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THE INFLUENCE OF MANAGERIAL OWNERSHIP, DEBT CONVENANT AND LITIGATION RISK ON ACCOUNTING CONSERVATISM

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ABSTRACT

The purpose of this research is to examine the influence of Managerial Ownership, Debt Covenant and Litigation Risk on Accounting Conservatism. The population in this study consists of manufacturing companies, consumer goods industry sub-sectors listed on the Indonesia Stock Exchange in 2015-2018. The sample of 12 companies used in this research was the purposive sampling method. The data used is secondary data. Data analysis was carried out with descriptive statistics using panel data regression analysis techniques. The empirical results of this research show that independent Debt Convenant does not have a statistically significant influence on Accounting Conservatism, while Managerial Ownership and Litigation Risk has a significant negative influence on Accounting Conservatism.

The research results show that managerial ownership has a significant positive effect on Accounting Conservatism, and Litigation Risk has a significant positive effect on Accounting Conservatism, debt convenat does not have a significant effect on Accounting Conservatism, and managerial ownership and litigation risk together has an effect on Accounting Conservatism.

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INTRODUCTION

This research aims to determine the extent to which managerial ownership, debt convenants and litigation risk influence the level of conservatism in financial statements reported by management. The important reason for conducting this research is because conservatism is a cautious reaction to uncertainty in risks related to business situations that can be uncertain and these risks must be reflected in financial reports so that predictive value and neutrality can be improved. On this basis, reporting based on prudence will provide the best benefits for all users of financial reports (Almilia, 2004 in Deviyanti, 2012).

Financial reports are the final product of the process prepared by the company showing the performance of company management in managing company resources. The information in the financial reports is used by internal parties, namely managers, in making decisions and external parties, namely investors, employees, creditors, government and society (Hans, Albert, & Ika, 2017).

Many cases occur due to this flexibility because management is free to prepare its financial reports using conservative principles. Kriyanto and Supriyatno (2006), in Alvian and Sabeni (2013) revealed that if financial reports are made on the basis of Conservative results tend to be biased and do not reflect the company's actual financial situation. One case of accounting conservatism is the financial reporting scandal. Those included in the financial reporting scandal include the case of PT. Kimia Farma, Tbk in 2002 which involved financial reporting which started when manipulation was detected.

The case of manipulation of financial reports was carried out by the Toshiba Corporation. One of the accounting conservatism cases is the existence of financial reporting scandals. Which was classified as an internal scandal in May 2015. Toshiba Corp Chief Executive Officer (CEO) Tanaka and other senior officials resigned because they were involved in the accounting scandal in Japan. Company management is known to set unrealistic profits so that the target is not achieved, the company is forced to manipulate financial reports according to the targeted profit. The results

of the investigation showed that Tanaka was proven to have knowledge of the manipulation of USD 1.22 billion in financial reports.

The information above shows that the beginning of Toshiba's destruction stems from the overstatement (inflated) profits made. (Inflated) profits are very contrary to the principle of accounting conservatism, where in accounting conservatism, profit recognition is carried out very carefully and will only be recorded when it actually occurs. According to the independent team investigating the case in some cases management and upper division leaders appeared to have shared the same goal of growing profits employees were pressured into inappropriate accounting delaying reports of losses or movement of certain costs to the following year.

There are several factors that influence management to take conservatism, including the managerial ownership structure. In accordance with what Lafond and Roychowdhury (2007) stated in Brilianti (2013), their research hypothesizes that if managerial ownership is small, the agency problems that arise will be greater and thus the demand for conservative financial reports will increase.

Litigation risk as an external factor can encourage managers to report company finances more conservatively. Managers' encouragement to implement accounting conservatism will be stronger if the risk of litigation threats to the company is relatively high (Cao and Narayanamoorthy 2005). Litigation risk is a risk that has the potential to cause significant costs due to dealing with legal issues. Rationally, managers will avoid losses due to litigation by reporting financial conservatively, because profits that are too high have the potential for higher litigation risks (Juanda, 2007).

Previous research that has been carried out regarding managerial ownership in influencing the level of conservatism includes Ni Kade Sri Dewi Ketut (2014) and research by Verawaty (2017) which states that managerial ownership has no effect on accounting conservatism. This is different from research conducted by Januar Eky Pambudi (2017) and Sari Rahmadhani (2015) which states that managerial ownership influences accounting conservatism, so the results of this research are not in line with that research.

Fatmariani (2013) revealed that a long-term debt contract (debt convenant) is an agreement to protect lenders from managers' actions against their interests. Brilianti's (2013) research found that leverage had a negative effect on accounting conservatism, whereas in Alvian and Sabeni's (2013) research, leverage had a significant positive effect on accounting conservatism.Niki Noventa Lucky (2019) found that litigation risk is a risk that has the potential to cause significant costs due to dealing with legal issues. Researcher Niki Noventa Lucky (2019) found that litigation risk has a positive effect on accounting conservatism.

The gap in this research is that previous research by Alvian and Sabeni (2013) showed that there was a relationship between managerial ownership and accounting conservatism. However, this is in contrast to research conducted by Bahaudin and Wijayanti (2011) and Brilianti (2013) which revealed that managerial ownership has a negative effect on accounting conservatism.

Testing the effect of debt convenants on accounting conservatism as a dependent variable has also not found consistent results. The results of this research are in line with the research results of Verawaty (2017) and Achmad Fatih Shahrul Mubarok (2017) which stated that leverage has no effect on accounting conservatism.

Based on the background description above, the researcher is interested in conducting research with the title "The Influence of Managerial Ownership, Debt Convenants and Litigation Risk on Accounting Conservatism **(Empirical Study of Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange 2015-2018).**

THEORY AND HYPOTHESIS DEVELOPMENT

Theoretical study

Agency theory is an inequality of interests between the principal and the agent (Jensen and Meckling 1976). Agency theory bases the contractual relationship between shareholders or owners and management or managers. According to this theory, the relationship between owners and management is essentially difficult to create because of conflicting interests.

In agency theory, an agency relationship arises when one or more people (principals) employ other people (agents) to provide a service and then delegate decision-making authority to the

agent. The relationship between the principal and the agent can lead to a condition of information imbalance because the agent is in a position that has more information about the company compared to the principal. Agents have more information than principals, giving rise to an imbalance in information acquisition between management as information providers and shareholders and stakeholders as information users.

Hypothesis Developer

1. Managerial Ownership with Conservatism

Managerial ownership is the proportion of ordinary shares owned by management. The existence of managerial ownership encourages management to maximize its performance in the form of profit targets. Aulia Romadona's research (2014) supports that managerial ownership influences accounting conservatism. By observing that managerial ownership influences accounting conservatism and supporting previous research.

Previous research conducted by Ni Kd Sri Lestari (2014) shows that managerial ownership structure has a positive effect on accounting conservatism. The results of research by Ni Kd Sri Lestari (2014) stated that the lower managerial ownership will cause financial reports to be less conservative. This proves that the size of shares owned by management is related to or can influence conservatism in financial statements.

Therefore, this research hypothesis is formulated as follows:

H1 : Kepemilikan manajerial berpengaruh positif terhadap konservatisme akuntansi

2. Debt Covenant with Accounting Conservatism

Debt convenant is a debt contract that is measured by leverage. Leverage itself is a ratio that calculates how much a company's assets can pay off a company's obligations. With a debt covenant, managers will get a lot of assets that come from loan funds provided by creditors. This loan shows the manager's ability to manage all company assets. Creditors will pay attention to financial information from the policies used in preparing financial reports for credit sales.

Therefore, this research hypothesis is formulated as follows:

H2: Debt convenants have a negative effect on accounting conservatism

3. Litigation Risk with Accounting Conservatism

Litigation risk is a risk inherent in a company which allows the threat of litigation by parties interested in the company who feel disadvantaged (Anike, 2017). Litigation risk is a risk that has the potential to incur significant costs due to dealing with legal issues. Rationally, managers will avoid losses due to litigation by reporting reports conservatively, because fairly high profits will have a higher potential risk of litigation (Azwir, Elfi & Yuniati, 2014). The high risk of litigation stems from high company profits so that dividends distributed will be high and payments on liabilities will be low, then creditors will sue the company for payment of these liabilities. From this explanation, it is found that litigation risk has a positive effect on accounting conservatism, meaning that the greater the risk of litigation that occurs in a company, the greater the application of accounting conservatism.

H3: Litigation risk has a positive effect on accounting conservatism.

RESEARCH METHODS

The population used in this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the research period, namely the 2015-2018 period. Sample research is based on purposive sampling with the aim of obtaining data in accordance with specified criteria.

The reason for selecting samples using purposive sampling is because not all samples have the criteria that the author has determined.

No Variable Dimension Indicator Ratio

1. Konservatisme

Accounting conservatism is usually defined as a prudent reaction to uncertainty, aimed at protecting the rights and interests of shareholders.

(shareholders) and lenders (debtholders) who determine a higher verification standard for recognizing good news than bad news Ratio.

2. Debt Covenant
   Debt covenant will encourage managers to achieve the best performance, one of which is also done through selecting accounting methods that can support this goal.
3. Managerial Ownership
   Managerial ownership is internal parties or management who participate in decision making. A manager is said to have a hand in decision making because he owns shares in the company he manages. Measurement
   The variable in this research is done by percentage between the number of managerial shares divided by the number of shares outstanding.
4. Litigation risk is a risk inherent in a company that allows the threat of litigation by parties with an interest in the company who feel disadvantaged. The parties with an interest in the company include creditors, investors and regulators. To measure litigation risk, this research conducts factor analysis (component factor analysis) on the variables: (1) stock beta and stock volume turnover, both of which are proxies for stock volatility; (2) liquidity and solvency, both of which are proxies for financial risk; (3) company size which is a proxy for political risk. (Ahmed, 2010).

Operational Definition of Variables

a. Accounting Conservatism

Conservatism is a company principle of being careful in determining every value in the financial statements, so that the values in the financial items have a value that can be accounted for. In measuring accounting conservatism, this research uses market to book (Agustina et al, 2015), namely:

This measurement is proxied by the book to market ratio which reflects the book value of the company's equity relative to its relative market value. Using this ratio as a proxy for the level of accounting conservatism reflects the value of assets that are understated and liabilities that are overstated.

$$\text{Book to market ratio} = \frac{\text{Equtiy to book value}}{\text{Closing price} \times \text{volume shares}}$$

Equity Book Value: Total Assets – Total Liabilities
Closing Price: The share price at the end of the year closing
Volume Shares: Volume of shares traded at the end of the year

b. Managerial ownership

Managerial ownership is ownership of company shares by managers and this share ownership can be obtained from bonuses given by the company. Ownership measurement Managerial management in this research uses measurements according to research (Apriani, 2015), namely:

$$\text{Kepemilikan manajerial} = \frac{\textit{Jumlah saham yang dimiliki manj}}{\textit{Jumlah saham yang beredar}}$$

c. Debt Convenant

Debt convenant is a debt contract that aims to analyze the learning that a company has made to pay off debt and the company's ability to pay interest and other fixed expenses. Debt convenant measurement (Apriani, 2015). In this research, debt convenant is measured by the Debt To Asset Ratio (DAR), namely total debt divided by total assets.

$$DAR = \frac{Total\ Debt}{Total\ Assets}$$

d. Litigation Risk

Litigation risk is a risk that is inherent in the company and can enable the threat of litigation or legal action. The company's litigation risk (Zuhriyah, 2017) is measured from the following formula:

$$\frac{Asset\ jangka\ pendek - liabilitas\ jangka\ pendek}{Total\ Aset}$$

Hypothesis Testing Test the Hypothesis together

(Model Test) This research was conducted to test the influence of the independent variable on the dependent variable. The criteria for making a decision based on the evidence above are as follows:

- If the sig probability value is <0.05, then H1 is accepted
- If the sig probability value is > 0.05, then H0 is rejected

Coefficient of Determination

According to Eksandy (2018:91) the results of the coefficient of determination explain how far the regression model's ability to explain variations in the independent variable affects the dependent variable. The greater the R-squared results, the better because this identifies more independent variables in explaining the dependent variable.

The R-squared value is between 0 and 1 with the following explanation:

a. The R-squared value should range from 0 to 1.

b. If the R-squared value is equal to 1, it means that the rise and fall of the dependent variable (Y) is 100% influenced by the independent variable (X).

c. If the R-squared value is equal to 0, it means there is no relationship at all between the independent variable and the dependent variable.

Partial Hypothesis Test (t Test)

According to Eksandy (2018:93-94), the results of the t test explain the significant influence of the independent variable partially on the dependent variable. The hypothesis in the t test is as follows:

a. Based on a t-statistic comparison with 1 Table

H0: If the t-statistic value < t Table

Ha: If the t-statistical value > t Table

If the Prob (F-statistic) value < t Table, then H0 is accepted, which means that the independent variable (X) partially has no effect on the dependent variable (Y). However, on the other hand, if the t-statistic value > t table, then Ha is accepted, meaning that the independent variable (X) partially influences the dependent variable (Y).

b. Based on Probability

H0: If the value of Prob. > a (0.05)

Ha: If the value of Prob. < a (0.05)

If the value of Prob. > a (0.05), then H0 is accepted, which means that the independent variable (X) has no effect on the dependent variable (Y). However, on the contrary, if the value of Prob. < a (0.05), then Ha is accepted variabel independen (X) sercara parcial berpengaruh terhadap variabel dependen (Y).

Panel Data Regression Analysis

Panel data regression is a combination of cross section data and time series data, where the same cross section units are measured at different times, so in other words, panel data is data from several individuals (samples) observed over a certain period of time (Eksandy , 2018).

To test whether managerial ownership, debt convenants and litigation risk influence accounting conservatism, panel data regression is used. This research uses Eviews 9 Software and Microsoft Excel 2016 in processing research data. The regression equation in the research model used is as follows:

Konsrv = *a0* + β1 KA + B1Manj + B2Lev + β3 + E

Information :

Konsrv	=	Probability
A	=	Constant
$\beta_1, \beta_2, \beta_3$	=	Independent Variable Regression Coefficient
X_1	=	Independent Variable (Managerial Ownership)
X_2	=	Independent Variable (Debt Convenant)
X_3	=	Independent Variable (Litigation Risk)
B1	=	Managerial ownership
B2	=	Leverage (Debt Convenant)
B3	=	Litigation Risk
ε	=	Error

RESEARCH RESULTS AND DISCUSSION

	KONSRV.AKT	MAN	DAR	RISIKO LITIGASI
Mean	0.099362	2.838424	0.754622	44.82960
Median	0.098450	2.254400	0.656200	6.970000
Maximum	0.256500	8.637800	1.954900	525.0000
Minimum	0.000500	1.000800	0.151300	0.920000
Std. Dev.	0.064603	1.953618	0.474178	96.70291
Skewness	0.412613	1.485370	0.570502	3.253188
Kurtosis	2.513747	4.442446	2.598205	14.36241
Jarque-Bera	1.911332	22.72071	3.048604	357.1608
Probability	0.384556	0.000012	0.217773	0.000000
Sum	4.968100	141.9212	37.73110	2241.480
Sum Sq. Dev.	0.204505	187.0146	11.01742	458221.2
Observations	50	50	50	50

Based on the table above, the results of descriptive statistical data can be explained as follows:

a. The mean is the average value in a group of data, which is obtained by dividing the entire amount of data by the number of data. Mean of Profitability (ROA) 0.099362, Liquidity (CR)

2.838424, Capital Structure (DER) 0.754622, Cash 44.82960, then the largest mean value is experienced by the Cash Turnover variable and the smallest value is experienced by the profitability variable.

b. Median is the middle value of data that has been sorted from smallest data to largest data. Median value of Profitability (ROA) 0.098450, Liquidity (CR) 2.254400, Capital Structure (DER) 0.656200, Cash Turnover 6.970000, the largest median value is experienced by the cash turnover variable and the smallest value is experienced by the profitability variable.

c. Maximum is the largest value of data. The maximum value of Profitability (ROA) is 0.256500, Liquidity (CR) 8.637800, Capital Structure (DER) 1.954900, Cash Turnover 525,0000, then the largest maximum value is experienced by the cash turnover variable while the profitability variable has a maximum value of smallest.

d. Minimum is the smallest value of data. Profitability (ROA) 0.000500, Liquidity (CR) 1.000800, Capital Structure (DER) has the largest minimum value while the profitability variable has the smallest minimum value.

e. Std.Dev (Standard Deviation) is a measure of data dispersion. Profitability (ROA) 0.064603, Liquidity (CR) 1.953618, Capital Structure (DER) 0.474178 and Cash 96.70291.

f. Skewness is a measure of the asymmetry of data distribution around the mean. For the variable Liquidity (CR) 1.485370 and Cash Turnover 3.253188, it has a value above 0 (zero), which means that the asymmetry of the data distribution around the mean is not normal, while the variable.

g. Profitability (ROA) 0.412613 and Capital Structure (DER) 0.570502 have values around 0, which means that the asymmetry of the data distribution around the mean is normal.

h. Kurtosis is the degree of sharpness of a distribution. For the Liquidity (CR) variable 4.442446 and Cash Turnover 14.36241 it has a kurtosis value of more than 3 which means that the height of the data distribution is not normal, while the Profitability (ROA) variable 2.513747 and Capital Structure (DER) 2.598205 have a value kurtosis is less than 3, which means that the height of the data distribution is normal.

i. Jarque-Bera is a normality test that measures whether the skewness and kurtosis of data conform to a normal distribution. For the variables Profitability (ROA) 1.911332, Liquidity (CR) 22.72071, Capital Structure (DER) 3.048604 and Cash Turnover 357.1608

j. Probability indicates the possibility that the Jarque-Bera value exceeds (in absolute value) the observed value under the null hypothesis. Profitability (ROA) 0.384556, Liquidity (CR) 0.000012, Capital Structure (DER) 0.217773 and Cash, 0.000000.

Chow Test Results (Fixed Effect vs Random Effect)

Redundant Fixed effect Tests
Equation: Untitled
Test cross-section Fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.764499	(11,3)	0.0000
Cross-section Chi-square	51.460657	11	0.0000

Based on the calculation results in the table above, it shows the prob value. Cross-section F is 0.0000 and the Cross-section chi-square value is 0.0001, where this value is smaller than the test significance level, namely 0.05, then Ha is accepted and it can be concluded that the Fixed Effect Model (FEM) is better. worthy of use compared to the Common Effect Model (CEM).

Hausman Test Results (Fixed Effect Model (FEM) vs Random Effect Model (REM))

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.f.	Prob.
Cross-section random	0.862328	3	0.0501

Based on the calculation results in the table above, it shows the value of Prob. The random cross-section is 0.8345 > a (0.050), which means H0 is accepted, and Ha is rejected, the Random Effect Model (REM) is more appropriate to use than the Fixed Effect Model (FEM).

Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects Null hyphotheses: No effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternative			
	Cross-section	Test Hypothesis Time	Both
Breush-Pagan	19.40977 (0.0000)	0.864162 (0.3526)	20.27393 (0.0000)

Based on the calculation results in the table above, the Brreush-Pagan Cross-section Probability value is 0.0000 < a (0.05), which means H0 is rejected and Ha is accepted. Random Effect Model (REM) is more suitable to use than Common Effect Model (CEM).

Panel Data Regression Model Conclusion

No	Metode	Pengujian	Hasil	Kesimpulan
1	Uji *Chow*	CEM vs FEM	FEM	*Random Effect Model* (REM)
2	Uji *hausman*	REM vs FEM	CEM	
3	Uji *Lagrange Multiplier*	CEM vs REM	CEM	

Based on the results of the three tests that have been carried out, it can be concluded that the Panel Data Regression Model that will be used in Hypothesis Testing and the Panel Data Regression equation is the Random Effect Model (REM). By selecting the Random Effect Model as the Panel Data Regression Model that will be used, there is no need to carry out the Classic Assumption Test in this research.

Hypothesis Test Results

F Test Results

R-Squared	0.337625	Mean dependent var	0.587781
Adjusted R-squared	0.292463	S.D. dependent var	1.597361

S.E. of regression	1.343624	Sum squared resid	79.43430
F-statistic	7.475878	Durbin-Watson stat	2.122267
Prob(F-statistic)	0.000378		

The table above shows the f-statistic value of 7.475878, while the f table with level a = 5%, df1 (k-1) = 3 and df2 (n-k) = 44 gets an f table value of 2.82. Thus the f-statistic (7.475878) > f table (2.82) and the value of Prob(f-statistic) is 0.000378 < 0.05 so it can be concluded that Ha is accepted, which means the independent variables in this study consist of Managerial Ownership, Debt Convenant, and Litigation Risk together have an influence on Accounting Conservatism.

R2 Test Results (Coefficient of Determination)

R-Squared	0.381964	Mean dependent var	0.051743
Adjusted R-squared	0.341657	S.D. dependent var	0.042759
S.E. of regression	0.034694	Sum squared resid	0.055368
F-statistic	9.476430	Durbin-Watson stat	1.334604
Prob(F-statistic)	0.000055		

Based on the table above, it shows that the Adjusted R-squared value is 0.341657, which means that variations in changes in ups and downs in profitability can be explained by the variables liquidity, capital structure and cash turnover of 34.16 percent while the remaining 65.84 is explained by other variables which are not examined in this study.

t Test Results

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 09/04/20 Time: 12:40
Sample: 2015-2019
Periode included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.786389	1.259825	3.799249	0.0004
MAN	0.676213	0.252102	2.682302	0.0103

DAR	-2.416853	1.521714	-1.588244	0.1194
RISK. LITIGASI	-4.906341	1.989608	-2.465984	0.0176

Based on the calculations above that have been carried out:

1. The t-statistic value of Managerial Ownership (MAN) is 2.682302 while the table with level a=5%, df(n-k)=44 obtains a t-table value of 1.68023. thus the t-satsistic of managerial ownership is 2.682302 > 1.68230 and the prob value. Amounting to 0.0103 < 0.005. The regression coefficient value of -0.676213 indicates that the relationship between Managerial Ownership and Accounting Conservatism is positive. So it can be concluded that the Managerial Ownership variable has an influence on Accounting Conservatism.
2. The Devt Covenant (DC) t-statistic value is -1.588244 while the t-table with level a=5% df(n-k)=44 produces a t-table value of 1.680. thus t-stasitic Debt Covenant -1.588244 < 1.68023 and the prob value. Amounting to 0.1194 . 0.05. The regression coefficient value of -2.416853 indicates that the relationship between Debt Covenant and Accounting Conservatism is negative. So the conclusion can be drawn that the debt Cocenant variable has no influence on Accounting Coservatism.
3. The t-statistic value of Litigation Risk is -2.465984 while the t-table with level a=5% df(n-k)=44 obtains a t-table value of 1.680. thus the Litigation Risk t-statistic -2.465984 > 1.68023 and the prob value. Amounting to 0.0176 < 0.05. The regression coefficient value of -4.906341 indicates that the relationship between Litigation Risk and Accounting Coservatism is negative. So it can be concluded that the Litigation Risk variable has a negative effect on Accounting Coservatism.

1. The Influence of Managerial Ownership on Accounting Coservatism

The test results regarding managerial ownership are stated to have an influence on accounting conservatism which shows that the MAN t-statistic 2.682302 is greater than the 0.05 significance level and causes H1 to be rejected. This is in accordance with research by Ini Kd Sri Lestari (2014) which states that the managerial ownership variable influences accounting conservatism.

2. The Influence of the Debt Covenant on Accounting Conservatism

The results of the research regarding the Debt Covenant stated that it had no effect on Accounting Coservatism which showed that the t-statistic DAR -1.588244 was smaller than the t-table 1.680 and the prob value. 0.1194 is greater than the significance level of 0.05 and causes H2 to be rejected.

3. The Influence of Litigation Risk on Accounting Conservatism

The test results regarding Litigation Risk were stated to have an effect on Accounting Conservatism which showed that the t-statistic RL -2.465984 was smaller than the t-table 1.680 and the prob value. The amount of 0.0176 is smaller than the significance level of 0.05 and causes H3 to be accepted.

Panel Data Regression Model Equation

Based on the data processing that has been carried out, a panel data regression model can be formulated as follows:

Market To Book Rtio = 4.786389K + 0.676213MAN – 2.416853DAR + (-4.906341RL+£

Market To Book Ratio: Dependent Variable of Accounting Conservatism

C : Dependent Variable Accounting Conservatism
MAN : Managerial Independent Variable
DAR : Debt Covenant Independent Variable
RL : Independent Variable of Litigation Risk

£ : Error term

So the results of the regression equation can be interpreted as follows:

a. The constant value for the regression equation is (K) 4.786389K. This shows that the variables Managerial Ownership (MAN), DEbt Covenant (DAR), Litigation Risk
b. (RL) has a constant value or is equal to zero, then Accounting Conservatism has a value of 4.786389
c. The regression coefficient value for Managerial Ownership (MAN) is 0.676213, meaning that every ownership of 1 (one) unit of Managerial ownership will increase Accounting Coservatism by 0.676213. assuming the other independent variables are constant (fixed).
d. The Debt Covenant (DAR) regression coefficient value is -2.416853, meaning that each ownership of 1 (one) Managerial ownership unit will increase Accounting Coservatism by -2.416853. assuming the other independent variables are constant (fixed).
e. The Litigation Risk Egression Coefficient (RL) value is -4.906341, meaning that every ownership of 1 (one) Managerial ownership unit will increase Accounting Coservatism by -4.906341. assuming the other independent variables are constant (fixed).

Interpret Results

The interpretation of the results of this research is in accordance with the research objective, namely to determine the influence of accounting conservatism (managerial ownership, debt coverage, litigation risk).

Panel Data Regression Model Equation

Based on the data processing that has been carried out, the panel data regression equation is obtained as follows:

Market To Book Ratio = 4.786389K + 0.676213MAN – 2.416853DAR + (-4.906341RL)

From the equation above it is clear that:

a. The constant value for the data regression equation is as (K) 4.786389K. This shows that if the variables Managerial Ownership (MAN), Debt Convenant (DAR), Litigation Risk (RL), are constant or equal to zero, then Accounting Conservatism is worth 4.786389.
b. The regression coefficient value for Managerial Ownership (MAN) is 0.676213, meaning that every 1 (one) increase in Managerial Ownership will increase Accounting Conservatives by 0.676213. Assuming the other independent variables are constant (fixed).
c. The Debt Convenant (DAR) regression coefficient value is -2.416853, meaning that every increase of 1 (one) unit of institutional ownership will reduce Accounting Conservatism by -2.426853. Assuming the other independent variables are constant (fixed).
d. The Litigation Risk (RL) regression coefficient value is -4.906341, meaning that every 1 (one) unit increase in independent Litigation Risk will reduce Accounting Conservatism by -4.906341. Assuming the other independent variables are constant (fixed).

CONCLUSION

Based on the results of the partial testing that has been carried out, it can be concluded as follows:

a. The Managerial Ownership variable has an influence on Accounting Conservatism. This is evidenced by the Managerial Ownership t-statistic value of 2.682302 > t-table 1.68023 and the Prob. value of 0.013 < 0.05. The results of this research show that companies with Managerial Ownership mean that share ownership by managers can determine policies and selection of accounting principles including accounting conservatism.
b. The Debt Convenant variable has no effect on Accounting Conservatism. This is proven by the t-statistic value of Debt Convenant of -1.588244 < t-table 1.68023 and the value of Prob. Amounting to 0.1194 > 0.05. This is because the company does not mean that violations of debt agreements that have matured can influence a manager to avoid implementing accounting conservatism.
c. The Independent Litigation Risk variable has an influence on Accounting Conservatism. This is caused by the Litigation Risk t-statistic value of -2.465984 < t-table 1.68023 and the Prob value of 0.0176 < 0.05. This is due to the supervision carried out by litigation. The higher the litigation risk of a company, the weaker the relationship between conflicts of interest and accounting conservatism. This is possibly caused by managers' still weak anticipation of

litigation risk which has not been carried out optimally, especially in preventing activities that are detrimental to the company.

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