

The Effect of Conservatism Accounting and Tax Risk on Firm Value: Agency Costs as a Moderating Factor

Linda Korniwati¹, Nurcahyono²

^{1,2}Department of Accounting, Universitas Muhammadiyah Semarang
Email: kurniawatilinda53@gmail.com

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ABSTRACT

This study aims to determine the influence of accounting conservatism and tax risk with agency cost as moderators in energy sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The population in this study is energy sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023. This study uses a purposive sampling technique, obtained from 8 companies so that the number of samples used is 40 observation data. The analysis used in this study is multiple regression analysis using SPSS version 26 as a calculation tool. Based on the results in this study, it shows that tax risk has no effect on the value of the company. Meanwhile, accounting conservatism shows a negative effect on the value of the company. Agency cost fully reinforce the relationship of accounting conservatism to the value of the company, but agency cost cannot moderate the tax risk to the value of the company.

Keywords: Firm value, tax risk, accounting conservatism, agency costs.

INTRODUCTION

In the current era of globalization, companies are faced with fierce competition, so they must keep up with the rapid development of technology and information in order to maintain their existence in the industrial world. The company must be able to maximize all aspects owned by the company, both financial and non-financial aspects, in order to increase the company's value, for the sake of the company's survival in the long term (Kusuma Wardani & Tri Susilowati, 2020). In 2020, there was a significant decline in the stock price index (JCI) due to the spread of the Covid-19 outbreak (Kodriyah et al., 2023). In addition, throughout 2023 several sectors experienced a decline in stock prices, one of which was in the energy sector. Stock prices are an indicator of the company's value, so that the rise and fall of stock prices is a phenomenon that is often also associated with an increase or decrease in the value of the company. If the stock price falls, then the company's value condition also drops (Ifada et al., 2023).

Stock price is one of the things that can affect the company in reflecting investment, financing and asset management, which is usually used by investors to evaluate. Another factor that makes shareholders make decisions in investing their capital is the value of the company. The success of an entity in ensuring the prosperity of shareholders is the standard of the company. So it is inevitable that the risks of companies in their efforts to pursue value (Setyawan et al., 2023).

Firm value is a view of investors' perception of success in a company as reflected in the stock price (Fatimah et., all 2019). The share price must be paid by investors to the owner of the company according to the price that has been determined. When the stock price is higher, the value of the company is also higher. This increase in the value of the company can increase the market reaction because it considers that the returns received will be higher and also the risk that investors will bear will be lower (Roqijah et al., 2022). Firm value is an aspect that investors look at before deciding to invest their funds in a company. The increased value of the company is a goal and an illustration that the company has succeeded in running its business. The value of this company is very important, because with a high firm value can attract investors to invest and maintain the prosperity of shareholders (Ermawati et al., 2023). To make this happen, the company hopes that managers can take good steps to increase the company's value (Setyawan et al., 2023). One of the indicators that can be used for the value of a company is the market value seen from the stock price. In recent years, several problems have arisen in the company's performance, especially in 2023 the energy sector has experienced a decline in stock prices.

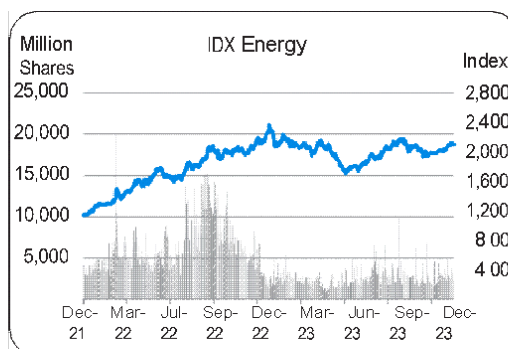


Figure 1.1 Stock prices in energy sector companies in 2021-2023

There has been a decline in stock prices in energy sector companies throughout 2023. In the period from January to May 2023 or ytd (*year-to-date*) this sector had the worst performance of other sectors, which plummeted by up to 25%. PT ABM Investama Tbk (ABMM), which experienced a decrease of 2.34% to Rp 3,340/share, PT Harum Energy

Tbk (HRUM) from -2.19% to 1,560/share, PT Baramulti Suksessarana Tbk. (BSSR) from -1.94% to 3,530/share. Throughout July or in the last seven days of 2023, coal prices have always closed in the red zone, up to 17.09%. This is because coal prices are projected to continue to fall, making mining companies ask to stop production. If production continues to increase while demand is weak, margins are believed to continue to decline (CNBC Indonesia.com, 2023)

From the above phenomenon, companies that experience a decline in stock prices indicate that they are less effective and efficient. company in achieving corporate values. According to hermuningsih (2013) in Herninta (2019), the stock market price is considered a reflection of the real value of the company's assets. The value of a company formed through stock market value indicators is greatly influenced by investment opportunities (Alfitri et al., 2022). The existence of investment opportunities can provide positive signals about the company's growth in the future, so that it can increase the company's value (Hernita, 2019). Based on this phenomenon in predicting factors that affect the value of a company, the researcher uses tax risk variables and accounting conservatism. In addition to these two variables, there are also moderation variables that can affect the value of the company, namely agency costs (Nurchayono et al., 2020).

Risk has different meanings from various sciences. This is because taxation issues cover various aspects of science, namely: accounting, finance, economics and law. Tax risk is a variation of the results of tax avoidance actions. This action is carried out by management in avoiding taxes that have risks (Nesbit et al., 2017). Tax avoidance can provide tax savings so that tax risk is the difference between expected results and tax savings (Arfiansyah, 2021). Tax risk includes all actions that have the potential to change tax expenditures from the previous level, this is related to the company's liquidity (Setyawan et al., 2023).

Research conducted by Setyawan et al., (2023) tax risk has a significant positive influence on firm value. Because tax risk refers to the possibility of changes in tax regulations that have the potential to have an impact on financial performance. So it will cause concern about the company's tax liabilities that cause a decline in shares. Meanwhile, according to Arfiansyah (2021) and Guedrib & Marouani (2023) in their research, tax risk has no effect on the value of the company. This is because the level of tax avoidance carried out by companies is not aggressive and is more influenced by external factors. Thus, tax risk does not affect shareholders.

Accounting conservatism is a prudent principle in recording and presenting financial statements. This is done so that the company does not immediately have assets and profits, but as soon as possible admits losses and debts that are likely to occur (Christanty et al., 2023). In the application of this accounting conservatism, not all income must be received before the income is recognized. Income as information is verified first whether the value is higher than the recognition of losses (Octaviani & Suhartono, 2021). The implication of this prudent attitude, in the recognition and measurement of income and assets, is seen from the use of accounting methods, namely lower profit and asset reporting or higher debt reporting (Zulfiara & Ismanto, 2019).

Research conducted by Setyawan et al., (2023), Aprianti & Khomsiyah, (2022), Manik (2018) and Wijaya & Hasniar, (2016) accounting conservatism has a significant positive influence on firm value. Because with this accounting conservatism, it can increase the value of the company and prevent managers from exploiting the situation. In addition, businesses use accounting conservatism to avoid overestimating assets and income. Meanwhile, according to Octaviani & Suhartono, (2021), Zulfiara & Ismanto, (2019) and Kodriyah, et al., (2023) state that conservatism has a positive but insignificant influence.

This accounting conservatism cannot affect investors' assessment of companies, because it is caused by the inconsistency of most companies in implementing accounting conservatism. In addition, according to (Nadira et al., 2022). In his research, it is stated that accounting conservatism has insignificant negatives. This is because the principle of accounting conservatism in prudently reporting financial positions is not too quick in recognizing profits and immediately recognizing losses. So that accounting reports do not reflect reality. This is due to the tendency of investors in valuing stocks not to increase the stock market price so that the value of stocks does not increase (Ambarwati & Nurcahyono, 2022; Hastuti et al., 2024).

Agency costs in the research of setyawan et.,all (2023) are able to moderate accounting conservatism on firm value. Based on previous research conducted by setyawan et.,all (2023) reported that agency cost can moderate accounting for firm value. As for the tax risk, the agency is unable to moderate it against the company's value. This research is a development of the research of setyawan et.,all (2023). The difference with the previous study is that it adds a research period from 2020-2023 and increases the number of sample ranges to 40 in different companies. In addition, this study uses the energy sector listed on the Indonesia Stock Exchange in 2019-2023.

LITERATURE REVIEW

Teori Agency

Agency theory was put forward by Jensen & Meckling (1976) which explains the relationship between the manager of an entity and shareholders. Agency theory explains the interaction between agents and principals. The agent plays the role of a person who is entrusted to carry out tasks that are beneficial to the company, while the principal is the party who entrusts the management of funds to the agent in exchange for profits in the future (Jensen & Meckling, 1976). Agency theory also explains that agency conflicts can arise due to the separation of control and ownership within an entity. The separation between management and customers can create conflicts of interest in some situations (Jensen & Meckling, 1976).

Agency theory highlights the potential conflict of interest that may arise between the principal (capital owner) and the agent (management) in a company (Achyani & Lestari, 2019). Conflicts of interest tend to increase when principals do not have adequate information about agent performance due to the principal's inability to monitor agent activities within the company. This condition causes an uneven distribution of information between principals and agents, commonly referred to as information asymmetry. Information asymmetry will cause problems that make it difficult for principals to monitor and control agent behavior (Setyawan et al., 2023). Agency theory relationship between accounting conservatism and tax risk on the value of a company. From the perspective of agency theory, it is important to understand the relationship between the owner and the manager (agent) (Arfiansyah, 2021). There is a possibility of a conflict of interest between the agent and the principal, which can lead to costs for the company. Managers can use risky tax strategies to achieve performance targets, which can impact bonuses and incentives (Drake et al., 2019). On the contrary, to reduce the impact and increase long-term value, stability and predictability can be used in tax risk management (Nurcahyono & Purwanto, 2024). With an accounting conservatism approach that can ensure that financial statements provide a better and more conservative picture of a company's performance and financial position, principals can reduce the possibility of excessive optimism, which can impact the company's value (Anam et al., 2023).

Based on the above description, it can be concluded that by analyzing conservative disclosure and tax risk, it can be used to predict factors that affect the value of energy sector companies. The analysis aims to find out whether there is a change in the increase or decrease in the value of energy sector companies and this is a signal for investors to make investments.

The Effect of Tax Risk on Firm Value

Tax risks are all actions that have the potential to alter tax expenditure from the previously projected level. The increasing involvement of companies in tax avoidance methods is directly related to increased volatility in future tax payments, which has the potential to adversely affect their cash flows. This makes a company more vulnerable to bankruptcy. The potential increase in risk for companies is estimated to be caused by tax uncertainty and a lack of transparency between owners and agents. In the theory of agency risk measurement, it is shown that the relationship between the owner (owner) and the manager (agent) working in managing tax risk is very important (Arfiansyah, 2021). There is a possibility of a conflict of interest between agents and principals who tend to take action for their own personal interests (anam et al., 2023). In order to increase personal profits or to achieve performance targets, which may affect bonuses and incentives, managers may prefer risky tax strategies (Drake et al., 2019). On the other hand, if you prefer to use stability and predictability in tax risk management, it can reduce the impact and increase the company's value in the long term (Setyawan et al., 2023).

This statement is supported by research by Setyawan et al (2023), Drake et al (2017) and Guedrib and Marouani (2022), tax risk has a positive effect on the value of companies. In their research, Setyawan et al (2023), explained that tax avoidance will increase tax risks, this shows that investors do not have access to clear financial information and have the potential to reduce the value of the company. Investors react negatively to tax risks, where the value of a company will fall if investors see that the company's tax risk increases (Drake et al 2017).

H1 : Tax risk has a positive effect on the value of the company.

The Influence of Corporate Value Accounting Conservatism

Accounting conservatism is a principle that is used as a reference for managers to be careful in carrying out company activities in order to anticipate future uncertainties regarding the company's profit and loss (Berliana & Anjarningsih, 2022). From the signals provided by the company, it is expected that it can be received by investors who can then be used to correct the financial statements presented and can provide a higher value for the company. Thus, the application of accounting conservatism can increase the value of the company in the eyes of investors (Kodriyah et al., 2023). In the agency theory, it is explained that the financial statements prepared by the company by applying the principle of conservatism are expected to be able to reduce information asymmetry, namely the opportunistic actions of management to engineer financial statements and reduce agency costs (Nurchayono, Sinarasri, et al., 2023). This accounting conservatism policy can be applied by the company through the process of preparing financial statements by management which will be a positive signal for stakeholders, so that management is seen as having applied the principles of accounting conservatism in an effort to prevent the act of reporting too high profits and overstating assets (Octaviani & Suhartono, 2021)

This statement is supported by the research of Setyawan et al (2023), Warseno et al (2022), Manik (2018) and Hamson et al., (2022) explaining that accounting conservatism has a positive effect on the value of companies, because accounting conservatism produces higher quality financial statements and is not overstated so that investors

consider companies to have high value. Warseno et al., (2022) explained that the implementation of conservative accounting policies shown through financial statements is a positive signal from management to investors that management has applied conservative accounting to generate quality profits to prevent companies from exaggerating profits and helping users of financial statements by presenting profits and assets that are not overstated.

H2: Accounting conservatism has a positive effect on the value of the company

The Effect of Agency cost Moderating Tax Risk on Firm Value

Agency cost are expenses from the owner of the company for the purpose of regulating and supervising the performance of managers so that the managers work for the benefit of the company. In agency theory, a conflict of interest between agents and principals will incur excessive costs carried out as a form of tax management. With these excess costs, it is hoped that the principal can monitor the agent's behavior and reduce certain actions taken by the agent that can harm the principal (Christanty et al., 2023; Muhimatul Ifada et al., 2024). When the company is able to make tax savings, the company's profit will increase because the tax burden is a deduction of profit. Stocks of companies that have high profits are a target for investors because they can increase dividend income. Increased investor interest in companies can increase the value of the company and managers will be viewed favorably by investors (Setyawan et al., 2023)

To address agency issues from tax risks, managers can increase transparency over the company's reports they present to investors. Transparency can reduce information asymmetry between managers and investors (jama'an, 2008). So that it will increase the accuracy of public information available for investment, and for management decisions. Corporate transparency can reduce the risk of investors retracting their investment in the company (Setyawan et al., 2023).

H3: Agency costs weaken the relationship of tax risk to firm value

The Effect of Agency cost Moderating Accounting Conservatism on Firm Value

Accounting conservatism is a practice that contributes to the production of financial statements of superior quality, as they are less susceptible to overpresentation. As a result, this approach increases the value of the company by investors, thereby providing more favorable results. However, the imposition of agency cost may have complex implications for a company's valuation. An effective management strategy has the potential to improve a company's performance and thus increase the company's value. However, it is important to note that this approach requires a large investment (Setyawan et al 2023).

Research conducted by Octaviani & Suhartono (2021) and Ismanto & Zulfiara (2020) explains that companies will be more valuable if they use careful accounting methods. However, the research of Basuki, (2017) in Setyawan et al., (2023) shows that careful accounting methods greatly reduce the value of a company. Accounting conservatism can affect the recognition of income and expenses, thereby affecting the final results of financial statements, which ultimately affects the market valuation of the company's value. Agency costs, there may be complex interactions that can strengthen or weaken the influence of tax risk and accounting conservatism on the value of the company. Some studies found a positive correlation, while others found a negative correlation between agency costs and firm value. Agency cost have been proven to increase the value of the company (Setyawan et al., 2023).

H4: Agency cost reinforce the relationship of accounting conservatism to firm value

RESEARCH METHOD

This type of research uses a quantitative methodology with a descriptive approach. This method is used to analyze samples or populations using numerical data as a measure of certain phenomena, and will then be analyzed with statistical techniques (ghozali, 2018). In this study, the descriptive approach shows a picture related to the data through values such as mean, standard deviation, variance, maximum value, minimum value, sum, range, kurtosis, and skewness. Descriptive statistics are used to describe the profile of the data sample before applying statistical analysis techniques aimed at testing hypotheses (Ghozali, 2018). The objective is to determine whether tax risk, accounting conservatism and agency cost may affect the value of companies in energy sector companies listed on the Indonesia Stock Exchange during the 2019-2023 period. The population of this study is energy sector companies listed on the IDX. The sampling method used is purposive sampling. The operational definition of variables is as follows.

Table 1. Variable Measurement

Variable	Measurement
Firm Values	Tobin ' s Q = $\frac{MVS + D}{TA}$
Tax Risk	$Current\ ETR = \frac{Current\ Tax\ Expense}{Pre-Tax\ Incom}$
Accounting Conservatism	CONACC = $\frac{Net\ Profit - Operational\ Cash\ Flow}{Total\ Asset}$
Agency cost	FCF = $\frac{CFO - CFI}{Total\ Asset}$

The data analysis in this study used multiple linear regression. The regression equation is as follows.

$$Y = \alpha + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_1) (Z) + \beta_4(X_2) (Z) + \varepsilon$$

Y is the value of the company; α indicates the value of the constant; β is the regression coefficient of each variable; X1 is the tax risk; X2 is accounting conservatism; Z is the agency's fee; and ε is an error term.

RESULTS

The results of statistical descriptive analysis of the research sample can be seen in the table which shows that the minimum, maximum, mean, and standard deviation values for each variable used in this study.

From table 2, the data shows significant variations in the variables of firm values in energy sector companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. This variable had the highest value of 176484.00 and the lowest value of 1114.00, with an average of 34688.9250 and a standard deviation of 1.64868. The average value close to the minimum value of 1114.00 indicates that the majority of energy sector companies do not practice corporate value. Standard deviations greater than the average value indicate the distribution of large or heterogeneous data. The tax risk of the 40 samples was known to have a minimum value of 0.00 and a maximum value of 11102.00. Furthermore, the mean value is 3302.4500 and the standard deviation value

is 0.08538 which means that the mean value is greater than the standard deviation so that the high level of tax risk taken by the company in managing its taxation. Nevertheless, the majority of companies have low tax risk. Because only a small number of companies carry out aggressive tax evasion.

Table 2. Descriptive Statistics (N=40)

Variable	Min.	Max.	M	SD
Firm Values	1114.00	176484.00	34688.92	1.64868
Tax Risk	0.00	11102.00	3302.450	0.08538
Accounting Conservatism	-3486	822	-455.95	1.03775
Agency cost	994.00	17486.00	8931.275	0.21854
Tax Risk*Agency Fee	0,00	129006,00	415.9500	11.05113
Accounting Conservatism *Agency cost	-6766.00	8161638.00	-72.0750	1.18557

The accounting conservatism variable had the lowest value of -3486 and the highest value of 822. Furthermore, the mean value is 3302.4500 and the standard deviation value is 0.08538 which means that the reported net profit is lower than the amount of operating cash flow. The negative average value shows that most of the companies in this study do not apply the principles of accounting conservatism. The agency's fees have a minimum value of -3486 and a maximum value of 822. Furthermore, the mean value is 8931.2750 and the standard deviation value is 0.21854 which shows that the costs incurred by the company for administrative and sales costs are higher than the revenue obtained.

Multiple Linear Regression Analysis

This test aims to determine the influence between independent variables and dependent variables. In this study, multiple regression analysis processed with SPSS software was used (Ghozali, 2013). The following are the results of the multiple linear regression analysis test.

Table 3. Uji Regresi Berganda

Construct	Beta	Sig
Tax Risk	-0.635	0.292
Accounting Conservatism	-2.135	0.001
Agency cost	-0.378	0.140
Tax Risk*Agency Fee	0.882	0.216
Accounting Conservatism *Agency cost	1.907	0.001

DISCUSSION

The Effect of Tax Risk on Firm Value

In this test, it shows that tax risk has a beta value of -0.635 and a significance value of $0.292 > 0.05$. From these results, there is no relationship between tax risk variables and firm value. From this, there is no influence between tax risk and firm value. The first hypothesis (H1) which assumes that tax risk has a positive effect on the value of the

company is rejected. The findings of this study show that increased tax risk cannot affect the value of a company. This is because the level of tax avoidance carried out by companies in Indonesia is not aggressive and is more influenced by external factors. Thus, tax risk does not affect shareholders' decisions. The results of this statistical test show that the tax risk variable does not have a significant effect on the company's value. This is contrary to the results obtained by Drake et al. (2017) and Setyawan et al., (2023). In their research, Drake et al (2017) concluded that tax risk affects the value of a company. Tax risk has not been a concern of shareholders. This shows that the tax avoidance strategy carried out by most companies is not aggressive.

The Influence of Accounting Conservatism on Firm Value

Based on the test results, it shows that accounting conservatism has a beta value of -2.135 and a significant value of $0.001 < 0.05$. From these results, there is no relationship between the variables of accounting conservatism and firm value. Therefore, the hypothesis (H2) which states that accounting conservatism has a positive effect on the value of the company, is rejected. It can be said that accounting conservatism has a negative effect on the value of the company. This shows that the existence of accounting conservatism in the company is still a little ineffective in ensuring the integrity of the financial statements because it pays attention to prudence, but depends on the performance of management in the disclosure of its financial statements.

The variable of accounting conservatism has a negative effect on the value of the company is not in accordance with the second hypothesis. The results are not in line with the research of Zulfiara and Ismanto (2020), Warseno et al. (2022) and Setyawan et al., (2023) which prove that there is a positive influence on accounting conservatism on firm value. Accounting conservatism is interpreted as a difference in verification requirements in the process of recognizing profits to losses. In other words, when it gets bad news, its accounting policy reduces profits. However, when it gets good news, it does not increase profits. Accounting conservatism can assist managers in identifying investment projects and reviewing performance that is not on target (Azzahra et al., 2023). However, the results of this study have a significant but negative effect, in the sense that if the higher the profit recognition, the lower the value of the company.

The Effect of Agency cost Moderating Tax Risk on Firm Value

In this test, a significant value of t was obtained in the moderation of agency costs with tax risk, which was 0.216 and a beta value of 0.882. Because the significant value $t > \text{significant } 0.05$ or $(0.216 > 0.05)$, it can be interpreted that agency costs do not moderate and affect tax risk on the value of the company. Therefore, the hypothesis (H3) which states that agency cost reinforce the tax risk to the value of the company, is rejected.

Based on the results of this statistical test, agency costs cannot moderate the effect between tax risk on the value of the company, this explains that the moderation between agency costs and tax risk has not been able to increase the value of the company in the eyes of investors. This condition can be due to tax risk only dealing with conflicts between agents and principals in tax management. Then there is no transparency in the financial statements presented to investors. Thus, the results of this study are in line with the research of Setyawan et al., (2023) which found that agency costs weaken the influence between tax risk and firm value.

The Effect of Agency cost Moderating Accounting Conservatism on Firm Value

In this test, a significant value of t was obtained in the moderation of agency costs with accounting conservatism, which was 0.001 and a beta value of 1.907. Because the significant value $t > \text{is } 0.05$ or $(0.216 > 0.05)$, it can be interpreted that agency costs moderate and affect accounting conservatism on the value of the company. Therefore,

the hypothesis (h4) stating that agency cost reinforce accounting conservatism against the value of the company, is accepted.

Based on the results of this statistical test, agency costs can moderate the influence between accounting conservatism on firm value, this explains that moderation between agency costs and accounting conservatism is able to increase firm value in the eyes of investors. This condition gives more favorable results (Nurchayono, Hanum, et al., 2023; Videsia et al., 2022). However, the imposition of agency cost may have implications for the company's valuation and also an effective management strategy has the potential to improve the company's performance and thus increase the company's value. Thus, the results of this study are in line with Setyawan et al (2023) who found that agency cost strengthen the influence between accounting conservatism and firm value.

CONCLUSION

Based on the results of research and discussion on the influence of accounting conservatism and tax risk on firm value: agency costs as a moderating factor in energy sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. In the previous section, several conclusions can be drawn as follows:

1. Tax risk has no effect on the value of the company, this is because the level of tax avoidance carried out by companies in Indonesia is not aggressive and is more influenced by external factors. Thus, tax risk does not affect shareholders' decisions.
2. Accounting conservatism has a negative effect on the value of the company. This shows that the existence of accounting conservatism in the company is still a little ineffective in ensuring the integrity of the financial statements because it pays attention to prudence, but depends on the performance of management in the disclosure of its financial statements.
3. Agency cost are not able to moderate the tax risk to the value of the company. This can be because tax risk only handles conflicts between agents and principals in tax management. Then there is no transparency in the financial statements presented to investors.
4. Agency cost moderate accounting conservatism against the value of the company. This, gives more favorable results. However, the imposition of agency cost may have implications for the company's valuation and also an effective management strategy has the potential to improve the company's performance and thus increase the company's value.

This study has limitations that are taken into consideration, the limitation in this study is that this study only uses 2 independent variables, namely tax risk and accounting conservatism, the moderation variable, namely agency costs. So that the results are less than optimal. Based on the findings and limitations of this study, the suggestion for the next study is to add independent variables and increase the sample range.

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