



The Influence of Debt to Asset Ratio, Investment Opportunity Set, and Firm Size on Accounting Conservatism of PT. Jaya Real Property, Tbk 2016-2021

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ABSTRACT

Keywords:

Accounting Conservatism,
Debt to Asset Ratio,
Investment Opportunity Set,
Firm Size.

The objective of this research is to examine the analysis of factors have an impact on accounting conservatism in PT company. Jaya Real Property, Tbk period 2016-2021. Sampling is done by purposeful sampling method. Quarterly time series data for the period 2016-2021 is used as a sample. As a result, the total number of samples obtained is 24 samples. IBM SPSS Statistics 26 application was used to perform multiple regression analysis in this research. According to F test (simultaneously) results, the independent variables of debt-to-assets ratio, investment opportunity set and firm size all have an impact influence on accounting conservatism. Contingent the results of the partial t-test, perhaps inferred of debt-to-asset ratio and the set of investment opportunities have an impact on accounting conservatism, but firm size does not. significant movements. Out of results the experimental resolution also explain of the debt-to-asset ratio, the set of investment opportunities, and the capacity of the business have an important influence on the conservatism in quarterly accounting for the period 2016-2020.

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1. Introduction

In a business, an annual report is needed to determine the management's ability to control the company's ability. Information about several annual reports is very useful for companies, especially for managers in the decision-making process. By looking at the annual report of a company, one can see the financial condition of a business, both past financial performance and projected future financial performance. The Indonesian Institute of Accountants requires that the annual report must be prepared in accordance with the Statement of Financial Accounting Standards (Angela & Salim, 2020).

Sharing information about financial position, knowing financial performance in a business and providing information about cash flow in an accounting unit are some of the purposes of preparing an annual report that serves to make economic decisions. (Indonesian Institute of Accountants, 2009). Management flexibility can be achieved from the company's financial statements which are prepared on the basis of or generally accept accounting principles. Manager's behavior in accounting records and reporting business transactions can be influenced by management flexibility. Financial reports prepared by a manager can be done with optimism and conservative if based on the existing flexibility. However, there are several things that can harm users of financial statements, one of which is by certain elements in the company who exaggerate financial reporting, overestimate existing assets, and record fictitious assets. This can be misleading and make the company indicated to be cheating. These negative things are usually done with the aim of avoiding losses that will be obtained before taxes, in addition to increasing the company's stock price. The precautionary principle states that when deciding between two or more accepted accounting policies, the priority is to determine the one that has the least impact on equity. (Novikasari, 2014).

The official definition of conservatism can be found in the Glossary of the Statement of the Financial Accounting Standards Board which defines conservatism as a cautious response to doubts that linger on a business and seeks to ensure that doubts and risks to the business environment remain rational. (Savitri, 2016). The purpose of this conservatism is to reduce the likelihood that managers will commit fraud or manipulate financial reporting.

There are several factors for a company manager to decide to apply the principles of accounting conservatism. Such as company size, management ownership, institutional ownership, board size, leverage, profitability, liquidity, financial difficulties, company growth, growth opportunities, capital intensity, investment opportunity set (IOS), political costs and cost to book ratio. In this study, the researcher uses a leverage ratio which is expressed as the ratio of debt to assets, a set of investment opportunities, and firm size based on accounting conservatism. It is hoped that the results of this study can help further research and hopefully this research can help, especially in the field of conservative accounting.

2. Method

This study uses quantitative techniques. This means, testing the hypothesis with a sample that reflects population data and aims to see or know accurately the impact of the presence of independent variables on the dependent variable displayed simultaneously or separately.

2.1 Data Type & Source

In this analysis, the type of data used is secondary data, i.e. the existing data is not obtained by observation but rather takes data through existing official websites, such as the Indonesia Stock Exchange. www.idx.co.id in the form of an Annual Report.

2.2 Population & Sample

The population of this research is the company PT. Jaya Real Property, Tbk which is listed on the Indonesia Stock Exchange from 2016 to 2021. The sample collection uses a purposive sampling method based on the following benchmarks: a) companies that provide annual reports in rupiah during the study period, b) companies that make annual reports complete, transparent and audited report. The sample used is quarterly time series data for a six-year period, namely the beginning of 2016 to the end of 2021. So, the number of samples (n) is 24 samples.

2.3 Method of collecting data

Data were collected using the documentation method. The documentation method is the accumulation of written data related to analytical problems from official websites, documents, journals and books on research topics related to the effect of debt to asset ratio, investment opportunity set, and firm size, on accounting conservatism for the 2016-2021 period.

2.4 Data Analysis Method

In this analysis, the method used is multiple regression analysis, using IBM SPSS Statistics 26. The experiment was carried out using the classical assumption test, namely normality test, multicollinearity test, heteroscedasticity test and autocorrelation test, as well as simultaneous F test, partial T test and coefficient of determination test.

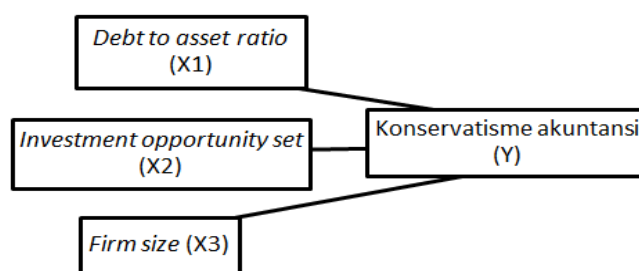


Figure 1. Framework

2.5 Research variable

There are three independent variables in this study, namely Debt to asset ratio (X1), Investment Opportunity set (X2), Firm Size (X3), and one dependent variable, namely Accounting Conservatism (Y). *Debt to asset ratio* in this study is calculated by the formula:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Investment Opportunity set used in this study, namely, the ratio of market value to book of assets (MV/BVA) with the formula:

$$MV/BVA = \frac{TA - TE + (LSB \times HPS)}{TA}$$

Information:

TA : Total assets

TE : Total equity

LSB : Number of shares outstanding

HPS : The closing selling price of shares at the end of the year.

Firm size which is calculated in this study by calculating the logarithm of the company's total assets with the formula:

$$\text{Firm Size} = \text{Ln} (\text{Total Assets})$$

Accounting conservatism in this study can be calculated by calculating the book value or asset value per share, namely:

$$\text{Market to Book} = \frac{\text{Harga Pasar per Saham}}{\text{Nilai Buku per Saham}}$$

$$\text{Book Value per Share} = \frac{\text{Total Ekuitas}}{\text{Jumlah Saham Beredar}}$$

2.6 Research Hypothesis

Based on the theoretical study above, the hypothesis can be interpreted as follows:

H1: Accounting conservatism is positively and significantly influenced by the Debt to asset ratio

H2: Accounting conservatism is negatively and significantly affected by the Investment Opportunity set

H3: Accounting conservatism is positively and significantly influenced by Firm Size

3. Results and Discussion

The data that has been collected is then processed using IBM SPSS statistics 26, then processed using the multiple regression analysis method, so that it is obtained as follows:

3.1 Multiple Linear Regression Analysis

Multiple linear regression analysis was carried out to measure the impact of the independent variable on the dependent variable (Ghanimata & Kamal, 2012). Multiple linear regression analysis applied in this study was used to determine the effect of debt to asset ratio, investment opportunity set and firm size on conservative accounting. The regression equation in this study are:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Information:

Y = accounting conservatism

α = Constant

b1, b2, b3 = Regression coefficient of independent variable

X1, X2, X3 = independent variable

e = Error

Table 1
Multiple Regression Analysis
Coefficients^a

Model	Unstandardized		Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	-1646.542	573.547		-2.871	.009		
DAR (X1)	2602.330	328.266	.177	7.927	.000	.380	2.630
IOS (X2)	1.612	.038	.869	42.530	.000	.456	2.195
FM (X3)	30.222	22.401	.022	1.349	.192	.718	1.392

a. Dependent Variabel: KA (Y)

Source: Results of research data processing

Sourced in table 1, it produces the following regression equation:

$$Y = \alpha + b1X1 + b2X2 + b3X3 + e$$

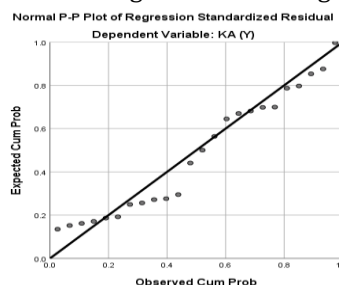
Accounting Conservatism = -1646,542 + 2602,330X1 + 1,612X2 + 30,222X3 + e

Based on these calculations can be interpreted as follows:

- Constant () equal to α -1646,542 indicates that the debt to asset ratio (X1), investment opportunity set (X2), and firm size (X3) at PT. Jaya Real Property, Tbk is considered 0 (zero) or ignored, accounting conservatism (Y) decreased by 1646,542.
- Debt to Asset Ratio (X1) regression coefficient is 2602,330 stated that there is a positive influence, which means the relationship Debt to Asset Ratio with Accounting Conservatism PT. Jaya Real Property, Tbk shows a unidirectional effect, where each addition of the Debt to Asset Ratio will certainly result in an increase in the value of Accounting Conservatism and when a decrease in the Debt to Asset Ratio results in a depreciation of the Accounting Conservatism value.
- Regression coefficient *Investment Opportunity Set* (X2) of 1,612 stated that there is a positive influence, which means the relationship *Investment Opportunity Set* between the Accounting Conservatism of PT. Jaya Real Property, Tbk shows a unidirectional effect, where an increase in *Investment Opportunity Set* will result in an increase in the Conservative Accounting value and when a decrease *Investment Opportunity Set* will result in a decrease in the value of Accounting Conservatism.
- Regression coefficient *Firm Size* (X3) of 30,222 stated that there is a positive influence, which means the relationship *Firm Size* with Accounting Conservatism PT. Jaya Real Property, Tbk shows a unidirectional effect, where every increase *Firm Size* will result in an increase in the value of Accounting Conservatism and when *Firm Size* resulting in a decrease in the value of Accounting Conservatism.

3.2 Normality test

In the normative test of this research, the basis for making decisions is made using graphic analysis. To get the results of whether a type of regression in a study has a data distribution that is close to standard data, it is easy to know by looking at the normal probability graph, and comparing research data by looking at the difference in points on the diagonal line in the graph. (Karjono & Wijaya, 2017).



Source: Results of research data processing

Figure 2.Normal PP Plot

The output results for the graphic display indicate that the points are scattered between latitudes and follow latitude, this is explained that the data for normality conditions have been met.

3.3 Multicollinearity Test

In the multicollinearity test, one type of regression experiences multicollinearity if it has a perfect linear function of some or all of the independent variables of the linear function. (Mardiatmoko, 2020). To consider the presence of multicollinearity symptoms or not, take into account the Tolerance value > 0.100 and the Variance Inflation Factor (VIF) < 10.00 .

Table 2.
Multicollinearity Test
Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
DAR (X1)	.380	2.630
IOS (X2)	.456	2.195
FM (X3)	.718	1.392

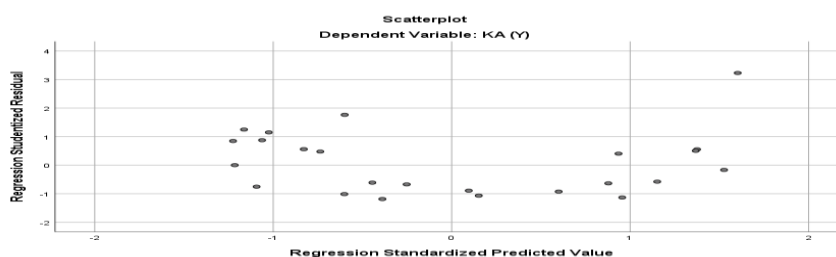
a. Dependent Variabel: KA (Y)

Source: Results of research data processing

Based on table 2, the DAR variable (X1) has a tolerance value of $0.380 > 0.100$ and a VIF value of $2.630 < 10.00$. In the IOS variable (X2), the tolerance value obtained is $0.456 > 0.100$ and the VIF value is $2.195 < 10.00$. In the FM variable (X3) the tolerance value obtained is $0.718 > 0.100$ and the VIF value is $1.392 < 10.00$. Based on the results listed, it is explained that there are no symptoms of multicollinearity.

3.4 Heteroscedasticity Test

To see if there are symptoms of heteroscedasticity or not, it can be seen in the scatter plot diagram. If the scatterplot diagram has a special pattern, such as dots that create regular patterns such as squiggly, shifting, then narrowing, this indicates that there has been an indication of heteroscedasticity. (Napitupulu, 2017).



Source: Results of research data processing

Figure 3. Scatterplots Grafik Graphics

The output results on the graph display indicate the points on the graph are spread above and below zero on the X and Y axes and do not form a certain pattern. Based on these results, it is explained that there is no symptom of heteroscedasticity.

3.5 Autocorrelation Test

There is no indication of autocorrelation, if the Durbin Watson value is between the limit (du) and the limit $(4-du)$ (Siagian & Ghozhali, 2012).

Table 3
Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995 ^a	.990	.998	34.28063	1.836

a. Predictors: (Constant), FM (X3), IOS (X2), DAR (X1)

b. Dependent Variable: KA (Y)

Source: Results of research data processing

Based on table 3, the Durbin Watson score is 1.836. The value ranges from 1.656 to 2.344 which means that the regression model of the Effect of Debt to Asset Ratio, Investment Opportunity Set, and Firm Size on Accounting Conservatism does not contain symptoms of autocorrelation.

3.6 F Significance Test (Simultaneous)

The F Significance Test was carried out to detect the effect of the independent variable (X) on the dependent variable (Y) simultaneously (Suryani, 2019). To see whether the independent variable (X) has an effect on the dependent variable (Y) it can be seen through the probability value (Sig.). If the value of Sig. < 0.05, it means that the independent variable (X) affects the dependent variable (Y) simultaneously.

Table 4
F Significant Test (Simultaneous)
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9660755.205	3	3220251.735	1745.418	.000 ^b
	Residual	36899.500	20	1844.975		
	Total	9697654.704	23			

a. Dependent Variable: KA (Y)

b. Predictors: (Constant), FM (X3), IOS (X2), DAR (X1)

Source: Results of research data processing

Based on table 4, the calculated F value is 1745,418 with a significant value = 0.000 < 0.05. This can indicate that simultaneously the independent variables Debt to Asset Ratio (X1), Investment Opportunity Set (X2), Firm Size (X3) have a significant effect on Accounting Conservatism.

3.7 t Significance Test (Partial)

The t significance test aims to understand the impression of the independent variable (X) partially. If the probability value (Sig.) < 0.05, it means that the independent variable (X) partially affects the dependent variable (Y) (Monika, 2019).

Table 5
t Significance Test (Partial)
Coefficients^a

Model		Collinearity Statistics	
		T	Sig.
1	(Constant)	-2.871	.009
	DAR (X1)	7.927	.000
	IOS (X2)	42.530	.000
	FM (X3)	1.349	.192

a. Dependant Variabel: KA (Y)

Source: Results of research data processing

Based on table 5, the independent variables DAR (X1) and IOS (X2) have a value of Sig. < 0.05. This condition indicates that the independent variables DAR (X1) and IOS (X2) have a major impact on Accounting Conservatism. For the independent variable FM (X3) has a value of Sig. > 0.05. This indicates that the independent variable FM (X3) has no effect on Accounting Conservatism.

3.8 Coefficient of Determination Results

The coefficient of determination is intended to measure the effect of all independent variables on the dependent variable by using the percentage (%) (Wibowo & Syaichu, 2013).

Table 6
Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995 ^a	.990	.998	34.28063	1.836

a. Predictors: (Constant), FM (X3), IOS (X2), DAR (X1)

b. Dependent Variable: KA (Y)

Source: Results of research data processing

Based on table 6, the value of the Coefficient of Determination (Adjusted R Square) is 0.998. It can be explained that KA (Y) is influenced by 99.8% by the variables DAR (X1), IOS (X2), and FM (X3), and the independent variable that is affected outside the model is 0.2% (100% - 99.8%).

3.9 Discussion

a. Variable Debt to Asset Ratio on Accounting Conservatism

Debt to Asset Ratio in this research has a regression value of 2602,330 which means every enhancement *Debt to Asset Ratio* will cause enhancement on the value of Accounting Conservatism and any decrease in Accounting Conservatism will result in a decrease in value *Debt to Asset Ratio*. According to (Maulita & Tania, 2018) "Debt to Asset Ratio is a debt ratio used to measure the ratio between total debt and total assets". Which means, the higher the debt scale, the higher the amount of debt capital needed to get company profits. This condition is comparable to the partial t test in this study. Accounting Conservatism is positively influenced by *Debt to Asset Ratio*.

b. Variable Investment Opportunity Set against Accounting Conservatism

In this research, *Investment Opportunity Set* has a regression value of 1.612 which means every enhancement *Investment Opportunity Set* will cause enhancement on the value of Accounting Conservatism and any decrease in Accounting Conservatism will result in a decrease in value *Investment Opportunity Set*. According to (Andreas et al., 2017) "IOS is a set of investment decisions in the form of assets owned and future investment choices and the value of IOS itself affects the value of the company". Investment opportunity set (IOS) is a value that becomes an alternative for a business or business in making investment decisions in the future. Investment opportunity set (IOS) describes the extent of investment opportunities in a business. This is directly proportional to the partial t-test in this study that, Accounting Conservatism positively influenced by *Investment Opportunity Set*.

c. Variable Firm Size against Accounting Conservatism

Firm Size in this research has a regression value of 30.222 which means every enhancement *Firm Size* will cause enhancement on the value of Accounting Conservatism and any decrease in Accounting Conservatism will result in a decrease in value *Firm Size*. According to (Febriana et al., 2016) "Basically the size of the company is only divided into categories, namely large companies (large firms), medium-size companies (medium-size) and small companies (small firms)". In other words, a business or business with high total assets indicates that a business or business has reached the maturity stage. At this stage a business or business looks more stable in a relatively long period of time and is able to generate more profits than small companies. This is in contrast to the partial t test. However, it is directly proportional to the regression value in this study. If Firm Size increases, Accounting Conservatism will increase.

4. Conclusion

- The results of the F (simultaneous) significance test analysis indicate that Accounting Conservatism (Y) is significantly affected simultaneously by Debt to Asset Ratio (X1), Investment of Opportunity Set (X2), Firm Size (X3) at PT. Jaya Real Property in the period 2016-2021.

- b. The results of the T (partial) significance test analysis can be concluded:
- 1) Accounting Conservatism (Y) is positively and significantly influenced by the Debt to Asset Ratio (X1).
 - 2) Accounting Conservatism (Y) is positively and significantly influenced by the Investment of Opportunity Set (X2).
 - 3) Accounting Conservatism (Y) is not significantly influenced by Firm Size (X3)
- c. Based on the results of the coefficient of determination, it was found that the independent variable (*Debt to Asset Ratio*, *Investment of Opportunity Set*, and *Firm Size*) affects the dependent variable (Accounting Conservatism) that is equal to 99.8%. And the independent variable that is affected outside the model is 0.2%.

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