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The Effect of Operating Cash Flow, Debt Levels, Company Growth, and Financial Difficulties on Accounting Conservatism in the Consumer Non Cyclicals Sector

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Abstract: The purpose of this study is to test and analyze the influence of operating cash flows, debt levels, company growth, and financial difficulties on accounting conservatism. This study uses a quantitative research method with a type of secondary data obtained from the annual financial statements of companies listed on the Indonesia Stock Exchange. The population in this study is consumer non-cyclical companies listed on the Indonesia Stock Exchange for the 2018-2024 period. The samples in this study were determined using purposive sampling techniques so that as many as 462 samples of research data that met the criteria were obtained. The data analysis methods used include descriptive statistical tests, classical assumption tests, multiple linear regression tests, and hypothesis tests. The results of this study show that: (1) operating cash flow has a positive and significant effect on accounting conservatism; (2) the level of debt has a positive and significant effect on accounting conservatism; (3) company growth has a negative and insignificant effect on accounting conservatism; (4) financial difficulties have a negative and significant effect on accounting conservatism.

Keywords: Operating Cash Flow, Debt Rate, Company Growth, Financial Difficulties, Accounting Conservatism

INTRODUCTION

The business world in Indonesia in this era of globalization has experienced significant development. This development has become a competitive competition between companies. Therefore, companies are required to develop the right strategy to be able to survive and compete, one of which is by paying attention to the preparation and presentation of financial statements in order to produce reliable financial information (Ivanza & Sisdianto, 2024). Alvira and Kusumawati (2025), explaining that financial statements have an important role in communicating financial information over a period to stakeholders. Financial statements are also the basis for predicting future profits and assessing risks in investing, which is one of the keys to stakeholder decision-making for the company (Widjaya & Sisdianto, 2024).

The preparation and presentation of financial statements must pay attention to their conformity with applicable accounting principles, because compliance with these principles is crucial to ensure the consistency, relevance, and comparison of information both between periods and between companies (Afifah, 2025). Thus, the financial statements produced can make it easier for stakeholders to determine the direction of their investment decisions through objective and measurable financial information (Meilani et al., 2025).

Given the uncertain economic conditions, the company must pay attention to the accounting method it chooses (Priyono & Suhartini, 2022). So in this case, accounting conservatism is a concern because it has a role in maintaining the quality of financial statements in the midst of competitive challenges in the business world (Hasmi et al., 2023). Accounting conservatism is a prudent principle in acknowledging income or profit, but will immediately acknowledge costs or losses when there is potential in it (Angela & Salim, 2020). According to Halim (2021), with a cautious attitude applied to the preparation of financial statements, will help the company in providing a more realistic picture of conditions so as not to mislead stakeholders with overly optimistic information.

The average value of accounting conservatism in the consumer non-cyclicals sector for the 2018-2024 period has decreased and shows a negative value. In 2018 it was seen that the value of accounting conservatism showed a positive value and was at its highest point, but in 2019-2024 it showed a negative value and experienced a decline which means that the principles of accounting conservatism are not applied. Thus, it shows that the average company in the consumer non-cyclicals sector for the 2018-2024 period has not consistently applied the principles of accounting conservatism. The real case that has occurred is at PT Tiga Pilar Sejahtera Food Tbk (AISA). In 2017, the former directors of AISA carried out financial statement manipulation activities by increasing the receivables value of six distributors from Rp. 200 billion to Rp. 1.6 trillion, with the aim of making the company's financial statements appear profitable. As a result of the overly optimistic financial statements, many investors are interested in buying shares in AISA, despite the fact that the company's condition is experiencing negative equity (Setiadi et al., 2023).

Theoretically, such manipulative actions and the declining trend of prudence can be explained through the agency theory pioneered by Jensen and Meckling (1976). This theory posits a clash of interests where management, acting as agents, tends to behave opportunistically to maximize their personal utility, often by presenting overly optimistic information to capital owners as principals. Consequently, this agency conflict triggers information asymmetry that not only harms institutional investors but, on a macro scale, can also threaten financial system stability and hinder financial inclusion efforts due to the loss of public trust in financial market credibility. Therefore, stringent regulations and efficient managerial resource allocation are profoundly required to encourage the implementation of accounting conservatism. This principle serves as a vital monitoring mechanism to suppress the opportunistic behavior of agents, maintain corporate operational stability amidst economic fluctuations, and ensure that financial reporting continues to present a prudent and realistic condition for stakeholders (Machdar, 2018).

Reviewing the phenomenon of the declining application of accounting conservatism principles in the consumer non-cyclicals sector in 2018-2024 and the real cases that have occurred, it can be

seen that accounting conservatism is very important to be applied in the preparation of financial statements so that the information produced does not mislead stakeholders (Dewi & Suryani, 2023). Several researchers have previously attempted to analyze factors that are thought to influence the degree of accounting conservatism in financial statements.

Operating cash flow is the main factor that is suspected to affect accounting conservatism. Operating cash flow is one of the main components in a cash flow statement that can describe a company's ability to generate cash from its operational activities without relying on external funding (Sari & Machdar, 2024). Operating cash flow serves to describe the movement of cash flows in and out of the company's operational activities during a certain period, so that in this case it will make it easier for users of financial information to understand changes in the company's cash position, from the beginning to the end of the reported period (Chang, 2022). Some previous research has shown that operating cash flow has a positive effect on accounting conservatism, as found in the study Shinta (2022), Priyono & Suhartin (2022), and Susilawati (2023). However, in contrast to research conducted by Carlita (2021), which suggests that operating cash flows have a negative effect on accounting conservatism.

The second factor that is suspected to affect accounting conservatism is played by the level of debt. Debt level (leverage) is an indicator used to measure a company's performance based on how much of the company's assets have been financed by debt (Jasmine & Machdar, 2025). The level of debt (leverage) can also be interpreted as the ability owned by the company to pay off its obligations (Suyono, 2021). In addition, Exramiates (2021), explaining that a company's debt level can be used to find out how much of the debt risk cannot be collected. Several previous studies have stated that debt levels have a positive effect on accounting conservatism, as found by Rismawati & Nurhayati (2023) and Romance & Putra (2023). In contrast to the findings Shinta (2022) and Damayanty & Masrin (2022), which states that debt levels have a negative effect on accounting conservatism. Then, it was also found that previous research stated that debt levels have no effect on accounting conservatism, as found by Priyono & Suhartin (2022), Lestari et al. (2023), and Widiarini & Yasa (2024).

The third factor that is indicated to affect accounting conservatism is company growth. Company growth is one of the benchmarks for the development of a company in a certain period in accordance with the goals desired by internal and external parties (Salsabiil & Murniati, 2024). Hermanto and Dewinta (2023), explained that the company's growth can be seen through various indicators including revenue, total assets, profit, or market share. A number of studies have shown that corporate growth has a positive effect on accounting conservatism, as in research Rahmawati & Latif (2024) and Salsabi (2024). Meanwhile, in another study, it was found that company growth had a negative effect on accounting conservatism, namely in the findings of Mawaddah et al. (2024), Romadoni & Anisah (2024) and Ellyas et al. (2025). It was later found in research Alvira and Kusumawati (2025), which states that the growth of the company has no effect on accounting conservatism.

The fourth factor that is thought to affect accounting conservatism is financial difficulties. Financial distress is a condition when a company's financial performance declines significantly, this condition is a sign that the company is leading to bankruptcy (Shinta, 2022). Financial hardship can also be defined as the situation of a company that has an inability to meet all of its financial responsibilities and the company has the potential to be dissolved or liquidated (Loen, 2021). Some previous studies have suggested that financial difficulties have a positive effect on accounting conservatism, as found in the study Zulni & Taqwa (2023) and Pratama et al. (2024). While it was found in another study that stated that financial difficulties have a negative effect on accounting conservatism, namely the one found in the study Sudradjat (2022) and Endayanti (2022). Furthermore, it was also found that the results of the study stated that financial difficulties do not affect accounting conservatism, as in the research conducted by (Susilawati, 2023). Thus, it can be seen that from each of the variables that have been studied previously, it shows an inconsistency of influence on accounting conservatism.

To maintain a strong financial system amidst crisis risks, companies in the real sector also need to apply prudence in their financial reporting. One way to ensure this transparency is through

accounting conservatism, which is greatly influenced by the company's internal conditions such as operational cash flow, debt levels, growth, and potential financial difficulties. By wisely managing these financial indicators, companies can provide more reliable information, maintain market trust, and support sustainable economic growth (Machdar, 2020).

In this study, the analysis unit selected is a non-cyclical consumer sector company listed on the Indonesia Stock Exchange for the 2018-2024 period. The selection of this sector is based on its characteristics which are engaged in the field of basic necessities, such as food, beverages, pharmaceuticals, and household goods which have a relatively stable level of demand even though economic conditions are fluctuating. The stability of demand makes the non-cyclical consumer sector required to maintain its financial performance amid various pressures on uncertain economic conditions (Setiadi et al., 2023).

The Composite Stock Price Index (JCI) in the consumer non-cyclicals sector for the 2018-2024 period shows fluctuations that tend to decrease but still have a positive growth trend. In 2018-2019 the JCI consumer non-cyclicals increased, then in 2020 it decreased due to the Covid-19 pandemic. After that, in 2021-2023 the JCI consumer non-cyclicals entered a recovery period and showed positive growth. Furthermore, in 2024 the JCI consumer non-cyclicals will experience a slight correction, but it remains at a higher level than the early years of observation. Thus, despite fluctuations and pressures in several periods, the overall movement of consumer non-cyclical stock indices during 2018-2024 reflects the resilience and ability of the stock market to recover and grow. Thus, this study focuses on non-cyclical consumer sector companies to assess the influence of operating cash flow, debt levels, company growth, and financial difficulties on accounting conservatism.

Based on the explanation as well as the facts and data above that show inconsistencies and gap research, the researcher chose the title of the research as "The Influence of Operating Cash Flow, Debt Levels, Company Growth, and Financial Difficulties on Accounting Conservatism in the Consumer Non Cyclicals Sector". This decision was taken to conduct further research in understanding the relationship between these variables and their contribution to accounting conservatism in the relevant sectors.

CONCEPT AND HYPOTHESIS

PROSPECT THEORY

Prospect theory or prospect theory developed by Kahneman & Tversky (1979), through the article Prospect Theory: An Analysis of Decision Under Risk states that every individual will make irrational decisions, especially when faced with uncertain and risky conditions. This theory exists as a form of response to the expected utility theory which explains that every human being will act rationally when making decisions, with the aim of maximizing utility or profits.

Lead theory shows two main behaviors in its decision-making process. First, risk aversion or risk-avoidance behavior. This behavior occurs when individuals are in a favorable condition (gain), where a person tends to be reluctant to make risky decisions because they feel they are already in a safe position and prefer to maintain the profits that have been obtained. Second, risk seeking or risk-seeking behavior. This behavior occurs when a person is in a state of loss (loss), where a person tends to dare to take risky decisions in the hope of correcting and reversing the losses they are experiencing.

AGENCY THEORY

Agency theory or agency theory in a company, describes that there are two parties with different interests, have a relationship or employment contract that is carried out to achieve the company's goals. The concept of relationship in agency theory is principal-agent. In this context, the principal is the shareholder or owner of capital, while the agent is the management. This theory suggests that the principal delegates the task of managing the company as a form of trust to the agent.

In this trust, there is a principal's expectation for agents to be able to carry out the company's operational activities properly so that they can meet their interests. Meanwhile, the agent's

response to this trust is to show his attitude of responsibility in managing the company for the benefit of the principal. This theory also explains that there is a conflict of interest or agency problem. This conflict arises because there is a separation between the principal and the agent (Jensen & Meckling, 1976).

Consequently, management is required to provide information regarding the company's condition to the owners (principals). However, this disclosure is often biased as agents tend to prioritize maximizing their personal utility. This disparity triggers information asymmetry and conflicts of interest between both parties, which ultimately hinders the optimal allocation of corporate resources (Mahdar, 2022).

POSITIVE ACCOUNTING THEORY

Positive accounting theory was first introduced by Watts and Zimmerman in 1986, describing the efforts made to understand and predict accounting practices based on empirical evidence. Watts and Zimmerman stated that there are three hypotheses in positive accounting theory, namely the debt covenant hypothesis, the bonus plan hypothesis, and the political cost hypothesis. These three hypotheses function in providing an understanding of the reasons for management to make an accounting decision. Positive accounting theory can also be used to explain how companies react to changes or the implementation of new accounting standards (Kurniawan, 2024).

In research Hasmi et al. (2023), explained that this theory focuses on understanding why companies implement certain accounting policies and how those policies can change according to existing economic conditions, interests, and motivations. Every policy chosen by the company can make it easier for them to achieve their goals, which are to reduce costs incurred and optimize the company's efficiency. The main goal in positive accounting theory is to explain real behavior in the financial reporting process and predict the impact on future accounting policies. This theory, does not directly establish the accounting policies that must be used, but rather this theory assumes that management has the independence to choose the accounting policies used by the company. Through its empirical approach, this theory provides a guide for management to understand the economic consequences of a chosen policy.

ACCOUNTING CONSERVATISM

According to Basu (1997), accounting conservatism is a principle in financial statements that recognizes losses and profits at different times or can be referred to as asymmetric timeliness of earnings. This means that when the company is in a detrimental condition, the impact will be immediately recorded and acknowledged in the financial statements. On the other hand, when the company is in a favorable condition, then the profit is not immediately recognized in the financial statements before the profit has actually occurred and can be clearly proven. While Watts (2003), defines accounting conservatism as a systematic approach to financial reporting that demands a stronger level of verification in the recognition of profits than liabilities. This principle is important in financial statements to minimize the risk of conflicts of interest within the company.

Ayuningtias et al. (2022), explaining that accounting conservatism is the cautious attitude that an accountant has in dealing with the uncertainty that occurs, by making decisions that have the least potential to cause risk. In other words, when faced with a variety of possible outcomes, an accountant tends to choose the lowest risk value alternative in order to anticipate potential greater losses in the future. In research Yasmin & Machdar (2023), accounting conservatism is defined as a characteristic in financial reporting that makes the worst possible a priority to consider rather than cumulative benefits.

OPERATING CASH FLOW

Cash flow or cash flow statements are a vital element in a company because through adequate cash flow, the company can fulfill its financial obligations. Dechow (1994), explains that cash flow is the systematic receipt and expenditure of real cash that occurs in a period, where cash flow will be assessed as an indicator that can be directly observed to assess the performance of a

company. However, cash flow often experiences problems with timing and matching, namely the time mismatch between cash receipts and expenditures and underlying economic activities, resulting in a company's performance in the short term being noisy and not reflecting the actual conditions. Ayuningtias et al. (2022), adding that formally, a cash flow statement is a financial statement presenting historical changes in cash and cash equivalents, and divides them into three main categories, namely operating activities, investment activities, and funding activities.

Cash flow that plays an important role in the company is that which comes from operating activities or commonly referred to as operating cash flow. According to Sloan (1996), operating cash flow is a component of profit that is actually received in cash, so this operating cash flow is considered more stable and reliable. In addition, operating cash flow can describe how the company's ability to generate cash from its main business activities, so that operating cash flow can be used to predict future profits. Endayanti (2022), adding operating cash flow is important in the company because in this section it is directly related to receipts, expenses, income, and costs arising from the company's daily operational activities.

DEBT LEVEL

According to Durand (1952), the level of debt (leverage) is defined as the use of debt in the company's funding structure that can trigger additional risks for shareholders. Explained in the article, Costs of debt and equity funds for business: trends and problem of measurement, the level of debt is not only seen as the funding structure of a company, but also as a factor that can affect the company's value and the level of equity risk. Modigliant & Miller (1958), defines the level of debt as a comparison between debt and equity in a company's capital structure, where the comparison will show the extent to which the company uses borrowed funds to finance its assets. Then, the level of debt can cause financial risk, which is a new risk that arises because the company has an obligation to make fixed interest payments.

Debt level (leverage) is one of the financial ratios used to assess the financial performance of a company, by looking at the extent of the company's ability to fulfill its obligations or pay off its debts, both short-term and long-term obligations. The amount of the debt level will be the main consideration for creditors before lending to the company, because the debt level reflects the company's ability to repay the funds it borrows. The better the leverage ratio of a company, the higher the level of confidence of creditors to channel their funds to the company (Scott, 2022).

COMPANY GROWTH

According to Penrose (1955), the understanding of company growth is not just the increase in the size of a company, but the increase in the sustainability process that occurs in a company due to the use of internal resources. Through his article entitled Limits to the growth and size of firms, it is explained that companies tend to grow due to the existence of excess resource capacity (unused productive services) that encourage management to expand its business activities, so that in this case the company's growth can be seen as a result of decisions and planning made by management, as well as limited by the company's ability to manage and develop its internal resources.

Company growth is an increase in the capacity and size of a company in carrying out its business activities from time to time. This growth reflects the extent to which the company is able to expand its position in the economy. In addition, this growth also shows the company's ability to maintain business continuity and improve its financial performance. In general, company growth can be measured through the growth of total assets, sales, profit, revenue, and dividends earned by the company (Hermanto & Dewinta, 2023). Sudradjat (2022), explains that company growth is the dynamics of changes that occur in the total assets owned by the company. These changes can be seen both when a company's total assets increase from the previous period, so that growth will be considered positive. On the other hand, when it decreases from the previous period, growth will be considered negative.

FINANCIAL DIFFICULTIES

Financial distress or financial difficulties were first developed by Beaver (1966), through an article entitled Financial Ratios as Predictors of Failure, it is explained that the bankruptcy of a company is a process that occurs gradually and can be detected through a decrease in financial ratios. Thus, financial difficulties can be defined as the initial stage before bankruptcy occurs and is characterized by deteriorating cash flow, increasing debt burden, and weakening financial performance of a company.

Financial hardship is a condition when the income earned by a company is no longer able to cover all the costs that must be incurred. This condition illustrates the imbalance between income and expenses, so that at the same time companies begin to experience pressure in carrying out their business activities. Therefore, financial hardship can be understood as a stage of decline in financial health that occurs before the company reaches more serious conditions, such as bankruptcy (Sudradjat, 2022). Financial difficulties can also be interpreted as an overview when a company's performance experiences a significant decline before reaching the stage of bankruptcy or liquidation (Loen, 2021). Zulni & Taqwa (2023), adding that signs of financial difficulties can be seen from disruptions in its business activities, such as delays in the distribution process of goods to customers, declining product quality due to limited production costs, and delayed payment of obligations to banks or creditors.

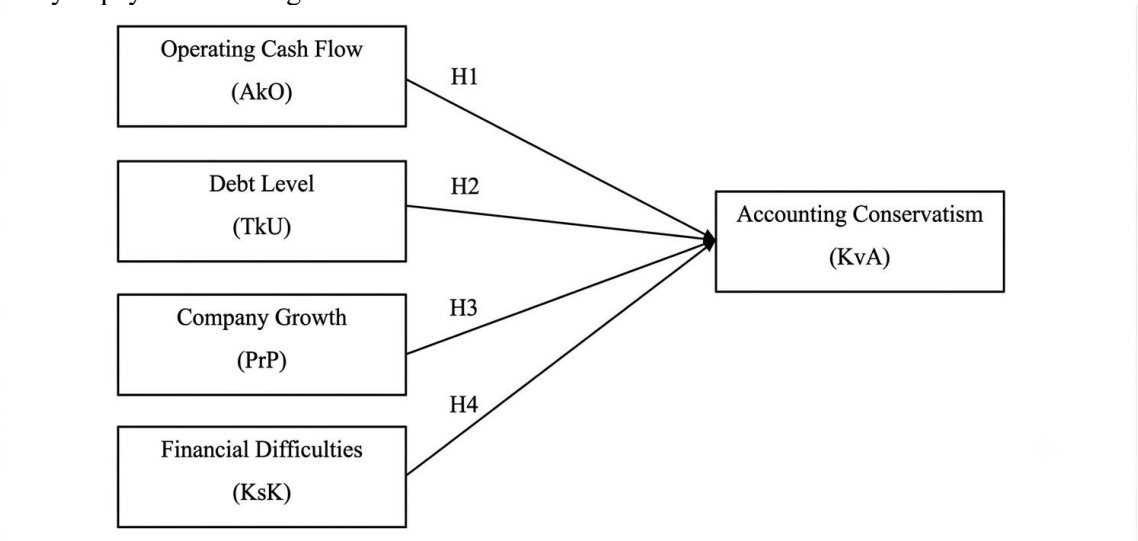


Figure 1. Conceptual Framework

METHOD

This quantitative research uses secondary data in the form of annual financial statements of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period, which is accessed through the official website of www.idx.co.id. The study population included 131 companies, with sampling techniques using purposive sampling methods based on specific criteria defined. The data obtained was then processed statistically using EViews version 12 software through several stages of systematic panel data analysis. The analysis began with descriptive statistics and classical assumption tests, followed by panel data regression model estimation through three approaches, namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine the best estimation model, formal tests are carried out which include the Chow Test, the Hausman Test, and the Lagrange Multiplier Test. The final stage of analysis uses multiple panel data regression to test the hypothesis through partial testing (t-test) and Coefficient of Determination (R2).

RESULT AND DISCUSSION

THE EFFECT OF OPERATING CASH FLOW ON ACCOUNTING CONSERVATISM

Statistics Based on the results of hypothesis testing that has been partially carried out through

the t-test, it is known that the influence of operating cash flow variables on accounting conservatism obtained a coefficient value of 1.134188 with a significance value of 0.0000. It can then be seen that the significance value is less than 0.05 (0.0000 < 0.05). This means that operating cash flow has a significant positive effect on accounting conservatism.

The increase in operating cash flow indicates that the company has sufficient capacity to fulfill its main activities independently without liquidity pressure and assistance from external parties. In addition, when the cash generated from the company's operational activities is stable and shows sustainability, it illustrates that the company's operations are running effectively and have promising prospects. So, this situation will be a concern for investors and make operating cash flow an indicator of decision-making for a company. Therefore, with the amount of investor attention that occurs, it will encourage management to maintain the credibility and trust of stakeholders by acting carefully through the consistent application of accounting conservatism in the preparation of the company's financial statements.

The findings in this study are in line with the findings produced by Swasti & Meidiyustiani (2024), Susilawati (2023), Shinta (2022), and Halim (2021), which states that the availability of high operating cash flow will provide room for the company to increase profits and grow its business. As the profit earns increasing, management will become more careful in presenting the profit figure in the financial statements. This cautious attitude is carried out so that the profit reported in the financial statements does not become too optimistic and still reflects the actual figures and economic conditions, so that the financial statements produced do not mislead stakeholders. Therefore, an increase in operating cash flow in the company will be followed by an increase in the application of the principles of accounting conservatism.

THE INFLUENCE OF DEBT LEVELS ON ACCOUNTING CONSERVATISM

Based on the results of the hypothesis test that has been partially carried out through the t-test, it is known that the influence of the debt level variable on accounting conservatism obtained a coefficient value of 0.058850 with a significance value of 0.0429. It can then be seen that the significance value is smaller than 0.05 (0.0429 < 0.05). This means that the level of debt has a significant positive effect on accounting conservatism.

Companies with high debt levels indicate that the company has large obligations, so the company is required to fulfill these obligations in a timely manner. The magnitude of these obligations makes creditors pay more attention and supervision to the company's financial condition and statements. This is because, creditors want to assess whether the company has the ability to fulfill its obligations in a timely manner and does not experience financial difficulties in the future. In this situation, management tends to be more careful in compiling and presenting financial statements so that the information produced can reflect the actual circumstances and not cause errors in judgment from creditors. This prudence is realized through the application of the principles of accounting conservatism. By applying this principle, the company can maintain creditors' trust and demonstrate its commitment to maintaining financial stability.

The findings in this study are in line with the findings produced by Romance & Putra (2023), Rismawati & Nurhayati (2023), Sari & Srimindarti (2022), and Suhana & Kurnia (2021), which states that companies with high levels of debt are required to be more careful in managing their finances because every decision will have a direct impact on their ability to meet the debt. If the company prefers to present financial statements aggressively, it will have an impact on increasing the risk of loss, misvaluation and causing doubts from creditors about the company. So to avoid these risks, management tends to be required to increase its cautious attitude. Therefore, the high level of debt in the company will be followed by an increase in the application of the principle of accounting conservatism as a control measure so that the company can maintain stability and maintain creditors' trust in the company.

THE INFLUENCE OF COMPANY GROWTH ON ACCOUNTING CONSERVATISM

Based on the results of the hypothesis test that has been partially carried out through the t-test, it is known that the influence of the company growth variable on accounting conservatism

obtained a coefficient value of -0.015464 with a significance value of 0.4289. It can be seen that the significance value is greater than 0.05 (0.4289 > 0.05). This means that company growth has a negative and insignificant effect on accounting conservatism.

Companies that are experiencing growth indicate that the company's business activities are growing and are able to increase revenue over time. This condition can cause high expectations from investors and creditors for the company's performance, so management tends to prefer to keep profits stable or increase. This causes the growth of the company to have a negative effect on accounting conservatism because the company will display optimistic financial information in the financial statements. However, this influence is not significant, because growth in the company is a common and routine condition in the company's activities, so the size of the growth does not directly affect the company's accounting policy in applying conservative principles to financial statements.

The findings in this study are in line with the findings produced by Mawaddah et al. (2024), and Romadoni & Anisah (2024), which states that a company's growth measured through sales growth indicates that sales should continue to increase. So that when a company applies the principle of accounting conservatism in the midst of high growth, it will result in the value of profits reported by the company tends to be lower (understated) and become visible not as high as its sales growth. Therefore, when the company's growth increases, the company will reduce the application of the principles of accounting conservatism so that the company's image remains strong and meets expectations on future prospects.

THE EFFECT OF FINANCIAL DIFFICULTIES ON ACCOUNTING CONSERVATISM

Based on the results of the hypothesis test that has been partially carried out through the t-test, it is known that the influence of the financial hardship variable on accounting conservatism obtained a coefficient value of -0.0000766 with a significance value of 0.0000. It can be seen that the significance value is less than 0.05 (0.0000 > 0.05). This means that company growth has a significant negative effect on accounting conservatism.

Companies that are experiencing financial difficulties indicate that they are in a state of serious financial distress. This condition is in line with the situation of management which is in a position of pressure, because management needs trust from external parties so that the company can continue to get funding or relief in debt payments. If trust declines, the company's condition can worsen and even go bankrupt. When companies with high levels of financial hardship continue to apply accounting conservatism consistently, profits will look smaller and the company's risks will look higher. This can make external parties more hesitant to provide funds or extend loans to the company. Therefore, management will actually try to present financial statements that look stable so that the company still looks good and trustworthy so that it has the opportunity to obtain funding. This means that when the company is in a state of financial difficulty, the company lowers the level of accounting conservatism in the preparation of financial statements.

The findings in this study are in line with the findings produced by Amalia (2024), Sari & Srimindarti (2022), Endayanti (2022), and Chang (2022), which states that if in financial difficulties the company applies the principle of conservatism, then the value of profits and assets will be reported carefully so that the value tends to be lower (understatement). As a result, the company will look weaker in the eyes of external parties. In addition, the shareholders will judge the management as incapable of managing the company properly. So to avoid these negative assessments, management tends to reduce the level of accounting conservatism. The company will be aggressive in recognizing profits so that its financial condition appears stable. Thus, high financial difficulties in companies will be followed by a decrease in the application of the principles of accounting conservatism.

CONCLUSION

This research was conducted with the aim of testing and analyzing the influence of operating cash flow, debt levels, company growth, and financial difficulties on accounting conservatism in consumer non-cyclical companies listed on the Indonesia Stock Exchange (IDX) during the

period 2018-2024. Based on the results of the analysis and discussion that have been explained in the previous chapter, it can be concluded as follows:

1. Operating cash flow has a positive and significant effect on accounting conservatism
2. Debt levels have a positive and significant effect on accounting conservatism
3. Company growth has a negative and insignificant effect on accounting conservatism
4. Financial difficulties have a negative and significant effect on accounting conservatism

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