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The Effect of Good Corporate Governance, Sales Growth, and Capital Intensity on Accounting Conservatism (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2017-2019)

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ABSTRACT

The company's condition must experience ups and downs that cause instability so that conditions are different from one company to another. Companies must be meticulous in financial reporting to attract investors and creditors as users of financial information. Companies do not rush to recognize and measure assets and profits and immediately recognize possible losses and debts. The purpose of this study is to analyze and obtain empirical evidence about the effect of good corporate governance, sales growth, and capital intensity on accounting conservatism. In this study, indicators of good corporate governance are managerial ownership, independent commissioners, audit quality, and concentrated ownership. The sample of this research was manufacturing companies in Indonesia during 2017-2019, which are listed on the Indonesia Stock Exchange (BEI). This study results indicated that independent commissioners and capital intensity influenced accounting conservatism.

INTRODUCTION

Financial statements for companies consist of reports that inform the company's financial position at a particular time, which are written in the balance sheet and profit and loss calculations as well as reports of changes in equity and cash flow statements, where the balance sheet shows the total assets, liabilities, and equity of the company (Savitri, 2007). 2016:3). In principle, financial statements are summaries or lists as a form of accountability from management to institutions that assess banking performance to view the company's work results or accomplishments so that the company's financial statements reflect the performance of management in managing company resources. Radyasinta (2014) stated that financial statements must comply with generally accepted accounting principles. One of the principles adopted in the financial reporting process is the principle of conservatism.

The official definition of conservatism is contained in the Glossary of Concept Statements No. 2 FASB (Financial Accounting Statement Board), which defines conservatism as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered.

Several factors can influence conservatism, including managerial ownership as its first factor. The more significant managerial right will cause management to be more active in improving its performance because management has more responsibility to reduce its financial risk by lowering debt. Hence, the wishes of shareholders and management or themselves are fulfilled. When managerial ownership is high, the company will tend to implement accounting methods that are not conservative and vice versa (Nasir et al., 2014).

The second factor is the independent commissioner, which means a policy applied by the company to outsiders who supervise the company's performance. The more the proportion of independent commissioners in a company will show a resilient board of commissioners, the higher the level of conservatism desired due to the requirements for higher quality financial information.

The third factor is audit quality. Audit quality is a characteristic or description of audit practices and results based on auditing standards and quality control standards, which become an implementation measure of duties and responsibilities of an auditor's profession. The use of quality public accounting services can be one of the factors in producing quality audited financial reports. KAPs classified as big four have better audit quality than non-big four. It is based on the idea that big four KAPs have more partner ratios than non-big four and various audit specializations and stricter quality audits than non-big four.

The fourth factor that influences conservatism is concentrated ownership. The importance of accounting conservatism is different for the shareholder group. In this study, the concentration of ownership is divided into the company's internal parties (insiders) and external parties (outsiders). According to Kartika et al. (2015), if managers are long-term oriented, insiders function as supervisors to improve the financial reporting process. However, if, on the other hand, the manager acts as a trigger in expropriating outsiders, it can be used as an indicator that the insider has performed an excellent supervisory function and implemented conservatism as a policy in the financial reporting process.

The fifth factor is sales growth. Past sales growth reflects investment success, and future growth can be utilized as a sales prediction. According to Hartantoada (2012), companies with high sales and profit growth rates tend to use debt as a source of external funds more excellent than companies with low sales growth rates. Meanwhile, companies with stable growth can be more secure, allow for more loans, and bear higher fixed costs than companies with unstable sales. High sales growth can increase market expectations of future cash flows; this is why conservatism can affect sales growth (Savitri, 2016:87).

The last factor is capital intensity. Fachlizha (2017) mentioned that capital intensity reflects the size of the company's capital in the form of assets needed to generate income so that capital intensity is used as a company's prospect to win the market. Sources of funds or an increase in the capital can be obtained from a decrease in fixed assets (sold) or an increase in the number of fixed assets (purchases). Almost all fixed assets are depreciated, and depreciation expenses can reduce the amount of corporate tax. Thus, capital-intensive companies have higher political costs, allowing management

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to reduce profits or conduct financial reporting conservatively.

This study replicated the variables of good corporate governance (managerial ownership, independent commissioners, audit quality, and concentrated ownership) and sales growth in the Padmawati and Fachrurrozie's (2015) research article because the results are inconsistent. Meanwhile, the profitability variable is not included in this study because these variables have been extensively researched with consistent results. Another variable that may affect accounting conservatism added in this study is capital intensity, which refers to the research of Alfian and Sabeni (2013). Additionally, the researchers inserted another good corporate governance variable, namely concentrated ownership, which refers to Kartika's research (2015). The reason for these two variables is that the results are inconsistent, and there are only limited studies available.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency Theory

Jensen and Meckling first used agency theory in 1976. According to Jensen and Meckling (1976), Agency theory is a contract under one or more that involves agents to perform some services for them by delegating the authority of decision making to agents. This theory develops when a cooperation agreement relationship between managers and shareholders is described as a relationship between agent (management) principal (shareholder). The cooperation agreement relationship grants authority by the principal to the agent to achieve the principal's goals. The owners appoint managers to run the company's operations since shareholders have limitations in managing the company.

According to Ramadona (2016), Agency theory is a theory related to agreements between members in the company. This theory explains the monitoring of various costs and imposes relationships between these groups. Management will attempt to maximize welfare for itself by minimizing different agency costs. It is one of the hypotheses in agency theory. Therefore, companies are expected to choose accounting principles to maximize their interests by deciding on appropriate accounting principles (Harahap, 2011). Hence, it can be concluded that agency theory is a theory that explains the working relationship between company owners (shareholders) and management.

In a company, of course, there are differences in interests between company owners or investors and managers. The company owner or investor does not want to lose funds for paying high taxes, so the company owner or investor needs the profit as if they were not high. On the second side, the company manager is interested in making its performance significant so that his position can be sustained. Then, the manager wants the profit to look prominent. Due to this difference in interests, the company needs to conduct a control mechanism to benefit the company owner or investor and the manager. One way is to apply the principle of accounting conservatism. Lafond and Watts (2007) also argued that using the conservatism principle in financial statements could reduce the possibility of managers manipulating financial statements and reduce agency costs.

Accounting Conservatism

Conservatism is one of the principles implemented in accounting. According to FASB No. 2 (Financial Accounting Statement Board), conservatism is a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered.

Watts (2003) defined conservatism as the difference in verifiability required to recognize profit versus loss. Watts also explained that accounting conservatism arises from incentives related to the contract, litigation, tax, and political costs that are beneficial for companies to reduce agency costs and reduce overpayments to parties such as managers, shareholders, courts, and governments. Furthermore, conservatism also causes understatement of earnings in the current period, leading to overstatements of profits in subsequent periods due to understatement of costs in that period. GIvoly and Hayn (2000) expressed conservatism as early recognition of expenses and losses and deferred recognition of revenues and gains.

Juanda (2007) conveyed that accounting conservatism can be used to avoid moral hazards caused by parties who have asymmetric information, asymmetric payments, limited time horizons, and limited responsibilities. For example, conservatism can restrain managers' opportunistic behavior in reporting accounting measures used in contracts. Accounting profit presented conservatively in contract media can reduce agency costs that arise from moral hazards.

Based on this definition, the concept of the principle of accounting conservatism is to slow down or delay the recognition of revenue that may occur but accelerate the recognition of costs that may occur. Meanwhile, assets are valued at the lowest value in asset and debt valuation, and vice versa. Debt is valued at the highest value.

PSAK as a standard for accounting records in Indonesia is the trigger for applying the conservatism principle. Recognition of the conservatism principle in PSAK is reflected in the existence of various choices of recording methods under the same conditions. It will result in different figures in the financial statements, which will ultimately lead to earnings that tend to be conservative. Therefore, it can be said that indirectly the concept of conservatism will affect the results of the financial statements (Savitri, 2016:25).

Meanwhile, accounting conservatism is not a principle regulated in International Financial Reporting Standards (IFRS). Hellman (2007) elucidated that IFRS (International Financial Reporting Standards) focuses on more relevant records, causing a higher dependence on estimates and various judgments than conventional accounting. In this case, the policy set by the IASB (International Accounting Standard Board) has reduced the emphasis on consistently applying conservative accounting in financial reporting based on IFRS.

Good Corporate Governance

According to the Cadbury Committee, Good Corporate Governance is a system that regulates the relationship between stakeholders (shareholders, company management, creditors, government, and other related parties) who have certain rights and obligations to the company. The definition of Good Corporate Governance, in general, is a good principle that underlies the process and management of a company based on regulations, laws, and business ethics. The application of the principles of Good Corporate Governance can improve company performance and long-term economic value for investors and stakeholders. The implementation of corporate governance aims at:

- Optimizing the value of the company to have convincing competitiveness.
- Encouraging company management to be more professional, effective, and efficient.
- Improving a conducive climate for investment development.
- Encouraging companies to make decisions with high moral values and comply with applicable laws and regulations.

Good Corporate Governance is the key to the company's success to grow and be profitable in the long term to face global competition, especially for companies that have developed and gone public.

The mechanism of good corporate governance occurs when the company separates ownership and control, which refers to a set of mechanisms to influence managers' decisions.

Sales Growth

According to Barton et al. (1989), sales growth reflects the manifestation of past investment success and can be used as a predictor of future growth. Sales growth is also an indicator of the demand and competitiveness of companies in an industry. Carvalho and Costa (2014) referred to sales growth as the increased sales and services between the current and previous year in percentage. Thus, based on the above definition, it can be concluded that sales growth is a change in the increase or decrease in sales from year to year, which can be seen in the company's income statement.

The sales growth rate determined by only observing financial capability can be divided into the growth rate on its strength (Internal Growth Rate) and the sustainable growth rate (Sustainable Growth Rate). The growth rate on its potency (Internal growth rate) is the maximum sales growth rate that the company can achieve without the need for external funds or the level of sales growth that is only triggered by additional retained earnings. The sustainable growth rate is the maximum sales growth rate that the company can achieve without making capital financing but by maintaining a ratio between debt and capital.

Maryanti (2016) expressed that a good company can be seen from its sales from year to year, which continue to increase. It impacts increasing company profits so that the company's

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internal funding also increases. This study is in line with Hartantoada (2012), where companies with high sales and profit growth rates tend to use debt as a source of external funds higher than companies with low sales growth rates. Companies with stable growth can be more secure, allow for more loans, and bear higher fixed costs than companies with unstable sales. Sales growth is calculated by the difference between the level of sales at the end of the period and the sales of the previous period compared to sales of the last period. If the comparison value is more significant, it can be said that the sales growth rate is getting better.

Capital Intensity

Pilanoria (2016) stated that "capital intensity is a form of financial decision". The company's management determines the decision to increase the company's profitability. Capital intensity reflects how much capital the company needs to generate revenue. Sources of funds or an increase in the capital can be obtained from a decrease in fixed assets (sold) or an increase in the number of fixed assets (purchases). Almost all fixed assets are depreciated, and depreciation expenses can reduce the amount of corporate tax.

Capital intensity shows the level of frequency of asset turnover (total asset turnover), the turnover of all company assets, and is calculated from sales divided by total assets. Capital intensity shows the level of efficiency turnover in which the company uses all of its assets to generate sales. The higher the size of the capital intensity, the more efficient the use of these assets. The higher the capital intensity, the more efficient the use of these assets in generating sales (Purwanti, 2010).

One indicator of capital intensity is from the political cost hypothesis. The more assets used in the company's operations to generate sales of its products, the more it can be ascertained that the company is significant. Because the government will highlight large companies, companies with capital-intensive conditions will report conservatively to avoid high political costs (Savitri, 2016: 82).

Hypothesis Formulation

Effect of Managerial Ownership on Accounting Conservatism

Managerial ownership is one of the company's internal factors that determine the company's progress. According to Lafond and Rouchowdhury (2007), managerial ownership is the percentage of company share ownership by company directors compared to the company's total outstanding shares as a whole. The relationship between managerial ownership and conservatism occurs when the company makes an investment that will affect the company's profit.

If the share ownership by the manager is high, the company applies the principle of conservatism (Risdiyani and Kusmuriyanto, 2015). It is because managers have a sense of belonging to large companies, so managers are more willing to enlarge and develop the company rather than get bonuses. The results of Risdiyani and Kusmuriyanto's (2015) research supported Yustina's (2013) study where, if inside directors and management conduct their monitoring function correctly; they will require information from financial reporting that has high quality so that they will demand a higher use of the principle of conservatism. Thus, it can be concluded that the first hypothesis is:

H_1: Managerial Ownership affects accounting conservatism

The Influence of Independent Commissioners on Accounting Conservatism

According to Padmawati and Fachrurrozie (2015), the primary function of an independent commissioner is to conduct an independent monitoring function on the performance of company management. Thus, companies need accurate and quality information, so accounting conservatism becomes a tool for decision-making. The more the proportion of independent commissioners in a company will show a resilient board of commissioners, the higher the level of conservatism desired because of the requirements for higher quality financial information (Savitri, 2016:74).

In the research of Putra, Widanaputra, and Wisadha (2015), the size of the commissioner board related to the number of commissioner board members will affect the supervisory mechanism. The study concluded a positive relationship between the percentage of company ownership by outside directors and conservatism. The results of Putra, Widanaputra, and Wisadha's (2015) research supported Wardhani's (2008) research, which stated that the higher the proportion of independent commissioners to the total number of commissioners, the greater the level of accounting conservatism as measured by market size. Thus, it can be concluded that the second hypothesis is:

H_2: Independent Commissioner influences accounting conservatism

The Effect of Audit Quality on Accounting Conservatism

Angelo (1981) in Alim et al. (2007) stated that audit quality is the profitability where an auditor finds and reports about a violation of his client's accounting system. According to Padmawati and Fachrurrozie (2015), audit quality is associated with KAP size. KAP classified as big four has better quality than non-big four because it has a ratio of partners a more significant number of specialists.

In Padmawati and Fachrurrozie's (2015) research, the results show that audit quality has a negative effect on accounting conservatism. The reason is that companies that use large audit services, such as the big four manufacturing companies listed on the IDX during the observation period, are still low. This study supports Hartadi's (2009) research, which confirmed that issues that can be considered, basically market players in Indonesia, only consider capital gains. Hence, it is implausible to use fundamental analysis as a material consideration for purchasing or selling shares. If the market does not give significant concern to the fundamental analysis, in fact, the market can also be said to less consider the auditor's opinion. Thus, it can be concluded that the fifth hypothesis is:

H_3: Audit quality affects accounting conservatism

Audit quality affects accounting conservatism

The concentration of share ownership causes shareholders to have access to private data to reduce agency conflicts between shareholders and management. The importance of accounting conservatism is different for the shareholder group. In this study, the concentration of ownership is divided into the company's internal parties (insiders) and external parties (outsiders). According to Kartika et al. (2015), if managers are long-term oriented, then insiders function as supervisors to improve the financial reporting process. However, if, on the other hand, the manager acts as a trigger in expropriating outsiders, it can be used as an indicator that the insider has performed an excellent supervisory function and applied conservatism as a policy in the financial reporting process.

The results of Widya's research (2004) showed that outsider ownership has an effect on accounting conservatism. This analysis also supported Yu's (2012) research regarding share ownership by outsiders, which tends to demand conservative financial reporting. Therefore, for share ownership by outsiders, conservatism is a tool to control the company's assets in maximizing profits.

Yunos et al. (2011) revealed that insider share ownership does not affect accounting conservatism. It is because insider shareholders as controllers use their power for their personal interests. As a result, insider shareholders avoid accounting conservatism to hide the expropriation of wealth from outsider shareholders. Thus, it can be concluded that the final hypothesis is:

H_4: Concentrated ownership by outsiders affects accounting conservatism.

The Effect of Sales Growth on Accounting Conservatism

Company growth can be measured by sales, profit, equity book value, and asset growth (Savitri, 2016). According to Barton et al. (1989), sales growth reflects the manifestation of past investment success and can be used as a predictor of future growth. Sales growth is also an indicator of the demand and competitiveness of companies in an industry.

Industry development is measured by sales growth because sales growth will affect the accrual level in the industry, including inventory, accounts receivable, and others. High sales growth often increases market expectations of future cash flows to affect market conservatism (Savitri, 2016). Savitri's research (2016) supported research by Ahmed and Duellman (2007), where sales growth will affect conservatism through accrual measures and market value. High sales growth often increases market expectations of future cash flows, affecting market conservatism. The company's future growth indicates that the company has achieved a high level of profit. Hence, the higher sales growth implies that the company is more conservative (Savitri, 2016:78). It can be concluded that the third hypothesis is:

H_5: Sales growth affects accounting conservatism

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Effect of Capital Intensity on Accounting Conservatism

Capital intensity describes how much the company's capital is in the form of assets. According to Waluyo and Kaarno (2000), the intensity of the company's capital can be utilized to indicate the company's prospects in competing for the market. When a company becomes large, the government will highlight it; so, capital-intensive companies will report conservatively to avoid higher political costs and are more likely to reduce profits, or financial statements tend to be conservative (Savitri, 2016: 82).

As stated by Zmijewski and Hagerman (1981), capital-intensive companies are hypothesized to have higher political costs and are more likely to reduce profits, or financial statements tend to be conservative. The results of research support this hypothesis by Sari and Adhariani (2009), which revealed that capital-intensive companies would have greater political costs, so it will be possible for management to reduce profits or financial statements tend to be conservative. Thus, it can be concluded that the fourth hypothesis is:

H_6: Capital intensity affects accounting conservatism

RESEARCH METHODS

Population, Sample, and Sampling Technique

This study employed quantitative research with hypothesis testing. The population used in this study were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019. The data were obtained from the IDX database (www.IDX.co.id) so that the population of this study was 157 companies with a research sample of 41 companies per year.

In determining the sample, this study applied the purposive sampling method. The criteria used by the researchers in the sample of this study are as follows:

1. Manufacturing companies listed on the IDX from 2017 to 2019.
2. The financial reporting period ends December 31 and is stated in rupiah.
3. Manufacturing companies with complete data and the same variables will be studied based on the 2017-2019 period.

Operational Definition and Measurement of Variables

1. Dependent Variable

   The dependent variable of this study was accounting conservatism. Accounting conservatism is a precautionary principle in financial reporting where companies are not in an emergency to recognize and measure assets and profits and immediately recognize losses and debts that may occur (Watts, 2003). The measurement of conservatism in this study refers to Beaver and Ryan (2003), who used a net asset measure. This measurement is proxied by the book to the market ratio, which reflects the book value of the company's equity against the relative market value and is measured by the following formula:

   $$MTB = \frac{Closing\ Price}{Equity\ per\ Shares}$$

2. Independent Variable

   a. Managerial ownership

   Managerial ownership is the number of shares owned by management. This variable is proxied by the number of shares owned by management compared to all outstanding shares. The calculation of managerial ownership is in line with Ardina's (2012) research. This managerial ownership data can be seen in the company's annual report. The formula used is as follows:

   Managerial ownership =

   $$\frac{Number\ of\ Managerial\ Shares}{Number\ of\ Outstanding\ Shares} x\,100\%$$

   b. Independent Commissioner

   Independent commissioners are parties who are not affiliated with the controlling shareholder, other members of the board of directors and commissioners, and the company itself or from outside the company. In this study, the number of independent commissioners is in line with research conducted by Wardhani (2008). Information on the number of independent commissioners is obtained from the company's annual report. The formula used is as follows:

Independent Commissioner =

$$\frac{\textit{Number of Independent Commissioners}}{\textit{Number of Commissioner Board Members}} x100\%$$

c. Audit Quality

Audit quality can be proxied by the auditor's reputation, which shows that the higher the audit quality, the better the reputation. To measure quality, the KAP measure is used. In this study, the size of KAP is a dummy variable. If the client company is audited by a large public accounting firm (big 4), it will be given a score of 1. But otherwise, it will be provided a score of 0. Information on audit quality can be obtained from the company's annual report.

d. Concentrated Ownership

Concentrated ownership is divided into two, namely insider and outsider ownership. In this study, the main focus was on outsider ownership. Outsider ownership is when the individual or community shareholders are less than five percent. According to Ratnadi and Ulupui (2016), the concentration of ownership in internal parties (KPI) is measured by the percentage of share ownership by executives and non-executive parties who are not independent (family ownership). Information on outsider ownership can be obtained from the company's annual report. The formula used is as follows:

Concentrated Ownership =

$$\frac{\textit{Outsider's Total Ownership}}{\textit{Number of Outstanding Shares}} x100\%$$

e. Sales Growth

Sales growth is defined as the change in sales per year, which the ratio can measure. Ahmed and Duellman (2007) further explained that high sales growth often increases market expectations of future cash flows to affect market conservatism. Thus, the higher sales growth indicates that the company is more conservative. Information on sales growth can be obtained from the company's annual financial statements. The formula used is as follows:

$$\text{Sales Growth} = \frac{\textit{Net sales}\, t - \textit{Net sales}\, t - 1}{\textit{Net sales}\, t - 1}$$

f. Capital Intensity

Capital intensity describes how much the company's capital is in the form of assets. The measurement used to measure the intensity of capital is based on the research of Maria and Luciana. Information regarding the amount of capital intensity can be obtained from the company's annual financial statements. The formula used is as follows:

$$\text{Capital Intensity} = \frac{\textit{Total Assets}}{\textit{Company Sales Value}}$$

3. Data analysis method

This multiple linear assumption test is used to determine whether there is a relationship between several independent variables and the dependent variable, both positively and negatively, and to predict whether the independent variable has increased or decreased. The multiple linear regression equation of this study can be described as follows:

$$KA = \alpha + \beta_1 KM + \beta_2 KI + \beta_3 KAd + \beta_4 KT + \beta_5 PP + \beta_6 IM + e$$

Information:

KA = Accounting Conservatism
α = Constant
β = Regression Coefficient
KM = Managerial ownership
KI = Independent Commissioner
Kad = Audit Quality
KT = Concentrated Ownership
PP = Sales Growth
IM = Capital Intensity
e = Error item or variable under study

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RESULTS AND DISCUSSION

Descriptive statistics

Table 4.2 Descriptive Statistics

Descriptive statistics	N	Min	Max	Mean	Std. Deviation
Accounting Conservatism	100	-0.18	4.125	1.40220	1.106046
Managerial ownership	100	.000	.739	.11256	.159994
Independent Commissioner	100	.300	.500	.38262	.070081
Audit Quality	100	0	1	.21	.409
Concentrated Ownership	100	.044	1.000	.79994	.267463
Sales Growth	100	-.987	.742	.05038	.240523
Capital Intensity	100	.477	3013.477	43.58394	323.72451
	100				

Source: processed secondary data, 2021.

From the results of the descriptive statistical calculations above, it can be observed that the dependent variable, namely accounting conservatism (Y), had a minimum value of -0.18 and a maximum value of 4.125. In contrast, the average value was 1.40220 or 140.220%, with a standard deviation of 1.1106046. From the results of descriptive statistical calculations, it can be realized that the independent variable, namely managerial ownership (X_1), had a minimum value of 0.000 and a maximum value of 0.739, while the average value was 0.11256 or 11.256% with a standard deviation of 0.159994. Descriptive statistical calculation regarding the independent commissioner variable (X_2) is where the minimum value was 0.300, and the maximum value was 0.500, while the average value was 0.38262 or 38.262% with a standard deviation of 0.0700081. Then, the following descriptive statistical calculation is regarding the audit quality variable (X_3), where the minimum value was 0 and the maximum value was 1. It showed that the value of audit quality, the research sample, ranged from 0 to 1 because it used a dummy variable, with an average value of 0.21 or 21% with a standard deviation of 0.409. The results of the following descriptive statistical calculation are about the concentrated ownership variable (X_4), where the minimum value was 0.044, and the maximum value was 1,000, while the average value was 0.79994 or 79.994% with a standard deviation of 0.267463.

The results of the following descriptive statistical calculation are regarding the sales growth variable (X_5), where the minimum value was -0.987, and the maximum value was 0.742, while the average value was 0.05038 or 5.038% with a standard deviation of 0.240523. The results of the last calculation of the sixth descriptive statistic are regarding the capital intensity variable (X_6), where the minimum value was 0.477, and the maximum value was 3013,477, while the average value was 43,58394 or 5.038% with a standard deviation of 323,72451.

Multiple Linear Regression Test

Table 7. Regression Model Test Results

Variable	Regression Coefficient	*Std. Error*	T_{count}	*Sig.*
Constant	-1.920	.551	-3.485	.001
Managerial Ownership	-.901	.560	-1.608	.111
Independent Commissioner	9.087	1.326	6.851	.000
Audit Quality	.390	.226	1.727	.088
Concentrated Ownership	-.131	.344	-.380	.705

Sales Growth	.140	.415	.336	.737
Capital Intensity	-.001	.000	-2.796	.006

Source: processed secondary data, 2021

The results of testing the linear regression model above show the following regression equation:

KA = -1.920–0.901KM+9.087KI+0.390KAd–0.131KT+0.140PP-0.001IM+ e

1. The Effect of Managerial Ownership on Accounting Conservatism

   Based on the test results, it is known that managerial ownership has no effect on accounting conservatism, with a significant level of 0.111, higher than a significant value of 0.05. The absence of the influence of managerial ownership on accounting conservatism is caused by the management of maximizing a company's profits to obtain a more considerable investment so that investors will be interested in investing their capital. Another reason is that the company manager is more concerned with individual or personal interests and not based on the company's financial decisions, which usually cause conflicts between managerial parties and shareholders. The results of this study are supported by research conducted by Wu (2006) in Wardhani (2008), Alfian & Sabeni (2013), and Nasir et al. (2014), explaining that there is a negative relationship between conservatism and managerial ownership.

2. The Influence of Independent Commissioners on Accounting Conservatism

   Based on the test results, it is known that the independent commissioner has an effect on accounting conservatism, with a significant level of 0.000 that was lower than a significant value of 0.05. The more the proportion of independent commissioners in a company will show a resilient board of commissioners, the higher the level of conservatism desired due to the requirements for higher quality financial information (Savitri, 2016:74). The results of this study are supported by research conducted by Prena (2012), which is then supported by the analysis of Putra, Widanaputra, and Wisadha (2015), which elucidated that the higher the proportion of independent commissioners to the total number of commissioners, the higher the level of accounting conservatism as measured by market size.

3. The Effect of Audit Quality on Accounting Conservatism

   Based on the test results, it is known that audit quality has no effect on accounting conservatism, with a significant level of 0.088 that was higher than a significant value of 0.05. This study results indicated that the manufacturing companies sampled were still low in using services such as BigFour. Thus, investors did not care about accuracy in financial reporting; investors only expected that the shares invested in the company generate high returns. The results of this study are supported by research conducted by Hartadi (2009), Rochman (2018), and Susiana describing the negative relationship between conservatism and managerial ownership.

4. Effect of Concentrated Ownership on Accounting Conservatism

   Based on the test results, it is known that concentrated ownership has no effect on accounting conservatism, with a significant level of 0.705 higher than a significant value of 0.05. This study results indicated that concentrated ownership (outsiders) did not apply high accounting conservatism to encourage better corporate governance. The results of this study are supported by research conducted by Yonas (2011), which found that the concentration of ownership by outsiders in public companies in Malaysia has a negative effect on accounting conservatism. It means that the majority shareholder by external parties is ineffective in implementing their monitoring role (Gee, 2008).

5. The Effect of Sales Growth on Accounting Conservatism

   Based on the test results, it is known that sales growth has no effect on accounting conservatism, with a significant level of 0.737

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that was higher than a significant value of 0.05. This study results indicated that in increasing the company's growth, the company must make as many sales as possible. However, making high sales does not mean that it allows management to apply the principle of conservatism because management maintains the value of the company in investors' views so that investors are interested in investing. The results of this study are supported by research conducted by Indrayati (2010), Widayati (2011), and Martani and Dini (2010), which confirmed that there is no effect between sales growth and accounting conservatism.

6. Effect of Capital Intensity on Accounting Conservatism

   Based on the test results, it is known that capital intensity has an effect on accounting conservatism, with a significant level of 0.006 that was smaller than a significant value of 0.05. The results of this study indicated that capital-intensive companies are hypothesized to have higher political costs and are likely to reduce profits or tend to be conservative. It shows that sales are more influential on political costs and accounting conservatism principles. The results of this study are supported by research conducted by Sari and Adhariani (2009), which explained that capital intensity has a positive effect on accounting conservatism by using non-operating accruals (NOA).

CONCLUSION

Based on the results of tests that have been performed on manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2019, it can be concluded that the good corporate governance variable consisting of managerial ownership has no effect on accounting conservatism, the second independent commissioner has an effect on accounting conservatism, the third quality audit has no effect on accounting conservatism, and the fourth is that concentrated ownership also has no effect on accounting conservatism. Then, the fifth variable, sales growth, has no effect on accounting conservatism, and the last variable, capital intensity, has no effect on accounting conservatism.

This study also has limitations that may affect the results of the study, among others, the sample used was only manufacturing companies from 2017 to 2019, managerial ownership variables caused the sample to decrease a lot, and the last one was limited to the emphasis on accounting conservatism in the company. Based on these limitations and shortcomings, the researchers expected future studies would consider these topics.

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