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The Effect of Capital Intensity, Leverage, Company Size, And Litigation Risk on Accounting Conservatism

(Empirical Study on LQ45 Companies Listed on the IDX in 2017-2021)

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Abstract: *This study aims to empirically prove the effect of capital intensity, leverage, company size, and litigation risk on accounting conservatism in LQ45 companies on the Indonesia Stock Exchange (IDX). This study uses a type of quantitative research with hypothesis testing. The population used in this study are companies listed on the LQ45 stock index on the Indonesia Stock Exchange (IDX) in 2017-2021. This study used a purposive sampling method and obtained a research sample of 23 companies with 108 data that could be processed. The hypothesis was tested with multiple regression analysis, which first tested classical assumptions before testing the hypothesis using SPSS 21. The results of this study indicate that capital intensity and leverage affect accounting conservatism. At the same time, company size and litigation risk do not affect accounting conservatism.*

Keywords: *Accounting conservatism, capital intensity, company size, leverage, litigation risk*

I. INTRODUCTION

Accounting is an information system that measures business activities, processes data into financial reports, and communicates the results to stakeholders (Hotimah & Retnani, 2018). One of the essential issues in accounting is valuation to determine the monetary value of accounting objects for recording and preparing financial statements. Different methods cause the value of some accounting objects to be determined in uncertain conditions, so the principle of accounting conservatism was born, which is a consideration for companies in preparing their financial statements (El-Haq, 2019). According to Givoly & Hayn (2000), accounting conservatism is a selection criterion between accounting principles that minimizes reported cumulative income with slower revenue recognition and faster cost recognition. When the company does conservative reporting in one period, it implies non-conservative reporting in the subsequent few periods.

Many fraud cases occur in companies caused of the lack of application of accounting conservatism. An example of a case in Indonesia is the case disclosure of the markup of PT Kimia Farma's overstated financial statements. In the financial statements of PT Kimia Farma, there is an inflation of annual net income of Rp 32,700,000,000, which is 2.3 percent of sales and 24.7 percent of the net income of PT Kimia Farma (Harian Pelita, 2003). In this case, the company is considered to mark up profits and have excessive optimism in recognizing profits, causing the value of profits to be greater than it should be. This case is inversely proportional to the application of accounting conservatism which has the principle of delaying revenue recognition and immediately recognizing losses that cause an understatement of company profits due to recognizing higher losses than income.

Recognizing understatement in accounting conservatism can limit managers' opportunities to commit fraud against financial statements (Aurillya, 2021). The benefits of implementing accounting conservatism range from allowing managers to increase future investment opportunities, limiting managerial opportunity behavior, and reducing earnings management. However, in practice, companies can take advantage of the application of accounting conservatism in accounting as a tool to create information in financial statements as desired for various purposes, such as "deliberately" creating sink funds or preparing excessive provisions by deliberately delaying interest recognition. In addition, asymmetry in recording information will affect the neutrality of accounting information, causing many arguments. Accounting conservatism is a subject of considerable debate in accounting (Dang & Tran, n.d.).

In applying accounting conservatism in companies, there are influencing factors, namely the capital intensity factor. Research by Sinambela & Almilia (2018), Rivandi & Ariska (2019), and Achyani (2021) states that capital intensity affects

accounting conservatism. Meanwhile, Sari et al.'s research (2020) states that capital intensity does not affect accounting conservatism. Capital intensity is how many assets a company needs to generate income, including sources of funds or additional capital obtained from a decrease in fixed assets (sale) or an increase in fixed assets (purchase).

Another factor that affects accounting conservatism, according to research conducted by Rahayu et al. (2018), namely leverage. Rahayu et al. (2018) stated that leverage positively affects accounting conservatism. Leverage is the ratio of the level of debt owned by the company. Leverage is used as a reference by creditors to provide loans to companies. This contradicts research by Noviyanti & Agustina (2021), which states that leverage does not affect accounting conservatism.

Solichah (2019) research states that company size has a positive effect on accounting conservatism. These results contradict Susanto Salim (2020), who states that company size has no significant effect on accounting conservatism. The size of the company itself is seen from the size or size of the wealth (assets) owned by a company, which means that to determine the size of the company can be seen from the total assets owned by the company.

The next factor that affects accounting conservatism is litigation risk. Mustikasari et al. (2020) research revealed that litigation risk negatively affects accounting conservatism. Litigation risk is a lawsuit from interested parties against an entity when they feel harmed by the company. Meanwhile, Sinambela & Almilia (2018) research states that litigation risk does not affect accounting conservatism.

The debate about the existence of accounting conservatism, the benefits of accounting conservatism, and the research gap in previous research results related to factors that can affect accounting conservatism in companies motivate this research to be carried out. The population used in this research is LQ45 companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. The LQ45 companies were chosen as the population because these 45 issuers have high liquidity, financial condition, growth prospects, and transaction value. Companies listed in LQ45 also have the highest capitalization compared to other issuers. Based on this explanation, the title of this study is "The Effect of Capital Intensity, Leverage, Company Size, and Litigation Risk on Accounting Conservatism" (Empirical Study of LQ45 Companies Listed on the IDX in 2017-2021).

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 TheoreticalPerspective

2.1.1. Agency Theory

According to Panda &Leepsa (2017), agency theory is related to cooperation between two parties, namely the principal and the agent. The occurrence of conflicts of interest between principals and agents gave rise to this theory. Agency theory mainly aims to describe how interested parties in contractual relationships can design contracts whose purpose is to minimize costs due to asymmetric information (Panda &Leepsa, 2017). This study uses agency theory because the use of accounting conservatism as the dependent variable reflected in the financial statements can lead to information asymmetry between managers (agents) and company owners (principals) for their interests (Sari, 2020**)**

2.1.2. Accounting Conservatism

Givoly&Hayn (2000) define conservatism as a selection criterion between accounting principles that minimize reported cumulative earnings with slower revenue recognition and faster expense recognition. Accounting conservatism directly affects earnings and retained earnings leading to lower reported (cumulative) earnings. Applying conservatism can lead to an underestimation of the future value of an organization and may not reflect the principal's actual value) for its own sake (Sari, 2020)

2.1.3. Capital Intensity

According to Rivandi&Ariska (2019), capital intensity describes how much the company's capital is in the form of assets. The level of efficiency of all assets owned by the company in generating sales volume will be shown in the capital intensity ratio.

2.1.4. Leverage

Leverage is the ratio of the level of debt owned by the company (Rahayu et al., 2018). Agency theory states that managers and creditors have different interests, so conflicts of interest can occur

2.1.5. Company Size

The size of the company itself shows the capacity of the company based on its assets. According to SusantoSalim (2020), company size can be divided into 3, namely large companies (large size), medium companies (medium size), and small companies (small size). Large companies will get higher profits when compared to small companies because the larger the size of the company, the more complex the management system is

2.1.6. Litigation Risk

Litigation risk is a company risk that results in the company dealing with the law (Sinambela&Almilia, 2018). Litigation risk is inherent in the company that allows the threat of litigation by interested parties who feel aggrieved by the company.

2.2 Hypothesis Development

2.2.1. Capital Intensity on Accounting Conservatism

The higher the capital intensity of a company, the more assets are used in its operations to generate sales of its products, so it can be ascertained that the company is significant. The government will highlight these large or significant companies to encourage companies to report their financial statements conservatively to avoid high tax costs.

H_1: Capital intensity affects accounting conservatism.

2.2.2. Leverageon Accounting Conservatism

Rahayu et al. (2018) state that creditors will closely monitor companies with a high debt level. Creditors to protect their funds from adverse management actions can be done in various ways, including through credit terms submitted at the time of the agreement. Creditors can ask companies to apply accounting conservatism in financial reporting.

H_2: Leverage affects accounting conservatism.

2.2.3. Company Sizeon Accounting Conservatism

According to Solichah (2019), large companies are more likely to report financial conditions conservatively to minimize potential political costs. The difference in interests between managers and policymakers (government) will result in political costs for the company.

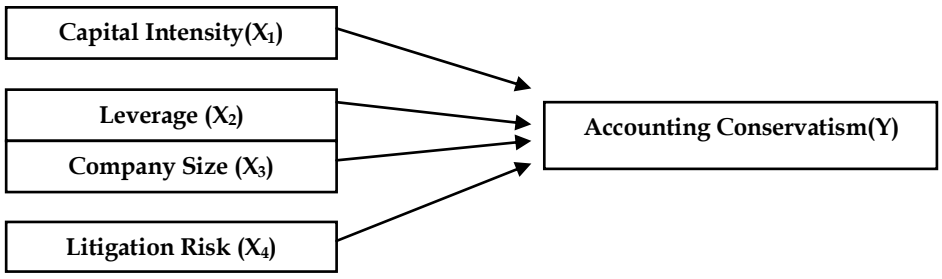
H_3: Company size affects accounting conservatism.

2.2.4. Litigation Riskon Accounting Conservatism

According to Rahayu et al. (2018), companies can apply accounting conservatism to minimize the risk of litigation. Companies can experience lawsuits due to profits that are reported too high and cause the company to incur considerable costs. By applying accounting conservatism, the profits generated by the company will tend to be low, and the risk of litigation can be avoided.

H_4: Litigation risk affects accounting conservatism

2.3 Research Framework



III. RESEARCH METHODS

3.1 Research design

The type of research used in this research is hypothesis testing using a quantitative approach.

3.2 Population and Sample

The population in this study were companies in the Indonesia Stock Exchange LQ45 Stock Index in 2017-2021, namely 45 companies. For the research sample, researchers used a purposive sampling technique. The sample criteria are as follows:

a) Companies that have never experienced delisting from the LQ45 index during 2017-2021.
b) Companies that submit consecutive annual reports on the IDX in 2017-2021.
c) Companies with annual reports with complete information needed in this study relating to capital intensity, leverage, firm size, litigation risk, and accounting conservatism

3.3 Data and Data sources

This study uses secondary data from the Indonesia Stock Exchange website, namely www.idx.co.id, and the official website of each company. The secondary data of this study are in the form of annual reports of companies listed on the LQ45 stock index of the Indonesia Stock Exchange in 2017-2021.

3.4 Variable Operational Definition and Variable Measurement

3.4.1. Dependent Variable

Accounting Conservatism

The measurement of conservatism in this study refers to Achyani (2021), which uses net asset size. This measurement is proxies by the book-to-market ratio, which reflects the book value of the company's equity to the relative market value and is measured by the following formula:

$$MTB = \frac{\text{Closing Price}}{\text{Equity per share}}$$

3.4.2. Independent Variable

Capital Intensity

The measurement used to measure capital intensity is based on (Rivandi&Ariska, 2019). Information regarding capital intensity can be obtained from the company's annual financial statements. The formula used refers to the research of Rivandi&Ariska (2019), which is as follows:

$$\text{Capital Intensity} = \frac{\text{Total Assets}}{\text{Total Sales}}$$

Leverage

This study measures leverage using the debt-to-asset ratio (DAR) conducted by Susanto Salim (2020). The extent to which the company can pay its debts to creditors when measured from its assets can be seen from the DAR. The formula used about Susanto Salim's (2020) research is as follows:

$$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Company Size

With the measurement of the natural logarithm, the asset value becomes more uniform with other variables in this study. Researchers use natural logarithm measurements following research conducted by Noviantari (2015) as follows:

Company Size = Log ln (Total company assets)

Litigation Risk

The Debt To Equity Ratio (DER) ratio can be used to measure litigation risk. The higher the DER ratio, the greater the litigation risk faced by the company. The following are proxies for litigation risk following research conducted by Wiecandy (2020), namely as follows:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equities}}$$

3.5 Data Analysis Method

This study uses multiple linear regression analysis method. Then the data is processed through SPSS 21 with the theoretical basis obtained. This analysis is used to analyze how much influence the independent variables have on the dependent variable. The dependent variable of this model is accounting conservatism, and the independent variables are capital intensity, leverage, company size, litigation risk. Before conducting multiple linear regression analysis, the classical assumption test must be performed first to obtain better results. The regression equation model used to test this hypothesis is:

$$AC=\alpha+\beta1CI+\beta2Lev+\beta3CZ+\beta4LR+\varepsilon$$

Information:

AC = Accounting Conservatism
α = Constant
β1 = Capital Intensity regression coefficient
CI = Capital Intensity

β2 = Leverage regression coefficient
Lev = Leverage
β3 = Company Size regression coefficient
CZ = Company Size
B4 = Litigation Risk regression coefficient
LR = Litigation Risk
ε = Residual error

IV. RESULTS ANALYSIS

4.1 Research Sample Determination

Table 4.1. Research Sample Determination

Information	Amount
Total Population	45
Companies that have experienced delisting from the LQ45 index during 2017-2021	(17)
Companies that did not submit consecutive annual reports on the IDX in 2017-2021	(0)
Companies that do not have annual reports with complete information needed in this study relating to capital intensity, leverage, company size, litigation risk and accounting conservatism	(5)
The number of sample companies according to the criteria	23
Total sample during 2017-2021 (23 x 5)	115
Outlier Data	(7)
Total sample used	**108**

Based on the available data, 23 companies meet the criteria. The period of this study was five years, so 115 samples were obtained. During the data processing process, 7 data had to be outliers, so 108 final samples were used in the study.

4.2 Descriptive Statistical Analysis

Table 4.2. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
AccountingConservatism	108	0,43	6,85	1,9979	1,32591
Capital Intensity	108	0,48	9,85	2,1450	1,63852
Leverage	108	0,13	0,77	0,4463	0,17296
Company Size	108	28,99	33,54	31,6394	0,92069
Litigation Risk	108	0,14	3,31	1,0380	0,83575
Valid N (listwise)	108				

Source: Secondary Data Processed Author, 2023

The table above presents the following data:

a) The dependent variable of accounting conservatism as measured by the MTB formula (closing price divided by equity per share) has a minimum value of 0.43, which comes from PT PP Persero Tbk in 2021. The maximum value is 6.85, from PT HM Sampoerna in 2019. The average value of this variable is 1.9979, with a standard deviation of 1.32591. The average value, higher than the standard deviation value, indicates that accounting conservatism tends to be high.
b) The Independent Variable Capital Intensity with the proxy of total assets divided by total sales has a minimum value of 0.48, which comes from PT HM Sampoerna Tbk in 2019. The maximum value is 9.85, which comes from PT Bumi Serpong Damai Tbk in 2020. The average value of these variables is 2.1450, with a standard deviation value of 1.63852. The average value higher than the standard deviation indicates that capital intensity tends to be high.
c) The Leverage Independent Variable with the DAR proxy (total liabilities divided by total assets) has a minimum value of 0.13 originating from PT Vale Indonesia Tbk in 2019. The maximum value is 0.77, which comes from PT Unilever Indonesia Tbk in 2021. The average value of this variable is 0.4463, with a standard deviation of 0.17296. The average value higher than the standard deviation indicates that leverage tends to be high.

d) The independent variable company size with the Natural Log proxy has a minimum value of 28.99, which comes from PT Media Nusantara Citra Tbk in 2021. The maximum value is 33.54 from PT Astra International Tbk in 2021. The average value of this variable is 31.6394, with a standard deviation of 0.92069. The average value higher than the standard deviation indicates that the company size tends to be high.

e) Independent variable litigation risk with DER proxy (total liabilities divided by total equity) has a minimum value of 0.14 originating from PT Vale Indonesia Tbk in 2019. The maximum value is 3.31 from PT Jasa Marga Tbk in 2019. The average value of these variables is 1.0380, with a standard deviation of 0.83575. The average value higher than the standard deviation indicates that accounting conservatism tends to be high.

4.3 Normality Test

Table4.3.Normality Test

Variable	*Kolmogorov-Smirnov Z*	*Asymp. Sig. (2-tailed)*	Information
Unstandardized Residual	1,165	0,132	Normal

Source: Secondary Data Processed Author, 2023

The table above shows the test results obtained for the Asp. Sig. (2-tailed) of 0.132, so the data used in this study are normally distributed because of Asp. Sig. (2-tailed) 0.132> 0.05.

4.4 Multicollinearity Test

Table4.4.MulticollinearityTest

Variable	*Tolerance*	*VIF*	Information
Capital Intensity	0,884	1,132	Multicollinearity does not occur
Leverage	0,144	6,948	Multicollinearity does not occur
Company Size	0,891	1,122	Multicollinearity does not occur
Litigation Risk	0,144	6,965	Multicollinearity does not occur

Source: Secondary Data Processed Author, 2023

The table above shows that all independent variables obtained a tolerance value> 0.10 and a VIF value < 10. This study is free of multicollinearity or no deviations in linear relationships between independent variables in the regression model in this study's data.

4.5 Autocorrelation Test

Table4.5.Autocorrelation Test

Lower Limit	*Durbin-Watson*	Upper Limit	Information
-2	0,658	+2	No autocorrelation occurs

Source: Secondary Data Processed Author, 2023

The table above shows the Durbin-Watson value of 0, 658, so it can be concluded that the data in this study passed the Autocorrelation test because -2 < 0, 658 < 2.

4.6 Heteroscedasticity Test

Table4.6.Heteroscedasticity Test

Variable	*p-value*	Information
Capital Intensity	0,190	There is no heteroscedasticity
Leverage	0,361	There is no heteroscedasticity
Company Size	0,558	There is no heteroscedasticity
Litigation Risk	0,346	There is no heteroscedasticity

Source: Secondary Data Processed Author, 2023

The table above shows that all independent variables get a Sig value. (2-tailed) more than 0.05, so it can be a conclusion that the data in this study passed the Heteroscedasticity test.

4.7 Multiple Liner Regression Analysis

Table 4.7. Multiple Linear Regression Analysis

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	11,240	3,843		2,925	,004
Capital Intensity	-,294	,070	-,363	-4,174	,000
Leverage	-4,291	1,652	-,560	-2,597	,011
Company Size	-,228	,125	-,159	-1,831	,070
Litigation Risk	,512	,342	,323	1,495	,138

Source: Secondary Data Processed Author, 2023

The results of testing the multiple linear regression model above show the regression equation as follows:

CA = 11,240 - 0,294CI- 4,291Lev - 0,228CZ + 0,512LR + e

The above statement has the meaning:

1. The constant value (a) has a positive value of 11.240, indicating that if capital intensity, leverage, firm size, and litigation risk are 0, then accounting conservatism tends to increase by 11.24%.
2. The capital intensity variable is - 0.294 and has a negative value, meaning that if the capital intensity variable increases by 1 unit, the dependent variable accounting conservatism, will decrease by 0.294% and vice versa.
3. The leverage variable is - 4.291 and has a negative value, which means that if the leverage variable increases by 1 unit, the dependent variable, namely accounting conservatism, will decrease by 4.291% and vice versa.
4. The company size variable is - 0.228 and has a negative value, meaning that if the company size variable increases by 1 unit, the dependent variable, namely accounting conservatism, will decrease by 0.228% and vice versa.
5. The litigation risk variable is 0.512 and has a positive value, meaning that if the independent variable litigation risk increases by 1 unit, the dependent variable, namely accounting conservatism, will also increase by 0.512% and vice versa.

4.8 F test

Table 4.8. F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58,586	4	14,647	11,647	,000[b]
	Residual	129,524	103	1,258		
	Total	188,111	107			

Source: Secondary Data Processed Author, 2023

It can be seen from the table above that the F test obtained a significance value of 0.000, where this value is smaller than the alpha error rate (0.05), so it can be concluded that the variables of Capital Intensity, Leverage, Company Size, and Litigation Risk together have a significant effect on Accounting Conservatism.

4.9 Partial Test or t-test

Table 4.9. t-test

Variable	**t**	**Sig.**	**Conclusion**
Capital Intensity	-4,174	,000	H_1 accepted
Leverage	-2,597	,011	H_2accepted
Company Size	-1,831	,070	H_3 Rejected
Litigation Risk	1,495	,138	H_4 Rejected

Source: Secondary Data Processed Author, 2023

Based on the T-test in the table above can be explained as follows:

Hypothesis 1

The first hypothesis in this study is that capital intensity affects accounting conservatism. Based on the table above, the capital intensity variable has a t value more significant than the t table, namely - (4.174) > - (1.982), and the sig is smaller than the level of significance, namely 0.000 < 0.05. The test results show that H1 is accepted, or it can be concluded that capital intensity affects accounting conservatism.

Hypothesis 2

The second hypothesis in this study is that leverage affects accounting conservatism. Based on the table above, the leverage variable has a t value more significant than the t table, namely - (2.597) > - (1.982), and the sig value is smaller than the level of significance, namely 0.011 <0.05. The test results show that H2 is accepted, or it can be concluded that leverage affects accountingconservatism.

Hypothesis 3

The third hypothesis in this study is that company size affects accounting conservatism. Based on the table above, the company size variable has a t value smaller than the t table, namely - (1.831) < - (1.982), and the sig value is more significant than the level of significance, namely 0.070> 0.05. The test results show that H1 is rejected, or it can be concluded that company size does not affect accounting conservatism.

Hypothesis 4

The fourth hypothesis in this study is that litigation risk affects accounting conservatism. Based on the table above, the litigation risk variable has a t value smaller than the t table, 1.495 < 1.982, and a sig value more significant than the significance level, 0.138> 0.05. The test results show that H4 is rejected, or it can be concluded that litigation risk does not affect accounting conservatism.

4.10 Coefficient of Determination or *Adjusted R2*

Table 4.10. Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,558[a]	,311	,285	1,12139

Source: Secondary Data Processed Author, 2023

The R2 test results in the table above show that it has an Adjusted R Square value of 0.285. It can be interpreted that the variables of capital intensity, leverage, firm size, and litigation risk can explain the accounting conservatism variable by 28.5%. The remaining 71.5% can be explained by other variables not included in this study.

V. Discussion

1. Effect of Capital Intensity on Accounting Conservatism

The first hypothesis states that capital intensity affects accounting conservatism. This hypothesis is accepted because the test results show that capital intensity has a t value more significant than the t table, namely - (4.174) > - (1.982), and the sig value is smaller than the level of significance, namely 0.000 < 0.05. So capital intensity affects accounting conservatism. The higher the capital intensity ratio can explain this, and the more management tends not to overstate earnings or apply accounting conservatism in its financial statements. This is because the higher the capital intensity of a company, the more assets are used in its operations to generate sales of its products, so it can be ascertained that the company is significant. Significant companies have relatively greater political costs. Political costs must be borne by companies related to government political actions, such as taxes and regulations. The government will highlight these large or significant companies to encourage companies to report their financial statements conservatively to avoid high tax costs. The results of this study follow the results of research conducted by Sinambela&Almilia (2018); Rivandi & Ariska (2019); and Achyani (2021), which state that capital intensity affects accounting conservatism. This differs from the results of research conducted by Sari et al. (2020) and Angkasawati et al. (2022), where capital intensity does not affect accounting conservatism.

2. The Effect of Leverage on Accounting Conservatism

The second hypothesis states that leverage affects accounting conservatism. This hypothesis is accepted because the test results show that leverage has a t value more significant than the t table, namely - (2.597) > - (1.982), and

the sig value is smaller than the level of significance, namely 0.011 < 0.05. So leverage affects accounting conservatism. This can be explained by the fact that the higher the company's leverage, the stricter the creditors will supervise the company not to overstate profits and apply accounting conservatism in its financial statements. Creditors carry out this strict supervision to protect their funds from fund management actions that are less profitable for creditors. Because if the company overstates profits in its financial statements, it can reduce the accuracy of creditors in making decisions. The results of this study follow the results of research conducted by Rahayu et al. (2018); (Sulastri& Anna, 2018); and Angkasawati et al. (2022), which state that leverage affects accounting conservatism. This contradicts research by Noviyanti&Agustina (2021); and Solichah (2019), which state that leverage does not affect accounting conservatism.

3. The Effect of Company Size on Accounting Conservatism

The third hypothesis states that company size affects accounting conservatism. This hypothesis is rejected because the test results show that company size has a t value smaller than the t table, namely - (1.831) < - (1.982), and the sig value is greater than the level of significance, namely 0.070> 0.05. So, company size does not affect accounting conservatism. A company will choose and use accounting methods that follow the wishes and interests of the authors to minimize profits or increase company profits. This study could not prove that company size significantly affects accounting conservatism. The larger the size of the company does not affect a company to apply accounting conservatism because it has other things related to the company that will be considered in preparing its financial statements. This study's results support research by Angkasawati et al. (2022) and SusantoSalim (2020), which state that company size has no significant effect on accounting conservatism. This contradicts Solichah's (2019) research which states that company size positively affects accounting conservatism.

4. The Effect of Litigation Risk on Accounting Conservatism

The fourth hypothesis states that litigation risk affects accounting conservatism. This hypothesis is rejected because the test results show that litigation risk has a t value smaller than the t table, 1.495 < 1.982, and a sig value more significant than the significance level, 0.138> 0.05. So that litigation risk does not affect accounting conservatism. Litigation risk does not affect accounting conservatism due to the weak legal force in Indonesia.Litigation risk does not affect accounting conservatism due to the weak legal force that exists in Indonesia. Weak legal power will make companies not consider the threat of lawsuits. Companies that do not consider the threat of lawsuits will report financial statements as well as possible to continue attracting investors.This study cannot provide evidence that high litigation risk will significantly increase the application of accounting conservatism in the company. The results of this study follow the results of research conducted by Sinambela & Almilia (2018); and Sari et al. (2020), which state that litigation risk does not affect accounting conservatism. This is different from the research of Rahayu et al. (2018), Thomas & Indriaty (2020), and Mustikasari et al. (2020) show that litigation risk affects accounting conservatism.

VI. CONCLUSION

Based on the results of the tests that have been carried out, it can be concluded that:

1. Capital Intensity affects the Accounting Conservatism.
2. Leverageaffects the Accounting Conservatism.
3. Company Sizedoes not affect the Accounting Conservatism.
4. Litigation Riskdoes not affect Accounting Conservatism.

Limitations of the Research

1. The population is limited to LQ45 companies listed on the IDX in 20217-2021, so external validity is still low.
2. This study only uses four independent variables, namely capital intensity, leverage, company size, and litigation risk, while there are still many other variables that can affect accounting conservatism.

So expected:

1. Future research is expected to expand the research object so that it does not only focus on companies listed on the LQ45 index. However, it can add other research objects listed on the Indonesia Stock Exchange (BEI) and increase the research period so that the research results can be generalized.
2. Future research is expected to add other variables that can be used in research that influence accounting conservatism, such as managerial ownership variables, liquidity, profitability, taxes, and audit committees.

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