

THE EFFECT OF GOOD CORPORATE GOVERNANCE DISCLOSURE AND FIRM SIZE ON PRUDENCE ACCOUNTING

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ABSTRACT

This research aims to examine the effect of Good Corporate Governance Disclosure and Firm Size on Accounting Prudence in State-owned companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. The research method used is a quantitative method with a descriptive analysis approach and verification. The population of this study are state-owned companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period, totaling 22 companies. This research method uses non-probability sampling with purposive sampling technique with a total sample of 16 companies that meet the criteria. Data analysis was performed using multiple linear regression. The results of this study indicate that there is a significant effect of Good Corporate Governance Disclosure on accounting prudence of 34.5% and the significant effect of firm size on accounting prudence is 40.3%

Keywords: *Good Corporate Governance Disclosure, Company Size, Prudence accounting*

INTRODUCTION

Financial statements are an important element for companies. Financial statements are reports to show the financial condition of a company for a certain period and are intended for interested parties in the company (Andreas et al., (2017). Interested parties include investors and creditors. These parties are more focused on the company's profit reporting information. (A.Septiana, 2019) stated that the company's profit reporting serves to evaluate and assess the company's performance, estimate and predict the achievement of long-term profits, and interpret the gains and losses on investment and corporate debt. In order for these three aspects to be realized, the company's financial reports must be real, accountable, and relevant.

By referring to Financial Accounting Standards (SAK) the management is free to determine which method is appropriate for a company it manages. Included in that is the principle of accounting conservatism. (Mumayiz et al., 2020) states that accounting conservatism is a pessimistic attitude in dealing with the uncertainty of

profit or loss by slowing revenue recognition and accelerating expense recognition, with the intention that the value of assets decreases while the value of debt or liabilities increases.

In uncertainty, the valuation of assets and liabilities uses the historical method as a measurement to minimize the occurrence of excess net assets (Juliarto, 2015). By using this method, a company indirectly applies the principle of conservatism, but accounting conservatism is no longer regulated in the International Financial Report Standards (IFRS), because IFRS emphasizes the relevance of the value of accounting information for the future, while conservatism emphasizes the reliability of information. accounting (Mumayiz et al., 2020).

This phenomenon is motivated by cases of financial manipulation that occurred in Indonesia in 2018, one of which is PT Garuda Indonesia. The management of PT Garuda Indonesia Tbk is alleged to have manipulated the presentation of its financial statements. Garuda Indonesia recorded net income in 2018 after several consecutive months of losses. Income

earned because there are receivables recorded as income. In 2018 Garuda Indonesia earned a net profit of \$809.85 thousand or Rp11.33 billion. The profit arose due to soaring other operating income with a total of \$306.88 million. Because of this, there were 2 commissioners who did not want to sign the Garuda financial report. The 2 commissioners objected to the revenue recognition which was a cooperation agreement transaction regarding the provision of connectivity services in flights between PT Mahata Aero Teknologi and PT Citilink Indonesia. This revenue recognition is not in accordance with PSAK no. 23, because the management of Garuda Indonesia recorded revenues from Mahata with a value of \$ 239,940,000, of which there is a value of \$ 28,000,000 which is part of the revenue sharing obtained from PT Sriwijaya Air. The money is still in the form of receivables, but is recognized by Garuda Indonesia as income (<https://finance.detik.com/>).

The first independent variable used in this research is Good Corporate Governance Disclosure. This variable is used on the grounds that the company is assumed to be sustainable and must ensure that the operations carried out by the company do not deviate from the norms in society and can be legitimized by outsiders (Kusumawardani & Sudana 2017). To overcome this problem, we need parties who can monitor and pressure the company so that they can carry out accounting prudently optimally. Issues of transparency and responsibility/responsibility as well as the role of stakeholders in dealing with problems within the company have been mentioned and regulated in Good Corporate Governance (GCG). Prudence Accounting is the implementation of two GCG principles, namely responsibility and transparency.

The second independent variable is Firm Size. This variable is carried out on the grounds that large companies are assumed to have a large number of assets

and income levels so that they generate high profits. Conversely, if sales are less than variable costs and fixed costs, the company will suffer a loss. Large companies have a more complex management system and have more complex problems and risks than small companies, large companies will be subject to high political costs so to reduce these political costs the company uses Prudence Accounting. Usbah and N.S primasari (2020) Purnama and Daljono (2013) stated that company size is one of the factors that influence accounting prudence in the presentation of financial statements. This is different from the research conducted by S.S Putri and V. Herawaty (2020) which shows that company size does not affect Prudence Accounting in the presentation of financial statements. Although this research refers to previous, there are differences in the variables research, the time and location of the research.

THEORICAL BASIS

Good Corporate Governance Disclosure

Good Corporate Governance is a corporate governance system that contains a set of regulations that regulate the relationship between shareholders, management (managers) of the company, creditors, government, employees, and other internal and external stakeholders in relation to their duties, rights and their obligations or in other words, a good system and structure to manage the company with the aim of increasing shareholder value and accommodating various interested parties (stakeholders) and being able to manage risks properly.

According to Daniri (2014: 5) Good corporate governance is a procedure to ensure that the Tariff Principle migrates into a culture, directs and controls the company to create sustainable growth, increase added value while still paying attention to the balance of stakeholder interests in accordance with healthy corporate principles and in accordance with laws and regulations. -invitation."

Good Corporate Governance is also used as an indicator that companies that implement Good Corporate Governance can be said to be healthy in terms of processing (Handayani, 2016). The company is required to periodically conduct a comprehensive self-assessment of the adequacy of the implementation and disclosure of governance. The higher the composite value of Good Corporate Governance, the condition of the implementation of good corporate governance is weak.

Firm Size

Firm Size is a scale where the size of the company can be classified, one of which is based on total assets. The greater the total assets, the greater the size of the company, and the more complex the transactions, thus enabling the company to take advantage of loopholes or weaknesses in the laws and regulations to carry out prudent actions (Retta & Mienati, 2016)

Firm size is defined by the comparison of the size of a company that can be seen through total assets, sales and market capitalization. Of the 3 types, company size through total assets tends to be more stable than the others. "According to Prasetyorini in Hary (2017:11)

According to Hartono (2015: 254) Company size is the size of the company can be measured by the total assets of the company's assets by using the calculation of the logarithmic value of total assets ".

Prudence Accounting

Prudence is defined as a cautious reaction in the face of uncertainty inherent in the company to try to ensure that the uncertainties and risks in the business environment are taken into account. Reporting based on prudence will provide the best benefits for all users of financial statements.

According to Suwardjono (2014: 245) the notion of accounting prudence is an attitude or school of thought in dealing with uncertainty to take action or decisions on the basis of the worst outcome of the

uncertainty. Conservative attitude also implies being careful in dealing with risk by being willing to sacrifice something to reduce or eliminate risk.

Menurut ramadona (2016) pengertian prudence akuntansi adalah "sebagai tendensi yang dimiliki oleh akuntan perusahaan yang mensyaratkan tingkat verifikasi yang lebih tinggi untuk mengakui laba dibandingkan mengakui rugi".

HYPOTHESES

H 1 : Good Corporate Governance Disclosure has significant to prudence Accounting

H 2 : Firm Size has significant to prudence Accounting.

METHOD

Research Method

This research method uses quantitative methods. quantitative method is the research method used to research a particular population or sample, data collection using research instruments, quantitative data analysis with the aim of testing hypotheses (Sugiyono, 2018:15)

Research Unit

The research unit in this study is the financial statements of state-owned companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period

Variable Operational.

Operationalization of variables is needed to determine the types and indicators of variables involved in this research. In addition, the operation of the variables aims to determine the measurement range of each variable so that the tool can be used to test hypotheses properly.

Population and Sampling Techniques and Research Samples

The population in this research is BUMN Sector Companies from 2016 to 2020 there are as many as 22 companies. Not all of these populations are the object of research, so further samples are needed.

The sampling technique used by the author is nonprobability sampling using the purposive sampling method.

Table 1. Purposive Sampling

Sample Kriteria	Companies
GO PUBLIC BUMN company listed on the IDX for the period 2016-2020	22 company
Reduction of the sample criteria I GO PUBLIC BUMN that do not publish complete financial reports for 5 consecutive years for the 2016-2020 period	(6) Company
Companies that can be used as research samples	16 Company

Research Sample

Based on the population and the sampling technique used by the author, the research sample is as follows:

Table 2 Sample List of State-Owned Enterprises listed on the IDX for the 2016-2020 period

No	Kode Perusahaan	Nama Perusahaan
1	KRAS	PT Krakatau Steel Tbk
2	TLKM	PT Telekomunikasi Tbk
3	BBNI	PT Bank Negara Indonesia
4	BBRI	PT Bank Rakyat Indonesia
5	GIAA	PT Garuda Indonesia (Persero) Tbk
6	WSKT	PT Waskita Karya (Persero) Tbk
7	WIKA	PT Wijaya Karya (Persero) Tbk
8	PTPP	PT Pembangunan Perumahan (Persero) Tbk
9	PTBA	PT Bukit Asam Tbk
10	BMRI	PT Bank mandiri (Persero) Tbk
11	BBTN	PT Bank Tabungan Negara (Persero) Tbk
12	BBKP	PT Bank Bukopin Tbk
13	KAEF	PT Kimia Farma Tbk
14	INAF	PT Indofarma Tbk
15	ANTM	PT Aneka Tambang Tbk
16	TINS	PT Timah Tbk

Data Source

The data source uses secondary data. Data collection is done by obtaining data from www.idx.co.id, Sahamok.net, invesnesia.com, and other websites regarding stocks. While annual Reports for the 2016-2020 period were obtained from the websites of each company that were published in the 2016-2020 period as well as literature books and economic journals related to the topic under research.

Data collection technique

Data collection techniques used to support this research are Library Research and Internet Research.

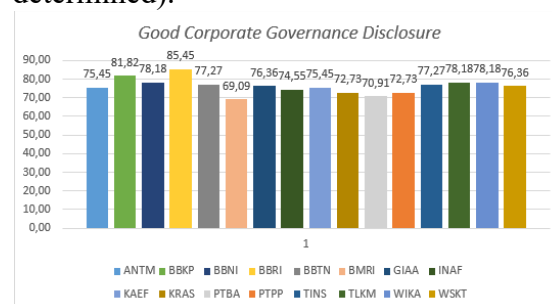
Data analysis

The data analysis used by the author is descriptive and verification analysis. Sugiyono (2019:206) explains descriptive analysis is data analysis by describing or describing the data collected as they are, without intending to make broad conclusions or generalizations.

While the verification analysis is basically to test the validity of the hypothesis which is carried out through data collection. The verification analysis aims to answer questions related to the effect of Good Corporate Governance Disclosure, Company Size on Accounting Prudence.

RESULT AND DISCUSSION

In this research, Good Corporate Governance Disclosure is measured through content analysis, which checks 22 items that have been determined during the 2016-2020 period as many as 16 companies have an average of being in the "High" category (disclosed items that have been determined).



It can be seen that the average recapitulation of the company that has the highest corporate governance disclosure is PT Bank BRI (BBRI). While the company that has the lowest disclosure of corporate governance is PT Bank Mandiri (BMRI).

(Firm Size)

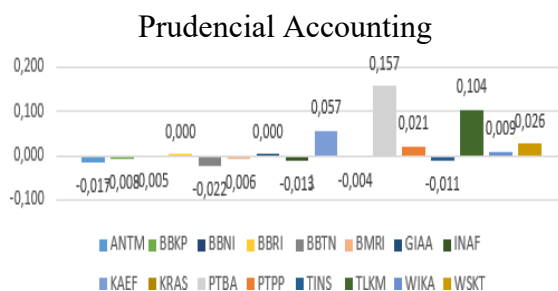
Company size in this study is proxied by total assets, which describes the entire wealth owned by the company. The following is an overview of the total assets of state-owned companies listed on the IDX for the 2016-2020 period:



It can be seen that the average recapitulation of the company that has the highest Ln Total Asset value is PT Bank Mandiri (BMRI). Meanwhile, the company with the lowest prudence value is PT Aneka Tambang TBK BTN (ANTM).

Accounting Prudence

Accounting Prudence In this research proxies through accruals, namely the difference between net income and cash flow. The net income used is net income before depreciation and amortization, while the cash flow used is operational cash flow with a ratio scale



it can be seen that the average recapitulation of the company that has the highest prudence value is PT Bukit Asam TBK (PTBA). Meanwhile, the company that has the lowest prudence value is PT Bank BTN (BBTN).

DISCUSSION

In this discussion section, several research problems will be explained using descriptive analysis and verification analysis approaches. Descriptive analysis is used to analyze Good Corporate Governance Disclosure, Company Size on accounting prudence in BUMN companies listed on the IDX for the 2016-2020 period. While verification analysis is used to examine the effect of Good Corporate

Governance Disclosure, and Company Size on accounting prudence.

Descriptive Analisis

Good Corporate Governance Disclosure

minimum value is the lowest value of the total amount of data. The lowest score of this Corporate Governance Disclosure is PT Garuda Indonesia (GIAA) of 63,640, which is where the disclosure of items made is very little.

maximum value is the highest value of the total amount of data. The highest value from Bank BRI (BBRI) was 95,450 items disclosed.

mean value is the average value of some existing data. The average value of corporate governance disclosure is 1219,994 items. Or equal to 76.24%, a category table containing criteria and intervals will then be presented. The value of the Mean Corporate Governance Disclosure is included in the high criteria.

Firm size

minimum value is the lowest value of the total amount of data. The lowest value of this Firm Size, namely PT Indo Farma (INAF) of 1,381,633,000,000 is in the very small category.

Maximum Value is the highest value of the total amount of data. The highest value of Firm Size, namely PT Bank Mandiri (BMRI) of 1,703,265,982,000,000 is in the very high category.

Mean value is the average value of the total number of data. From the descriptive statics table above, it can be seen that the mean value of RP. 264,097,723,937,499

Prudence Accounting

minimum value is the lowest value of the total amount of data. The lowest value from Prudence, namely PT Aneka Tambang (ANTAM) of -0.030, is in the very small category (Very careless)

Maximum Value is the highest value of the total amount of data. The highest value of this Firm Size, namely PT Bukit

Asam (PTBA) of 0.198, is in the very high category (Very careful)

Mean value is the average value of the total number of data. From the table of descriptive statics above, it can be seen that the mean value is 0.179 or 0.18%.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.864 ^a	.748	.726	.05070	.532
a. Predictors: (Constant), Ukuran Perusahaan, Good Corporate Governance Disclosure					
b. Dependent Variable: Prudence Akuntansi					

From the table in Coefficients above, by looking at column B, the following equation is obtained.

$$Y = 0.168 + 0.601X_1 + 0.503X_2$$

From the results of the multiple linear regression equation, each variable can be interpreted as follows:

The constant (a) of 0.168 indicates that if the value of Good Corporate Governance Disclosure and Company Size is equal to zero, then Accounting Prudence is 0.168. In other words, if Good Corporate Governance Disclosure and Company Size are very low, the company tends to do Prudence Accounting.

The regression coefficient (b) is positive at 0.601 indicating that every 1% increase in Good Corporate Governance Disclosure is predicted to increase Accounting Prudence by 0.601.

The regression coefficient (b) has a positive value of 0.503 indicating that every increase in size

Companies by 1% are predicted to increase Prudence Accounting by 0.503.

Good Corporate Governance Disclosure has a correlation coefficient value of 0.588. The correlation value is positive which indicates that the relationship between the independent variable and the dependent variable is in the same direction where the better Good Corporate Governance Disclosure will be followed by an increase in Accounting Prudence.

Firm size has a correlation coefficient of 0.635. The correlation value is positive which indicates that the relationship

between the independent variable and the dependent variable is in the same direction where the better the size of the company, the higher the accounting prudence.

CONCLUSION

Good corporate governance Disclosure in BUMN companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period which is measured using the Index and using content analysis is in the "high" or "Disclosed" category, meaning that the company's ability is good in disclosing its corporate governance. This is due to the company's success in implementing GCG to improve the quality of financial reports.

Company size in BUMN companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period as measured using LN Total Assets is in the Large category. The "big" category in company size is due to the company's success in managing its assets, so that the company can maintain stability or even expand the market share it wants to achieve.

Accounting Prudence in BUMN companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period as measured by determining net income and cash flow are in the "Not Cautious" category. This is because the recognition of profits is still large even though it is still in the form of potential compared to the recognition of losses that are certain to occur.

Good Corporate Governance Disclosure, and Company Size have a simultaneous effect on prudence. Simultaneously Good Corporate Governance Disclosure, and Company Size have an influence of 74.8% on prudence in BUMN companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period

Good corporate governance disclosure has a partial influence of 34.5% on prudence. Good corporate governance disclosure has an effect on prudence in state-owned companies listed on the

Indonesia Stock Exchange (IDX) for the 2016-2020 period

Company size has a partial influence of 40.3% on prudence. Company size has an effect on prudence in BUMN companies listed on the Indonesia Stock Exchange for the period 2016-2020

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