

The Impact of Accounting Conservatism on Corporate Equity Valuation Moderated by Good Corporate Governance

Bayu Pasupati

Persada Indonesia University Y.A.I, Jakarta, Indonesia

Abstract. The purpose of the current article is to determine the impact of accounting conservatism phenomenon on the evaluating of corporate capital and the ability of good corporate governance (GCG) to interact with the effect of accounting conservatism. As the samples for this study were taken companies that constantly fall into the LQ45 index during the reporting period of 2010-2012. In general, there were taken 29 companies (with 87 observations). Accounting Conservative Proxy for the difference between net income indicators and operating cash flow divided by average total assets (ACC_CON). The assessment of corporate capital by proxy according to the ratio of the market to the balance sheet. The corporate governance mechanism is measured using managerial ownership, the percentage of independent commission members and the size of the audit committee. The results of the conducted survey showed that accounting conservatism has a significant positive effect on the assessment of corporate capital. The whole mechanism of Good Corporate Governance (GCG) used in this study, property management, the share of independent members of the commission and the audit committee, was a moderating variable that interacts between accounting conservatism and corporate capital appreciation. Since this study shows that 36% of the dependent variables are attributable to independent variables, the next researcher may look for other independent variables that may affect the assessment of capital, such as economic status, market perception, company or world events, human psychology, and so on. The prospect of the study may also involve the usage of a different power of attorney for accounting conservatism estimation.

Key words: conservatism instrument variable, market-to-book ratio, corporate governance mechanism.

Introduction

Swardjono (2005: 126-138) stated that the prudence action is applied by immediately recognizing expenses or losses that possibly happen, but not immediately recognizes revenue or gains that will be received. The circle of these actions are named as accounting conservatism notion. In traditional adage, it is "anticipate no profit and recognize all losses". Conservatism concept or pessimism obliges expenses or losses to be immediately recognized. Otherwise, the recognition of revenue and gains will be recognized after there is realization certainty. Based on Watts (2003a: 207-221, 2003b: 287-301), Ball and Shivakumar (2005: 265-313), accounting conservatism fulfills an important role in providing high-quality information for potential investors. Panicked investors caused by financial crisis will withdraw from the stock market entirely or move their money to what they perceive as high-quality firm. Based on Basu (1997: 3-37), accounting conservatism mitigates managerial opportunism by requiring higher degree of verification to recognize good news as gains than to recognize bad news as losses.

Accounting conservatism becomes concern of many parties. Based on the research done by Fala (2007; 2010), accounting conservatism influences corporate equity valuation that moderated by Good Corporate Governance (GCG). GCG is a system that regulates and controls corporation to create higher added value for stakeholders. Besides, shareholders can get information based on what they want, so that the principle

of corporate governance can enhance the quality of corporate financial statement that will eventually increase trust between both parties in order to avoid continuous conflicts.

Corporate governance plays an important role in the implementation of conservatism. Governance is the set of mechanism in place:

- to ensure that the assets of the firm are used efficiently;
- to prevent the inappropriate distribution of the assets to managers or to other parties at the expense of the rest of stakeholders.

Thus, strong corporate governance results in better monitoring of management produces more timely accounting information, accelerates the recognition of bad news with aim to provide board-of directors with early-warning signals to investigate the possible risks and reduce the likelihood of incurring litigations costs. All of this outcomes also resulted by implementing accounting conservatism. The research done by García et al. (2005) found that firm with strong corporate governance exhibit a higher degree of accounting conservatism. Thus, good corporate governance was treated as moderator variables since its existence strengthen exhibits a higher degree of accounting conservatism that influences corporate equity valuation.

Therefore, when a corporation applied accounting conservatism with the practice of GCG, like percentage of managerial ownership, proportion of independent commissioners and audit committee will influence corporate equity valuation. The higher the percentage of managerial ownership, proportion of independent commissioners and number of audit committee, the higher the monitoring and corporation performance that will increase corporate equity valuation.

Statement of Problem

Based on the explanation on research background so the problem statements are as follow:

1. Does accounting conservatism have positive impact on corporate equity valuation?
2. Does percentage of managerial ownership have positive effect on relationship of accounting conservatism towards corporate equity valuation?
3. Does proportion of independent commissioners have auspicious impact on the relationship of accounting conservatism towards corporate equity valuation?
4. Does number of audit committee have constructive effect on the relationship of accounting conservatism towards corporate equity valuation?

Research Benefits

This research can give suggestion for potential or present investors of capital market related to accounting conservatism practice and corporate equity valuation. In addition, the results of the study will be useful as a source or reference point for implementation of company's policy related to accounting conservatism and implementation of good corporate governance. Finally yet importantly, this research may give incentive for further research in this area.

Theoretical Framework and Hypothesis Development

Agency theory fixes that in the case of separation between the owner as principal and managers as agents who run the company, the problems of agency will exist since each side will always try to maximize utility function (Jensen and Meckling, 1976: 305-360). To minimize these agency problems, so contracts are made in company either between management and employees (OECD, 2004; Sandra and Kusuma, 2004; Siallagan and Machfoedz, 2006: 124-131; Suaryana, 2005; Sulistyanto, 2008). However, the conflict cannot be eliminated by using contracts because costs for complete contracts

is very expensive, and impossible (Fama and Jensen, 1983: 301-325; Hart, 1995: 219-235). Thus, in the absence of contract in which contract is not made perfectly, corporate governance mechanism plays an important role in mitigation those conflicts. Conservatism is one of important characteristics in companies' accounting systems that can help board of directors in reducing agency cost and increase the quality of information in financial statements and at the end increase the value of companies and their shares price (Watts, 2003, 2006).

Signaling theory stressed the importance of information released by the company to the investment decision on the parties outside the company. Information is an essential element for investors and business people. Exactly the information records or state picture for past, current and future conditions for the going concern of a company and how the market effect. Complete, relevant, accurate and timely information is required by investors in the capital market as an analytical tool to make investment decisions (Utomo et al., 2018). According Jogiyanto (2000: 392), information published as an announcement will give a signal to investors in making investment decisions. If the notice contains a positive value, it is expected that the market will react when the announcement was welcomed by the market. At the time, the information was announced and all market participants have received such information, market participants must first interpret and analyze such information, as the signal is good (good news) or poor signal (bad news). If the announcement of such information as a good signal for investors, then there is a change in the volume of stock trading.

Penman and Zhang (2002: 237-264) and Wolk et al. (2001: 67-78) suggest that conservative accounting is not only related to the choice of accounting methods, but also estimate that is often applied in relation to accrual accounting. Basu (1997: 3-37) mentions that conservatism is an accounting practice that reduces profits (and lower net assets) in the face of bad news, but do not increase profits (and increase net asset value) when responding to good news (Gujarati, 1993: 13-25; Hati, 2011; García et al., 2009; García et al., 2007: 727-755). Seen from the point of view of earnings management, this definition looks similar but the difference is in the word "do not increase profits (and increase net asset value) when responding to good news. According to Watts (2003b: 287-301) an explanation of the earnings management literature seems compatible with conservatism based on the following reasons:

- establish reserves understate net assets;
- remove the negative stock returns, potentially giving relationships earnings / stock return is asymmetric;
- initial losses will be temporary, followed by higher earnings are still generated by the use of reserves.

Based on Basu (1997: 3-37), accounting conservatism is tendency to did higher verification to recognize gains (good news in earnings) compare to when recognizing loss (bad news in earnings). Accounting conservatism can reduces opportunistic managers that tend to benefit themselves than act for the welfare of shareholders. Companies that implement accounting conservatism is a positive signal from management to investors that earnings with good quality is produced, not overstate. With efficient market assumptions, investors can receive this signal and corrects undervalued equity by valuing the company's equity at a higher price. Research conducted by Fala (2007) states that accounting conservatism positive effect on the company's equity valuation. This result also supported by Pranama (2008: 43-87) that proved accounting conservatism has positive significant influence on equity valuation. Then the hypothesis based on the stated above information is the next:

H₁: Accounting conservatism creates positive significant impact on valuation of equity.

Jensen and Meckling (1976: 305-360) developed a specific management theory. Their proven hypothesis is based on the position that stock ownership by management has concrete potential to decrease the problem of agency. This is caused by the fact that the more shares held by the management stronger their motivation to work in order to increase companies shares price. Taking the classic agency theory as a fundamental one, the greater ownership by inside directors (affiliated commissioner / commissioner except independent commissioners) will bring to goal congruence between management and shareholders (Wulandini, 2012: 1-14; FCGI, 2001; Ghozali, 2012: 43-51). However, on the other side as owners, insider directors can use voting power with an aim to do expropriation towards companies.

In the paradigm of the presented theory of conservatism, ownership by inside directors and management bases on two multiple points (PCAOB, 2007). Ownership by inside directors and the management can act as a tool of monitoring the process of financial reporting. It may also become the driving factor of expropriation against minority shareholders (Francis et al., 2013: 319-346; Iskander and Chamlou, 2000). If inside directors do monitoring and management function in a correct way, then it produces information of financial reporting results that has high quality, so that they will demand the use of a higher principle of conservatism from the other side. Nevertheless, if ownership drive expropriation against the companies, then they will be more inclined to use more liberal accounting principles (more aggressive). So, the higher managerial ownership, the higher monitoring and influence to the relationship between accounting conservatism and equity valuation. Thus, the hypothesis flowed based on the above mentioned is:

H_{2a}: Managerial ownership has constructive effect on the relationship between accounting conservatism and equity valuation.

While Ball (2001) which states that conservatism will facilitate the implementation of governance through its role as a monitoring function to the investment policy. With faster on recognition of losses, accounting conservatism helps managers to identify projects, which have a negative NPV investment that has poor performance. Conservatism will also limit the losses that may resulted from bad performance of investment so it will increase the equity valuation (Ahmed and Duellman, 2007).

The argument stated above shows that conservatism is a useful tool for the directors' board (especially outside ones) in carrying out their functions and decisions as decision maker for monitor managing. Investors are willing to give more premium to the company because of service and control performed commissioner, the ability to monitor financial statements also increased. Research done by Fala (2007) also found that proportion of independent commissioners as one of mechanism as good corporate governance was moderating variables that interact the relationship between accounting conservatism and equity valuation. Therefore, the hypothesis for the current statement might be formulated in the next way:

H_{2b}: Independent commissioners proportion has positive impact on the relationship between accounting conservatism and equity valuation.

Audit committee assists the board of commissioners to ensure that financial statements presented fairly in accordance with generally accepted accounting principles, internal control executed, internal audit conducted in accordance with applicable auditing standards, and follow-up audit findings are implemented by management. With the audit committee of a company, the company's financial reporting processed is monitored as

well. The audit committee ensure that companies apply to the principles of financial accounting will produce accurate and good quality of information. Xie et al. (2003: 295-316) found that audit committee activity is an important factor for constraining the propensity of managers in order to engage in earning management. Company that has audit committee will make shareholders feel safe since it reduces the manipulation done by managers (Bahaudin and Wijayanti, 2011; Boediono, 2005; Asri, 2017). The shareholders will pay more for the equity for this safe feeling. Then the hypothesis based on the stated above information is the next:

H_{2c}: Number of audit committee has a constructive positive impact on the relationship between accounting conservatism and equity valuation.

Material and Methods

The current study is a predictive research. Its object is to predict certain phenomena based on general relationships that have been previously thought, then to test hypotheses generally explains the characteristics of certain relationships or differences between groups or the independence of two or more factors in a situation. Samples of the research are companies listed in Indonesia Stock Exchange during 2010-2012. All of them are companies that fall within LQ45 Index since LQ45 Index consists of liquid companies and actively traded in Indonesia Stock Exchange thus it has high market capitalization. The sampling method used is purposive sampling that take samples based on some criteria. The criteria are as follow:

1. Companies that fall within LQ45 Index consistently during 2010-2012.
2. Companies that publish annual report during 2010-2012.

Variable Operationalization

This research used price to book ratio as proxy for equity valuation (Y). Watts (2003b: 287-301) used price to book ratio that reflects market value relatively to equity valuation. This ratio gives assessment of companies' market shares and reflects point-of-view of investors over companies as a whole (Walsh, 2003; Paramita and Rizal, 2018). Based on Fala (2007), price-to-book ratio shows market reaction of positive signal from companies that implement accounting conservatism in financial statements. The formula of price to-book-ratio as proxy of equity valuation (PBV) is as follows:

$$PBV = \frac{\text{Outstanding Shares} \times \text{Closing Price (QIV)}}{\text{Total Equity}}$$

In this research, the independent variable are:

1. Accounting Conservatism (ACC_CON)

Based on the model used by Givoly and Hayn (2000: 287-320) in Ahmed and Duellman (2007), accounting conservatism can be measured by formula as follows:

$$ACC_CON = \frac{NI - CF}{ATA}$$

Where:

ACC_CON = level of accounting conservatism

NI = Income before extraordinary items

CF = Cash Flow from Operations plus depreciation expenses

ATA = Average of Total Assets

2. Managerial Ownership (MO)

Managerial ownership is shares ownership by directors, management, commissioners and every stakeholders that directly involved in economic decision-making (Jensen and Meckling, 1976: 305-360).

$$MO = \frac{\text{Number of Shares Owned by Management}}{\text{Total of Companies' Shares}} \times 100\%$$

3. Proportion of Independent Commissioners (Prop)

Based on decision by Board of Directors of Indonesia Stock Exchange, Jakarta No. Kep-339./BEJ/07-2001 item C about board governance that consists of independent commissioners that do not perform executive tasks and regarding board governance that consists of Independent Commissioners, Audit Committee, and Corporate Secretary, to achieve good corporate governance, number of independent commissioners must be at least 30% from total numbers of board of commissioners. Below are the formula to measure proportion of independent commissioners (Prop).

$$Prop = \frac{\text{Number of Independent Commissioners}}{\text{Total Members of Commissioners}} \times 100\%$$

4. Audit Committee (AC)

Members of audit committee is appointed from member of board of commissioners that do not perform executive tasks and consists of at least three independent members. Audit committee held meeting three until four times yearly to implement its obligation and responsibility. Audit committee give professional opinion to board of commissioners to increase work quality and reduce deviation of company's governance.

AC = Number of Audit Committee's member

Analysis and Hypotheses Testing

This research uses multiple regression analysis. Before multiple regression analysis is done, descriptive statistic and classic assumption test must be conducted to ensure that the data is normally distributed. Below is the regression model:

$$PBV = a + \beta_1 ACC_CON + \beta_2 MO + \beta_3 Prop + \beta_4 AC + \beta_5 MO.ACC_CON + \beta_6 Prop.ACC_CON + \beta_7 AC.ACC_CON + e$$

Where:

Y = Equity Valuation

a = constant

β = regression coefficient

ACC_CON = Accounting Conservatism

MO = Managerial Ownership

Prop = Proportion of Independent Commissioners

AC = Audit Committee

MO.ACC_CON = Interaction between Conservatism and Managerial Ownership

Prop. ACC_CON = Interaction between Conservatism and Proportion of Independent Commissioner

AC.ACC_CON = Interaction between Conservatism and Audit Committee

e = error

The researcher determines H_0 and H_a as follow:

H_0 : Independent variable (X) has no influence on dependent variable (Y)

H_a : Independent variables (X) influence dependent variable (Y)

With level of significance, 5 %, the criteria for this test are as follow:

1) If significance value $t > 5\%$, so hypotheses is rejected, means there is no impact between independent variable towards dependent variable.

2) If significance value $t > 5\%$, so hypotheses is rejected, means there is impact between independent variable towards dependent variable.

Below are the summary of how hypotheses is accepted or rejected:

H_1 is accepted if sig. t on $b_1 < 0.05$ with positive β

H_{2a} is accepted if sig. t on $b_5 < 0.05$ with positive β

H_{2b} is accepted if sig. t on $b_6 < 0.05$ with positive β

H_{2c} is accepted if sig. t on $b_7 < 0.05$ with positive β

Results

Descriptive Statistics

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PBV	87	.2565	40.8316	4.574412	6.6590854
ACC_CON	87	-.1642	.1666	-.011837	0.679804
MO	87	.0000	1.0000	0.48286	.1806953
Prop	87	.1667	1.0000	0.438475	.1285099
AC	87	3.0000	8.0000	3.735632	1.1559731
Valid N (listwise)	87				

Source: SPSS 21.00 (2015)

Based on Table 1 above, Accounting Conservatism (ACC_CON) has mean - 0.11837, it means that samples in this research are conservative. Managerial Ownership (MO) has mean 0.048286, Proportion of Independent Commissioners (Prop) has mean 0.438475, and Audit Committee (AC) has mean 3.735632.

The Simultaneous Test (F-test)

Table 2. F-Test Results

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1372.339	7	196.048	6.344	.000 ^a
	Residual	2441.195	79	30.901		
	Total	3813.534	86			
^a . Predictors (Constant), AC.ACC_CON, Prop, MO, AC, ACC_CON, MO.ACC_CON, Prop.ACC_CON						
^b . Dependent Variable: PBV						

Source: SPSS 21.00 (2015)

Based on Table 2 above, shows the F-statistics score of 6.344 is greater (>) than F-table (df7; df79; 0,05 probability = 2.128 score) so H_0 is rejected ($p < 0,05$). This means that the variables of Accounting Conservatism on moderated by Good Corporate Governance have significant influence towards the Corporate Equity Valuation.

Multiple Regression Analysis and Discussions

Table 3. The Partial Test of the Regression Coefficient (t-test)

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.517	2.260		.570	.570		
	ACC_CON	9.286	4.060	.098	.039	.039	.634	1.577
	MO	-2.280	4.280	-.062	.533	.596	.601	1.664
	Prop	18.368	4.435	.382	4.141	.000	.952	1.050
	AC	-1.377	.535	-.239	-2.574	.012	.940	1.064
	MO.ACC_CON	25.586	10.778	.044	2.374	.026	.588	1.700
	Prop.ACC_CON	167.137	40.067	.792	3.793	.000	.186	5.384
	AC.ACC_CON	13.745	5.290	.590	2.598	.011	.157	6.358

^a - Dependent Variable: PBV
 Source: SPSS 21.00 (2015)

Table 3 demonstrates significance value $0.039 < 0.05$ with regression coefficient of 9.286. Since the significance value $0.039 < 0.05$, hypothesis (H_1) is accepted. Thus, Accounting Conservatism has positive significant impact on Equity Valuation (PBV). Companies that implement accounting conservatism principles creates positive signal of management to investors as in such a way they prove that earning reported has good quality, not overstated. With efficient market assumption, investors can see this positive signal and revise the undervaluation of equity by valuing the equity with higher price. This research is supported and consistent with the research done by Fala (2007) and Pranama (2008: 32-67) that also found that accounting conservatism has positive impact on equity valuation. In order to test second hypotheses, H_{2a} , the level of significance on Table 3 of $0.026 < 0.05$ with regression coefficient 25.586 that means hypotheses is accepted. Thus, managerial ownership has a positive effect on the relationship between accounting conservatism and valuation of equity. According to the concept of accounting conservatism, ownership of internal directors and management has two different aspects. Managerial property has a monitoring function in the financial statements and supports the factor of expropriation of minority shareholders. If the internal director or management performs the monitoring function well, this indicates that the information in the financial statements is of high quality, so they will require a higher level of compliance with conservatism in accounting. However, if managerial property encourages expropriation of companies, they tend to use a more aggressive accounting method. Thus, the higher the managerial property, the higher the monitoring process. This will affect the relationship between accounting conservatism and valuation of equity. This result correlates with the research conducted by Jensen and Meckling (1976: 305-360).

Accounting conservatism is a useful tool for board of directors (especially outside directors) in performing their function as decision maker and as party that monitors management (Xia and Zhu, 2009: 81-108). Regression analysis and T-Test show that positive regression coefficient of proportion of independent board of commissioners that influence the relationship between accounting conservatism and equity valuation (Prop. ACC_CON), β_6 of 167.137 with p -value < 0.05 as level of significance determined by the researcher shows that H_{2b} is accepted. So the characteristic of board of directors as one

of mechanism of corporate governance will have positive relationship with accounting conservatism. Among all good corporate governance mechanism, proportion of independent board of commissioners (Prop. ACC_CON) has the most significant influence on the relationship between accounting conservatism (ACC_CON) and equity valuation (PBV). Investors are willing to give premium to companies because of service and control performed by either board of commissioners or board of directors. The ability to monitor the financial statements also increase. The result of this research is also supported previous research findings by Fala (2007) that stated proportion of independent commissioners as one of mechanism as good corporate governance was moderating variables that interact the relationship between accounting conservatism and equity valuation.

Audit committee has task to help board of commissioners to ensure that financial statements are presented fairly based on the accounting standards, to ensure that internal control is well implemented and based on audit standards, and to ensure audit findings is implemented by management. Hypotheses H_{2b} is accepted with positive coefficient of regression of 13.745 (β_7) and p -value < 0.05 . This research proved that the number of audit committee positively affect the relationship of accounting conservatism (ACC_CON) on equity valuation (PBV). The presence of an audit committee in the company is a kind of guarantee that the financial reporting process will be properly and efficiently controlled. The audit committee will ensure that the company adopts accounting methods or principles that provide accurate and quality information. Thus, the presence of an audit committee will contribute to a higher accounting for conservatism in financial statements. Then, the quality of financial statements will improve using the conservative nature of accounting and ultimately increase the valuation of equity.

Conclusion

The conducted research proves that accounting conservatism as controversial accounting convention is proved to influence equity valuation. Beside its pros and cons, investors see that companies implement accounting conservatism ensure that earning reported is not overstated. Together with the implementation of good corporate governance, that increase-monitoring function over financial reporting makes investors feel more comfortable and confident while investing their money. This feeling makes investors undoubtedly assess equity with higher price.

The corporate governance mechanism like managerial ownership, proportion of independent board of commissioners and audit committee also proved to be moderating variables that strengthen the relationship between accounting conservatism and equity valuation. Corporate governance plays an important role in the implementation of conservatism. Corporate governance ensures that the assets of the firm are used efficiently; prevent the inappropriate distribution of the assets to managers or to other parties at the expense of the rest of stakeholders. Thus, force corporate governance results in better monitoring of management, produces more timely data on the accounting, accelerates the recognition of bad news to provide board-of directors with early-warning signals to investigate the reasons for the negative turns in the companies' development histories and reduces the likelihood of incurring litigations costs.

The limitations of this research are as follow:

1. The good corporate governance attributes used as moderating variables are limited to managerial ownership, proportion of independent board of commissioners and audit committee.
2. The results of this research are applied to LQ45 Index.

The researcher has some recommendations for next researcher. The prospects of potential studies within the niche are:

1. Usage of other proxy of accounting conservatism, which are earning/stock return relation measure, earning/accrual measure, and net asset measure.
2. Possibility to take sample from all companies listed in Indonesia Stock Exchange for longer period in order to get more representative result.
3. Since this research only shows 36% of dependent variable is explained by independent variables, the next researches may be concentrated on the search of other independent variables that may affect equity valuation like economic condition, market perception, company or world event, human psychology etc.

References

- Ahmed, A.S., Duellman, S. (2007). Accounting Conservatism and Board of Director Characteristics: An Empirical Analysis. *Journal of Accounting and Economics*. <https://dx.doi.org/10.2139/ssrn.887301>
- Asri, M. (2017). Accounting Conservatism and Earning Quality (July 11, 2017). <http://dx.doi.org/10.2139/ssrn.3000190>
- Bahaudin, A.A., Wijayanti P. (2011). Mekanisme Corporate Governance Terhadap Konservatisme Akuntansi di Indonesia. *Dinamika Sosial Ekonomi*, 7(1). Available at: <https://journal.kopertis6.or.id/index.php/sosek/article/view/21/24>
- Ball, R., Shivakumar L. (2005). Earning Quality in UK Private Firms: Comparative Loss Recognition Accounting Earnings. *Journal of Accounting and Economics*, 71, 265-313. <https://doi.org/10.1016/j.jacceco.2004.04.001>
- Basu, S. (1997). The Conservatism Principle and the Asymmetric Timeliness of Earnings. *Journal of Accounting and Economics*, 24(1), 3-37. [https://doi.org/10.1016/S0165-4101\(97\)00014-1](https://doi.org/10.1016/S0165-4101(97)00014-1)
- Boediono. (2005). Kualitas Laba: Studi Pengaruh Mekanisme Corporate Governance dan Dampak Manajemen Laba dengan Menggunakan Analisis Jalur. *Simposium Nasional Akuntansi, SNA VIII*, 15-16 September 2005. Available at: https://smartaccounting.files.wordpress.com/2011/03/kakpm-09_2.pdf
- Fala, D.Y.A.S. (2007). Pengaruh Konservatisme Akuntansi Terhadap Penilaian Ekuitas Perusahaan Dimoderasi oleh Good Corporate Governance. *SNA Makassar 2007*. Available at: https://smartaccounting.files.wordpress.com/2011/03/akpm11_8.pdf
- Fala, D.Y.A.S. (2010). Accounting Conservatism Influence on Equity Appraisal Company by the Good Corporate Governance Be Moderated. *Simposium Nasional Akuntansi 10 – Makassar*. Available at: <http://daftarskripsi.blogspot.com/2010/04/effect-of-accounting-conservatism.html>
- Fama, E.F., Jensen, M.C. (1983). Separation of Ownership. *Journal of Law and Economics*, Vol. XXVI, June 1983, 301-325. Available at: <https://are.berkeley.edu/~cmantinori/prclass/FamaJensen.pdf>
- FCGI. (2001). *Corporate Governance: Tata Kelola Perusahaan*. Jilid I. FCGI, Edisi ke-3. Available at: https://muhariefeffendi.files.wordpress.com/2009/12/fcgi_booklet_ii.pdf
- Francis, B., Hasan, I., Wu, Q. (2013). The Benefits of Conservative Accounting to Shareholders: Evidence from Financial Crisis. *Accounting Horizons*, 27 (2), 319-346. <https://doi.org/10.2308/acch-50431>
- García L., J., Osma, B., Penalva, F. (2007). Board of Directors' Characteristics and Conditional Accounting Conservatism: Spanish Evidence. *European Accounting Review*, 16, 727-755. <https://doi.org/10.1080/09638180701706922>

García L., J.M., Osma, B., Penalva, F. (2009). Accounting conservatism and corporate governance. *Review of Accounting Studies*, 14, 161-201. <https://doi.org/10.1007/s11142-007-9060-1>

Ghozali, I. (2012). *Aplikasi Analisis Multivariate dengan Program SPSS*. Semarang: BPFE Universitas Diponegoro.

Givoly, D., Hayn, C. (2000). The Changing Time-Series Properties of Earnings, Cash Flows and Accruals: Has Financial Reporting Become More Conservative? *Journal of Accounting and Economics*, 29(3), 287-320. [https://doi.org/10.1016/S0165-4101\(00\)00024-0](https://doi.org/10.1016/S0165-4101(00)00024-0)

Gujarati, D. (1993). *Basic Econometric*. Fourth Edition. New York: McGraw-Hill Book Co.

Hart. (1995). Strategic Reference Point Theory. *Strategic Management Journal*, 17, 219-235. Available at: <https://www.jstor.org/stable/2486846?seq=1>

Hati, L.A.D. (2011). Telaah Literatur Tentang Faktor-faktor yang Mempengaruhi Konservatisme Akuntansi. *Journal Ekonomi dan Pendidikan*, 8(2). <https://doi.org/10.21831/jep.v8i2.792>

Iskander, M.R., Chamlou, N. (2000). *Corporate Governance: A Framework for Implementation*. Washington: The International Bank for Reconstruction and Development. Available at: <https://pdfs.semanticscholar.org/0f77/5573e388521c6c4e0a7558633c2993df552d.pdf>

Jensen, M., Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure. *Journal of Financial Economics*, 3, 305-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

Jogiyanto. (2000). *Teori Portofolio dan Analisis Investasi*. Yogyakarta: BPFE.

OECD. (2004). *OECD Principles of Corporate Governance*, OECD Publication Service. Available at: <http://www.oecd.org/corporate/principles-corporate-governance/>

Paramita, R., Rizal, N. (2018). Corporate Governance: Will Moderate the Effect Accounting Conservatism toward Equity Valuation. <https://doi.org/10.31219/osf.io/gu8xh>

PCAOB. (2007). AS 2201: An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements. Available at: <https://pcaobus.org/Standards/Auditing/Pages/AS2201.aspx>

Penman, S.H., Zhang, X.J. (2002). Accounting Conservatism, the Quality of Earnings, and Stock Returns. *The Accounting Review*, 77, 237-264. Available at: <https://www.jstor.org/stable/3068897?seq=1>

Pranama, S. (2008). Pengaruh Konservatisme Akuntansi, Good Corporate Governance dan Kualitas Laba Terhadap Penilaian Ekuitas Pada Perusahaan Manufaktur di Bursa Efek Indonesia. Skripsi. Universitas Pembangunan Nasional "Veteran Yogyakarta".

Sandra, D., Kusuma, W. (2004). Reaksi Pasar terhadap Tindakan Perataan Laba dengan Kualitas Auditor dan Kepemilikan Manajerial sebagai Variabel Pemoderasi. *Simposium Nasional Akuntansi VII*, 2-3 December, Denpasar, Bali. Available at: http://etd.repository.ugm.ac.id/home/detail_pencarian/23283

Siallagan, H., Machfoedz, M. (2006). Mekanisme Corporate Governance, Kualitas Laba dan Nilai Perusahaan. *Simposium Nasional Akuntansi, SNA 9*, August 2006.

Suaryana, A. (2005). Pengaruh Komite Audit terhadap Kualitas Laba. Universitas Udayana. Available at: <https://ojs.unud.ac.id/index.php/jiab/article/view/2554>

Sulistyanto, H. Sri. (2008). *Manajemen Laba, Teori dan Model Empiris*. Jakarta: PT Gramedia Widiasarana Indonesia (Grasindo).

Suwardjono. (2005). *Teori Akuntansi*. Jakarta: Salemba Empat.

Utomo, St.D., Imang, D.P., Zaky, M. (2018). The Moderating Effects of Managerial Ownership on Accounting Conservatism and Quality of Earnings. *Academy of Accounting and Financial Studies Journal*, 22(6). Available at: <https://www.abacademies.org/articles/the-moderating-effects-of-managerial-ownership-on-accounting-conservatism-and-quality-of-earnings-7687.html>

Walsh, C. (2003). *Key Management Ratios: Rasio-rasio Manajemen Penting Penggerak dan Pengendali Bisnis*. 3rd Ed. Jakarta: Erlangga. Available at: <http://library.um.ac.id/free-contents/index.php/buku/detail/key-management-ratios-rasio-rasio-manajemen-penting-penggerak-dan-pengendali-bisnis-ciaran-walsh-penerjemah-shalahuddin-haikal-40535.html>

Watts, R.L. (2003a). Conservatism in Accounting Part I: Explanations and Implications. *Accounting Horizons*, 17, 207-221. <https://doi.org/10.2308/acch.2003.17.3.207>

Watts, R.L. (2003b). Conservatism in Accounting Part II: Evidence and Research Opportunities. *Accounting Horizons*, 17, 287-301. <https://doi.org/10.2308/acch.2003.17.4.287>

Wolk, H.I., Tearney, M.G., Dodd, J.L. (2001). *Accounting Theory: A Conceptual and Institutional Approach*. Fifth Edition. Ohio: South-Western College Publishing.

Wulandini, D. (2012). Pengaruh Karakteristik Dewan Komisaris dan Komite Audit Terhadap Tingkat Konservatisme Akuntansi (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2008-2010). Skripsi. *Diponegoro Journal of Accounting*, 1(2), 1-14. Available at: <https://ejournal3.undip.ac.id/index.php/accounting/article/view/4458>

Xie, B., Davidson, W.N III., DaDalt P.J. (2003). Earnings Management and Corporate Governance: The Role of the Board and the Audit Committee. *Journal of Corporate Finance*, 9 (3), 295-316. [https://doi.org/10.1016/S0929-1199\(02\)00006-8](https://doi.org/10.1016/S0929-1199(02)00006-8)

Xia, D., Zhu, S. (2009). Corporate Governance and Accounting Conservatism in China. *China Journal of Accounting Research*, 2, 81-108. [https://doi.org/10.1016/S1755-3091\(13\)60015-5](https://doi.org/10.1016/S1755-3091(13)60015-5)