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**ANALYSIS OF ACCOUNTING CONSERVATISM AND  
BONDHOLDERS-SHAREHOLDERS CONFLICT AGAINST  
QUALITY OF PROFIT IN INDONESIA AND AUSTRALIA AND  
ITS COMPARISON (Case Studies on Companies Listed on the  
Indonesian Stock Exchange and Australian Securities Exchange)**

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**ABSTRACT**

**INFO ARTICLES**

*Analysis Of  
Accounting  
Conservatism And  
Bondholders-  
Shareholders  
Conflict Against  
Quality Of Profit In  
Indonesia And  
Australia And Its  
Comparison*

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This study aims to determine the effect of accounting conservatism and bondholders-shareholders conflict on the companies' earnings quality that list on the Indonesian Stock Exchange (IDX) and the Australian Securities Exchange (ASX). Besides, this study also aims to determine differences in Indonesia's earning quality level and Australia financial statements. The research method used is a quantitative statistical analysis using the classic assumption test, multiple regression analysis, T-test, and F test by a significance level of 5%. This study's independent variable (X) is an accounting conservatism and bondholders-shareholders conflict with the dependent variable (Y), earnings quality. The result of the analysis that has been done proves that partially and simultaneously, accounting conservatism has a significant effect on the earning quality in Indonesian and Australian companies.

Meanwhile, in the study of the bondholder-shareholder conflict on earning quality shows that it does not affect achieving quality. But, simultaneously, it involves reaching quality in Indonesian and Australian companies. Meanwhile, based on descriptive statistical analysis, earnings quality in Australia is better than in Indonesia.

**Keywords:** Accounting Conservatism, Bondholders-Shareholders Conflict, Leverage, and Earning Quality

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**INTRODUCTION**

There are two accounting standards adopted in the world, namely: International Financial Reporting Standards (IFRS) prepared by the International Accounting Standards Board (IASB) and Generally Accepted Accounting Principles (GAAP) composed by the Financial Accounting Standard Board (FASB). The accounting standards adopted by

Indonesia today is the IFRS International Financial Reporting Standards (IFRS). Also, there are around 120 other countries that have also adopted IFRS, including Australia. The similarity in Indonesia and Australia standards does not cause the financial statements to be presented entirely the same. It is because both of them make relevant accounting standards to apply in their respective countries. Therefore, there will be differences in the financial reporting standards that apply to Indonesia and Australia. The existence of differences in the presentation standards of the financial statements may cause differences in the implementation of the accounting principles adopted in the presentation of financial statements in Indonesia and Australia. One of these accounting principles is the principle of conservatism.

Swardjono (2014, 245) defines conservatism as an attitude or flow (Mazhab) while facing uncertainty to produce a decision based on the emergence of the worst outcome from that uncertainty. According to Wolk et al. (2013), the definition of conservatism is an attempt to select a generally accepted accounting method that results in slower recognition of income, faster recognition of expenses, lower in asset valuation, and higher in the valuation of liabilities. In other words, accounting conservatism can be defined as an act of prudence by an entity or company in presenting financial statements by recognizing accounts that result in a low-profit value to avoid overstating the number of earnings. Kiryanto and Supriyanto (2006) in Alfian (2013) state that financial reports prepared based on the principle of conservatism will tend to be biased because they cannot describe the real situation.

Conservatism in Indonesia and Australia raised for their choice of recording method for a common condition in the presentation of financial statements, which resulted in the representation. And the value of specific accounts in the financial statements will vary from one company to another company, which ultimately led to earnings tend to be conservative. The high and low value of the company's profits and cash flow will affect the differences in the company's level of earnings quality. It is based on how the earnings quality measurement made by Penman (2010) is where the earnings quality is assessed by comparing operating cash flow with operating income.

Apart from conservatism, the value of the quality of company earnings can also be influenced by bondholders-shareholders conflict. Shareholders who have a role as investors in the company expect the company to have high profits so that their dividends are increased. Simultaneously, bondholders who have the part of creditors or lenders expect profits that are not too high because high profits will increase dividend payment value. The company's reduced net asset value affects the number of debt payments received by the bondholders (Jensen-Meckling, 1976). Based on these descriptions, this study intended to determine whether accounting conservatism and bondholders-shareholders conflict affect the quality of company earnings and how to compare the level of earnings quality of companies in Indonesia and Australia.

### **Identification of problems**

Based on the background description of the research, the problems discussed in this study are:

1. How does accounting conservatism affect earnings quality in companies that included in LQ45 and ASX50?
2. How does the bondholders-shareholders conflict affect the quality of earnings in companies that included in LQ45 and ASX50?
3. How are the differences in the level of earnings quality in Indonesia and Australia based on the financial statements of companies included in LQ45 and ASX50?

## **Research purposes**

This research intended to:

1. To determine the effect of accounting conservatism on earnings quality in companies included in LQ45 and ASX50.
2. To determine the impact of bondholders-shareholders conflict on earnings quality in companies incorporated in LQ45 and ASX50.
3. To resolve differences in the level of earnings quality in Indonesia and Australia based on the financial statements of companies included in LQ45 and ASX50.

## **LITERATURE REVIEW**

Quality financial information is essential in making economic or investment decisions that can influence interested parties' decisions. In the basic framework for preparing and presenting financial statements, the Institute of Indonesia Chartered Accountants (IAI) states that financial statements' objective is to provide information on the financial position, financial performance, and cash flows of entities. These are useful for most users of financial statements in making economic decisions, which uses financial reports to have a quality financial report. Quality earnings can demonstrate quality financial reports. Low earnings quality can lead to errors in decision making for information users such as investors and creditors so that it will reduce the company's value and the professionalism of accountants. Profits in financial statements can interpret company performance because performance is one of the essential factors that shows the effectiveness and efficiency in achieving its goals. Profit in the current period is used to predict the value of future earnings and the number of future dividends received. Based on the approach made by Penman (2011), earnings quality is measured by comparing the company's operating cash flow with the company's net income. Therefore, the quality of earnings can be affected by the company's value of profits at present. The company's profit value is influenced by the status of applying the company's conservatism principle. The principle of the company's conservatism is applied under IFRS. An example of the company's conservatism in the financial statements is changed in accounting estimates such as understated net assets through hidden reserves, then it will make the net asset value will be too low.

According to the FASB Statement of Concept No.2 Paragraph 95, conservatism is a cautious reaction to uncertainty to ensure that the uncertainties and risks inherent in a business situation are adequately considered. Conservatism is defined as an act of prudence made by the entity or company in preparing the financial statements by recognizing the accounts that resulted in low-profit value to avoid presenting the profit value that overstates. Conservatism will lead to pessimistic financial reporting; this will reduce report users (Ardina & Januarti, 2012). The purpose of using the concept of conservatism is to neutralize the optimism of entrepreneurs who are too excessive in reporting their business results. The application of the idea of conservatism will result in fluctuating profits, where fluctuating profits will reduce the predictive power of earnings to predict future cash flows (Sari & Adhariani, 2009). The opposite of conservatism is optimism. The financial statements are said to be optimistic if recognizing changes in value in the accounts contained in the financial statements is following their fair values. Optimism is caused because in evaluating an account, IFRS uses professional judgment. This use of professional appraisal reduces the nature of conservatism and increases the optimism of a financial report.

Also, the conservatism principle's level of application, the company's value of the quality earnings affect by a conflict between bondholders and shareholders. This conflict is called a bondholders-shareholder conflict. Bondholders receive a fixed amount of money from the company (interest on debt), while shareholder income depends on

the size of the company's profit. In this situation, bondholders pay more attention to the company's ability to repay its debts, and shareholders pay more attention to its ability to obtain considerable returns in investing. Bondholders have the hope that the company's assets will be sufficient when the debt matures asset value determined by the size of the dividend payments made by the company to shareholders. The higher the dividend payment, the less the company's assets will be. The company's dividend payment value level is determined by the high and low value of the company's profits. It will result in a difference of desire in presenting the company's earnings. Shareholders want high profits the dividends received by shareholders large. At the same time, bondholders want low profits that assets used to pay debts to the bondholders sufficient (not substantially diminished due to dividends to shareholders).

## METHODOLOGY

This research is a correlational study intended to analyze the possible influence between the independent variables, namely accounting conservatism, and bondholders-shareholders conflict with the dependent variable, namely earnings quality. Besides, it is also to determine how to compare the level of earnings quality between companies in Indonesia and Australia. This study uses secondary data derived from companies' financial statements in the LQ45 category on the Indonesia Stock Exchange and ASX50 on the Australian Securities Exchange. The financial statements studied are financial statements presented in full for the period 2012 - 2017 with a total of 30 companies. Data analysis performed using descriptive statistical analysis and hypothesis testing with a significance level of 5%. This study's hypothesis test consists of testing multiple linear regression analysis, the coefficient of determination ( $R^2$ ), t-test, and f-test.

The variables in this study were measured by specific methods based on previous research. The dependent variable (Y) in this study, namely the quality of earnings, will be measured using a rate of income ratio based on the Penman approach (2011) with the formula:

$$KL = \frac{\text{Operational Cashflow}}{\text{Earning Before Interest and Tax}} \times 100\%$$

Meanwhile, the first independent variable ( $X_1$ ), namely conservatism, will be measured using the operating accrual equation adapted from Zhang's (2007) model, with the following formula:

$$KONSit = \frac{Nit + B\ Depit - CFOit}{T\ Aktiva}$$

Information	:
KONSit	: Accounting conservatism at companies' i at time t
Nit	: The company's net profit before <i>extraordinary items</i>
B. Depit	: The company's depreciation and amortization expense
CFOit	: The company's operating cash flow
T. Assets	: Total assets of the company

The second independent variable ( $X_2$ ), namely bondholders-shareholders conflict, is measured using the leverage ratio, namely the debt to total asset ratio (DAR), with the following formula :

$$Debt\ Ratio = \frac{Total\ Hutang}{Total\ Aset} \times 100\%$$

## RESEARCH RESULTS AND DISCUSSION

Descriptive statistics of research variables, which include conservatism, bondholders-shareholders conflict, and earnings quality, can be seen in Table 1 below:

**Table 1**  
**Variable Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Profit Quality	86	.167	1,993	1.02831	.371765
Conservatism	86	-117	.072	-.01327	.035904
The Bondholders-Shareholders Conflict	86	.164	.902	.48198	.160008
Valid N (listwise)	86				

Source: Secondary data processing using SPSS version 25 (2019)

The data obtained, both Indonesian and Australian companies' financial statements, shows that the overall data has a range of earnings quality ratios between 16.7% to 199.3%. And the average is around 102.82% and a standard deviation of 37.17. %. The higher the earnings quality ratio, the better the company's earnings quality. The highest earnings quality ratio is in the financial statements of Australian companies. Meanwhile, the lowest earnings quality ratio is in the financial statements of Indonesian companies.

The average value of conservatism in both countries combined is 0.01327, meaning that both countries tend to apply to account optimism in delivering financial statements. The conservatism of the average value of both is hostile. When comparing the conservatism value of the two countries, it is known that the average amount of conservatism on the financial statements in Indonesia is smaller than the average conservatism value in Australia. The average amount of conservatism on Indonesia's financial reports is -0.02211, while the average amount of conservatism on financial reports in Australia is -0.00400. It means that the presentation of financial statements in Indonesia is more conservative than financial reports in Australia. It is because the lower the conservatism value, the more conservative the company's financial statements are. This comparison can be seen in Table 2 and Table 3 below :

**Table 2**  
**Descriptive Statistics of Indonesian Financial Report Data Sample**

	N	Minimum	Maximum	Mean	Std. Deviation
Indonesian Profit Quality	44	.167	1,439	.78550	.260582
Conservatism	44	-117	.072	-.02211	.040128
The Bondholders-Shareholders Conflict	44	.164	.663	.38227	.113023
Valid N (listwise)	44				

Source: Secondary data processing using SPSS version 25 (2019)

**Table 3**  
**Descriptive Statistics Australian Financial Report Data Sample**

	N	Minimum	Maximum	Mean	Std. Deviation
Australian Earning Quality	42	.775	1,993	1.28269	.292844
Conservatism	42	-.072	.061	-.00400	.028492
The Bondholders-Shareholders Conflict	42	.351	.902	.58643	.133554
Valid N (listwise)	42				

Source: Secondary data processing using SPSS version 25 (2019)

In the bondholders-shareholders conflict variable, for all data samples in Table 1, it shows that the range of the bondholders-shareholders conflict ratio is in the percentage of 16.4% to 90.2%. The average was about 48% and a standard deviation of 16%. If you compare the average value Bondholder-shareholder conflict in both countries' reports on Tables 3 and 4, Indonesia's financial statements have an average cost smaller than the Australian financial statements. The average amount of bondholders-shareholders conflict in Indonesia's financial information is 38.22 %, while the average value of bondholders-shareholders conflict on Australia's financial statements is 58.4%. It indicates that companies' performance in Indonesia is 20% better than the version of companies in Australia when using the data in this study.

The test results of multiple linear regression analysis for Indonesia's companies can be seen in Table 4, which produces the equation  $Y = 0.88 + 5.575X_1 + 0.57X_2$ . While the test results of multiple linear regression analysis for companies in Australia can be seen in Table 5, resulting in the equation,  $Y = 1.519 + 7.629X_1 - 0.351X_2$ .

**Table 4**  
**The simultaneous influence of variables on Indonesian company data**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	.887	.075		11.901	.000
Conservatism	5.575	.519	.858	10.751	.000
Bondholders-Shareholders Conflict	.057	.184	.025	.312	.757

a. Dependent Variable: Indonesia's Profit Quality

Source: Secondary data processing using SPSS version 25 (2019)

**Table 5**  
**The simultaneous effect of variables on Australian firm data**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	.887	.075		11.901	.000
Conservatism	5.575	.519	.858	10.751	.000
Bondholders-Shareholders Conflict	.057	.184	.025	.312	.757

a. Dependent Variable: Indonesia's Profit Quality

Source: Secondary data processing using SPSS version 25 (2019)

The results from the coefficient of determination ( $R^2$ ) in Indonesia's financial statements is around 0.739. It implies that the effects of both independent variables that accounting conservatism and bondholders-shareholders conflict simultaneously against the dependent variable is the quality of earnings financial reports on companies in Indonesia amounted to 73.9 %. Meanwhile, the results of the coefficient of determination ( $R^2$ ) in the Australian financial information is 0.525, which implies that the effects of both independent variables (accounting conservatism and

bondholders-shareholders conflict) of the dependent variable (the quality of earnings in the financial statements of companies) in Australia amounted to 52.5%. It can be seen in table 6 and 7 below:

**Table 6**  
**Coefficient of Determination in Companies in Indonesia**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860 <sup>a</sup>	.739	.726	.136385

a. Predictors: (Constant), Bondholders-Shareholders Conflict, Conservatism  
Source: Secondary data processing using SPSS version 25 (2019)

**Table 7**  
**Coefficient of Determination in Companies in Indonesia**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725 <sup>a</sup>	.525	.501	.206918

a. Predictors: (Constant), Bondholders-Shareholders Conflict, Conservatism  
Source: Secondary data processing using SPSS version 25 (2019)

F-test used to determine the effect of all the independent variables together - equal to the dependent variable (dependent) and test the digression model's significance. The F test results in Indonesian corporate data obtained F count = 57.986 signification level / probable  $0.000 < 0.05$ . If seen from the level of significance and the calculated f value, it concluded that accounting conservatism and bondholders-shareholders conflict have a simultaneous effect on earnings quality in companies' financial statements in Indonesia. It is because the calculated f value is greater than the f table value (2.84). Meanwhile, F-test results in the company's data. Australia known that F count = 21.561 with a significance level/probability of  $0.000 < 0.05$ . When examined from the calculated f value of 21.561, with a comparison of the f table value, it can be seen that the calculated f value is smaller than the f table value. It means that conservatism and bondholders-shareholders conflict have a combined effect on the quality of earnings on companies' financial statements in Australia. It reflected in table 8 and 9 below:

**Table 8**  
**F test in companies in Indonesia**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.157	2	1.079	57.986	.000 <sup>b</sup>
	Residual	.763	41	.019		
	Total	2.920	43			

a. Dependent Variable: Indonesia's Profit Quality  
b. Predictors: (Constant), Bondholders-Shareholders Conflict, Conservatism  
Source: Secondary data processing using SPSS version 25 (2019)

**Table 9**  
**F test in companies in Indonesia**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.846	2	.923	21.561	.000 <sup>b</sup>
	Residual	1.670	39	.043		
	Total	3.516	41			

a. Dependent Variable: Australian Earning Quality  
b. Predictors: (Constant), Bondholders-Shareholders Conflict, Conservatism  
Source: Secondary data processing using SPSS version 25 (2019)

The T-test was used to test how the influence of each independent variable (independent) individually on the dependent variable (dependent). As examined in table 10 and 11, the test result T performed in the variable accounting conservatism on the quality of corporate profits shows a positive influence. It shows the real (significant) variable conservatism accounting ( $X_1$ ) to the variable quality of earnings in the financial statements of companies in Indonesia (Y). In Indonesia's companies, the t value is 10.882, with a significance level of  $0.000 < 0.05$ . This value is greater than the t table value (1.68288). In an Australian company, the value of  $t = 6.334$  with  $0.000$  significance value  $< 0.05$ . The t value at the Australian company is also greater than the t table value (1.68488).

**Table 10**  
**T-Test The Effect of Accounting Conservatism on the Quality of Indonesian Companies' Profits**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.909	.023		39.032	.000
Conservatism	5.579	.513	.859	10.882	.000

a. Dependent Variable: Indonesia's Profit Quality

Source: Secondary data processing using SPSS version 25 (2019)

**Table 11**  
**T-Test The Effect of Accounting Conservatism on the Quality of Australian Companies' Profits**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.312	.033		40.177	.000
Conservatism	7.273	1.148	.708	6.334	.000

a. Dependent Variable: Australian Earning Quality

Source: Secondary data processing using SPSS version 25 (2019)

Whereas the test t results on the effect of bondholders-shareholders conflict on earnings quality indicate that bondholders-shareholders strife does not affect earnings quality because the significance value of the two data in both countries is more than 0.05. The t value is smaller than the t table value. The test t results on Indonesian companies show a significance value of  $0.749 > 0.005$ , with a value of t count = 0.322 (t table value of 1.68288). Meanwhile, the Australian company's t-test results demonstrated a significant amount of  $0.996 > 0.05$ , with a t value of 0.005 (t table value of 1.68488). It can be seen in tables 12, 13, 14, and 15.

**Table 12**  
**Accounting Conservatism T-Test on Earning Quality Indonesian company**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.909	.023		39.032	.000
Conservatism	5.579	.513	.859	10.882	.000

a. Dependent Variable: Indonesia's Profit Quality

Source: Secondary data processing using SPSS version 25 (2019)



**Table 13**  
**T-Test of Accounting Conservatism on Earnings Quality**  
**Australian company**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.312	.033		40.177	.000
Conservatism	7.273	1.148	.708	6.334	.000

a. Dependent Variable: Australian Earning Quality  
Source: Secondary data processing using SPSS version 25 (2019)

**Table 14**  
**T-Test of Bondholder-Shareholder Conflict**  
**on Earning Quality Indonesian company**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.742	.142		5.242	.000
Bondholder-Shareholder Conflict	.114	.355	.050	.322	.749

a. Dependent Variable: Indonesia's Profit Quality  
Source: Secondary data processing using SPSS version 25 (2019)

**Table 15**  
**T-Test of Bondholders-Shareholders Conflict**  
**on Earning Quality Australian company**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,282	.208		6,150	.000
Bondholders-Shareholders Conflict	.002	.347	.001	.005	.996

a. Dependent Variable: Australian Earning Quality  
Source: Secondary data processing using SPSS version 25 (2019)

Analyzing the quality of earnings at companies in Indonesia and Australia, analyzed through descriptive statistics, may be seen in table 16. In this analysis, the average earnings quality score for Indonesian firms is at 0.78550, while the average earnings quality score for Australian firms is 1.28269.

**Table 16**  
**Comparison of the Profit Quality Levels of Indonesia and Australia**

	N	Minimum	Maximum	Mean	Std. Deviation
Indonesian Profit Quality	44	.167	1,439	.78550	.260582
Australian Earning Quality	42	.775	1,993	1.28269	.292844
Valid N (listwise)	42				

Source: Secondary data processing using SPSS version 25 (2019)

## DISCUSSION

In terms of partial (the effect of each variable X to variable Y), be concluded that only conservatism that influence the quality of earnings. At the same time, the bondholders-shareholders conflict does not affect the quality of corporate profits. Based on the test results, accounting conservatism positively affects the quality of earnings by the equation  $Y = 0.909 + 5.579$  (see table 12) on Indonesia and  $Y = 1.312 + 7.273 X$  (table 13) on a sample of data in Australia. It means that in the data in Indonesia, if the

conservatism value is zero, then the earnings quality value is 0.909, and every addition of 1 conservatism value will cause an increase in the profit value of 5.579. Whereas in Australia's data, if the conservatism value is zero, then the earnings quality value is 1.312, and every one addition to the conservatism value will cause an increase in the profit value of 7.273.

In this study, the smaller the conservatism value, the more conservative the company is. So the positive influence in this study means that corporate conservatism is inversely proportional to earnings quality. It means that the more conservative the company is, the lower the company's earnings quality. It shows that the greater the value of the company's accrual earnings than the value of its assets, the higher its earnings quality. Conservatism will lower reported earnings due to unreported reserves, which will reduce the company's profitability and earnings quality. This study's results support research conducted by Rahma Helmi (2015), which states that earnings quality is significantly affected by accounting conservatism. This study's results also strengthen the research conducted by Penman and Zhang (2002), which proves that companies that have a high level of conservatism tend to allocate their reserves to the following years so that profits tend not to be persistent.

Meanwhile, the result of test t on the bondholders-shareholders conflict shows a significance value greater than 0.05 and a calculated t value that is smaller than the t table value for both Indonesian and Australian companies. It means that the bondholders-shareholders conflict does not significantly affect the quality of company earnings. The study results support the research conducted by Siti Wulandari (2018), which states that the variables that determine bondholders-shareholders conflict, namely size, and leverage, do not affect earnings quality. It concluded that this study's results indicate that, although the percentage of the number of assets financed by large debts does not reflect that the company has low earnings quality and prospects in the future. The level of leverage does not guarantee that the company has quality profits when viewed from its operating profit size compared to its operating cash flow.

However, when viewed simultaneously, bondholders-shareholders conflict and conservatism have a joint influence on earnings quality. The results of the f test in this study produce the calculated f value in the company data in Indonesia of 57.986 and the estimated f value of the company data in Australia of 21.561, where the second calculated f value is greater than the f table value. The research results using the f test support the research conducted by Eka Pitria (2016), which states that leverage as an indicator of bondholders-shareholders conflict has a significant and positive effect on earnings quality. It means that simultaneously the bondholders-shareholders conflict affects the quality of earnings. It is because, in investing, shareholders will consider the use of corporate debt. After all, it will affect the rate of return that will be received by shareholders. If most of the company's assets are financed by debt, management will improve performance to pay off its debts. Companies with a high level of debt can use their debt to finance the company's operational activities so that the company's possibility of making profits increases with high yields. The option of the company's ability to pay a debt is returns received by shareholders are high. The opportunity of the company to expand the effort was outstanding. So high debt can produce quality company profits.

The comparison of earnings quality in Indonesian and Australian companies are based on descriptive statistical analysis that has been carried out. Based on the study that has been conducted, the value of earnings quality in Australia is higher than in Indonesia. The level of company compliance can influence it by presenting the company's financial statements. Based on previous research conducted by Devi Kharisma Dewantari Kiswara (2015), it shows that Australia is in the top rank in terms

of compliance with IFRS adoption while Indonesia is ranked sixth. Besides, this can also be influenced by the level of company optimism. In this study, it is known that the average conservatism ratio in Australia is higher than the average conservatism ratio in Indonesia. It means that companies' financial statements in Australia are more optimistic than those of companies in Indonesia. Based on the result, it is known that accounting conservatism has a positive effect on earnings quality. In this study, positive influence is defined as an inversely proportional relationship. It means that the greater the value of conservatism, the more optimistic the company is. Thus, the more promising the company is, the higher the value of the company's earnings quality. It shows that the optimism of financial reports in Australia is higher than the optimism of financial reports in Indonesia, which means that the quality of earnings in Australia is better than Indonesia's quality of earnings.

## **CONCLUSION AND SUGGESTION**

### **Conclusion**

Simultaneously, accounting conservatism and bondholders-shareholders conflict affect the quality of company earnings. However, partial, only accounting conservatism that influences the quality of companies' earnings, while bondholders-shareholders conflict does not significantly impact corporate profits. These results indicate that the company's optimism in preparing financial statements can improve the quality of the company's earnings. Simultaneously, the number of assets financed by debt does not reflect that its prospects, as assessed by its earnings quality, are not useful in the future. As for comparing the quality of earnings, the quality of profits on companies' financial statements in Australia is higher than the rate of incomes in financial reports in Indonesia.

### **Suggestion**

In this study, the indicators used to measure conservatism, bondholders-shareholders conflict, and earnings quality only use one indicator for each variable. For further research, it is hoped that more hands can be used to produce more accurate data analysis results. Besides, due to the limited researchers, the number of sample data used is limited. For further research, it is hoped that more accurate data samples can be used.

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