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The Effect of Accounting Conservatism and Good Corporate Governance on Equity Valuation

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A B S T R A C T

This study aims to examine and analyze the effect of accounting conservatism and good corporate governance (managerial ownership and independent commissioners) on corporate equity valuation in telecommunications companies listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative approach. The number of samples obtained was 30 using the purposive sampling method, with the criteria that the sample was listed on the Indonesia Stock Exchange (IDX), financial statement data were available consecutively and the type of company was a telecommunications company. Secondary data was collected using the method of documentation in the form of financial statements. With the help of SPSS for windows software, all data in this study were analyzed using a data analysis stage consisting of classical assumption tests (normality test, multicollinearity test, and heteroscedasticity test), hypothesis testing (multiple linear regression equation test, coefficient of determination test, and statistical t-test). The results show that accounting conservatism and independent commissioners positively and significantly affect the company's equity valuation. In contrast, managerial ownership has a negative and significant impact on the company's equity valuation of telecommunications companies listed on the Indonesia Stock Exchange

INTRODUCTION

The company's long-term goal is to optimize the value of the company (Ahmad et al., 2018). When a company experiences a loss or is experiencing financial difficulties, there is a change in the value relevance of financial information data. The results of another study using a sample of companies in the USA showed the effect of certain conditions on the strength of the relationship between stock prices and earnings as well as the value relevance of other accounting variables such as book value of equity, operating cash flow (Alimilia & Sulistyowari, 2007). Information about shareholder equity is essential because it shows the relationship between the company and the shareholders. The definition of equity according to PSAK No. 21 paragraph 2 is part of the company's ownership rights, namely the difference between existing assets and liabilities. Thus, equity is not a measure of the selling value of the company. In general, the purpose of reporting shareholder equity information is to provide interested parties with information about the efficiency and stewardship of management.

Investors need to assess their existing equity in the company through the financial statements submitted by the company (Arsyad et al., 2021). Equity valuation analysis emphasizes earnings and other accounting measures to calculate firm value. The size of the profit generated shows the company's ability to fulfill its obligations. It is what investors want. Equity valuation can use the market to book ratio proxy because it is strongly influenced by the company's choice of the accounting method. Beaver and Ryan (2000) in Roychowdhury & Watts, (2006) use a market to book ratio that reflects market value relative to firm value. The financial statements made by the company describe the performance of management in managing the company's resources. The financial statements must meet the objectives, rules, and accounting principles by generally accepted standards to produce financial statements that are accountable and beneficial for every user. In an effort to improve financial statements and be accountable by management, the concept of conservatism was born. Lo, (2005) defines conservatism as a pessimistic view of accounting. Conservative accounting means that accountants are pessimistic in the face of profit or loss uncertainty by choosing principles or policies that slow revenue recognition, accelerate expense recognition, lower asset valuation, and increase debt valuation.

The principle of conservatism is the principle of prudence in financial reporting. The company does not wish to ascertain and measure assets and profits but immediately confirms possible losses and liabilities. The application of this principle has resulted in the choice of accounting methods that report lower income or assets and report higher liabilities (Watts, 2003; Andreas et al., 2017). The purpose of conservatism is to eliminate the optimism of entrepreneurs who report overly optimistic business results. The application of the concept of conservatism will cause fluctuations in earnings, and earnings fluctuations will reduce earnings' ability to predict future cash flows (Sari & Adhariani 2009; Andreas et al., 2017). There are advantages and disadvantages to applying the principle of conservatism. Critics of conservatism believe that this principle leads to irregularities in financial reporting, so users of financial statements cannot use it as a tool to assess company risk. Monahan, (1999) in Mayangsari & Wilopo, (2002) states that the more conservative the accounting, the more biased the book value of reported equity will be. On the other hand, those who support conservatism argue that conservatism states higher quality earnings because this principle prevents companies from exaggerating earnings and helps users of financial statements by presenting earnings and assets that are not overstated. Sari & Adhariani, (2009) examined the role of conservative accounting in reducing conflicts between shareholders and bondholders during dividend announcements. The results support the research hypothesis that conservatism plays a role in companies facing shareholder-bondholder conflicts.

The results of the pros and cons surrounding research related to the effect of applying accounting conservatism on the valuation of company equity make this study raise Good Corporate Governance (GCG) as the second independent variable. Good Corporate Governance in crisis recovery in Indonesia is necessary, considering that Good Corporate Governance requires good management in an organization. Corporate governance mechanisms influence the application of conservative accounting in the company's financial statements. In general, Lins & Warnock, (2004); Hapsoro, (2006), the mechanisms that can control management behavior, often called corporate governance, can be classified into two groups. The first is a company-specific internal mechanism consisting of an ownership structure and a management structure. The second is a country-specific external mechanism consisting of the rule of law and corporate control markets. Bell et al., (2002) stated that the ownership structure also influences the choice of an accounting method related to conservatism as one of the corporate governance mechanisms. For the management structure, a variable number of commissioners will be used. Among the various factors that can encourage effective corporate management, the board of commissioners is the main factor influencing the behavior of managers in managing the company, including the application of accounting conservatism policies.

This study is a replication of Fala's research, (2007). The similarity is that they research using the dependent variable, namely equity valuation, and the independent variable, namely accounting conservatism. While the difference is in Fala's research, (2007), Good Corporate Governance is a moderating variable. Meanwhile, in this study, Good Corporate Governance is the second independent variable. In addition, the case study in Fala's research, (2007) is a manufacturing company listed on the IDX in the period 2006-2010. This study is a case study of a telecommunications company listed on the IDX in the period 2009-2013. Thus, this study aims to examine the effect of accounting conservatism and Good Corporate Governance (GCG) on the valuation of corporate equity in Telecommunication Companies listed on the Indonesia Stock Exchange (IDX) in 2009-2013.

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The definition of equity cannot be defined independently of assets and liabilities. In the basic framework of the 2009 Financial Accounting Standards, the Indonesian Institute of Accountants (IAI) defines equity (article 29) as the residual interest in the company's assets after deducting all liabilities. Equity comes from the owner's investment and the results of the operations of the company. Equity will be reduced by the withdrawal of participation by the owner, the distribution of profits (dividends), or business losses. Corporate valuation is an important goal for many users of financial statements. Equity or net assets is the residual interest in the assets of the entity. After deducting its assets and liabilities in the business entity, equity is the remaining interest. Equity is ownership. In non-commercial organizations, no ownership has the same meaning as ownership in commercial entities. According to the restrictions imposed by donors, net worth is divided into three categories: permanent, temporary, and permanent. Unlimited net assets (Suwardjono, 2011; Rafli & Yanti, 2015). Ohlson (2005), Rafli & Yanti, (2015) states that there are 3 natural assumptions when valuing equity, namely 1) As a standard neoclassical securities valuation model, the present value of expected dividends determines market value. The probability framework indicates the status of the objective hypothesis. Simply put, risk neutrality is applied, so that the discount coefficient is equal to the risk-free interest rate; 2) Accounting for owner's equity of property, plant, and equipment can be applied: the application relationship between net surplus and dividend reduces the current book value, but does not affect the current year's profit or loss; 3) The linear model framework for the linear behavior of the resulting series. As noted earlier, this variable is defined as the time value of the current year's profit or loss minus the initial risk-free book value of the period, i.e., revenue fewer capital expenditures.

The purpose of presenting this equity valuation is that disclosing information to users of financial statements will significantly affect the importance of disclosing information on the company's equity valuation. In general, the purpose of reporting company equity valuation information is to find out information about the efficiency of management and management to related parties and provide information about the history and investment prospects of the owners and other shareholders (Rafli & Yanti, 2015). To improve financial reports and be accountable to management, the concept of conservatism emerged. Managers provide financial statements that they apply conservatism accounting policies that produce higher quality earnings. This principle prevents companies from exaggerating earnings and helps users of financial statements by presenting profits and assets that are not overstated. In practice, management applies conservative accounting policies by calculating high depreciation will result in relatively permanent low profits, which means that it does not have a temporary effect on declining earnings that will reverse in the future.

Conservatism is an attempt to choose a generally accepted accounting method that will result in revenue recognition as late as possible, expense recognition as quickly as possible, lower asset valuation, and higher liability valuation (Work and Tearney, 1997, in Sayidah, 2005). The principle of conservatism has long been used in accounting and is an essential financial statement convention in accounting, so it is called the dominant accounting principle. This principle of conservatism is considered in accounting and financial statements because the company's activities are constantly surrounded by uncertainty. Conservatism is a pessimistic principle because costs are disclosed first compared to revenues. Conservatism is a company principle that is careful in determining every value in the financial statements (Agustina et al., 2015; Sinambelaa & Almilia, 2018). FASB cited by Hellman, (2007) Risdiyani & Kusmuriyanto, (2015) defines accounting conservatism as a preventive response to uncertainty to ensure that uncertainty and inherent risks are fully considered. Meanwhile, Soewardjono, (2008) in Risdiyani & Kusmuriyanto, (2015) states that accounting conservatism is an attitude or school of thought in dealing with uncertainty, taking action, or making decisions based on the worst outcome of uncertainty.

In Indonesia, research on accounting conservatism proves that companies generally choose accounting conservatism (Wydia, 2004). Mayangsari & Wilopo (2002), who use the C-Score as a proxy for conservatism, prove that conservatism has relevant value so that companies' financial statements that

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apply the principle of conservatism can reflect the company's market value. Their research shows that total accruals (discretionary and nondiscretionary accruals) significantly affect firm value. The application of conservative accounting policies shown through the financial statements is a positive signal to investors that management has applied conservative accounting to generate quality earnings. Assuming the market is decision efficient, investors are expected to receive this signal and correct the undervalue of the company's equity by valuing the company's equity at a higher price. Based on the description above, the researchers proposed the following hypothesis:

H1: Accounting conservatism has a significant positive effect on the company's equity valuation

The value of the company in the eyes of investors will increase due to their increasing trust in the management of the company where they invest (Good Corporate Governance). In addition, consistent implementation of Good Corporate Governance will also improve the quality of the company's financial statements. Management tends not to manipulate financial statements because of the obligation to comply with various applicable accounting rules and principles and transparent presentation of information. According to FCGI, (2001), corporate governance is defined as a set of rules governing the relationship between holders, management (managers) of the company, creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations or in other words a system that controls the company. The purpose of corporate governance is to create added value for all interested parties (stakeholders). Lins & Warnock, 2004 (Warikki, 2008) stated that, in general, the mechanism of Good Corporate Governance could be classified into two groups. First, country-specific external mechanisms consisting of the rule of law and corporate control markets. Second, the company-specific internal mechanism consisting of an ownership structure (managerial ownership) and an independent commissioner management structure. Management ownership of company shares is seen as aligning the potential differences in interests between foreign shareholders and top management (Morck, Schleifer, and Vishny, 1989; Boediono, 2005). The quality of reported earnings can be influenced by managerial ownership. Pressure from the capital market causes companies with low managerial ownership to choose accounting methods that increase reported earnings, which do not reflect the company's economic condition. In general, it can be said that a certain percentage of share ownership by management tends to influence earnings management actions related to the information contained in earnings. Managerial ownership can be obtained from the number of shares owned by directors and commissioners divided by the number of shares outstanding. A shareholder participates in bearing the risks and obligations of the company. Ball et al., (2000), Rahmayenti, (2008) stated that the ownership structure also influences the principle of conservatism as one of the corporate governance mechanisms. Managerial ownership will help pool the interests of managers and shareholders. Ownership of shares by management can also reduce management's opportunistic actions. One of them is by using conservatism accounting in the recording method to improve the quality of earnings and company value. Research conducted by Wydia, (2004) found that managerial ownership structure affects a company's conservative accounting strategy. The implementation of conservatism in the company's financial statements by management will increase the company's value so that it will increase the value of the owner's equity (shareholders). Based on this description, the researchers proposed the following hypothesis:

H2: Managerial ownership has a significant positive effect on the company's equity valuation

The second mechanism of Good Corporate Governance, namely independent commissioners. The role of the board of commissioners is expected to limit the level of earnings management through the function of monitoring or financial reporting. Independent commissioners have the primary responsibility to encourage the implementation of the principles of good corporate governance in the company by empowering the Board of Commissioners to carry out supervisory duties and provide advice to the Board of Directors effectively and provide added value to the company. Through its role in the supervisory function, the board's composition can influence the management in preparing financial reports so that a quality profit report can be obtained. The existence of independent commissioners is expected to improve the supervisory function of management because independent commissioners do not have interests that can affect their ability to carry out their obligations relatively in the company. The supervisory function of the board of commissioners as a corporate governance mechanism can be seen as a signal to investors that the company has been appropriately managed (a positive signal). This signal is expected to be accepted by investors. It is willing to pay a higher premium for companies that are doing well in Indonesia. In the eyes of investors, the implementation of good corporate governance is directly proportional to the company's performance (Labelle, 2002; Kusumawati & Riyanto, 2008). Based on this description, the researchers proposed the following hypothesis:

H3: Independent Commissioner has a significant positive effect on the company's equity valuation

RESEARCH METHOD

This research was conducted on telecommunications companies on the Indonesia Stock Exchange through the Capital Market Information Center (PIPM). The number of samples obtained was 30 using the purposive sampling method, with the sample's criteria listed on the Indonesia Stock Exchange (IDX). Financial statement data are available consecutively for the reporting year from 2009-2013, and the type of company is a telecommunications company. Secondary data was collected using the method of documentation in the form of financial statements. With the help of SPSS for windows software, all data in this study were analyzed using a data analysis stage consisting of classical assumption tests (normality test, multicollinearity test, and heteroscedasticity test), hypothesis testing (multiple linear regression equation test, coefficient of determination test, and statistical test t). The dependent variable in this study, namely Equity Assessment (Y). The value of the company's equity is proxied by a market to book ratio of more than 1, which indicates that investors positively value the application of conservative accounting to provide more premium for conservative company shares. Market to book ratio can be formulated by:

$$\text{Market to book ratio} = \frac{\text{Market Balue of Common Equity}}{\text{Book Value of Common Equity}}$$

Furthermore, the dependent variables include accounting conservatism (X1), managerial ownership, and independent commissioners. Conservatism is measured by using the earning/accrual measure. This measure of conservatism uses accruals from the company's operational activities. The smaller the accrual size of a company, it indicates that the company applies conservative accounting principles. Based on Dewi, (2004); Sari & Adhariani, (2009) measurement of conservatism is carried out with the formula:

$$\mathrm{Ci_o} = \mathrm{NI_o} - \mathrm{Cf_o}$$

Information:

Cio : Conservatism level of firm i in year t

NIo : Net profit from the company's operational activities

Cfo : Cash flow from operating activities

Furthermore, managerial ownership (X2) can be calculated by the percentage of company management shares. Managerial owners are shareholders who come from the management, who actively participate in decision-making. Information regarding the amount of managerial ownership will be

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obtained from the annual financial statements of each company. The internal mechanism of corporate governance supervision is managerial ownership which is calculated by the formula:

$$\text{Managerial ownership} = \frac{\text{The number of shares owned by the board of commissioners and directors}}{\text{Total shares outstanding}}$$

Next, the independent commissioner variable (X3). For the management structure, the variable number of commissioners will be used. The size of the board of commissioners is measured based on the number of members on the board of commissioners, both internal and external to the company.

RESULTS AND DISCUSSION

Result

Based on the results of descriptive statistics obtained as many as 30 observational data derived from the results of the multiplication between the research period, namely for 5 years from 2009 - 2013 with the number of sample companies as many as 6 companies.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Conservatism	30	-9.E12	3.E11	-2.57E12	2.772E12
Managerial ownership	30	.000001	.004600	.00096 753	.001467711
Independent Commissioner	30	4.00	7.00	5.5000	1.07479
Equity Valuation	30	.56	36.69	6.2457	8.93476
Valid N (listwise)	30				

Table 1 shows that the minimum value of conservatism is -9.E12, and the maximum value is 3.E11. The mean value of conservatism is -2.57E12, which indicates that conservatism has a reasonably high effect. The standard deviation of conservatism shows a deviation of 2.772E12 from the average conservatism value of each telecommunications company from 2009-2013. Then, the minimum value of managerial ownership is 0.000001, and the maximum value is 0.0046. The mean value of managerial ownership is 0.00096753, which indicates that managerial ownership has a high enough effect. The standard deviation of managerial ownership shows a deviation of 0.001467711 from each average result of the managerial ownership value of each telecommunications company from 2009-2013. Furthermore, the minimum value of the composition of independent commissioners is 4, and the maximum value is 7. The mean value of the composition of independent commissioners is 5.5, which indicates that the composition of independent commissioners has a high enough effect. The standard deviation of the composition of the Independent Commissioners shows a deviation of 1.07479 from the average value of the composition of the independent commissioners of each telecommunications company from 2009-2013. Next, the minimum value for equity valuation is 0.56, and the maximum value for equity valuation is 36.69. The mean value is 6.2456, which indicates that the equity valuation has a high enough effect. The standard deviation of equity valuation shows a deviation of 8.93476 from the average value of the equity valuation of each telecommunications company from 2009-2013. Based on Figure 2, it can be seen that the dots spread around the diagonal line, and the direction of the spread follows the direction of the diagonal line. It shows that the regression model is feasible to use because it meets the assumption of normality. Based on table 2, it can be seen that of the three independent variables with a VIF value of not more than 10, tolerance is not less than 0.1. It can be concluded that there is no multicollinearity problem in this regression model.

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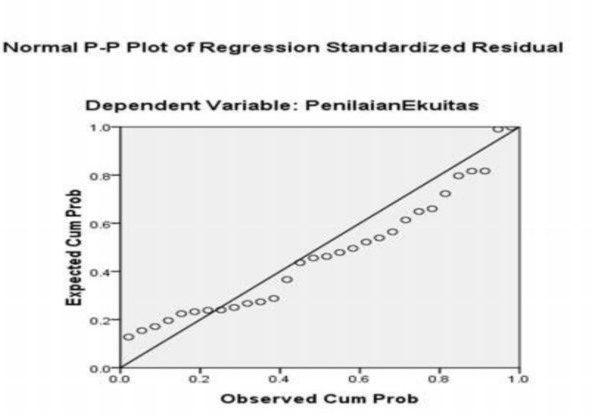

Figure 2. Normality Test Results

Table 2. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Conservatisme	.289	3.457
1	Managerial ownership	.613	1.631
	Independent Commissioner	.392	2.552

Table 3. Autocorrelation Test

Model	R	R Square	Adjusted R -Square	Std. Error ofthe Estimate	Durbin-Watson
1	.621[a]	.385	.314	739.843	1.757

From table 3, it turns out that the Durbin-Watson coefficient is 1.757. Thus, it can be concluded that in the regression between the independent variables conservatism (X1), managerial ownership (X2), the composition of independent commissioners (X3) on the firm's equity valuation (Y) there is no autocorrelation.

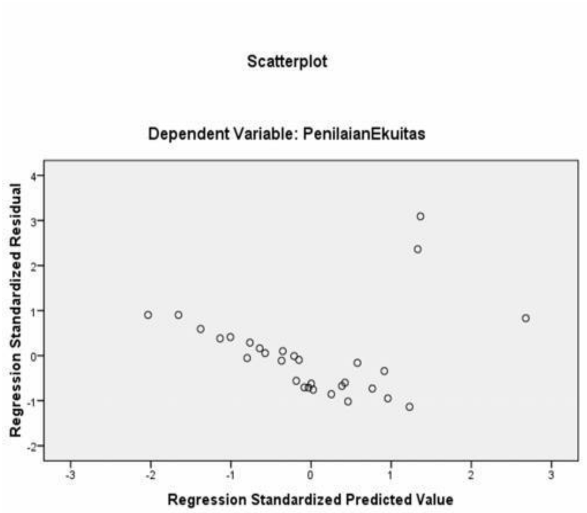

Figure 3. Herteroscedasticity

Thus, the graph above shows that there is no clear pattern and the points spread above and below the number 0 on the Y axis, so there is no heteroscedasticity, so the basic assumption that the residual variation is the same for all observations is fulfilled.

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Table 4. Regression Equation Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-12.331	10.018		-1.231	.229
Conservatisme	3,39E-09	.000	1.050	3.673	.001
Managerial ownership	3973.825	1.195.336	.653	3.324	003
Independent Commissioner	4.258	2.042	.512	2.085	.047

Based on table 4, the regression equation formed in this regression test is as follows:

$$Y = -12{,}331 + 3{,}385E\text{-}12\ X1 + 3973{,}825\ X2 + 4{,}258\ X3 + e$$

The model can be interpreted that the constant value is -12,331. It indicates that if the independent variable (conservatism, managerial ownership, and composition of independent commissioners) is zero (0), then the value of the dependent variable (company equity assessment) is -12,331 units. The conservatism regression coefficient (b1) is 3.385E-12 and is positive. It means the Y variable's value will increase by 3.385E-12 if the value of the X1 variable increases by one unit and the other independent variables have a fixed value. The positive coefficient indicates a unidirectional relationship between the conservatism variable (X1) and the firm's equity valuation variable (Y). The higher the company's accounting conservatism, the higher the company's equity valuation it produces. Thus, H1 is stated to be accepted that conservatism has a significant positive effect on the company's equity valuation.

The managerial ownership regression coefficient (b2) is 3973,825 and is positive. It means that the value of the Y variable will increase by 3973,825 if the value of the X2 variable increases by one unit and the other independent variables have a fixed value. The positive coefficient indicates a unidirectional relationship between the managerial ownership variable (X2) and the firm's equity valuation variable (Y). The higher the managerial ownership owned by the company, the more the company's equity valuation it produces will increase. Thus, H2 is stated to be accepted that managerial ownership has a significant positive effect on the company's equity valuation. The regression coefficient for the composition of independent commissioners (b3) is 4.258 and is positive. It means that the value of the Y variable will increase by 4.258 if the value of the X3 variable increases by one unit and the other independent variables have a fixed value. The positive coefficient indicates a unidirectional relationship between the composition of the independent commissioners (X3) and the company's equity valuation variable (Y). The higher the composition of independent commissioners, the better the company's equity valuation will be. Thus, the composition of independent commissioners has a significant positive effect on the company's equity valuation, which means that H3 is accepted.

Table 5. Test Results R^2

Model	R	R Square	Adjusted R Square	Std. Error of theEstimate
1	.621[a]	.385	.314	7.39843

From table 5, there is an R number of 0.621, which indicates that the relationship between the company's equity valuation and the three independent variables is vital because there is a strong definition whose number is above 0.5. At the same time, the R square value of 0.385 or 38.5% shows that the company's equity valuation variable can be explained by the variables of conservatism, managerial ownership, and the composition of independent commissioners by 38.5%. In comparison, the remaining 61.5% can be explained by other variables not included in this research.

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Table 6. F Test Results
ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	891.912	3	297.304	5.432	.005[a]
Residual	1423.155	26	54.737		
Total	2315.067	29			

Based on table 6, it is known that with a significance value of 0.005 <0.05, then H0 is rejected, and Ha is accepted. Where it is required that the significance value of F is less than 5%, thus, it can be concluded that all conservatism variables (X1), managerial ownership (X2), and the composition of independent commissioners (X3) in this study simultaneously (simultaneously) affect the Company's Equity Assessment (Y).

Discussion

The results of this study support the first hypothesis where conservatism has a positive and significant effect on the company's equity valuation. The positive effect indicates that the effect of Conservatism is in line with the company's equity valuation or other words, good or high conservatism will affect the company's equity valuation. Moreover, vice versa, if Conservatism is low or wrong, then the company's equity valuation is terrible. The application of conservative accounting policies shown through the financial statements is a positive signal to investors that management has applied conservative accounting to generate quality earnings. Researchers say there has been an increase in the conservatism of accounting standards globally. This increase is due to the increasing lawsuits so that auditors and management tend to protect themselves by consistently reporting conservative figures in their financial statements (Givoly & Hayn, 2002). Empirically the research of Penman & Zhang, (2002) shows that quality earnings are obtained if management applies conservative accounting consistently without any changes in accounting methods or changes in estimates. Watts, (2003) states that the systematic or relatively permanent understatement of net assets as a hallmark of accounting conservatism has helped users of financial statements by presenting earnings and assets that are not overstated. This research is in line with Mayangsari & Wilopo, (2002) who use the C-Score as a proxy for conservatism to prove that conservatism has relevant value so that the financial statements of companies that apply the principle of conservatism can reflect the company's market value. This study shows that total accruals (discretionary and non-discretionary accruals) significantly affect firm value.

The results of this study support the second hypothesis, where managerial ownership has a positive and significant effect on the company's equity valuation. The positive effect shows that managerial ownership is in the direction of the company's equity valuation. In other words, good or high managerial ownership will affect the company's equity valuation. Moreover, vice versa, if managerial ownership is low or bad, the company's equity valuation is bad. A shareholder participates in bearing the risks and obligations of the company. Managerial ownership will help pool the interests of managers and shareholders. Ownership of shares by management can also reduce management's opportunistic actions. One of them is by using conservatism accounting in the recording method to improve the quality of earnings and company value. This study is in line with the research of Wydia, (2004) which suggests that the managerial ownership structure influences the choice of a firm's conservative accounting strategy. The implementation of conservatism in the company's financial statements by management will increase the company's value to increase the value of the owner's equity (shareholders).

The results of this study support the third hypothesis where the composition of independent commissioners has a positive and significant effect on the company's equity valuation. The positive effect indicates that the composition of independent commissioners is in the same direction as the company's equity valuation. In other words, a sound/high composition of independent commissioners will affect the company's equity valuation. On the other hand, if the composition of independent commissioners is low or poor, the company's equity assessment is inadequate. The Board of Commissioners is the highest internal control mechanism that is collectively responsible for supervising and providing advice to the Board of Directors and ensuring that the company implements Good Corporate Governance. This research is in line with research by Sembiring (2003), Etha, (2011) that the greater the number of members of the board of commissioners, the easier it is to control the Chief Executive Officer (CEO) and the more effective it is in monitoring management activities member of the board of commissioners in a company. According to Kusumawati & Riyanto, (2008), the relationship between the number of members of the board of commissioners and firm value is supported by the perspective of service and control functions provided by the board of commissioners. Furthermore, conservatism is one of the essential characteristics in the accounting system of the company that can help the board of directors in reducing agency costs and improving the quality of the company's financial statement information so that in the end, it can increase the value of the company and its share price (Watts, 2006; Ahmed & Duellman, 2007).

CONCLUSIONS

Based on the study results, it can be concluded that conservatism has a positive and significant effect on the company's equity valuation, which indicates that the higher the accounting conservatism carried out by the company, the higher the company's equity valuation. Furthermore, managerial ownership has a negative and significant effect on the company's equity valuation, which indicates that the higher the managerial ownership owned by the company, the more the company's equity valuation produces. Then, the composition of independent commissioners has a positive and significant impact on the company's equity valuation, which means that the higher the composition of the independent commissioners, the better the company's equity valuation will produce. This study only uses telecommunications companies listed on the Indonesia Stock Exchange. In addition, the variables used in the study only focused on conservatism, managerial ownership, and the composition of independent commissioners. Thus, future researchers are expected to implement this research topic in different sectors and use other variables or add to existing variables as the development of this research. Meanwhile, investors who want to invest should seek information as early as possible to avoid asymmetric information in making investment decisions. Furthermore, companies should provide information disclosure about their financial statements so that investors can easily access the information needed and not cause losses for investors and the company itself.

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