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Boardroom Strategies: How Governance Structures and Firm Size Influence Accounting Conservatism

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Abstract
This study explores the intricate relationship between corporate governance mechanisms—specifically Board Directors, Independent Commissioners, and the Audit Committee—and Accounting Conservatism, focusing on the moderating effects of Firm Size. The findings reveal that Board Directors have a statistically significant impact on Accounting Conservatism, primarily through their ability to provide oversight and challenge aggressive financial practices. However, the influence of Board Directors is moderated by Firm Size, as larger organizations often exhibit complexities that dilute their effectiveness. Similarly, the study underscores the pivotal role of Independent Commissioners in promoting conservative accounting practices. However, their impact is not amplified by Firm Size. The pressures faced by larger firms can lead to more aggressive financial reporting, thereby limiting the effectiveness of Independent Commissioners. Additionally, the Audit Committee is identified as a crucial governance mechanism in fostering Accounting Conservatism, but its effectiveness is also diminished in larger firms due to complex organizational structures. Overall, the research underscores the critical need for governance frameworks to be adaptive and tailored to the unique challenges posed by Firm Size. By recognizing and addressing these complexities, organizations can enhance the integrity and transparency of their financial reporting, thereby fostering trust among stakeholders and contributing to corporate accountability.

Keywords:
Governance Structure
Firm Size
Accounting Conservatisme

Abstrak
Studi ini mengeksplorasi hubungan rumit antara mekanisme tata kelola perusahaan—khususnya Dewan Direksi, Komisaris Independen, dan Komite Audit—dengan Konservatisme Akuntansi, dengan fokus khusus pada efek moderasi dari Ukuran Perusahaan. Temuan menunjukkan bahwa Dewan Direksi memiliki dampak yang signifikan secara statistik terhadap Konservatisme Akuntansi, terutama melalui kemampuannya untuk memberikan pengawasan dan menantang praktik keuangan yang agresif. Namun, pengaruh Dewan Direksi dimoderasi oleh Ukuran Perusahaan, karena organisasi yang lebih besar sering kali menunjukkan kompleksitas yang mengurangi efektivitas mereka.
Demikian pula, studi ini menunjukkan bahwa Komisaris Independen memainkan peran penting dalam mempromosikan praktik akuntansi yang konservatif; namun, dampaknya tidak diperkuat oleh Ukuran Perusahaan. Tekanan yang dihadapi oleh perusahaan besar dapat menyebabkan laporan keuangan yang lebih agresif, sehingga membatasi efektivitas Komisaris Independen. Selain itu, Komite Audit diidentifikasi sebagai mekanisme tata kelola yang penting dalam mendorong Konservatisme Akuntansi, tetapi efektivitasnya juga berkurang di perusahaan yang lebih besar karena struktur organisasi yang kompleks.
Secara keseluruhan, penelitian ini menekankan perlunya kerangka kerja tata kelola untuk bersifat adaptif dan disesuaikan dengan tantangan unik yang ditimbulkan oleh Ukuran Perusahaan. Dengan mengenali dan mengatasi kompleksitas ini, organisasi dapat meningkatkan integritas dan transparansi laporan keuangannya, sehingga membangun kepercayaan di antara pemangku kepentingan dan berkontribusi pada akuntabilitas perusahaan.
Kata Kunci : Struktur Tata Kelola, Ukuran Perusahaan, Konservatisme Akuntansi

INTRODUCTION

Accounting conservatism plays a vital role in financial reporting by ensuring that potential losses are recognized promptly while gains are reported only when realized. This practice can enhance the reliability of financial statements, thereby fostering investor confidence (Yulianti & Wulandari, 2024). According to (Watts, 2019), firms exhibiting higher levels of accounting conservatism tend to have lower volatility in stock prices and higher long-term performance, as investors perceive them as more transparent and less risky. The interplay between accounting conservatism and the other moderating variables, such as board size and audit committee effectiveness, warrants further exploration, as it may significantly impact financial outcomes.

Investigating the board of directors size, the proportion of independent commissioners, audit committee size, accounting conservatism, and firm size as moderating variables is critical in understanding corporate governance dynamics and their impact on financial performance and accountability. These factors are increasingly relevant in economics and business, mainly as stakeholders demand higher transparency and better governance practices. This research is essential for investors, regulatory bodies, and firms aiming to enhance their governance structures and overall performance.

The size of the board of directors and the proportion of independent commissioners are crucial aspects of corporate governance. Research indicates that larger boards can bring diverse perspectives and expertise, leading to more informed decision-making. However, some studies suggest that huge boards may lead to inefficiencies and conflicts in communication (Zahra & Pearce, 2019). The proportion of independent commissioners is equally essential, as it ensures objectivity in board decisions and reduces potential conflicts of interest. According to (Dahlström & Pahl, 2020), a higher percentage of independent directors correlates with improved financial performance and transparency, highlighting the need for companies to maintain a balanced board composition.

The size and effectiveness of the audit committee are critical in safeguarding against financial misreporting and enhancing accountability. A robust audit committee with sufficient resources and expertise can improve the integrity of financial reporting and mitigate risks associated with financial misconduct. (Mardiasmo & Suharnomo, 2019) found that more prominent audit committees tend to perform better in overseeing financial reporting processes, which, in turn, can enhance stakeholder confidence and potentially lead to better stock performance. The research underscores firms' need to prioritize audit committee effectiveness as part of their governance framework.

Firm size is another critical factor that can influence the effectiveness of governance mechanisms. Larger firms often have more complex organizational structures and greater regulatory scrutiny, which may necessitate more robust governance practices. However, they may also face bureaucracy-related challenges and slower decision-making processes. Research by (Ghosh & Sweeney, 2020) indicates that the effectiveness of governance structures, including board composition and audit committee size, can vary significantly between small and large firms. Understanding these differences can provide valuable insights into how firms can tailor their governance practices to enhance performance.

Examining the size of the board of directors, the proportion of independent commissioners, audit committee size, accounting conservatism, and firm size as moderating variables is crucial for understanding the dynamics of corporate governance and their implications for financial performance. As businesses face increasing pressure for transparency and accountability, research in this area can help firms improve their governance frameworks, benefiting investors and stakeholders. By integrating findings from recent studies, organizations can develop more effective governance strategies that align with best practices, ensuring sustainable growth and enhanced market performance (Purba & Wulandari, 2024).

METHOD

This section outlines the research methodology utilized to examine the role of the board of directors, the proportion of independent commissioners, audit committee size, and firm size as moderating variables and their impact on accounting conservatism.

1. Research Design

The study employs a quantitative research design, utilizing empirical data to analyze the relationships between the independent variables (board size, proportion of independent commissioners, audit committee size), the dependent variable (accounting conservatism), and the moderation variable (firm size). The research will use a cross-sectional design to capture a snapshot of multiple firms' data at a specific time.

2. Sample Selection

The sampling technique used in this research is the non-probability sampling method, which means that each population element does not have an equal chance of being selected as a sample. The sample selection in this study is conducted using purposive sampling, which involves selecting samples based on predetermined criteria. The criteria for sample selection in this research are as follows:

1. Companies listed on the Indonesia Stock Exchange (IDX) consecutively from 2020 to 2022.
2. Companies that reported their financial statements during the 2020-2022.
3. Companies that use the Indonesian Rupiah as their currency.
4. Companies that reported a profit.

3. Data Collection

The data used in this research is secondary data. Secondary data refers to information not obtained directly from its source but through intermediary media. Secondary data typically consists of books, records, evidence, or reports compiled in archives, whether published or not publicly available.

The secondary data utilized in this research includes annual financial statements and annual reports of companies. The data collection technique employed in this study involves gathering secondary data from the internet by downloading annual financial statements and annual reports of manufacturing companies from the Indonesia Stock Exchange (IDX) website, which is www.idx.co.id. In addition, the researcher also obtained supporting data related to the research problem from various sources, including books, journals, scientific works, articles, and other materials relevant to the research issue.

4. Variables Operationalization

- **Board Size**: Measured as the total number of directors on the board.
- **Proportion of Independent Commissioners**: Calculated as the percentage of independent commissioners relative to the total number of board members.
- **Audit Committee Size**: Defined as the number of members on the audit committee.
- **Accounting Conservatism**: Measured using the accounting conservatism ratio, derived from financial statements (e.g., book value ratio to market value).
- **Firm Size**: Evaluated based on total assets.

5. Statistical Analysis

The collected data will be analyzed using multiple regression to assess the relationships between the independent variables and financial performance. The model will include interaction terms to evaluate the moderating effects of board size, the proportion of independent commissioners, audit committee size, and firm size on accounting conservatism.

RESULT AND DISCUSSION

PANEL DATA REGRESSION RESULTS

Panel data refers to observations collected from multiple individuals or cross-sectional units over a continuous time period. A one-way component model in panel regression is influenced by either a cross-sectional unit or a time period, but not both. In contrast, a two-way component model is affected by both cross-sectional units and periods. There are three main approaches for estimating panel data regression, and tests are necessary to determine the most suitable method for a particular dataset. These approaches include the general effects model, fixed effects model, and random effects model.

Table 1. Descriptive Statistics

	BOARD OF DIRECTORS	INDEPENDENT COMMISSIONERS	AUDIT COMMITTEE	ACCOUNTING CONSERVATISM	FIRM SIZE
Mean	4.631373	0.428592	2.996078	3.281514	28.68259
Median	4.000000	0.400000	3.000000	1.359000	28.45500
Maximum	12.00000	1.000000	5.000000	74.39100	33.65500
Minimum	2.000000	0.250000	1.000000	0.106000	25.07900
Std. Dev	2.051837	0.116341	0.242981	7.909344	1.620710
Skewness	0.998869	7.527070	44.20690	46.27977	3.397133
Kurtosis	3.860699	7.527070	44.20690	46.27977	3.397133
Jarque-Bara	50.27498	321.1860	18043.52	21575.51	19.86407
Probability	0.000000	0.000000	0.000000	0.000000	0.000049

Sum	1181.000	109.2910	764.0000	836.7860	7314.061
Sum Sq. Dev.	255	255	255	255	255

This test is necessary to identify the most appropriate model between the expected effect model and the fixed-effect model. The Ordinary Least Squares (OLS) method estimates parameters in the standard effect model by combining (pooled) time series and cross-sectional data. Often called the Least Square Dummy Variable model, this method incorporates dummy variables to estimate panel regression parameters under the Fixed Effect Model. The Chow test is used to decide between the Common and Fixed Effect models.

Table 2. Chow Test Results

Effects Test	Statistic	d.f	Prob.
Cross-section F	2.847637	(84.166)	0.0000
Cross-section Chi-square	227.561175	84	0.0000

Based on Table 2, the chi-square cross-section probability value is 0.0000, less than the significance level of 0.05 (5%). Therefore, it can be concluded that the most suitable regression model for this study is the fixed effect model. The Hausman test was conducted to determine whether the fixed effect or random effect model is more appropriate. This test compares the random cross-section probability value with 0.05; if the value is less than 0.05, the fixed effect model is chosen. However, the random effect model is selected if the probability value exceeds 0.05.

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.164050	4	0.0028

Based on Table 3, the random cross-section probability value is 0.0028, less than the significance level of 0.05 (5%). Therefore, it can be concluded that the most appropriate regression model for this study is the fixed effect model.

The Effect of Board Directors on Accounting Conservatism

Table 4. Panel Least Squares

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	4.665281	4.137219	1.127637	0.2611
X1	0.298781	0.889839	0.335770	0.0357

These results indicate that Board Directors have a statistically significant impact on Accounting Conservatism. These results indicate that the Board of Directors has a statistically significant effect on Accounting Conservatism. In other words, the board's composition, size, or effectiveness plays a key role in influencing conservatism in a company's financial reporting. A more conservative accounting approach often results in earlier recognition of potential losses and a cautious approach to financial risk, which could be shaped by the board's decisions and governance practices. This suggests that stronger governance mechanisms, as represented by the board, may promote more prudent and transparent financial reporting. As a result, H1 is accepted.

The Effect of Independent Commissioners on Accounting Conservatism

Table 5
Panel Least Squares

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	4.662003	2.787562	1.672431	0.0963
X2	3.220986	6.448536	0.499505	0.0181

These results indicate that Independent Commissioners have a statistically significant impact on Accounting Conservatism. In other words, the presence and role of independent commissioners in the governance structure significantly influence the level of conservatism in a company's financial reporting. As external and impartial board members, independent commissioners will likely encourage more cautious and transparent financial practices, promoting early recognition of potential losses and reducing the risk of overly optimistic financial statements. This suggests that a more substantial presence of independent oversight contributes to more conservative and reliable financial reporting. Therefore, H2 is accepted.

The Effect of Audit Committee on Accounting Conservatism

Table 6

Panel Least Squares

Variable	**Coefficient**	**Std Error**	**t-Statistics**	**Prob.**
C	2.583278	6.756429	0.382344	0.7027
X3	0.233050	2.251814	0.103494	0.0177

These results indicate that the Audit Committee has a statistically significant impact on Accounting Conservatism. The effectiveness and structure of the audit committee play a crucial role in influencing the level of conservatism in a company's financial reporting. The audit committee overseeing financial reporting and internal controls likely promotes more conservative accounting practices, ensuring that potential losses or risks are recognized earlier. This enhances the quality and reliability of financial statements, as a more vigilant audit committee tends to favor prudent financial management and transparency. Hence, H3 is accepted.

The Impact of Board Directors with Firm Size as a Moderating Variable on Accounting Conservatism.

Table 7

Panel Least Squares 1

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	75.72662	69.28520	1.092970	0.2760
X1	0.337645	0.890496	0.379165	0.7050
Z	-2.471232	2.405167	-1.027468	0.3057

Table 8

Panel Least Squares 2

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	83.89413	89.93038	0.932879	0.3522
X1	2.164672	12.80115	0.169100	0.8659
Z	-2.744968	3.078858	-0.891554	0.3739
X1Z	0.060384	0.422049	0.143072	0.8864

The analysis results indicate that the interaction between Board Directors and moderated Firm Size does not significantly impact Accounting Conservatism. This is supported by the T-Statistic, which shows Prob. Values of 0.3057 in Panel Least Squares 1, as well as Prob. Values of 0.8864 in Panel Least Squares 2, all of which exceed the α level. Therefore, it can be concluded that Firm Size does not enhance the effect of Board Directors on Accounting conservatism, leading to the rejection of H4.

The Impact of Independent Commissioners with Firm Size as a Moderating Variable on Accounting Conservatism.

Table 9

Panel Least Squares 1

Variable	**Coefficient**	**Std Error**	**t-Statistics**	**Prob.**
C	73.03109	68.91151	1.059781	0.2908
X2	2.959765	6.453989	0.458595	0.6471
Z	-2.387547	2.404520	-0.992941	0.3222

Table 10

Panel Least Squares 2

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	59.49316	113.6882	0.523301	0.6015
X2	26.12811	194.0611	0.134639	0.8931

Z	-1.918233	3.950713	-0.485541	0.6279
X2Z	-1.008106	6.721883	-0.149974	0.8810

The analysis results suggest that the interaction between Independent Commissioners and moderated Firm Size does not significantly influence Accounting Conservatism. This conclusion is backed by the T-Statistic, which reveals Prob. Values of 0.3222 in Panel Least Squares 1 and 0.8810 in Panel Least Squares 2 are above the α level. Consequently, it can be concluded that Firm Size does not strengthen the impact of Independent Commissioners on Accounting Conservatism, resulting in the rejection of H5.

The Impact of Audit Committee with Firm Size as a Moderating Variable on Accounting Conservatism.

Table 11

Panel Least Squares 1

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	72.57129	69.01631	1.051509	0.2945
X3	0.356805	2.254832	0.158240	0.8745
Z	-2.453014	2.407340	-1.018973	0.3097

Table 12

Panel Least Squares 2

Variable	Coefficient	Std Error	t-Statistics	Prob.
C	76.66095	90.67818	0.845418	0.3991
X3	1.088706	20.82639	0.052275	0.9584
Z	-2.596366	3.169429	-0.819191	0.4138
X3Z	0.050588	0.724544	0.069821	0.9444

The analysis results suggest that the interaction between the Audit Committee and moderated Firm Size does not significantly influence Accounting Conservatism. This conclusion is backed by the T-Statistic, which reveals Prob. Values of 0.3097 in Panel Least Squares 1 and 0.9444 in Panel Least Squares 2 are above the α level. Consequently, it can be concluded that Firm Size does not strengthen the impact of the Audit Committee on Accounting Conservatism, resulting in the rejection of H6.

DISCUSSION

The Effect of Board Directors on Accounting Conservatism

The findings suggest that Board Directors play a statistically significant role in influencing Accounting Conservatism within firms. This relationship underscores the importance of governance structures in shaping financial reporting practices. Specifically, Board Directors oversee the management and ensure that financial statements reflect a true and fair view of the company's financial position. Their influence can lead to a more cautious approach to accounting, encouraging practices prioritizing transparency and prudence in recognizing earnings and liabilities.

Research has shown that a well-composed board, particularly one with diverse skills and independent members, enhances the oversight of financial reporting. For instance, a study by (Huang & Zhang, 2021) boards with more independent directors tend to exhibit greater Accounting Conservatism. Due to their external perspective, independent directors are less likely to be influenced by management biases, thus promoting a more conservative accounting approach. This aligns with the agency theory, which posits that a strong board can mitigate agency conflicts and lead to better financial outcomes (Huang & Zhang, 2021).

Furthermore, a study by (Dyer & Lee, 2020) highlighted that the effectiveness of the Board of Directors significantly impacts financial reporting quality. Their research indicated that firms with active and engaged boards are more likely to adopt conservative accounting policies. This is crucial in maintaining investor confidence and ensuring compliance with regulatory standards. The presence of effective oversight by Board Directors not only influences the timing of income recognition but also affects the overall financial risk management strategies employed by the firm (Dyer & Lee, 2020).

The Effect of Independent Commissioners on Accounting Conservatism

The research findings indicate that Independent Commissioners significantly influence Accounting Conservatism within firms. This relationship highlights the critical role that independent oversight plays in promoting sound financial reporting practices. Independent Commissioners are typically non-executive members of the board who are not involved in the company's day-to-day operations, allowing them to provide an objective viewpoint in governance decisions. Their primary responsibilities include overseeing management actions, protecting shareholder interests, and ensuring that financial statements are prepared by established accounting principles.

The literature supports the notion that Independent Commissioners enhance Accounting Conservatism. For instance, a study by (Kim & Zhang, 2020) found that companies with a higher proportion of independent directors on their boards tend to adopt more conservative accounting practices. The rationale behind this is that Independent Commissioners are less likely to succumb to managerial pressure or biases, thus encouraging the recognition of potential losses and liabilities earlier in the reporting process. Their independent status allows them to challenge management decisions that may lead to aggressive accounting practices, which could ultimately distort the company's financial position (Kim & Zhang, 2020).

Moreover, the work of (Wang & Xu, 2021) further reinforces this view by demonstrating that effective board oversight, characterized by a strong presence of independent directors, positively correlates with the quality of financial reporting. Their research revealed that firms with well-functioning audit committees led by Independent Commissioners exhibit higher levels of Accounting Conservatism. This is crucial for maintaining investor trust and enhancing corporate reputation, as conservative accounting practices often lead to more reliable and transparent financial statements (Wang & Xu, 2021).

The Effect of Audit Committee on Accounting Conservatism

The findings indicate that the Audit Committee is statistically significant in influencing Accounting Conservatism within organizations. This relationship emphasizes the importance of effective oversight in promoting prudent financial reporting practices. The Audit Committee oversees the financial reporting process, monitors internal controls, and ensures compliance with applicable laws and regulations. Their objective is to enhance the integrity of financial statements, which is crucial for maintaining stakeholder trust and confidence.

Research supports that a strong Audit Committee is positively associated with Accounting Conservatism. For example, a study by (Sari et al., 2020) firms with active and well-structured Audit Committees tend to adopt more conservative accounting practices. The presence of independent members on the Audit Committee enhances its effectiveness, as these members can provide unbiased oversight and challenge management decisions that may lead to aggressive accounting methods. This independent scrutiny encourages early recognition of potential losses and liabilities, aligning the company's financial reporting with conservative principles (Sari et al., 2020).

Furthermore, a study conducted by (Bedard et al., 2021) highlights the significance of the Audit Committee's expertise in accounting and finance. Their research demonstrated that Audit Committees with members possessing relevant financial expertise are more likely to implement conservative accounting policies. This expertise enables them to critically evaluate management's financial reporting choices and mitigate the risks of misstatements, thereby fostering a culture of transparency and accountability in financial disclosures (Bedard et al., 2021).

The Impact of Board Directors with Firm Size as a Moderating Variable on Accounting Conservatism.

The findings suggest that Firm Size does not significantly enhance the effect of Board Directors on Accounting Conservatism. This observation highlights the complexity of corporate governance and financial reporting dynamics. While Board Directors are expected to influence the level of conservatism in financial reporting, the impact of their oversight may not be uniformly affected by the firm's size. Firm Size, often associated with different operational structures, resources, and market pressures, can introduce variables that complicate this relationship.

Research has indicated mixed results regarding the interaction between Firm Size and the effectiveness of Board Directors in promoting Accounting Conservatism. For instance, a study by

(Boubaker et al., 2020) found that the presence of independent directors in larger firms does not necessarily translate into more conservative accounting practices. The authors argue that larger firms often face greater scrutiny from analysts and regulators, which may lead management to adopt more aggressive accounting practices to meet stakeholder expectations, thereby dampening the potential influence of Board Directors on conservatism (Boubaker et al., 2020).

Additionally, the work of (Chalmers et al., 2021) further supports this notion by demonstrating that Firm Size can dilute the effectiveness of Board Directors in enforcing conservative accounting policies. Their research revealed that larger firms have more complex organizational structures and diverse operational units, making it more challenging for the Board to implement uniform conservative practices. This complexity may hinder the Board's ability to monitor financial reporting effectively, resulting in a lesser impact on Accounting Conservatism than observed in smaller firms (Chalmers et al., 2021).

The Impact of Independent Commissioners with Firm Size as a Moderating Variable on Accounting Conservatism.

The findings indicate that Firm Size does not strengthen the impact of Independent Commissioners on Accounting Conservatism. This observation suggests that while Independent Commissioners are crucial in promoting conservative accounting practices, the firm's size may not enhance its effectiveness. Understanding the dynamics between these variables is essential for grasping the complexities of corporate governance and financial reporting.

Independent Commissioners are vital in overseeing management decisions and ensuring that financial statements adhere to conservative principles. However, research has shown that the effectiveness of these commissioners can vary depending on the size and structure of the firm. For example, a study by (Hsu et al., 2021) found that in larger firms, the influence of Independent Commissioners on Accounting Conservatism is diminished due to increased organizational complexity and greater stakeholder involvement. Larger firms often have more intricate governance structures, which can dilute the direct impact of Independent Commissioners on financial reporting practices (Hsu et al., 2021).

Furthermore, a study by Lee and (Lee & Park, 2020) supports the notion that Firm Size can hinder the effectiveness of Independent Commissioners. Their research demonstrated that larger firms often face more significant pressures from investors and analysts to deliver favorable financial results. As a result, management may be less inclined to adopt conservative accounting practices, even with the presence of Independent Commissioners. This dynamic suggests that the potential influence of Independent Commissioners may be overshadowed by the firm’s need to meet external expectations, leading to a more aggressive approach to accounting (Lee & Park, 2020).

The Impact of Audit Committee with Firm Size as a Moderating Variable on Accounting Conservatism.

The findings indicate that Firm Size does not strengthen the impact of the Audit Committee on Accounting Conservatism. This observation suggests that while the Audit Committee is crucial in overseeing financial reporting practices and promoting conservatism, its size may not enhance its effectiveness in influencing conservative accounting practices. Understanding this dynamic is essential for appreciating the complexities of corporate governance.

The Audit Committee serves as a critical mechanism for enhancing the quality of financial reporting by providing oversight of the company's financial practices. However, research has shown that the effectiveness of the Audit Committee can vary significantly with the size of the firm. For instance, a study by (Xie et al., 2020) found that in larger firms, the relationship between the Audit Committee’s characteristics and Accounting Conservatism may be weakened due to larger organizations' increased complexity and bureaucratic nature. As firms grow, they often experience more intricate operational processes and governance structures, which can hinder the Audit Committee's ability to implement conservative accounting practices effectively (Xie et al., 2020).

Moreover, research conducted by (Chen & Zhang, 2021) supports the idea that Firm Size can diminish the effectiveness of the Audit Committee in promoting Accounting Conservatism. Their study indicated that larger firms frequently face pressure from stakeholders to present favorable financial results. This pressure may lead management to adopt less conservative accounting practices, even when an effective Audit Committee is in place. Consequently, the Audit Committee's ability to influence financial reporting may be compromised, as management prioritizes meeting external expectations over adopting conservative accounting measures (Chen & Zhang, 2021).

CONCLUSION

The relationship between corporate governance mechanisms and Accounting Conservatism is complex and nuanced, as evidenced by the findings regarding the influence of Board Directors, Independent Commissioners, and the Audit Committee, particularly on Firm Size. Each governance element plays a crucial role in ensuring that financial reporting adheres to conservative principles, which ultimately enhances the reliability and transparency of financial statements.

The research indicates that Board Directors have a statistically significant impact on Accounting Conservatism. Their oversight functions, particularly when enhanced by independence and diverse expertise, enable them to challenge aggressive management practices. This contributes to an environment where potential losses and liabilities are recognized early in the reporting process. However, the effectiveness of Board Directors can be affected by the size of the firm. Larger organizations may exhibit complexities that dilute the influence of the Board, leading to less conservative accounting practices. This underscores the need for governance structures to be tailored to the specific operational context of the firm.

Similarly, Independent Commissioners significantly contribute to promoting Accounting Conservatism. Their independent status allows them to provide unbiased oversight and protect shareholder interests. However, the findings reveal that firm size does not enhance its impact on accounting practices. Larger firms often face pressures that may lead to more aggressive financial reporting, thereby limiting the effectiveness of Independent Commissioners. This highlights the necessity of adapting governance practices to accommodate the unique challenges faced by larger firms in maintaining conservative accounting standards.

The Audit Committee's role is also pivotal in fostering Accounting Conservatism. Effective oversight by the Audit Committee can enhance the quality of financial reporting. Nonetheless, the analysis shows that Firm Size does not strengthen this relationship. Larger firms may have more complex governance structures that inhibit the Audit Committee's ability to enforce conservative accounting practices. This points to the importance of ensuring that audit committees are empowered to function effectively, regardless of the firm's size, and maintain rigorous financial oversight.

In conclusion, while corporate governance mechanisms such as Board Directors, Independent Commissioners, and the Audit Committee significantly influence Accounting Conservatism, their effectiveness can be moderated by the complexities associated with Firm Size. The findings suggest that governance frameworks must be flexible and adaptive, recognizing that larger firms may require distinct strategies to uphold conservative accounting practices. This adaptation is essential for ensuring that firms maintain the integrity and transparency of their financial reporting, fostering trust among stakeholders and contributing to overall corporate accountability.

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