

# Audit Quality Characteristics and Accounting Conservatism: Empirical Study in Indonesian Company

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## Abstract

This research investigates the effect of audit quality on accounting conservatism in Indonesian companies. The research uses a sample of 510 observations of publicly listed companies on the Indonesian Stock Exchange for the fiscal year that ends on December 31, 2015 through 2019. Audit characteristics are proxied by the size of the public accounting firm (ASIZ), auditor specialization (ASP), and auditor tenure (ATEN), while accounting conservatism (ACON) is measured using the accrual method. The sampling process was carried out using a purposive method. The study finds that that auditor specialization and auditor tenure have positively affect accounting conservatism, while the size of the accounting firm negatively affects accounting conservatism. This result enriches the conservatism literature in the fair value accounting era which was adopted in 2012 especially in emerging market environment. Since accounting conservatism is one of agency problems solution as well as to protect investors, the result of this study may affect firms' accountant to prepare financial information for interest users. The scope of the study period and the sample size due to empirical data conditions that do not meet the criteria and the use of only one measure of conservatism, namely the accrual method, may lead to the not optimal generalization of research results.

**Keywords:** Audit Quality; Conservatism; Specialization; Tenure; Size

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## 1. Introduction

This study investigates the effect of audit quality on accounting conservatism. This research is motivated by the fact that conservatism is still an important accounting principle in the process of measuring earnings (Soliman & Ragab, 2014), even though the conceptual framework, is no longer included as part of the qualitative characteristics of financial information. Conservatism is not included as an element of the quality of accounting information because conservatism is considered contrary to neutral principles (International Accounting Standards Board (IASB), 2018).

Previous research has found evidence that accounting conservatism has increased over time (Basu, 1997). Conservatism is an accounting practice that does not anticipate gains but anticipates all losses (Bliss, 1924). Conservatism is the timeliness of earnings asymmetry which requires higher verification to recognize good news as a gain than to recognize bad news as a loss (Basu, 1997). Givoly & Hayn (2000) defines conservatism as a selection criterion among accounting principles that impact on minimizing reported earnings by slowing down revenue recognition, accelerating recognition of expenses, lowering asset valuation, and enhancing liability valuation. All of the above statements acknowledge that reported

earnings using conservative accounting are made lower. This impacts on limiting incentive payments to managers (Chen, Hemmer, & Yun, 2007), enabling early detection of negative net present values as a result of recognizing immediate potential loss (Ball, Robin, & Wu, 2003), limiting opportunistic behavior of managers (Watts, 2003; Chen et al., 2007), reduces information asymmetry between managers and shareholders (Lafond & Watts, 2008), and in turn increases the usefulness of financial statements (Ball & Shivakumar, 2006) and increases firm value (Watts, 2003).

Audit quality is very important because audit quality reflects the activities of auditors in gathering sufficient evidence, detecting fraudulent activity, reducing manipulation of financial information, and finally issuing the proper opinion on financial reporting with all material matters (Soliman & Ragab, 2014). Audit quality will also increase public confidence in the credibility of the audit process and financial reporting, especially the independence and credibility of auditors (Hamid & Suzana, 2013). Therefore, this study was conducted to analyze audit quality characteristics such as auditor size; auditor specialization; and auditor engagement tenure. These characteristics of auditors have been investigated in the context of their impact on information quality. Accounting conservatism is one of the specific elements of the quality of accounting information but it contradicts the principle of neutrality (International Accounting Standards Board (IASB), 2018). Therefore, this research is expected to confirm that conservatism remains an important attribute of the quality of accounting information. Thus, the research problem is formulated in the form of the following question: Do the characteristics of audit quality affect the level of accounting conservatism in companies listed on the Indonesia Stock Exchange?

This research contributes in the form of new insights and integrated analysis on the association between audit quality and accounting conservatism in non-financial companies, especially manufacturing companies, which are listed on the Indonesia Stock Exchange so that the quality of accounting information will be reflected in investors' decisions. and stock market movements.

This study uses agency theory, a theory that explains and predicts the behavior of the parties involved in the agency relationship, which are principals and agents (Jensen & Meckling, 1976). In agency theory, there is a separation between ownership (cash flow rights) and control (voting rights). This results in information asymmetry between principals and agents because agents are likely to be selfish and act for their interests at the expense of the interests of the principal. As a result, asymmetry raises agency problems (Jensen & Meckling, 1976). Accounting conservatism is one of the mechanisms that deal with agency problems to protect the investor's interests (Lafond & Roychowdhury, 2008).

Conservatism is still a necessity because conservatism can increase the credibility of financial information (Hellman, 2008; Sameh & Reyad, 2012). Lafond & Watts (2008) argues that information asymmetry among investors triggers accounting conservatism. When debt is greater, creditors require a higher level of conservatism in accounting reports to avoid potential losses (Ahmed et al., 2002; Watts, 2003; Xia & Zhu, 2009). Conservative accounting can also benefit a company; therefore, companies can have an incentive to adopt conservative financial reporting policies (Francis, LaFond, Olsson, & Schipper., 2004; Zhang, 2008). Conservatism also reduces managers' incentives to manipulate earnings because the timeliness of recognizing losses in earnings reduces the impact of bad news on stock prices (Chen et al., 2007). Creditors also appreciate companies that apply a high level of conservatism by charging low interest because conservatism gives initial signals to loan buyers of potential credit irregularities (Zhang, 2008).

(Reyad, 2011) investigated the relationship between the level of accounting conservatism and the level of earnings quality in companies listed on the Bahrain stock exchange. The study found that there is a direct relationship between the level of accounting conservatism and the level of earnings quality. The study concludes that a high level of accounting conservatism contributes to increasing the credibility of financial statements, thereby contributing to the rationalization of investment decisions. Francis, Hasan, & Wu, (2013) examined the extent to which conservative accounting affects shareholder value. He finds that there was a positive relationship between conservatism and cumulative stock returns during the

financial crisis. The results provide evidence supporting the positive accounting theory that conservatism is an efficient mechanism for mitigating information risk and controlling agency problems so that shareholders benefit from it.

In the last few years, it has been seen that the collapse of many large companies in various countries in the world, causing a decline in confidence in the information contained in financial reports. This is exacerbated by the involvement of audit firms (Sameh & Reyad, 2012). This condition raises the question of audit quality. Issa (2008) states that audit quality is the ability of the audit process to detect and report material misstatements of financial statements and reduce information asymmetry between management and shareholders. Audit quality relates to the quality of the information in the financial statements because financial reports that have been audited by a qualified auditor are unlikely to contain substantial misstatements. This is reflected in agency fees. Thus, audit quality has a positive effect on the quality of accounting information. Therefore, by using the best quality audit services, the level of accounting conservatism in the financial statements will be bigger. In this study, audit quality is proxied by the size of the public accounting firm, auditor specialization, and auditor tenure.

Conservatism is influenced by the size of the independent audit firms because a larger audit firm provides better audit quality, which positively affects the quality of reported accounting information (DeAngelo, 1981; Kramer, Georgakopoulos, Sotiropoulos, & Vasileiou, 2011). The study conducted by DeAngelo (1981) is the first study about audit quality and its influence factors. This study finds a positive relationship between audit firm size and accounting conservatism. Hamdan, Kukrija, Awwad, & Dergham (2012) also find a positive relationship between audit firm size and accounting conservatism. This shows that large accounting firms can increase the level of accounting conservatism in financial reports. In contrast, Yegadeh, Kangarlouei & Motavassel (2012) and Gerami & Kordlouie (2016) report no effect of audit firm size on conservative earnings. Finally, Youssef & Hamid (2017) report a positive relationship between the size of the audit firm and the level of conservatism. Based on this study, the first hypothesis is formulated as follows:

**H1:** Audit firm size has a positive effect on accounting conservatism.

The more specialized the auditor is in a particular sector or industry, the more knowledgeable he is about client activities and the higher the quality of his work. This in turn will improve the quality of reported accounting information (Sun & Liu, 2011). Previous research shows that auditor specialization in the client industry helps improve the quality of financial reports. Hamdan et al., (2012), Vaez & Dorseh (2016), Mohammed, Ismail, & Amran (2019) report that auditor specialization has a positive effect on conservatism. Additionally, auditor specialization in the client industry has an impact on better audit quality, and in turn improves the quality of financial reports as well as increases the level of accounting conservatism in the company (Albring, Elder, & Zhou, 2007). Based on this study, the hypothesis is formulated as follows:

**H2:** Auditor specialization has a positive effect on accounting conservatism.

The duration of the audit task refers to the number of consecutive years the auditor has audited the client (Johnson, Khurana, & Reynolds, 2002). Auditors who have served clients for a long time can develop close relationships with management. This can reduce auditor independence (Hamid & Suzana, 2013). Geiger & Raghunandan (2002) revealed that auditor tenure is not related to reporting failure and stated that mandatory auditor rotation was not considered a good solution to improve audit quality. From an auditor's perspective, the long duration increases the competence of auditors which makes them more knowledgeable about the client's business environment. In contrast, Albring et al. (2007) stated that mandatory rotation can be an important solution in increasing auditor independence and audit quality

because longer tenure will contribute to the willingness of clients to purchase other services from their auditors. Yegadeh, et al. (2012) find that accounting conservatism increased with the extension of the auditor-client relationship. Likewise, Jenkins & Velury (2008) find significant results between auditor tenure and conservatives in reported earnings. However, Kramer et al. (2011) revealed that the level of reported earnings conservatism is higher for audit firms with shorter tenure than audit firms with longer tenure. On the other hand, some of the most recent research has also shown that a longer relationship between the auditor and the client can be beneficial because the auditors gain more knowledge about the client and the industry (Jenkins & Velury, 2008; Li, 2010; dan Hamdan et al., 2012). More recent research conducted by Ayorinde & Babajide (2015) and Gerami & Kordlouie (2016) reports a positive relationship between auditor tenure and accounting conservatism. Based on this study, the third hypothesis is formulated as follows:

**H3:** The auditor's tenure has a positive effect on accounting conservatism.

## 2. Research Design and Method

The sample in this study involved 105 real estate auction investors at the State Assets and Auction Service Office (KPKNL) Sidoarjo, East Java, Indonesia with the criterion, the sample is having participated in a real asset auction of times the auction 1-10 (see Table.1). The sampling method used was purposive sampling. Approach and measurement of study data using quantitative analysis, then collecting data using a questionnaire consisting of 23 questions (See table 2). The measurement scale for respondents' answers and perceptions uses the Likert scale 1-5 (Strongly disagree – strongly agree). A total of 23 of these questions are summarized in three independent variables, namely Loss Aversion (X1), which consists of three constructs (X1.1 - X1.3). regret aversion variable (X2) composed of two construct items (X2.1 - X2.2), Financial literacy variable (X3) consisting of five construct items (X3.1 - X3.5). Furthermore, there are two intervening variables namely overconfidence variable (X4) composed of two construct items (X4.1 - X4.2) and herding variable (X5) consisting of five construct items (X5.1 - X5.5). Then the dependent variable is investment decision (Y), which consists of six constructs (Y1 - Y6). The model developed in addition to intervening, there is also moderation, namely moderation of financial literacy and overconfidence variables (See. Figure 1).

Research population of this study are 720 companies listed in Indonesia Stock Exchange (IDX). Samples are selected using non-probability approach, which is purposive sampling with some criteria as follows: (1) companies are in manufacturing sector, they are listed in IDX for three consecutive years, ie from 2015 to 2019, (3) they have complete data needed by this study, and (4) they have open website. The selection of a manufacturing company is done with the consideration that the manufacturing industry is a company with complex business activities so that it is expected to represent other industries. Another consideration is in the form of research simplification because by choosing a particular industry, research becomes simpler and more focused so that it fulfills the principle of parsimony. Data is sourced from the company's annual report (annual report) which is downloaded from a free public website, namely [www.idx.com](http://www.idx.com).

The dependent variable in this study is accounting conservatism. Following Ahmed & Duellman (2013) who measure conservatism using the accrual method, the accrual accounting conservatism in this study is calculated by the following formula:

$$ACON = \frac{NI - CFO + Dep}{AAS} \times (-1) \quad (1)$$

NI is profit before extraordinary items, CFO is operating cash flow, Dep is depreciation expense, and AAS is mean of assets. ACON is accounting conservatism which is on average for 3 years, namely t-1, t1, and t + 1, then multiplied by negative 1. The calculation of the three-year mean time is intended to

reduce large and temporary accrual effects. If the ACON is positive, it means that it is getting more conservative. Givoly & Hayn (2000) stated that conservatism leads to persistent negative accruals. More conservative accounting is reflected in a more negative average accrual. Averaging over several years will reduce the effect of large temporary accruals because accruals are likely to reverse in one to two years (Richardson, Sloan, Soliman, & Tuna, 2005; Ahmed & Duellman, 2012).

The independent variables used in this study are audit firm size, auditor specialization, and auditor tenure. Research on auditing conducted by Lennox, Francis, & Wang (2012) uses the audit firm (ASIZ) measure as a proxy for reputation based on classification, whether the audit firm is included in the Big Four group or not. If so, then this variable is given a score of 1, otherwise, it will be given a score of 0. Audit firms that are included in the Big Four group include PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG, and Ernst & Young. Auditor specialization (ASP) is a proxy for auditor expertise or independence which is given a score of 1 if the audit firm has a portfolio of clients from the same industry, which represents 15% of its revenue coming from the industry client concerned. If not included in that group, then this variable is given a score of 0. This pattern follows the pattern used by (Li, 2010). Consistent with research conducted by (Li, 2010) and Chi, Douthett, & Lisic (2012), this study also uses the same number of years of client assignment as a proxy for tenure (ATEN).

This study uses two control variables, company size (SIZE) and profitability (ROA). A previous research report that firm size has a negative relationship with earnings conservatism (Arabahmadi, Arabahmadi, & Ameri, 2013) because of the relationship between firm size, as measured by company log assets, and accounting conservatism. Hamdan et al. (2012) find that large companies adopt conservative accounting policies to avoid political costs. Therefore, the firm size was used as the control variable. Firm profitability is also related to accounting conservatism (Ahmed, Billings, Morton, & Stanford-Harris, 2002). Companies with high profits are expected to use more accounting conservatism because the cost of implementing conservatism accounting choices is lower than companies with lower profitability. Therefore, profitability is included as a control variable proxied by ROA which is calculated by dividing profit with company assets. Based on the description above, the research model can be formulated in equation (2) below.

$$ACON_{it} = \alpha_{it} + \beta_1 ASIZ_{it} + \beta_2 ASP_{it} + \beta_3 ATEN_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \varepsilon_{it} \quad (2)$$

ACON is accounting conservatism, ASIZ is the measure of audit firm size; ASP is an auditor's specialty in the client industry; ATEN is the auditor's tenure or tenure; SIZE is the size of the company; ROA is profitability, and  $\varepsilon$  is the residue.

### 3. Results and Discussion

#### *Statistical Result*

Based on the sample determination process above, this study uses data from 102 companies listed on the Indonesia Stock Exchange for 2015 to 2019. Thus, the number of observations used in this study is 510 firm-years. Table 1 presents descriptive statistical data for all variables used in this study. The results show that all variables used in the assessment model have a rational level of variation. Accounting conservatism as the dependent variable has a mean of -115.321 with a standard deviation of 365.720. With a minimum value of -14860,855 and a maximum value of 1565,163, the range of ACON data is not too spread out so the possibility of having outliers is very small. The auditor's specialization, which is an independent variable, has a mean value of 0.297 with a maximum value of 1,000 and a minimum value of 0,000. Because this variable is a dummy variable, the mean value of 0.297 indicates that the value of this variable is more inclined to zero. Likewise, the variable size of audit firm size or ASIZ, with a mean value of 0.416 which also tends to approach zero even though the magnitude is close to the midpoint of the data. The audit tenure variable shows a mean number of 2.673, close to the maximum number of 3. This implies that the average auditor tenure is more than two years.



**Table 1. Descriptive Statistic**

Variable	Mean	Median	Maximum	Minimum	Std.Dev.
ACON	-115,321	-44,447	1565,163	-14860,855	365,720
SIZE	6,382	6,333	8,418	4,604	0,713
ROA	0,068	0,049	0,580	-0,550	0,135
ASP	0,297	0,000	1,000	0,000	0,459
ASIZ	0,416	0,000	1,000	0,000	0,495
ATEN	2,673	3,000	3,000	1,000	0,694

The bivariate analysis presented in Table 2 has two objectives. First, this analysis is used to see the correlation between the two variables under study, to determine whether there is multicollinearity between independent variables. The analysis results show that the correlation coefficient between variables is quite reasonable and no number exceeds the tolerance limit. This is evidenced by the low correlation number between the independent variables and the largest number is 0.455, which is the correlation between ASIZ and SIZE. Thus, it can be concluded that there is no multicollinearity. Second, this analysis aims to conduct an initial assessment of the effect of the independent variables, in this case, ASP, ASIZ, and ATEN on the dependent variable, in this case, the ACON. The results of the analysis showed that the correlation coefficient between ASP and ACON is 0.041 and is not significant, between ASIZ and ACON is -0.260 and significant at the 1% level, and between ATEN and ACON is 0.119 and significant at the 5% level. This is an early indication of an association between audit quality and accounting conservatism. However, a more in-depth investigation to determine the association between audit quality and accounting conservatism as well as to test the hypothesis will be carried out in the next section using multiple regression analysis.

**Table 2. Pearson Correlation**

	ACON	SIZE	ROA	ASP	ASIZ	ATEN
ACON	1	-.149**	-.469**	.041	-.260**	.119*
SIZE	-.149**	1	.117*	.300**	.455**	.251**
ROA	-.469**	.117*	1	-.006	.160**	.087
ASP	.041	.300**	-.006	1	.126**	.181**
ASIZ	-.260**	.455**	.160**	.126**	1	.237**
ATEN	.119*	.251**	.087	.181**	.237**	1

\*\*, \*. Correlation is significant at the level of 0.01 dan 0.05 consecutively (2-tailed).

Hypothesis testing is performed using the Ordinary Least Square (OLS) method. Before testing, the researchers tested the classical assumptions first. From the test results, it is proven that the data is normally distributed and there are no problems with multicollinearity, heteroscedasticity, and autocorrelation and there are no outliers in the data. The main variables studied are ASP, ATEN, and ASIZ. Table 3 shows that the coefficient of the ASP variable is positive (560,383) and significant at the 1% level ( $p < 0.001$ ). These results indicate that auditor specialization plays an important role in the level of accounting conservatism. Thus, hypothesis 2 which states that auditor specialization has a positive effect on accounting conservatism is proven and confirmed by empirical data. Table 3 also presents the regression coefficient for the ATEN variable, which is 1244,905 and significant at the level of 1% ( $p < 0.001$ ). These results indicate that the duration of the assignment has a positive effect on the practice of conservatism. Thus hypothesis 3 which states that task duration has a positive effect on accounting conservatism is proven and confirmed by research data.

$$KAK_{it} = \alpha_{it} + \beta_1 ASIZ_{it} + \beta_2 ASP_{it} + \beta_3 ATEN_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \varepsilon_{it} \quad (2)$$

**Table 3 Regression Analysis**

Variable	Coefficient	t-Statistics
Intercept	-2852.948	-0.550
ASP	560.383 ***	11.883
ATEN	1244.905 ***	5.192
ASIZ	-291.420 ***	-11.740
ROA	-892.601 ***	-6.650
SIZE	961.215	1.446
Adj. R <sup>2</sup>	0.459	
F-statistics	52.348 ***	

For the ASIZ variable, which is a proxy for audit firm size, regression analysis resulted in a coefficient value of -291,420 and significant at the 1% level ( $p < 0.001$ ). These results indicate that the audit firm size harms conservatism. Thus hypothesis 1 which states that task duration has a positive effect on accounting conservatism is not proven or proven otherwise and is not confirmed by research data. The ROA variable which is a control variable and a proxy for profitability shows a regression coefficient of -892.601 and is significant at the 1% level ( $p < 0.001$ ). This confirms that company profitability hurts conservatism. The second control variable, SIZE, which is a proxy for company size, has a regression coefficient of 961,215 but it is not significant. Thus, firm size does not affect accounting conservatism

### Discussion

Hypothesis 1 which states that audit firm size has a positive effect on conservatism is not proven or proven otherwise. The results of this study contradict previous research conducted by Hamdan et al. (2012) who find a positive relationship between audit firm size and accounting conservatism; Yegadeh et al. (2012) and Yegadeh et al. (2012) who report no effect on audit firm size on conservative earnings. The size of the audit firm in this study is a dummy variable, which is given a value of 1 if the auditor comes from the Big Four audit firm and is given a value of 0 otherwise. Researchers suspect that the results that are not the same as those of previous research are because non-Big Four accounting firms have a quality that is not different from big four accounting firms, although this assumption still has to be proven by empirical research. If we refer to the research data, from 102 sample companies, 59 or 57% of them were audited by non-big 4 audit firm, then this fact can strengthen the above assumptions. Also, the audit firm that audits public companies is an audit firm that is officially registered in the capital market and is registered requires standard qualifications that have been set by strict regulations. Thus, the results of this study are quite rational and challenging to be investigated further.

Hypothesis 2 test result proves that this hypothesis is confirmed by research data. These results also confirm previous research conducted by Hamdan et al. (2012), Vaez & Dorseh (2016), Mohammed et al. (2019) who report that auditor specialty has a positive effect on conservatism. Auditors who specialize in certain industries are considered more qualified than auditors who do not have industry specialties. Besides, one of the main duties of the auditor is to protect users of financial statements, who have a strong interest in quality accounting information. Because accounting conservatism is one of the proxies for the quality of accounting information, the presence of auditors with certain industry specialties is expected to contribute to the quality of accounting information produced by the client companies that are the samples in this study.

The results of the study to test hypothesis 3 also report that the duration of the auditor's duties or tenure has a positive effect on accounting conservatism. This result confirms previous research conducted by Ayorinde & Babajide (2015) and Gerami & Kordlouie (2016) which report a positive relationship between tenure and accounting conservatism as well as research conducted by Yegadeh, et al. (2012) who find that accounting conservatism increases with the extension of the auditor-client relationship. The

duration of the audit task refers to the number of years the auditor has audited the client. Even though there are regulations that limit the duration of the auditor's duties to a particular client, the longer an auditor serves clients, the closer the relationship will be to manage. From an auditor's perspective, the longer the duration of an assignment at a client company, the more auditors' competence increases, which makes them more knowledgeable about the client's business. Therefore, the hypothesis test results are following the logic that auditor tenure can improve the quality of accounting information, which in this research is proxied by conservatism.

Regression analysis also results in the finding that SIZE, which is a control variable and a proxy for company size, does not affect accounting conservatism. Thus, the size of the company does not affect the practice of conservatism. For public companies, large companies and small companies get relatively equal attention from the public and authorities. Therefore, attention to the quality of accounting information is also given more or less the same portion by all firms with size variations. ROA, which is a control variable and a proxy for company profit, hurts conservatism. This indicates that companies with high profitability practice low accounting conservatism. This association is quite logical because conservatism is a practice that delays the recognition of uncertain profits as well as hastens the recognition of uncertain losses. If conservatism is low, earnings tend to be higher reported. This is reflected in the results of the regression analysis in this study.

Agency theory state that in agency relationship, both principal and agent have conflict of interest. This leads to information asymmetry, which is one of agency problems. Conservatism is one of the tools to overcome agency problems to protect the investor's interests. Audit quality is a mechanism which ensure that conservatism practice exist or increase. The results confirm that two of three audit quality, auditor specialization and audit tenure, positively affect accounting conservatism. Thus, agency problems can be solved by hiring a high quality of auditor.

#### 4. Conclusions

This study examines the effect of audit quality on accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange. The results of empirical data analysis prove that two measures of audit quality, namely auditor specialization and auditor tenure, have a positive effect on accounting conservatism, while audit firm size has a negative effect. These results not only confirm some of the previous studies but also confirm agency theory which predicts that the higher the audit quality, the greater the management incentive to apply accounting conservatism. The results of this study have a literature implication because the results of the analysis can enrich the conservatism literature by providing the results of research conducted in the era of fair value application that began in 2012. Fair value accounting-based standards no longer include the principle of conservatism in the conceptual framework, because conservatism is considered contradictory with neutrality. Therefore, massive research on conservatism is expected to be a consideration for standard setters to re-incorporate this principle formally in the conceptual framework, given the importance of the principle of conservatism in accounting practice. This study has limitations in the form of the scope of the study period and the sample size due to empirical data conditions that do not meet the criteria. This study also uses only one measure of conservatism, namely the accrual method. This limitation results in the not optimal generalization of research results. Therefore, further research needs to be done to complement this research by considering a wider sample and a longer research year. The use of conservatism measures other than accruals can also be considered in further research so that it can enrich the results of existing research.

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