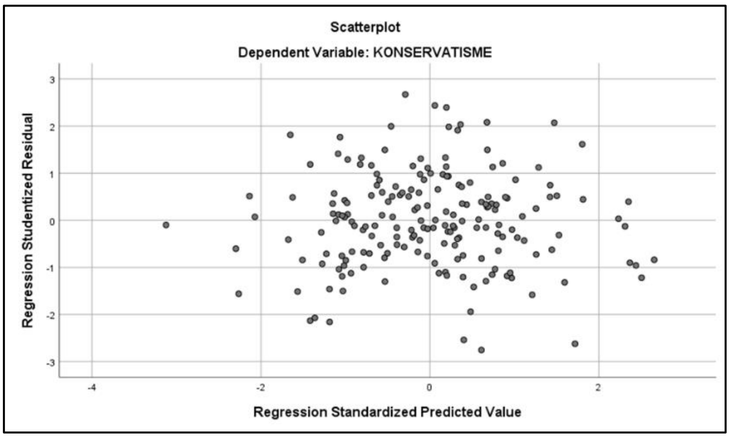
Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.343a	.118	,082	.050772	1,867

Source: Data processed with SPSS 26

based on the preceding table. DL = 1.6240 DU = 1.7914 with n=130 (amount of data) obtained from the results of data processing with SPSS version 26 are the values obtained from the Durbin Watson statistical table at the significance level a=5%, K=5 (the number of independent variables), where the DW value is 1.880.

DU < DW < 4-DU
1.7914 < 1.867 < 4-1.7914
1.7914 < 1.867 < 2.2086

Heteroscedasticity Test Results



Source: Data processed with SPSS version 26

Figure 2. Heteroscedasticity Test Results

It is evident the points are randomly distributed above and below the 0 on the Y-axis, as can be seen in the scatterplot graph above. Therefore, it may be concluded that heteroscedasticity is absent from the regression model. Therefore, while utilizing the regression model, it is appropriate to forecast accounting conservatism using data from independent variables.

Hypothesis Test Results
Partial Test (t-Test)
In Table 2, the profitability variable's hypothesis test findings utilizing the t-test have a computed t < table, specifically 0.535 < 1.979 with a significance level of 0.535 > 005. H0 is approved whereas H1 is disapproved. The impact of profitability on accounting conservatism is zero. A determined t < t table for the Leverage variable is 1.810 < 1.979, at a level of significance 0.071 > 0.05. We can

conclude that leverage has no influence on accounting conservatism because H0 is accepted and H2 is rejected. The Financial Distress variable has a t count > t table of 2.660 > 1.979 at a significance level of 0.009 < 0.005. This suggests that accounting conservatism is influenced by financial distress, with H0 being rejected and H3 accepted. The predicted t < t table for the institutional ownership variable is 1.524 < 1.979, with a significance level of 0.130 > 0.05. We can conclude that institutional ownership has no influence on accounting conservatism because Ho is accepted and H4 is rejected. The capital intensity variable has a t count > t table, or 2.660 > 1.979, and a significant level of 0.009 < 0.05. It is evident that capital intensity effects accounting conservatism as H0 is rejected and H5 is accepted.

Simultaneous Significant Test (F Test)

The estimated t < t table for the institutional the ownership variable has a significance level of 0.130 > 0.05 and is 1.524 < 1.979. We can conclude that institutional ownership has no influence on accounting conservatism because Ho is accepted and H4 is rejected. The capital intensity variable has a t count > t table, or 2.660 > 1.979, and a significant level of 0.009 < 0.05. It is evident that capital intensity effects accounting conservatism as H0 is rejected and H5 is accepted.

Table 4. F Statistical Test Results

ANOVAa						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1.	Regression	,043	5	,009	3,306	.008b
	Residual	,320	124	,003		
	Total	,362	129			

Source: Data processed (2016)

From the output table above, the significance results are 0.008 < 0.05, and the F count value is 3.306. With a significance of 5%, the number of independent & dependent (k) = 6 and the number of observation data (n) = 130 is obtained, and N2 = nk-1 = 130-6-1=123, the Ftable is 2.29. The results of the F test are Fcount > Ftable (3.306 > 2.29), so it can be stated that combined, the independent variables consisting of profitability, leverage, financial hardship, and institutional ownership have a considerable effect on accounting conservatism.

Coefficient of Determination Results (R2)

The percentage change in the dependent variable is ascertained using the coefficient of determination (R2). Let us assume that the adjusted R2 value is close to or greater than 1. Then, the independent variable's variation or the independent variable's percentage contribution to impact can account for 100% of the variance in the independent variable included in the model. has on the dependent variable is increasing perfect. Whereas adjusted R2=1 denotes a perfect link, adjusted R2=0 denotes no relationship at all between the independent and related variables.

Table 5. Results of the Coefficient of Determination (R2)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.343a	.118	,082	.050772	1,867

Source: Data processed (2016)

Based on the results of the coefficient of determination test in the table above, it can be concluded that it shows a figure of 0.082 or 8.2%, while other factors outside the model can cause others.

5. Discussion

The Influence of Profitability on Accounting Conservatism

According to the statistical findings, accounting conservatism is not much impacted by profitability. According to this outcome, accounting conservatism remains unaffected by profitability, with Ho being accepted and H1 being rejected. Companies that are highly profitable will find it harder to compete with one another. Businesses that generate significant profits will expand their investment and launch additional lines or branches. High profits predict future expansion for the business.

The results of this research are in line with research by Arianandini (2018), profitability shows the company's ability to generate profits. Companies with higher profitability will have a better opportunity to compete with the same type of company. Partial profitability does not have a significant effect on accounting conservatism. Profitability in state-owned companies does not affect political costs as a burden that must be avoided. One of the costs of politicians is the tax burden. This result is also in line with research conducted by Lie & Santioso (2020), which found that profitability does not have a positive effect on earnings quality.

The Effect of Leverage on Accounting Conservatism

The statistical results show that leverage has no discernible effect on accounting conservatism. This finding supports Ho and rejects H2, suggesting that leverage has little impact on accounting conservatism. We conclude that there is no clear association between leverage and accounting conservatism. In light of this outcome, accounting conservatism is unaffected by leverage, with Ho being accepted and H2 being rejected. The amount of assets used to fund the company's debt-financed operating activity is indicated by its leverage. The corporation will adopt more cautious practices if it is heavily indebted. Debtors may have the right to monitor and learn about a company's operational activity if it has a significant debt load.

The research results that leverage does not affect accounting conservatism are in line with research by Jesica et al. (2012). This result is because, with the principle of conservatism, which is an attitude of caution in facing an uncertain environment, the company will not use this principle no matter whether the obligations are high or low. Other empirical results conducted previously also showed differences.

The Influence of Financial Distress on Accounting Conservatism

Based According to statistical studies, accounting conservatism is significantly impacted by financial difficulties. The corporation will be more cautious the more financially distressed it is. Managers often use accounting conservatism in difficult financial times to lessen tensions between investors and creditors. The results of this research are in line with research conducted by Sugiyarti and Rina (2020), which states that financial distress has a significant effect on accounting conservatism. Likewise, the results of research conducted by Ramadhoni et al. (2014) and Zuhriyah (2016) state that financial distress affects accounting conservatism.

The Influence of Institutional Ownership on Accounting Conservatism

Institutional ownership is share ownership by the government, financial institutions, legal institutions, and trust funds. Share ownership in this study is proxied by the percentage of share ownership by other institutions outside the company divided by the number of shares outstanding. This research states that the institutional ownership variable does not affect accounting conservatism. The results of this research are in line with research conducted by Syifa et al. (2017), Sugiarto & Nurhayati (2017). This finding happens because institutional ownership is not a determining factor for conservatism. The size of the share ownership structure cannot influence other company policies and decision-making.

The Effect of Capital Intensity on Accounting Conservatism

It is able to determine that capital intensity influences accounting conservatism. Alfian and Sabeni (2013) and Susanto and Ramadhani (2016) state that capital intensity has a positive and significant effect on accounting conservatism; these results show that capital-intensive companies are hypothesized to have greater political costs and are more likely to reduce profits or financial reports tend to be conservative. The results prove that capital intensity has a significant positive effect on accounting conservatism in the research stated.

6. Conclusion

This study looks at the following variables were looked at in manufacturing firms that were listed between 2016 and 2020 on the Indonesia Stock Exchange: institutional ownership, financial difficulty, profitability, capital intensity, and leverage. SPSS Version 26 was used to perform multiple linear regression analysis in this investigation. The multiple linear regression test results are supported by the test findings and explanation, which demonstrate the following: 1) The ROA ratio of the company determines the profitability variable, which is positive and unrelated to accounting conservatism. This study suggests that managers must see political costs as a burden that needs to be avoided, meaning that accounting conservatism cannot be impacted by a company's success. 2) The Leverage variable is positive and unrelated to accounting conservatism. It is derived from the company's DER ratio (Debt to Equity Ratio). This finding suggests that the degree of accounting conservatism is unaffected by a company's leverage. 3) Accounting conservatism and the Financial Distress variable, which is based on the Z-Score within the company, are positively correlated. This suggests that attitudes toward accounting conservatism will depend on the severity of financial hardship. accounting conservatism, 4) The number of outstanding shares within the corporation divided by the total number of shares owned by other institutions yields the institutional ownership variable. does not affect accounting conservatism and is on the rise, suggesting that attitudes regarding accounting conservatism will be influenced by the level of institutional ownership. 5) The fixed assets ratio divided by total assets is used to determine the capital intensity variable. There exists a positive association between accounting conservatism and accounting conservatism. This conclusion is supported by the observation that capital-intensive companies frequently have conservative financial statements, higher political costs, and lower profit margins.

The managerial implications of the influence of profitability, leverage, financial distress, institutional ownership, and capital intensity on accounting conservatism can include several relevant aspects. Accounting conservatism is an approach in which an entity tends to recognize profits more slowly and recognize losses more quickly. The following are some managerial implications that may arise: 1) Effect of Profitability: Positive Implications: If profitability increases, managers may be more inclined to apply accounting conservatism. This condition can minimize the risk of profit misrecognition, which then has to be corrected in the future; 2) Effect of Financial Distress: Positive Implications: In a financial crisis, managers may be more inclined to apply conservatism to provide a more realistic picture of the company's financial condition.

Recommendations

Several conclusions have been outlined in this research, so several suggestions can be given for further research based on the limitations and results obtained in this research as follows: Future researchers are expected to be able to add independent variables that can influence accounting conservatism, such as liquidity ownership, managerial, company size, audit committee, company growth, debt covenant, and others. For future researchers, it is hoped that they can add measurements of accounting conservatism by producing other measurements, such as stock relations and accrual measures. For future researchers, it is hoped that they can expand their research beyond listed manufacturing sector companies on the Indonesian Stock Exchange.

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