Tax Incentives, Growth Opportunities, Investment Opportunities, and Prudence Accounting

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Abstract. Accounting prudence is a cautious or careful reaction in the face of uncertainty experienced by the company. In the face of this uncertainty, the company can recognize revenue even though it is still in the form of potential, as long as the revenue recognition requirements have been met. This study aims to examine and analyze the effect of tax incentives, growth opportunities, and investment opportunities on accounting prudence. This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange in 2016–2020. The sample in this study was selected using the purposive sampling method and obtained 98 companies as samples. The data analysis technique used multiple linear regression analysis. The results show that tax incentives have no effect on accounting prudence, investment opportunities have a negative effect on accounting prudence, and growth opportunities have a positive effect on accounting prudence.

Keywords: Tax Incentives · Growth Opportunities · Investment Opportunity · Accounting Prudence

1 Introduction

The financial report is a description of the condition of the company's ability to regulate the company's performance. Based on the Statement of Financial Accounting Standards No. 1 states that financial statements have the aim of ensuring information about the company's financial condition and performance in the presentation of structured financial statements that have benefits for users of financial statements to consider a decision.

Financial Accounting Standards (SAK) provide flexibility to companies in determining what accounting principles will be used in the presentation of their financial statements. One of the basic principles used in the presentation of financial statements is the application of the precautionary principle or more commonly known as the principle of conservatism. However, the 2010 International Financial Reporting Standards (IFRS) no longer used the term conservatism, but instead replaced it with the term prudence. By adopting the convergence of IFRS, the principle of conservatism is slowly starting to be reduced in use. However, with the level of uncertainty that exists in the company, the principle of conservatism cannot be eliminated completely. Basically, the principle

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of conservatism is almost the same as prudence, but prudence emphasizes the principle of prudence in implementing the estimates needed for making estimates that are needed when in a condition of uncertainty so that income or assets will not be overestimated as well as expenses or liabilities. don't be redundant. The application of the accounting prudence method is currently still categorized as quite low, there are many companies affected by fraud cases related to the company's financial statements. Thus, the researcher wants to conduct further research related to the application of the accounting prudence method in Indonesia and what impacts will arise in applying the method.

The choice of using the principle of prudence is related to agency theory. This is because management chooses the principle of prudence that cannot be separated from the desire of management to optimize its performance in the company. The purpose of agency theory in this study is to provide an explanation of the application of prudence that can be viewed from the company's financial statements which can lead to agency conflicts between agents (managers) and principals (stakeholders).

There are several factors that can influence accounting prudence including tax incentives [7], growth opportunities [8], and investment opportunities [2]. The first factor in this research is tax incentives. A tax incentive is a tax facility provided to foreign and domestic investors in certain activities or areas that can affect economic activity [7]. The tax incentives that are given to the company, it can have a separate impact on the company. This happens when management seeks to maximize the company's profits by minimizing the tax burden so that tax incentives can provide an opportunity for managers to exercise accounting prudence. Based on the results of research conducted by [7] stated that tax incentives have a positive effect on accounting prudence because the larger a company is, the greater the government's attention to the company, and the greater the opportunity for companies to do tax planning. (tax planning) in maximizing the company's profit. While the results of different studies conducted by [10] concluded that tax incentives have no effect on accounting prudence because if the company applies the accounting prudence method it can cause problems in the future which can lead to tax disputes because there is no match between the total that has been paid by the taxpayer and the total that must be paid by the taxpayer to the government. This can make the company obedient in paying taxes without having to consider the use of accounting prudence methods.

The second factor besides tax incentives that can affect prudence is growth opportunities. Growth opportunities are company conditions where the company can grow and develop in the future. The development of a company requires opportunities and besides that, it takes a lot of funds. So, the company asks management to use the principle of prudence to fulfill investment financing needs, namely by minimizing profits [1]. Based on the results of the research from [8] concluded that growth opportunities have a significant positive effect on accounting prudence. This is in line with the research results which explains that growth opportunities have a positive effect on accounting prudence. This is because companies that have high growth opportunities will tend to require relatively large costs to be able to finance this growth in the future. Companies that will increase the amount of investment or also known as growth companies tend to use accounting prudence by minimizing their profits so that there are no actions that can damage company finances. However, this is different from the results of research conducted by [9] which states that growth opportunities do not affect accounting prudence, because growth opportunities in companies require large costs, where most of the funding is usually sourced from external parties, so companies do not need to invest. lower profits. growing companies already have good corporate governance, so a very small percentage of companies apply the principles of accounting prudence.

The third factor that can influence accounting prudence is investment opportunities. An investment opportunity or often called an investment opportunity is an investment choice in the future in the form of assets with the hope of having a higher return to increase the value of the company, so that it can be concluded that the higher the value of the investment opportunity, the presentation of the report. The company's finances are becoming more prudent. The investment opportunity is also an opportunity for companies to grow and can also be used as a basis for determining the classification of companies that can grow in the future. The results of research conducted by [6] conclude that investment opportunity has a significant positive effect on accounting prudence, so the higher the value of investment opportunities, the greater the market to book ratio, therefore the value of accounting prudence used in companies will also increase. On the other hand, the results of this study are not in accordance with the research conducted by [2] which stated that investment opportunity does not affect the application of accounting prudence. Therefore, the level of an investment opportunity cannot affect the application of accounting prudence because if the company decides that an investment in the future can affect the value of the company, the company will only present its financial reporting properly without considering the principles of accounting prudence. The research objective is to provide empirical evidence to what extent tax incentives, growth opportunities, and investment opportunities can affect the principles of accounting prudence.

2 Literature Review and Hypothesis Development

2.1 Literature Review

2.1.1 Agency Theory

Agency theory, according to [4], explains that an agency theory is a contractual relationship under one or more people (principals) that includes agents to perform various services for them by delegating authority to make decisions to agents. Agency theory here has the aim of explaining the relationship between the parties concerned in carrying out contractual relationships with contract planning which aims to minimize costs as a result of asymmetric information.

The imbalance of information will open up opportunities for fraud in financial statements. Fraud that usually occurs is presenting earnings on the financial statements that are higher than they should be. The purpose of presenting this high profit is because it will be a concern for users of financial statements and will also reflect the company's operational performance. So that by applying the principle of prudence, the company's management is asked to reduce its optimistic attitude by considering all the worst possibilities for the company so that the financial statements that the company presents do not mislead its users and more careful financial statement information is also able to make the company avoid opportunities for lawsuits to arise. from various parties who have a relationship with the company.

2.1.2 Accounting Prudence

Accounting prudence is a precautionary principle where managers can recognize revenue even though it is still in the form of potential if the provisions regarding revenue recognition can be fulfilled (revenue recognition) but in recognition still apply the precautionary principle. The application of the principles of accounting prudence can minimize the occurrence of information asymmetry between the principal and the agent which is indicated by the profit presented in the financial statements is not exaggerated. The purpose of applying the principles of accounting prudence is to reduce the attitude of optimism for every company that is too excessive in presenting its business advantages.

2.1.3 Tax Incentive

Tax incentives are a form of incentive where the tax burden can be reduced by the company which aims to encourage a company to invest in a particular project and sector. In addition, tax incentives can also mean an encouragement given to taxpayers so that it is hoped that taxpayers will be more motivated to be more obedient to taxation. According to [7], the larger a company is, the greater the government's attention to the company will be and the greater the chance for the company to be regulated. In this study, it is predicted that the greater the tax on the company, the company tends to use prudent accounting. So this study uses tax planning measurements, where using this measurement can test whether the incentives that have been given by the government in paying taxes have an influence on accounting prudence in companies. In relation to agency theory and tax incentives, the government as the principal and the company as the agent both have different interests. The company as an agent of course always maximizes so that the tax obtained is as small as possible by using legal means. So companies tend to apply the principles of accounting prudence. By applying the principle of prudence the company can maximize the company's profit by minimizing the tax burden.

2.1.4 Growth Opportunities

Growth in a company can be measured depending on the company's activities. The company's growth can be judged by the growth opportunities owned by the company. With the opportunity to grow, the company also needs substantial funds to fund the company in the future. The greater the growth opportunities for the company, the greater the funds needed by the company. With the increasing amount of funds needed for the company, management can apply the accounting prudence method so that investment financing can be channeled appropriately [1]. The relationship between agency theory and this research is that when a problem occurs in the agency relationship, the greater the protection carried out by the principal. Thus, when the company experiences growth opportunities, the principal will closely monitor the management of the company's resources. So management is expected to be more conservative in presenting the company's profits in order to fund the company in the future. This is because the principal does not have any doubts about investing his capital.

2.1.5 Investment Opportunity

An investment opportunity is an investment decision in the form of assets owned and investment options in the future to obtain higher profits. Investment opportunity is the value of the company where the amount can be measured by how much expenditure the company has set in the future, which is currently an investment decision where the company expects to generate a good return. higher in the future. Investment opportunities in the future, not all can be done by the company, this results in higher expenses incurred by the company. The relationship between agency theory and this research is that if the company (agent) chooses the right investment in line with what is expected by the principal, it can minimize conflicts between the agent and the principal. So that the market will also respond positively to the investments made by the company, thus the share price will increase. So, companies tend to apply more prudent accounting to be able to finance the company in the future.

2.2 Hypothesis Development

A tax incentive is a tax facility provided to foreign and domestic investors in certain activities or areas that can affect economic activity [7]. Tax incentives that are given to companies can trigger the practice of accounting prudence. With tax incentives, companies will try to minimize their tax burden. By using the principle of prudence, companies can minimize the present value of their taxes by slowing down revenue recognition. If it is associated with agency theory where the government is the principal and the company is the agent, both have different interests in terms of paying taxes. The company as the agent tries to keep the taxes paid to a minimum. So one of the efforts that can be done by the company is to apply the principles of accounting prudence. By applying the principle of prudence the company can maximize the company's profit by minimizing the tax burden. The results of research conducted by [7] conclude that with the tax incentives set by the government, managers will try to maximize company profits by minimizing the tax burden, so companies tend to use conservative accounting in presenting financial statements. Thus, it can be concluded that the first hypothesis in this research is as follows:

H1: Tax incentives have a positive effect on accounting prudence.

Growth Opportunities are opportunities obtained by companies in carrying out investments in things that can provide benefits. Companies that have a high level of growth opportunities will tend to require larger funds to be able to finance the company in the future. So the company will tend to maintain income so that it can be reinvested in the company. Therefore, companies that choose to increase the amount of investment or commonly referred to as growing companies, will tend to use the principles of accounting prudence. This is because the calculation of profit is lower than using optimistic accounting principles which will calculate higher profits.

Agency theory explains that if a problem occurs in the agency relationship, the greater the supervision carried out by the principal. Thus, when the company experiences growth opportunities, the principal will closely monitor the management of the company's resources. So management is expected to be more conservative in presenting the company's profits in order to fund the company in the future. The results of research conducted by [8] state that growth opportunities have a significant positive influence on accounting prudence. The impact of growth opportunities is because companies that have high growth opportunities tend to require relatively large amounts of funds to be able to finance this growth in the future. Companies that increase the amount of investment (growth companies) will have the tendency to use accounting prudence with lower profit calculations so that there are no actions that can damage financial statements. It can be concluded that the second hypothesis in this study is as follows:

H2: Growth Opportunities have a positive effect on accounting prudence.

An investment opportunity is a picture of the funds issued by the company to receive higher returns in the future. The amount of the return is very dependent on the amount of expenditure incurred by management. Therefore, investment opportunities can be assessed from capital expenditure to book value assets (CAPBVA) which in this calculation compares the measurement of investment in the form of fixed assets. Agency theory states that if the company chooses the right investment in accordance with what is expected by the principal, it can minimize conflicts between the agent and the principal. So that the market will also respond positively to the investments made by the company, thus the share price of the company will increase. So, companies tend to apply more prudent accounting to be able to finance the company in the future. The results of research conducted by [6] conclude that investment opportunity has a significant positive effect on accounting prudence, so the higher the value of investment opportunities, the greater the market to book ratio, therefore the value of accounting prudence used in companies is also will increase. Therefore, it can be concluded that the third hypothesis is as follows:

H3: Investment opportunities have a positive effect on accounting prudence.

3 Research Methods

This research design is a causal research design and aims to examine and analyze the Effect of Tax Incentives, Growth Opportunities, and Investment Opportunities on Accounting Prudence. The research data collection method is in the form of a documentation method for data collection. Sampling from the population used the purposive sampling technique and the data analysis technique in this study used multiple linear regression analysis with one dependent variable and more than one independent variable.

3.1 Population and Research Sample

The population of this study is companies engaged in the manufacturing industry which are listed on the Indonesia Stock Exchange in 2016–2020. Sampling from the population used the purposive sampling technique with the following criteria:

a. Manufacturing companies listed consecutively on the Indonesia Stock Exchange in the 2016–2020 period.

b. Manufacturing companies that publish financial reports for the 2016–2020 period.
c. Companies that use rupiah currency.

3.2 Research Variable

The independent variables in this study are tax incentives, growth opportunities, and investment opportunities. The dependent variable in this study is accounting prudence.

3.3 Types of Research and Data Sources

The types of data that will be used for this research are quantitative data and secondary data. The secondary data used was obtained from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016–2020 period. Financial report data was obtained from the IDX's official website (www.idx.co.id).

4 Result and Discussion

The object of this research uses manufacturing companies listed on the Indonesia Stock Exchange in 2016–2020. Based on the criteria in this study, the total sample obtained was 98 companies where there were 49 companies that were not listed in a row on the IDX for the 2016–2020 period, and there were 10 companies that did not issue financial statements in a row for the 2016–2020 period and there are also 33 companies whose financial statements are not presented using rupiah currency.

4.1 Data Description

Descriptive statistics have the aim of being able to provide an overview of the use of variables in this study. The statistical research data needed in this study serves to provide an overview of Tax Incentives, Growth Opportunities, Investment Opportunities, and Accounting Prudence which can be viewed from the minimum, maximum, average, and standard deviation values. Then the results of descriptive statistical tests can be shown in Table 1.

Table 1 shows the results of a descriptive statistical analysis of tax incentives, growth opportunities, investment opportunities, and accounting prudence. In the independent variable, the tax incentive has a minimum value of −4.8711 belonging to PT Chitose

Table 1. Descriptive Test Results

No	Variable	Min	Max	Mean	Deviasi Std.
1	Tax Incentives	−4,87	4,38	0,0057	0,3790
2	Growth Opportunities	−6,40	7,49	0,4041	0,9103
3	Investment Opportunities	−12,40	0,62	0,0006	0,5698
4	Accounting Prudence	−5,24	0,65	−0,2945	0,3620

Internasional Tbk (CINT), while the maximum value of 4.3805 belongs to PT. Indofarma Tbk. The average value obtained on the tax incentive variable is 0.0057 or 0.57% of companies that are able to make good use of the tax incentives obtained from the government. The standard deviation value is 0.3790 which shows a high level of data variability because the value of the standard deviation is greater than the average value. The independent variable growth opportunities show that it has a minimum value of −6.3977 belonging to PT Intekeramik Alamsri Industri Tbk, while the maximum value of 7.4866 belongs to PT Indo Acidatama Tbk. The result of the average value on the growth opportunities variable is 0.4041 or 40% of companies that have high growth opportunities. The standard deviation value is 0.9103, which shows a high level of data variability because the results of the standard deviation are larger than the average value. In the independent variable, the investment opportunity shows that it has a minimum value of −12.3907 belonging to PT Magna Investama Mandiri Tbk, while the maximum value of 0.6164 belongs to PT Semen Baturaja. The average value for the independent variable investment opportunities is 0.0006 or 0.6% of companies that have high investment opportunities in the future. The standard deviation value is 0.5698, which shows high data variability because the results of the standard deviation are larger than the average value. The dependent variable of accounting prudence shows that it has a minimum value of −5.2444 belonging to PT Magna Investama Mandiri Tbk and also the result of a maximum value of 0.6525 belonging to PT Magna Investama Mandiri Tbk. The result of the average value for the dependent variable of accounting prudence is −0.2945 or −29%, which means that the company is more prudent in presenting its financial statements because the more negative the numbers are, the more prudent the company is. The standard deviation value is 0.3620, which shows high data variability because the results of the standard deviation are larger than the average value.

4.2 Hypothesis Testing

The purpose of hypothesis testing is to find out how each independent variable can affect the dependent variable. If t <= 0.05, then H0 is accepted, which means that the independent variables individually do not affect the dependent variable or the hypothesis is rejected. However, if t >= 0.05, then H0 is rejected, which means that the independent variables individually affect the dependent variable or the hypothesis is accepted. The results of hypothesis testing can be shown in Table 2.

Table 2. Hypothesis Test Results

Independent Variable	Coefficients	t	Sig
Constanta	0,297	22,004	0,000
Tax Incentives	0,005	0,153	0,879
Growth Opportunities	0,031	2,238	0,026
Investment Opportunities	−0,388	−17,257	0,000

4.3 The Effect of Tax Incentives on Accounting Prudence

The results of this study indicate that tax incentives have no effect on accounting prudence. So, the first hypothesis in this study was rejected. The results of this study do not confirm the agency theory of accounting prudence. Companies always want the tax generated to be as minimal as possible. So that the tax incentives provided by the government will trigger companies to apply the principles of accounting prudence to present lower profits. However, the application of accounting prudence can result in the profit presented by the company being biased because the use of accounting prudence basically recognizes losses more quickly and recognizes profits slowly, which makes the company reports presented by the company don't reflect the actual financial statements. That way the company can generate lower taxation. So, by applying this method, it can cause problems in the future. This happens when the tax authority conducts an examination related to the suitability of the financial statements, so that the company can be given a tax sanction as a result of the non-conformity of the total that has been paid by the taxpayer with the total that the taxpayer must pay to the government. This can make the company obedient in paying taxes without having to consider the principles of accounting prudence.

4.4 The Effect of Growth Opportunities on Accounting Prudence

The results of this study state that growth opportunities have a significant positive effect on accounting prudence so the second hypothesis in this study is accepted. The results of this study confirm the agency theory of accounting prudence. This is because companies that have high growth opportunities tend to require relatively large amounts of money to be able to fund this growth in the future. Growth companies will have a tendency to use accounting prudence which has a lower profit calculation in order to minimize the political costs that the company will bear.

4.5 The Effect of Investment Opportunities on Accounting Prudence

The results of this study indicate that investment opportunities have a negative effect on accounting prudence so the third hypothesis in this study is rejected. The results do not confirm the agency theory of accounting prudence. Companies that have high investment opportunities do not directly encourage companies to apply the principles of accounting prudence because high investment opportunities can reflect that a company has the opportunity to grow high. This will attract a response from investors to invest in the company because companies that have high investment opportunities tend to have good prospects in the future. Therefore, companies that have high investment opportunities tend to apply the principles of accounting prudence less. This is because if the company applies accounting prudence, it can affect the presentation of low corporate profits which can affect the value of a company.

5 Conclusion

Based on the results of the discussion and analysis that have been described previously, it can be concluded that the first hypothesis in this study was rejected. Tax incentives do not affect accounting prudence. The second hypothesis in this study is accepted regarding growth opportunities. Growth opportunities have a positive effect on accounting prudence. The third hypothesis in this study was rejected regarding investment opportunities. Investment opportunities have a negative effect on accounting prudence.

The limitations of this study are that the object of research in this study only uses manufacturing companies listed on the BEI, so that the application of accounting prudence between the manufacturing sector and other industrial sectors can get different results and measurement of accounting prudence using the accrual method where this study does not use the accrual method. other measures in measuring accounting prudence.

Based on the results of this study, there are several suggestions, namely, for further research, different independent variables can be used such as earning pressure [7], corporate governance scorecard [8], and company size [2], and can use different research objects, namely outside the manufacturing sector in order to compare the results of applying prudence between sectors, for example using the banking sector research object as has been done by [2], and can use different measurements to measure accounting prudence, for example, based on the size of net assets as has been done by [2] in order to be able to compare between methods of measuring prudence in order to produce more comprehensive results.

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