



# The Influence Of Capital Intensity, Company Size, Growth Opportunity, Tax On Accounting Conservatism With Leverage As Moderating Variable On Food And Beverage Company Listed In Bursa Efek Indonesia

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## ABSTRACT

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The objective of this research is to find out the influence of financial performance of Accounting Conservatism in the companies of Food and Beverages sector listed in BEI (Indonesia Stock Exchange). Independent variables are capital intensity, company size, growth opportunities and tax with conservatism accounting as dependent variable while leverage as moderating variable. The samples are 15 companies in the food and beverages companies listed in BEI in the period of 2010-2019. The datas are financial statement from each research sample published through [www.idx.co.id](http://www.idx.co.id) and [www.financeyahoo.com](http://www.financeyahoo.com) which were analyzed by quantitative method with classic assumption, multiple linear regression analysis using random effect model, taken by using purposive sampling technique. The result of analysis show that financial ratio IM partially has positive and significant influence, GO has negative and significant influence while UP and P do not have any significant influence on accounting conservatism. The variable of leverage is only able to moderate UP.

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## 1. Introduction

The business world is increasingly showing rapid development along with the increasing challenges and risks that will be faced by the company in the future. In carrying out its business activities, of course, every company aims to obtain the maximum profit, where this also has a direct impact on the sustainability of its business. Various ways have been carried out by the company to maintain the survival of the company, one of which is by reevaluate and improving the company's performance, some of them are the effort that must be carried out to implement it is to look at the company's performance through financial reports and evaluate what are the weaknesses in the company's business activities and find solutions to these problems, therefore the role of financial reports is very important in company decision making.

Yusnaini (2019) stated that PSAK as a financial report standard in Indonesia is the trigger for the application of the principle of conservatism. Recognition of the principle of conservatism in PSAK is reflected in the various choices of recording methods under the same conditions. The choice of recording method tends to lead to a conservative corporate income statement, because accountants will tend to choose the recording method that produces the smallest net asset value and company profits.

According to Savitri (2016) the principle of conservatism is a concept that recognizes expenses and liabilities as soon as possible even though there is uncertainty about the results, but only recognizes income



and assets when they are sure they will be received. Based on conservatism, if there is uncertainty about a loss, you should be inclined to record a loss. On the other hand, if there is uncertainty about the profit, you should not record the profit. As such, financial statements tend to yield lower amounts of profits and asset values just as a precaution.

However, the principle of accounting conservatism still reaps many pros and cons. As stated by Rivandi & Ariska (2019), on the one hand, accounting conservatism is considered an obstacle to the quality of financial reports, with the application of the principle of accounting conservatism, the financial statements disclosed will be biased and do not reflect the current state and condition of the company. On the other hand, accounting conservatism is considered useful to avoid managers' opportunistic behavior related to contracts using financial statements. Thus, it can be concluded that conservatism has a risk of misstatement such as understatement, but compared to the risk of overstatement that may occur if the company does not apply conservatism, this risk can be considered to cause smaller losses.

There are several factors that influence the application of accounting conservatism, one of which is capital intensity. Suharni et al., (2019) stated that capital intensity shows the amount of company capital in the form of assets. The magnitude of the intensity of capital in a company will cause the investors to be more monitoring the performance of managers with incentives, to keep their investment principles safe from risks that may occur in the future. Thus, company managers will be more conservative in presenting financial statements and tend to suppress profit engineering. From several previous studies, there are different results on the effect of capital intensity on conservatism Sinambela & Almilia (2018), in his research obtained results that show capital intensity has a negative but not significant effect on conservatism, but this is different from the results of research by Agustina et al (2016 ) which results in capital intensity having a negative and significant effect on accounting conservatism. Rivandi & Ariska (2019) found that capital intensity has a positive and significant effect on accounting conservatism, this is supported by the results of research by (Susanto & Ramadhani, 2016) which obtained the same results.

Another factor that also affects accounting conservatism is company size. Company size is a company's performance that can be seen through the size of its assets, the greater the company's assets, the greater the company's operational activities will be more complex, thus requiring companies to implement earnings management, however, there are mixed results on company size research on accounting conservatism. , Sumiarti, et al (2016) in their research obtained the results that company size did not affect accounting conservatism, which means that the smaller the company, the greater the application of accounting conservatism. Meanwhile, Noviantari & Ratnadi (2015) in their research found that firm size had a positive and significant effect on accounting conservatism.

Other factors that also affect accounting conservatism are growth opportunities or company opportunities to grow. Growth opportunities are opportunities for companies to increase the amount of investment. Growing companies tend to apply accounting conservatism because of lower profit calculations than using optimistic accounting with higher profit calculations. Growing companies tend to invest to expand and strengthen their business, so that the profit portion will decrease because the company's hidden reserves are used for investment. (Ayuningsih, 2016). There are differences in the results of the growth opportunity research on accounting conservatism, Sulastri (2018) obtained the results of Growth Opportunities having a negative and significant effect, Yumnaini (2019) in obtaining the results of growth opportunities research having a positive and insignificant effect on accounting conservatism.

Other factors that can affect conservatism are taxes, income tax is a tax imposed on companies on profits earned in the current year. Under the principle of conservatism, profits can be recognized until evidence of disbursement of funds is obtained, so the current year's profit will be lower. This treatment also has an impact on the emergence of conflicts between the company and the tax authorities, which can cause the company to be underpaid and can then be the beginning of the emergence of income tax disputes (Wicaksono and Herry: 2012). There is a gap in the results of several studies on the relationship between taxes and accounting conservatism, Sinambela & Almilia (2018) in their research, they found that taxes had a negative and significant effect on accounting conservatism, while Dewi et al (2014) found that taxes had a positive and significant effect on accounting conservatism.



Based on the results of the research above, there are still gaps that cause the results of previous studies to obtain different results. In addition, in this study there is also leverage which is used as a moderating variable to see how leverage is in strengthening or weakening the influence of the structure of capital intensity, firm size and growth opportunities on accounting conservatism. Leverage is a ratio used to show how much the company's assets are financed by debt (Pratanda & Kusmuriyanto, 2014).

## 2. Method

### 2.1. Research Place

This research was conducted in food and beverage sector companies listed on IDX in 2010-2019.

### 2.2. Population and Sample

The population used in this study is the food and beverage sector companies listed on the Indonesia Stock Exchange, totaling 23 companies.

### 2.3. Research Variables

The variable used in this study is the dependent variable (Y), namely Accounting Conservatism in Food and Beverage Companies listed on the Indonesia Stock Exchange, while the independent variables consist of Effect of Capital Intensity (X1), Firm Size (X2), Growth Opportunity (X3), Tax (X4) with Leverage as Moderating Variable (Z).

### 2.4. Data Analysis Method

Data analysis techniques are the methods used in analyzing data to find out the results of research. The analytical method used is descriptive statistical test, classical assumption test, multiple linear regression analysis and moderated regression analysis with statistical data processing software tools, namely Eviews.

### 2.5. Theoretical Description

#### a. Accounting Conservatism

Conservatism is a cautious reaction to the uncertainty that exists so that the uncertainty and associated risks in a business situation can be adequately considered. Suwardjono (2014) defines conservatism as an attitude or school in the face of uncertainty to take action or decisions on the basis of the worst outcome of the uncertainty. These uncertainties and risks must be reflected in the financial statements so that their predictive value and neutrality can be improved. The application of the principle of accounting conservatism in financial statements implies prudence in recognizing and measuring income and assets.

#### b. Capital Size

Capital intensity is an indicator of the political cost hypothesis in positive accounting theory, because the more assets used in the company's operations to generate sales of the company's products, it can be ensure that the company is large. Because large companies will receive more attention from the government, companies with capital-intensive conditions will report conservatively to avoid large political costs. The assumption given is that the higher the capital intensity ratio, the more efficient the use of all assets used in operations to generate sales. Zmijewski and Hagerman say that capital-intensive firms are hypothesized to have greater political costs and are more likely to reduce earnings or that financial statements tend to be conservative.

#### c. Company Size

According to Bahaudin and Wijayanti (2011) company size is divided into three categories, namely large companies (large size), medium companies (medium size) and small companies (small size). Large companies are classified as having higher profits compared to smaller companies, therefore large companies often face greater risks. Large companies are faced with high political costs, so large companies tend to use conservative accounting principles to reduce the magnitude of political costs.

#### d. Growth Opportunity

Growth is an element that must occur in the company's cycle, without growth the company will be said not to be successful or to the goals they want. Companies with high growth opportunities will tend to require large amounts of funds to finance this growth in the future. Growth opportunities are opportunities for companies to invest in profitable things (Saputra, et al., 2016). Therefore, the company will maintain profits



to be reinvested in the company and at the same time the company is expected to continue to rely on funding through larger debt.

**e. Tax**

axes are public levies to the state that can be imposed and owed by those who are obliged to pay them based on the laws and regulations without obtaining a return that can be directly appointed and used to finance general government expenditures.

**f. Leverage**

Companies that have gone public will certainly not be free from debt that can be used to expand their business by extensification and intensification. Debt that is used to increase the size of the company can be obtained from creditors such as banks or other lending institutions.

**3. Result and Discussion**

**3.1 Descriptive Statistics**

In this study, the instrument used to collect data was data from the financial statements of 15 food and beverage companies from 2010-2019 published by www.idx.co.id which were then processed by researchers.

**TABLE 1.**  
Descriptive Statistics

Variable	Min	Max	Mean	Std. Deviation
accounting conservatism	-7639,5400	1593,5100	-269,2900	996,4600
capital intensiti	0,0300	3,1000	1,1800	0,6100
company size	8,8400	13,9800	12,1800	1,0800
growth opportunity	-0,3300	45,4700	3,5200	6,8400
Tax	0,0000000000000000 A	0,00000063816902	0,00000006219955	0,0000001
Leverage	0,0200	1,0000	0,1700	0,1400

**3.2 Result**

**a. Regression Equation**

**TABLE 2.**  
Result of Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
accounting conservatism	0.351575	0.124494	2.824036	0.0054
capital intensity	-0.009093	0.071022	-0.128028	0.8983
company size	-0.031478	0.011204	-2.809541	0.0056
growth opportunity	899676.8	539604.3	1.667290	0.0976
C	-0.304089	0.910018	-0.334158	0.7387
R-squared	0.114913	Mean dependent var		-0.056005
Adjusted R-squared	0.090497	S.D. dependent var		0.954039
S.E. of regression	0.909846	Durbin-Watson stat		1.994547
F-statistic	4.706417			
Prob(F-statistic)	0.001338			

**b. Partial Significance Test (Statistical Test-t)**

- 1) IM probability, which is 0.0054, is smaller than the sig t value of 5%, indicating that IM has a significant effect on accounting conservatism.



- 2) The probability of UP with a value of 0.8983 which is greater than the t value of 5% indicates that UP has no significant effect on accounting conservatism.
- 3) Probability GO, which is 0.0056, is smaller than the sig t value of 5%, indicating that GO has a significant and negative effect on accounting conservatism.
- 4) The probability P, which is 0.0976, is greater than the sig t value of 5%, indicating that P has no significant effect on accounting conservatism.

**c. Coefficient of Determination**

The F statistic test was conducted to determine whether the intensity of capital, firm size, growth opportunity and tax simultaneously had an effect on accounting conservatism. Based on table 2. it is known that the probability value (F-statistic) is  $0.001338 < 0.05$ , it can be concluded that all independent variables, namely capital intensity, company size, growth opportunity and tax simultaneously, have a significant effect on the accounting conservatism variable.

**d. Moderate Regression Analysis (MRA) test**

The moderating variable in this study used an interaction test or moderated regression analysis (MRA). This study examines whether leverage is significant in moderating or whether it strengthens or weakens the effect of capital intensity, firm size, growth opportunity and tax on accounting conservatism.

**TABLE 3.**  
Result of Moderate Regression Analysis (MRA) test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
accounting conservatism (X1)	0.238080	0.180456	1.319328	0.1892
capital intensity (X2)	0.121157	0.098696	1.227583	0.2217
company size (X3)	-0.027901	0.016318	-1.709796	0.0895
growth opportunity (X4)	1267510.	912453.4	1.389123	0.1670
X1Z	0.531768	0.926740	0.573805	0.5670
X2Z	-1.273404	0.603627	-2.109589	0.0367
X3Z	-0.083964	0.149693	-0.560907	0.5758
X4Z	-4348214.	5415101.	-0.802979	0.4233
leverage (Z)	15.31173	7.525689	2.034595	0.0438
C	-1.709985	1.210187	-1.412993	0.1599
R-squared	0.150474	Mean dependent var		-0.056005
Adjusted R-squared	0.095861	S.D. dependent var		0.954039
S.E. of regression	0.907159	Durbin-Watson stat		2.055886
F-statistic	2.755302			
Prob(F-statistic)	0.005377			

- a. The probability X1Z which is 0.5670 is greater than the sig t value of 5% indicates that the effect of IM on accounting conservatism moderated by L is not significant.
- b. Probability X2Z, which is 0.0367, is smaller than the sig t value of 5%, indicating that the effect of UP on accounting conservatism moderated by L is significant.
- c. The probability X3Z which is 0.5758 is greater than the sig t value of 5%, indicating that the effect of GO on accounting conservatism moderated by L is not significant.
- d. Probability X4Z which is 0.4233 which is greater than the sig t value of 5% indicates that the effect of P on accounting conservatism moderated by L is not significant.



#### 4. Conclusion

The probability X1Z which is 0.5670 is greater than the sig t value of 5% indicates that the effect of IM on accounting conservatism moderated by L is not significant. Probability X2Z, which is 0.0367, is smaller than the sig t value of 5%, indicating that the effect of UP on accounting conservatism moderated by L is significant. The probability X3Z which is 0.5758 is greater than the sig t value of 5%, indicating that the effect of GO on accounting conservatism moderated by L is not significant. Probability X4Z which is 0.4233 which is greater than the sig t value of 5% indicates that the effect of P on accounting conservatism moderated by L is not significant.

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