

Accounting Conservatism and Earnings Responsiveness: An Empirical Study of Public Companies in Indonesia

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Info Articles

Abstract

History Article:
Submitted 9 May 2023
Revised 27 May 2023
Accepted 1 June 2023

Keywords:
accounting conservatism,
profitability, growth
opportunities, default risk,
earnings responsiveness
coefficient

JEL: G32, G11

Purpose: The purpose of this study is to analyze the influence of accounting conservatism, profitability, growth opportunities, and default risk on the earnings responsiveness coefficient of mining sector companies listed on the Indonesia Stock Exchange during the period of 2020-2022.

Design/Methodology/Approach: This study utilizes a quantitative research design with purposive sampling technique to select a sample of 60 mining sector companies listed on the Indonesia Stock Exchange during the period of 2020-2022. The data collected from the financial reports of the selected companies is analyzed using classical assumption tests and multiple regression analysis.

Findings: The results of this study indicate that accounting conservatism has a significant positive effect on the earnings responsiveness coefficient of mining sector companies listed on the Indonesia Stock Exchange during the period of 2020-2022. However, profitability and default risk variables do not have a significant effect on the earnings responsiveness coefficient. On the other hand, growth opportunities have a significant negative effect on the earnings responsiveness coefficient.

Practical Implications: The findings of this study can be useful for practitioners in making managerial decisions, especially in enhancing the earnings responsiveness of mining sector companies listed on the Indonesia Stock Exchange. Practitioners can utilize accounting conservatism as a tool to improve earnings responsiveness. Additionally, this study provides insights for regulators in determining policies related to the earnings responsiveness coefficient. Regulators can consider growth opportunities in their decision-making processes.

Originality/Value: This study contributes to the accounting literature by revealing the influence of different factors on the earnings responsiveness coefficient of mining sector companies in Indonesia. The results of this study can also serve as a basis for further research on other factors that influence the earnings responsiveness coefficient of companies in other sectors.

Paper Type: Empirical Research.

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INTRODUCTION

The increasingly competitive market requires every company to maintain transparency in disclosing financial and non-financial information, especially for those already listed in the stock market (Alia and Sarees 2023). Financial reports are important factors in the development of the stock market, as users of financial reports can predict the company's performance and evaluate the potential for investment in the stock market. Investors pay close attention to earnings information as an indicator of company performance. However, in addition to earnings information, other information is needed to predict a company's stock returns, such as the earnings responsiveness coefficient. A high value of the earnings responsiveness coefficient indicates that the reported earnings are of good quality, while a low value of the earnings responsiveness coefficient can indicate market distrust in the quality of earnings (Xue 2020; Cui et al. 2023). Therefore, the earnings responsiveness coefficient can be used as one perspective in assessing the quality of a company's earnings based on market response.

In addition to profit information, investors also need to pay attention to other factors that can affect a company's performance, such as conservative accounting policies (Wu et al. 2022). Information on the application of conservatism in accounting can influence the decisions of financial statement users. The concept of conservatism in accounting results in lower recognition and measurement of revenue and assets and higher recognition of liabilities (Houaneb et al. 2023). This leads to a reduction in profit in the current period and an increase in profit in the following period. This means that investors will feel confident and creditors will be satisfied with their decision to invest in the company.

Profitability is also closely related to the value of earnings. In companies with high profitability, the influence of accounting earnings on stock prices will be greater than in companies with low accounting earnings growth (Khalilov and Osma 2020). Therefore, the higher the level of profitability of a company, the greater the likelihood of unexpected earnings that will increase the value of the company's earnings response coefficient. The next factor, growth opportunities, is also very important in describing the growth prospects of a company in the future. Investors tend to respond more strongly to companies with high growth opportunities, as they are considered capable of providing promising returns in the future. Thus, investors must be able to identify the right investment decisions based on accurate and balanced information.

There are several reasons why this research is highly relevant and interesting to conduct. Firstly, in the era of digitization and globalization like today, competition among companies is becoming increasingly fierce, requiring companies to have the right strategies to survive and grow in the competitive market. One such strategy is optimizing the use of company resources to create growth opportunities that will provide long-term benefits for the company and investors. Secondly, default risk and uncertainty of investment returns still pose significant problems in the stock market, so understanding how factors such as accounting conservatism, profitability, default risk, and growth opportunities affect the earnings response coefficient can help investors and stakeholders make wiser investment decisions. Finally, this research has significant novelty as it uses more specific data and research objects, namely mining sector companies listed on the Indonesia Stock Exchange (IDX) during the period of 2020-2022.

LITERATURE REVIEW

A Systematic Review of Accounting Conservatism

Accounting conservatism is one of the accounting principles commonly used in accounting practice. A systematic review of accounting conservatism can help us understand this principle more deeply (Zhang et al. 2019; Sharma and Kaur 2021; Sun et al. 2022; Tambolo and Cevolani 2023). One example of a systematic review that can be conducted is to study the effect of accounting conservatism on the quality of financial information. In this case, accounting conservatism can help minimize the risk of errors or inaccuracies in financial statements, thus improving the quality of financial information presented. However, on the other hand, the application of accounting conservatism can also cause bias in the presentation of financial information, as it tends to report losses rather than gains.

In addition, a systematic review of accounting conservatism can also be conducted by considering the factors that influence its application. One factor that affects the application of accounting conservatism is the level of uncertainty in the business environment. The higher the level of uncertainty, the more likely accounting conservatism is to be applied, as it can help reduce the risk of loss. In addition, another factor that affects the application of accounting conservatism is the stakeholders' interests in financial reporting. For example, if stakeholders prioritize the safety and stability of the company over growth or profit, they may be more likely to apply accounting conservatism in financial reporting (Hsieh et al. 2019; Sun et al. 2023).

The Role of Profitability

Profitability plays an important role in calculating the earnings response coefficient. The earnings response coefficient is a ratio calculation that measures how much a company's earnings will change when revenue changes (Hakim et al. 2023). In calculating the earnings response coefficient, profitability is measured using return on assets, which is a ratio that measures how efficiently a company generates earnings from its assets. The higher a company's return on assets, the greater the likelihood of having a higher earnings response coefficient.

Thus, the level of profitability of a company greatly affects the earnings response coefficient. Companies with a high return on assets can more easily generate profits when their revenue increases and, therefore, have a higher earnings response coefficient. However, it is important to remember that the calculation of the earnings response coefficient is also influenced by other factors, such as cost structure and leverage (Biddle et al. 2022). Therefore, it is important for financial managers to pay attention to various factors that affect the earnings response coefficient, including profitability, when making financial decisions.

Investor Confidence

Growth opportunities, or growth prospects, are an important factor considered by investors in making investment decisions (Noh et al. 2023). This is because company growth is seen as an indicator of success and potential for high investment returns. Investor confidence in growth opportunities can be reflected in the increase in stock prices and trading volume in the capital market.

However, investor confidence in growth opportunities must be accompanied by careful evaluation of potential risks involved. Companies that focus on growth often experience a decrease in short-term profitability due to their investments (Cerqueira and Pereira 2020; Le and Moore 2022). Therefore, it is important for investors to understand how companies manage their growth and how it affects the overall performance of the company. With proper evaluation, investors can benefit from the potential growth generated by the company.

Confidence Level of The Difference in Corporate Default

The earnings response coefficient is a measure of a company's net income sensitivity to changes in revenue. One factor that can affect the earnings response coefficient is default risk. Default risk refers to the likelihood of a company failing to pay its debt or failing to meet other financial obligations. As default risk increases, the earnings response coefficient tends to decrease (Zhang 2023). This is because investors are less confident in companies with high default risk, so they are more cautious in responding to changes in a company's revenue.

The difference in default risk in the coefficient of profit response can be observed among companies with different risk categories. Companies with low default risk tend to have higher profit response coefficients than those with high default risk (Jin and Wu 2022; Ho et al. 2023). This can be explained by the higher investor confidence in companies considered to have low default risk. On the other hand, companies with high default risk are considered to have a greater likelihood of defaulting on debt, so investors tend to be more cautious in responding to changes in company revenue. Therefore, the difference in default risk in the coefficient of profit response can be an important factor in analyzing a company's financial performance.

METHODS

This research was conducted using a quantitative method that relied on secondary data derived from the annual financial reports of mining sector companies listed on the Indonesia Stock Exchange during the period of 2020-2022. The data was obtained through direct access to the official website of the Indonesia Stock Exchange, www.idx.com. Meanwhile, the population used in this research consisted of mining sector companies in Indonesia during the specified period. The research sample was selected using purposive sampling technique, where the samples were chosen based on specific criteria. The criteria for sample selection included: companies that published financial reports on the Indonesia Stock Exchange during the research period, companies that used the Indonesian rupiah as the currency in their financial statements, and companies that had positive profits or equity.

The analysis conducted will involve processing the collected data, such as statistical analysis and hypothesis testing, to identify and examine the relationships between the variables under investigation. Subsequently, the analysis results can provide a better understanding of the contribution of accounting conservatism to the mining sector, as well as its implications for financial reporting and decision-making within it. Therefore, the research can also provide valuable and in-depth insights for stakeholders in the

mining sector, academics, and accounting practitioners in understanding the importance of accounting conservatism in the context of the mining industry in Indonesia.

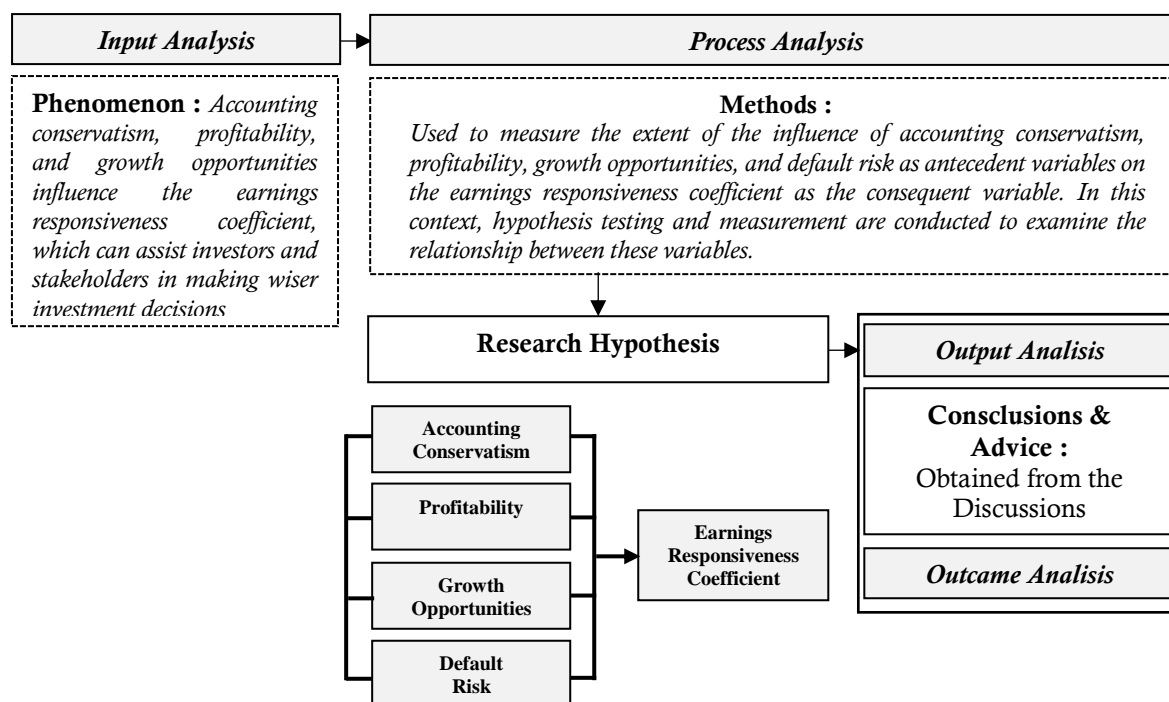
There are 60 companies that meet the criteria as samples in this research. Here is the list of selected companies.

Table 1. List of Sample Mining Sector Companies in Indonesia

No.	Company Name	No.	Company Name
1.	PT. Adaro Energy Tbk.	31.	PT. Transcoal Pacific Tbk.
2.	PT. Akbar Indo Makmur Stimec Tbk.	32.	PT. Astrindo Nusantara Infrastruktur Tbk.
3.	PT. Atlas Resources Tbk.	33.	PT. Energi Mega Persada Tbk.
4.	PT. Borneo Olah Sarana Sukses Tbk.	34.	PT. Medco Energi Internasional Tbk.
5.	PT. Baramulti Suksessarana Tbk.	35.	PT. Mitra Investindo Tbk - MITI
6.	PT. Bumi Resources Tbk.	36.	PT. Sugih Energy Tbk - SUGI
7.	PT. Bayan Resources Tbk.	37.	PT. Super Energy Tbk - SURE
8.	PT. Dian Swastatika Sentosa Tbk.	38.	PT. Merdeka Copper Gold Tbk.
9.	PT. Golden Energy Mines Tbk.	39.	PT. Resources Asia Pasifik Tbk.
10.	PT. Garda Tujuh Buana Tbk.	40.	PT. Wilton Makmur Indonesia Tbk.
11.	PT. Harum Energy Tbk.	41.	PT. Saranacentral Bajatama Tbk.
12.	PT. Indika Energy Tbk.	42.	PT. Betonjaya Manunggal Tbk.
13.	PT. Indo Tambangraya Megah Tbk.	43.	PT. Citra Tubindo Tbk.
14.	PT. Resource Alam Indonesia Tbk.	44.	PT. Gunawan Dianjaya Steel Tbk.
15.	PT. Mitrabara Adiperdana Tbk.	45.	PT. Gunung Raja Paksi Tbk.
16.	PT. Bukit Asam Tbk.	46.	PT. HK Metals Utama Tbk.
17.	PT. Golden Eagle Energy Tbk.	47.	PT. Steel Pipe Industry of Indonesia Tbk.
18.	PT. TBS Energi Utama Tbk.	48.	PT. Krakatau Steel (Persero) Tbk.
19.	PT. Trada Alam Mineral Tbk.	49.	PT. Lionmesh Prima Tbk.
20.	PT. Trans Power Marine Tbk.	50.	PT. Optima Prima Metal Sinergi Tbk.
21.	PT. Batulicin Nusantara Maritim Tbk.	51.	PT. Aneka Tambang Tbk.
22.	PT. Capitol Nusantara Indonesia Tbk.	52.	PT. Bumi Resources Minerals Tbk.
23.	PT. Eksploitasi Energi Indonesia Tbk.	53.	PT. Central Omega Resources Tbk.
24.	PT. Dwi Guna Laksana Tbk.	54.	PT. Ifishdeco Tbk.
25.	PT. Alfa Energi Investama Tbk.	55.	PT. Vale Indonesia Tbk.
26.	PT. Mitrahaatera Segara Sejati Tbk.	56.	PT. Tembaga Mulia Semanan Tbk.
27.	PT. Pelita Samudera Shipping Tbk.	57.	PT. Alakasa Industrindo Tbk.
28.	PT. Indo Straits Tbk.	58.	PT. Alumindo Light Metal Industry Tbk.
29.	PT. Rig Tenders Indonesia Tbk.	59.	PT. Cita Mineral Investindo Tbk.
30.	PT. Sumber Global Energy Tbk.	60.	PT. Indal Aluminium Industry Tbk.

Source: Indonesia Stock Exchange, www.idx.com, 2023

The above company is divided into sub-sectors of coal production, oil refining production, natural gas production, gold production, iron production, steel, and metal production, mineral production, copper, and aluminum. The reason why researchers chose these sub-sectors is because the companies have implications that can be analyzed, namely, the companies tend to operate in environments with high risks, allowing them to adopt a conservative approach in financial reporting. The profitability of the companies is also highly influenced by fluctuations in commodity prices and market volatility. Growth opportunities can be related to new explorations, operational expansions, or product diversification within this sub-sector. Default risk in terms of debt payments and business sustainability are important considerations in examining the financial aspects of companies in this mining sub-sector, and the earnings responsiveness coefficient reflects the extent to which a company can generate changes in earnings in response to changes in sales or economic conditions. By selecting companies in this sub-sector and analyzing aspects such as accounting conservatism, profitability, growth opportunities, default risk, and earnings responsiveness coefficient, we can gain better insights into the financial condition, risk management, and growth potential of companies in the industry.



Source: data processed by researchers, 2023

Figure 1. Conceptual Framework

The above framework is a model of theoretical study, empirical study, and synthesis of the framework study that will underlie the hypotheses, so that they can be tested for their validity.

Formulation of Hypotheses

Based on the indication of the phenomenon that occurs and supported by relevant theories, prior to being based on the facts obtained through data collection, the hypotheses proposed in this study are as follows:

- H₁: Accounting Conservatism affects Earnings Response Coefficient
- H₂: Profitability affects Earnings Response Coefficient
- H₃: Growth Opportunities affect Earnings Response Coefficient
- H₄: Default Risk affects Earnings Response Coefficient

This hypothesis is in line with the researcher's objective, as the process of discovery has the characteristics of being systematic, empirical, and based on relevant theory. In this study, a research model is used that involves testing the coefficient of determination (R^2) and classical assumption tests consisting of tests for normality, multicollinearity, autocorrelation, and heteroscedasticity. The coefficient of determination test is used to evaluate how much variability in the dependent variable can be explained by the independent variable. Meanwhile, classical assumption tests are used to examine the basic assumptions that must be met in regression analysis, such as data normality, no multicollinearity, no autocorrelation, and no heteroscedasticity (Chen et al. 2023; Azarifar 2023). By using these tests, it is expected that the research results obtained have met the basic assumptions required for analyzing data through regression.

Earnings Response Coefficient:

$$CAR(t) = \Sigma(AR(i)) \text{ from } i = 1 \text{ to } i = t \quad (1)$$

Where,

- CAR(t) : accumulated abnormal return at time t
- AR(i) : abnormal return in the i-th time period
- Σ : shows the abnormal return addition operation from $i=1$ to $i=t$
- $i=1$ to $i=t$: shows the 1st time range and ends at the tth time

$$R_i = (\alpha + \beta R_m) \quad (2)$$

Where ;

- R_i : rate of return of the asset or security being analyzed
- α : intercept estimation constant from the market (R_m) or systematic risk
- β : beta regression coefficient of asset sensitivity to changes in market returns (R_m)

$$R_{i,t} = (P_t - P_{t-1}) / P_{t-1} \quad (3)$$

Where,

- R_{i,t} : rate of return on securities in asset prices from period t-1 to period t
- P_t : asset price in time period t
- P_{t-1} : asset price in time period t-1

Accounting Conservatism:

$$\rho = 1 - (6 * \Sigma(D^2)) / (n * (n^2 - 1)) \quad (4)$$

Where ;

- ρ : correlation between this year's profit and previous year's profit
- Σ : sigma denoting the sum
- D : difference in ranking between this year's profit and the previous year's profit
- N : the number of observations of this year's profit pair and the previous year's profit

The concept of accounting conservatism is related to a conservative approach in recognizing revenue and expenses in financial statements calculated with earnings persistence. As a result, the correlation coefficient can be calculated to evaluate the sustainability of profits between two time periods. A correlation coefficient approaching 1 indicates a strong relationship, while a coefficient approaching 0 indicates a weak relationship between this year's profit and the previous year's profit.

Profitability:

$$ROA = (\text{Net Income} / ((\text{Beginning Total Assets} + \text{Ending Total Assets}) / 2)) \times 100\% \quad (5)$$

Growth Opportunities:

$$M/B = \text{Stock Market Price Per Share} / \text{Book Value Per Share} \quad (6)$$

Default Risk:

$$Lit = TU_{it} / TA_{it} \quad (7)$$

- Lit : liquidity ratio, measuring the company's ability to fulfill obligations
- TU_{it} : total short term debt, total short term liabilities of a company in a given time period
- TA_{it} : short-term total assets, the total amount of assets available in the short term

In this study, a multiple regression analysis model is used to test the relationship and influence of several independent variables on one dependent variable. This analysis is used to estimate the population mean value or the value of the dependent variable's average based on the independent variables used. This regression model can measure the strength and direction of the relationship between variables and is used to test hypotheses in this study. The following is the formula for the regression model used.

$$\text{Coefficient of Earnings Response } Y = \beta_0 + \beta_1 \text{ Accounting Conservatism} + \beta_2 \text{ Profitability} + \beta_3 \text{ Growth Opportunities} + \beta_4 \text{ Default Risk} + \beta_k X_k + \varepsilon \quad (8)$$

Where ;

- Y : is the dependent variable
- β₀ : is the constant intercept
- β₁ : to β_k are the regression coefficients that indicate the influence of independent variables X₁ to X_k on Y. X₁ to X_k are independent variables
- ε : is the error or residual

This formula is used to estimate the average value of the dependent variable (Y) based on the values of the independent variables (X_1 to X_k) using a linear equation model. The process of estimating regression coefficients is done by minimizing the error (ϵ) between the observed values of Y and the predicted values by the regression model.

RESULT AND DISCUSSION

Multiple linear regression analysis is a statistical method used to study the relationship between independent variables and a dependent variable. In this analysis, the basic assumption is that the relationship between independent variables and the dependent variable is linear, and there is homoscedasticity and residual independence. The methodology used in multiple linear regression analysis includes selecting the appropriate regression model, testing basic assumptions, testing significance, testing model feasibility, partial regression analysis, and testing for multicollinearity. A good understanding of this methodology ensures accurate and reliable results.

Table 2. Multiple Linear Regression Analysis

	Variable	β	t_{count}	Sig.
Modeling Unstandardized Residual	(Constant)	0,072	0,586	0,569
	Accounting Conservatism	0,411	2,053	0,031
	Profitability	-0,090	-0,187	0,894
	Growth Opportunities	-0,008	-2,902	0,004
	Default Risk	-0,061	-0,607	0,571
	F_{count}	2,409		
	R^2	0,101		
	AdjustedR2	0,098		
	Sig.	0,001 ^b		

Sources: the data is processed, researchers from IBM SPSS Statistics version 25.0.

The significance value of the accounting conservatism variable indicates that accounting conservatism has an effect on the earnings response coefficient, thus H_1 is accepted. However, the significance value of the profitability variable indicates that profitability does not have an effect on the earnings response coefficient, thus H_2 is rejected. In addition, the significance value of the growth opportunities variable indicates that growth opportunities have an effect on the earnings response coefficient, thus H_3 is accepted. However, the significance value of the default risk variable indicates that default risk does not have an effect on the earnings response coefficient, thus H_4 is rejected.

After conducting data testing, the classical assumption analysis consisting of kolmogorov-smirnov normality test showed that the data is normally distributed, followed by the variance inflation factor indicating the absence of multicollinearity issues. Furthermore, it is free from heteroscedasticity as shown by the glejser test and does not contain indications of autocorrelation as durbin watson test for data distribution. The following are the results of the classical assumption analysis :

Table 3. Classical Assumption Analysis

Variable	Kolmogorov-Smirnov P-value	Variance Inflation Factor	Glesjer Test	Durbin Watson
Unstandardized Residual :	0,118			2,250
Accounting Conservatism		1,211	0,966	
Profitabilitas		1,970	0,327	
Growth Opportunities		1,828	0,971	
Default Risk		1,220	0,264	

Sources: the data is processed, researchers from IBM SPSS Statistics version 25.0.

DISCUSSIONS

In this study, the variable of accounting conservatism has a significant influence on the earnings response coefficient. This indicates that the higher the accounting conservatism of a company, the lower its earnings response coefficient. This is supported by the test results, where the significance value of T-test is obtained as a p-value of $0.031 < \alpha 0.05$. The earnings response coefficient reflects the extent to which changes in a company's earnings can be explained by changes in market earnings. Therefore, investors should consider the factor of accounting conservatism when making investment decisions. This means that behind

the influence of accounting conservatism on the earnings response coefficient is the fact that a conservative approach requires companies to be more cautious in recognizing earnings. In situations where companies face uncertainty or risk, they are more likely to delay the recognition of earnings or reduce their value. This can reduce earnings fluctuations and result in a lower earnings response coefficient.

Meanwhile, the profitability variable does not have a significant influence on the earnings response coefficient. This indicates that investors do not need to pay too much attention to profitability factors when making investment decisions. This is supported by the test results, where the significance value of T-test is obtained as a p-value of $0.894 > \alpha 0.05$. However, this does not mean that profitability is not important for the sustainability of a company. Profitability remains an important factor in business continuity. The non-significant influence of profitability in this study on the earnings response coefficient indicates that in a specific context, profitability does not have a direct relationship with the extent to which changes in a company's earnings are influenced by changes in market earnings.

Furthermore, the growth opportunity variable has a significant influence on the earnings response coefficient. This indicates that the higher the growth opportunity of a company, the higher its earnings response coefficient. This is supported by the test results, where the significance value of T-test is obtained as a p-value of $0.004 < \alpha 0.05$. Investors should consider the growth opportunity factor when making investment decisions because companies with high growth opportunity can provide greater returns in the future. This finding can conclude that companies with high growth opportunity tend to have higher earnings response coefficients. Growth opportunity reflects the potential of a company to generate earnings growth in the future. Therefore, investors should consider this factor in investment decision making.

Lastly, the default risk variable does not have a significant influence on the earnings response coefficient. This is further supported by the test results, where the significance value of T-test is obtained as a p-value of $0.571 > \alpha 0.05$. This indicates that investors do not need to pay too much attention to default risk factors when making investment decisions. Default risk reflects the risk of a company's failure to pay in the event of bankruptcy. However, investors still need to consider default risk. Nevertheless, default risk does not directly affect the extent to which changes in a company's earnings are influenced by changes in market earnings.

The findings of this research are consistent with previous studies (Hamdan 2020; Wijayanti et al. 2020; Paramita et al. 2020; Khalifa et al. 2022; Du et al. 2022; Liu et al. 2023; Sa'ad et al. 2023; Basu et al. 2023) that show the influence of the accounting conservatism and growth opportunity variables on the earnings response coefficient, as well as the lack of influence of the profitability and default risk variables on the earnings response coefficient. This indicates that these factors indeed have a significant influence on the earnings response coefficient and should be considered by investors in making investment decisions. Furthermore, the findings of this research are not in line with studies conducted by (Jaggi et al. 2022; Jategaonkar et al. 2023; Ivanov and Faulkner 2023; D'Augusta and Grossetti 2023; Ritonga et al. 2023) that indicate a negative influence of the accounting conservatism and growth opportunity variables on the earnings response coefficient. This means that both variables indicate that the increase in a company's earnings is not fully reflected in the reported earnings changes and the focus of the company on long-term growth and development weakens the earnings response to changes in earnings under certain conditions.

Overall, this research recommends that investors consider accounting conservatism and growth opportunity factors when making investment decisions, while profitability and default risk factors should not be considered as primary factors. However, investors still need to consider all these factors holistically when making investment decisions. Researchers, in the context of this scientific study, observe opportunities in terms of collaboration between net profit margin, tax efficiency, return on equity, and return on investment, which can have a significant impact on future research. This is because the collaboration of these strategies provides companies with opportunities to enhance profit growth by optimizing profitability, managing taxes efficiently, increasing their own capital returns, and selecting investments that yield high returns. In future research, these factors can be combined in the analysis to provide deeper insights into how the collaboration between these indicators supports company profit growth.

CONCLUSION

To make better investment decisions, investors need to consider all relevant factors holistically and not just focus on a single factor. The conclusion of this research indicates that accounting conservatism and growth opportunities are significant factors in determining earnings response coefficients, thus these factors need to be seriously considered in investment decision-making. Additionally, investors should also take into account profitability and default risk as part of the holistic consideration in investment decisions. Although these two factors do not have a significant impact on earnings response coefficients, they still play an important role in determining a company's performance.

Therefore, investors need to conduct comprehensive holistic analysis involving all relevant factors in investment decision-making. Investors should pay attention to accounting conservatism and growth opportunities as significant factors in determining earnings response coefficients. Furthermore, profitability and default risk factors should also be considered in holistic analysis, despite not having a significant impact on earnings response coefficients. By conducting comprehensive holistic analysis, investors can make better investment decisions and minimize the risk of losses.

These findings emphasize that investors need to conduct in depth analysis involving all these factors to make better investment decisions, supported by theoretical studies such as accounting conservatism theory, earnings response theory, investment theory, and firm performance theory. In addition, companies should provide transparent financial reports, maintain a focus on long-term growth, strive to strengthen profitability, and have effective risk management strategies to demonstrate to investors. This will provide confidence and aid in investment decision making.

The findings of this research are not directly related to the post-COVID-19 outbreak, either globally or in Indonesia. However, these findings are more general and applicable to the overall investment situation. The values discussed are related to the importance of considering relevant factors holistically in making investment decisions, which include accounting conservatism, growth opportunities, profitability, and default risk. Although not explicitly related to the post-COVID-19 outbreak, the researchers acknowledge that the principles described remain relevant in situations before or after the pandemic. As an investor, it is necessary to consider in-depth analysis and understand these factors to help make much better investment decisions, regardless of the context of the post-COVID-19 outbreak.

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