


# The Effect of Growth Opportunities, Political Costs, and Litigation Risk on Accounting Conservatism: A Case Study on the Secondary Consumer Sector Listed on the Indonesia Stock Exchange in 2018-2021

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Article Info	ABSTRACT
<p><b>Keywords:</b> Political Costs, accounting conservatism, Growth Opportunities, Risk of litigation.</p>	<p>Conservatism is an important principle for recognizing and measuring assets and profits in financial statements and is done carefully because it is in an environment of uncertainty. This study aims to determine the effect of Growth Opportunities, Litigation Risk and Political Costs on Accounting Conservatism. The population used in this study is secondary consumer sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. The research data used in this study was 160 observational data. The method used in this study was panel data regression analysis and using <i>EViews 10</i> software. The results of this study show that simultaneously growth opportunities, litigation risk and political costs together influence accounting conservatism. Meanwhile, partially growth opportunities have no influence on accounting conservatism. Litigation risk positively affects accounting conservatism. And, political costs have a negative influence on accounting conservatism.</p>
<p>This is an open access article under the <a href="https://creativecommons.org/licenses/by-nc/4.0/">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Amarsya Aurelia Pamungkas Telkom University Indonesia <a href="mailto:amarsyaurelia29@gmail.com">amarsyaurelia29@gmail.com</a></p>

## INTRODUCTION

Every year the company's management has tasks that must be carried out with prudence in accounting for its activities during the management process (Noviana, 2012). Financial statements as a medium that provides information to the public which is the result of a reflection of the financial condition of a company so that profit information and its components function to evaluate company performance, predict future profits, and assess investment risks for a company (Saputra et al., 2017). Information about financial statements that have been presented will be used to make decisions by users of financial statements (Syifa et al., 2017). In realizing good financial statements, accounting principles are needed as a controller that financial statements present high quality. Conservatism is an accounting principle as a procedure in preparing financial statements. According to DSAK, IAI in the Conceptual Framework for Financial Reporting (KKPK) which is effective since January 1, 2022, provides a definition of conservatism, which is a *prudent reaction* when facing an

uncertainty that exists in a company as an effort to ensure that uncertainty and risks in the business environment have been adequately considered. In this study, the proxy used was to use CONACC obtained from the income statement for several years and resulted in negative accruals. The accrual used is the change between net income before depreciation/amortization and cash flows of operating activities.

In 2020, based on data from the Central Statistics Agency that has been released, it is known that the national economic growth rate in 2020 in the first quarter was 2.97 percent, in the second quarter it was -5.32 percent, then in the third quarter it was -3.49 percent and in the fourth quarter it was -2.19 percent in fact, growth was far below the achievement of the first quarter of 2019 which reached 5.07 percent (Ministry of National Development Planning / Bappenas, 2020). According to Economist of Gajah Mada University (UGM), Eddy Junarsin in (Koperasi Kulon Progo, 2022) said that if negative economic growth is a recession leading to depression, if this happens it will have an impact on various sectors. The sectors that experienced an increase during the recession were the raw goods sector, the primary consumer goods sector, the energy sector and the health sector. Eddy also added that the sector that experienced a decline was the secondary consumer goods sector because this sector was sensitive to the economy. This is evidenced by one of the secondary consumer goods subsectors, namely the hotel sector with a decrease in occupancy rates to a decrease in room prices per night in 2020. The Secretary General of the Indonesian Hotel and Restaurant Association (PHRI) predicts that the tourism and hotel industry will not recover in 2021 due to changes in people's mobility patterns and purchasing power in the community is still low (Mulyana, 2021). This has an impact on the average debt of secondary consumer goods sector companies increased in 2020 by 6.22% from the previous year to Rp1,915,825,764,270. The cause of the increase in debt is due to the Covid-19 pandemic which requires companies to increase profits because if the value of a company decreases due to low sales, it will have an impact on investors. Because secondary consumer goods are directly proportional to economic growth, so that high debt that can slow economic growth has an influence on secondary consumer goods sector companies due to the Covid-19 pandemic which is full of uncertainty. Therefore, with this decline, companies must be able to manage business uncertainty raised due to the pandemic using wise steps and being careful when making their financial statements.

Research related to accounting conservatism today has various results conducted by previous researchers, but because accounting conservatism is still controversial, so in its application there are obstacles. In research conducted by (Tazkiya & Sulastiningsih, 2020), (El-Haq et al., 2019), (Sulastri et al., 2018) and (Sari et al., 2014) where growth opportunities affect accounting conservatism. However, this is not in line with research conducted by (Putri, 2021) and (Nuraeni & Tama, 2019) which states that growth opportunities have no effect on accounting conservatism, one of the reasons is because growing companies have good governance, so company management reduces the application of accounting conservatism principles. The second factor affecting accounting conservatism is the risk of litigation. Research conducted (Paramita et al., 2013), (Suryandari & Priyanto, 2012), and

(Qiang, 2007) showed a positive influence on accounting conservatism. Meanwhile, research conducted by (Rahmi & Baroroh, 2022) and (Mustikasari et al., 2020) showed negative results. The last factor that can affect accounting for conservatism is the political cost. Research conducted by (Putri, 2021) shows the influence on accounting conservatism. However, research conducted by (Wiecandy & Khairunnisa, 2020), (Hariyanto, 2020), (Iskandar & Sparta, 2019) and (Nuraeni & Tama, 2019) shows that political costs measured using company size proxies have a negative and insignificant influence on accounting conservatism.

Based on the background and differences in research that have been presented, factors that will be further investigated in influencing accounting conservatism are growth opportunities, political costs and litigation risks. Therefore, this study has the following objectives: (1) to explain growth opportunities, political costs and litigation risks to accounting conservatism in secondary consumer sector companies listed on the IDX in 2018-2021. (2) To determine the simultaneous effect of growth opportunities, political costs and litigation risks on accounting conservatism in secondary consumer sector companies listed on the IDX in 2018-2021. (3) To determine the partial effect of each variable of growth opportunities, political costs and litigation risk on accounting conservatism in secondary consumer sector companies listed on the IDX in 2018-2021.

## **Theoretical Studies**

### **Agency Theory/Agency Theory**

According to (Rahmi & Baroroh, 2022), agency theory is the relationship between owners and management to contractual agreements that aim to give authority in making decisions. With the authority given, management will have a responsible role in deciding the risks to be taken. But the problem that will arise over the relationship between principal and agent is if there are contradictory decisions. In addition, another problem is that the management does not disclose all information to shareholders so that the term information asymmetry appears which will have an impact on shareholders' trust in the company.

In achieving a good relationship between the two parties, namely investors and companies, trust relations by implementing the principle of conservatism. The manager must disclose the entire cost so as to give investors confidence. It can be said that agency theory towards accounting conservatism is in order to reduce information asymmetry, reduce agency costs, abuse of position, and limit unauthorized parties (Rahmi & Baroroh, 2022).

### **Financial Statements**

According to (Fahmi, 2011) financial statements are information that is expected to provide information to make economic (financial) decisions and is a reflection of management of the resources that have been entrusted. (Fahmi, 2011) added that management plays an important role in the design of financial statements so that they can be understood by all parties who need them. According to the Statement of Financial Accounting Standards (PSAK), the purpose of the financial statements is to provide information related to the financial position, financial performance, and cash flow of entities that have benefits to report users in the economic decision-making process. This explanation

is in line with the Indonesian Institute of Accountants which states that the purpose of financial statements is to provide information in the form of financial position, performance, and changes in the financial position of a company in making economic decisions. Accounting principles are the properties that underlie accounting and all its outputs (Hery, 2017) According to APB *Statement* No. 4, accounting principles are divided into nine principles, one of which is the principle of conservatism.

### Accounting Conservatism

Financial statements with integrity in presentation are often associated with the application of the principle of prudence (conservatism) (Annisa Nurbaiti & Chyntia Elisabet, 2023). According to (Noviana, 2012), conservatism is an important principle for recognizing and measuring assets and profits in financial statements and is done carefully because it is plagued by an environment full of uncertainty. Uncertainty in financial statements is useful so that predicted values and neutrality can be updated. In addition, according to (Savitri, 2016) who suggests that the principle of conservatism has the concept of recognizing costs and losses faster, also recognizing income and profits more late, nudity assesses assets with the lowest value and liabilities with higher values. Measurement of accounting conservatism in research (Syifa et al., 2017) using proxy earning/accrual measure results from (Givoly & Hayn, 2000), namely:

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

Information:

- CONACC : *Earnings conservatism based on accrued items*  
 NIO : *Operating profit of current year*  
 DEP : *Depreciation of fixed assets of current year*  
 CFO : *Net amount of cash flow from operating activities of current year*  
 TA : *Book value of closing total aset.*

### Growth Opportunities

According to (Putri 2021), growth opportunities are an important factor in the capital structure to provide opportunities for a company to grow and develop in the future. Companies that have high growth opportunities tend to need funds to finance this growth in the future. Companies that carry out growth tend to choose accounting conservatism due to the calculation of lower profits when compared to using accounting methods that are higher profit calculation methods (Sulastri, Mulyati, and Icoh 2018). In accordance with the research conducted by (Sulastri et al. 2018), the growth opportunity can be calculated by the following formula:

$$GROWTH = \frac{Jumlah\ saham\ beredar \times harga\ penutupan\ saham}{Total\ Modal/Ekuitas}$$

### Litigation Risk

According to (Ramadhoni 2014), litigation risk is a form of business risk and inherent in the company that can cause a threat of litigation originating from important parties related to the company and then feel disadvantaged. Parties who have an interest in the company are such as creditors, investors, and regulators. Through research conducted by (Wicandy and Khairunnisa 2020), in calculating litigation risk, you can use the *Debt to Equity Ratio* (DER) outlined below:

$$DER = \frac{\text{Total Hutang}}{\text{Total Modal/Ekuitas}}$$

### Political Cost

The relationship with politics is often associated with the size of the company. This view develops an understanding (Iskandar and Sparta 2019), namely transferring funds from a company due to exposure to its political situation. The funds received from these transfers are often related to the size and look of the company. Companies of large size can be expected to have large problems and risks and are followed by increasing political costs. Based on research (Iskandar & Sparta, 2019), it is known that political costs use the following formula:

$$\text{Size} = \ln \text{Total Aset}$$

### The Effect of Growth Opportunities on Accounting Conservatism

According to (Putri et al., 2021) growth opportunities are an important factor in the capital structure to provide an opportunity for a company to grow in the future. Companies with good expectations or prospects will have high information asymmetry between managers and outside investors about activities in the company. Companies that do growth tend to make choices in accounting conservatism because the calculation of profits is lower than using accounting methods that are higher profit calculation methods (Sulastrri et al., 2018).

Based on this description, it can be suspected that growth opportunities have a positive effect on accounting conservatism. Companies with high growth provide opportunities for companies to carry out high conservatism also because conservatism can help management to minimize profits due to high political costs. This statement is in line with research (Sulastrri et al., 2018) and (Alfian & Sabeni, 2013) that growth opportunities have a positive effect on accounting conservatism.

### The Effect of Litigation Risk on Accounting Conservatism

Litigation risk is a form of business risk inherent in a company that has the possibility of causing a threat of litigation carried out by parties who have an interest in the company that feels aggrieved. Parties who have an interest in the company include creditors, investors, and regulators (Ramadhoni, 2014). Companies that have a high risk of litigation will adopt conservative reports to reduce the risk of litigation and costs. However, according to (Sinambela, 2011) and (Juanda, 2007), in Indonesia the legal force is still weak. So that the company's management does not consider or anticipate the lawsuits given.

Based on this description, it is suspected that the risk of litigation negatively affects accounting conservatism. This is because law enforcement in Indonesia is still low, reducing the anticipation of managers to implement accounting conservatism. This is in line with research conducted by (Rahmi & Baroroh, 2022) and (Mustikasari et al., 2020). While research conducted by (Juanda, 2007) shows that litigation risk has no effect on accounting conservatism. This research is supported by research conducted (Wiecandy & Khairunnisa, 2020) and (Sinambela, 2011) which shows that there is no influence between litigation risk and accounting conservatism.

### The Effect of Political Cost on Accounting Conservatism

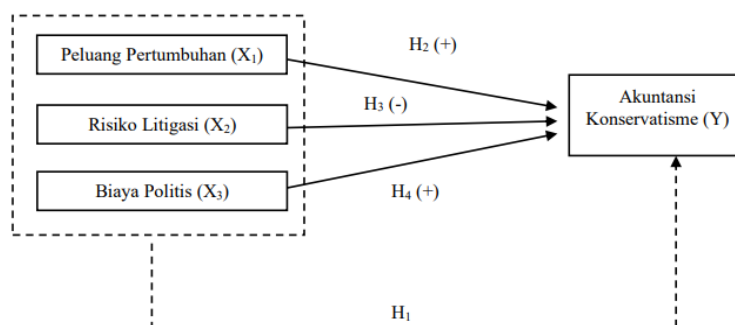
Political costs occur when there is a conflict between a company and the government that has the authority to transfer wealth from a company to the community, this is in accordance with the applicable regulations Iskandar Dalam (Wiecandy & Khairunnisa, 2020). Companies of large size can be expected to have large problems and risks and are followed by increasing political costs. In addition, according to (Wiecandy & Khairunnisa, 2020), companies adopt an *income-decreasing* accounting policy in order to put confidence in the government regarding profits that are experiencing a decline process by deferring profits. Deferring these profits is one of the practices of conservatism.

Based on the previous explanation, it can be concluded that the larger the size of the company, the greater the political costs. With the ultimate goal of the company, which is to choose an accounting method so that the company can delay reporting profits or reduce profits so that the company can reduce *political costs* and the company will be more conservative. Based on this, it is in line with previous research conducted by (Putri et al., 2021), (Iskandar & Sparta, 2019), and (Sulastri et al., 2018) which produced positive results on accounting conservatism.

### Frame of Thought

The results of the previous presentation are described with the framework of thinking in this study, which is as follows:

**Table 1.** Frame of Mind



Information:

Partial Relationship  $\longrightarrow$

Simultaneous Relationships  $\dashrightarrow$

## METHODS

The type of research used in this study is quantitative method. Furthermore, the involvement of researchers in this study is included in the minimal type because it uses secondary data. Secondary data in this study uses the financial statements of secondary goods consumer companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. According to (Sugiyono, 2022: 81), the sample is part of the population studied and the sample is part of the number owned by the population. So that in sampling, basic considerations are needed. In sampling techniques require *purposive sampling techniques*. *Purposive sampling* is a sampling technique using consideration (Sugiyono, 2022: 81). The sample to be used by researchers has certain criteria, namely: (1) Secondary goods consumer sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, (2) Secondary goods consumer sector companies that are consistently listed on the Indonesia Stock Exchange (IDX) in 2018-2021, (3) companies that are consistent in publishing audited annual reports to meet the needs of research variables in the 2018-2021 period.

**Table 2.** Sample Selection

No.	Criterion	Sum
1.	Secondary goods consumer sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021	138
2.	Inconsistent secondary goods consumer sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021	(29)
3.	Companies listed on the Indonesia Stock Exchange in the 2018-2021 period and do not have data to meet the needs of research variables	(69)
	Number of companies sampled	40
	Total observation data for the period 2018-2021 (40 x 4)	160

In this study, there are 4 variables, namely: (1) dependent variables, namely accounting conservatism, (2) independent variables, namely growth opportunities, litigation risks and political costs. The analysis method used was panel data regression using *EViews 10* software. In general, to estimate regression coefficients used *Ordinary Least Square* (OLS) which requires some classical assumptions. If the classical assumption is met, the *Best Linear Unbias Estimator* (BLUE) is obtained (Yulianto, Sugiman, and Agoestan 2018). If the assumption is not met, the use of *Ordinary Least Square* (OLS) to estimate regression will provide an invalid interpretation because it is susceptible to being affected by outliers. The regression model to be tested and to find out if it meets the criteria of *the Best Linear Unbias Estimator* (BLUE), it is necessary to carry out a series of tests. In this study, the author used a multicollinearity test, heteroscedasticity test, and autocorrelation test (Ismanto & February, 2021: 58). The normality test is not used because it is basically not a condition for *the Best Linear Unbias Estimator* (BLUE) and some opinions do not need to be tested for normality (Basuki & Prawoto, 2017: 297). Panel data regression is a combination regression between *time series* and *cross section* data. The results of the regression analysis are in the form of

coefficients for each independent variable (Sugiyono, 2022: 145). The following is the equation of regression analysis of the panel data model used in this study:

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

Information:

- Y : Accounting Conservatism
- a : Konstanta
- X1 : Growth Opportunities
- X2 : Litigation Risk
- X3 : Political Cost
- $\beta_1 - \beta_3$ : Koefisien Regresi
- $\varepsilon$  : Error Term

## RESULTS AND DISCUSSION

### Descriptive Statistics

**Table 3.** Descriptive Statistical Test Results

	PP	RL	BP	K
Mean	2.285	1.5988	27.7089	0.18207
Median	1.075	0.61	28.01500	0.009000
Maximum	15.96	39.03	30.69000	5.481000
Minimum	-2.79	-14.89	16.54	-0.33
Std. Dev.	3.435374	6.135652	2.60794	0.922208
Observations	160	160	160	160

Based on Table 3, the results of descriptive statistical testing can be explained as follows: The variable growth opportunity shows an average value of 2.285 and a standard deviation of 3.435374. An average value smaller than standard deviation indicates that the data is ungrouped and varied. The maximum value of 15.96 is at PT Primarindo Asia Infrastructure in 2021. The minimum value of -2.79 is PT Trikonsel Oke Tbk. in 2020.

The litigation risk variable shows an average value of 1.5988 and a standard deviation of 6.135652. An average value smaller than standard deviation indicates that the data is ungrouped and varied. The maximum value of 39.03 is at PT Visi Media Asia Tbk in 2020. The minimum value of -14.89 is at PT Visi Media Asia Tbk in 2021.

The political cost variable shows an average value of 27.7089 and a standard deviation of 2.60794. An average value greater than standard deviation indicates that the data are clustered and do not vary. The maximum value of 30.69 is at PT Media Nusantara Citra Tbk in 2021. The minimum value of 16.54 is PT Astra Otoparts Tbk. in 2020.

Panel Data Model Selection Test  
 Test Chow

**Table 4.** Chow Test Test Results

Redundant Fixed Effects Tests  
 Equation: MODEL2  
 Test cross-section fixed effects

Effects Test	Statistic	df.	Prob.
Cross-section F	10.414690	(39,117)	0.0000
Cross-section Chi-square	239.638098	39	0.0000

Based on Table 4, it shows that the probability value of Cross-Section F is 0.0000 which is less than the significance level ( $\alpha = 5\%$ ). Through these results, it can be concluded that it is rejected and accepted. This means that the better model to use is the  $H_0H_1$  fixed effect model than the common effect model, so the next test is the Hausman Test.

Uji Hausman

**Table 5.** Hausman Test Test Test Results

Correlated Random Effects - Hausman Test  
 Equation: MODEL2  
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.542868	3	0.0003

Based on Table 5, it shows that the probability value of random cross-section is 0.0003 which is smaller than the significance level ( $\alpha = 5\%$ ). Through these results, it is rejected, and accepted. So that the best model in estimating regression panel data in this study is  $H_0H_1$  the Fixed Effect Model (FEM).

Regression Eligibility Test

Multicollinearity Test

**Table 6.** Multicollinearity Test Test Results

Variance Inflation Factors  
 Date: 02/23/23 Time: 00:36  
 Sample: 2018 2021  
 Included observations: 160

Variable	Coefficient		
	Uncentered	Centered	
	Variance	VIF	VIF
C	3.556642	75109.30	NA
X1	3.18E-06	1.871519	1.870783
X2	7.81E-05	1.062550	1.051969
X3	0.004628	75131.58	1.940583

The multicollinearity test aims to determine the relationship between independent variables in the regression model (Priyanto, 2022: 102). Regression models are said to be good if there is no multicollinearity. The limit of multicollinearity can be seen from tolerance and inflation factors. Based on the results of data processing that has been carried out and presented the results in Table 6, it is known that there is no value more than 10 in the correlation value between variables, so it can be concluded that in this study there is no multicollinearity found in the two independent variables.

### Heteroscedasticity Test

$$LM = \frac{T}{2} \sum_{i=1}^N \left( \frac{\hat{\sigma}_i^2}{\sigma^2} - 1 \right)^2 \sim \chi^2_{(N-1)}$$

Information:

$N$  = jumlah individu

$T$  = jumlah periode waktu

$\hat{\sigma}_i^2$  = Mean Square Error residual individu ke  $i$

$\sigma^2$  = Mean Square Error pada saat homoskedastik

$$LM = 79.052$$

$$\chi^2_{(N-1)} = 54.57$$

The heteroscedasticity test is performed manually. The hypothesis made in this heteroscedasticity test is where the variance between cross sections is constant and where the variance differs between cross sections. Because then reject. There is heteroscedasticity in the matrix of residual variances or variances between different cross sections.  $H_0: \sigma_1^2 = \sigma^2 H_1: \text{minimal ada salah satu } \sigma_1^2 \neq \sigma^2$   $LM > \chi^2_{(N-1)} H_0$

### Nonautocorrelation Test

**Table 7.** Nonautocorrelation Test Test Results

Residual Cross-Section Dependence Test  
 Null hypothesis: No cross-section dependence (correlation) in residuals  
 Equation: MODEL2  
 Periods included: 4  
 Cross-sections included: 40  
 Total panel observations: 160  
 Cross-section effects were removed during estimation

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	1141.088	780	0.0000
Pesaran scaled LM	9.142210		0.0000
Bias-corrected scaled LM	2.475543		0.0133
Pesaran CD	3.210515		0.0013

Based on Table 7, shows that the probability value is less than the level of significance where, through the result it is rejected, and accepted. There is autocorrelation in the residual variance-covariance matrix or there is cross sectional correlation. Because there is heteroscedasticity and autocorrelation in the residual variance covariance matrix, a good model is FGLS/SUR.  $\alpha = 5\% = 0.05 H_0 H_1$

### Panel Data Regression Analysis

Based on the results of data tests on the chow test and hausman test on previously tested models, the regression analysis of panel data used in this study, namely *the fixed effect model* presented with *EViews 10* software, is shown in table 8 as follows:

**Table 8.** Panel Data Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.96178	1.885906	5.812475	0.0000
X1	0.000414	0.001784	0.231930	0.8170
X2	0.021175	0.008838	2.395788	0.0182
X3	-0.390591	0.068030	-5.741444	0.0000

Effects Specification			
Cross-section fixed (dummy variables)			
Weighted Statistics			
R-squared	0.566076	Mean dependent var	0.114019
Adjusted R-squared	0.410308	S.D. dependent var	0.416588
S.E. of regression	0.324226	Sum squared resid	12.29935
F-statistic	3.634104	Durbin-Watson stat	2.191124
Prob(F-statistic)	0.000000		

Based on the results of table 8, constant values, probability values of each variable and regression coefficients. So it can be formulated that the panel data regression analysis equation is as follows:

$Y = 10.96178 + 0.000414 + 0.021175 - 0.390591$  So the explanation obtained from the results of the panel data regression linear equation is as follows:

1. If the constant value of 10.96178 indicates that if the independent variable i.e. growth opportunity variable, litigation risk and political cost is considered constant (value 0), then the dependent variable i.e. accounting conservatism variable will be valued at 10.96178.
2. If the value of the regression coefficient of the growth opportunity variable is 0.000414, meaning that if the profitability variable increases by one (unit), while the other independent variable is the litigation risk variable and political costs are considered constant (0 value), then the dependent variable, namely the accounting conservatism variable, will be 0.000414.
3. If the value of the regression coefficient of the litigation risk variable is 0.021175, meaning that if the litigation risk variable increases by one (unit), while the other independent variable is the growth opportunity variable and political costs are considered constant (0), then the dependent variable, namely the accounting conservatism variable, will be 0.021175.
4. If the value of the regression coefficient of the political cost variable is -0.390591, meaning that if the political cost variable increases by one (unit), while the other independent variable is the growth opportunity variable and the risk of litigation is considered constant (0), then the dependent variable, namely the accounting conservatism variable, will be -0.390591.

### Hypothesis Testing

1. Coefficient of Determination Analysis (R2)

Based on Table 8, the Adjusted R-square value of 0.410308 indicates that the three independent variables (growth opportunity (X1), litigation risk growth (X2), and political

cost (X3)) can explain 41% of the accounting conservatism variable, while the remaining 59% is explained by other variables outside the model.

## 2. Simultaneous Significance Test (F Test)

The simultaneous test (Test F) basically shows whether all independent variables (growth opportunities, political costs and litigation risk) together or simultaneously affect the dependent variable or accounting conservatism (Ismanto & February, 2021: 137). Test F is done by looking at the significance value of the regression results. In the table results, it shows that the P-value of the F test is 0.000, smaller than  $\alpha$  (0.05) so that it can be interpreted that the three variables of growth opportunity (X1), litigation risk (X2), and political cost (X3) together (simultaneously) have a significant influence on the variable of accounting conservatism.

## 3. Partial Significance Test (T Test)

The T test can be done by looking at the significance value of t for each variable from the regression results (Ismanto & February, 2021: 137). Based on Table 8, the significance test results of the fixed effect model are known as follows:

- a. The Growth Opportunity variable (X1) has a probability value greater than the significance level, which is 0.8170 greater than  $\alpha$  (0.05) so that the growth opportunity variable (X1) has a positive but not significant effect on accounting conservatism.
- b. The Litigation Risk Growth Variable (X2) has a probability value that is smaller than the significance level, which is worth 0.0182 where it is less than  $\alpha$  (0.05) so that the litigation risk variable (X2) has a positive and significant effect on accounting conservatism.
- c. The Political Cost variable (X3) has a probability value that is smaller than the significance level, which is worth 0.000 less than  $\alpha$  (0.05) so that the political cost variable (X3) has a negative and significant effect on accounting conservatism.

## CONCLUSION

Based on the results of data tests on research that has been conducted, several conclusions were obtained, namely simultaneously growth opportunities, litigation risk and political costs together have an influence on accounting conservatism. Then partially, the results of the study show that there are growth opportunities that have positive but not significant accounting conservatism. While the risk of litigation has a positive and significant effect on accounting conservatism. Furthermore, political costs have a negative influence on accounting conservatism.

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