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Examining the Factors Affecting Accounting Prudence

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Abstract

This study examines the effect of managerial ownership, firm size, leverage, and growth opportunities on accounting prudence. This type of research includes causal research using quantitative methods. The population in this study were all mining companies listed on the BEI, as many as 28 companies. The sample in this study was determined by purposive sampling, so the full selection was 50 data from 10 financial statements of mining companies for five years. Secondary data was collected through the Indonesia Stock Exchange website and analyzed using Multiple Regression Analysis with the Ordinary Least Square model using the Eviews Version 12 software. The results found that managerial ownership positively and significantly affected accounting prudence. Meanwhile, firm size and leverage have no significant positive effect on accounting prudence. Meanwhile, the growth opportunities variable has a negative and significant impact on accounting prudence. The suggestions given by the author for further research are expected to consider other factors outside of this research that can affect accounting prudence such as litigation risk, taxes, and public ownership and can expand objects to other sectors and extend the research period to provide better results and more accurate.

Keywords: Managerial Ownership; Firm Size; Leverage; Growth Opportunities; Accounting Prudence

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Introduction

The financial report is one information that describes a company's achievement and economic condition. Financial statements are helpful for creditors and investors in making decisions, lending, and investing in a business. (Prameswari & Yustrianthe, 2015), each company is free to choose an accounting method based on its condition by Financial Accounting Standards (SAK) when presenting its financial statements. With the freedom to choose an accounting method, company management benefits from flexibility. The company faces a prudence limitation to manage accounts to provide valuable and quality information. Attention replaces the concept of conservatism. (Măciucă et al., 2015) suggests that with the convergence of IFRS, the idea of prudence has now been replaced with prudence. The meaning of prudence in IFRS is that revenue recognition can be recognized even though it is still in a potential form, as long as it meets the revenue recognition requirements. However, his confession still uses the precautionary principle (Hidayati, 2020). After SAK adopted IFRS, the IASB considered that both prudence and conservatism in practice the desired quality of accounting information, so this case established IFRS in the hope that the finances could be relevant and reliable (Mora & Walker, 2015). However, the company is still facing uncertainty during the IFRS era. Adhering to the precautionary principle with the level of accuracy in financial statements is considered appropriate to overcome this uncertainty (Brunnermeier et al., 2009).

The Financial Accounting Standards (SAK) that use the concept of prudence are PSAK No. 14 concerning Inventory and PSAK No. 48 concerning Asset Impairment. In PSAK No. 14, it is explained that inventories in the balance sheet are presented based on the lowest value between cost and net realizable value. In contrast, PSAK No. 48 describes that an impairment in asset value is a loss that must recognize immediately in the statement of comprehensive income (Aristiani et al., 2017). So based on the explanation above, we can conclude that prudence is an act of prudence in recognizing assets or income (good news) and recognizing terrible news such as expenses, reserves for losses on bad debts more quickly to avoid or reduce risks that may occur due to uncertainty in business. Prudence is a convergence of accounting conservatism, which means the principle of prudence in recognizing income or assets and expenses, resulting in shrinking the profits generated by a company to reduce the risk of uncertainty in the future (Hotimah & Retnani, 2018). According to (Chen et al., 2010), prudence is a state of quickly recognizing economic gains compared to recognizing losses. This difference in treatment can be seen in the unequal timeliness of presentation when responding to the occurrence of profits (good news) compared to the time of the event of losses (bad news). (Whittington, 2008) states that prudence is an acknowledgment and measurement of profit carried out with caution due to the uncertain economic environment.

The phenomenon of the lack of application of the concept of prudence, among others, occurs in metal and mineral mining sub-sector companies listed on the Indonesia Stock Exchange (IDX). This started when on April 15, 2020, the management of PT Timah Tbk (TINS) suddenly restated its 2018 financial statements. Proved the company reported high profits from the actual situation (overstated). TINS management made a significant revision. Previously, TINS' net profit as of December 31, 2018, was IDR 531.35 billion. Now, it is revised to IDR 132.29 billion. TINS management stated that the repair was due to the lack of recording of income expenses on the sale of tin metal, improper investment property balances, inappropriate method of recognizing income from house sales, and uncollected prepaid taxes (kompas.com, 2020).

After cases of errors in recording or carelessness of TINS management in reporting the 2018 financial statements, in 2019, the company was faced with quite serious problems. Roza (2021) stated that in 2019 PT Timah Tbk lost Rp 611.28 billion. The excellent performance in 2018 made PT Timah increase its production, but the declining world tin price has become a problem for the company. In addition, the company's debt also swelled to Rp 8.79 trillion. The company's management said that to overcome this problem, it was the phenomenon of the lack of application of the concept of prudence, among others, occurred in the mining sector companies in the metal and mineral mining sub-sector, which were listed on the Indonesia Stock Exchange (IDX). This started when on April 15, 2020, the management of PT Timah Tbk (TINS) suddenly restated its 2018 financial statements. Proved the company to have reported high profits from the actual situation (overstated). TINS management made a significant revision. Previously, TINS' net profit as of December 31, 2018, was IDR 531.35 billion. Now, it is revised to IDR 132.29 billion. TINS management stated that the repair was due to the lack of recording of income expenses on the sale of tin, improper investment property balances, improper method of recognizing income from house sales, and uncollected prepaid taxes (Kompas.com, 2020).

The company's management said that to overcome this problem, it was stable, meaning that the company had to be careful in reporting the company's financial statements. This precautionary measure taken by the company is known as prudence. The use of this principle assumes that the company will face economic uncertainty in the future, so the measurement, recognition, and calculation of these figures are carried out with caution. Prudence Accounting in the presentation of financial reporting can be influenced by several factors, including the first, namely, managerial ownership. Managerial ownership is the most significant share ownership by company management as measured by a large percentage of the number of shares owned by management (Astriani, 2014). The amount of managerial ownership possessed causes a sense of ownership to be large enough. Hence, managers are more willing to develop and enlarge the company than being concerned with bonuses if they meet profit targets (Cheng & Warfield, 2005). Research conducted by (Pambudi 2017) shows that Managerial Ownership affects Accounting Prudence in the presentation of financial statements. However, it is inversely proportional to research (Esa Anti Ursula, 2018), showing that Managerial Ownership has no effect on Accounting Prudence in the presentation of financial statements.

The second factor that influences accounting prudence is company size. Company size is the wealth owned by the company by looking at several things, one of which is the assets owned by the company. The study results (Aryani & Muliati, 2020) state that company size positively affects prudence. However, (Haryadi et al., 2020) stated that firm size had a significant adverse impact on accounting prudence. The third factor that affects accounting prudence in presenting financial statements is leverage. Leverage is a ratio that shows how much debt is used to finance company assets. (Hotimah & Retnani, 2018) found that the leverage ratio has a positive effect on accounting conservatism, which means that if the company has a large debt, as a creditor, it has a role and supervisory rights in the operation of a company's operating activities. However, (Abdurrahman & Ermawati, 2018) found that leverage did not affect accounting prudence. The fourth factor that affects Accounting Prudence is Growth Opportunities. Growth Opportunities are opportunities that a company must increase the amount of its investment. Growth opportunities or growth opportunities are indicators that can describe the value of a company related to the company's survival (Louw, 2020). Hernita (2021) states that companies with high growth opportunities will potentially reduce profits. Research (El-Haq et al., 2019) says that growth opportunities positively and significantly affect accounting prudence in companies. However, this contrasts with research conducted by (SUMANTRI 2018), which shows that growth opportunities do not affect accounting prudence in presenting financial statements.

Based on the results of previous research, which showed different results regarding the effect of the independent variables in this research on accounting prudence, it encourages or motivates to do research again to test the impact of managerial ownership, firm size, leverage, and Growth Opportunities on accounting sense. The basis for the need to disclose financial statements by management to shareholders/investors is explained in agency theory. According to Jensen & Meckling, (1976) an agency relationship exists when one or more individuals called principals work with other individuals or organizations called agents; principals will provide facilities and delegate decision-making policies to agents. Agents (company management) must provide periodic reports to the principal (shareholders) about the business they run. The principal will assess the performance of his agent through financial statements submitted to him (Geimechi & Khodabakhshi, 2015).

Conflicts between managers (agents) and stakeholders (principals) cause agency problems. Managers' behavior is not always aimed at stakeholders' interests (principals). Still, sometimes managers behave in the managers' interests without paying attention to the impact on stakeholders (principals). Imbalance of information or what is called information asymmetry conditions that spur agency conflicts due to differences in information knowledge from the managers (agents) and stakeholders (principals) so that managers can manipulate financial statement information without the stakeholders (principals) knowing the absolute truth (Risdiyani & Kusmuriyanto, 2015; Sinambela & Almilia, 2018). Agency theory is a relationship or contract between the principal and agent (Anthony, 1995; Daryatno & Santioso, 2020). Agreements are made and executed to address the problem of information asymmetry in companies whose capital consists of shares. Shareholders act as principals and the CEO (Chief Executive Officer) as their agents. Shareholders employ the CEO to work in the interests of the principal. Even though the principal already has a CEO as a supervisor, sometimes the principal also has difficulty monitoring the CEO continuously. Thus, the agent still can take actions by the wishes and interests to maximize functions and achieve their goals. Related to agency problems, this research explains managerial ownership, firm size, leverage, and Growth Opportunities to Accounting Prudence.

Positive accounting theory is a theory that predicts the accounting policies that the company will choose under certain conditions. According to (Hery 2017; Daryatno & Santioso, 2020), positive accounting theory explains how accounting practice is carried out based on experience that can test empirically. According to (Amin 2018; Martika et al., 2021), positive accounting theory is a theory that explains a process that contains accounting skills, understanding, and knowledge, as well as the use of appropriate accounting policies for certain conditions in the future. So, based on the explanation above, we can conclude that positive accounting theory aims to predict accounting practices and explain why it is done and why it is done. According to positive accounting theory, the accounting procedures used by companies do not have to be the same as others. Still, companies are given the freedom to choose one of the available alternative procedures to minimize contract costs and maximize firm value. With this freedom, managers tend to take any action, which is called opportunistic behavior according to positive accounting theory. Opportunistic action is an action taken by the company in choosing a good accounting policy and maximizing the company's satisfaction.

Managerial ownership is one of the company's internal factors that determine the company's progress. Business decisions taken by managers are decisions to maximize company resources that have been entrusted to investors. A threat to the company if the manager acts on personal interests, not the company's interests (Wulandari et al., 2014; Dewi, 2019). Shareholders and managers have their interests in maximizing their goals. Shareholders aim to obtain dividends on shares, while managers are interested in receiving bonuses from investors for the performance achieved in one accounting period. If managerial ownership is more than other investors, management tends to report more conservative earnings. As a result of the sizeable managerial ownership, the manager's sense of belonging to the company is large enough so that the desire to grow the company is more significant.

According to Jensen & Meckling, (1976) the agency theory explains that the owner of the company (principal) gives management authority to the management (agent). The management authority of the company by the manager includes selecting accounting methods that can use. The size of the manager's ownership in the company can affect the selection of accounting methods to prepare the company's financial statements. When manager ownership is low, managers will take advantage of information asymmetry to report financial statements that do not apply the precautionary principle. Managers will want to show their good performance to external parties to get high bonuses (bonus plan hypothesis). The existence of information asymmetry encourages managers to maximize utility at the expense of the principal's interests. The prudence method will create a hidden reserve that is large enough to increase the company's investment (Hariyanto, 2020). Research conducted by (Dewi & Suryanawa, 2014; Yanti et al., 2018; Jao & Ho, 2019) states that managerial ownership has a positive and significant effect on Accounting Prudence. However, it is inversely proportional to the research conducted by (Wiguna & Hastuti, 2020), which shows that managerial ownership does not affect Accounting Prudence.

H1: Managerial ownership has a positive and significant effect on accounting prudence

Company size is the level of a company that shows its wealth through labor capacity, production capacity, and the capital capacity it uses (Nurbaiti, 2020). Company size is seen from the total assets owned by the company that can use for company operations. If the company has significant total assets, the management is more flexible in using the assets in the company. Based on agency theory, large companies with more substantial agency costs will disclose more comprehensive information, which is done to reduce agency costs incurred. In addition, larger companies tend to have a higher public demand for data than smaller companies (Swinburn et al., 2015). The company's size is the firm size seen from the company's total assets on the balance sheet at the end of the year. While based on positive accounting theory, firm size is related to political costs, the larger the fit size, the greater the political costs that will give to the company, so to anticipate this, management in a company tends to be careful and will choose an accounting procedure that can minimize profit. Research conducted by (Mamesah et al., 2016; Aryani & Muliati, 2020) states that company size positively affects prudence. However, (Tista & Suryanawa, 2017; Haryadi et al., 2020) indicated that company size has a significant negative effect on accounting prudence.

H2: Firm size has a positive and significant effect on accounting Prudence

Leverage shows how much the company's assets are financed by debt and indicates the level of security of lenders. If a creditor has given the company a loan, then the creditor automatically has an interest in the safety of the funds he lent, which is expected to generate profits. Companies will use accounting policy choices to improve financial ratios with higher debt levels. The large proportion of the leverage ratio owned by the company shows that its ability to pay off long-term obligations is low even though the company has an interest in offering good performance to creditors to ensure that the security of its funds is guaranteed. Jensen and Meckling (1976) suggest that there is a potential to transfer wealth from debtholders to shareholders and managers in companies with high debt levels, resulting in high agency costs. Companies with a high proportion of debt in their capital structure will bear higher agency costs than companies with a small debt ratio. To reduce agency costs, company management can disclose more information voluntarily, including information related to intellectual capital, which is expected to increase along with the higher level of leverage. Research conducted (Risdiyani & Kusmuriyanto, 2015; Sulastri & Anna, 2018) force has a positive and significant effect on accounting prudence. Meanwhile (Viola & Diana, 2016; Tista & Suryanawa, 2017) found that leverage has a negative and significant impact on accounting prudence. However, the results (Verawaty et al., 2017; Abdurrahman & Ermawati, 2018) find that leverage does not affect accounting prudence.

H3: Leverage has a positive and significant effect on accounting prudence

Growth opportunities are opportunities for companies to invest in good things (Jordan et al., 2016). Companies with high growth opportunities will require large funds to finance this growth in the future. In companies that use the principle of prudence, there are hidden reserves used by investment, so companies with prudence are synonymous with growing companies (Mayangsari, 2002; Susanto & Ramadhani, 2016). Growth is an element that occurs in the company cycle. Growth opportunities or opportunities for companies to grow are opportunities for companies to invest in good things (Jordan et al., 2016). The company's opportunity for high growth tends to require large amounts of funds to finance its growth in the future. A positive response regarding the company's growth will be obtained from investors so that the market value of a conservative company is greater than the book value so that goodwill will be created (Susanto and Tiara, 2016). The research results (Andreas et al., 2017; El-Haq et al., 2019) state that growth opportunities have a positive and significant impact on accounting prudence in companies. (Sari, 2021; Rif'an & Agustina, 2021) has a negative and significant effect on accounting prudence. However, this contrasts with research conducted by (Susanto & Ramadhani, 2016b; Sumantri, 2018), which shows that growth opportunities do not affect accounting prudence.

H4: Growth opportunities have a positive and significant effect on accounting prudence

Research Design and Method

This type of research includes causal research using quantitative methods. The population in this study are all mining companies listed on the BEI, as many as 28 companies. This technique is based on specific criteria estimated to be related to the requirements of the previously known population and the needs of this research. The criteria used include 1) Is a mining company listed on the Indonesia Stock Exchange (IDX) and has published an annual report consistently during the 2015-2019 period. 2) Mining companies with the necessary data for the variables to be studied in their financial statements. 3) A mining company, in its financial report, states that it is making a profit (not experiencing a loss).

Table 1. Results of Sample Selection Method Purposive Sampling

No.	Info	Total Company
1.	All mining companies listed on the Indonesia Stock Exchange for the 2015-2019 period.	28
2.	Mining companies which in their financial statements do not have the necessary data for the variables to be studied. Such as the absence of data on the number of managerial	(11)
3.	Mining companies that are experiencing losses (not profit)	(7)
	The number of companies in the sample	10
	Total observation observations for 5 years (10x5)	50

This panel data combines time-series data and cross-section data, where the time series collects observations within a certain period. While the cross-section is data collected within a certain period from the sample through the website www.idx.co.id and analyzed using multiple linear regression analysis with Ordinary Least Square model using Eviews Version 12 software. The classical assumption test in this study consisted of normality, autocorrelation, and heteroscedasticity tests. The normality test in the OLS approach's classical assumption, testing normally distributed residuals or not using Jarque-Bera. The decision of whether the residuals are normally distributed or not is simple by comparing the calculated JB (Jarque-Bera) probability value with an alpha level of 0.05 (5%). When Prob. JB count greater than 0.05, it can be concluded that the residuals are normally distributed and vice versa; if the value is smaller, then there is not enough evidence to state that the residuals are normally distributed (Iqbal, 2018: 18). Autocorrelation test with the provisions of the value of Prob. F or can also be referred to as the probability value Fcount must be greater than the alpha level of 0.05 (5%) so that it can be said that there is no autocorrelation in the multiple linear regression model. On the other hand, if the value of Prob. F-calculated less than 0.05, it can be concluded that there is an autocorrelation—multicollinearity test using Variance Inflation Factors (VIF). Suppose the Centered Variance Inflation Factors (VIF) value is less than or not greater than 10 or 5. In that case, it can be said that there is no multicollinearity in the two independent variables. Heteroscedasticity test using the heteroscedasticity test method using the ARCH method with the decision whether or not heteroscedasticity occurs in the multiple linear regression model is by looking at the Prob value. F-statistic (F-calculated). If the value of Prob. F-calculated is greater than the alpha level of 0.05 (5%), then there is no heteroscedasticity, whereas if the value of Prob. F-calculated is smaller than the alpha level of 0.05 (5%) then it means that there is heteroscedasticity. The hypothesis test is the simultaneous test, the coefficient of determination, and the partial test.

Results and Discussion

Statistical Result

A normality test is a test conducted to assess the distribution of data in a group of data or variables, whether the distribution of the data is normally distributed or not. The normality test results using the average probability plot graph found that the data in this study were average and could be used. Figure 1 shows the Jarque-Bera value of 0.260202 and a significance of 0.878007 or 87.80% > 5% significance level, meaning that the research variables are normally distributed.

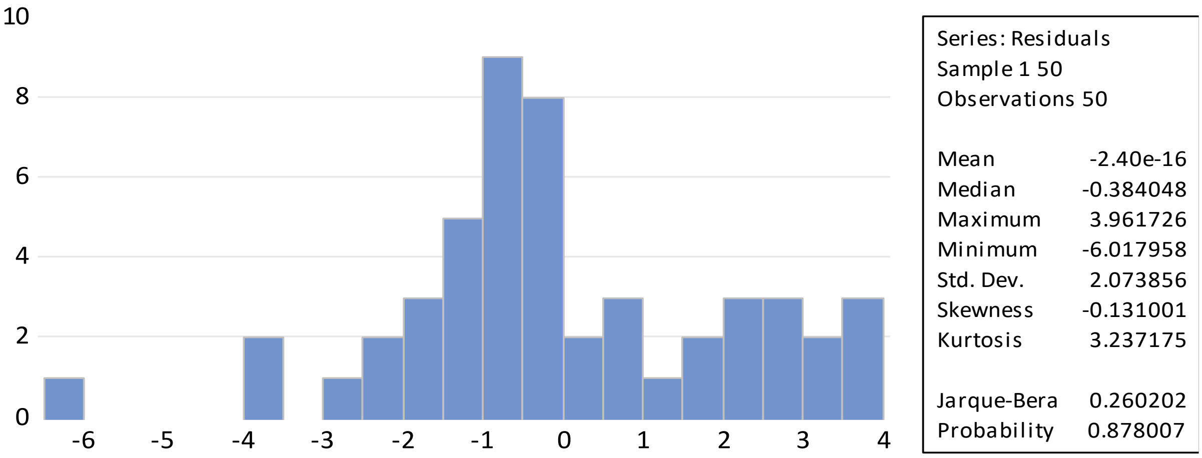

Figure 1. Normality Test Results

Source: Output Eviews V.12 (2021)

Table 2. Autocorrelation Test Results

R-Squared	0.301871	**Mean dependent var**	4.497440
Adjusted R-squared	0.239815	**S.D dependent var**	3.104093
S E of regression	2.706415	**Akaike info criterion**	4.923767
Sum squared resid	329.6108	**Scharwz criterion**	5.114969
Log likelihood	-118.0942	**Hannan-Quinn criter**	4.996578
F-statistic	4.864493	**Durbin-Watson stat**	1.874867
Prob(F-statistic)	0.002400		

The autocorrelation test aims to test whether in linear regression there is a correlation between the confounding error (residual) in period t with errors in period t-1 (previous). The results of the autocorrelation test, as seen from the Durbin-Watson Statistical value for the fixed effect model, is 1.874, meaning that there is no autocorrelation because it is between -2 and +2. Then the heteroscedasticity test is carried out to see whether there is a disturbance that appears in the regression function; it can be done using the ARCH test:

Table 3. Heteroskedasticity Test ARCH Results

F-Statistik	2.316894	**Prob. F (1.47)**	0.1347
Obs*R-squared	2.302006	**Prob. Chi-Square (1)**	0.1292

Based on the test results show that the Prob value. From F-calculated 0.1347 and Chi-Square calculated 0.1292 from all tests more significant than the significance value of 5%, there is no heteroscedasticity in the equation model. Furthermore, the multicollinearity test using

Pearson Correlation was carried out to determine whether there was intercorrelation or collinearity between independent variables in a regression model, which can be seen in table 4. The test results show that the coefficient value between variables is less than 0.9, so the data in this study does not have a multicollinearity problem.

Table 4. Multicollinearity Test Result

No	Auxiliary	Regresi Partial
1	Managerial Ownership	0,049
2	Firm Size	0,148
3	Leverage	0,290
4	Growth Opportunities	0,059

Table 5. Simultaneous Test Result

R-squared	0.301871	**Mean dependent var**	4.497440
Adjusted R-squared	0.239815	**S.D. dependent var**	3.104093
S.E. of regression	2.706415	**Akaike info criterion**	4.923767
Sum squared resid	329.6108	**Schwar criterion**	5.114969
Log likelihood	-118.0942	**Hannan-Quinn criter**	4.996578
F-statistik	4.864493	**Durbin-Watson stat**	1.874867
Prob(F-statistik)	0.002400		

The simultaneous test (F-test) was used to determine whether there was a joint or concurrent effect between the independent and dependent variables. Based on the tests carried out, the results of the calculated f test are 4.864, and the probability f statistic is 0.002 < 0.05, so Managerial Ownership, Company Size, Leverage, and Growth Opportunities simultaneously have a significant effect on accounting prudence in mining companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period. The value of Adjusted R square (Adj.R^2) of 0.239 indicates that Managerial Ownership, Firm Size, Leverage, and Growth Opportunities influence 23.90%, on accounting prudence, the remaining 76.10% is influenced by other factors not examined in this study.

$$Y = 0.211 + 0.837\ X_1 + 0.111\ X_2 + 2.442\ X_3 - 0.561\ X_4 + e$$

The model explains that the managerial ownership variable on accounting prudence shows that the count value is smaller than the table (3.758 > 1.679) with a significance level (p-value) = 0.0005 (< 0.05). Because the p-value < a (5%) and the coefficient are positive 0.837, H1 is accepted, meaning that managerial ownership has a positive and significant effect on accounting prudence. Firm size variable on accounting prudence shows that the count value is smaller than table (0.290 < 1.679) with a significance level (p-value) = 0.773 (> 0.05). Because the p-value < a (5%) and the coefficient are positive 0.111, H2 is rejected, which means that firm size has a positive but not significant effect on accounting prudence. The leverage variable on accounting prudence shows that the count value is smaller than table (0.848 < 1.679) with a significance level (p-value) = 0.400 (> 0.05). Because the p-value < a (5%) and the coefficient are positive 2.442, then H3 is rejected, which means that leverage has a positive but not significant effect on accounting prudence. The Growth Opportunities variable on accounting prudence shows that the count value is smaller than table (-2.310 > 1.679) with a significance level (p-value) = 0.0255 (< 0.05). Because the p-value < a (5%) and the coefficient are negative 0.561, then H4 is rejected, which means that Growth Opportunities have a negative and significant effect on accounting prudence.

Discussion

The results of testing the first hypothesis (H1) show that managerial ownership has a positive and significant effect on accounting prudence. With the proportion of managerial ownership, the manager can be aligned with the principal so that there is a sense of belonging to the company's manager. The manager's sense of belonging to the company causes managers to try to develop the company for its long-term sustainability and does not want the company they manage to experience difficulties and even bankruptcy due to making wrong decisions. In addition, managers who are also shareholders will be able to directly feel the benefits or risks they will face due to their policies and decisions. Therefore, the manager will manage the company entrusted to him by applying the precautionary principle. The results of this study follow agency theory which explains that the company's owner (the principal) gives the management authority of the company to the management (agent). The management authority of the company by the manager includes selecting accounting methods that can use. The size of the manager's ownership in the company can affect the selection of accounting methods to prepare the company's financial statements. When manager ownership is low, managers will take advantage of information asymmetry to report financial statements that do not apply the precautionary principle. Managers will want to show their good performance to external parties to get high bonuses (bonus plan hypothesis). The existence of information asymmetry encourages managers to maximize utility at the expense of the principal's interests. The results of this study support the results of research (Yanti et al., 2018; Jao & Ho, 2019), which states that managerial ownership has a positive and significant effect on Accounting Prudence. The high percentage of managers' shares in a company makes managers not only think about the bonuses that will obtain if the profits are high, but managers are more likely to develop the company by using hidden reserves, which can increase the amount of company investment and managers will be more concerned with the continuity of the company in the long term. However, it is inversely proportional to the research conducted by (Wiguna & Hastuti, 2020), which shows that managerial ownership does not affect Accounting Prudence.

The results of testing the second hypothesis (H2) indicate that firm size has a positive but not significant effect on accounting prudence. This means that large companies have a more complex managerial system than small companies. Management uses more aggressive accounting to show high corporate profits to decrease accounting conservatism. The results of this study are by agency theory which explains that large companies with higher agency costs will disclose more comprehensive information; this is done to reduce agency costs incurred. In addition, larger companies tend to have a higher public demand for data than smaller companies (Nurbaiti, 2020). The company's size is the company's size seen from the company's total assets on the balance sheet at the end of the year. These results are also consistent with positive accounting theory, which explains that company size is related to political costs, the larger the size of the company, the greater the political costs that will give to the company, so to anticipate this, management in a company tends to be careful and will choose a procedure. Accounting that can minimize profit.

The results of this study are in line with (Esa Anti Ursula, 2018; Yusrizal et al., 2021). Company size has a positive but not significant effect on prudence. The larger the size of the company, the higher the political costs. In large companies, information asymmetry is relatively more minor because it will disclose more information to the public to reduce the demand for conservative accounting. However, research results (Mamesah et al., 2016; Aryani & Muliati, 2020) state that firm size has a positive and significant effect on accounting prudence.

The results of testing the third hypothesis (H3) found that leverage has a positive but not significant effect on accounting prudence. The influence shows how much the company's assets are financed by debt and indicates the level of security of lenders. Suppose a creditor has given the company a loan. In that case, the creditor automatically is interested in the safety of the funds he lent, which is expected to generate profits. The results of this study support the agency theory suggesting that there is a potential to transfer wealth from debtholders to shareholders and managers in companies with high debt levels, resulting in high agency costs. Companies with a high proportion of debt in their capital structure will bear higher agency costs than companies with a small debt ratio. To reduce agency costs, company management can disclose more information voluntarily, including information related to intellectual capital, which is expected to increase along with the higher level of leverage. This research is supported by positive accounting theory, which states that companies that experience high leverage ratios will choose accounting methods that are not conservative. Income statements for future periods are recognized to the current period, which will cause the company to have a small leverage ratio, thus causing the company not to experience problems in debt agreements with creditors. The results of this study support the research results (Verawaty et al., 2017; Abdurrahman & Ermawati, 2018), finding that leverage does not affect accounting prudence. However, the results of this study differ from those (Risdiyani & Kusmuriyanto, 2015; Sulastri & Anna, 2018) that leverage has a positive and significant effect on accounting prudence. Furthermore, it is also different from the results (Viola & Diana, 2016; Tista & Suryanawa, 2017), finding that leverage has a negative and significant effect on accounting prudence.

The results of this study indicate that Growth Opportunities have a negative and significant effect on accounting prudence. In companies that use conservative accounting principles, there are hidden reserves used for investment so that an established company is identical to a growing company. Companies with high growth opportunities will require significant funds to finance this growth in the future. In companies that use the principle of prudence, there are hidden reserves used by an investment so that companies with sense are synonymous with growing companies (Mayangsari, 2002; Susanto & Ramadhani, 2016). The choice of conservative accounting methods is inseparable from the interests of management to maximize interests at the expense of the welfare of its shareholders, or what is commonly referred to as agency problems as presented in agency theory by Jansen and Meckling (1976). This growth will be responded to positively by investors so that the market value of a conservative company is more significant than its book value, creating goodwill. This will make the market and investors evaluate the company positively. This situation can show a company continually growing because its assets continuously increase. (Sari, 2021; Rif'an & Agustina, 2021) has a negative and significant effect on accounting prudence. The company's growth opportunities require funds, mostly from external sources. So the company does not minimize profits by applying accounting conservatism in contrast to the research results (Andreas et al., 2017; El-Haq et al., 2019), which states that growth opportunities have a positive and significant impact on accounting prudence in companies. However, this is in contrast to research conducted by (Susanto & Ramadhani, 2016; Sumantri, 2018), which shows that growth opportunities do not affect accounting prudence.

Conclusions

Based on the tests carried out, we can conclude that the managerial ownership variable positively affects accounting prudence. Meanwhile, firm size and leverage have no significant positive impact on accounting prudence. And the growth opportunities variable has a negative and significant effect on accounting prudence. The suggestions given by the author for further research are expected to consider other factors outside of this research that can affect accounting prudence such as litigation risk, taxes, and public ownership and can expand objects to other sectors and extend the research period to provide better results and more accurate.

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