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The Effect of Information Asymmetry towards Conditional and Unconditional Conservatism (A study on Trade, Services, and Investment Sector from IDX Listed Companies in 2018-2020)

Catra Lestari Rachmawati
Fuad[1]

Accounting Department Faculty of Economic and Business Diponegoro University Jl. Prof. Soedharto SH Tembalang, Semarang 50239, Phone: +622476486851

ABSTRACT

The purpose of this study is to examine if the information asymmetry affects conditional and unconditional conservatism he data used in this study uses secondary data taken from the company's annual reports that is provided in Indonesian Stock Exchange website and Indonesian Stock Exchange statistics data from 2018 to 2020. Multiple linear regression was used as the analytical method. The results of the analysis show that one hypothesis is the information asymmetry and control variables that are dimensioned by total assets affect the conditional conservatism. While the results of the second hypothesis show that the information asymmetry and control variables that are dimensioned by total assets, do not affect unconditional conservatism.

Keywords: conditional conservatism, unconditional conservatism, information asymmetry.

INTRODUCTION

The financial statements of a company are very significant for internal and external parties to learn about the firm's financial position, which will later be used to make choices. Conservatism, according to current academicians and accounting standard setters, is a notion that requires accountants to exercise prudence when recognizing transactions that pose actual economic hazards. If there is no or little economic uncertainty surrounding the transactions, accounting conservatism does not appear to cover or condone any willful manipulations of the accounts, such as understating revenue in one period and overstating income in another.

Conservatism is frequently subdivided into two distinct subtypes: unconditional conservatism and conditional conservatism (Sari & Sarumpaet, 2019). Unconditional conservatism, which is not affected by economic news, explains the idea of a "systematic downward bias" in book value compared to market value, such as faster depreciation procedures and putting aside more money than is expected to be spent in the future (Hejranijamil et al., 2020).

Unlike conditional conservatism, which is based on the presence or lack of news, unconditional conservatism is based on financial balance sheets (good news and bad news). This means that this form of conservatism exists regardless of whether the company's surroundings contains positive or bad news (Basu, 2005). Market circumstances, earnings, and news are all factors that influence conditional conservatism. The argument is that this conservatism is a reaction or response from firms that do various forms of verifications as a means of absorbing knowledge from their surroundings (Sun & Xu, 2012). Greater unconditional conservatism, according to (Basu, 2005), might lower

[1] *Corresponding author*

subsequent conditional conservatism since cash disbursements are charged immediately, reducing expenditures that will be reported later.

Within financial accounting, conservatism leads to a prudence. It entails anticipating probable future losses without considering the possibility of future profits. This policy has the effect of understating an organization's net income and net assets. This strategy may be described as a "play it safe" approach. Expected losses are treated as reality, while expected gains are ignored. This is an accounting conservatism principle that still in use today, such as the lower cost or market rule and the provision for dubious debts, are based on this method. There are various advantages and disadvantages caused by accounting conservatism. Firstly, negative revenues accurately represent the total profit during the period in which they occur. There is an unequal chronology of profits while operating under the conservative principle in financial accounting. Any "bad news" that an organization receives with its books will have a faster impact on revenues gained than any "good news." That is to say, the negative revenues will completely reflect the whole profit for the agency throughout the period they represent (Shivakumar, 2000). The positive earnings distributions then represent just a portion of the time, yielding a result that is more closely aligned with the change of share prices (Ji et al., 2016). It has the potential to enhance cash flow measurement. Secondly, when there are asymmetric receivables included in the calculation, using the cautious approach with your accounting system makes it easier to measure the cash flows that occur. Anything that is past due in the receivables department is not recorded as a possible profit since losses are expected. This procedure establishes a realistic approach to the organization's varied cash flows. Thirdly, when contrasted to market value, it provides a positive indicator of book value (Sun & Xu, 2012). The conservative approach to financial accounting reduces a company's net book value to its actual economic value. When analysing the overall health of a firm, especially as an investor, this implies there is more certainty in the stability of other elements.

However, aside from benefits caused by accounting conservatism there are also several deficiencies of this method. Firstly, it consistently undervalues an organization's future worth. When it comes to financial accounting, conservatism implies always reporting a prospective loss and never acknowledging the possibility of a future gain. Even if people are positive that a payment will be forthcoming, this concept demands that people do not record it on the records until they have received it (Ahmed et al., 2002). Because most companies' debts accumulate quicker than their revenues, there is always less future worth when evaluating a firm. Although this provides a sense of "realism," keep in mind that not all future debts will become a reality. Secondly, any conditions must be made for every liability. When it comes to financial accounting, there are no exceptions to the conservative approach (Lafond & Watts, 2008). The account must allow for any liabilities, losses, and costs that may arise throughout the examination time. It makes no difference whether they are certain or unsure. When a loss occurs in the contingencies, it must always record. Although this technique might help a firm stay afloat during bad economic times, it can also pose problems in the future when it comes time to scale up.

When managers have more knowledge about internal data and the company's future prospects than shareholders or other stakeholders, the phrase "information asymmetry" is used to describe this knowledge gap (Information Asymmetry, Accounting Standards, and Accounting Conservatism 2017 Mostafa Harakeh, 2017). The lower the organizations cost of capital, the lesser the knowledge asymmetry between management and shareholders or other stakeholders. Earnings management is the process by which management intervenes in the preparation of external financial statements in order to increase or decrease accounting profit in accordance with the management's objectives (Lennox et al., 2018).

The asymmetry of accounting profits and losses, as well as the systematic understatement of net assets, are two fundamental elements of conservative accounting

(Roychowdhury & Watts, 2007). Asymmetries in information and loss functions between the parties to a contract are to blame for these characteristics. The uninformed also have a hard time checking the information that the informed give those (Lafond & Watts, 2008). Due to the inherent uncertainty of business and economic activity, conservatism (i.e., prudence) plays a significant role in financial accounting and reporting. As a result, accounting convention requires a greater standard of proof when establishing recognized assets than when establishing liabilities.

It was established by Lafond and Watts (2008) that there is a positive relationship between information asymmetry and accounting conservatism, and it was demonstrated that changes in information asymmetry affect conservatism rather than conservatism causing changes in information asymmetry. Their argument is that conservatism in accounting has repercussions for stock investors, in addition to debt and compensation agreements. However, the varying levels of accounting conservatism across the globe need an analysis of conservatism's role in different countries.

This research is critical because institutional differences can invalidate (Lafond & Watts, 2008) results based only on data from the United States. As is commonly known, each country has varying degrees of accounting conservatism (Dimitropoulos & Asteriou, 2008). As a result, investigating the relationship between knowledge asymmetry and conservatism in accounting outside the United States is intriguing. Indonesia follows a code of laws and has a two-tier board structure, in contrast to the United States, which follows common law and has a unitary board structure. Additionally, unlike in the United States, Indonesian enterprises are privately held, which implies that the interests of managers and majority shareholders are more likely to be aligned. However, there is an asymmetry between controlling parties (majority shareholders) and non-controlling parties (outsiders) (i.e., minority shareholders).

Consequently, it is necessary to include a majority-minority shareholder situation in the conclusion that "conservatism is an equilibrium reaction to value losses produced by knowledge asymmetries between management and outside equity investors" (Lafond & Watts, 2008). That's exactly what this study aims to accomplish. The findings of their research can also be applicable to countries with codes of conduct and two-tier board systems, as demonstrated in this study. A link was found between information asymmetry and conservatism (Lafond & Watts, 2008), showing that conservatism affects information asymmetry, rather than the other way around.

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This research analyses the link between information asymmetry and accounting conservatism by using an Indonesian dataset. According to earlier studies, conservatism reduces the information gap. Information asymmetry promotes conservatism because it reduces it. Therefore, conservatism in accounting is inversely related to degree of information asymmetry.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In this study, agency theory was used as a framework. Agency theory implies the gap of information asymmetry between the principal and the agent. The theoretical framework describes conservatism as a strategy for dealing with agency issues that arise from information asymmetry among the contracting parties. Conservatism, for instance, limits a manager's capacity to overstate income and net assets in order to optimize their pay schemes (Raith, 2011). According to (Lafond & Watts, 2008), accounting conservatism is positively connected with information asymmetry, and changes in information asymmetry have an effect on conservatism rather than conservatism driving changes in information asymmetry.

The application of conservatism accounting principles is also applied in Indonesia. The Indonesian Institute of Accountants (IAI), which was established in 1957 as a forum for responding to accounting developments. This IAI gave birth to the principles of financial accounting standards (PSAK), which became the company guidelines in preparing financial statements. In PSAK there are several standards that shows the application of the principle of conservatism, including:

a. PSAK No. 14 regarding supplies stating that the company can record the cost of inventory by using one method, namely FIFO (first in first out) or first in first out and weighted average method.
b. PSAK No. 16 regarding fixed assets and other assets which regulates the estimated useful life of an asset permanent. The estimated useful life of an asset is based on on management considerations stemming from the company's experience when using assets that similar. The estimated useful life should be investigated return periodically and if management find that the useful lives of an asset differ from the previous estimate it must be done adjustments to current and future depreciation expense future. This standard allows company to change the useful life of the assets used and can encourage the emergence of profits conservative ones.
c. PSAK No. 19 regarding intangible assets that related to the amortization method. It was explained that there are several amortization methods for allocate the amount of depreciation of an asset over a systematic basis throughout its useful life.
d. PSAK No. 20 on research and development costs which states that the allocation of research and development is determined by looking at the relationship between the expected economic costs and benefits company will be obtained from research activities and development. If it is probable that the cost will increase the economic benefits in the future future and the costs can be measured reliably, then the costs are eligible to be recognized as an asset.

According to (Shivakumar, 2000), accounting conservatism is classified into two types: conditional conservatism and unconditional conservatism. Conditional conservatism results in the belief that earnings reported in the income statement are presented in an asymmetric timing, which stems from accountants' preference for high-level verification of the recognition of good news in financial statements rather than bad news (Roychowdhury & Watts, 2007). When a corporation suffers economic losses, such as losses that are recognized at the moment of occurrence or on a time basis, this sort of conservatism emerges. When a corporation is involved in litigation, there is a propensity to overestimate liabilities and understate assets, which is an example of conditional conservatism. This form of conservatism is favoured by investors because it provides a

clearer image of a company's strengths and shortcomings, which can aid in making the best investment decisions.

Unconditional conservatism is the existence of accounting bias in reporting low book value on shareholder equity accounts (García Lara et al., 2020). 17 According to (Lafond & Watts, 2008), this type of conservatism does not conditionally consider equity or low income. Therefore, this type of conservatism does not refer to time-based loss recognition. This type of conservatism is associated with earlier recognition of losses, regardless of whether they are bad news or good news. An example of unconditional conservatism is when a company purchases an asset, management will determine the depreciation method to be used. This type of conservatism will cause economic decisions to be biased and inefficient (Shivakumar, 2000).

Accounting conservatism is a concept that has existed for several centuries and has seen an upsurge in popularity during the last thirty years (Watts, 2003). Conservatism has had a long and major influence on accounting practice. According to (Basu, 2005), conservatism has influenced accounting processes for at least five hundred years. On the other hand, the concept of conservatism is considered to provide low quality earnings in accounting reporting. This concept also results in biased financial statements so that they cannot be used as a tool to evaluate company risk (Setyaningsih, 2008). Recently, companies are under greater pressure to be able to provide more relevant financial reports. Capital market participants want the recording of the company's asset value closer to its market value than its book value. It is the demand of market participants that makes accounting conservatism begin to experience a 18 shift. In addition, accounting conservatism is considered no longer in line with the objectives of existing accounting standards. In order to create balanced financial reports, several parties, including the FASB and the IASB, urged that the notion of conservatism be removed from corporate accounting reporting. The goal of the proposition is to achieve information neutrality. If conservatism is effectively abandoned, it will alter management behavior and may be harmful because it imposes considerable costs on investors and the economy as a whole (Watts, 2003).

Asymmetry of information refers to a situation in which managers have access to information about the company's prospects that is not possessed by third parties (Chi & Wang, 2008). Asymmetry of information refers to a situation in which the agent knows more information about the company and its future prospects than the principal (Goel et al., 2021). Management that want to demonstrate superior performance may be driven to alter financial accounts in order to create the profits required by the owner. Asymmetry of information between management and shareholders may give managers with chances to manage earnings (Harakeh, 2017). Increased management knowledge can result in management-beneficial behaviors. Due to the fact that capital owners have limited information, it will be difficult for them to exercise adequate control over management's actions in this situation. When critical knowledge about the business and control is held by the agent and is unknown to the principal, information asymmetry can be a big issue.

To begin, the researcher employs conservatism in accounting as an independent variable. Accounting conservatism is classified into two types: conditional conservatism and unconditional conservatism. Conditional conservatism refers to the practice of writing down book values in sufficiently adverse circumstances but not increasing them in sufficiently favorable circumstances, the latter being the conservative behavior. This comprises cost-based or market-based inventory accounting, as well as impairment accounting for long-lived physical and intangible assets. However, conservatism can be unconditional (news independent), suggesting that certain aspects of the accounting system for assets and liabilities stated at the outset result in forecast unrecorded goodwill. For example, rapid expense recognition for the majority of internally generated

intangibles, accelerated depreciation of property, plant, and equipment (hence accelerated depreciation), and historical cost accounting for projects with a positive net present value. These various forms of accounting conservatism will be directly compared to knowledge asymmetry, which will serve as the dependent variable. According to pro-conservative researchers, conservative accounting produces high-quality outcomes because it inhibits enterprises from faking earnings and supports financial statement readers by presenting accurate earnings and assets. Thus, accounting conservatism should provide investors and creditors with greater security, improve performance quality, and reduce the likelihood of future litigation expenses (Fuad et al., n.d.). However, critics argue that conservatism leads to biased and hence less useful information, and should play a limited or no role in accounting (Raith, 2009). Differential verifiability, it has been claimed, counteracts the inclination of managers with private information to inflate figures (Lafond & Watts, 2008). (Basu, 2005) describes conservatism as the asymmetry in the verification requirements for gains and losses. (Lafond & Watts, 2008), for example, claims that conservatism is an "effective technology used in the structure of the company for its contracts with diverse parties." The different stakeholders are external to the company and have typically asymmetric loss functions.

Currently, the IASB employs the Framework for the Preparation and Presentation of Financial Statements (2001) and the FASB uses the Statements of Financial Accounting Concepts (1980), which serve as the foundation for both Boards (hereinafter the Boards) to establish uniform standards. Although the existing frameworks of the FASB and the IASB include the function of conservatism (or prudence), their stances have already tended to omit conservatism from accounting information's qualitative qualities.

On July 6, 2006, the Boards released an IASB Discussion Paper/FASB Preliminary Views for public comment. Boards of Directors make a variety of decisions that pertain to this topic. To begin, qualitative relevance and accurate portrayal are necessary qualitative characteristics for information to be useful. Second, when the content of an economic event is accurately, completely, and neutrally represented, it is considered to be a true representation. Finally, because conservatism and neutrality are incompatible, conservatism/prudence should be excluded from the qualitative characteristics of accounting information. The Boards aim to produce an Exposure Draft on Objectives and Qualitative Characteristics in the first quarter of 2008, and these selections will become final only after a thorough due process is completed.

Asymmetric timing in accounting profits against losses and systematic understatement of net assets are two significant reporting elements of conservative accounting (Givoly, Hayn, and Natarajan, 2007; Roychowdhury and Watts, 2007). These two characteristics mark from the fact that assets, as opposed to liabilities, require a greater level of verification and assurance for their development (Watts 2003a).

H1: Information Asymmetry does affect Conditional Conservatism

Aspects of the accounting process established at the time assets and liabilities are created generate predicted unrecorded goodwill that may be unconditional (or ex ante or news independent). Instant expense recognition for the vast majority of domestically produced intangibles, accelerated depreciation of property, plant, and equipment (hereinafter referred to as accelerated depreciation), and historical cost accounting for projects with positive net present value are all examples of unconditional conservatism in the accounting world. A lot of researcher have been studying the effects of unconditional conservatism for a long time, with a focus on how it causes growth-dependent accounting mistakes.

Basu (2005) quantifies the initial imbalance in terms of current returns. Profits are more likely to be linked to returns when they are linked to good news than when they are linked to bad news. Because of accounting slack for tangible assets, or because of noise in

the relationship between share returns and tangible asset write-downs, this estimation shows that the research is correct when it says this asymmetry is smaller, happens later, or happens more slowly than it did in the past.

According to another estimate, the direction of asymmetry with respect to up to three delayed annual returns is identical to the direction of asymmetry with respect to present returns, as illustrated by (Ryan and Zarowin, 2003). Additionally, this estimate demonstrates what we mean when we say that this asymmetry is in the opposite direction of the current return asymmetry (due to lagged returns being sufficiently well-reflected in prior earnings) or that the relationship between earnings and lagged returns is S-shaped (because mildly bad lagged news does not use up the available accounting slack with sufficient high probability, but worse lagged news does).

H2: Information Asymmetry does affect unconditional conservatism

RESEARCH METHOD

The technique utilized in this study will be explained in this chapter. A brief description of the definition and variable operationalization, population, data sample, data collecting technique, and analytic method will also be provided.

The data was obtained between 2018 and 2020 from the Indonesia Stock Exchange (IDX) via its official website, www.idx.co.id, IDX Statistical Data, and Bloomberg Laboratory. The details are based on objective factors that align with the research objectives and include the following:

1. The Indonesia Stock Exchange (IDX) is a place for stock trading transactions of various types of companies in Indonesia.
2. The Indonesia Stock Exchange (IDX) provides complete information on the company's financial data and the development of stock price movements.
3. Data set is using the financial statements in Trade, Services, and Investment companies listed in the IDX website.
4. Bid and ask price is collected from IDX Statistical Data and Bloomberg Laboratory, companies stated in the Trade, Services, and Investment sector.
5. The research only uses financial statements that are stated in Indonesian Rupiah (IDR) currency.

This study makes use of a quantitative approach. According to Sugiyono (2015), quantitative research methods are those that are based on positivism and involve data collection through the use of research instruments, as well as quantitative or statistical data processing with the purpose of evaluating predefined hypotheses. The purpose of this study is to test hypotheses about the nature of specific interactions or to discover differences between groups (independence) of two or more components in a situation.

Conditional Conservatism is the first dependent variable. In particular, it is a reaction or response by businesses to various verifications such as the absorption of information contained in the business environment that has the potential to effect the company's earnings. Conservatism is quantified using accruals, specifically the gap between net income and cash flow. Basu (1997) explicitly explores profits' differential timeliness by developing the following piecewise cross-sectional regression of earnings on stock returns:

$$EPS/PRICE_{t-1} = \beta 0 + \beta 1\ NEG, t + \beta 2\ RETURN + \beta 3\ NEG*RETURN + \varepsilon 1$$

Whereas,
EPS = net income before extraordinary items of firm I for fiscal year t divided by total outstanding shares of fiscal
RET = 12 months period of return beginning three months after the end of prior fiscal year.
NEG = dummy variable of 1 if the annual return is negative and 0 if the annual return is positive.
β2 = the timeliness in which the positive news (RETURN) is recognized in the earnings.
β3 = the extent of faster recognition of bad news (negative return) compared to the good news (positive return) if the annual return is positive.
β4 = information asymmetry

Unconditional Conservatism is the second dependent variable. This conservatism represents the independency of good and bad news in the business environment, and will result in a decrease in earnings and book value of net assets in the absence of economic news. The formula stated as:

$$Cit = (INVit + RDit + ADVit) / NOAit$$

Whereas,
NOAit = Net operating assets of firm i during year t
INV = Inventory reserve
ADV = Advertising expenditure of firm I during year t
RD = Research and development of firm I during year t

The independent variable is using information asymmetry. The Relative Bid-Ask Spread, the company's shares, or the difference between the selling and purchasing prices of the company's shares over a one-year period are used to quantify information asymmetry (Healy, 1999).

The bid-ask spread is the difference between the bid and ask prices for a security. It is the gap between the highest prices a buyer is willing to pay (bid) for a security and the lowest price a seller is willing to accept. A transaction occurs when either a buyer or a seller agrees to the ask price or accepts the bid price in an auction. In simple terms, when there are more buyers than sellers, the price of a security will trend upward as purchasers bid the stock higher. When sellers outnumber buyers, on the other hand, the price of a security will tend to fall as the supply-demand mismatch encourages sellers to decrease their offer prices.

$$SPREAD = (ask\ i, t \pm bid\ i, t) / [(ask\ i, t + bid\ i, t) /2] \times 100\%$$

Information asymmetry variable is using ratio scale and unit size of percent (%).
Whereas,
Ask = the highest price in company i that occurred on year t
Bid = the lowest price of shares in company i that occurred on year t

Firm-level as the control variables are employed to resolve inter-variable difficulties in this study. The researcher takes business size, which is calculated using total assets in Indonesian Rupiah, and converts it to its natural logarithm, like Detthamrong et al., (2017) and Garca-Meca et al., (2017) do (2015).

RESULT AND DISCUSSIONS

Description of the sample
From 348 sample in Trade, Services, and Investment sector from 2018 to 2020, there are 108 out of 348 that did not met the criteria.

Table 1
Sample Selection

No.	Firm Sample	Amount
1.	Trade, Services, and Investment sector companies listed in IDX	116
2.	Total firm sample in the period of 2018 to 2020 (116 x 3)	348
3.	Sample that did not meet the criteria	(108)
4.	**Total final research sample**	**240**

Between 2018 and 2020, IDX listed 348 businesses in the Trade, Services, and Investment sector that matched the aforementioned criteria. However, the researcher uncovered 108 incomplete datasets that did not meet the criteria due to the inaccessibility of variable data. Finally, the researcher erased these erroneous records. The SPSS 20 program is used to conduct the analysis, which was separated into testing hypotheses and assumptions using fixed procedures.

The goal of this analysis is to look at how the data is spread out by measuring things like the standard deviation, the mean, the minimum, and the maximum. These statistics are needed to fully understand and describe the reflection in terms of the variables used. The variables below are included in the variable statistics:

Table 2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Total Assets	**240**	17516.10^5	59484422.10^6	5588518145241,50	8909159528634,775
EPS/ Pricet-1	**240**	-1614730524.10^4	9109445.10^6	18266092 7045,76	15768838 60799,552
RETURN	**240**	-,93357	4,38889	-,0210777	,54837053
NEG	**240**	**0**	1	,56	,497
IA	**240**	,00	9600,00	463,7933	974,97223
LEVERAGE	**240**	,00000	243,12510	5,0942180	27,939613 19
NEG*RETURN	**240**	-,93357	,00000	-,1793677	,24435440
NEG*RETURN*IA	**240**	-4197,18750	,00000	-109,94427 99	359,05576 195
Valid N (listwise)	**240**				

The result of the first hypothesis is shown in Table 4.2. Consequently, it is evident that numerous data are scattered unevenly. In addition, a statistically significant difference was identified. The final sample in this test is 240 samples.

The least value in RETURN is -0.93357, and the maximum is 4.38889. The standard deviation is 0.54837053, whereas the mean is -0, 0210777. As a result, it is clear that the data is dispersed unevenly. Additionally, a significant difference was discovered based on the data.

Table 3
Summary Statistics for Negative Earnings

Dummy Variable	Category	Category Description	Frequency/Total	Percentage (%)
NEG	1	If RETURN is negative (-)	135	56,25%
	0	If RETURN is positive (+)	105	43,75%

According to the results of descriptive statistical research in NEG (Table 3), 56.25 percent of businesses have a negative return on investment, while the remaining 43.75 percent have a positive return on investment. These conditions indicate that, on average, trade, service, and investment enterprises based on IDX are generating negative returns between 2018 and 2020.

B3 is the third independent variable, and it is measured by multiplying NEG (dummy variable) by RETURN. The number ranges from -0.93357 to 0.00. It is denoted by a predicted value of -0.1793677 and a standard deviation of 0.2440. As a result, it is evident that the data are distributed in an uneven manner. Additionally, a statistically significant difference is revealed based on the data.

Information asymmetry is the fourth independent variable. This variable is calculated using the bid and ask prices. The smallest value is 0.00, and the largest value is 9600.00. The mean value is 463.7933 and the standard deviation is 974.972.

B5 is the fifth independent variable, and its formula is NEG*RETURN*Inf Asymm. The number ranges from -4197.18750 to 0.00. It is compared to the mean value of -109.9442799 and the standard deviation value of 359.05576195. As a result, the data is dispersed unevenly. Additionally, there is a big variance depending on the facts.

The sixth independent variable acts as the first control variable that proxies to total assets. The minimum value is 1751600000 where the maximum value is 59484422000000. Furthermore, the mean value is stated as 5588518145241.50 and std. deviation value is contrasted as 8909159528634.775.

The final independent variable serves as a proxy for the second control variable, financial leverage. Additionally, financial leverage is equal to the difference between total operating obligations and total assets. 0.0000 is the smallest value and 243.12510 is the largest value based on the data. Nonetheless, the mean is 5.0942180, while the standard deviation is 27.93961319.

Table 4
Multicollinearity Test
Hypothesis One

Variable	Tolerance	VIF
RETURN	0.501	1.998
NEG	0.501	1.998
NEG*RETURN	0.388	2.575
IA	0.556	1.799
NEG*RETURN*IA	0.455	2.199
Total_Assets	0.964	1.037
LEVERAGE	0.984	1.017

Table 4.9 summarizes the outcome of the multicollinearity test for the first hypothesis. All variables met the tolerance > 0.1 and VIF > 10 requirements, as indicated in the table. According to the available table, the regression model used does not exhibit multicollinearity.

Table 5
Multicollinearity Test
Hypothesis Two

Variable	Tolerance	VIF
Information Asymmetry	0.973	1.028
Total_Assets	0.966	1.035
LEVERAGE	0.989	1.011

The result of the multicollinearity test for the second hypothesis is summarized in Table 4.10. According to the table, all factors have a resilience > 0.1 and a VIF of 10. According to the existing table, the relapse demonstrated used does not exhibit multicollinearity.

Table 6
Heteroscedasticity Test
Hypothesis One
Coefficients[a]

Model	Unstandardized Coefficients		Std. Coefficients			Collinearity Statistics	
	B	SItd. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	-5,398E+10	1,7877E+11	-,002	-,302	,763		
RETURN	-6119478799	2,407E+11	,050	-,025	,980	,501	1,998
NEG	1,599E+11	2,656E+11	,225	,602	,548	,501	1,998
NEG*RETURN	1,455E+12	6,133E+11	,177	2,372	,018	,388	2,575
IA	286129267,1	128483459,2	-,183	2,227	,027	,556	1,799
NEG*RETURN*IA	-804072908,4	385754988,6	,218	-2,084	,038	,455	2,199
Total_Assets	,039	,011	-,103	3,621	,000	,964	1,037
LEVERAGE	-5810277993	337058111		-1,724	,086	,984	1,017

a Dependent Variable: EPS_Pricet_1

Based on Table 6, RETURN (X1) has a negative value and does not influence the dependent variable (EPS/Pricet-1) because the significant value is higher than 0.05 stated as 0.980.nNEG (X2) has a positive value but does not influence the dependent variable (EPS/Pricet-1) because the significant value is higher than 0.05 written as 0.548. B3 (X3) equals NEG*RETURN that has a significant value greater than or equal to 0.05, 0.018, and a positive value but has no effect on the dependent variable. Although IA, Information Asymmetry (X4) has a positive value, it has no effect on the dependent variable (EPS/Pricet-1) because the significant value exceeds 0.05, denoted by 0.027. The result of NEG*RETURN*IA is significant because 0.038 (lower than 0.05), however, the coefficient is negative. While Total Assets (X6) is positive, it has no meaningful effect on the dependent variable (EPS/Pricet-1), which is given as 0.000. LEVERAGE (X7) has a negative value; however, with a value of 0.086, it has no effect on the dependent variable (EPS/Pricet-1).

Table 7
Heteroscedasticity Test
Hypothesis Two
Coefficients[a]

Model	Unstandardized Coefficients		Std. Coefficients			Collinearity Statistics	
	B	SItd. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	-,093	,804		-,115	,908		
IA	-,001	,001	-,072	-1,092	,276	,973	1,028
Total_Assets	8,086E-014	,000	,074	1,115	,266	,966	1,035
LEVERAGE	,001	,023	,003	,048	,961	,989	2,011

a Dependent Variable: UNCOND

Based on Table 7, information asymmetry that stated as IA (X1) has a negative value and does not influence the dependent variable (UNCOND) because the significant value is higher than 0.05 stated as 0.276. Despite having a positive value, Total Assets has no effect on the dependent variable (UNCOND) because the significant value is 0.266, which is greater than 0.05. Despite having a positive value, LEVERAGE has no influence on the dependent variable (UNCOND) since the significant value is 0.961, which is more than 0.05.

Table 8
Multiple Linear Regression

Hypothesis One	**Y = α + X1β1 + X2β2 + X3β3 + X4β4 + X5β5 + X6β6 + X7β7 +ζ** **EPS/Pricet-1 = α + NEG + RETURN + NEG*RETURN + IA + NEG*RETURN*IA + Total_Assets + LEVERAGE + ζ**
Hypothesis Two	Y = α + X1β1 + X2β2 + X3β3 + ζ UNCOND = α + IA + Total_Assets + LEVERAGE + ζ

H1: Information asymmetry does affect conditional conservatism.

The first hypothesis is that information asymmetry has an effect on conditional conservatism. The methodology of Basu (1997) is utilized to quantify conditional

conservatism, whereas the bid-ask spread method is employed to quantify information asymmetry.

Table 9
Result of Hypothesis One

	Model 1		Model 2	
Variables	**Coefficients**	**t-values**	**Coefficients**	**t-values**
Constant	0,082	-1,749	,763	-,302
RETURN	0,507	0,665	,980	-,025
NEG	0,747	0,323	,548	,602
RETURN*NEG	0,407	-0,831	,018	2,372
IA			,027	2,227
RETURN*NEG*IA			,038	-2,084
Total Assets			,000	3,621
LEVERAGE			,086	-1,724
F-Sig	0,413		7,580	
Adj. R^2	-0,007		0,129	

According to the Table 9, Model 1 tests whether accounting conservatism practices exist in Indonesia. The coefficient of RETURN*NEG is positive but not significant because the result of all variable are higher than 0.05. Thus, accounting conservatism does exist in Indonesia. **H1 is accepted**

Model 2 examines the impact of information asymmetry over the accounting conservatism. The RETURN*NEG*IA coefficient is positive, although it is not significant. So, information asymmetry does not give a significant impact to accounting conservatism.

H2: Information Asymmetry does affect unconditional conservatism.

Table 10
Result of Hypothesis Two

Variables	**Coefficients**	**t-values**
Constant	0,908	-0,115
IA	0,276	-1,092
Total Assets	0,266	1,115
LEVERAGE	0,961	0,048
F-Sig	0,072	
Adj. R^2	-0,004	

The second hypothesis is information asymmetry does affect unconditional conservatism. Variable of unconditional conservatism is measured by Givoly and Hayn (2000) method meanwhile information asymmetry is measured using the bid-ask spread method. Based on Table 4.19 the whole result indicate a positive result and did not significant. The significant level stated bigger than 0.05. **H2 is rejected.**

CONCLUSION

Based on the process of data collection, processing, and testing, the effect of conditional conservatism gives positive results and does significant to the information

asymmetry. Also, the effect of unconditional conservatism reflects positive result and does not significant to the information asymmetry.

Accounting conservatism is a financial reporting approach that requires accountants to produce financial accounts meticulously and to ensure that accurate accounting entries have been made. Generally Accepted Accounting Rules (GAAP) mandate that all businesses follow accounting principles in order to maintain the highest level of accuracy when reporting financial accounts. While accounting conservatism encourages managers to use their professional judgment, it offers leeway for accounting values to be manipulated.

Accounting conservatism has some drawbacks. To begin, income's unequal response to economic gains and losses is subject to interpretation. In this instance, management can benefit from accounting values.

Second, conservatism is in favor of income redistribution. In particular, a transaction may be suspended until the next period if it does not meet the current period's reporting requirements. This study is limited to businesses in the commerce, services, and investment sectors that were listed on the Indonesian Stock Exchange between 2018 and 2020. This suggests that the study is not exhaustive enough to be applied broadly.

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