

Interest conflict moderation: Determinant Accounting Conservatism In Food And Beverage Sub Sectors Company Listed On Indonesia Stock Exchange 2018-2021

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ABSTRACT: *This study tries to demonstrate that it is possible to evaluate a company's capacity to meet all of its immediate and long-term commitments for each share in question by utilizing its financial statements. So, it is necessary to provide accurate and thorough disclosure in financial report information that is used by the public to forecast the future state of the company both quantitatively and qualitatively. The research employs quantitative techniques that are grounded in positivism. 27 companies comprise the study population, while 10 companies comprise the research sample. Data were collected using research instruments and random sampling. The study's findings demonstrate that the degree of financial difficulty significantly and positively influences lawsuit risk and accounting conservatism.*

KEYWORD: *Accounting Conservatism, Degree of Financial Difficulty, Litigation Risk, Information Asymmetry and Conflict of Interest.*

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I. INTRODUCTION

Because economic and commercial activities are fraught with uncertainty, many accounting and reporting methods are focused on accounting for unknown future events in economic activity. Conservatism is an accounting philosophy that strives to recognize and report profits and assets in a sensible manner. Conservatism is characterized by a decline in financial statements, which entails a lesser risk than an increase (Nicolin, 2013).

The practice of conservatism has benefits and drawbacks. One of the most famous complaints of conservatism is that it can result in financial statements being misinterpreted, which renders them useless as a tool for assessing organizational risk. This opinion is shared by Mohana (in Dwiputranto, 2013), who claims that conservatism increases with the degree of reported book value inaccuracy. The FASB also recommends that conservatism can result in information asymmetry, which can reduce investors' knowledge of future cash flows within the accounting conceptual framework.

Nonetheless, not everyone has a bad opinion of conservatism. Several people still believe in the concept. Conservatives assert that conservatism can lessen disputes over dividend payments between creditors and shareholders (Ahmed et al., 2016). High dividends paid to shareholders may hurt creditors since there will be less money available to pay debts. Setting a cap on dividend payments based on company profits is a traditional approach to solving this issue. A cautious presentation of revenue is necessary to keep dividend payments to a minimum, and a conservative display of assets is preferable to persuade creditors that the loan is genuinely covered by other assets.

Financial fraud incidences have increased between 2019 and 2020; the most recent one involved PT Tiga Pilar Sejahtera Food Tbk. The international company PT TPS Food focuses on the snack food sector. One of their best items is taro, an Indonesian snack. Extortion claims were made in relation to cash for inventory, fixed assets, and receivables in an investigation by Ernst & Young titled "PT TPS Food allegedly transferred \$4 billion to accounts" that was performed in March 2019. The management of PT TPS Food may also decide to spend the \$1,780,000,000,000 in funds to assist affiliated parties. The financial statements' EBITDA (earnings before interest, taxes, depreciation, and amortization) portion increased to 329,000,000,000,000 while its revenue accounts rose to 662,000,000,000,000. In addition, the amount reached 4,000,000,000,000. Apart from these findings, Ernest & Young clarified that internal data collecting differs from the records utilized by financial auditors to audit financial statements (Mayangsari 2020).

The conflict of interest between creditors and investors is one of the elements that may contribute to an increase in accounting conservatism. Creditors are harmed by the high dividends paid to investors since they lower the value of the company's assets to pay off debt. Novita (2017) claims that excessive dividend payments

made by investors as a result of their investments can lead to conflicts of interest regarding dividend policy between creditors and investors. As a result, it is important to take into account a variety of factors that may influence how accounting conservatism is applied.

1.1. Research Objectives

1. Understanding how accounting conservatism in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange is influenced by the severity of corporate financial difficulty.
2. Understanding how lawsuit risk affects accounting conservatism in manufacturing firms in the food and beverage sub-sector listed on the Indonesia Stock Exchange.
3. Understanding how knowledge asymmetry affects accounting conservatism in manufacturing firms in the food and beverage sub-sector listed on the Indonesia Stock Exchange.
4. Understanding how accounting conservatism is affected by the severity of a company's financial issues, litigation risk, information asymmetry, and conflicts of interest in manufacturing enterprises in the food and beverage sub-sector listed on the Indonesia Stock Exchange.
5. Understanding how conflict of interest affects accounting-related aspects

II. LITERATURE REVIEW

Accounting conservatism: Due to the inherent uncertainty in business operations, accounting conservatism is a financial reporting philosophy that considers assets and profits cautiously. Many customs and reports need to be evaluated because of the economy's uncertain future (Nicolin, 2013).

$$\text{CONACC} = \frac{(\text{NIO} + \text{DEP} - \text{CFO}) \times (-1)}{\text{TA}}$$

Degree of financial difficulty: Prior to bankruptcy or liquidity, a person's financial situation is in financial hardship. The primary factor contributing to the company's financial issues is its failure to satisfy its debts, including its liquidity requirements and liabilities under the solvency category. The financial report demonstrates that the manager cannot run the company successfully. Managers who don't run a business effectively will be perceived as having poor financial standing, resulting in numerous financial issues (Fahmi, 2011).

$$\text{Z-Score} = 0.012z_1 + 0.014z_2 + 0.033z_3 + 0.006z_4 + 0.999z_5$$

Risk of Litigation: Risk of lawsuit is a process that involves ritual conflict and is intended to take the place of a genuine disagreement; the parties present the decision-maker with two possibilities that are in conflict. Legal professionals are familiar with litigation as a process where a third party can decide (force) a settlement between the parties concerned (Margono (2004) in Rahma Yuliaty (2015).

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Information asymmetry refers to a discrepancy between the quantity of information available to management (internal) and parties looking for financial reports (external), such as investors and creditors. When one side has access to more information than the other, there is information asymmetry (Nidar, 2016).

$$\text{Spread } j,t = \frac{\text{ask } j,t - \text{bid } j,t}{\frac{(\text{ask } j,t + \text{bid } j,t)}{2}}$$

Conflict of interest: When a person who works for the firm but has interests that are unrelated to the company is given access to authority by the company's rules and utilizes this access for personal gain, there is a conflict of interest. Goal discrepancies and knowledge asymmetry between principals and agents are two factors that can lead to conflicts within a firm. When investors attempt to take advantage of creditor funds through excessive dividend payments as a result of their investments, conflicts of interest between creditors and investors about dividend policy may arise (Novita, 2017).

$$\text{Level of Dividend (DIVASS)} = \frac{\text{Dividens Paid}}{\text{Total Assets}} + 100\%$$

III. RESEARCH METHODOLOGY

3.1 Research Methodology and Data Analysis

This article will use the elements that might directly or indirectly affect the application of the principle of accounting conservatism in a firm to show the factors that influence the principle of accounting conservatism in a company. The variables chosen to reflect these factors are the degree of financial hardship, lawsuit risk, information asymmetry, and conflict of interest. Statistical analysis is a research technique. The population consists of 27 firms that manufacture food and beverages and are listed on the Indonesia Stock Exchange (IDX) for 2018–2021. The sampling process uses the purposive sampling method by round, resulting in 10 companies.

3.2 Data analysis to identify factors directly or indirectly influencing accounting conservatism

Classic assumption test

In this study, the conventional assumption test is as follows:

- Do a normality test to ascertain whether the dependent and independent variables are regularly distributed.
- The test for multicollinearity looks for a correlation between the independent variables in the regression model (Independent)
- Autocorrelation Test: This test examines the relationship between an error that causes confounding in period t and an error that causes confounding in period $t-1$ (in the past).
- The heteroscedasticity test seeks to ascertain whether there is an inequality in variance between observations in a regression model.

Descriptive Statistics Test

To give a general summary of the research variables, descriptive tests are utilized. The results of this test include the mean, standard deviation, maximum, and minimum; the objective is to present detailed data so that the reader may readily understand it.

3.3 Multiple Linear Regression Analysis

a. Regression Equation

This analysis aims to determine the effect and show the direction of the relationship between two or more variables.

The equation model used in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

- Y : Accounting conservatism with CONACC measurements
 α : Constant
 β_1 - β_7 : Regression coefficient
 X_1 : Financial difficulties (Z-score)
 X_2 : Litigation risk (DebttoEquityRatio)
 X_3 : Information asymmetry (Bid-ask spread)
Z : Conflict of interest
 X_1Z : Interaction between difficulty level and accounting conservatism
 X_2Z : Interaction between litigation risk and accounting conservatism
 X_3Z : Interaction between information asymmetry and accounting conservatism
 ε : Error (interference error)

b. Determination Coefficient Test (R²)

The amount of the contribution from the influence of the independent variables on the dependent variable is calculated using the R² value. If R² is near to 0, the independent variable's impact on the dependent variable was relatively small. This R² value spans from 0 (zero) to 1 (one). In this study utilizing Adjusted R Square, the closer the R² value is to 1, the more significant the impact of the independent variable on the dependent variable.

3.4 Hypothesis testing

a. Partial Test (t test)

This test demonstrates how each independent variable's impact on the dependent variable differs from one another. This test is used to determine whether a study's hypothesis is accepted or denied. If the sig value is less than 0.05 or if the tcount exceeds the ttable ($t_{2;n-k-1}$), the alternative hypothesis (Ha) can be accepted.

b. Simultaneous Test (Test F)

To find out whether all independent factors have an impact on the dependent variable at the same time, apply the F test. Ha is acceptable if the sig value is less than 0.05 and/or the Fcount value is more than the Ftable (k;n-k), indicating that the independent variables employed in the study statistically influence the dependent variable and vice versa.

Moderate variable equation

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Y Z + \beta_5 X_1 Z + \beta_6 X_2 Z + \beta_7 X_3 Z + \epsilon$$

IV. ANALYSIS AND INTERPRETATION

4.1 Research Results and Discussion

To simplify and speed up the process of analyzing this research, the authors use the tools of the Computer Statistics Program (SPSS) version 25.

Classic assumption test

a. Normality test

K-S Test (Kolmogorov-Smirnov)

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		40
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.40220896
Most Extreme Differences	Absolute	.089
	Positive	.065
	Negative	-.089
Test Statistic		.089
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

The Kolmogorov-Smirnov significance value for the normality test of the dependent variable on firm value as shown in the data table above is 0.200 > 0.05 which indicates that the data is normally distributed.

b. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Z-Score (X1)	.689	1.450
	DER (X2)	.825	1.213
	Asimetri (X3)	.938	1.066
	DIVASS (Z)	.838	1.193

a. Dependent Variable: CONACC (Y)

Because the SPSS output shows a VIF value of less than 10 and a tolerance value of not less than 0.1, it can be concluded that this regression model does not have a multicollinearity problem.

c. Autocollection Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.388 ^a	.151	.054	.424571	2.180

a. Predictors: (Constant), DIVASS (Z), DER (X2), Asimetri (X3), Z-Score (X1)

b. Dependent Variable: CONACC (Y)

Based on the table above, the accounting conservatism variable (Y) passes the independent variable test with a DW value of 2.180, indicating that there is no autocorrelation if the DW value is between dU 1.659 and 4 – Du (4 – 1.659 = 2.341). There is no autocorrelation in this regression model because the DW value on the variable accounting conservatism (Y) test for independent variables is between dU and 4 – dU (1.659 2.180 2.341).

d. Heteroscedasticity Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.477	.134		3.551	.001
	Z-Score (X1)	-.014	.010	-.264	-1.383	.175
	DER (X2)	-.017	.104	-.028	-.162	.872
	Asimetri (X3)	-1.281	1.523	-.138	-.841	.406
	DIVASS (Z)	-.723	.399	-.313	-1.811	.079

a. Dependent Variable: Abs_RES

The results of the regression between the independent variables and their absolute residuals as shown in table 5.5 show that the coefficient of each independent variable does not have a significance level greater than 0.05. Therefore, it is not a heteroscedasticity problem.

Descriptive Statistics Test

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	
Z-Score (X1)	40	-2.664	15.883	6.18248	4.785175	
DER (X2)	40	.067	2.174	.72812	.428243	
Asimetri (X3)	40	.001	.147	.01409	.027458	
CONACC (Y)	40	-1.592	.488	-.21870	.436480	
DIVASS (Z)	40	.005	.428	.07378	.110891	
Valid N (listwise)	40					

The table above shows that the amount of data (Valid N) in this study is as many as 40 observational data originating from 10 samples of food and beverage manufacturing companies listed on the IDX for the four-year periods 2018, 2019, 2020, and 2021. These results are based on the results descriptive statistical test. As a result, it shows that all sample data can be processed without any data loss. The following is an explanation of the results of testing each variable:

- a. Financial distress variable (Z-Score), which in this case obtains a minimum value of -2.6644, which means that the company experiencing the worst potential for bankruptcy occurs in PT. Akasha Wira International Tbk (ADES) in 2019. While the maximum value amounted to 15,883 or the company experienced the most financial condition healthy happened to PT Delta Djakarta Tbk (DLTA) in 2018. Then this variable also obtained an average value (mean) of 0.87838 and standard deviation of 4.785175.
- b. The litigation risk variable (DER), which in this case obtains a minimum value of 0.067, means that the lowest debt growth rate occurs at PT. Sekar Laut Tbk (SKLT) in 2018. While the maximum value is 2.174, it means that the largest debt growth rate occurs at PT. Multi Bintang Indonesia Tbk (MLBI) in 2021. This variable also produces an average value (mean) of 0.72812 and a standard deviation of 0.428243.
- c. The information asymmetry variable, in which case it obtains a minimum value of 0.001, which means that the lowest asking price for shares occurs at PT. Mayora Indah Tbk (MYOR) in 2020. While the maximum value is 0.147, the highest offering price for shares of the largest company occurs at PT. Ultrajaya Milk Industry & Trading Company Tbk (ULTJ) in 2020. This variable also produces an average value (mean) of 0.01409 and a standard deviation of 0.027458.
- d. The accounting conservatism variable (Con_Acc) in this case obtains a minimum value of -1.592 which means that the lowest use of conservative accounting occurs at PT. Nippon Indosari Corpindo Tbk (ROTI) in 2021. While the maximum value is 0.488, which means that the largest use of conservative accounting occurs at PT. Multi Bintang Indonesia Tbk (MLBI) in 2018. Furthermore, this variable also produces an average value (mean) of -0.21870 and a standard deviation of 0.436480.
- e. In this case, the conflict of interest variable (Con_Int) obtains a minimum value of 0.005, which means that the lowest percentage of dividends paid to total assets owned by the company PT. Sekar Laut Tbk (SKLT) in 2018. Meanwhile, the maximum value of 0.428 means that the company PT owns the highest percentage of dividends. Akasha Wira International Tbk (ADES) in 2018. This variable also obtained an average value (mean) of 0.07378 and a standard deviation of 0.110891.

Multiple Regression Analysis

a. Regression Equation

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.648	.196		3.302	.002
	Z-Score (X1)	.027	.016	.298	1.722	.019
	DER (X2)	.329	.172	.323	1.914	.004
	Asimetri (X3)	.098	.532	.094	1.792	.028
	DIVASS (Z)	.014	.213	.987	.865	.197

a. Dependent Variable: CONACC (Y)

Based on the above, the regression equation is obtained as follows:

$$Y = 0.648 + 0.027 X1 + 0.329 X2 + 0.098 X3 + 0.014 Z$$

From the above equation can be interpreted as follows:

- 1) The number 0.648 is used to determine the constant (a) value. Accounting conservatism has a magnitude of 0.648 if the independent variables are the level of financial difficulty (X1), litigation risk (X2), and information asymmetry (X3) all zero.
- 2) The regression coefficient value for the variable level of financial difficulty (X1) is 0.027. This indicates that assuming all other independent variables remain constant, each increase in the level of financial hardship by one unit will increase the accounting conservatism variable by the coefficient value (0.027).
- 3) The litigation risk variable (X2) has a regression coefficient value of 0.329. This shows that assuming all other independent variables remain constant. Everyone-unit increase in litigation risk factors will increase the accounting conservatism variable by the coefficient value (0.329).
- 4) The information asymmetry variable (X3) has a regression coefficient value of 0.098. That is, assuming all other independent variables remain constant, an increase in information asymmetry by one unit will increase the accounting conservatism variable by the coefficient value (0.098).
- 5) The conflict of interest variable (Z) has a regression coefficient value of 0.014. Assuming all other independent variables remain constant, an increase in conflict of interest by one unit will increase the accounting conservatism variable by the coefficient value (0.014).

b. Determination Coefficient Test (R2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.570 ^a	.437	.365	.421992

a. Predictors: (Constant), Asimetri (X3), DER (X2), Z-Score (X1)

The R Square number of 0.437, or 43.7%, was found in the coefficient of determination test. This shows that the independent variable level of financial difficulty (X1), litigation risk (X2), and information asymmetry (X3) can explain or influence the accounting conservatism variable (Y) of 43.7%, and other variables outside this regression model affect the remaining 56.3%.

Hypothesis testing

a. Partial Test (t)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.648	.196		3.302	.002
	Z-Score (X1)	.027	.016	.298	1.722	.019
	DER (X2)	.329	.172	.323	1.914	.004
	Asimetri (X3)	.098	.532	.094	1.792	.028
	DIVASS (Z)	.014	.213	.987	.865	.197

a. Dependent Variable: CONACC (Y)

Following are the conclusions that can be drawn regarding the partial hypothesis test of the effect of each independent variable on the dependent variable:

- 1) The Effect of the Level of Financial Difficulty on Accounting Conservatism
The results of the t-test for the independent variable level of financial difficulty and the dependent variable for accounting conservatism are shown in table 5.8. They have a significance level of 0.004 with t count >

t table (1.914 > 1.684). With a beta value (regression coefficient) of 0.329 in a positive direction and a value smaller than a significance level of 0.05 (0.004 0.05), litigation risk has a positive and significant effect on accounting conservatism.

2) The Effect of Information Asymmetry on Accounting Conservatism

The t-test for the independent variable litigation risk and accounting conservatism for the dependent variable yields tcount > ttable (1.722 > 1.684) and a significance level of 0.019, as shown in table 5.8 above. With a beta value (regression coefficient) of 0.027 in a positive direction and a value lower than a significance level of 0.05 (0.019 ± 0.05), it can be concluded that litigation risk has a positive and significant effect on accounting conservatism.

3) The Effect of the Level of Financial Difficulty on Accounting Conservatism

The results of the t-test for accounting conservatism and information asymmetry show tcount > ttable (1.792 > 1.684) and a significance level of 0.028 for each, according to table 5.8 above. With a beta value (regression coefficient) of 0.098 in a positive direction and a value smaller than the 0.05 significance level, namely 0.028 ± 0.05, it can be concluded that accounting conservatism is significantly and positively influenced by partial information asymmetry.

4) The Effect of Conflict of Interest on Accounting Conservatism

The results of the t-test for accounting conservatism and conflict of interest show tcount > ttable (0.865 < 1.684) and a significance level of 0.014 for each, according to table 5.8 above. With a value greater than the 0.05 significance level, namely 0.197 > 0.05, it can be concluded that conflicts of interest do not affect accounting conservatism.

b. Partial Simultaneous Test (F)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.019	3	.340	3.908	.014 ^b
	Residual	6.411	36	.178		
	Total	7.430	39			

- a. Dependent Variable: CONACC (Y)
- a. Predictors: (Constant), Asimetri (X3), DER (X2), Z-Score (X1)

Based on the test results in table 5.9 above, Fcount > Ftable is 3.908 > 2.84 with a significance value of 0.014 0.05. This shows that accounting conservatism (Y) is positively and significantly influenced by the level of financial difficulty (X1), litigation risk (X2), and information asymmetry (X3).

Moderate Regression Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.711	.218		-3.267	.003
	Z-Score (X1)	.013	.022	.343	1.431	.162
	DER (X2)	.306	.179	.300	1.710	.097
	Asimetri (X3)	.768	.522	.237	.833	.411
	Z-Score*DIVASS	.051	.208	.055	.246	.807
	DER*DIVASS	.329	.283	.286	1.036	.308
	Asimetri*DIVASS	-.292	.142	-.188	-.586	.562

- a. Dependent Variable: CONACC (Y)

Based on the results of the moderate regression test in the table above, with this, the regression equation formula can be compiled as follows:

$$\text{CONACC} = -0.711 + 0.013 \text{ Z-Score} + 0.306 \text{ DER} + 0.768 \text{ Asymmetry} + 0.051 \text{ Z-Score*DIVASS} + 0.329 \text{ DER*DIVASS} - 0.292 \text{ Asymmetry*DIVASS} + e$$

The results of the multiple regression test are identical to those of the regression test. The t table value must then be determined by taking the DF value, which can be derived from (N-K). N is the number of observations, and K is the number of research variables. This time, the moderate regression test has 40 observations and four variables. As a result, the DF number can be determined to be 40. A t table with a value of 2.021 will be generated with a probability of 5% (0.05, 40) when the t distribution table is created. This is due to the following explanations relating to the decision-making process for the third and fourth hypotheses:

- 1) The first interaction test shows that accounting conservatism is influenced by the relationship between financial distress and conflict of interest variables, with a t table value of 2.021 and a t value of 0.735, respectively. The significance level is then 0.807. The decision to accept or reject H0 is made in hypothesis 5

because the calculated t value is smaller than the t table (0.264 2.021), and the resulting significance value is greater than 0.05 (0.807 > 0.05). As a result, accounting conservatism and the variable level of financial difficulty cannot be influenced by the conflict of interest variable.

- 2) Variables representing conflicts of interest, in this case, impact the relationship between variables representing litigation risk and accounting conservatism on the results of the second interaction test. The results of t table and t values are 2.021 and 1.036, respectively. The significance level is then 0.308. The decision to accept H0 and reject H6 was made in the sixth hypothesis because the calculated t value is smaller than t table (1.036 2.021), and the resulting significance value is more significant than 0.05 (0.308 > 0.05). As a result, the relationship between accounting conservatism and litigation risk variables cannot be influenced by a conflict of interest variables.
- 3) The conflict of interest variable influences the relationship between accounting conservatism and information asymmetry in the findings of the first interaction test. As a result, the t table value is 2.021 and the t value is -0.586. In addition, the significance level is 0.562. The seventh hypothesis was chosen to accept H0 and reject H7 because the significance value of the test results was more significant than 0.05 (0.562 > 0.05), and the calculated t value was smaller than the t table value (-0.586 2.021). Consequently, the conflict of interest variable cannot influence the relationship between accounting conservatism and information asymmetry.

4.2 Discussion

1. The Effect of Corporate Financial Difficulty Level on Accounting Conservatism

This study's variable level of financial difficulty is significant as 0.019 based on the results of testing the first hypothesis (H1). The fact that this number is lower than the significance level of 0.05 or $0.019 < 0.05$ and has a positive beta of 0.027 indicates that the degree of financial distress has a positive and significant effect on accounting conservatism. This means that managers will be more conservative in preparing financial reports for food and beverage sub-sector companies listed on the IDX if the level of financial distress is higher.

Poor management quality contributes to the perception that the financial situation is problematic. Managers are more likely to be questioned about contract compliance when financially tricky. Naturally, this is a threat to the manager concerned; As a result, managers present financial reports following the principle of accounting conservatism to avoid potential differences of opinion with shareholders and creditors. Financial difficulties, or difficulties related to finances, increase, resulting in financial reporting becoming less aggressive. The findings of this investigation support positive accounting theory. According to Belkoui (2015), a positive theory is based on the idea that managers, shareholders, and officials or politicians are rational and want to get the most out of their utility, which directly impacts their compensation and, as a result, their well-being. To select the most effective accounting policies, this group must evaluate the relative costs and benefits of different accounting methods.

According to Lo's theory (2005), the level of conflict of interest in a company increases with its financial difficulties. Managers are encouraged to include the interests of users and investors in their financial reports to reduce internal conflicts of interest. Managers must decide how conservative the company should be to produce accurate financial reports. According to Lo (2005), accounting conservatism has a positive relationship with the level of corporate financial difficulties. This supports signaling theory, which says that managers tend to use conservatism in accounting to prevent creditors and investors from fighting in bad economic times.

This study's findings are consistent with Euis's (2013) research, which shows that financial distress significantly influences accounting conservatism. According to Noviantari & Ratnadi (2015), financial distress significantly and positively influences accounting conservatism. Hasan & Ramadhoni's research (2014) also found that accounting conservatism was positively and significantly affected by the company's financial difficulties. However, the findings of this study are different from Risdiyani & Fani (2015), who found that accounting conservatism has a negative correlation with financial distress.

2. Effect of Litigation Risk on Accounting Conservatism

The hypothesis of both studies (H2) was tested, and the results indicated that the probability of lawsuits was significantly higher than expected (t-count > t-table). The significance level is 0.004 because the tcount value is 1.914 and the ttable value is 1.684. With a beta of 0.329 in the direction of increase, this figure is smaller than the significance level of 0.05 or $0.004 < 0.05$. This suggests that accounting conservatism benefits significantly from litigation risk. As a result, the report indicates that businesses will increasingly embrace accounting conservatism. Greater likelihood of a successful business compensating for increased litigation risk. Therefore, businesses use more conservatism in accounting when litigation is more likely.

The risk of a company being sued by investors, creditors, the government, or the general public is known as a litigation risk. Financial reports are usually conservative for businesses subject to very strict legal regulations. Report conservatively when the legal environment is less stressful. According to Juanda (2007),

litigation risk can arise when the interests of the parties involved are not fulfilled. For example, if a company cannot pay its debts to creditors or pay dividends to investors, it can also violate agreements with creditors or investors.

Based on agency theory, conflicts of interest between creditors, investors, or management can lead to the risk of lawsuits or litigation. Agencies will incur high costs due to lawsuits, such as damages for breach of contract and damages to restore the company's reputation. Companies that overstate profits, assets or both can face legal action. If this occurs, the business is deemed to have engaged in public fraud, which may result in lawsuits from parties seeking to influence the business. The company's reputation will be damaged by lawsuits, which will reduce the value of its shares and hurt the industry. In addition, companies will incur significant costs due to lawsuits (Ball et al., 2000).

Companies that must avoid this must be more careful in preparing financial reports using the conservatism method. By doing so, profits and assets will be reduced to a minimum, reducing litigation risk. In addition, this approach could reduce agency costs arising from conflicts of interest between management and investors or creditors. This will also reduce the possibility of legal disputes occurring within the company. Ningsih (2013), Ramadhoni (2014), and Fitri (2015) found that accounting conservatism is positively and significantly affected by litigation risk.

3. The Effect of Information Asymmetry on Accounting Conservatism

The calculated t value of the information asymmetry variable is greater than t table or $1.792 > 1.684$ and has a significance value of 0.028, according to the results of testing the third hypothesis (H3) in this study. With a positive beta of 0.098, this figure is less than the 0.05 significance level or $0.028 < 0.05$. This suggests that accounting conservatism benefits significantly from incomplete data. The findings of this study indicate that the accounting methods used to prepare financial reports are more conservative, and the higher the level of information asymmetry. This is done by managers so that their performance appears impressive, and this is done as an answer to the difficulties faced by the company.

LaFond and Watts (2008) conducted related research and found that conservatism in financial statements is caused by information asymmetry between insiders and outsiders. By using private information to transfer wealth from shareholders to themselves, managers are believed to have an increased incentive to overemphasize financial performance. As an outside observer, the market recognizes similar managerial behavior. The result is a decrease in the selling price of the shares. However, conservatism limits the number of overstatements that managers in financial statements can make and therefore exists to change managers' incentives.

Chi and Wang also conducted another important study (2008); They see a link between accounting conservatism and information asymmetry. Empirical evidence shows that accounting conservatism will increase in the next period due to information asymmetry in the current period. This is because the company's cash flow shows lower profits and higher losses, the greater the information asymmetry between insiders (majority shares) and uninformed (minority shares). The conclusion that can be drawn from the previous discussion is that accounting conservatism increases when there is more significant information asymmetry between insiders (managers and majority shareholders) and outsiders (minority shareholders).

This study's findings align with Dewi & Muliati (2020), who found that conservatism in accounting can be aided by information asymmetry. According to Isnawati et al. (2016), accounting conservatism benefits from information asymmetry.

4. The Effect of Degree of Financial Distress, Litigation Risk, and Information Asymmetry on Accounting Conservatism

The results of the F test showed that the calculated F value is greater than F table, namely 3.908, greater than 2.84, with a significance value of $0.014 < 0.05$, this indicates that accounting conservatism is significantly influenced by the three independent variables, litigation risk, financial distress, and information asymmetry. According to the fourth hypothesis (H4), accounting conservatism is significantly affected by the severity of financial distress, litigation risk, and information asymmetry.

According to signaling theory, conservatism in accounting will increase due to financial distress, positively correlated with conservatism. To prevent this, various policies, strategies and support from internal and external parties are needed to improve management quality, which indicates poor company performance (Fitri, 2017). Moreover, management and shareholders differ in their goals, preferences, interests, and utilities, as explained by agency theory. The principal wants the company's financial performance to always improve because doing so will enable it to maximize cost savings and increase the company's value, resulting in profits and high dividend returns and prosperity. Conversely, agents want to get good performance appraisals to get paid a lot of employers for their work.

Negative information bias and non-fulfillment of the interests of interested parties as a cause of litigation will result from a discrepancy between the presentation of financial information and the actual state of the company in the financial statements. Public fraud is one example of excessive profile and can result in lawsuits from investors and creditors, which can damage creditors' trust and prevent them from canceling debt contracts, forcing businesses to return all the money they borrowed (Zuhriyah, 2016). If the company cannot comply with the terms of its agreement with the lender. In addition, the company's management adopted a formal legal regime, resulting in law changes. To reduce the risks associated with financial reporting, it is very important to consider its accuracy. The possibility that a business will incur a loss due to operational issues, which will negatively impact price and volume on investors, is another risk that accompanies litigation. As a result, management presents conservative financial reports to avoid legal costs.

The likelihood of litigation increases, accounting conservatism increases, and the relationship between financial distress and corporate condition decreases. This aligns with the findings of Putri (2016), who found that litigation risk can also maximize the quality of financial reporting information and reduce monitoring costs (costs associated with supervision), thus preventing information asymmetry and increasing company value, by neutralizing redundant financial details. Optimistically presenting excessive asset values, profits, and income can hurt the company's condition.

According to signaling theory, businesses are encouraged to disclose publicly information about their financial reports when there is a shortage. Wolk et al. (2008) propose that reducing information asymmetry can help businesses increase their value. Providing reliable financial information to outsiders can reduce this information asymmetry, reducing uncertainty about the company's future success.

According to Scott (2009), managers signal information in various ways to reduce the information gap between employees and managers. Financial reports contain information about the selection of company accounting policies, which is one of the ways managers communicate. For example, a company discloses that it exercises conservatism in its accounting practices, which results in higher quality earnings because of this principle: By presenting assets and profits without exaggeration, it helps users of financial reports and prevents businesses from overstating profits. According to research by LaFond & Watts (2008), conservatism in accounting and information asymmetry are interdependent. The findings of this study indicate that the more conservative the company, the more information asymmetry there is.

5. The Effect of Conflict of Interest on Accounting Conservatism

Based on the analysis, conflict of interest does not affect accounting conservatism. This shows that the size of the conflict between creditors and investors regarding dividend policy will not affect the application of accounting conservatism in preparing company financial statements. to investors so as not to affect the application of accounting conservatism.

Conflict of interest in agency theory is assessed from dividend or funding policies. Dividend policy is related to the policy on the amount of company profits distributed to shareholders. The distribution of high returns can attract investors, so the level of accounting conservatism is also higher. The results in this study reflect that conflicts of interest are contrary to agency theory. In this case, the basis for a conflict of interest is dividend policy, and there is no excessive dividend payment to investors so there are no concerns from creditors regarding high costs to investors, so conflicts of interest do not affect accounting conservatism. Big or small conflict of interest related to dividend policy does not affect the application of accounting conservatism.

These results are supported by research by Wisuandari & Putra (2018) and Andini et al. (2020), which shows that conflict of interest does not affect accounting conservatism. Policies in distributing low dividends will not cause the transfer of wealth from creditors to investors. This makes creditors, as owners of claims on company assets will, not encourage management to carry out conservative accounting. So that the lower the intensity of the conflict between investors and creditors, the lower the tendency to apply accounting conservatism. However, this research is not supported by the study of Paramita & Cahyati (2013) and Suryandari & Priyanto (2012), which shows that conflict of interest positively affects accounting conservatism.

6. Conflict of Interest Moderates the Relationship Between the Degree of Financial Difficulty, Litigation Risk, and Information Asymmetry with Accounting Conservatism

It can be seen from the results of the MRA test that the relationship between the variable level of financial difficulty and accounting conservatism is influenced by the results of the first interaction test involving conflict of interest variables. Because the calculated t value is smaller than the table value or $0.264 < 2.021$ and the significance value is greater than 0.05 or $0.807 > 0.05$, the fifth hypothesis is chosen to accept H0 and reject H5. Variables that represent conflicts of interest affect the relationship between variables that represent litigation risk and accounting conservatism in the results of the second interaction test. The decision to accept H0 and reject H6 was made because the significance value was more significant than 0.05 ($0.308 > 0.05$), and the calculated t value was smaller than the t table ($1.036 < 2.021$). The third interaction test also shows that the

conflict of interest variable affects the relationship between accounting conservatism and information asymmetry. Because the variable significantly affects the final score (0.562 0.05) and the calculated value is lower than the table value (-0.586 <2.021), the seventh hypothesis is rejected, and H0 is accepted. According to the findings of the three tests, the relationship between the variable degree of financial difficulty and conservatism in accounting, the relationship between litigation risk and conservatism, and the relationship between litigation risk and conservatism are all unaffected by conflicts interest. conservatism and variable information asymmetry

The different years of study, the scope of the study, and the sample of firms affected by various economic conditions may be the reasons for this non-significance. In addition, considering that the average company in the sample has a DIVASS ratio of 0.07378, this finding is considered insignificant. Creditors are concerned about the distribution of excess wealth to investors, which has little impact on potential conflicts over dividend policy. Accounting conservatism was not affected as a result. The findings of this study do not support the agency theory that companies have not achieved efficient contracts because creditors and investors do not anticipate future conflicts of interest related to dividend policy. Utilizing conservatism in accounting, which ensures that the debtor's assets will be available for payment to investors and no excessive payments are made to investors, is one way that the interests of investors and creditors can be resolved regarding dividend policy to reach an effective contract.

Policies in distributing low dividends will not cause the transfer of wealth from creditors to investors. This makes creditors, as owners of claims on company assets will, not encourage management to carry out conservative accounting. So that the lower the intensity of the conflict between investors and creditors, the lower the tendency to apply accounting conservatism. The results of this study do not support the results of Juanda's research (2007) which states that one of the efforts to overcome conflicts of interest in companies is to apply conservative accounting. Most companies in Indonesia have a centralized ownership structure, so in a company, it is common to find shareholders who own majority shares. Due to the centralized ownership structure, most of the company's decisions are in the hands of the majority shareholders. This causes conflicts between shareholders and managers or with creditors to collide with the rights of the majority shareholder. This causes a conflict of interest that cannot affect company policy, including in determining the company's conservative accounting policies.

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