



The Effect of Growth Opportunity And Good Corporate Governance of Accounting Prudence in State-Owned Companies

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Abstract: This study aims to determine the effect of Growth Opportunity, Independent Commissioners and Audit Committee on Accounting Prudence in State-Owned Enterprises (BUMN) companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. The data used in this research is secondary data. The sample consists of 27 state-owned companies. The sampling technique in this study used purposive sampling. The analytical tool used to test the hypothesis in this study is multiple linear regression analysis with the help of the SSPS version 26 program. The results of the model feasibility test show that the Growth Opportunity, Independent Commissioner and Audit Committee variables together have no effect on Accounting Prudence. The results of this study contain implications that the results of this study can be a consideration for companies in applying the principles of Prudence Accounting in order to prevent information asymmetry between agents and principals and avoid opportunistic behavior of managers. The results of this study can also be taken into consideration in determining agency costs.

Keywords: Growth Opportunity, Independent Commissioners, Audit Committee, Accounting Prudence

Introduction

Technological changes, globalization, and the development of business transactions have an impact on the increasingly high challenges faced by entities. This challenge, which is full of complications, forces entities to face various kinds of uncertainty (Istighfarin et al., 2015). Investors and creditors often rely on financial information as a basis for decision making. The media that supports the need for financial information is financial reports (Padmawati et al., 2015). The financial statements contain how the company's financial condition and performance. Financial reports must meet the objectives and rules based on accounting principles in accordance with generally accepted standards (Idrus et al., 2022). Company management is given flexibility in choosing the principles used in the company's financial reporting (Noviantari, 2015). One of the principles used in the company is the principle of Accounting Prudence (Tazkiya, 2020).

(Hikmah et al., 2013) states that basically the principle of prudence is almost the same as accounting conservatism, except that prudence emphasizes more

caution in making the necessary considerations when in a position of uncertainty, so that assets and revenues will not be overstated, and liabilities and expenses are not excessive. Majidah (2019) and Laoli et al., (2019) measure prudence with the accrual measure of the Givoly (2000) model which focuses the effect of prudence on the income statement over several years. There is a phenomenon that occurs in one of the state-owned companies, PT Garuda Indonesia, which is rumored to have suffered a loss of \$ 216.5 million due to cooperation with PT Mahata, which is a newly built company with a capital of less than 10 M. by signing cooperation with PT Mahata, PT Garuda immediately recorded it as revenue even though it was still a receivable (Hartomo, 2019).

If the presentation of financial reporting is not based on the principle of accounting prudence, it will have an impact on fraudulent acts, namely the signs of overstatement by company management in the company's financial statements (Hardiyanti et al., 2022). This happens because the financial statements are not based on the principle of Prudence and it is feared that they will experience losses in the following period

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because they do not anticipate the worst possibilities (Sari, 2020).

Growth Opportunity which is the company's opportunity to increase investment in the capital market. A company's Growth Opportunity will increase if the company manages its equity well (Lisdawati, 2016). The higher the level of Growth Opportunity, the more the company will apply the principle of Prudence, to anticipate high profits and minimize existing profits to produce quality profits (Usbah, 2020). Good Corporate Governance is said to be a factor that affects Accounting Prudence, because it can play a role in encouraging the use of higher Prudence principles in corporate financial reporting (Yuniarti, 2020). This is done to avoid fraud from company management and produce accurate and quality company financial information. The better implementation of Good Corporate Governance in the company has an impact on the application of Accounting Prudence increasing (Saragih, 2019).

The Corporate Governance mechanisms used in this study are independent commissioners and audit committees because the independent board of commissioners and the audit committee have a very important and strategic role in maintaining the credibility of the financial statement preparation process. From the description above, the focal point or objective of this study is to examine "The Effect of Growth Opportunity and Good Corporate Governance on Accounting Prudence in State-Owned Companies listed on the Indonesia Stock Exchange for the 2019-2021 Period".

Agency relationships occur between the resource owner as the principal and the party who is given the trust to manage the resources in the company as the agent. Agency theory arises when the principal authorizes decision making and some actions to the agent (Fitriyani, 2017). The link between agency theory and accounting prudence is that when the capital of a company is denser, the greater the protection by the principal. For example, with the existence of corporate governance that conducts more intensive supervision of the performance of company management in the preparation of the company's financial statements. So that this will make company managers more careful in reporting profits and the company will avoid engineering financial statements (Achyani et al., 2017)

Watts (2003) in his research Wulandari (2014) stated that Prudence is the principle of prudence in financial reporting, where the company not in a hurry to recognize and measure profits but as quickly as possible recognize losses and debts that are likely to occur. Measurement Prudence Accounting in this study uses the accrual basis. When activity non-main company has arisen then the company will use the method accrual of revenues or expenses from these transactions regardless

of time cash or cash equivalents received or bowls (Susanto, 2016).

Growth Opportunity defines the extent to which a company has the opportunity to experience growth in the future, and to experience good growth opportunities requires relatively large funds. In essence, companies with high growth rates tend to minimize profits (Daryanto, 2020). According to Septian (2014), applying Prudence Accounting shows that growing companies tend to reduce profits with the aim of minimizing political costs such as regulatory demands, labor demands, tax demands and others. The company will also maintain earnings to be reinvested in the company and at the same time the company is also expected to continue to rely on funding through greater debt (Susilo, 2014).

The Independent Board of Commissioners is a member of the board of commissioners who does not connect with other commissioners and controlling shareholders as well free from business relations and able to act independently in the interest of company. The independent board of commissioners has a duty to ensure that the company has carried out good corporate governance and ensured that it has treated minority shareholders honestly and fairly (Saragih, 2019). According to Egon Zehnder in research (Kurniyawati, 2019), the board of commissioners is the essence of Good Corporate Governance assigned to guarantee the implementation of corporate strategy, supervise management in managing company and requires accountability.

The audit committee is a committee that functions to assist the board of commissioners in terms of ensuring the implementation of good corporate governance, which includes tasks to review audit plans, review audit reports, reviewing the implementation of corporate governance, business ethics and code of conduct (Fitriyani, 2017).

The frequency of audit committee meetings is the meetings held by audit committee to supervise the financial statements. Conducting regular meetings can make it easier for the audit committee to conduct communication to make decisions in determining the financial statements good (Diannita, 2020)

Method

The type of research used in this study is causal associative research with a quantitative approach. The population in the study were State-Owned Enterprises (BUMN) companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. The sampling technique used was purposive sampling which resulted in a saturated sample of 27 companies. The criteria used in selecting sampel using purposive sampling method are,

BUMN companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 - 2021. BUMN companies listed on the IDX that published annual reports during the 2019-2021 research period. The company's financial statements that have data related to the research variables type of data used in this study is secondary data which is the financial statements of BUMN companies listed on the IDX for the 2019-2021 period and the data is obtained indirectly. The data collection method used is the documentation method. Watts (2003) in research (Wulandari, 2014) states that Prudence is the principle of caution in financial reporting, where companies do not rush to recognize and measure profits but as soon as possible recognize losses and debts that have the possibility of occurring. Measurement of Accounting Prudence in this study uses the accrual basis. When the company's non-main activities have arisen, the company will use the accrual method for income or expenses from these transactions regardless of when cash or cash equivalents are received or paid (Susanto, 2016).

Growth Opportunity is measured by proxies based on stock prices, namely using the market to book value of equity ratio which can reflect the potential value of the company in the future. Growth Opportunity is obtained from the number of shares outstanding multiplied by the closing price of the shares and divided by total equity (Usbah, 2020) independent commissioners are measured using the ratio of the number of independent commissioners to the total members of the board of commissioners (Wulandini, 2012).

The proxy for the number of audit meetings held by the audit committee for one year. According to OJK regulation No.55 / POJK.04 / 2015 states that the audit committee holds regular meetings at least once every 3 months. Audit committee meetings can be held if attended by half of the members and committee meeting decisions are taken based on deliberation and consensus. In this study, the audit committee was measured using the frequency of audit committee meetings in one year (Diannita, 2020). The formula is expressed as follows:

Result and Discussion

Descriptive Statistics

Based on descriptive statistical tests, information is obtained regarding the minimum, maximum, average and standard deviation values of each variable in this study. The Growth Opportunity variable from 81 samples of BUMN companies shows the average value for Growth Opportunity of 214.93 while the standard deviation value is 224.106. For the independent commissioner variable, the average value is 0.44 and the standard deviation value is 0.15. For the audit committee

variable, the average value is 24.15 and the standard deviation value is 18.92. As for the Accounting Prudence variable, the average value is 0.38 and the standard deviation is 2.22.

Classical Assumption Test

Normality Test

Based on the normality test that has been carried out, the assymp sig (2-tailed) value is 0.200, which means > 0.05 , it can be concluded that the data used is normally distributed.

Multiconeliarity Test

The SPSS output results show that all tolerance values are > 0.10 and VIF values are < 10 . This indicates that all variables in this study do not have multicollinearity with other variables. Then the existing regression model is suitable for use during research.

Heteroscedasticity Test

Based on the results of the heteroscedasticity test, it can be seen from the points that do not have certain patterns and are scattered above and below the number 0 and the Y axis, the results of the heteroscedasticity test state that there is no heteroscedasticity in the regression model used

Autocorrelation Test

The autocorrelation test results show that the DW value is 1.942 while the DW table with a significance of 0.05 and the amount of data ($n = 81$, and $k = 3$) obtained a dl value of 2.34 and a du value of 1.660. Because the DW value lies between the dl and du values, there are no autocorrelation symptoms.

Hypothesis Test

Model Feasibility

Test Based on the results of the spss output on the model feasibility test, it shows that the calculated F value is 0.783 at a significance of 0.511, which means that the significance value is greater than the probability value of 0.05, therefore H_0 is rejected. It can be concluded that simultaneously Growth Opportunity, Independent Commissioner and Audit Committee have no significant effect on Accounting Prudence.

Test t

The Growth Opportunity variable has a positive regression coefficient of 0.000 and a t-test result of 0.850 with a significance level of 0.401. This shows that Growth Opportunity is statistically insignificant with a $= 0.05$. Based on these results, it can be stated that Growth Opportunity has no influence on Accounting Prudence, which means that H_1 is rejected. The Independent Commissioner variable has a negative regression coefficient of 0.579 and a t test result of -0.983 with a

significance level of 0.332. This shows that the Independent Commissioner is statistically insignificant with $\alpha = 0.05$. Based on these results, it can be stated that the Independent Commissioner has no influence on Accounting Prudence, which means that H2 is rejected. Growth Opportunity has an influence on Accounting Prudence which means that H2 is rejected. The Audit Committee variable has a negative regression coefficient of -0.011 and a t test result of -1.400 with a significance level of 0.170. This shows that the Audit Committee is statistically insignificant with $\alpha = 0.05$. Based on these results, it can be stated that the Audit Committee has no influence on Accounting Prudence, which means that H3 is rejected.

Coefficient of Determination (R²)

The coefficient of determination test shows the R value of 0.114, which means that the combination of the independent variables Growth Opportunity, Independent Commissioner and Audit Committee is less able to explain the dependent variable, namely Accounting Prudence by 11.4% while the remaining 88.6% is explained by other factors.

Based on the test results above which aim to determine the effect of Growth Opportunity and Good Corporate Governance on Accounting Prudence in state-owned enterprises listed on the IDX, it can be explained as follows:

- The results of hypothesis testing which show that Growth Opportunity has no effect on Accounting Prudence mean that Growth Opportunity in BUMN companies for the 2019-2021 period is not a predictor that can affect Accounting Prudence. Growth Opportunity during the observation period is still relatively low. It can be seen in the descriptive statistical analysis which provides an average value of 214.93 which indicates that the application of Accounting Prudence in the company has not been maximized. Agency theory states that the application of Accounting Prudence is inseparable from the agent's interest in maximizing himself which results in the agent taking advantage of the information asymmetry he has to hide some information from the principal and sacrifice the welfare of shareholders. In this study, Growth Opportunity does not affect a manager in determining the application of Accounting Prudence to the company (Akhsani, 2016).
- Agency theory in Accounting Prudence is characterized by the existence of information asymmetry between the agent and the principal, it is said that the presence of independent commissioners who will supervise the financial statements will make company managers more careful in reporting their profits. but otherwise in this study, it is said that the greater the number of independent commissioners in the board of

commissioners can actually reduce the level of supervisory effectiveness. The larger number of independent commissioners is considered to cause difficulties in coordination and communication in supervising management performance and causing a decrease in the ability of independent commissioners to control management in the company (Akhsani, 2016).

Agency theory states that companies can increase firm value by reducing information asymmetry between company managers and shareholders. Thus, the audit committee is tasked with holding regular meetings at least 1 time in 3 months. However, in the annual report, the material presented is not relevant to Prudence Accounting, but still focuses on reviewing the audit charter, evaluation of procurement and inventory management. In addition, the lack of effect of the audit committee on accounting prudence was also caused by the fact that when appointing company committee members they did not pay attention to the background on the competency aspects of the audit committee, which had several backgrounds in other fields so that supervision of company accounting was not optimal and the financial reports produced tended to be less conservative (Sari, 2020).

Conclusion

Based on the research that has been conducted and the discussion of the effect of the proportion of Growth Opportunity, Independent Commissioner and Audit Committee on Accounting Prudence, it can be concluded that Growth Opportunity, Independent Commissioner and Audit Committee have no influence on Accounting Prudence. The implications found by researchers in this study are that the period in this study is only three years and the variables in the study can only explain a small part of the factors that affect Accounting Prudence. Suggestions for further research are that the scope of research sampling is expanded not only focusing on BUMN companies, adding a longer period so that the resulting data is maximized, and further research can add proxies to the Good Corporate Governance variable which are considered capable of influencing Accounting Prudence such as managerial ownership, institutional ownership and many other proxies.

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