

The Effect of Capital Intensity and Leverage on Accounting Conservatism in Basic Industry and Chemical Sector Manufacturing Companies Listed on the IDX in 2019-2023

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ABSTRACT

A company's financial statements reflect the effectiveness of management in managing the company's resources. Management may choose which accounting techniques to use in preparing financial statements. One such technique is the principle of accounting conservatism. The application of accounting conservatism in the presentation and disclosure of financial information is important and necessary due to a tendency among management to present financial statements with an overstated bias that can mislead users. This study aims to determine the effect of capital intensity and leverage on accounting conservatism in manufacturing companies in the basic and chemical industry sectors listed on the IDX in 2019-2023. This study uses a quantitative approach with secondary data sources. The population is 365 company annual report data obtained from 73 manufacturing companies in the basic and chemical industry sectors. The sampling technique uses purposive sampling of 95 annual report data companies obtained from 19 manufacturing companies in the basic and chemical industry sectors. The analysis technique uses multiple linear regression with hypothesis testing, namely partial test (t test) and simultaneous test (f test). The results in this study indicate partially that the capital intensity variable (X1) has a significant negative effect on accounting conservatism (Y) and the leverage variable (X2) has no effect on accounting conservatism (Y). Capital intensity and leverage variables simultaneously affect accounting conservatism. The coefficient of determination (R square) value is 0.116 or 11.6% while the remaining 88.4% is due to other factors.

Keywords: Capital Intensity, Leverage, Accounting Conservatism

ABSTRAK

Laporan keuangan perusahaan akan menggambarkan efektivitas manajemen dalam mengelola sumber daya perusahaan. Manajemen dapat memilih teknik akuntansi mana yang akan digunakan dalam penyusunan laporan keuangan. Salah satu teknik yang dapat digunakan adalah teknik konservatisme akuntansi. Penerapan konservatisme akuntansi dalam penyajian dan pengungkapan informasi keuangan menjadi penting dan diperlukan karena adanya kecenderungan manajemen dalam menyajikan laporan keuangan dengan kecenderungan overstated yang dapat menyesatkan para pengguna. Penelitian ini bertujuan untuk mengetahui pengaruh intensitas modal dan leverage terhadap konservatisme akuntansi pada perusahaan manufaktur di sector industry dasar dan kimia yang terdaftar di BEI pada periode 2019–2023. Penelitian ini menggunakan pendekatan kuantitatif dengan sumber data sekunder. Populasi penelitian ini adalah 365 data laporan tahunan perusahaan yang diperoleh dari 73 perusahaan manufaktur di sector industry dasar dan kimia. Teknik pengambilan sampel yang digunakan yaitu Purposive Sampling terhadap 95 data laporan tahunan perusahaan yang diperoleh dari 19 perusahaan manufaktur di sector industry dasar dan kimia. Teknik analisis menggunakan regresi linier berganda dengan pengujian hipotesis, yaitu uji parsial (uji t) dan uji simultan (uji f). Hasil dalam penelitian ini menunjukkan secara parsial bahwa variable intensitas modal (X1) memiliki pengaruh negatif yang signifikan terhadap konservatisme akuntansi (Y) dan variabel leverage (X2) tidak berpengaruh terhadap konservatisme akuntansi (Y). Variabel intensitas modal dan leverage secara simultan mempengaruhi konservatisme akuntansi. Nilai koefisien determinasi (R kuadrat) sebesar 0,116 atau 11,6%, sedangkan 88,4% sisanya disebabkan oleh faktor-faktor lain.

Kata Kunci: Intensitas Modal, Leverage, Konservatisme Akuntansi

1. Introduction

Companies that conduct transactions with many parties have high risk. These unavoidable business risks can be linked to future growth opportunities. To support growth, companies require funds that may be obtained either through internal financing or by borrowing from

external sources. The availability of adequate funding is a key factor in sustaining operational activities, achieving profit targets, and ensuring long-term sustainability.

In conducting operations, companies must manage resources effectively and efficiently. Assets play a crucial role in supporting operations, as they are used to produce goods and services that ultimately generate economic

benefits. Thus, the level of investment in assets serves as an indicator of a company's ability to generate revenue.

Capital intensity refers to the amount of capital a company holds in the form of assets to generate revenue. According to Rivandi and Ariska (2019, p.106), an increase in capital in the form of assets held by a company is referred to as capital intensity. The greater the assets used to generate revenue, the larger the company is considered to be. A company can be categorized as large if the assets used in its operations grow in line with the costs incurred, as reflected in its capital intensity. A higher capital intensity ratio tends to result in more conservative financial statements. High capital intensity indicates significant investment in fixed assets, which entails risks related to asset utilization and resource management. Moreover, companies with substantial assets generally attract greater attention from investors, creditors, the government, and the public. Consequently, such companies tend to be more cautious in presenting financial information to maintain stakeholder trust.

Leverage refers to the debt a company incurs to operate its business. It can also be defined as assets acquired through borrowing (Rafida & Pratami, 2023). This ratio serves as an indicator for creditors to assess a company's ability to repay debt and interest. Leverage is one of the key indicators in evaluating a company's capital structure. A high leverage ratio indicates heavy reliance on debt as a source of funding, which increases financial risk due to the obligation to repay both principal and interest. The higher the leverage ratio, the greater the scrutiny creditors apply to a company's financial condition. Therefore, companies with high leverage ratios are expected to present financial statements that are transparent, accurate, and reliable.

Financial statements are a primary tool used by companies to communicate information about financial condition, performance, and changes in financial position to stakeholders. The information contained in financial statements serves as the basis for investors in making decisions, for creditors in assessing a company's ability to meet obligations, and for management in evaluating performance. Thus, the quality of financial statements is crucial because it influences various economic decisions made by users.

In practice, conflicts of interest often arise between management and external parties. As the party responsible for managing the company, management possesses more complete information than investors or creditors. This situation is known as information asymmetry. Information asymmetry may allow management to act opportunistically, for example by selecting accounting methods that make profits appear higher than they actually are.

Financial Accounting Standards (SAK) grant companies the freedom to choose accounting principles to be applied in preparing financial statements. This flexibility allows companies to tailor financial reporting to their needs and circumstances. However, such freedom is often misused by management in preparing financial statements (Opti & Uqbah, 2023). The choice of

accounting principles directly affects the values presented in financial statements.

To minimize the likelihood of overly optimistic financial reporting, a principle is needed that encourages greater caution. One such principle is accounting conservatism, which is considered effective in reducing management's tendency to present overly favorable information that may not reflect the company's actual condition.

Accounting conservatism is a principle of financial reporting whereby companies delay recognizing revenue and assets but promptly recognize expenses and liabilities. This principle is crucial in addressing uncertainty, as overstating profits is more harmful than understating them. Excessively high profits pose legal risks because they may be considered misleading (Savitri, 2016, p.38).

The application of accounting conservatism is expected to improve the quality of financial statements, as companies will be more cautious in recognizing revenue and assets while promptly recognizing expenses and liabilities. Consequently, the resulting information becomes more reliable and can serve as a basis for sound decision-making by users of financial statements. In addition, accounting conservatism can reduce the risk of earnings manipulation by management to achieve specific objectives.

Research on accounting conservatism remains an interesting topic because previous studies have yielded mixed results. Some studies have found that capital intensity influences accounting conservatism, while others have shown different outcomes. Similarly, findings regarding leverage remain inconsistent. These discrepancies highlight a research gap that requires further investigation.

The basic industries and chemicals sector was selected for this study because it has characteristics that differ from other sectors. Companies in this sector generally have substantial fixed-asset investments and require relatively high levels of financing to support operations. These characteristics make the basic industries and chemicals sector a relevant subject for examining the effects of capital intensity and leverage on accounting conservatism.

Table 1.

Net income and cash flow from operating activities of companies in the basic and chemical industry sector. (in million rupiah)

No.	Code	Net income					cash flow from operating activities				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
1.	WIKA	2.621	322.34	214.4	12.586	(7.824)	265.74	314.19	(3.737)	(2.881)	(2.895)
2.	ALKA	7.355	6.684	17.445	48.041	42.011	233.261	(106.772)	67.117	177.714	(110.585)
3.	TALF	27.456	18.489	22.438	44.313	38.451	27.401	64.823	24.147	(9.549)	116.556
4.	AKPI	54.355	66.006	147.822	195.529	(29.657)	243.460	241.597	(12.866)	139.897	22.693
5.	INAI	33.558	3.992	4.320	(113.95)	(57.837)	(66.132)	22.851	(78.159)	5.522	(94.142)

Source: Annual report (2025)

There is a related phenomenon, companies in the basic and chemical industry sector in Indonesia show low implementation of the principle of conservatism, the occurrence of this indicates a low level of accounting conservatism applied by these companies. The principle of conservatism directs companies to record losses or potential losses immediately, but record profits only when they are certain. If the financial statements show many years of profits even though the cash flow of operating activities has never been positive, it could indicate that the principle of conservatism is not applied correctly

2. Literature Review

Positive Accounting Theory

Positive Accounting Theory is one of the theories used to explain and predict management behavior in selecting accounting policies used in the preparation of financial statements. This theory focuses on real-world accounting practices and the factors that influence a company's choice of accounting methods. Through this theory, management behavior can be explained based on the economic motivations of the parties with a stake in the company.

The Theory of Positive Accounting was developed by Watts and Zimmerman, who argued that the selection of accounting methods is not based solely on technical considerations but is also influenced by the economic interests of management. As the party responsible for managing the company, management has the freedom to choose the accounting policies it deems most appropriate for the company's circumstances. This freedom allows management to select accounting methods that benefit both the company and management itself.

As a business entity, a company has relationships with various parties, such as investors, creditors, the government, and the public. Each of these parties has different interests regarding the information presented in financial statements. These differing interests can lead to conflicts of interest between management and the company's external stakeholders. Therefore, the Theory of Positive Accounting is used to explain how management selects accounting policies in response to these various interests.

Positive accounting theory uses the assumption that management is given the freedom to choose accounting methods. This freedom has the potential to cause a tendency for managers to choose accounting methods that only benefit personal interests. Providing management flexibility in choosing accounting policies that are in accordance with personal goals, positive accounting theory assumes that managers will rationally choose good accounting policies. According to Watts and Zimmerman (1986) in (Haryadi et al., 2020, p. 69) positive accounting theory explains that there are 3 hypotheses that can encourage managers to choose an accounting principle, including:

a. The Bonus Plan Hypothesis

This hypothesis is based on the bonuses earned by management. Company management tends to prefer methods that can increase current period profits with

certain bonus plans. Company managers with bonus plans tend to choose.

earnings from future periods to the present period. This is because the bonuses that will be received by management are usually based on the performance achieved. This performance is reflected in the profit or loss in the financial statements. If the profit earned by the company is high, the bonus earned is also higher.

b. The Debt Equity Hypothesis

This hypothesis explains that the higher the company's debt to equity ratio, the more likely managers are to choose accounting methods to increase profits. This is because the higher the debt-to-equity ratio, the greater the deviation based on management that will violate the debt agreement. When creditors provide loans to companies, there are agreements that management must adhere to during the contract period.

c. Political cost hypothesis

This is based on the idea that companies have high political costs. If the higher the political cost of a company, the higher the possibility of management using accounting policies that are reported in the present into future profits. This is because large companies have the ability to earn higher profits so that the political costs that must be paid are higher.

Based on these three hypotheses, the Positive Accounting Theory explains that management's selection of accounting policies is not only based on technical considerations but is also influenced by various economic motivations related to both the company's interests and the personal interests of management. This theory suggests that financial statements can be influenced by management's decisions in choosing specific accounting methods.

Capital Intensity

Capital Intensity is a ratio that can show how much efficiency the company utilizes its assets in generating sales. Capital intensity can also be used as an indicator of how much capital the company needs to generate revenue. Higher revenue will increase profits (Halim, 2023). The higher the capital intensity, the greater the income generated from the company's capital in the form of assets, the greater the income will result in large political costs as well. The greater the capital intensity of a company, the greater the inherent political costs, but a high level of capital intensity does not guarantee that the company will be conservative in its financial statements.

Companies with high capital intensity generally have greater production capacity than those with low capital intensity. Significant investment in fixed assets is expected to improve operational efficiency, expand production capacity, and increase company revenue. Therefore, capital intensity is often used as an indicator to assess a company's ability to manage its resources to generate optimal profits.

In addition to boosting a company's productivity, high capital intensity can also pose various risks.

Companies must bear the costs of asset maintenance and depreciation, as well as the risk of asset depreciation due to technological advancements or changes in economic conditions. The significant investment in fixed assets means companies must exercise greater caution when making business decisions, as mistakes in asset management can lead to a decline in company performance.

Leverage

Leverage is a ratio used to measure how much the company uses debt as a source of funds to finance its operational activities (Halim, 2023). This means how much debt burden the company will bear compared to assets. The leverage ratio can be a benchmark for creditors to provide loans as a calculation of whether the company is able to return loans in the future. Creditors will exercise their right to control the operating activities of a company when the leverage level is higher which aims to protect their property, so that information asymmetry between the company and the creditors can be minimized and company managers cannot manipulate their financial statements (Kurniawan et al., 2022).

Leverage is one of the key indicators used to assess a company's level of financial risk. This ratio reflects a company's ability to meet both its short-term and long-term obligations arising from the use of debt. The higher the leverage ratio, the greater the risk the company faces in the event of a decline in revenue or unfavorable economic conditions. Therefore, companies need to carefully consider their use of debt to avoid future financial difficulties.

A company's leverage ratio can also influence investor and creditor confidence. Companies with a controlled leverage ratio are generally viewed as having a strong ability to manage their funding sources and meet their obligations. Conversely, companies with excessively high leverage levels may be perceived as carrying greater risk because a significant portion of their operational activities is financed by debt. This situation can influence investors' decisions regarding capital investment as well as creditors' decisions regarding the provision of loans to the company.

In addition, the use of debt can benefit a company by allowing it to obtain additional funds without having to raise capital from shareholders. These funds can be used to expand operations, increase production capacity, or finance investments that have the potential to generate future profits. With proper management, the use of debt can help companies improve their performance and corporate value. However, these benefits must be balanced with the company's ability to manage interest expenses and debt repayment obligations so as not to disrupt the company's financial stability.

Accounting conservatism

Accounting conservatism is a principle in financial reporting where companies are not in a hurry to recognize profits and assets and immediately recognize costs and liabilities. Accounting conservatism is considered to be a

principle that actually makes the information of a report biased because it basically recognizes losses more quickly, so that the quality of financial statements does not reflect the actual condition of the company. On the other hand, conservatism is also considered important because it can prevent management's tendency to overstate the company's assets so that its performance is considered good (Messyca, 2023).

The principle of accounting conservatism essentially emphasizes a cautious approach in dealing with uncertainties related to a company's business activities. Through this principle, companies tend to be more cautious in recognizing revenue and assets that are still subject to uncertainty, but are quicker to recognize expenses, losses, and liabilities that are likely to occur. Consequently, the resulting financial statements are expected to provide more reliable information and reduce the risk of presenting information that is overly optimistic. Accounting conservatism has long been one of the key principles in accounting practice because it provides protection for users of financial statements. Investors and creditors need reliable information on which to base their economic decisions. Therefore, the application of accounting conservatism can help reduce the risk of decision-making errors caused by the overstatement of earnings or assets.

3. Methodology

3.1 Data

Research methodology refers to the scientific methods or procedures used by researchers to collect, process, and analyze data in order to address research questions and achieve predetermined objectives. Research methodology serves as a guide to ensure that the research process is conducted systematically, objectively, and responsibly, thereby yielding valid and relevant information.

This research is quantitative research, the Indonesia Stock Exchange website (www.idx.co.id) is a secondary data source in this study. Researchers use a documentation approach to obtain the data needed in the study through the information presented by the company in its financial statements.

3.2 Analysis Method

The population of this study is 365 annual financial report data from 73 manufacturing companies in the basic and chemical industry sector listed on the Indonesia Stock Exchange from 2019 to 2023. The sample selected using purposive sampling method obtained 95 annual financial report data from 19 manufacturing companies in the basic and chemical industry sectors. In this study, researchers processed the data using SPSS version 21 software. The criteria established for sampling in this study are as follows:

1. Manufacturing companies in the Basic Industries and Chemicals sectors listed on the Indonesia Stock Exchange (IDX) for five consecutive years during the 2019–2023 period.

- Companies that published complete financial reports for the 2019–2023 period.
- Companies that use the Indonesian rupiah (IDR) as their currency.
- Companies that conducted an Initial Public Offering (IPO) during the study period and provided complete data in accordance with the research variables for the 2019–2023 period.
- Companies that met the criteria for the research variables during the 2019–2023 period.

Tabel 2.*Operational variables and their measurement*

Variables	measurement
Capital Intensity	$CapitalIntensity = \frac{TotalAssets}{sales}$
Leverage	$DAR = \frac{TotalLiability}{TotalAssets}$
Accounting Conservatism	$ConAcc = \frac{(NIO + DEP - CFO)X(-1)}{TA}$

4. Results And Discussion

Descriptive statistics

Tabel 3.*Descriptive statistics results*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Capital Intensity	95	2,67	6,02	4,6874	,63713
Leverage	95	1,48	4,45	3,5967	,60387
Accounting conservatism	95	-2,41	3,94	1,4273	1,15743
Valid N (listwise)	95				

Source: Processed data, 2025

Data processed Based on table 3 can be described as follows.

- The number of research samples is 95 consisting of 19 companies in 5 years of observation. With 2 independent variables and 1 dependent variable that uses a ratio scale.
- The dependent variable, namely accounting conservatism, has a minimum value of -2.41 while the maximum value is 3.94, an average value of 1.4273 and a standard deviation of 1.15743.
- The first independent variable, namely capital intensity, has a minimum value of 2.67 while the maximum value is 6.02, an average value of 4.6874 and a standard deviation of 0.63713.
- The second independent variable, namely leverage, has a minimum value of 1.48 while the maximum value is 4.45, an average value of 3.5967 and a standard deviation of 0.60387.

Classical Assumption Test

4.2.1. Normality Test

Tabel 4.*Normality Test results*

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		95
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	1,08811743
Most Extreme Differences	Absolute	,122
	Positive	,070
	Negative	-,122
Kolmogorov-Smirnov Z		1,189
Asymp. Sig. (2-tailed)		,118

Source: Processed data, 2025

Based on table 4, the significance value (Asymp. Sig) 0.118 is greater than the research significance level (α) 0.05 so that based on the decision criteria it can be concluded that the residual data in the regression model is normally distributed.

Multicollinearity Test

Tabel 5.*Multicollinearity Test results*

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Capital Intensity	,952	1,051
Leverage	,952	1,051

Source: Processed data, 2025

Based on table 5, it can be seen that the tolerance value of the two independent variables is 0.952 greater than 0.10. While the VIF value of the two independent variables, namely 1.051, is smaller than 10. Based on the decision criteria, it is concluded that there is no multicollinearity problem between the independent variables in the regression model.

Heteroscedasticity Test**Tabel 6.**
Heteroscedasticity Test results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,840	,788		1,066	,28
Capital Intensity	-,008	,118	-,007	-,065	,94
Leverage	,006	,124	,005	,049	,96

Source: Processed data, 2025

Based on table 6 in the Sig. column, the significance value (Sig.) of each independent variable (capital intensity sig. 0.948 and leverage sig. 0.961) is greater than the significance level of 0.05. Based on the decision criteria, it can be concluded that there is no heteroscedasticity problem in the regression model.

Autocorrelation Test**Tabel 7.**
Autocorrelation Test result

Runs Test	
	Unstandardized Residual
Test Value ^a	,18681
Cases < Test Value	47
Cases ≥ Test Value	48
Total Cases	95
Number of Runs	52
Z	,723
Asymp. Sig. (2-tailed)	,470

Source: Processed data, 2025

Based on table 7, it is known that the value of Asymp. Sig (2-tailed) of 0.470 is greater than the research significance level of 0.05. Based on the run test decision criteria, it can be concluded that there is no autocorrelation in the regression model.

Multiple Linear Regression Analysis**Tabel 8.**

Multiple Linear Regression Analysis result

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,850	1,219		2,338	,022
Capital Intensity	-,510	,183	-,281	-2,797	,006
Leverage	,270	,193	,141	1,400	,165

Source: Processed data, 2025

Based on table 8, the results of the multiple linear regression equation are as follows:

$$\hat{Y} = 2,850 - 0,510 X_1 + 0,270 X_2$$

Description:

$\hat{Y}$	= Accounting Conservatism
a	= Constant coefficient
b	= Regression coefficient
X_1	= Capital intensity
X_2	= Leverage
e	= Error

Based on the equation of multiple linear regression results, it can be interpreted as follows.

1. The coefficient of the constant (a) is positive 2.850 "meaning that if Capital Intensity (X_1) and Leverage (X_2) are zero, then the average Accounting Conservatism ($\hat{Y}$) is 2.850".
2. The regression coefficient of the Capital Intensity variable (X_1) is -0.510 The coefficient is negative, "meaning that there is an unidirectional relationship between the independent variable (Capital Intensity) and the dependent variable (Accounting Conservatism), so that if Capital Intensity (X_1) increases by 1%, then the average Accounting Conservatism ($\hat{Y}$) will decrease by 0.510%, assuming the value of Leverage (X_2) remains constant".
3. The regression coefficient of the Leverage variable (X_2) is 0.270. The coefficient is positive, "meaning that there is a unidirectional relationship between the independent variable (Leverage) and the dependent variable (Accounting Conservatism), so that if Leverage (X_2) increases by 1%, the average Accounting Conservatism ($\hat{Y}$) will increase by 0.270%, assuming the value of Capital Intensity (X_1) remains / constant".

Hypothesis Test
Partial Test (t Test)

Tabel 9.

Partial Test result (t Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,850	1,219		2,338	,022
Capital Intensity	-,510	,183	-,281	-2,797	,006
Leverage	,270	,193	,141	1,400	,165

Source: Processed data, 2025

In this study, the confidence level of researchers in conducting research "is 95% or 0.95 with a significance level (α) = 5% or 0.05. Based on the significance level (α) = 5% = 0.05; df (number of data - number of independent variables - 1) = 95-2-1 = 92. Then the t table value is 1.986". Based on table 9. The following decisions are obtained:

1. The t value of the variable "Capital Intensity (X1) of -2.797 is smaller than the t table of 1.986 and the significance value of 0.006 is smaller than the significant level (α) 0.05. It can be concluded that Capital Intensity (X1) partially has a significant negative effect on Accounting Conservatism (Y) ".
2. The t value of the variable "Leverage (X2) of 1.400 is smaller than the t table of 1.986 and the significance value of 0.165 is greater than the significant level (α) 0.05. It can be concluded that Leverage (X2) partially has no significant effect on Accounting Conservatism (Y) ".

Coefficient Determination

Tabel 11.

Coefficient Determination result (R Square)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,341 ^a	,116	,097	1,09988

Source: Processed data, 2025

Based on table 11, the coefficient of determination (R Square) of the regression model is 0.116. It can be concluded that the amount of contribution / contribution of the influence of Capital Intensity (X1) and Leverage (X2) together on the variation / increase and decrease of

Accounting Conservatism (Y) is 11.6% while the remaining 88.4% is caused by other factors not examined such as company size and financial distress.

Discussion**The Effect of Capital Intensity on Accounting Conservatism**

Based on the results of the partial hypothesis testing, the capital intensity variable has a significance value of 0.006, which is less than 0.05, with a regression coefficient of -0.510. These results indicate that capital intensity has a negative and significant effect on accounting conservatism in manufacturing companies in the basic and chemical industries listed on the Indonesia Stock Exchange for the 2019–2023 period. Thus, the hypothesis stating that capital intensity affects accounting conservatism is accepted.

This negative relationship indicates that the higher a company's capital intensity, the lower the level of accounting conservatism applied. High capital intensity indicates that a company has significant fixed asset investments to support its operations and generate revenue. The size of these investments leads the company to strive to maximize the utilization of its assets in order to generate optimal profits. Under these conditions, management tends to want to demonstrate the company's strong performance through financial statements that reflect high profitability, thereby reducing the application of the principle of conservatism.

In addition, companies with substantial assets typically attract the attention of investors, creditors, the government, and the public. To maintain the company's image in the eyes of stakeholders, management may be motivated to present financial statements that reflect a stable and profitable company. As a result, companies become less cautious in recognizing revenue and profits, leading to a decline in the level of accounting conservatism. This finding aligns with Positive Accounting Theory, specifically the political cost hypothesis, which explains that large companies tend to choose accounting policies that support the company's interests when facing political or economic pressures.

The results of this study also indicate that the size of a company's assets does not necessarily encourage the company to adopt a higher degree of prudence. On the contrary, companies with high capital intensity tend to focus on achieving profit targets and increasing corporate value. Therefore, the higher a company's capital intensity, the lower the likelihood of applying accounting conservatism. These findings support the research conducted by Rivandi and Ariska (2019), which states that capital intensity influences accounting conservatism.

The Effect of Leverage on Accounting Conservatism

Based on the results of the partial hypothesis testing, the leverage variable has a significance value of 0.165, which is greater than 0.05. These results indicate that leverage does not have a significant effect on accounting conservatism in manufacturing companies in the basic and chemical industries listed on the Indonesia Stock

Exchange during the 2019–2023 period. Thus, the hypothesis stating that leverage affects accounting conservatism is rejected.

The lack of an effect of leverage on accounting conservatism indicates that a company's level of debt is not a primary factor in determining the application of the principle of accounting conservatism. In theory, companies with high leverage face stricter scrutiny from creditors, so management is expected to be more cautious in preparing financial statements. However, the results of this study show that this was not the case for companies in the basic industries and chemicals sectors during the study period.

This may be because creditors do not solely consider a company's debt level when assessing its ability to meet its obligations. Creditors also take into account other factors such as profitability, liquidity, operating cash flow, business prospects, and the company's reputation. Thus, even if a company has a high leverage ratio, this does not directly prompt management to adopt a more conservative accounting approach.

In addition, companies with high debt may already have robust internal control systems and corporate governance in place, so pressure from creditors does not significantly influence the accounting policies they adopt. Conversely, companies with low leverage may also adopt accounting conservatism if management deems it necessary to maintain the quality of financial statements and reduce the risk of future uncertainty. Therefore, leverage is not a dominant factor influencing accounting conservatism in the companies under study.

The results of this study are consistent with the research by Rafida and Pratami (2023), which found that leverage does not affect accounting conservatism. These findings reinforce the notion that a company's decision to adopt accounting conservatism is not solely determined by its level of debt, but is also influenced by various other factors.

The Effect of Capital Intensity and Leverage on Accounting Conservatism

Based on the results of the simultaneous test (F-test), a significance value of 0.003 was obtained, which is less than 0.05, and a calculated F-value of 6.047, which is greater than the critical F-value of 3.10. These results indicate that capital intensity and leverage together have a significant effect on accounting conservatism. Thus, the hypothesis stating that capital intensity and leverage simultaneously influence accounting conservatism is accepted.

The results indicate that the combination of the size of a company's asset investments and the extent to which debt is used as a source of funding plays a role in influencing a company's financial reporting policies. Companies with substantial assets and a debt-based financing structure must be able to maintain the trust of investors, creditors, and other stakeholders by presenting high-quality financial statements. Therefore, companies need to consider the various risks that could affect their

financial condition before determining which accounting policies to adopt.

Although leverage alone does not have a significant effect, when combined with capital intensity, these two variables can influence accounting conservatism. This suggests that a company's decision to apply the principle of conservatism is not influenced by a single factor, but rather by a combination of several interrelated factors. Management will consider asset conditions, capital structure, risk levels, and the interests of stakeholders in determining appropriate financial reporting policies.

However, the coefficient of determination (R^2) of 0.116 indicates that the ability of the capital intensity and leverage variables to explain the variation in accounting conservatism is only 11.6%. This means that 88.4% of the variation in accounting conservatism is influenced by other factors outside the research model. These factors may include firm size, profitability, financial distress, growth opportunities, ownership structure, audit quality, or corporate governance mechanisms that were not examined in this study.

Overall, the results of this study indicate that accounting conservatism in manufacturing companies in the basic and chemical industries is influenced by internal company conditions, particularly those related to asset investments and financing structures. Therefore, companies need to apply the principle of prudence in preparing financial statements so that the information produced is more reliable, relevant, and capable of reflecting the company's actual condition. With high-quality financial statements, investors, creditors, and other stakeholders can make more informed economic decisions and reduce risks arising from misleading information.

5. Conclusion and Suggestions

Conclusion

Based on the findings of the previously described analysis, the following are some conclusions that can be drawn:

1. The results of the t test analysis (partially) can be seen that capital intensity (X_1) has a negative effect on accounting conservatism in manufacturing companies in the basic and chemical industry sectors listed in 2019-2023. This means that the greater the company's capital intensity ratio, the less conservative the company's financial statements.
2. The results of the t test analysis (partially) can be seen that leverage (X_2) has no effect on accounting conservatism in manufacturing companies in the basic and chemical industry sectors listed in 2019-2023. This means that the high and low level of company debt does not guarantee that the company will be careful in making decisions, the higher the debt the company has, the financial statements presented tend to be unconservative.
3. The results of the F test analysis (simultaneously) can be seen that capital intensity (X_1) and leverage (X_2) together affect accounting conservatism (Y) in manufacturing companies in the basic and chemical

industry sectors listed in 2019-2023. This means that high capital intensity needs to maintain the trust of creditors and other stakeholders, so they tend to report lower profits to avoid political risk and conflicts of interest. High leverage also increases financial obligations, forcing management to be careful in presenting financial reports so as not to cause uncertainty in the eyes of investors and creditors.

4. When viewed from the coefficient of determination (R Square) of 0.116 or 11.6%, which means that the contribution / contribution of the influence of the independent variables, namely capital intensity and leverage together to the variation or rise and fall of the dependent variable, namely accounting conservatism, is 11.6%, while the remaining 88.4% is caused by other factors such as company size, financial distress / financial difficulty and others

Suggestions

Based on the results of this study, several recommendations can be made for future research. Future researchers are advised to include additional independent variables that may influence accounting conservatism, such as firm size, financial distress, profitability, growth opportunities, audit quality, and corporate governance mechanisms. The inclusion of these variables is expected to provide a more comprehensive understanding of the factors influencing the application of accounting conservatism. Additionally, future research is advised to expand the scope of the study by including companies from other sectors listed on the Indonesia Stock Exchange to allow for broader generalization of the findings. Extending the observation period could also be done to obtain more accurate results that reflect the company's conditions over a more diverse timeframe.

Furthermore, future researchers may consider using moderating variables or intervening variables to test indirect relationships among variables, thereby producing a more in-depth research model and making a greater contribution to the development of accounting science, particularly regarding accounting conservatism

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