



What Factors Affect Conservatism? The Role of Board Gender, CEO Retirement and Financial Distress

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Abstract

This research aims to comprehensively analyze the intricate relationships between board gender, CEO retirement, financial distress, and accounting conservatism within the energy sector. Leveraging 164 firm-year observations spanning 2019-2021, our sample selection relied on a purposive sampling technique, with data availability serving as a primary criterion. Through multiple regression analysis, we rigorously tested hypotheses to unveil the nuanced dynamics at play. Contrary to expectations, our findings suggest that board gender does not exert a significant impact on accounting conservatism within energy firms. However, CEO retirement emerges as a pivotal factor positively influencing accounting conservatism. This illuminates the importance of leadership transitions in shaping conservative financial reporting practices. Notably, financial distress demonstrates a contrary effect, negatively impacting accounting conservatism. This novel perspective positions financial distress as a determinant factor, expanding the traditional boundaries of conservatism research within the agency theory framework. Our research significantly contributes to the literature by providing fresh insights into the contextual factors influencing accounting conservatism in the energy sector. The nuanced interplay of CEO retirement and financial distress unveils complex decision-making processes, offering practical implications for corporate governance and financial reporting practices in this industry. This study serves as a valuable resource for both practitioners and scholars seeking a deeper understanding of conservatism determinants in the specific context of energy companies.

Keywords: accounting; conservatism; board gender; CEO retirement; financial distress.

INTRODUCTION

In recent years, the need of conservative accounting information arises within the unpredictable business era. Since many firms have an obligation to provide maintain shareholder value in an ethical way, the conservative reporting become more interesting to capital providers (Biduri et al., 2023). The commitment of providing conservative accounting information indicates the efficient control of management to firms operation (Chang et al., 2013), mitigate the managerial issues on asset's misuse (Anagnostopoulou et al., 2021), and avoid the overcompensation to managers (Duong et al., 2021). The conservative financial reporting reduces the agency conflict through the effective corporate governance mechanism. Our new insight on accounting conservatism offers the benefit to the investors, especially how to consider the investment decision during economic deterioration.

Financial report information can provide a review of a company's performance and as a form of accountability for interested parties (stakeholders). Disclosure of financial reports is expected to be presented accurately and thoroughly both qualitatively and quantitatively. The presentation concept is called the concept of accounting conservatism

(Savitri, 2016). The concept of conservatism arises because of the accrual basis in presenting the company's financial statements. The accrual basis is the recording of the value of incoming and outgoing cash transactions in the future both from past and current transactions from real transactions that occurred (Anagnostopoulou et al., 2021). The concept of conservatism is used to avoid unpredictable cash flows in the future. The concept of conservatism is understood to apply the concept of prudence to the uncertainty of cash flows in the future, but this concept is also understood as a pessimistic accounting concept (Ashraf et al., 2023). Conservatism is also defined that accountants who will report accounting information will have alternative possible values for assets and income that are the lowest and the highest possible values for liabilities and expenses (Garanina & Kim, 2023). The conservatism function becomes more significant, because more reliable accounting information allows investors to accurately assess company performance in the past and in the future (Al-Qudah et al., 2022).

Top management (Chief Executive Officer) has a role to control and evaluate the company's performance. In carrying out their duties the CEO must be able to take steps to overcome

problems, one of which is by using the principle of accounting conservatism in financial reporting (Duong et al., 2021). Financial statements are used as a guide in determining whether a company is healthy or not. According to Triyani et al. (2020) CEOs are important members of the company's leadership team, and they have the power to direct and make company choices. The CEO is very instrumental in increasing the success of the company. Several aspects are thought to influence accounting conservatism, one of which is the characteristics of the CEO. In particular, this study uses a proxy measurement of characteristics seen from Gender and CEO's End of Term of Office.

A CEO has two categories based on gender, male and female (Varadina & Diatmika, 2018). According to her research, it explains that female directors or leaders are more careful in taking steps to overcome problems of future economic uncertainty, one of which is by implementing the precautionary principle in preparing financial reports (Cyprian Onyekwere et al., 2019). In the context of business, the role of women CEOs are important in enhancing firm performance, because they tend to be more ethical and more conservative than men CEOs (Biduri et al., 2023). The personality traits of a woman are considered to be different

from men. The attitude of female leaders is considered to be more mindful by using feelings so they are more careful. The decision making of a CEO is a way of determining success by looking at the principles of accounting conservatism that are used to deal with unexpected events in the future (J. Liao et al., 2019).

Another factor that affects accounting conservatism is the occurrence of the end of the CEO's term. According to (Pereira et al., 2021) explains that the transition of the CEO is a routine agenda that has been scheduled, and the old CEO already knows the end of his tenure. Research conducted by (Gestanti, 2017) explains that the issue of CEO incentives is in the spotlight for CEOs who are about to retire tend to be less conservative in preparing accounting reports. The results of his research stated that the CEO at the end of his tenure tends to increase revenue and will reduce costs in order to generate high profits. CEOs think that if they can generate high profits, they will be valued well by the company and the bonuses they get will be high. This indicates that the decline in company performance is a pressure for CEOs to increase profits. According to (Wijaya et al., 2022) positive accounting theory can predict accounting practice which explains the influence of the CEO on the choice of

reporting method used in accounting conservatism.

The preparation of financial reports must pay attention to the principle of conservatism to provide quality information for users. The company's financial condition is a principle determining factor of accounting conservatism (Couwenberg, 2015). Problems related to the decline in the company's financial condition and inability to fulfill obligations must be immediately addressed by the Manager. Companies that are in a state of financial difficulty tend to lower the level of accounting conservatism (Tazkiya & Sulastiningsih, 2020). According to (D'Augusta & Grossetti, 2023) that conservatism has beneficial information effects because it can limit managers' ability to manipulate and reduce information asymmetry problems.

Research studies on conservatism have found mixed results. The results of research by (Ho et al., 2015) explain that there is an influence between female CEOs and accounting conservatism. According to research conducted by (Varadina & Diatmika, 2018) explains that female CEOs are considered weak in decision making because they tend to use feelings and lack confidence. On the other hand, research conducted by (Garcia-Blandon et al., 2019) found that gender

involvement in CEOs actually strengthens company oversight and transparency. Gender personality in the form of assertiveness, integrity and conscientiousness forms a stronger professional attitude (Abdi et al., 2019) stated that gender which uses its feminine attitude can in fact bring up an attitude of responsibility with sympathy and empathy even though it is sometimes prone to pressure in its duties (Ud Din et al., 2021).

Companies that experience financial distress managers will be more conservative in positive discretionary accruals in indicating their financial condition. Other studies (Noviantari and Ratnadi 2015) also have the same results, the more difficult the financial conditions, the less conservative the financial statements. While the results of the study (Tazkiya & Sulastiningsih, 2020) if a company experiences financial difficulties it will increase accounting conservatism.

Gender will use her feminine attitude in her duties and profession as if to protect her children in the family so that they are more conservative. This research provides empirical evidence that gender, which has been positioned as the weak side, is actually a new force in corporate governance. the development of research that gender roles should be considered in the

development of accounting knowledge and accounting profession, as evidenced by the involvement of gender in the board of directors and in overcoming conditions of financial difficulties. Women are considered to be more careful than men in dealing with financial difficulties. A high level of leverage has the potential to make companies more vulnerable to financial distress (Nawang, 2020). If a company experiences financial difficulties it will increase accounting conservatism.

Previous studies have investigated widely the role of CEO in providing conservative financial information (Çolak & Korkeamäki, 2021; Faulkner et al., 2020; Hu et al., 2017; S. Liao et al., 2023). Many studies also investigated the relationship between conservatism and financial performance. However, most studies do not pay attention on the specific characteristics of CEO in affecting conservative information. This research offers a new insight on CEO characteristics such as gender and CEO tenure. Moreover, we investigated the new determinant factor of financial distress.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Positive Economic Theory

Positive Accounting Theory is one theory that explains the concept of

accounting conservatism. Belkoui (2007) explains that Positive Accounting Theory occurs because of the argument of managers, stakeholders state that they are trying to optimally do work that affects their compensation. Problems that often occur Positive Accounting Theory can explain the accounting procedures that will be chosen to influence cash flow (Dinda, 2020).

This theory also explains how companies can predict the level of financial distress which has an impact on accounting conservatism practices. Companies that experience financial difficulties usually managers violate conservatism because of poor manager performance. Such circumstances can encourage shareholders to change managers and can reduce the market value of the company. Managers who respond to pressure to continue to maintain company performance can have an impact on decreasing the level of accounting conservatism. But for companies that don't have financial problems, managers will be more conservatism because they don't have pressure from stakeholders. A high level of financial difficulty can reduce low conservatism and vice (Farooq et al., 2021).

Agency Theory

Agency theory is used to explain the relationship between principals and agents with the separation of ownership. This will cause information asymmetry, where management will have a lot of important information compared to the principles regarding financial conditions. The level of corporate conservatism can affect information asymmetry between managers and company owners. The relationship that can occur between agency costs and accounting conservatism is that companies can reduce agency costs by increasing the quality of information in financial reports.

According to D'Augusta & Grossetti (2023), conservatism has beneficial information effects because it can limit managers in manipulating information and reduce information asymmetry problems. According to (Tazkiya & Sulastiningsih, 2020) agency costs are costs related to management observations to ensure consistent management actions related to responsibility to stakeholders. Non-conservative behavior is often found in agency theories by reporting overstated earnings. This action is taken by the manager to measure the manager's incentives which are measured by the size of the profit generated.

Accounting Conservatism

The principle of accounting conservatism explains how the application of the principle to modify the Boundaries for the presentation of relevant and reliable accounting data. The principle of conservatism will apply measures to choose accounting recording techniques that are generally acceptable, and choose techniques that have the lowest impact on profits and are not profitable for shareholder equity. The principle of conservatism will value assets and income at the lowest value, and conversely assess liabilities and expenses at the highest value. An attitude of doubt will be applied to choosing accounting techniques in preparing financial reports in order to be able to understand actual profits and assets (Al-Qudah et al., 2022). In this study the principle of conservatism uses accrual-based measurements which means the actual financial condition (Kieso et al., 2019). Conservatism is an attitude in dealing with market reactions to ensure that uncertainty occurs in the company (Chipeta et al., 2021a). Duong (2021) also explained that doubts in applying the conservatism concept of managers must minimize the risk of getting high income on assets and profits. This principle tends to result in potentially low profits and high levels of costs.

Board Gender

Feminism of CEOs or female CEOs is one of the CEO's self-identities. Female CEOs are interesting to study because they are one of the managerial attributes in the company. Previous research has shown that gender differences affect one's career at work. Research conducted by (Khan & Vieito, 2013; Kılıç & Kuzey, 2016; Rahman et al., 2017) proves that CEO gender has a positive impact on company performance. This is due to the factor that female CEOs are usually more conservative and risk averse.

CEO Retirement

CEO occupies the highest position in the company who is responsible for all company activities. In this study, CEO measurements were taken from the final tenure of the CEO in influencing accounting conservatism. According to research conducted by (Chen 2016) found that CEOs became less conservative in financial reporting at the end of their tenure. CEOs often manipulate profits to improve their performance so that the company sees good performance before their tenure ends.

Law No. 40 of 2007 concerning Limited Liability Companies regulates the appointment of directors within a certain period of time. Age criteria are set to see the CEO's final tenure. In this

study, to see whether CEOs will end their term of office or not by using an age limit (Tazkiya & Sulastiningsih, 2020). Based on Article 349 paragraph 2 Government Regulation of the Republic of Indonesia Number 17 of 2020, the government has set a retirement age limit of 58 years. This study was measured using dummy variables, namely 1 and 0. Code 1 is given to CEOs who are more than 55 years old, and code 0 is given to CEOs who are less than 55 years old.

Financial Distress

The condition of financial difficulties is a condition of companies that experience liquidity problems in the long term (Balasubramanian et al., 2019). The condition of financial difficulties is a threat for managers to act opportunistically (F. Li et al., 2016a). Pressure to save the company can encourage managers to improve accounting report information (Tazkiya & Sulastiningsih, 2020). Thus, financial distress can cause less attention to the application of the principle of conservatism.

Companies facing bankruptcy problems can avoid by looking at what is actually the cause of financial difficulties. This situation is marked by the emergence of early symptoms of bankruptcy which suffer losses and the amount of debt that is not able to be

paid by companies that are marked with too high leverage. High leverage causes the company to experience difficulties in paying its obligations, which is caused because the total assets are smaller than the total liabilities (Widhiastuti & Rahayu, 2022). Companies in a condition of financial distress will be less conservative because they choose accounting procedures that reduce leverage, this makes the company not do conservatives, so that it is good for investors to see that the company is in good condition (Sukandani et al., 2021).

The Effect of Board Gender on Accounting Conservatism

The role of the CEO (Chief Executive Officer) is very important in the company so that not everyone can be in this position. The considerations in choosing a CEO also form the basis of which company has the right to lead the company. The existence of a CEO can represent to convey information to shareholders (Simionescu et al., 2021). Research conducted by (Abdi et al., 2019) explains that the board of directors is a professional and independent party in supervising company operations (Agyemang Osei et al., 2019). The role of gender diversity in the CEO is a characteristic that needs to be considered in carrying out

company policies and risks (Kazemi Olum et al., 2019). In the last period, gender related issues have received a lot of attention in the business sector. Research conducted by (Olowookere et al., 2021) explains that feminist attitudes are in fact carried over into the formation of character that is disciplined, integrity and firm in management so that female CEOs are considered to apply more conservative practices (Duong et al., 2021). The practice of conservatism can make information useful because it can limit managers in manipulating information and reduce information asymmetry problems (D'Augusta & Grossetti, 2023). The results of the study (Ud Din et al., 2021) found that gender diversity has a positive effect on the quality of financial reports. Female directors are seen as having more good accounting skills than male directors. Female directors are considered to be more conservatism (Varadina & Diatmika, 2018) in improving corporate governance mechanisms, internal controls and information and communication so as to increase shareholder value and investor confidence. Based on the explanation, the first research hypothesis is proposed as follows:

H₁: Gender diversity has a positive impact in accounting conservatism.

The Effect of CEO Retirement on Accounting Conservatism

Besides gender, the other factor namely retirement CEO can also affect accounting conservatism. According to (Pereira et al., 2021) explains that the transition of the CEO is a routine agenda that has been scheduled, and the old CEO already knows the end of his tenure. The CEO's final term is often a time when the CEO feels pressure from shareholders to deliver good results. Shareholders can monitor company performance closely and encourage CEOs to take less risks by seeking more conservative accounting. Another study explains that the issue of CEO incentives is in the spotlight for CEOs who are about to retire tend to be less conservative in preparing accounting reports (Gestanti, 2017). The results of this research show that CEOs with a final term of office will generate high profits by reducing costs and increasing revenue. According to CEOs, this can create a positive impression of their performance during their tenure, which can affect their reputation and rewards. According to (Wijaya et al., 2022) positive accounting theory can predict accounting practice which explains the influence of the CEO on the choice of reporting method used in accounting conservatism. Based on the previous research, the second hypothesis as follows:

H₂: CEO retirement positively affects the accounting conservatism.

The Effect of Financial Distress on Accounting Conservatism

Financial distress is a signal to detect the probability of bankruptcy as indicated by a high leverage ratio (Brier & lia dwi jayanti, 2020). Leverage is how much the company's operational costs are financed by debt (Widhiastuti & Rahayu, 2022). In positive accounting theory (Watts & Zimmerman, 1990) explains the application of accounting conservatism. According to (Sukandani et al., 2021) Companies that have high leverage will result in financial difficulties. This causes the company to choose an accounting procedure to manage it in such a way that future earnings are transferred to the current period in the hope that leverage will tend to decrease. Companies that must maintain better financial ratios in order to protect shareholders from a bad corporate image. From the explanation above it is said that if the company experiences financial difficulties with a high leverage ratio it will reduce the application of accounting conservatism. Thus, the third hypothesis is proposed as follow:

H₃: Financial distress has a negative impact on accounting conservatism.

METHOD

Public listed companies on the IDX are the population of this study. Samples were taken by purposive sampling technique. This study uses a sample of energy and mining companies because they tend to have high levels of leverage. The observation year is 2019-2021.

The research approach is quantitative positivism namely, to test empirically the influence of the variables Gender Diversity, CEO Termination, and financial difficulties on accounting conservatism. The research object is a listed Indonesian stock exchange company in the mining

and energy industries because it has a higher level of leverage. compared to other industries. A high level of leverage has the potential to make a company more vulnerable to financial distress.

The research was conducted on a census basis, namely all public companies in Indonesia with a focus on the mining and energy industries were included in the unit analysis. The type of research data is secondary and to collect data it uses the documentation method with the content analysis procedure in the 2019-2021 annual report. There are four research variables, which have operational measurement as follows:

Table 1. Variables Measurement

Variable	Measurement
Accounting Conservatism CONACC:	$\frac{((NIO + Dep) - CFO) \times (-1)}{TA}$
Accounting conservatism firm i year t	CONACC _{it} = (Biduri et al., 2023)
Dep: Fixed asset depreciation	
NIO: Net income firm i year t + depreciation firm i year t	
CFO: Operational cashflow firm i year t	
TA: Fixed assets book value firm i year t	
Gender Diversity	Dummy 1 for female CEO 0 for male CEO (Simionescu et al., 2021)
CEO Retirement	Dummy 1 if CEO's age > 55 years old 0 if CEO's age < 55 years old (Chen et al., 2018)
Financial Distress	Leverage DER (Debt Equity Ratio) = $TotalDebt / TotalEquity$ (Widhiastuti & Rahayu, 2022)

Source: primary data, 2023

To analyze the data, we use multiple linear regression, with the following equation:

$$\text{CONACCI}_{i,t} = \alpha + \beta_1 \text{GEND}_{i,t} + \beta_2 \text{R_CEO}_{i,t} + \beta_3 \text{G_Lev}_{i,t} + \varepsilon \dots (1)$$

Where:

CONACCI_{i,t} = Accounting conservatism firm i year t

α = Constanta

β = regression coefficient

GEND = Gender diversity

R_CEO = CEO retirement

Lev = Financial Distress

ε = other factors outside the model

RESULTS AND DISCUSSION

Descriptive Statistics

Population of this study are public listed companies in mining and energy sectors in Indonesia. We observe 189 firms-years observation during 2019-2021. We deleted 25 companies because of incomplete data of annual report. Table 2 describes the sample

selection. Before we test the hypotheses, firstly, we employ classical assumption test to ensure that regression model meet the unbiased predictor criteria. Table 3 presents the descriptive statistics and classical assumption test's result.

Table 3 shows the descriptive statistics. The mean value for the from classical assumption test's results, we can infer that the regression model has met the criteria of unbiased model predictor. As shown in the table 3, normality tests using Kolmogorov-Smirnov test, which resulted 0,20 that higher than 0,05. It means that the data have been distributed normally.

From table 3, the mean value for financial distress is -3,40 and standard deviation is 59,50. It means that the data broadly distributed.

Table 2. Sample Selection Data

Criteria	2019	2020	2021	Total
Number of companies in Energy Sector Indonesia	80	80	80	240
Number of Companies which have incomplete data	-25	-25	-26	-76
Total sample selected	55	55	54	164

Source: Primary Data, 2023

Table 3. Descriptive Statistics and Classical Assumption Tests

Variables	Min	Max	Mean	Std. Deviation	Kolmogorov-Smirnov	Tol	VIF	Park test	Durbin Watson
Gender Diversity	0	1	0,05	0,23		0,99	1.00	0,19	
CEO retirement	0	1	0,49	0,50		0,99	1.01	0,43	
Financial Distress	-753,54	24.85	-3.40	59.05	0,20	0,99	1.00	0,74	1,907
Accounting Conservatism	-1,90	2.88	-0,19	0,57					

Source: Primary data, 2023

The maximum and minimum score for accounting conservatism is 2,88 and -1,90 respectively. The negative sign on the conservatism score means less conservative and the positive one have the aggressive accounting practice (Pan, 2017).

Hypothesis 1 examines the effect of gender diversity on accounting conservatism. Based on the statistical tests, the result is not significant at 0,05 level (p value 0,545>0,05). The regression test's result is presented on table 4. Hypothesis 2 investigates the effect of retirement CEO on accounting conservatism and can be supported by empirical evidence. The regression result's shows that the p value 0,042 < 0,05, is significant at 0,05 level. Then, hypothesis 3 is accepted at 0,05 level (P value 0,003< 0,05).

The Role of Board Gender on Accounting Conservatism

Empirical tests showed that hypothesis 1, can not be supported. Board gender does not influence the accounting conservatism practice. The presence of women as board of

directors does not guarantee for companies to minimize the practice of accounting conservatism. According to Biduri et al (2023), the presence of both women and men on board of director member, will deliver an optimal supervision and become complementary to each others. Hence, there is no difference in performance on both women and men board of directors.

Based on the agency theory, the problems on agent does not influenced by gender diversity (F. Li et al., 2016b). Agency problems can be happened if agents have different views to principal. Conflict of interest between principal and agents can raise the probability of asymmetry information through accounting practice (Sukandani et al., 2021). Board of Directors, both of women and men, have the equal qualification and capabilities in managing risk (Simionescu et al., 2021). Therefore, they will equally perform their best performance and

Table 4. Regression Result's Tests

Variables	Coefficients	t-tests	Sig	R square
Constanta	-0,255			
Gender Diversity	0,073	0,61	0,545	
CEO Retirement	0,098	2,05*	0,042	0,64
Financial Distress	-0,001	3,07*	0,003	

*significant at 0,05 level

Source: Primary Data, 2023

only focus on the companies goal without considering gender (Varadina & Diatmika, 2018).

This finding is not in line with the research from Li et al (2022) and Ho et al (2015), who found the positive effect of female director on accounting conservatism. The argument on female directors tends to be more risk-averse and more conservative can be the reason why gender diversity is positively affected accounting practice. However, the complexity of problems within companies can not be simply solved by the view of board gender (Abdi et al., 2019). Heterogeneous on board gender will bring a better performance and better perspective to mitigate risks on agency problems (Biduri et al., 2023). Therefore, the presence of both female and male board of directors will not lead a more conservative accounting practice, because of the similar vision and mission regarding companies' risks.

The Role of CEO Retirement on Accounting Conservatism

Hypothesis 2 examines the effect of CEO retirement on accounting conservatism practice. This hypothesis is accepted and supported by empirical evidence. There is a positive effect of CEO retirement on accounting conservatism.

This finding proved that CEO who are close to retirement period tend to be more conservative. According to Rezaee et al (2021), retiring CEO becomes less innovative and tend to be avoid high-risk projects. It is because they experience the decrease of power and capabilities. On the other hand, the short remaining CEO's period give the pressure to CEO to raise up the amount of remuneration they will get after their pension period (Chen et al., 2018). This condition, of course, create an ethical dilemma to CEOs.

According to agency theory, the agency conflict is higher on young CEO than old CEO (Rezaee, 2021). It because the young CEO have the greater opportunity and creativity to broaden their capabilities and get the high remuneration than the older CEOs. The maximum role of corporate governance help retiring CEOs to be more conservative and pay more attention on the consequences after retirement periods. Retiring CEOs avoid the conflict that might happened after their pension period, hence, they become less innovative in the time of their last period (Rezaee, 2021).

This finding supports the research of Rezaee et al (2021), Xu and Yan (2014), and Faulkner et al (2020), who found the positive effect of retiring CEO's on accounting conservatism practice.

The Role of Financial Distress on Accounting Conservatism

Hypothesis three investigate the influence of financial distress on accounting conservatism. The empirical result proved that the hypothesis can be accepted. There is a negative effect of financial distress on accounting conservatism.

Financial distress is a condition that companies faced difficulties financially due to the deteriorated firm performance. The difficult condition led CEO to implement various strategies to save companies. Financial distress plays the determinant factors in decreasing conservatism in accounting reporting.

The presence of agency problems can be identified clearly while companies in a high pressure due to financial distress (Younas et al., 2021). In a bad financial condition, CEO as agent will try to maintain the health information to all their stakeholder. By reducing expenses or increasing net income, the accounting practices will lead to the higher level of financial condition (Rezaee, 2021). Hence, the financial distress negatively affects the conservatism practice.

This finding is in line with the work of Chipeta et al (2021b) and Khalifa (2022), who found that companies with high level leverage are tend to be more aggressive than those

with the lower one. High level of leverage indicates that companies are not in a good financial condition. These findings also support the theoretical framework of conservatism practice based on agency theory.

CONCLUSION, IMPLICATION AND LIMITATION

The need of relevance information become the pressure for business practitioners to report the real of accounting information (Chipeta et al., 2021b). The practice of accounting conservatism ensures the quality of reporting information that presented to its stakeholder (Pan, 2017). What factors that affect the conservatism practice is still explored massively among academics and business practitioners.

This study aims to investigate the determinant factors that might affect the accounting conservatism practice in energy sector industries in Indonesia. Using 164 firms-years observation in sector energy companies, we examine the role of board gender, CEO retirement and financial distress on accounting conservatism. Our findings show that CEO retirement and financial distress play the role to accounting conservatism practice, while board gender does not influence the conservatism practice. CEO retirement

increase the conservatism practice within companies, conversely, financial distress affects negatively the accounting conservatism. This research contributes the implication of accounting practice in several aspects. First, the gender of board of directors does not affect the firm performance especially in presenting the quality information through conservatism practice. It means that both female and male directors have the equal capabilities and qualification to improve firm performance.

Second, retiring CEO plays the role to decrease the aggressive accounting practice through the conservative decision in investment and innovation. Hence, they only report the conservative income than CEO who have a longer retirement period. Third, the financial distress become the interesting factor to companies to maintain its financial healthiness. By increasing the income level and decrease the expenses, companies expect that the condition will mitigate their financial condition become worse. Conservatism in accounting practice plays important role in ensuring that the accounting information have been reported comprehensively.

Our study has several limitations. First, we only focus on the public companies in sector industries, hence the generalization feasibility is

quite limited. We suggest to compare accounting conservatism practice from several industries in the future research. Second, we only examine the CEO retirement by identify the number of CEO who are closely to their retirement period. The real action of CEO in the time of their retirement period can not be observed directly. As suggested by Rezaee et al (2021), the number of aggressive and incremental investment may become the other indicator perspective of CEO retirement, and can be deeply explored in the future research.

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