THE EFFECT OF PROFITABILITY, GROWTH OPPORTUNITIES, AND MANAGERIAL OWNERSHIP ON ACCOUNTING CONSERVATISM

THESIS

In Order to Fulfill the Requirements to Obtain a Bachelor of Accounting

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PREFACE

Praise be to God for all the blessings that have been bestowed upon the researcher so that the researcher can complete the thesis entitled "The Effect of Profitability, Growth Opportunities, and Managerial Ownership on Accounting Conservatism". The writing of this thesis is intended as one of the requirements in obtaining a Bachelor of Strata One (S-1) degree in the Department of Accounting, Faculty of Economics and Business, Universitas Tanjungpura.

During the period of studying until the completion of this thesis, the researcher received a lot of help from various parties. Therefore, the researcher would like to express gratitude to the many parties who helped the researcher during the period of studying, especially to:

1. Father, Son, and Holy Spirit for all the blessings, salvation, inclusion, consolation, and everything that has been given to the researcher so that the researcher can finish her studies well.
2. Prof. Dr. H. Garuda Wiko, S.H., M.Si., as the Rector of Universitas Tanjungpura.
3. Dr. Barkah, S.E., M.Si., as the Dean of Faculty of Economics and Business, Universitas Tanjungpura.
4. Dr. Nella Yantiana, S.E., M.M., Ak. as the Head of Accounting Department in Faculty of Economics and Business, Universitas Tanjungpura and as the thesis examiner who gave many useful suggestions for this thesis.
5. Dr. Khristina Yunita, S.E., M.Si., Ak., CA as the Head of Accounting Study Program for Undergraduates in Faculty of Economics and Business, Universitas Tanjungpura and as the thesis substitute examiner who gave many useful suggestions for this thesis.
6. Syarif M. Helmi, S.E., M.Ak., Ak., CA as the academic and thesis supervisor who guided the researcher from the beginning of the researcher's time as a college student until the completion of writing this thesis.

7. Ayu Puspita Sari, S.Ak., M.Ak as the thesis supervisor who guided the researcher in completing this thesis
8. Umiaty Hamzani, S.E., M.Com, Ph.D. as the thesis examiner who gave many useful suggestions for this thesis.
9. All the lecturers of Faculty of Economics and Business, Universitas Tanjungpura who provided knowledge during the researcher's study as a college student.
10. All administrative staff and employees Faculty of Economics and Business, Universitas Tanjungpura who have helped with the administrative process.
11. The researcher's parents who always support the researcher in all matters, especially in terms of prayer, finances, attention, and everything that can make their child happy and success.
12. The researcher's older sister and two younger brothers who always pray, support, help, and entertain the researcher.
13. The researcher's grandmother who always prays, supports and gives advice to the researcher.
14. The Saints, especially Mother Mary, St. Jude Thaddeus, and St. Anthony of Padua, who helped the researcher by praying for the researcher especially during the time of completing the thesis so that the researcher could complete writing this thesis.
15. Lisa, Ferin, Indah, and Putri as the researcher's friends who helped and encouraged the researcher a lot during the researcher as a college student.
16. The researcher's friends from the 2019 International Accounting class as the researcher's classmates during college who helped the researcher a lot during college.
17. Lastly, for myself, the researcher of this research. Thank you for not giving up in everything. You did it great. With God's power, finally you finished it well.

And all parties that the researcher cannot mention one by one. The researcher realizes that this thesis is far from perfect. The researcher accepts

all criticism and suggestions that will be given by various parties in the future. The researcher hopes that this thesis can be useful for readers.

Pontianak, 11th March 2025

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The Effect of Profitability, Growth Opportunities, and Managerial Ownership on Accounting Conservatism

ABSTRACT

This research examines the effect of independent variables, namely profitability, growth opportunities, and managerial ownership on the dependent variable, namely accounting conservatism. The research model used is a quantitative method. The population in this research is the mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2018-2023. This study uses secondary data and the secondary data used by the researcher is the annual financial report which can be accessed and downloaded from the Indonesia Stock Exchange (IDX) website. The analysis method used in this study is multiple regression analysis. The result showed that profitability has a negative effect on accounting conservatism, growth opportunities and managerial ownership have no effect on accounting conservatism.

Keyword: Profitability, Growth Opportunities, Managerial Ownership, Accounting Conservatism

Pengaruh Profitabilitas, Peluang Pertumbuhan, dan Kepemilikan Manajerial terhadap Konservatisme Akuntansi

ABSTRAK

Penelitian ini menguji pengaruh variabel independen yaitu profitabilitas, peluang pertumbuhan, dan kepemilikan manajerial terhadap variabel dependen yaitu konservatisme akuntansi. Model penelitian yang digunakan adalah metode kuantitatif. Populasi dalam penelitian ini adalah perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2018-2023. Penelitian ini menggunakan data sekunder dan data sekunder yang digunakan peneliti adalah laporan keuangan tahunan yang dapat diakses dan diunduh dari situs web Bursa Efek Indonesia (BEI). Metode analisis yang digunakan dalam penelitian ini adalah analisis regresi berganda. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh negatif terhadap konservatisme akuntansi, peluang pertumbuhan dan kepemilikan manajerial tidak berpengaruh terhadap konservatisme akuntansi.

Kata Kunci: Profitabilitas, Peluang Pertumbuhan, Kepemilikan Manajerial, Konservatisme Akuntansi

SUMMARY
THE EFFECT OF PROFITABILITY, GROWTH OPPORTUNITIES, AND MANAGERIAL OWNERSHIP ON ACCOUNTING CONSERVATISM

1. Introduction

a. Background

The COVID-19 phenomenon has caused many changes in various fields, one of which is the economic sector. Badan Pusat Statistik (BPS) noted that in 2020 (the year the coronavirus entered Indonesia) Indonesia's economic growth decreased from 5.02% to -2.07%. Economic growth is measured based on growth in gross domestic product (GDP). However, in 2021, Indonesia's economic growth managed to increase to 3.69% (Badan Pusat Statistik, 2022). This shows that there is uncertainty in the economy and causes the emergence of the principle of conservatism. According to Andreas, Ardeni & Nugroho (2017), accounting conservatism is a concept that prioritizes disclosing liabilities and then disclosing profits afterward. Many factors can lead to accounting conservatism. The factors to be tested in this study are profitability, growth opportunities, and managerial ownership. The first factor is profitability. Profitability is a ratio that describes the company's ability to gain profits (Yuliarti, 2017). The next factor is growth opportunities. According to Susanti (2018), growth opportunities is opportunities for a company to develop by investing. The third factor is managerial ownership. According to Siregar & Pambudi (2019), managerial ownership is the level of share ownership owned by managers that can influence the decision making of a company.

b. Research Problems

1. Does profitability affect accounting conservatism?
2. Does growth opportunities affect accounting conservatism?
3. Does managerial ownership affect accounting conservatism?

c. Research Purposes

1. To examine and analyze the effect of profitability on accounting conservatism.
2. To examine and analyze the effect of growth opportunities on accounting conservatism.
3. To examine and analyze the effect of managerial ownership on accounting conservatism.

2. Research Method

This research includes the type of causal associative research with a quantitative approach. This study uses secondary data and the secondary data used by the researcher is the annual financial report which can be accessed and downloaded from the website www.idx.co.id. The population in this study is the mining sector companies listed on the IDX for the period of 2018-2023. The hypotheses in this research are H1: profitability has a positive effect on accounting conservatism, H2: growth opportunities have a positive effect on accounting conservatism, H3: managerial ownership has a positive effect on accounting conservatism.

3. Result and Discussion

Hypothesis test result shows that profitability has a negative effect on accounting conservatism, thus, H1 is rejected. For H2, the hypothesis test result shows that growth opportunities have no effect on accounting conservatism, thus, H2 is rejected. And for H3, the hypothesis test result shows that managerial ownership has no effect on accounting conservatism, thus, H3 is rejected.

4. Conclusion and Recommendation

Profitability has a negative effect on accounting conservatism. This is not in line with positive accounting theory part of the political cost hypothesis because companies with high profitability tend to show real profits so they can attract investors. Growth opportunities have no effect on accounting conservatism. This is not in line with agency theory which explains that with monitoring, manager performance can improve so that the level of growth opportunities increases and companies choose to use the principle of accounting conservatism in order to invest. A growing company will display large profits to attract the attention of investors. Managerial ownership has no effect on accounting conservatism. The company does not provide bonuses that meet managers' expectations. This is not in line with the positive accounting theory part of the plan bonus hypothesis which explains that managers act in accordance with the bonuses given. Managers can carry out earnings management so that profits look higher, so that financial reports are less conservative.

Further research can take samples from types of industry other than mining. Also, researcher suggests that in future research to use different independent variables, such as debt covenant, company size, and leverage.

RINGKASAN
PENGARUH PROFITABILITAS, PELUANG PERTUMBUHAN, DAN KEPEMILIKAN MANAJERIAL TERHADAP KONSERVATISME AKUNTANSI

1. Pendahuluan

a. Latar Belakang

Fenomena COVID-19 telah menyebabkan banyak perubahan di berbagai bidang, salah satunya adalah sektor ekonomi. Badan Pusat Statistik (BPS) mencatat pada tahun 2020 (tahun virus corona masuk ke Indonesia) pertumbuhan ekonomi Indonesia menurun dari 5.02% menjadi -2.07%. Pertumbuhan ekonomi diukur berdasarkan pertumbuhan produk domestik bruto (PDB). Namun pada tahun 2021, pertumbuhan ekonomi Indonesia berhasil meningkat menjadi 3.69% (Badan Pusat Statistik, 2022). Hal ini menunjukkan adanya ketidakpastian dalam perekonomian dan menyebabkan munculnya prinsip konservatisme. Menurut Andreas, Ardeni & Nugroho (2017), konservatisme akuntansi merupakan konsep yang mengutamakan pengungkapan kewajiban dan kemudian pengungkapan laba setelahnya. Banyak faktor yang dapat menyebabkan terjadinya konservatisme akuntansi. Faktor yang akan diuji dalam penelitian ini adalah profitabilitas, peluang pertumbuhan, dan kepemilikan manajerial. Faktor pertama adalah profitabilitas. Profitabilitas merupakan rasio yang menggambarkan kemampuan perusahaan dalam memperoleh laba (Yuliarti, 2017). Faktor selanjutnya adalah growth opportunities. Menurut Susanti (2018), growth opportunities merupakan peluang bagi perusahaan untuk berkembang dengan melakukan investasi. Faktor ketiga adalah managerial ownership. Menurut Siregar & Pambudi (2019), managerial ownership merupakan tingkat kepemilikan saham yang dimiliki oleh manajer yang dapat mempengaruhi pengambilan keputusan suatu perusahaan.

b. Rumusan Masalah

1. Apakah profitabilitas berpengaruh terhadap konservatisme akuntansi?
2. Apakah peluang pertumbuhan berpengaruh terhadap konservatisme akuntansi?
3. Apakah kepemilikan manajerial berpengaruh terhadap konservatisme akuntansi?

c. Tujuan Penelitian

1. Untuk mengetahui dan menganalisa pengaruh profitabilitas terhadap konservatisme akuntansi.
2. Untuk mengetahui dan menganalisa pengaruh peluang pertumbuhan terhadap konservatisme akuntansi.
3. Untuk mengetahui dan menganalisa pengaruh kepemilikan manajerial terhadap konservatisme akuntansi.

4. Metode Penelitian

Penelitian ini termasuk jenis penelitian asosiatif kausal dengan pendekatan kuantitatif. Penelitian ini menggunakan data sekunder dan data sekunder yang digunakan peneliti adalah laporan keuangan tahunan yang dapat diakses dan diunduh dari situs web www.idx.co.id. Populasi dalam

penelitian ini adalah perusahaan sektor pertambangan yang terdaftar di BEI periode 2018-2023. Hipotesis dalam penelitian ini adalah H1: profitabilitas berpengaruh positif terhadap konservatisme akuntansi, H2: peluang pertumbuhan berpengaruh positif terhadap konservatisme akuntansi, H3: kepemilikan manajerial berpengaruh positif terhadap konservatisme akuntansi.

5. **Hasil dan Pembahasan**

   Hasil uji hipotesis menunjukkan bahwa profitabilitas memiliki pengaruh negatif terhadap konservatisme akuntansi, dengan demikian H1 ditolak. Untuk H2, hasil uji hipotesis menunjukkan bahwa peluang pertumbuhan tidak memiliki pengaruh terhadap konservatisme akuntansi, dengan demikian H2 ditolak. Dan untuk H3, hasil uji hipotesis menunjukkan bahwa kepemilikan manajerial tidak memiliki pengaruh terhadap konservatisme akuntansi, dengan demikian H3 ditolak.

6. **Kesimpulan dan Saran**

   Profitabilitas berpengaruh negatif terhadap konservatisme akuntansi. Hal ini tidak sejalan dengan teori akuntansi positif bagian hipotesis biaya politik karena perusahaan dengan profitabilitas tinggi cenderung menunjukkan laba riil sehingga dapat menarik investor. Peluang pertumbuhan tidak berpengaruh terhadap konservatisme akuntansi. Hal ini tidak sejalan dengan teori keagenan yang menjelaskan bahwa dengan adanya pemantauan, kinerja manajer dapat meningkat sehingga tingkat peluang pertumbuhan meningkat dan perusahaan memilih untuk menggunakan prinsip konservatisme akuntansi dalam rangka melakukan investasi. Perusahaan yang sedang berkembang akan menampilkan laba yang besar untuk menarik perhatian investor. Kepemilikan manajerial tidak berpengaruh terhadap konservatisme akuntansi. Perusahaan tidak memberikan bonus yang sesuai dengan harapan manajer. Hal ini tidak sejalan dengan teori akuntansi positif bagian hipotesis bonus rencana yang menjelaskan bahwa manajer bertindak sesuai dengan bonus yang diberikan. Manajer dapat melakukan manajemen laba sehingga laba terlihat lebih tinggi, sehingga laporan keuangan kurang konservatif.

   Penelitian selanjutnya dapat mengambil sampel dari jenis industri selain pertambangan. Selain itu, peneliti menyarankan agar pada penelitian selanjutnya menggunakan variabel independen yang berbeda, seperti debt covenant, ukuran perusahaan, dan leverage.

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CHAPTER I

INTRODUCTION

1.1 Background

The COVID-19 phenomenon has caused many changes in various fields, one of which is the economic sector. Badan Pusat Statistik (BPS) noted that in 2020 (the year the coronavirus entered Indonesia) Indonesia's economic growth decreased from 5.02% to -2.07%. Economic growth is measured based on growth in gross domestic product (GDP). However, in 2021, Indonesia's economic growth managed to increase to 3.69% (Badan Pusat Statistik, 2022). This shows that there is uncertainty in the economy and causes the emergence of the principle of conservatism. Conservatism is a precautionary principle which means companies must be careful in dealing with economic uncertainties. In addition, conservatism is used because accounting uses the accrual basis in presenting financial statements. Thus, conservatism is used to predict the uncertainty of incoming and outgoing cash flows in the future because there is an accrual basis in accounting (Lo, 2005).

According to Andreas, Ardeni & Nugroho (2017), accounting conservatism is a concept that prioritizes disclosing liabilities and then disclosing profits afterward. This principle is known as the precautionary principle. Conservatism affects the amount of profit stated in the financial statements. According to Suwardjono (2014), accounting conservatism is a step to deal with uncertainty in making decisions on the basis of the worst outcome from this uncertainty. The application of the conservatism principle in accounting is also carried out to avoid earnings manipulation.

According to Watts (2003), there are differences in the recording of losses and profits in the principle of conservatism. Losses are recorded when there is uncertainty about the loss, while gains are not recorded when there is uncertainty about the profit. The principle of conservatism has an important role in the world of accounting. By using the principle of conservatism, companies can prevent earnings manipulation (Dewi & Heliawan, 2021). The condition of the company is a factor that influences the level of accounting

conservatism. Conservative financial reports for one period imply non-conservative reporting for the next several periods (El-Haq, Zulpahmi, & Sumardi, 2019).

In the Standar Akuntansi Keuangan (SAK) there are several methods that apply the principle of conservatism so that the principle of conservatism is a legal principle for companies to use. Several applications of the conservatism principle in Standar Akuntansi Keuangan (SAK) such as PSAK No. 14 provides a policy for management to calculate the cost of inventories, PSAK No. 16 concerning fixed assets and options in calculating depreciation, as well as PSAK No. 19 which discusses intangible assets related to amortization.

Many factors can lead to accounting conservatism, such as profitability, growth opportunities, managerial ownership, leverage, debt covenants, constitutional ownership, company size, and others. The factors to be tested in this study are profitability, growth opportunities, and managerial ownership. The first factor is profitability. Profitability is a ratio that describes the company's ability to gain profits (Yuliarti, 2017). According to Utama & Titik (2018), the higher the profitability, the higher the possibility of a company implementing accounting conservatism. This is done to reduce the cost of high taxes. Mining companies are companies that usually get high profits so they are suitable to use the principle of conservatism. The results of research conducted by Hariyanto (2020), Putra & Sari (2020), Larasati & Srimindarti (2021), Sanjaya, Prasetyo, Puspitasari, & Nooraeni (2021), and Rahmi, Lumbantobing, Naraban, & Sinaga (2022) state that profitability has a positive effect on accounting conservatism. Meanwhile, the results of research conducted by Priyono & Suhartini (2022), Suyono (2021), Setiadi, Nurwati, & Widodo (2023) state that profitability has a negative effect on accounting conservatism. Besides that, the results of research conducted by El-Haq, *et al* (2019), Efendi & Handayani (2021), Islami, Solihat, Jamil, & Suryadi (2022), and Rafida & Pratami (2023) state that profitability has no effect on accounting conservatism.

The next factor is growth opportunities. According to Susanti (2018), growth opportunities is opportunities for a company to develop by investing. The need for funds will increase in developing a company. Companies tend to use the principle of conservatism because it can minimize profit calculations. This happens because companies use hidden reserves within the company to make increased investments (Putri, Wiralestari, & Hernando, 2021). The results of research conducted by Ursula & Adhivinna (2018), El-Haq, *et al* (2019), Tazkiya & Sulastiningsih (2020), Jaya & Maria (2022) state that growth opportunities have a positive effect on accounting conservatism. Meanwhile, the results of research conducted by Larasati & Srimindarti (2021), Noviani & Homan (2021), Putri, et al (2021), Suyono (2021), Kurniawan, Farida, & Purwanti (2022), Priyono & Suhartini (2022), Edison, Rosita, Asrini, & Susilawati (2023), Halim (2023), and Indraswari, Ramdioni, & Asrudi (2023) state that that growth opportunities have no effect on accounting conservatism. Besides that, the results of research conducted by Daryatno & Santioso (2020), Permatasari & Yulianto (2020), Sari (2021), and Sea & Noor (2022) state that growth opportunities have a negative effect on accounting conservatism.

According to Siregar & Pambudi (2019), managerial ownership is the level of share ownership owned by managers that can influence the decision making of a company. With managerial ownership, the manager's contribution to the company is getting bigger. The higher the level of managerial ownership, the manager is not only an agent but also an owner so that conflicts can occur between owner-managers and managers. Company managers who do not have managerial ownership will only focus on their duties as managers (Dewi & Heliawan, 2021). The results of research conducted by Putra, Sari, & Larasdiputra (2019), Hariyanto (2020), Furwati, Abbas, Hamdani, & Yahawi (2022) state that managerial ownership has a positive effect on accounting conservatism. Meanwhile, research conducted by Ganevia, Karim & Hudaya (2022) state that managerial ownership has a negative effect on accounting conservatism. Besides that, the results of research conducted by Ursula &

Adhivinna (2018), El-Haq, *et al* (2019), Daryatno & Santioso (2020), Dewi & Heliawan (2021), Sari (2021), Jaya & Maria (2022), Rahmi & Baroroh (2022), Indraswari, *et al* (2023) state that managerial ownership has no effect on accounting conservatism.

Many cases of manipulation of financial statements are carried out by large companies. This causes the trust of external parties to decrease. In 2018, PT Garuda Indonesia Tbk posted a net profit of US$809.84 thousand or the equivalent of IDR 11.33 billion (exchange rate of 1$ = IDR 14,000). Two commissioners namely Chairul Tanjung and Dony Oskaria refused to sign because they did not agree. Garuda Indonesia has restated its 2018 financial statements by writing down a loss of US$179 million. OJK imposes sanctions on Auditors, Garuda Indonesia, Members of the Board of Directors and Board of Commissioners (Hartomo, 2019) (Muthahhari, 2019). Apart from that, mining companies have also manipulated financial reports. Indonesia Corruption Watch (ICW) reported PT Bumi Resources Tbk and two of its subsidiaries to the Directorate General of Taxes on suspicion of manipulation of the coal sales department's financial reports. This fraud is suspected to have been carried out since 2003-2008, causing state losses of US$ 620.49 million. ICW calculations using various primary data including audited reports and sales reports of PT Bumi Resources Tbk during 2003-2008 were US$ 1.06 billion lower than actual, so that state losses from the shortfall in revenue from the Coal Production Fund (royalties) were estimated at US$ 143.18 million (Tempo, 2010). PT Timah in the first semester of 2015 was suspected of manipulating financial reports to cover up poor financial performance. In fact, PT Timah in the first semester of 2015 experienced a loss of IDR 59 billion. PT Timah's board of directors were unable to get out of the trap of losses, resulting in the handover of 80% of PT Timah's mining area to business partners (Soda, 2016).

The number of cases of earnings manipulation shows the importance of the principle of conservatism in recording financial statements. Profit manipulation often occurs because the company experiences uncertainty but

the company does not use the right principles in writing financial statements. In addition, optimism that is too high can also cause cases of profit manipulation (Afriani, Zulpahmi, & Sumardi, 2021). Researcher is interested in making accounting conservatism the dependent variable because there are still many people who do not understand the principles of accounting conservatism. Researcher also interested in using profitability, growth opportunities, managerial ownership as independent variables because researcher wants to know whether these variables can have an effect on accounting conservatism. According to Andika, Shara, & Pane (2023), mining companies are an industry filled with uncertainty. This is because mining is strongly influenced by opportunities, challenges and volatility. Most mining projects are long-term projects with high costs and the income generated depends on fluctuations in commodity prices. Therefore, mining businesses require a long payback period. Bankruptcy can occur if the project is not carried out well.

This research was conducted based on research conducted by El-Haq, *et al* (2019) which used managerial ownership, institutional ownership, growth opportunities, and profitability as independent variables and accounting conservatism as the dependent variable. The difference between research by El-Haq, *et al* (2019) and this research is that this research does not use institutional ownership as an independent variable. Apart from that, the companies used in research by El-Haq, *et al* (2019) are state-owned companies, while this research uses mining sector companies. This research also refers to research conducted by Ursula & Adhivinna (2018) which used managerial ownership, firm size, leverage, and growth opportunities as independent variables and accounting conservatism as the dependent variable and research conducted by Larasati & Srimindarti (2021) who used growth opportunities, institutional ownership, and profitability as independent variables and accounting conservatism as the dependent variable. Thus, in this study, researchers used profitability, growth opportunities, and managerial ownership as independent variables and accounting conservatism as the dependent

variable. Based on the cases that occurred and previous studies, the researcher is interested in researching a study entitled **"The Effect of Profitability, Growth Opportunities, Managerial Ownership on Accounting Conservatism".**

1.2 Research Problems

Based on the description that has been described above, the formulation of the problems in this study are:

1. Does profitability affect accounting conservatism?
2. Does growth opportunities affect accounting conservatism?
3. Does managerial ownership affect accounting conservatism?

1.3 Research Purposes

Based on the formulation of the problem above, the objectives of this study are as follows:

1. To examine and analyze the effect of profitability on accounting conservatism.
2. To examine and analyze the effect of growth opportunities on accounting conservatism.
3. To examine and analyze the effect of managerial ownership on accounting conservatism.

1.4 Research Contribution

1.4.1 Theoretical Contribution

This research is expected to contribute to an understanding of how important accounting conservatism is and can complement previous studies and can be a reference for research on accounting conservatism in the future.

1.4.2 Practical Contribution

1. For writer

This research is expected to increase the author's knowledge and can increase mastery of material regarding accounting conservatism.

2. For academics

The results of this study are expected to provide an overview of the effect of profitability, growth opportunities, and managerial ownership, so that they can become additional insights for future researchers.

3. For companies

This research is expected to provide information about accounting conservatism so that it can be considered in choosing the method of writing financial statements.

4. For investors and creditors

This research is expected to provide information regarding the principles of accounting conservatism so that it can be considered when investing or providing loans to companies.