



# Moderating Leverage Ability Influence Company Size and Ownership managerial To Conservatism Accounting for Manufacturing Companies Listed on the Indonesia Stock Exchange

Risma Setyo Wati <sup>1</sup>, Wahyono <sup>2</sup>

<sup>1</sup> Muhammadiyah University of Surakarta, Indonesia.

<sup>2</sup> Muhammadiyah University of Surakarta, Indonesia.

**ABSTRACT:** Objective from study This is For find proof empirical about influence profitability, leverage, and size company on earnings quality with ownership managerial as moderating variable. Retrieval technique sample determined with purposive sampling method based on that criteria set by researchers and produce 117 units of analysis as object observation. Population in study This is company listed manufactures in the Indonesia Stock Exchange period 2019 up to 2021. Data was collected using the documentation method. The research data used descriptive statistical analysis and moderate regression analysis using the IBM SPSS Statistics 21 program. The results of this study empirically prove that the company influential to conservatism accounting . Temporary ownership management doesn't matter conservatism accounting . Furthermore, leverage is not able to moderate the effect of size company and ownership managerial towards conservatism accounting . Future research is suggested to broaden the sample of companies from various sectors and increase the research period. In addition, it is suggested to add other variables that may affect conservatism accounting . Regarding variable measurement it is also suggested to use another method of measuring each variable.

**Keywords** Size company, Ownership Managerial, Leverage, Conservatism Accounting.

## I. INTRODUCTION

Report finance is reflecting report \_performance company in something period certain. Harrison Jr. et al. (2012) stated report finance as document intended business For various group user, incl managers, investors, creditors, and agents regulator For report results activity company. In accordance with International Financial Reporting Standards (IFRS) framework, reports finance aim For give information about position financial, performance, and change position finance something useful entity for user when make decision economy. because it, reports quality and appropriate finances with applicable standards very needed in order to accountable (SN Sari & Agustina, 2021).

*leverage* is possible ratio used For show how much big debt or capital used For finance assets company. *leverage* or ratio level debt is use assets and sources of funds by the company that owns them fixed load with objective increase profit potential holder shares (R. Saputra et al., 2016). Leverage can made as sign for creditor For level security refund that has been given to company. Ratio *leverage* can reflect possible capital structure used For know level no debt risk collectible for creditor. creditors tend request manager For apply conservatism accountancy Because interested to distribution asset net and more profit low to managers and holders stock.

Managers and creditors own connection agency based on theory agency (Ursula & Adhivinna, 2018). Company with increasing leverage ratio tall will make choice policy appropriate accounting For repair ratio finance (Ursula & Adhivinna , 2018).

Variable Moderation is connection between variable Independent ( free ) with variable dependent ( related ). Sometimes influenced by several factor others who don't entered in our statistical model use . The moderator variable can used For strengthen connection between variable , besides it can too For weaken connection between One or a number of variable free and variable related . In other words the moderator variable in study is variable party third to modify connection between variable independent and variable dependent , or can also be defined that , the moderator variable or moderating variable is variables that can influencing ( strengthening and weakening ) relationships between variable independent and variable dependent . Objective variable moderation is For measure strength connection between Variable independent with variable dependent ( Annisa Febria , 2019).

Size company is is big its small company can be measured with total assets or big treasure company with use calculation mark logarithm of total assets. Basically size company only divided in 3 categories that is company large (large firm), company medium ( *medium size* ) and companies small ( *small firms* ). Determination size company This based to the company's total assets .

Ownership managerial is level ownership share party management that is active follow in taking decisions , for example like directors , management , and commissioners . Ownership share high managerial will push management do function with well , because matter the aim For increase well-being holder stock and for interests alone .

Conservatism accountancy is one principle producing accounting relevant and reliable figures used as effort presentation report quality finance. Conservatism explained by Suwardjono Conservatism accountancy can concluded as principle caution in respond possible uncertainties and risks happen in the future . Implications from draft This for reporting finance according to ( Suwardjono .) (2017) no anticipate profit or possible income happen but will quick confess cost or possible losses happened. Conservatism Act as balancer when there is a managerial bias , which is attempted with balancing action opportunistic manager with obligation For do verification especially first . With thus, reporting presented finances No will excessive or No simple . kindly historical , concept conservatism accountancy has used as guide For Lots practice accounting . Draft This will give rational guidelines If applied with right . However , concept This Still considered controversial . on one side , useful avoid behavior opportunistic manager , on the other hand conservative accounting will influence quality report finance Because reported information considered biased ( Hery , 2017).

Phenomenon application conservatism low accounting indicate necessity conservatism accountancy For researched more in. The low application conservatism accounting too raises Lots scandal manipulation report finance like described above. There is case manipulation report finance show that report finance No served in accordance with objective operational. With thus, information finance need served in a manner quality and not misleading so that can beneficial for the user.

Researches previously about conservatism accounting that has done previously bring up various factor still own no results consistent. Sulastri et al. (2018) and Moeinaddin et al. (2012) in his research show influence positive on the relationship between size enterprise and conservatism accounting. Different with Geimechi & Khodabakhshi (2015) who found No exists influence connection between size company with conservatism accounting.

Study This use three factor that is size company, ownership management, and conflict interest as variable independent Because third factor the Still own Lots inconsistency from results study before.

Lafond & Roychowdhury (2008), Mohammed et al. (2017), and Rahmadhani (2015) found influence negative ownership managerial with conservatism accounting. Whereas Sinambela & Almilia (2018) no find influence ownership managerial to conservatism accounting. There is influence positive conflict interest with conservatism accountancy presented by Ahmed et al. (2002) and Juanda (2007). Different with results study Wisuandari & Putra (2018) which is not find influence conflict interest to conservatism accounting. Sulastri et al.

Inconsistency this push researcher For presents leverage as variable moderation. Leverage is selected Because factor This attached to that company always need funds for finance its operational. In sector very manufacturing risk and have uncertainty tall Because need cost very investment height and length long, which becomes problem related funding. With thus, leverage is expected can moderate connection variables that will researched. kindly empirical, goal from study This is For test leverage moderation ability, influence size company and ownership managerial to conservatism accountancy with leverage as a moderator.

Study This refers to and develops research conducted by Sumiari & Wirama ( 2016 ) who examined conservatism accountancy as variable dependent and size company as variable independent , moderated by leverage as variable moderation. Ownership management and conflict interest added as variable independent for originality study this.

this because ownership high managerial will push happening expropriation by capable management weaken application conservatism accounting in companies so that company need push ownership managerial so no too high. Temporary it, Theory accountancy positive as expressed by Chariri & Ghazali (2007) is trying theory explain phenomenon accountancy with focus on observing reason something events, or predict practice accountancy in condition certain. Three tried hypothesis tested in theory accountancy positive as expressed by Watts & Zimmerman (1990) which explains decision management For Act conservative or no. Size company can categorized as become company big, company medium and corporate small. Watts & Zimmerman (1990) revealed that more company big will more sensitive to cost political as predicted by the hypothesis cost politics.

## II. MATERIALS AND METHODS

### 2.1. Conservatism Accountancy

Conservatism accountancy is one principle producing accounting relevant and reliable figures used as effort presentation report quality finance. Conservatism explained by Suwardjono (2017) is attitude in face uncertainty For take action or decision. Conservatism also contains meaning caution with sacrifice something For reduce or remove possible risk happened. Principle This produce number more profits and assets low and numbers more fees and debt high ( Juanda , 2007).

### 2.2. Size company

Size company is comparison small or big company that can be measured with total assets, total sales, market value of shares, and others. Size company can categorized as become company big, company medium and corporate small. Watts & Zimmerman (1990) revealed that more company big will more sensitive to cost political as predicted by the hypothesis cost politics. There is a possibility that company big will face cost big politics.

### 2.3. Ownership managerial

Ownership managerial is situation Where manager own share company or in other words manager the at a time as holder share company. If in something company own Lots owner stock, then group big individual the Already clear No can participate with active in management company everyday. Hence, they choose the board of commissioners, who choose and supervise management company. Structure this means that owner different with manager company. This give stability for companies that don't owned by the company with owner concurrently manager.

### 2.4. Leverage

*leverage* is one ratio financial description connection between debt company on capital as well asset company. The leverage ratio illustrates sources of operating funds used by the company. The leverage ratio also shows the risks involved daughter company, Vidiyana Rizal, (2017). According to Irfan Fahmi (2012:62) the leverage ratio is measure how much big company financed with debt . Ratio This can see how far the company financed by debt or party outside with ability company described by capital.

**Influence Company Size to Conservatism accountancy**

Proportion shares owned by originating people from in company called ownership managerial. Proportion This will influence action manager in reporting finance. Ownership level high managerial possible manager For do expropriation or use control For maximizing welfare Alone Because management No only chasing bonuses but also high dividends so that application conservatism accountancy the more low. Temporary That is, low ownership possible manager For more conservative Because manager want to guard investor confidence and think about continuity life company For more profit big in the future.

**H1: Firm size matters to Conservatism accounting.****Influence Ownership managerial to Conservatism accountancy**

clash interest is description something conflicts that arise Because policy company related with dividends to be paid, which happened between investors and creditors. Juanda (2007) explains that there is conflict interest between investors and creditors as revealed in theory agency. clash interest happen Because diversion assets, gains assets, replacement assets, or payment excessive dividends used by investors for take profit from creditor funds. Whereas interest creditor is expect security suspected funds can produce profit later day. because it is necessary report conservative and reliable finance so as not to there is excessive transfer of wealth by investors.

**H 2 : Ownership managerial influential to conservatism accounting .****Influence *leverage* to Company Size**

Proportion shares owned by originating parties from in company normal called with ownership managerial. Management will Act based on welfare to be obtained with maximizing profit For get bonuses and more welfare tall as has been revealed in hypothesis bonus plan. There is expropriation driven by ownership high managerial impact can reduce application conservative accounting. Influence negative from connection between ownership managerialism and conservatism accountancy will moderated by leverage. company will more conservative and cautious when debt tall Because This is threat for continuity life company.

**H3 : *Leverage* moderate influence size company to conservatism accounting .****Influence *leverage* to Ownership managerial**

Excess payment dividends that investors use for take funds from creditor resulted conflict interest between both. There is clash interest that occurs can reduced with application conservatism accounting. There is leverage moderate connection conflict interest to conservatism accounting. this due to high leverage can increase risk company finance as described in debt-equity hypothesis.

**H4 : *Leverage* moderate influence Ownership managerial to Conservatism accounting .****Influence *Leverage* against Conservatism accountancy**

Connection between conflict interests and conservatism accountancy Not yet succeed moderated by leverage. this result No in line with debt- equity hypothesis. this possible Because creditor No feel threatened with security the funds have channeled to company. this Because assumed that efficient contract has made between creditors and companies so that No raises conflict between interested parties in the company. With so, creditor No worry the funds can abused For investor interests only. Based on trust here, creditor No too monitor company and rate performance company from other aspects beyond leverage such as ratio profitability and profitability.

**H5 : *Leverage* is moderating influence conflict to Conservatism accounting.**

### III. RESEARCH METHOD

Study this use type method quantitative with take a number of sample originating research from company manufacturers listed on the Indonesia Stock Exchange (IDX) in 2016-2019. Research data 79 units were selected with purposive sampling technique. Table 1 explains criteria sample study that is as following.

Table 1. Procedure Determination Sample

	Information	Amount
Population	Manufacturing companies listed on the Indonesia Stock Exchange in 2019-2021	193
Criteria Sample	1) Manufacturing companies that don't listed on the Indonesia Stock Exchange successively during period 2019-2021.	( 19 )
	2) Manufacturing companies that don't experience loss and delisting during period 2019-2021.	( 39 )
	3) Manufacturing companies that do not use eye Money in rupiah during period 2019-2021.	( 43 )
	4) Companies that don't provide all the data needed in study This during period 2019-2021.	( 39 )
	Sample study	49
	Observation data (x 3 year )	117
	data outliers	( 16 )
	<b>Amount sample</b>	<b>101</b>

Source: Processed data, 2023

Variable dependent or free in study This that is conservatism accounting, meanwhile variable independent or bound among them is size company and ownership managerial, as well exists the moderating variable is leverage. Following definition each from every variable presented in table 2.

Table 2. Definitions and Indicators Variable Study

<b>Operational Variable _</b>		
<b>Variable dependent</b>	Indicators	References
Conservatism Accounting ( KA )	$CONACC = \frac{(NIO + DEP - CFO)}{Total Aset}$	Early Firmasari , 2016
<b>Variable Independent</b>		
Company Size ( UP )	$Ln ( Total assets )$	Reyhan , 2014
ownership managerial ( KM )	$KM = \frac{Jumlah\ saaham\ manajer}{Jumlah\ saham\ beredar}$	Marpaung , 2019
<b>Moderating Variable</b>		
Leverage ( L )	$Leverage = \frac{Total\ Utang}{Total\ Modal\ Perusahaan}$	Joko Riyadi , 2019

Data collection techniques using based documentation to report finances and reports annual. Results of data analysis obtained and analyzed use analysis descriptive with IBM SPSS Statistics tool. Testing hypothesis use analysis moderate regression after the data meets assumption assumption test criteria classic.

#### IV. RESULT

Analysis Statistics Descriptive Testing statistics descriptive on the results study This showed For analyze minimum, maximum, mean and deviation values raw variable research. Result of analysis descriptive described in table 3 viz as following:

Table 3. Descriptive Statistical Results

	<i>Minimum</i>	<i>Maximum</i>	<i>Means</i>	<i>std. Deviation</i>
Conservatism Accountancy	1,441	,718	,16403	, 199912
Company Size	20,927	30,680	27.32081	2.304135
Ownership managerial	,000	6, 344	,26439	,743318
<i>leverage</i>	, 001	4, 722	, 89914	, 820967

Source: Processed data , 2023

#### Assumption Test Classic

Assumption test classic used For complement normative requirements before he did analysis hypothesis research. Normality test done with using the indicated Kolmogorov –Smirnov (KS) test with residual value of 0.646 ( $\alpha > 0.05$ ) then signify that research data distributed normally. Furthermore with multicollinearity test show VIF numbers  $< 0.10$  then assumed that data free from multicollinearity. Testing to Durbin Watson test values for test autocorrelation in spread value data obtain mark as big 2,334 with  $du < d < 4 du$  where  $1.7273 < 2.334 < 2.346$  which means that data free from autocorrelation . Whereas mark heteroscedasticity show number significant  $> 0.05$  then can concluded that the data is free from symptom heteroscedasticity. Coefficient test determination aim For know influence from research models to variable dependent. Adjusted R2 value 0.14, so that from results analysis the concluded that influence size company and ownership managerial to conservatism accountancy own influence as big 14 % meanwhile the rest 86 % is influenced by variables outside the research model . Analysis Regression Moderation ( *Moderate Regression Analysis* ) The results of the analysis regression moderation useful For prove exists influence deep moderating variable something method research . Study in analysis regression moderation using the interaction test. The results of the analysis are presented in tab el 4 ie as following :

el tab 4 . A analysis Regression Moderation

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	-, 521	, 372		- 1, 401	, 165
Company Size	,028	, 014	,322	2, 062	,042
Ownership managerial	-, 048	, 065	-,179	-, 744	, 459
leverage	,099	, 352	, 406	, 281	, 779
X1_Z	-,007	,013	-,771	-,257	,599
X2_Z	,068	,060	,271	1,132	,261

Sumber : Output SPSS, 2023

Conclusion of the results of hypothesis testing study contained in table 5 namely as following

Table 5. Summary hypothesis Researcher

	<i><b>hypothesis</b></i>	<i><b>t</b></i>	<i><b>Sig.</b></i>	<i><b>Information</b></i>
H1	Size companies have an effect on conservatism accountancy	2,062	.042	H1 Accepted
H2	Ownership managerial influence on k conservatism accountancy	-,744	,459	H2 Rejected
H3	Leverage does not moderate the effect of size company against conservatism accountancy	-.257	,599	H3 Rejected
H4	Leverage does not moderate the influence of ownership managerial towards conservatism accountancy	1.132	,261	H4 Rejected
H5	No leverage influential to conservatism accountancy	,281	,779	H5 Rejected

Source : SPSS output, 2023

## DISCUSSION

### **Size companies have an effect on conservatism accountancy**

The first hypothesis which states that Size company effect on conservatism accountancy accepted . Proportion Shares owned by people who come from within the company are called managerial ownership. This proportion will affect the actions of managers in financial reporting. A high level of managerial ownership allows managers to expropriate or use control to maximize their own welfare because management does not only pursue bonuses but also high dividends so that the application of accounting conservatism is lower. Meanwhile, ownership is low allows managers to be more conservative because managers want to maintain investor confidence and think about the survival of the company for greater profits in the future .

### **Ownership managerial No effect on conservatism accountancy**

The second hypothesis states that managerial ownership has no effect on accounting conservatism for manufacturing companies in 2019 – 2021. The proportion of shares owned by people from within the company is called managerial ownership. This proportion will affect the actions of managers in financial reporting. A high level of managerial ownership allows managers to expropriate or use control to maximize their own welfare because management does not only pursue bonuses but also high dividends so that the application of accounting conservatism is lower. Meanwhile, low ownership allows managers to be more conservative because managers want to maintain investor confidence and think about the survival of the company for greater profits in the future. Managers act on motives to pursue bonuses. This is consistent with the bonus plan hypothesis which states that managers will act according to the bonuses they will receive (Watts & Zimmerman, 1990). In order to achieve the target, managers will maximize profits based on this motive, which causes earnings reporting to be less conservative and can mislead users of financial statements. It can be concluded that managerial ownership has no effect on accounting conservatism. This is in line with Rahmadhani (2015), Mohammed et al. (2017), Xia & Zhu (2009), and Lafond & Roychowdhury (2008).

### **Leverage does not moderate the effect of size companies against conservatism accountancy**

The fourth hypothesis of managerial ownership does not moderate the effect of profitability on earnings quality . Result of hypothesis third leverage is not moderate influence size company to conservatism



accounting. Use method reduced accounting profit more possible For used by more companies big Because related with cost political like payment taxes, government more attach importance more company big. this make method accountancy conservative become choice For reduce cost high politics For company big as revealed in hypothesis cost politics. There will be leverage moderated with strengthen connection conservatism size influenced accounting company. Risk facing finances company will increase Because increasing debt uncollectible ratio. So that can threaten continuity life company and the safety of creditor funds. Condition This push creditor For monitor company more close and ask report possible finances dependable. because that is, management will more be careful and don't manipulate profit For reduce perceived risk creditor. Conversely, when the leverage is low can reduce application conservatism accounting. By Because it's not leverage capable moderate size company to conservatism accounting . this in line with Sumiari & Wirama (2016).

#### **Leverage does not moderate the influence of ownership managerial towards conservatism accountancy**

The fourth hypothesis of leverage does not moderate the effect of managerial ownership on accounting conservatism. The proportion of shares owned by parties from within the company is commonly referred to as managerial ownership. Management will act based on the welfare that will be obtained by maximizing profits to get higher bonuses and welfare as has been revealed in the bonus plan hypothesis. The existence of expropriation is driven by high managerial ownership which has the impact of reducing the application of conservative accounting. The negative effect of the relationship between managerial ownership and accounting conservatism will be moderated by the presence of leverage. The company will be more conservative and careful when the debt is high because this is a threat to the company's survival.

#### **No leverage moderate influence conflict to conservatism accounting**

The fifth hypothesis of leverage does not moderate the conflict with accounting conservatism. The relationship between conflict of interest and accounting conservatism has not been affected by leverage. This result is not in line with the debt-equity hypothesis. This is possible because the creditor does not feel threatened by the security of the funds that have been channeled to the company. This is because it is assumed that an efficient contract has been made between the creditor and the company so that it does not cause conflict between the parties with an interest in the company. Thus, creditors are not worried that their funds can be misused for the benefit of investors. Based on this belief, creditors do not overly monitor the company and assess the company's performance from other aspects besides leverage, such as profitability and profitability ratios.

## **V. CONCLUSION**

Study this prove that exists influence between variable size company to conservatism accounting. Different with variable ownership managerial not give influence to conservatism accounting, because relative company small seldom seen by the public as well as possibility exists difficult For growing. Meanwhile That leverage variable can not afford influence size company and ownership managerial to conservatism accounting. Suggestions for researcher next can add sample company from various sector and period study as well as choose other measurements for represent each variable dependent, independent, and moderating.

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