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Research Paper

The Effect of Managerial Ownership Structure, Financial Distress and Growth Opportunities to Application of Accounting Conservatism Principles with Litigation Risk as Moderating Variables on Manufacturing Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to examine and analyze the effect of managerial ownership structure, financial distress, and growth opportunities on accounting conservatism with litigation risk as a moderating variable. The population in this study was 171 manufacturing companies listed on the Indonesia Stock Exchange for the 2010-2019 period. This research was conducted using the purposive sampling technique so that 36 samples were obtained. The data analysis method used multiple linear regression analysis and interaction tests with the help of the Eviews application program.

The study results indicate that growth opportunities partially have a positive effect on applying the principle of accounting conservatism. Meanwhile, managerial ownership structure and financial distress partially do not affect the application of accounting conservatism principles. Simultaneously managerial ownership structure, financial distress and growth opportunities affect the application of accounting conservatism principles. Litigation risk as a moderating variable cannot moderate the influence of managerial ownership structure, financial distress, and growth opportunities on applying accounting conservatism principles to manufacturing companies listed on the Indonesia Stock Exchange for the 2010-2019 period.

Keywords: managerial ownership structure, financial distress, growth opportunities, litigation risk and accounting conservatism.

INTRODUCTION

The company is a business entity that carries out its activities to earn as much profit as possible. Of course, no company wants to suffer losses; on the contrary, they expect maximum profits. Every company also always wants the best for the survival of its company in the business world. After the company carries out activities, the company will make financial statements. The company's financial statements can be used to assess how the company is running and growing. Financial statements can be used as an illustration to assess how the performance of a company.

Financial statements are a form of management responsibility in managing company resources. Financial statements must meet the objectives, rules and accounting principles under generally accepted standards to produce financial reports that are accountable and beneficial for each user (Risdiyani and Kusmuriyanto, 2015). Financial Accounting Standards (SAK) allow companies to choose the accounting methods and estimates used to prepare financial statements. The freedom to choose accounting methods and estimates will affect the behavior of managers in accounting records and reporting of company financial transactions. The choice of this method will also affect the numbers presented in the financial statements, so it can be said that indirectly the concept of conservatism will affect the results of financial statements (Oktomegah, 2012).

Rahmawati (2012) stated that the main focus in financial statements is earnings information because it provides information about a company's financial performance for a period. For creditors and investors, earnings information helps them evaluate the company's performance, predict future earnings, and consider the risk of investing or lending to the company. In realizing these benefits, it is necessary to apply accounting principles to produce relevant and reliable figures. Profit information can be very useful if it describes the actual condition of the company so as not to mislead the interested parties in making decisions. One of the principles related to earnings information in financial statements is accounting conservatism, which is an act of caution in determining the amount of profit.

The principle of conservatism is an important thing to apply. Several phenomena are related to the low application of the principle of accounting conservatism, which can be seen in Table 1.

Table 1. Phenomena in Accounting Conservatism

Company Name	The Analysis of Phenomenon
PT. KAI	In 2006 PT KAI was detected as cheating on the presentation of its financial statements, where the company recorded a profit of Rp. 6.9 billion, but PT KAI suffered a loss of Rp. 63 billion. This loss occurred because PT KAI could not collect revenue from third parties (Quoted from Tempo.com).
PT. Waskita Karya	In 2008, PT. Waskita Karya (Persero) corrected the company's profit because the company's financial statements for that year incorrectly recorded the amount of profit. According to the Minister of State-Owned Enterprises, Sofyan Jalil, he explained that the error in recording profits stems from multi-year projects. Profits that should be included in next year's books are recorded as last year's profits, so there is an overstatement in the financial statements. (quoted from www.tempo.com)
PT Timah	PT Timah is suspected of providing fictitious financial reports to cover its declining financial performance. In fact, in the first semester of 2015 financial statements, PT Timah's operating profit suffered a loss of 59 billion. So there is an overstatement of profit reporting. (Quoted from economy.okezone.com).
PT. Indofarma Tbk	In 2004, it was found that there were allegations of violations of laws and regulations in the capital market, especially those related to the presentation of financial statements. In the investigation conducted by Bapepam, evidence was found that the value of inventories in the process was greater (overstate) than the supposed value of Rp. 28.87 billion. It results in a lower cost of goods sold and a higher net profit. (Quoted from finance.detik.com)
PT. Kimia Farma	PT Kimia Farma manipulated its financial statements by increasing its profit or inflating its annual net profit in its 2001 financial statements, which should have been Rp 99.594 billion to Rp 132 billion. (Quoted from www.kompasiana.com)

Based on the above phenomenon, it can be seen that the company pays less attention to the principle of conservatism by making errors in recording in the financial statements, so it can be concluded that the company's policy in applying the principle of conservatism is very important. The principle of conservatism is a principle that adheres to prudence, both in recording income and costs as well as profits and losses. Conservatism is a principle in financial reporting intended to recognize and measure assets and profits carried out with caution because economic and business activities are always surrounded by uncertainty (Nugroho and Indriana, 2012). Therefore, conservatism is needed to anticipate errors that can occur in the recognition and measurement of profits and assets and can help reduce the possibility of managers manipulating financial statements.

The implication of the principle of conservatism on financial reporting is that generally, the accounting will immediately recognize costs or losses that are likely to occur but do not anticipate future profits or revenues even though they are likely to occur. By applying the principle of conservatism, profits and assets tend to be below, and costs and debts tend to be high. This trend occurs because conservatism adheres to slowing down revenue recognition and accelerating expense recognition. In other words, conservatism can be translated as anticipating losses rather than profits.

However, there are still pros and cons regarding applying the principle of conservatism. On the other hand, those who are against conservatism and criticize the application of this principle because, for them, financial statements presented using the principle of conservatism will result in biased financial statements so that they cannot be used as a tool to evaluate company risk (Haniati and Fitriany, 2010). This opinion supports (Yusnaini, 2019) which states that the higher the conservatism, the more biased the reported book value will be.

On the other hand, those who support the concept of conservatism argue that the conservatism of accountants is important to offset the excessive optimism of managers and owners because overstatement of earnings is more dangerous than understatement of earnings in financial statements. With conservative financial reports, it means that the profits generated by the company will be of higher quality (Nugraha, 2012). In addition, conservatism is useful in reducing conflicts between creditors and shareholders due to the dividend policy implemented by the company. Conservative accounting is needed to limit the payment of dividends that are too high and the presentation of assets conservatively to provide confidence to creditors about the availability of assets to pay debts. (Ahmed et al., 2002).

However, Penman & Zhang (2002), Basu (1997), Feltham & Ohlson (1995) predict that conservatism results in low earnings quality and is less relevant. Conservatism affects the quality of the figures reported on the balance sheet and income statement income. When the company increases the amount of investment, conservative accounting will result in lower profit calculations than liberal/optimistic accounting. Conservative accounting will also create unrecorded reserves, allowing management to report future earnings freely.

The measurement for the level of conservatism in this study uses the formula for the amount of accrual from Givoly & Hayn (2000) by using the Earning/Accrual Measures method. This measurement is based on the accrual value. The choice of this measurement method is based on the theory of conservatism, which delays the recognition of revenues that have not yet occurred and accelerates the use of costs incurred during the period compared to being reserves on the balance sheet. On the other hand, optimistic financial statements will tend to have a higher net income than operating cash flow so that the resulting accruals are positive (Dwiputro, 2010).

Several factors influence the application of accounting conservatism, one of which is the managerial ownership structure. The managerial ownership structure is the largest share ownership owned by the company's management as measured by the percentage of the number of shares owned by management (Ramadhoni et al., 2014). The ownership structure is one of the company's internal factors, one of which determines the company's progress. According to Subagyo (2018), the managerial ownership structure can be explained from two perspectives, namely, agency income and the imbalance approach. The agency approach considers the managerial ownership structure an instrument or tool used to reduce agency conflicts among several claims against a company. At the same time, the information imbalance approach considers the mechanism in the managerial ownership structure as one of the systems to reduce the imbalance of information between insiders and outsiders through disclosing information within the company.

As stated (Ramadhoni, 2014), the greater the proportion of management ownership, the management tends to try harder for the interests of shareholders to increase the value of the company, one of which is by applying accounting conservatism. It is because the company's financial statements are concerned with getting high profits and are more concerned with its long-term sustainability. The manager also influences the choice of accounting method. In other words, managerial ownership determines management's policies and choices of accounting methods, including conservative. One way that can be done to harmonize the interests of the owner and management is to involve management in a fairly large share ownership structure (Saputra, 2016).

According to Saputra (2016), the greater the managerial ownership, which is proxied by the percentage of share ownership, the more concentrated the percentage of ownership. The policies taken are very conservative. Vice versa, if managerial ownership is low, managers tend to be less conservative or report high profits. It will benefit managers, who are received through commissions by profit. Dewi (2014) and Saputra (2016) saw a positive and significant influence between managerial ownership structure and accounting conservatism. However, different results were expressed by Wiguna & Astuti (2020), who found that there was no significant effect between managerial ownership structure and accounting conservatism.

Another factor that influences accounting conservatism is financial distress. Financial distress (level of financial difficulty) can be interpreted as a signal or early symptom of bankruptcy due to a decline in the financial condition experienced by a company (Yusnaini, 2019). Financial difficulties begin when the company cannot meet the payment schedule or cash flow projections indicate that it will soon be unable to meet its obligations (Ningsih, 2013).

Positive accounting theory states that managers will tend to reduce accounting conservatism if the company experiences high financial distress. The company's troubled financial condition can encourage shareholders to replace company managers because managers cannot manage the company properly. It will encourage managers to change profits, which are benchmarks for managers' performance, by adjusting accounting conservatism. Suppose a company does not have financial problems. In that case, managers will not face the pressure of contract violations, so that higher financial distress will encourage managers to present non-conservative financial statements (Noviantari and Ratnadi, 2015).

The level of corporate financial distress in this study was measured using the Altman Z-Score. This method was developed by a business professor from New York University, USA, Edward I. The researcher uses the Altman method because, in the Altman Z-Score calculation, five types of financial ratios have the most important value. This measurement is also one of the mathematical formulations for predicting bankruptcy with a fairly accurate level of certainty with an accuracy percentage of 95% (Mastuti et al., 2013).

Rahayu et al. (2018) state that financial distress and accounting conservatism positively influence. This statement is supported by Kao & Sie (2016), Sugiarto & Fachrurrozie (2018), Yuniarti (2019) and Ardi et al. (2019. Meanwhile, Nugroho (2012), Dewi (2014), Zulfiati & Anisya (2017) and Rivandi & Ariska (2019) found a negative effect between financial distress and accounting conservatism.

Other factors affecting accounting conservatism are growth opportunities or company opportunities to grow. Growth opportunities are opportunities for companies to increase the amount of investment. Growth Opportunities indicate the company's ability to develop in the future by taking advantage of investment opportunities to increase company value (Syafi'i, 2011).

Companies with high growth opportunities will require large funds to finance this growth in the future. Therefore, the company will maintain earnings to be reinvested in the company, and at the same time, the company is expected to continue to rely on funding through larger debt (Susilo and Aghni, 2017). In this case, the company's growth will be considered responsive to investors because its conservative market value is higher than its book value so that that goodwill will occur (Wulandari et al., 2014).

It will make the market and investors evaluate the company positively, and this situation can show a company that is always growing because its assets are always increasing. In addition, the company also needs funds where there is a challenge for managers to balance the income and use of debt that the company needs. The higher the opportunity to grow the company, the greater the need for funds needed by the company. The number of funds the company needs causes managers to apply the principle of conservatism so that investment financing can be fulfilled, namely by minimizing profits.

Growing companies tend to apply accounting conservatism because of the lower profit calculation than optimistic accounting, which has higher profit calculations. Growing companies tend to invest in expanding and strengthening their business, so the profit portion will be reduced because its hidden reserves are used for investment. (Ayuningsih et al., 2016).

Growth opportunities in this study are measured using the ratio of market to book value of equity. This ratio is used because it reflects that the market that assesses the return from the company's investment in the future will be greater than the expected return on equity. The market to book value of equity ratio is the present value of the company's choices to make investments in the future.

Susilo & Aghni (2017) see a positive influence between growth opportunities and accounting conservatism. It is because growing companies will tend to apply conservative accounting. These results are supported by Fatmariani's (2013) and Nisa's (2017) research. However, Ayuningsih et al. said that different results were different. (2016) found a negative relationship between growth opportunities and accounting conservatism.

In this study, the authors use litigation risk as a moderating variable to see how the ability of litigation risk in strengthening or weakening the influence of managerial ownership structure, financial distress, and growth opportunities on accounting conservatism. Litigation risk is defined as the risk inherent in the company that allows the threat of litigation by parties with interest in the company who feel aggrieved (Utami, 2011). Litigation risk is the company's risk related to the possibility that the company will experience litigation by investors and creditors. The parties interested in the company include creditors, investors, regulators.

According to Saputra (2016), litigation claims can arise from creditors, investors or other parties interested in the company. Litigation risk arising from creditors occurs when the company cannot fulfill the contract terms with the creditor that has been previously agreed upon. Litigation risk originating from creditors can be obtained from the risk indicator of the company's inability to pay the short-term and long-term debt. From the investor's perspective, litigation can arise because the company carries out operations that will result in losses for investors, as reflected in price movements and shared volumes—for example, hiding some negative information that should be reported (Juanda, 2007).

Various regulations and law enforcement that apply in the accounting environment require managers to pay more attention to accounting practices to avoid the threat of legal provisions. Increasingly stringent law enforcement demands will potentially lead to litigation if the company commits a violation, so that it will increasingly encourage managers to be careful in applying their accounting. Likewise, accountants who prepare and examine financial statements will tend to be more conservative (Ningsih, 2013).

Litigation risk can incur quite high costs due to dealing with the law. Rationally, managers will try to reduce losses due to the threat of litigation by reporting financially conservatively because profits that are too high have the potential to cause a higher risk of litigation (Suryandari and Priyanto, 2012). So, the greater the risk of litigation, it can reduce the principle of accounting conservatism in a company. In this case, litigation risk is related to accounting conservatism (Subramanyam & Wild, 2010).

This study's measurement of litigation risk focuses on the litigation risk arising from creditors by using the Debt To Equity Ratio (DER). The higher the DER ratio, the greater the litigation risk faced by the company. Because the debt owned is much larger than the equity, which will later be used to cover the debt owed by the company (Fitri, 2015).

Nugroho (2012), Ramadhoni et al. (2014) and Saputra (2016) revealed a positive influence between litigation risk and the application of accounting conservatism. In contrast, Rahayu et al. (2018) found a negative effect of litigation risk on accounting conservatism. Furthermore, Putri's research (2017) found that litigation risk has no significant effect on accounting conservatism.

The description of the background and the phenomenon above shows the importance of applying conservative accounting in making the company's financial statements. The existence of inconsistent results from previous studies caused by differences in objects and research periods led to a research gap which later became the reason for researchers to research "The Effect of Managerial Ownership Structure, Financial Distress and Growth Opportunities on Accounting Conservatism with Litigation Risk as a Moderating Variable on Manufacturing Companies Listed on the Indonesia Stock Exchange”.

Framework

Following the description of the background of the problem, literature review and previous research, a conceptual research framework is prepared as follows:

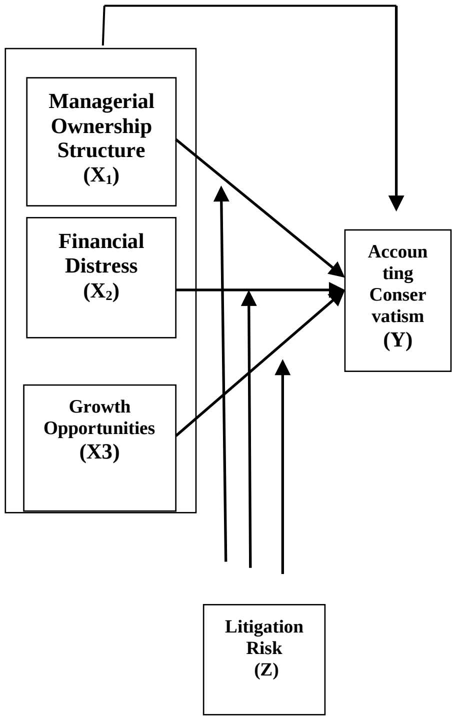


Figure 1. Conceptual Framework

H1: Managerial ownership structure positively affects the application of accounting conservatism principles.
H2: Financial distress has a negative effect on the application of accounting conservatism principles.
H3: Growth Opportunities positively affects the application of accounting conservatism principles.
H4: Managerial ownership structure, financial distress, and growth opportunities simultaneously affect the application of accounting conservatism principles.
H5: Litigation risk as a moderating variable can strengthen managerial ownership structure's influence on the application of accounting conservatism principles.
H6: Litigation risk as a moderating variable can strengthen the influence of financial distress' influence on the application of accounting conservatism principles.
H7: Litigation risk as a moderating variable can strengthen growth opportunities' influence on the application of accounting conservatism principles.

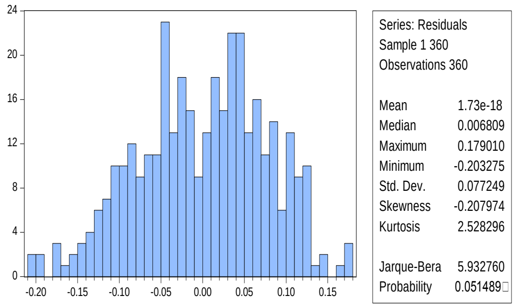
RESEARCH METHODS

This type of research is causal associative research to determine the effect of Managerial Ownership Structure, Financial Distress, and Growth Opportunities as independent variables on Accounting Conservatism as the dependent variable with Litigation Risk as the moderating variable. The causal associative study analyzes the relationship between one variable and another to determine how one affects other variables (Erlina, 2011). The data analysis method used in this study is a statistical analysis method using the EViews application. Data analysis performs by testing standard assumptions and testing hypotheses.

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2010-2019 period. This research uses the purposive sampling technique. The sample obtained was 36 companies multiplied by 10 years of research to obtain 360 observations.

RESULT AND DISCUSSION

Normality Test



Source: Processed by E-Views 10

Figure 2.Normality Test with Jarque-Bera Test

Based on Figure 5.1, it is known that the probability value of the J-B statistic is 0.051489 with a significance level of n = 0.05, so the probability value is 0.051489 > 0.05. It means that the assumption of normality is met.

Multicollinearity Test

In this study, the symptoms of multicollinearity can be seen from the VIF value. Ghozali (2013) states that if the VIF value is > 10, this indicates multicollinearity. The results of the multicollinearity test are presented in Table 2.

Table 2. Multicollinearity Test with VIF

Variables	VIF
Managerial Ownership Structure	1.004256
Financial Distress	1.548363
Growth Opportunities	1.547018

Source: Processed by E-Views 10

Based on Table 2, the results of the multicollinearity test, it can be concluded that there are no symptoms of multicollinearity between the independent variables. It is because the VIF value < 10 (Ghozali, 2013).

Selection of Regression Model

Three techniques are offered to estimate model parameters using panel data: the Common Effect Model, the Fixed Effect Model, and the Random Effect Model. Then three tests will be carried out to select the panel data estimation technique, namely the Chow test, Hausman test, and the Lagrange multiplier test.

Determination of the Estimated Model between the Common Effect Model (CEM) and Fixed Effect Model (FEM) with the Chow Test

The regression model used is the Chow test to determine whether the estimation model used is the CEM or FEM. The hypothesis being tested is as follows.

H0: The CEM model is better than the FEM model.

H1: FEM model is better than CEM model

Here are the results based on the Chow test using EViews 10.

Table 3. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.373731	(35,321)	0.0837
Cross-section Chi-square	50.246614	35	0.0458

Source: Processed by E-Views 10

The decision-making rules for the hypothesis are as follows:

1. If the value of the Chi-square cross-section probability < 0.05, then H_0 is rejected, and H_1 is accepted.

2. If the Chi-square cross-section probability value is > 0.05, H0 is accepted, and H1 is rejected.

Based on the results of the Chow test in Table 3, it is known that the probability value is 0.0458. Because the probability value is 0.0458 < 0.05, the estimation model used is the fixed effect model (FEM).

Determination of the Estimated Model between the Common Effect Model (CEM) and the Random Effect Model (REM) with the Hausman Test

The regression model used is the Hausman test to determine whether the estimation model used is the CEM or REM. The following are the results based on the Hausman test using EViews 10.

Table 4. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.562893	3	0.6678

Source: Processed by E-Views 10

Based on the results of the Hausman test in Table 5.3, it is known that the probability value is 0.6678. Because the probability value is 0.6678 > 0.05, the estimation model used is the random effect model (REM).

Hypothesis Test

Coefficient of Determination Analysis

The coefficient of determination test (R2) essentially measures how far the model can explain variations in the dependent variable (Ghozali, 2013). The coefficient of determination test results is presented in table 5 below.

Table 5.Coefficient of Determination Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1?	0.068058	0.037851	1.798071	0.0730
X2?	0.000473	0.000299	1.585170	0.1138
X3?	0.002403	0.000834	2.880770	0.0042
C	-0.033029	0.005322	-6.206155	0.0000

R-squared	**0.073230**	Mean dependent var	-0.017936
Adjusted R-squared	0.065420	S.D. dependent var	0.078649
S.E. of regression	0.076033	Sum squared resid	2.058020
F-statistic	9.376643	Durbin-Watson stat	1.967774
Prob(F-statistic)	0.000006		

Source: Processed by E-Views 10

Based on Table 5, it is known that the coefficient of determination (R-squared) is R^2=0.073. This value can be interpreted as managerial ownership structure, financial distress and growth opportunities simultaneously or jointly affecting accounting conservatism by 7.3%. Other factors influence the remaining 92.7%.

Simultaneous Test (Statistical Test F)

The F Statistical test was conducted to test whether managerial ownership structure, financial distress, and growth opportunities simultaneously (together) affect accounting conservatism. The results of the F statistical test are presented in table 6 below.

Table 6. Simultaneous Test Result

R-squared	0.073230	Mean dependent var	-0.017936
Adjusted R-squared	0.065420	S.D. dependent var	0.078649
S.E. of regression	0.076033	Sum squared resid	2.058020
F-statistic	9.376643	Durbin-Watson stat	1.967774
Prob(F-statistic)	**0.000006**		

Source: Processed by E-Views 10

Based on Table 6, it is known the value of Prob. (F-statistics), which is 0.000006 < 0.05. It can be concluded that all independent variables, namely managerial ownership structure, financial distress, and growth opportunities, simultaneously have a significant effect on the accounting conservatism variable.

Partial Test (Test Statistical t)

The t-statistical test shows how far one independent variable individually or partially can explain the variation of the dependent variable. The results of the t-statistical test are presented in table 5.9 below.

Table 7. Partial Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1?	**0.068058**	0.037851	1.798071	**0.0730**
X2?	**0.000473**	0.000299	1.585170	**0.1138**
X3?	**0.002403**	0.000834	2.880770	**0.0042**
C	-0.033029	0.005322	-6.206155	0.0000

Source: Processed by E-Views 10

Based on Table 7, the following multiple linear regression equation was obtained:

$$\mathbf{Y = -0.033 + 0.068X_1 + 0.00047X_2 + 0.0024X_3 + e}$$

It is known that the regression coefficient value of the managerial ownership structure variable is 0.068, which is positive. It means that managerial ownership structure has a positive effect on accounting conservatism. Prob value. 0.0730 > 0.05 means that the managerial ownership structure does not affect accounting conservatism. When financial distress increases by 1 point, accounting conservatism increases by 0.0004.

It is known that the regression coefficient value of the financial distress variable is 0.0004, which is positive. It means that financial distress has a positive effect on accounting conservatism. Prob value. 0.1138 > 0.05, meaning that financial distress does not affect accounting conservatism. When financial distress increases by 1 point, accounting conservatism increases by 0.0004.

It is known that the regression coefficient value of the growth opportunities variable is 0.0024, which is positive. It means that growth opportunities have a positive effect on accounting conservatism. Prob value. 0.0042 < 0.05, meaning that growth opportunities significantly affect accounting conservatism. When growth opportunities increase by 1 point, accounting conservatism will increase by 0.0024.

Moderating Variable Test

Testing the moderating variable in this study used an interaction test or Moderated Regression Analysis (MRA). This study examines whether litigation risk is significant in moderating or, in this case, strengthening or weakening the influence of managerial ownership structure, financial distress, and growth opportunities on accounting conservatism. The results of the moderation test are presented in the table below.

Table 8. Moderating Variable Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	0.088530	0.045394	1.950262	0.0519
X2	0.000321	0.000368	0.870424	0.3847
X3	0.002449	0.001268	1.931012	0.0543
Z	-0.003563	0.002046	-1.741937	0.0824
X1Z	-0.074756	0.084854	-0.881000	**0.3789**
X2Z	0.000157	0.000447	0.351486	**0.7254**
X3Z	-9.01E-05	0.000828	-0.108737	**0.9135**
C	-0.027774	0.005216	-5.324681	0.0000

Source: Processed by E-Views 10

Based on Table 5.10, the interaction moderation equation is obtained as follows:
Y = -0.027 + 0.088X1 + 0.00032X2 + 0.0024X3 - 0.0035Z - 0.074X1Z + 0.00015X2Z - 0.00009X3Z + e

1. The value of Prob. on X1Z is 0.3789, ie > 0.05, it is concluded that litigation risk is not significant in moderating the effect of managerial ownership structure on conservatism. The coefficient value of X1Z is -0.074756, so in this case, litigation risk as a moderating variable cannot moderate the effect of managerial ownership structure on accounting conservatism.
2. The value of Prob. on X2Z is 0.7254, ie > 0.05, it is concluded that litigation risk is not significant in moderating the effect of financial distress on accounting conservatism. The coefficient value of X2Z is 0.000157, so in this case, litigation risk as a moderating variable is not able to moderate the effect of financial distress on accounting conservatism.
3. The value of Prob. on X3Z is 0.9135, ie > 0.05, it is concluded that litigation risk is not significant in moderating the effect of growth opportunities on accounting conservatism. The coefficient value of X3Z is -0.0000901, so that in this case, litigation risk as a moderating variable cannot moderate the

influence of growth opportunities on accounting conservatism.

CONCLUSION

Based on the results of the description above, it can be concluded as follows:

1. The managerial ownership structure partially does not affect the application of the principle of accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
2. Financial distress partially does not affect the application of the principle of accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
3. Growth opportunities partially positively affect applying the principle of accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
4. The managerial ownership structure, financial distress, and growth opportunities simultaneously significantly affect applying the principle of accounting conservatism in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
5. Litigation risk as a moderating variable cannot moderate the effect of managerial ownership structure on applying accounting conservatism principles in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
6. Litigation risk as a moderating variable cannot moderate the effect of financial distress on applying accounting conservatism principles in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.
7. Litigation risk as a moderating variable cannot moderate the effect of growth opportunities on applying accounting conservatism principles in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2019.

LIMITATIONS OF THE RESEARCH

The results of this study have several limitations, namely:

1. This study uses only one accounting conservatism measurement technique, namely earnings and accruals measures or accruals that focus on a company's income statement.
2. Litigation risk as a moderating variable in the study has not been moderate. Large and growing companies tend not to have a significant level of financial difficulty. The possibility of companies applying the principle of conservatism to deal with uncertain conditions so that the level of debt will not have much effect.
3. The contribution of the dependent variable in this study is still too low in influencing accounting conservatism, which is only 7.3%. In contrast, 92.7% is influenced by other variables outside of this study.
4. The observed research period was too short, only for 10 years from 2010 to 2019, so of course, it was still insufficient to describe the actual situation.

SUGGESTION

Based on the conclusions that have been found, the researchers provide the following suggestions:

1. For further researchers, other indicators can be used to measure accounting conservatism apart from calculating earnings and accruals measures. Such as the calculation of net asset measures or earnings/stock returns relation measures can be used as comparison materials regarding the consistency of using proxies.
2. The results of this thesis research reveal that litigation risk cannot moderate the effect of managerial ownership

structure, financial distress, and growth opportunities on applying accounting conservatism principles. So that in future research, it is expected to re-examine other moderating variables to find out whether there are variables that can moderate the effect of managerial ownership structure, financial distress, and growth opportunities on the application of accounting conservatism principles. or not.

3. The independent variables studied were only managerial ownership structure, financial distress, and growth opportunities in this study. Future research suggests more independent variables that influence accounting conservatism, such as leverage, audit committee, conflict of interest, type of company strategy, political costs, taxes, and other factors that may affect accounting conservatism.
4. For further researchers, expand the research sample, which is limited to industry, and add a longer research period to generalize the research results.

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