Effects of Accounting Information Measurement on EVA According to the Company's Conservatives

(Depending on How Accounting Is Handled)

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Abstract

Background/Objectives: This study seeks to be used by external stakeholders as a research material from the perspective of an entity's accounting management by identifying the impact of accounting information measurements on EVA in accordance with the entity's conservative accounting information.

Methods/Statistical analysis: The sample for verification consisted of 116 listed companies (excluding Kodak and Financial Services) of the Ts S2000 data (from 2015 to 2018) as sample (listed companies listed in December as corporations that closed their accounts and financial data disclosed by TS 2000 Data Guide). After the data was logged using SPS23, feasibility studies were conducted with exploratory factor analysis and reliability analysis and regression was performed using the adjustment variables.

Findings: The measurement of accounting information was proven to affect the economic value (EVA) of an enterprise in accordance with the conservatism of the enterprise, and the growth rate was analyzed to be the firmness of the capital structure rather than the conservatism.

Improvements/Applications: Research has shown that the measurement of accounting information, profitability and stability, growth and activity, is a non-representative of information among stakeholders, and that the qualitative improvement of accounting information and the financial stability of the entity are reflected immediately in the costs and losses of the entity. It is expected that the economic value of a company will be helpful for empirical research using external data as a solid financial position.

Keywords: corporate accounting information, corporate conservatism, profitability, growth, stability, activity, EVA

1. Introduction

Corporate conservatism is an accounting method that is intended to immediately reflect costs and losses when economic events occur, which is a future uncertainty affecting the financial status of an entity that is the accounting information of a firm. In some cases, under-recognition of assets and net income results in negative recognition by external stakeholders, requiring verification of the performance of the management. Previous research has shown that profit variability and profit persistence continue to decrease over time (Givoly and Hayn, 2000). Explanation of future cash flows of current profit by study and by conservative group. The conservative argument for wider application of the recognition of a loss on fixed assets, such as a study comparing (Kim and Kross, 2005) , increases the usefulness of accounting information in terms of net income resulting from accounting treatment. (Krishnan and Visvanathan, 2008) are issues that conflict with recognition and are discussed in a relatively diverse way in measuring prior research.

In this study, we intend to analyze the value of an entity by using a control variable to verify these conflicting issues.

2. Materials and Methods

2.1 Conservative Accounting Information Measurement

In enterprises, management's overconfidence prevention (Ahmed and Duelman, 2013) and conservative accounting information measurement have been studied as a way to assess the corporate value between corporate investors and outside stakeholders, and in prior research, the focus has been on corporate value (Penno and Simon, 1986): transparency, financial accounting information and corporate governance (Bushman and Smith, 2003).

2.1.1 Research Method

In this study, the entity's accounting information measurement methods are growth, stability, activity and profitability, and the entity's financial position measurement methods are used to verify the various corporate growth responses to the economic value of the entity by adjusting the entity's conservatism.

In addition, the preceding study used control variables such as net asset growth rate, debt ratio, corporate scale, industry size, and year (dummy variables): and this study seeks to examine how corporate conservative accounting information affects the achievement of corporate value (EVA) goals by using corporate conservatism as a control variable.

2.2 Measurement Method

The method of measuring accounting information is to measure the net interest coverage ratio and the total capital turnover ratio, the total asset turnover ratio, the total asset turnover ratio, the total asset turnover ratio, and the total asset turnover ratio of the company, which are potential factors for growth (EBITDA, EBITDAPS, operating profit ratio, LOPLAT): which are the controlling factors of the company's ability to control of information between external stakeholders and management.

3. Results and Discussion

3.1 Research Model

The research model seeks to study the relationship between these variables and their effect on the value of an enterprise (EVA) by using the entity's conservative shares as a control variable, a measure of the entity's accounting information (La fond and Roychowdhury, 2008; Lara et al., 2009; Gordon and Miller, 1976; Watts, 2003; Alkurdi et al., 2017; LaFond, 2005; Basu, 1977; Choi and Lee, 2011; Ball et al., 2000).

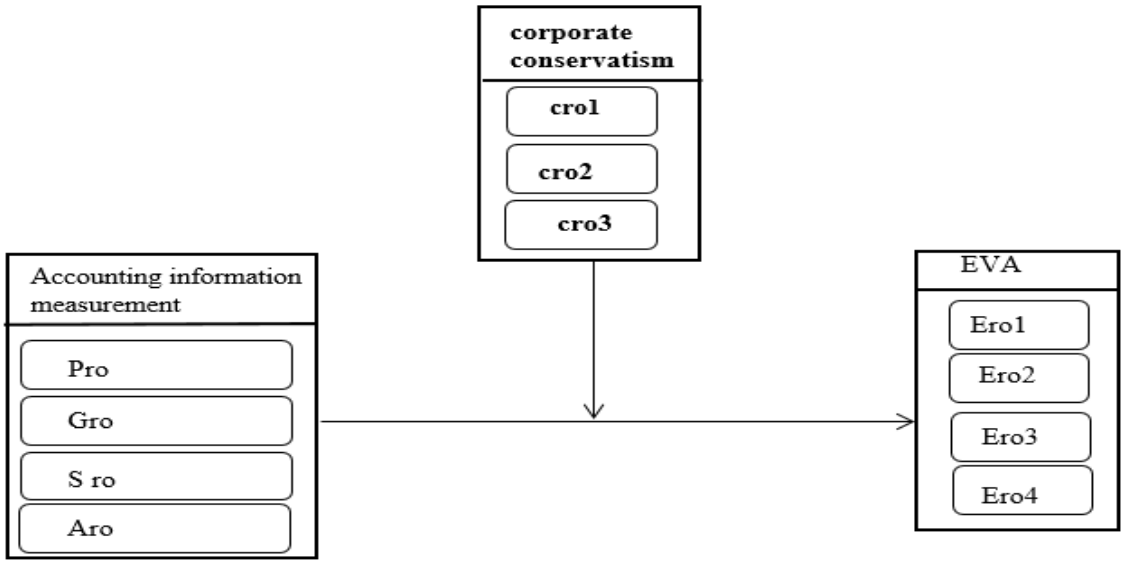

Figure 1. Research model

Table 1. Descriptive statistics

	N	Minimum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
PR1	116	0	6.67	2.204	-.940	.225	3.363	.446
PR2	116	0	6.14	2.842	-.801	.225	.764	.446
PR3	116	0	5.73	2.924	-.632	.225	.193	.446
SR1	116	-2.21	1.1772	1.39603	1.084	.225	1.534	.446
SR2	116	0.00	1.6304	1.53343	.642	.225	.053	.446
ER1	116	-2.81	1.6244	.98370	-1.194	.225	3.882	.446
ER2	116	0.00	2.2297	.68159	-.226	.225	.882	.446
ER3	116	-3.00	1.2181	1.33582	-.116	.225	.660	.446
ER4	116	-1.47	1.6024	1.23486	-.340	.225	-.427	.446
ER5	116	-2.81	1.0588	1.23994	-.588	.225	.687	.446
GR1	116	-1.83	1.4041	1.66348	.551	.225	-.809	.446
GR2	116	-3.91	1.3533	1.78164	.113	.225	-.386	.446
GR3	116	-.06	1.4822	1.95647	1.105	.225	.497	.446
GR4	116	0.00	1.6493	1.98143	1.011	.225	.494	.446
CR1	116	1.80	4.2698	.83400	-.313	.225	-.361	.446
CR2	116	-2.04	2.1236	2.05400	-.069	.225	-1.718	.446
CR3	116	0	5.20	4.391	-.197	.225	-1.716	.446
AR1	116	-1.56	.7113	.64196	-.210	.225	.598	.446
AR2	116	-2.04	.4048	.64627	-.443	.225	1.701	.446
AR3	116	-2.53	-.2128	.51354	-.779	.225	3.230	.446
Valid N (list wise)	116							

The Descriptive Statistics of [Table 1] showed that the regular distribution criteria of West, Finch and Curran (1995) were met (| why do you |<3, |<8) and the model was found to be safe.

Table 2. Rotated component matrix [a]

	Component						
	1	2	3	4	5	6	Cronbach
ER5	.907						
ER4	.880						
ER3	.869						.924
ER4	.717						
ER5	.664						

GR1		.941					
GR2		.896					.914
GR3		.891					
GR4		.809					
CR2			.914				
CR1			.889				.734
CR3			.866				
PR2				.885			
PR1				.843			.901
PR3				.822			
AR3					.976		
AR2					.830		.786
AR1					.691		
SR1						.960	.952
SR2						.954	
Eigen-value	3.826	3.297	3.284	2.544	2.505	1.982	
Variance(%)	19.128	16.484	16.422	12.722	12.523	9.908	
KMO=.698 Bartlett's =3073.806 p.000							

The results of an exploratory factor analysis for validity verification and a Verimax rotation method for reliability verification are KMO=. 698, Bartlett's = 3073.806 p>.000 shows no problem in validity, and 87.12% of the total explanatory power is also found to meet the conditions (Asli, 2018); (Badri et al., 2019).

3.2 Research Hypothesis

Based on the arguments of preceding studies that corporate conservative accounting is affected by financial value, H1 was set up as follows.

(H1) Profitability, stability, growth and activity, as a measure of accounting information, will affect the economic value (EVA) of the entity (+).

The research theory H2 was established as H2 based on prior studies that the accounting for conservatism in an enterprise was later reflected in profits and profits.

(H2) Profitability, a measure of accounting information, would have an economic value (EVA) negative (-) effect on an entity in accordance with its conservatism.

The study H3 was established as follows on the basis of prior studies that show that conservatism in the enterprise is reflected immediately only in costs and gains and losses.

(H3) Stability, a measure of accounting information, will have an economic value (EVA) positive (+) effect on an entity in accordance with its conservatism

The study H4 was set up as H4 based on prior studies that show that future growth forces also affect the capital structure of the entity due to information asymmetry among stakeholders.

(H4) Growth, a measure of accounting information, will have an economic value (EVA) positive (+) effect on an entity in accordance with its conservatism.

The study H5 was set up together on the basis of preceding studies that show that corporate conservatism is more cost-sensitive than financial turnover.

(H5) Activity, a measure of accounting information, will have an economic value (EVA) negative (-) effect on an entity in accordance with its conservatism.

Table 3. Model summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.668[a]	.446	.426	.64196	.446	22.334	4	111	.000	2.107

a. Predictors: (Constant): AR, PR, SR, GR

b. Dependent Variable: E

Table 4. Coefficients [a]

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.	Col linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.427	.172		2.490	.014		
	PR	.188	.025	.544	7.434	.000	.934	1.071
	SR	.061	.043	.103	1.435	.154	.965	1.037
	GR	.111	.037	.217	2.979	.004	.944	1.060
	AR	-.304	.120	-.181	-2.531	.013	.976	1.025

Multiple regression results show profitability as an independent variable (t=7.434.P>).000): stability (t=1.435.p<1.54): growth (t=2.97.P>).004): activity (t=-2.531. P>.013) was statistically significant, showing no multiple coherence, indicating that the study H1 was accepted [Table 3] [Table 4].

Table 5. Coefficients [a]

Model		B	Std. Error	Beta	t	P	Tolerance	VIF	R Square
1	(Constant)	1.749	.063		27.789	.000			Adj.360
	PR	.512	.063	.605	8.104	.000	1.000	1.000	.366
2	(Constant)	1.749	.061		28.592	.000			Adj.395
	PR	.484	.062	.571	7.767	.000	.973	1.028	.496
	CR	-.173	.062	-.204	-2.772	.007	.973	1.028	
3	(Constant)	1.749	.062		28.084	.000			Adj.390
	PR	.484	.063	.571	7.686	.000	.961	1.040	.406
	CR	-.173	.063	-.204	-2.759	.007	.973	1.028	
	MPR	.000	.062	.000	.005	.996	.988	1.012	

The study H2 that the financial accounting reflection of an entity is perceived to be late among the measurement variables of accounting information [Table 5].

Table 6. Coefficients [a]

Model		B	Std. Error	Beta	t	P	Tolerance	VIF	R Square
1	(Constant)	1.749	.077		22.673	.000			Adj.039
	SR	.183	.077	.217	2.368	.020	1.000	1.000	.047
2	(Constant)	1.749	.073		24.117	.000			Adj.150
	SR	.238	.074	.281	3.212	.002	.966	1.035	.165
	CR	-.296	.074	-.350	-3.997	.000	.966	1.035	
3	(Constant)	1.706	.072		23.602	.000			Adj.196
	SR	.381	.089	.449	4.277	.000	.633	1.579	.217
	CR	-.282	.072	-.333	-3.909	.000	.961	1.040	
	MSR	.236	.086	.286	2.732	.007	.638	1.569	

The stability of corporate conservatism is the modulator P>.007 Research H3 has been demonstrated by the measurement of accounting information that has been validated and costs and losses are immediately reflected [Table 6].

Table 7. Coefficients [a]

Model		B	Std. Error	Beta	t	P	Tolerance	VIF	R Square
1	(Constant)	1.749	.075		23.220	.000			Adj.083
	GR	.256	.076	.302	3.384	.001	1.000	1.000	.091
2	(Constant)	1.749	.073		24.116	.000			
	GR	.235	.073	.277	3.210	.002	.992	1.008	.165
	CR	-.231	.073	-.273	-3.157	.002	.992	1.008	Adj.150
3	(Constant)	1.749	.073		23.898	.000			
	GR	.235	.074	.277	3.193	.002	.990	1.010	.165
	CR	-.231	.074	-.273	-3.140	.002	.990	1.010	Adj.143
	MGR	-.001	.077	-.001	-.007	.994	.997	1.003	

Growth, a measure of accounting information, is the financial capital structure of an entity's conservatism, and the adjustment variable P<.994 Validated research theory H4 was rejected [Table 7].

Table 8. Coefficients [a]

Model		B	Std. Error	Beta	t	P	Tolerance	VIF	R Square
1	(Constant)	1.749	.078		22.435	.000			Adj.018
	AR	-.138	.078	-.163	-1.762	.081	1.000	1.000	.027
2	(Constant)	1.749	.075		23.404	.000			Adj.098
	AR	-.133	.075	-.157	-1.769	.080	1.000	1.000	.113
	CR	-.250	.075	-.295	-3.325	.001	1.000	1.000	
3	(Constant)	1.751	.075		23.402	.000			Adj.096
	AR	-.145	.076	-.172	-1.904	.059	.967	1.034	.120
	CR	-.251	.075	-.297	-3.346	.001	.999	1.001	
	MAR	-.073	.079	-.083	-.918	.361	.966	1.035	

Activity in the measurement of accounting information is P>.361 Validation accounts for the turnover of an entity's overall assets, capital and liabilities, with the study's H5 affecting the economic value of the entity [Table 8].

Table 9. Coefficients [a]

Model		B	Std. Error	Beta	t	P	Tolerance	VIF	R Square
1	(Constant)	1.749	.060		29.343	.000			
	(PR)	.461	.062	.544	7.434	.000	.934	1.071	
	(SR)	.087	.061	.103	1.435	.154	.965	1.037	.446
	(GR)	.184	.062	.217	2.979	.004	.944	1.060	(Adj).426
	(AR)	-.153	.061	-.181	-2.531	.013	.976	1.025	
2	(Constant)	1.749	.057		30.476	.000			
	(PR)	.425	.061	.502	6.999	.000	.901	1.110	
	(SR)	.129	.060	.152	2.145	.034	.917	1.090	
	(GR)	.171	.059	.202	2.877	.005	.940	1.064	.491
	(AR)	-.145	.058	-.171	-2.479	.015	.973	1.027	Adj .468
	(CR)	-.187	.060	-.221	-3.120	.002	.921	1.086	
3	(Constant)	1.712	.061		28.205	.000			
	(PR)	.385	.063	.454	6.068	.000	.816	1.225	
	(SR)	.251	.081	.296	3.095	.003	.500	2.000	
	(GR)	.175	.059	.206	2.951	.004	.937	1.068	
	(AR)	-.178	.060	-.210	-2.961	.004	.911	1.097	
	(CR)	-.190	.060	-.224	-3.168	.002	.914	1.094	.515
	MPR	-.060	.062	-.070	-.959	.340	.846	1.182	Adj.474
	MSR	.161	.078	.195	2.055	.042	.509	1.964	
	MGR	.007	.063	.008	.117	.907	.933	1.072	
	MAR	-.070	.063	-.080	-1.116	.267	.895	1.117	

a. Dependent Variable: E

In influencing the economic value (EVA): the measurement of accounting information - profitability, stability, growth, and activity - multiple regression analyses were conducted to verify the effect of the adjustment variables, which are conservative in the enterprise, the first stage verified the effects on the value of the entity (EVA): the second phase further introduced the adjustment variables of the entity, and the third phase put in the independent variables. The multiple coherence problems were analyzed by performing a standardization transformation (Balakeffi et al., 2019); (Behera, 2015); (Bendob et al., 2017).

In other words, stability, a measure of accounting information, has a positive impact on the economic value of a firm in influencing its conservatism. Thus, research theory 3 was accepted as it was proven that corporate conservatism reliably influences a firm's financial structure against costs and losses rather than management's overconfidence. Profitability has been shown to reflect profits and gains and losses in financial accounting later on, affecting an entity's economic value. It also showed that growth, activity, and future growth forces - capital structures and corporate financial rotation - do not have much impact on corporate conservatism. [Table 7] [Table 8] [Table 9].

3.3 Research Hypothesis

Table 10. Result of research

	Hypothesis	Result
H	Effects of measurement of accounting information on business value (EVA) in accordance with corporate conservatism	
H1	Profitability, stability, growth and activity, as a measure of accounting information, will have an effect on the economic value (EVA) positive (+) of the entity	Accept
H2	Profitability, a measure of accounting information, will affect (-) the economic value of an entity (EVA) in accordance with its conservatism	Accept
H3	Stability, a measure of accounting information, will affect the economic value of the entity (EVA) positive (+) depending on the entity's conservatism.	Accept
H4	Growth, a measure of accounting information, will affect the economic value (EVA) of an entity (+) according to its conservatism.	Reject
H5	Activity, a measure of accounting information, will have an economic value (EVA) negative (-) effect on an entity in accordance with its conservatism.	Accept

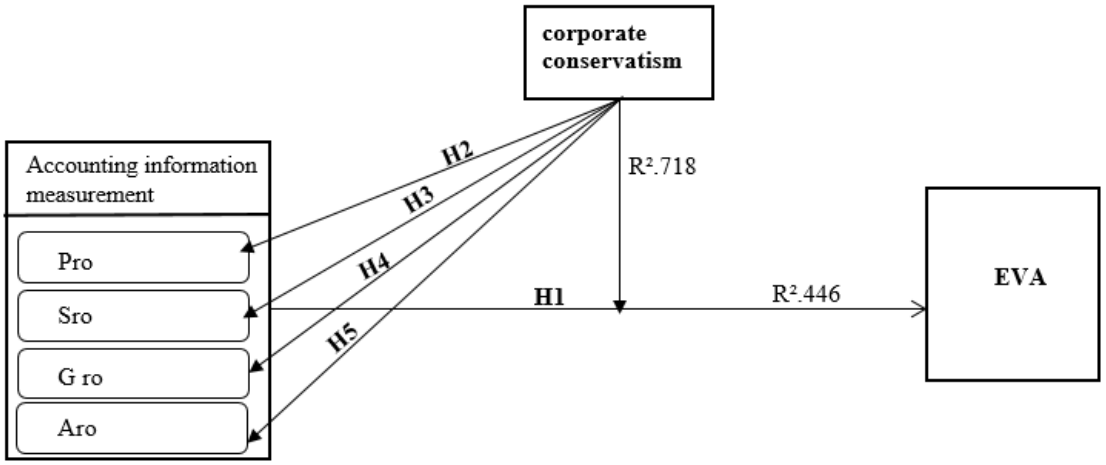

Figure 2. Research model

4. Conclusion

Profitability, stability and activity, the measurement variables, were shown to be the effects of economic value EVA positive (+) and growth was the effect of an entity's economic value (EVA) negative (-). Profitability also showed that corporate conservatism had an impact on economic value (EVA) sentiment (+).

The measurement of a company's conservative accounting information, which immediately reflects costs and losses but reflects profits and profits late, has proved that excessive management overconfidence has a negative impact on businesses, while corporate conservatism prepares for future uncertainties ahead and improves the economic value of companies in information non-interference between firm stability and external interest. In future studies, if industry characteristics that have not been tried as a sample limit in this study and the size analysis of large and small businesses are studied to see how corporate conservatism affects the economic value of companies (EVA) in the global economy, large companies will secure more stable assets, and small businesses will maintain financial soundness with the leap forward in future growth.

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