

# Accounting Conservatism in Property Firms: Capital Intensity, Investment Opportunity Set and Information Asymmetry

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## Abstract

**Purpose:** This study examines the relationships between Capital Intensity, Investment Opportunity Set, and Information Asymmetry with Accounting Conservatism in Indonesian property and real-estate firms during the 2020–2024 period. This research aims to provide empirical evidence regarding the determinants of conservative financial reporting practices in an asset-intensive industry.

**Research Methodology:** This study uses secondary data from 23 publicly listed property and real-estate firms in Indonesia during 2020–2024. The data were analyzed using pooled Cochrane–Orcutt regression to address autocorrelation issues and were supported by three sensitivity checks to assess the robustness and consistency of the findings.

**Results:** The findings show that Capital Intensity has a negative and significant association with Accounting Conservatism, contrary to the proposed hypothesis. Meanwhile, Investment Opportunity Set and Information Asymmetry have no significant partial effects, although the predictor variables are jointly informative in the primary model. The coefficient patterns remain consistent across the sensitivity analyses.

**Conclusions:** Asset intensity is the strongest correlate of conservative reporting behavior in this sample, while growth opportunities and market-information variables provide limited explanatory power.

**Limitations:** This study is limited by its short sector-specific panel, as well as the use of accrual-based, CAPBVA, and single-date spread proxies, which may reduce the generalizability of the results.

**Contributions:** This study contributes by identifying a boundary condition for political-cost predictions, demonstrating that balance-sheet preservation incentives may outweigh reporting caution in asset-intensive firms.

**Keywords:** *Accrual-Based Reporting, Financial Reporting Quality, Indonesia, Political Cost, Property Sector*

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## 1. Introduction

Financial reporting is not only a record of past transactions; it is one of the main information channels through which investors and creditors evaluate the quality of a firm's assets, earnings, cash flows, and future commitments. This role becomes more important when economic conditions are uncertain and managers must make judgments about impairment, depreciation, provisions, asset recoverability, and the timing of gains and losses. Accounting Conservatism addresses part of this uncertainty by requiring stronger verification for favorable outcomes than for unfavorable outcomes. In empirical accounting research, this asymmetry is commonly discussed as timely loss recognition or as an accrual pattern that restrains the overstatement of net assets and earnings ([Basu, 1997](#); [Givoly, & Hayn, 2000](#); [Watts, 2003](#)). Although standard setters have debated how prudence should coexist with neutrality, the research literature continues to show that conservatism can have contracting and information benefits for users of financial statements ([Mora, & Walker, 2015](#); [Ruch, & Taylor, 2015](#)).

The issue is especially relevant in property and real-estate companies. Their business models are asset intensive, project cycles are long, financing needs are substantial, and reported asset values can remain material for several years before cash is realized. These characteristics create considerable room for estimation and timing choices. They also make the sector sensitive to changes in interest rates, purchasing power, credit conditions, and investor expectations. In Indonesia, the 2020–2024 observation window spans the pandemic shock and the subsequent recovery period, when the real-estate sector experienced uneven growth and a difficult adjustment to changing financing conditions ([Badan, 2025](#)). International evidence similarly indicates that conservative reporting can become more valuable during periods of exceptional uncertainty because it may reduce doubts about the credibility of earnings news and limit information frictions ([Cui, Kent, Kim, & Li, 2021](#); [Grossetti, 2023](#); [Nascimento, Mota, Mól, & Azevedo, 2025](#)). Evidence from mandatory IFRS adoption also shows that institutional reporting environments can affect conditional conservatism ([André, Filip, & Paugam, 2015](#)).

The importance of careful asset recognition is not merely theoretical. In March 2026, the Indonesian Financial Services Authority sanctioned PT Bliss Properti Indonesia Tbk after concluding that related-party receivables and advance payments reported in financial statements did not provide future economic benefits that justified recognition as company assets. The company itself received an administrative fine of Rp2.7 billion, while total sanctions related to the case were larger when other responsible parties were included ([OJK, 2026](#)). This enforcement action occurred after the study period, but it illustrates why asset recognition, evidence, and reporting discipline remain important in the same sector. It is not used as an observation in the regression; rather, it provides a concrete institutional context for examining financial-reporting caution. Recent Indonesian evidence on financial-statement fraud likewise underscores the importance of evaluating reporting quality alongside governance and control conditions ([Azizah, Ridwansyah, & Kurniawan, 2025](#)).

Three characteristics are central to the present study. The first is Capital Intensity, measured as total assets relative to sales. Under the political-cost argument of positive accounting theory, firms with a large asset base and visible economic resources may face stronger scrutiny and therefore have incentives to avoid aggressive income reporting. Yet the opposite reasoning is also plausible in a sector under pressure: firms with substantial assets may prefer accounting choices that preserve reported strength, market confidence, and financing capacity. Indonesian property-sector evidence is not uniform. [Rafida and Pratami \(2023\)](#) report a positive relationship between Capital Intensity and conservatism, while broader Indonesian evidence shows that other firm characteristics can relate to conservatism in different directions across samples ([Ifani, Yuliansyah, Septiyanti, & Andi, 2023](#)). The direction of the Capital-Intensity relationship is therefore treated as an empirical question rather than a settled implication of theory.

The second characteristic is the Investment Opportunity Set (IOS). IOS describes the set of growth opportunities available to a firm and is not directly observable; researchers therefore rely on accounting- or market-based proxies ([Myers, 1977](#); [Smith, & Watts, 1992](#); [Kallapur, & Trombley, 2001](#)). Growth opportunities create both financing needs and valuation uncertainty. High-quality

reporting can reduce adverse-selection and moral-hazard frictions in investment decisions ([Biddle, Hilary, & Verdi, 2009](#)), and conservatism may improve investment efficiency by limiting overinvestment while facilitating access to external finance when underinvestment is a concern ([García & Penalva, 2016](#)). Nevertheless, a specific IOS proxy such as capital expenditure to book value of assets can vary sharply with project timing. For property companies, a measured increase in fixed assets in one year may not capture the full economic pipeline of land development, presales, or long-horizon projects.

The third characteristic is Information Asymmetry. Agency theory predicts that managers ordinarily possess more detailed information than outside shareholders, and this difference can create opportunities for selective disclosure or delayed recognition of unfavorable information ([Jensen & Meckling, 1976](#)). Conservatism can serve as one response because faster loss recognition constrains managerial discretion and reduces the capacity to withhold bad news ([LaFond, & Roychowdhury, 2008](#); [LaFond and Roychowdhury, 2008](#)). Market microstructure research also links private information to the bid-ask spread: market makers widen spreads when adverse-selection risk is greater, making the spread a practical though imperfect proxy for the information environment ([Glosten, & Milgrom, 1985](#); [Venkatesh, & Chiang, 1986](#)). International evidence further indicates that the benefits of conservatism are often more pronounced when Information Asymmetry is high ([Khan, & Watts, 2009](#); [Kim, & Zhang, 2016](#)).

Previous studies leave three limitations that motivate this research. First, Indonesian evidence reports positive, negative, and insignificant relationships between firm characteristics and Accounting Conservatism, so the direction cannot be inferred from theory alone ([Rafida and Pratami, 2023](#); [Ifani et al., 2023](#); [Ningsih, Rusmianto, & Pentiana, 2025](#)). Second, CAPBVA and a single-date bid-ask spread capture only part of growth opportunities and the information environment. Third, crisis studies show that uncertainty changes the value of conservative reporting, but they do not explain whether asset structure, growth opportunities, and market information remain jointly relevant in Indonesian property firms during the transition from pandemic disruption to recovery ([Balakrishnan, Watts, & Zuo, 2016](#); [Cui et al., 2021](#); [Grossetti, 2023](#)). These limitations create a sector-specific and measurement-specific research gap.

Listed-company reports and trading data are now distributed through digital platforms. This makes reporting quality part of the information infrastructure used by investors. JBPD has examined regional market linkages to the Jakarta Composite Index ([Riswanda & Rikumahu, 2025](#)). This study extends that discussion to the quality and incentives of firm-level accounting information. Digitalization is treated as the disclosure environment, not as an explanatory variable. This study addresses the gap by testing whether Capital Intensity, Investment Opportunity Set, and Information Asymmetry are individually and jointly associated with Accounting Conservatism. Its contribution is twofold. It identifies which theoretical mechanism receives empirical support in an asset-intensive post-pandemic setting, and it separates directional hypothesis support from mere statistical significance. The primary pooled result is also compared with robust, firm and year fixed-effect, and outlier-retention specifications so that the conclusion does not depend on one estimator or one treatment of extreme observations.

## 2. Literature Review and Hypotheses Development

### 2.1 Accounting Conservatism and theoretical foundations

Accounting Conservatism has several related empirical meanings. Conditional conservatism refers to the asymmetric recognition of economic news, in which losses are recognized more quickly than gains ([Basu, 1997](#)). Unconditional conservatism refers to accounting policies that systematically understate net assets independent of contemporaneous news. Accrual-based measures, including the [Givoly and Hayn \(2000\)](#) approach used in this study, capture a different aspect of conservative reporting from market-return models. For this reason, results should be interpreted in relation to the chosen measure rather than as a universal measure of all forms of prudence. Reviews by [Ruch and Taylor \(2015\)](#) and [Mora and Walker \(2015\)](#) emphasize that the costs and benefits of conservatism vary with contracting, governance, litigation, and information conditions. Evidence from private firms

shows that asymmetric loss recognition can arise even without the same public-equity pressures faced by listed firms ([Ball & Shivakumar, 2005](#)), while cross-country evidence shows that legal and political institutions shape incentives for conservative reporting ([Bushman & Piotroski, 2006](#)). Indonesian evidence published by Penerbit Goodwood also points to a context-dependent role. [Anjarningsih, Suparlinah, and Hidayat \(2022\)](#) find a significant association between conservatism and earnings management in state-owned enterprises, [Kodriyah, Kurnia, and Kholiyah \(2023\)](#) report that accrual-measured conservatism does not significantly explain firm value and [Ifani, Yuliansyah, Septiyanti, and Andi \(2023\)](#) show that leverage, profitability, firm size, and institutional ownership relate to conservatism in different directions. Together, these studies reinforce the importance of sector, measurement, governance, and economic setting.

Positive accounting theory provides one explanation through political and contracting incentives. [Watts \(2003\)](#) argues that conservatism can arise because asymmetric verification helps constrain opportunistic reporting and can reduce expected contracting, litigation, taxation, and regulatory costs. [Bushman and Piotroski \(2006\)](#) further show that legal, securities-market, and political institutions influence the incentives that shape conservative accounting across countries. Governance evidence is broadly consistent with a monitoring role: [Ahmed and Duellman \(2007\)](#) link stronger board monitoring with greater conservatism, while [Ahmed and Duellman \(2011\)](#) show that conservatism can help monitor managers' investment decisions. Debt-market evidence also identifies contracting benefits. [Beatty, Weber, and Yu \(2008\)](#) connect conservatism with debt contracting, and [Zhang \(2008\)](#) finds that conservative borrowers provide lenders with more timely default-risk signals and obtain lower initial interest rates. Firm-level evidence likewise links contracting, litigation, regulation, and tax costs to different forms of conservatism ([Qiang, 2007](#)).

Agency theory supplies a complementary explanation. Separation between ownership and control creates incentives for managers to pursue private objectives or selectively report information ([Jensen & Meckling, 1976](#)). Conservatism may reduce those agency costs by making it more difficult to delay bad news or overstate performance. [LaFond and Roychowdhury \(2008\)](#) show that the demand for conservatism increases as managerial ownership declines and agency problems become more severe. García [García and Penalva \(2009\)](#) similarly link stronger governance to higher conditional conservatism. [Ramalingegowda and Yu \(2012\)](#) find that monitoring institutional investors are associated with more conservative reporting, particularly when firms have greater growth options and Information Asymmetry. Conservatism can also affect investment discipline: [Francis and Martin \(2010\)](#) report that firms with more timely loss recognition make more profitable acquisitions and divest poor investments more quickly. The implication is not that conservatism eliminates discretion, but that it changes the verification threshold and the timing with which favorable and unfavorable outcomes enter reported numbers.

Information economics also matters. Public disclosure can reduce Information Asymmetry and improve security-market liquidity ([Diamond, & Verrecchia, 1991](#); [Ningsih, Rusmianto, & Pentiana, 2025](#)). [LaFond and Roychowdhury \(2008\)](#) argue more specifically that Information Asymmetry between insiders and outside equity investors generates demand for conservative reporting because conservatism reduces managers' incentives and ability to manipulate accounting numbers. Consistent with that reasoning, [Khan and Watts \(2009\)](#) find that firm-year conservatism is higher when Information Asymmetry and uncertainty are higher. Conditional conservatism has also been associated with a lower cost of capital ([García, & Penalva, 2011](#); [Li, 2015](#)) and lower future crash risk, particularly in high-asymmetry settings ([Kim & Zhang, 2016](#)).

The three perspectives produce related but competing predictions. Positive accounting theory links high Capital Intensity with political visibility and stronger reporting caution ([Watts, & Zimmerman, 1986](#); [Watts, 2003](#)). Agency theory predicts that Information Asymmetry increases the demand for timely loss recognition ([Jensen and Meckling, 1976](#); [LaFond and Roychowdhury, 2008](#)). Signaling theory suggests that firms with valuable investment opportunities use credible reporting to reduce uncertainty ([Spence, 1973](#)). These mechanisms are not automatic. Financing pressure can encourage asset-heavy firms to protect reported balance-sheet strength, alternative disclosures can reduce

information gaps, and CAPBVA may not represent all growth options. The hypotheses therefore test competing mechanisms rather than restating prior findings.

## **2.2 Capital Intensity and Accounting Conservatism**

Capital Intensity in the present study is the ratio of total assets to sales. A higher ratio indicates that a firm requires a larger asset base to generate a unit of revenue. This is economically important in property and real-estate businesses because assets are not merely operating inputs; they are also central to collateral, project financing, valuation, depreciation, and impairment. The political-cost hypothesis predicts a positive relationship: firms with substantial economic resources and visibility may prefer income-decreasing or more cautious accounting choices when scrutiny is costly. This reasoning is consistent with the broader contracting view of conservatism in [Watts \(2003\)](#).

Two causal mechanisms point in opposite directions. The political-cost mechanism predicts that greater asset visibility increases regulatory and public scrutiny, which raises the benefit of cautious recognition and lower reported income ([Watts & Zimmerman, 1986](#); [Watts, 2003](#)). The balance-sheet preservation mechanism predicts that asset-heavy firms facing weak demand or expensive financing may delay adverse recognition to protect collateral values and market confidence. The empirical record reflects this tension. [Rafida and Pratami \(2023\)](#) report a positive relationship, [Kartika and Martini \(2025\)](#) and [Salim and Apriwenni \(2019\)](#) report negative relationships, and [Stiawan et al. \(2022\)](#) report no significant relationship. The directional hypothesis follows political-cost theory, while the competing mechanism explains why the sign may reverse.

*H<sub>1</sub>: Capital Intensity is positively associated with Accounting Conservatism*

## **2.3 Investment Opportunity Set and Accounting Conservatism**

The Investment Opportunity Set represents the menu of future projects available to the firm. [Myers \(1977\)](#) distinguishes assets already in place from growth options, while [Smith and Watts \(1992\)](#) show that investment opportunities are connected with financing, dividend, and compensation policies. Because IOS is latent, empirical studies use proxies such as market-to-book ratios, capital-expenditure measures, or asset-growth indicators ([Kallapur & Trombley, 2001](#)). This study operationalizes IOS with Capital Expenditure to Book Value of Assets (CAPBVA), calculated from the change in fixed-asset book value relative to total assets. The measure captures realized movement in the fixed-asset base, although it does not represent every growth option available to a property company.

There are two channels through which IOS may relate to conservatism. First, growth opportunities heighten estimation uncertainty and can increase information frictions between insiders and capital providers. Second, external financing for growth makes credible reporting more valuable. Financial reporting quality is associated with more efficient investment by reducing adverse selection and moral hazard ([Biddle et al., 2009](#)). More directly, García [Lara et al. \(2016\)](#) find that conservatism can improve investment efficiency by easing financing constraints in underinvestment settings and limiting overinvestment elsewhere. [Balakrishnan et al. \(2016\)](#) show related benefits during the global financial crisis, when firms with less conservative reporting experienced sharper investment declines.

The predicted positive effect has a clear mechanism, but it competes with measurement and timing. When growth projects require external funding, conservative verification can reduce investors' fear that project benefits are overstated. CAPBVA, however, records realized changes in fixed assets and may omit land banks, presales, permits, and contractual growth options. Prior results are correspondingly mixed. [Manalu and Fiana \(2023\)](#) report a positive relationship, [Ningsih et al. \(2025\)](#) report a negative relationship, and [Pebrina et al. \(2025\)](#) report no significant relationship. This contradiction suggests that the effect of IOS depends on the proxy, sector, and financing stage rather than arising automatically from growth opportunities.

*H<sub>2</sub>: Investment Opportunity Set is positively associated with Accounting Conservatism*



## 2.4 Information Asymmetry and Accounting Conservatism

Information Asymmetry arises when managers possess information that outside investors cannot observe at the same depth or at the same time. In agency terms, this information advantage can enable opportunistic behavior. In signaling terms, credible reporting choices can help reduce uncertainty about firm quality. Framework is broader than financial reporting, but its logic is useful: a signal is informative when it is costly or difficult for lower-quality types to imitate. Conservative reporting can function in a similar way because it restricts premature gain recognition and accelerates the incorporation of losses, although Accounting Conservatism should not be treated as a voluntary signal in every setting.

The information hypothesis has strong support in the conservatism literature. [LaFond and Roychowdhury \(2008\)](#) find that Information Asymmetry is positively related to conservatism and that changes in asymmetry precede changes in conservatism. [Khan and Watts \(2009\)](#) also report higher conservatism for firms with greater Information Asymmetry and uncertainty. During the COVID-19 crisis, [Cui, Kent, Kim, and Li \(2021\)](#) find that the beneficial role of conservatism was stronger when Information Asymmetry was greater, and [Grossetti \(2023\)](#) show that an established reputation for conservative reporting alleviated investor concerns about earnings news. Recent Latin American evidence further confirms that crisis settings can alter the environment in which conservatism is evaluated, even when specific restriction measures are not significant determinants ([Nascimento, Mota, Mól, & Azevedo, 2025](#)).

The causal mechanism is that a wider bid-ask spread reflects greater adverse-selection risk, which increases the value of earlier loss recognition to outside investors ([Glosten, & Milgrom, 1985](#); [Venkatesh, & Chiang, 1986](#)). A spread observed on one publication date can also reflect liquidity, price level, and trading inactivity. Indonesian evidence mirrors this ambiguity. [Hardian, Gustati, and Yentifa \(2025\)](#) report a positive relationship, [Yanti, Veronica, and Alfiana \(2022\)](#) report a negative relationship, and [Eka, Mukhzarudfa, and Yudi \(2021\)](#), [Khusna and Suwarno \(2023\)](#), and [Tunggal and Lasdi \(2021\)](#) report no significant relationship. The hypothesis follows the agency-based demand for conservative reporting, while recognizing that the market proxy may not capture the persistent information advantage of managers.

*H<sub>3</sub>: Information Asymmetry is positively associated with Accounting Conservatism*

## 2.5 Joint model

Capital Intensity, IOS, and Information Asymmetry capture different but related business conditions. Capital Intensity represents the weight of assets relative to current revenue generation, IOS represents growth and investment opportunities and Information Asymmetry represents a market-information friction. A firm's reporting policy may respond to these conditions simultaneously. The joint model therefore evaluates whether the three predictors, taken together, explain variation in Accounting Conservatism. Because an F test assesses joint explanatory significance rather than a single directional coefficient, the simultaneous hypothesis is stated non-directionally.

*H<sub>4</sub>: Capital Intensity, Investment Opportunity Set, and Information Asymmetry are jointly associated with Accounting Conservatism*

## 3. Research Methodology

### 3.1 Research design, population, and sample

The study uses a quantitative explanatory design based on secondary firm-year data. The population consists of 92 property and real-estate companies listed on the Indonesia Stock Exchange during 2020–2024. Purposive sampling was used because the variables require a continuous reporting history and specific market information. Firms had to remain listed during the observation window, publish annual reports consecutively, have bid and ask price information around the annual-report publication date, and provide the financial-statement items required to calculate all variables. Twenty-three firms met all criteria, generating 115 initial firm-year observations (23 firms × 5 years).

Data were compiled from audited annual reports, company disclosures, and stock-price information available through the Indonesia Stock Exchange and company websites. The unit of analysis is the firm-year. The dataset was organized in Microsoft Excel and analyzed with IBM SPSS Statistics 27. Because the design is observational and the predictors were not experimentally assigned, the regression coefficients are interpreted as conditional associations rather than causal effects. Table 1 summarizes the sample-screening sequence and the transition from the initial dataset to the final lagged regression sample.

Table 1. Sample-selection process

| Criterion                                                | Number |
|----------------------------------------------------------|--------|
| Property and real-estate firms in the population         | 92     |
| Firms satisfying all purposive-sampling criteria         | 23     |
| Observation years                                        | 5      |
| Initial firm-year observations                           | 115    |
| Observations removed as residual outliers                | 7      |
| Observations after outlier removal                       | 108    |
| Usable observations in lagged Cochrane–Orcutt regression | 107    |

Seven residual outliers were removed from the original 115 observations, leaving 108 cases for the post-outlier descriptive and diagnostic tests. The Cochrane–Orcutt transformation then introduced a one-period lag, so the first usable observation in the transformed sequence was lost. The final ANOVA reports total  $df = 106$ , confirming 107 observations in the lagged regression. Reporting both counts avoids treating the diagnostic sample and the final transformed regression sample as if they were identical.

### 3.2 Variable measurement

Accounting Conservatism is measured using the accrual-based approach of [Givoly and Hayn \(2000\)](#). CONACC is calculated as net income plus depreciation minus operating cash flow, scaled by total assets and multiplied by  $-1$ . Under this specification, a higher value indicates a more conservative accrual pattern. The measure is useful for tracing cumulative accrual behavior, but it differs conceptually from Basu-style conditional conservatism based on asymmetric earnings timeliness; this distinction is maintained when interpreting the results. Table 2 presents the operational definitions and measurement formulas for all variables used in the model.

Table 2. Variable operationalization

| Variables                            | Operational measure                                                                                                    |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Accounting Conservatism ( $Y$ )      | $CONACC = [(Net\ income + depreciation - operating\ cash\ flow) / total\ assets] \times (-1)$                          |
| Capital Intensity ( $X_1$ )          | Total assets / sales                                                                                                   |
| Investment Opportunity Set ( $X_2$ ) | $CAPBVA = (book\ value\ of\ fixed\ assets_t - book\ value\ of\ fixed\ assets_{t-1}) / total\ assets$                   |
| Information Asymmetry ( $X_3$ )      | $Bid\text{-}ask\ spread = [(Ask - Bid) / ((Ask + Bid) / 2)] \times 100,$<br>measured at annual-report publication date |

This data is based on authors' calculations conservatism measure follows [Givoly and Hayn \(2000\)](#), IOS follows [Myers \(1977\)](#) and [Kallapur and Trombley \(2001\)](#), and the spread proxy follows [Venkatesh and Chiang \(1986\)](#).

### 3.3 Statistical analysis and diagnostic sequence

The analysis begins with descriptive statistics and conventional regression diagnostics. Initial residuals failed the Kolmogorov–Smirnov normality test ( $p < .001$ ). Logarithmic and square-root transformations were not used because the dataset contains zero and negative values that would be undefined under those transformations ([Field, 2009](#)). Following the procedure stated in the source

thesis, casewise diagnostics identified observations with standardized residuals outside  $\pm 3$  (Ghozali, 2021). Seven observations were removed, leaving 108 cases and a normality-test p-value of .200. The deletion was used to apply the stated diagnostic rule, not to improve significance. Its possible effect is evaluated by re-estimating the original 115-observation sample.

The primary model estimates the average association across the combined firm-year observations and preserves between-firm variation in asset structure, which is central to Capital Intensity. It also follows the regression design used in the source thesis. The post-outlier Durbin–Watson statistic of 1.149 indicated positive serial correlation, so Cochrane–Orcutt was applied and increased the statistic to 1.901. This correction addresses serial correlation in the pooled sequence, but it does not control for time-invariant firm characteristics or common year shocks. A firm and year fixed-effect sensitivity model is therefore reported rather than assuming that the pooled correction is equivalent to a panel estimator. Partial hypotheses use t tests at 5%, while the primary full model uses the F test and adjusted  $R^2$ .

One diagnostic requires cautious interpretation. The Glejser p-value for IOS is .050, while Capital Intensity and Information Asymmetry have p-values of .355 and .381. Because .050 lies exactly on the conventional 5% boundary, the IOS result is treated as borderline rather than as unequivocal evidence of homoskedasticity. This wording preserves the reported output without overstating what the diagnostic establishes.

Three additional sensitivity checks were conducted using the appendix data from the source thesis. The first uses heteroskedasticity-consistent HC3 standard errors on the 108-observation sample. The second includes firm and year fixed effects with standard errors clustered by firm. The third uses HC3 standard errors while retaining all 115 observations. Together, the checks assess sensitivity to heteroskedasticity, unobserved firm and year differences, and outlier removal. They supplement rather than replace the primary model.

## 4. Results and Discussions

### 4.1 Descriptive statistics

After removal of seven residual outliers, the descriptive dataset contains 108 firm-year observations. Capital Intensity shows the widest dispersion: values range from 2.918 to 313.979, with a mean of 15.905 and a standard deviation of 34.469. The large gap between the mean and maximum indicates strong cross-firm heterogeneity in the amount of assets required to generate sales. This is plausible in a property sector where some firms hold substantial land, buildings, investment property, or projects relative to current-period revenue. The complete descriptive profile of the four variables is reported in Table 3.

Table 3. Descriptive statistics after outlier removal (N = 108)

| Variables                  | Minimum   | Maximum    | Mean      | SD        |
|----------------------------|-----------|------------|-----------|-----------|
| Capital Intensity          | 2.917631  | 313.978647 | 15.904848 | 34.468623 |
| Investment Opportunity Set | −0.137563 | 0.104553   | 0.000758  | 0.021878  |
| Information Asymmetry      | 0.407332  | 11.111111  | 1.549123  | 1.526083  |
| Accounting Conservatism    | −0.169844 | 0.108242   | 0.008021  | 0.038032  |

IOS averages close to zero and includes both positive and negative values. Under the CAPBVA construction, this pattern means that changes in fixed-asset book values are generally small relative to total assets and are not uniformly positive. The measure therefore captures realized year-to-year movement in fixed assets rather than the full economic value of future investment options. Information Asymmetry has a mean spread of 1.549%, but its standard deviation is nearly as large as the mean, again indicating heterogeneous trading conditions. Accounting Conservatism has a slightly



positive mean, with both negative and positive observations. The dependent variable therefore contains meaningful cross-sectional and time variation rather than being concentrated on one side of zero.

#### 4.2 Measurement diagnostics and autocorrelation correction

The diagnostic sequence changes the usable sample and should be read as part of the empirical result, not as a mechanical preface. The initial Kolmogorov–Smirnov test rejected normality ( $p < .001$ ). After seven residual outliers were removed, the test reported  $p = .200$ . Tolerance values range from .879 to .992 and VIF values from 1.008 to 1.137, providing no indication of problematic multicollinearity. These values are far from conventional concern levels and imply that the three predictors are not redundant linear combinations of one another. Table 4 consolidates the diagnostic results, including the heteroskedasticity checks and the serial-correlation correction used to determine the final model.

Table 4. Regression diagnostics

| Diagnostic                          | Result                                  | Interpretation                                      |
|-------------------------------------|-----------------------------------------|-----------------------------------------------------|
| Initial residual normality          | K–S $p < .001$ ; $N = 115$              | Normality rejected before outlier treatment         |
| Post-outlier residual normality     | K–S $p = .200$ ; $N = 108$              | Normality not rejected at 5%                        |
| Multicollinearity                   | Tolerance .879–.992;<br>VIF 1.008–1.137 | No problematic multicollinearity                    |
| Glejser: Capital Intensity          | $p = .355$                              | No evidence at 5%                                   |
| Glejser: IOS                        | $p = .050$                              | Borderline at the 5% boundary                       |
| Glejser: Information Asymmetry      | $p = .381$                              | No evidence at 5%                                   |
| Durbin–Watson before correction     | DW = 1.149                              | Positive autocorrelation detected under source rule |
| Durbin–Watson after Cochrane–Orcutt | DW = 1.901                              | Serial-correlation diagnostic improved              |

The most consequential diagnostic issue is autocorrelation. The post-outlier model produced a Durbin–Watson statistic of 1.149, indicating positive serial correlation under the decision rule adopted in the study. Cochrane–Orcutt correction increased the statistic to 1.901. The correction addresses serial correlation in the regression sequence, but it does not turn the specification into a panel model with firm and year effects. Because the dataset contains repeated firm-year observations, unobserved firm characteristics and common year shocks may still affect the estimates; this limitation is addressed explicitly in Section 5.2.

#### 4.3 Multiple regression and hypothesis tests

The final lagged regression contains 107 observations. Capital Intensity has an unstandardized coefficient of  $-0.001$  and is statistically significant ( $t = -6.259$ ;  $p < .001$ ). IOS has a positive coefficient of  $0.117$  but is not significant ( $t = 0.907$ ;  $p = .366$ ). Information Asymmetry is effectively zero at the reported precision and is not significant ( $t = -0.258$ ;  $p = .797$ ). The constant is  $0.011$  ( $p = .003$ ). The estimated equation is therefore  $\text{CONACC} = 0.011 - 0.001(\text{Capital Intensity}) + 0.117(\text{IOS}) + 0.000(\text{Information Asymmetry}) + \varepsilon$ , with the last coefficient interpreted using its test statistic rather than the rounded display alone. The final coefficient estimates and hypothesis decisions are reported in Table 5.

Table 5. Cochrane–Orcutt regression estimates ( $N = 107$ )

| Predictor                  | B        | Std. beta | t        | p-value  | Decision                                            |
|----------------------------|----------|-----------|----------|----------|-----------------------------------------------------|
| Constant                   | 0.011    | —         | 3.011    | .003     | —                                                   |
| Capital Intensity          | $-0.001$ | $-0.551$  | $-6.259$ | $< .001$ | $H_1$ not supported: significant opposite direction |
| Investment Opportunity Set | 0.117    | 0.080     | 0.907    | .366     | $H_2$ not supported                                 |

| Predictor             | B       | Std. beta | t      | p-value | Decision            |
|-----------------------|---------|-----------|--------|---------|---------------------|
| Information Asymmetry | ≈ 0.000 | −0.022    | −0.258 | .797    | $H_3$ not supported |

The distinction between statistical significance and hypothesis support is important for  $H_1$ . The coefficient is clearly significant, but the hypothesis predicted a positive relationship. A negative significant coefficient is evidence of a relationship, yet it is evidence against the proposed positive direction.  $H_1$  is therefore not supported.  $H_2$  and  $H_3$  are not supported because their coefficients are not statistically different from zero at the 5% level. Table 6 summarizes overall model fit and the joint F test used to evaluate  $H_4$ .

Table 6. Overall model fit and joint test

| Statistic                  | Value                                 |
|----------------------------|---------------------------------------|
| R                          | 0.531                                 |
| R <sup>2</sup>             | 0.282                                 |
| Adjusted R <sup>2</sup>    | 0.261                                 |
| Standard error of estimate | 0.03061                               |
| F statistic                | 13.511                                |
| df                         | 3, 103                                |
| F-test p-value             | < .001                                |
| $H_4$                      | Supported as joint model significance |

The full model is significant,  $F(3, 103) = 13.511$ ,  $p < .001$ .  $R^2$  is .282 and adjusted  $R^2$  is .261, so the three predictors account for 26.1% of adjusted in-sample variation in conservatism. The remaining 73.9% is associated with omitted firm characteristics, year-specific conditions, measurement noise, and residual variation.  $H_4$  is supported as a joint-association hypothesis. It should not be described as a 'simultaneous positive effect' because the F statistic does not assign a direction to the predictor set and only one partial coefficient is significant and that coefficient is negative.

#### 4.4 Robustness and sensitivity analysis

Table 7. Robustness and sensitivity checks

| Specification                                                             | Coefficient pattern and joint test                                                                                                                   |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| OLS with HC3 standard errors, trimmed sample (N = 108)                    | Capital Intensity B = −0.000539 (p = .016); IOS B = 0.055 (p = .800); Information Asymmetry B = −0.001 (p = .687); joint Wald p = .078.              |
| Firm and year fixed effects with firm-clustered standard errors (N = 108) | Capital Intensity B = −0.000791 (p < .001); IOS B = 0.246 (p = .111); Information Asymmetry B = −0.000286 (p = .898); joint predictor test p < .001. |
| OLS with HC3 standard errors, original sample retained (N = 115)          | Capital Intensity B = −0.000926 (p = .011); IOS B = 0.878 (p = .338); Information Asymmetry B = −0.00485 (p = .376); joint Wald p = .011.            |

Across all three checks in Table 7, Capital Intensity remains negative and significant at 5%, while IOS and Information Asymmetry remain insignificant. The central partial conclusion is therefore stable to robust standard errors, firm and year controls, and retention of the seven extreme observations. The coefficient magnitudes vary across specifications, so the estimates should be interpreted as associations rather than fixed structural effects.

Joint significance is less uniform. It is retained in the fixed-effect and untrimmed HC3 checks, but the trimmed HC3 joint test has  $p = .078$ . This qualification does not change the stable negative partial relationship for Capital Intensity, but it requires caution when describing  $H_4$ . The evidence supports joint explanatory content in the primary and most sensitivity specifications, not an invariant common effect.

#### **4.5 Capital Intensity and Accounting Conservatism**

Capital Intensity is the strongest partial correlate, but its negative sign sets a boundary on the political-cost prediction. That prediction expects greater asset visibility to increase scrutiny and encourage income-decreasing accounting. In the observed property firms, a competing need to preserve reported asset strength during weak demand and financing pressure appears more consistent with the coefficient. The result supports a contextual reading of positive accounting theory rather than an unconditional rule.

This explanation remains interpretive because the models do not directly observe managerial motives, financing constraints, or political exposure. The evidence establishes a negative association and its stability across the reported sensitivity checks. The finding differs from the positive result of [Rafida and Pratami \(2023\)](#), agrees with the negative results of [Kartika and Martini \(2025\)](#) and [Salim and Apriwenni \(2019\)](#), and contrasts with the insignificant result of [Stiawan et al. \(2022\)](#). International research also shows that governance and institutional conditions shape the demand for conservatism ([Bushman & Piotroski, 2006](#); [García Lara et al., 2009](#)).

The wider literature helps clarify why a negative coefficient does not invalidate the economic role of conservatism itself. Conservatism is demanded when its contracting and monitoring benefits outweigh the costs of lower reported net assets or earnings ([Watts, 2003](#); [Ruch & Taylor, 2015](#)). Debt-market research documents benefits through timelier covenant signals and lower borrowing costs ([Zhang, 2008](#)), while monitoring institutions appear to demand more conservative reporting when growth options and Information Asymmetry are high ([Ramalingegowda & Yu, 2012](#)). Timely loss recognition has also been associated with better investment decisions ([Francis & Martin, 2010](#)). These benefits do not imply that every firm characteristic must be positively associated with an accrual-based conservatism proxy in every economic setting.

From a business perspective, the finding is relevant because Capital Intensity is observable to creditors and investors, while the accounting policies behind asset carrying amounts are less immediately visible. A high asset-to-sales ratio should not automatically be interpreted as evidence of conservative reporting. Users need to examine impairment policies, depreciation, project capitalization, cash-flow support, and the quality of underlying asset recognition. The 2026 OJK enforcement case in the property sector reinforces the practical importance of this distinction, although that event falls outside the regression window (Otoritas Jasa Keuangan, 2026).

#### **4.6 Investment Opportunity Set and Accounting Conservatism**

IOS is positive but not statistically significant. The CAPBVA proxy therefore does not show a stable incremental relationship with conservatism once Capital Intensity and Information Asymmetry are included. The result is important because a theoretically meaningful construct can appear empirically weak when its operational proxy captures only one part of the underlying concept. In the observed data, IOS values cluster close to zero and include both positive and negative observations, indicating that changes in fixed-asset book value are generally small relative to total assets and vary in direction across firm-years.

Property development makes this measurement problem particularly relevant. Future opportunities can be embedded in land reserves, permits, pre-development rights, joint arrangements, or projects that do not immediately appear as a large change in fixed assets. CAPBVA can therefore be a noisy indicator of the broader opportunity set described by [Myers \(1977\)](#), [Smith and Watts \(1992\)](#), and [Kallapur and Trombley \(2001\)](#). The nonsignificant coefficient does not imply that investment opportunities are economically irrelevant; it means the measured year-to-year fixed-asset growth component does not explain the variation in the accrual-conservatism proxy in this sample.

The result limits a simple signaling argument. Growth opportunities can increase the demand for credible reporting, but the signal does not have to appear as a direct increase in an accrual-based conservatism measure. Firms can communicate project quality through presales, financing commitments, and project disclosures. The positive result of [Manalu and Fiana \(2023\)](#), the negative

result of [Ningsih et al. \(2025\)](#), and the insignificant result of [Pebrina et al. \(2025\)](#), show that proxy choice and sector conditions change the observed relationship. International evidence on reporting quality and investment efficiency supports the underlying financing mechanism without requiring a positive coefficient for every IOS proxy ([Biddle et al., 2009](#); [García Lara et al., 2016](#)).

A practical implication is that researchers should distinguish growth opportunities from realized capital expenditure. Future studies on property firms would be stronger if CAPBVA were compared with market-to-book measures, sales or asset growth, project-pipeline indicators, and perhaps investment-property changes. A multi-proxy IOS index could reduce the risk that one accounting measure fails to capture a long-horizon opportunity set.

#### **4.7 Information Asymmetry and Accounting Conservatism**

Information Asymmetry is not significant in the primary or sensitivity models. This result does not invalidate agency theory. It shows that a publication-date bid–ask spread does not provide stable partial explanatory power for the accrual measure in this sample. [LaFond and Watts \(2008\)](#), [Khan and Watts \(2009\)](#), and [Kim and Zhang \(2016\)](#) document stronger demand or benefits for conservatism when information frictions are high, while Indonesian studies report positive, negative, and insignificant estimates ([Hardian et al., 2025](#); [Yanti et al., 2022](#); [Eka et al., 2021](#); [Khusna & Suwarno, 2023](#); [Tunggal & Lasdi, 2021](#)). The contrast points to measurement and market liquidity as boundary conditions.

That choice creates a plausible measurement limitation. Bid–ask spreads are affected by information risk, but also by trading activity, liquidity, price level, market conditions, and the availability of quotations. The sample-selection process itself excluded firms that lacked the required bid and ask information, which indicates that trading conditions vary meaningfully across the property sector. For thinly traded shares, a spread on one date may be a weak representation of the persistent information advantage of managers. The market-microstructure rationale of [Glosten and Milgrom \(1985\)](#) and [Venkatesh and Chiang \(1986\)](#) remains valid, but the empirical signal may be noisy in a low-liquidity setting.

The nonsignificant coefficient can also be read as evidence that Accounting Conservatism is not the only mechanism used to manage information gaps. Firms can reduce asymmetry through more detailed disclosures, investor relations, governance, audit quality, and timely communication. [Diamond and Verrecchia \(1991\)](#) show more generally that public disclosure can affect liquidity and the cost of capital. If those alternative information channels are effective, variation in a one-day bid–ask spread need not produce a one-for-one change in an accrual-based conservatism measure. The result therefore does not reject the economic importance of Information Asymmetry; it indicates that the selected market proxy does not add significant partial explanatory power in this specification.

This finding is also relevant to digitally mediated capital markets. Investors now receive annual reports, exchange announcements, corporate presentations, and price data through online channels, but faster access does not necessarily remove asymmetry. The present study does not measure digital disclosure quality, investor-relations activity, or platform use, so those channels cannot be tested directly. A stronger JBPD-oriented extension would combine Accounting Conservatism with measures of digital disclosure timeliness, website or social-media investor communication, online trading liquidity, and information search behavior.

#### **4.8 Joint model, crisis-period interpretation, and implications**

The primary F test indicates that the three business conditions are collectively informative, but this does not mean that all three theoretical mechanisms receive support. Capital Intensity provides the only stable partial relationship. The IOS and Information Asymmetry results show that signaling and agency mechanisms are not captured directly by CAPBVA and the one-day spread. The robustness checks also show that joint significance is more model-sensitive than the Capital-Intensity coefficient. H4 should therefore be interpreted as contextual joint explanatory content, not as a common positive effect.

The 2020–2024 window matters for interpretation. COVID-19 introduced an abrupt shock to operating activity and investor beliefs, followed by a recovery period with changing financing conditions. International studies show that conservatism can provide information and financing benefits during crises: [Cui et al. \(2021\)](#) document better stock-return resilience for more conservative firms during the pandemic, [D'Augusta and Grossetti \(2023\)](#) find that conservatism reduced investor uncertainty around earnings news, and [Balakrishnan et al. \(2016\)](#) show that conservative firms experienced smaller investment declines during the global financial crisis. These studies do not prove that the Indonesian property-sector coefficient should be positive, but they support treating macro uncertainty as an important boundary condition.

For company managers, the negative Capital-Intensity result suggests that the accounting implications of a large asset base deserve specific governance attention. Policies for impairment, asset classification, depreciation, capitalization, and project recognition should be documented carefully because apparent balance-sheet strength can come at the cost of credibility if asset values are not supported by future economic benefits. For investors and creditors, asset intensity should be read together with operating cash flows and the quality of asset realization rather than as a standalone indicator of strength.

For regulators and auditors, the evidence reinforces the value of focusing on sectors in which long-lived assets and project accounting create substantial estimation discretion. Conservative reporting is not synonymous with deliberately understating performance; its useful role is to impose appropriate verification and timely recognition of adverse information. This distinction is consistent with the literature that links conservatism to governance, contracting efficiency, and reduced information uncertainty ([Beatty et al., 2008](#); [García Lara et al., 2011](#); [Li, 2015](#)).

For the digital-business and capital-market audience, the study adds a reporting-quality layer to market analysis. JBPD's published capital-market research has shown that external market linkages and pandemic regimes affect the Jakarta Composite Index ([Riswanda & Rikumahu, 2025](#)). The present evidence operates at the firm-reporting level: it asks which internal and market-information characteristics are associated with cautious accounting. Taken together, the two perspectives underline that investment decisions in modern markets depend not only on price dynamics but also on the quality and incentives embedded in the financial information that investors process.

## 5. Conclusions

### 5.1 Conclusion

This study directly answers the four research objectives. Capital Intensity is negatively and significantly associated with Accounting Conservatism in the primary model and all three sensitivity checks, so the positive  $H_1$  is not supported. Investment Opportunity Set and Information Asymmetry have no significant partial relationship, so  $H_2$  and  $H_3$  are not supported. The primary Cochrane–Orcutt model supports  $H_4$  as a joint-association hypothesis, although the joint result is not invariant across every robust specification and should be interpreted cautiously.

The main theoretical contribution is a boundary condition for the political-cost hypothesis. In an asset-intensive sector exposed to pandemic disruption and financing pressure, the incentive to preserve reported balance-sheet strength can outweigh the incentive to reduce reported performance. The findings also show that theoretically relevant constructs may appear weak when CAPBVA and a single-date spread capture only part of growth opportunities and the information environment. For financial-statement users, a high asset-to-sales ratio should prompt closer review of impairment, capitalization, depreciation, and cash-flow support rather than being treated as evidence of conservative reporting.

### 5.2 Research limitations

Several limitations should be considered before generalizing the findings. First, the sample contains only 23 listed property and real-estate firms over five years. The results may not apply to unlisted firms or sectors with different asset and financing structures. Second, Accounting Conservatism is



measured with an accrual-based Givoly–Hayn specification. This captures a different dimension of conservatism from asymmetric timeliness or firm-year C-score measures, and results may be measure dependent.

Third, IOS is represented by CAPBVA, which may not capture the full opportunity set of property companies. Fourth, Information Asymmetry is measured by the bid–ask spread on the annual-report publication date, which may reflect temporary liquidity rather than a persistent information gap. Fifth, seven residual outliers were removed under the source  $\pm 3$  standardized-residual rule. Although the HC3 check that retained all 115 observations preserved the partial coefficient pattern, the treatment changed coefficient magnitudes and the joint inference.

Sixth, the Glejser p-value for IOS is exactly .050, so the heteroskedasticity diagnostic is borderline. Seventh, the five-year panel is short. The firm and year fixed-effect sensitivity model reduces concern about time-invariant heterogeneity and common shocks, but it does not remove all risks from measurement error, dynamic persistence, or cross-sectional dependence. Finally, the study does not measure digital disclosure quality, online investor-relations activity, or trading-platform characteristics.

### **5.3 Suggestions and future research**

Future research should extend the robustness checks reported here with a longer panel, formal tests for fixed versus random effects, dynamic specifications, and standard errors that address both firm and year dependence. Alternative conservatism measures, including Basu-type asymmetric timeliness and the Khan–Watts C-score, would show whether the negative Capital-Intensity relationship is specific to the Givoly–Hayn accrual measure.

Second, IOS should be measured using multiple proxies rather than a single fixed-asset-growth ratio. Market-to-book measures, asset growth, capital expenditure, project-pipeline variables, and composite IOS indices could better capture the growth options of property firms. Information Asymmetry can likewise be strengthened through average spreads over a window, turnover, Amihud-style illiquidity, analyst coverage, disclosure timeliness, or ownership-based proxies.

Third, future studies can connect the accounting question more directly to digital business by measuring how online disclosure quality, investor-relations websites, social-media financial communication, digital annual-report accessibility, and trading-platform liquidity affect the relationship between conservatism and Information Asymmetry. Such extensions would preserve the accounting foundation while creating a more direct empirical link with JBPD's focus on business transformation in digitally mediated markets.

For practitioners, management should evaluate whether accounting policies for high-value assets remain supported by cash-flow prospects and verifiable economic benefits. Investors and creditors should not interpret a large asset base as evidence of reporting quality without examining cash-flow realization, impairment discipline, and the underlying accounting estimates. Regulators and auditors can use asset intensity as one risk-screening characteristic when prioritizing review of sectors with long project cycles and material balance-sheet judgment.

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### **Author Contributions**

DS conducted the source thesis research and empirical analysis. FM served as a contributing author, participating in manuscript drafting and critical review. NN supervised the research and contributed to manuscript review and finalization. All authors have reviewed and approved the final version of the manuscript.

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