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CFO Characteristics and Accounting Conservatism in Indonesia

Annisa Puspita Amalia¹

Ani Wilujeng Suryani²

Septy Nur Sulistyawati³

^{1,2,3} *Accounting Department, Faculty of Economics and Business, Universitas Negeri Malang, Indonesia*

email: ani.suryani@um.ac.id

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Abstract: The Chief Financial Officer (CFO) tends to ignore accounting conservatism when deal with financial uncertainty. This encourages CFOs to take high-risk decisions that can be detrimental to the company. The implementation of accounting conservatism is influenced by individual characteristics such as gender, age, level of education, and tenure. Therefore, this study aims to determine the effect of CFO characteristics on accounting conservatism. This study was conducted on 80 companies from the energy (n=47), transportation and logistics (n=18), and food and beverage (n=15) sectors listed on the Indonesia Stock Exchange from 2018 to 2021. The hypothesis was tested using Generalized Least Square (GLS) regression. The result showed that age and educational level had a positive effect on accounting conservatism, while gender and tenure did not. Thus, company management should consider the age and level of education of prospective executives to improve the quality of company financial decisions. Previous research related to CFO characteristics and accounting conservatism has been conducted in developed countries, while this research uses the context of a developing country, namely Indonesia. Even though the applicable Financial Accounting Standards already contain regulations that apply the principle of accounting conservatism, companies in Indonesia tend not to be conservative.

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INTRODUCTION

The COVID-19 pandemic has resulted in uncertain financial conditions, forcing companies to implement appropriate policies to survive in the future (Odia & Osazevbaru, 2018; Umah, 2021). One policy that can be applied when facing uncertainty is accounting conservatism (Odia & Osazevbaru, 2018). In times of uncertainty, conservatism helps directors estimate the appropriate value when preparing financial statements (Givoly et al., 2007). Conservatism assists directors and financial statement users in more accurately predicting future performance (Odia & Osazevbaru, 2018; Sugiyanto & Febrianti, 2021). However, inadequate knowledge and skills of directors can result in non-conservative decisions (Harymawan et al., 2022), potentially hindering the sustainability of company activities in the future (Biddle et al., 2022).

The implementation of accounting conservatism principles requires accurate judgment and consideration from financial decision-makers in the company (Harymawan et al., 2022; Ismail et al., 2021). Chief Financial Officer (CFO), as the director responsible for financial statement preparation, plays a direct role in the company's financial decisions (Ge et al., 2011; Jiang et al., 2010). The CFO needs to have sufficient knowledge and skills (Muttakin et al., 2019) to make appropriate financial decisions while considering future risks (Francis et al., 2015). This knowledge and skills can be acquired from individual characteristics such as gender, age, education level, and tenure, as they have a long-term impact on individual behavior (Hambrick, 2007; Hambrick & Mason, 1984). However, not all individuals selected as CFOs have the necessary expertise to make conservative decisions (Harymawan et al., 2022). Given this condition, CFOs tend to make less accurate and non-conservative considerations when facing uncertainty (Harymawan et al., 2022). Therefore, companies need to pay attention to the characteristics of CFOs as they can influence the level of accounting conservatism (Ismail et al., 2021).

Previous research has examined accounting conservatism influenced by CFO characteristics such as gender and education level in developed countries (Francis et al., 2015; Henninger et al., 2010; Makhoul et al., 2018; Ismail et al., 2021). Female CFOs report losses earlier and in a less aggressive manner, indicating a tendency towards conservatism in decision making to avoid long-term risks (Francis et al., 2015). Education level also influences accounting conservatism, as CFOs with at least a master's degree possess better skills and knowledge, enabling them to make conservative financial decisions (Makhoul et al., 2018). These findings suggest that CFOs in developed countries tend to be conservative in their decision-making. However, the level of accounting conservatism implementation in developing countries like Indonesia tends to be low due to the presence of less cautious CFO behavior (Yuliarti & Yanto, 2017).

In the context of developing countries, Indonesia is unique in terms of local corporate governance norms, regulatory differences, or cultural attitudes towards risk. Compared to Malaysia and Thailand, Indonesia's corporate governance framework is weak (Wijayanti et al., 2016). The three components of the corporate governance mechanism (shareholder rights, board quality, and accounting and auditing standards) do not work effectively, resulting in a high level of corruption in Indonesia (Transparency International, 2024).

The implementation of governance in Indonesia is also relatively new compared to developed countries. After experiencing a severe economic crisis in the 1990s, the government and stakeholders began to recognize the need for strong GCG principles (Hegar, 2024). Therefore, the government through the Financial Services Authority in 2006 introduced GCG guidelines that provide a framework for companies to implement GCG principles. In developed countries, corporate governance norms are mature and have stricter oversight and high transparency, thus better protecting the interests of shareholders and other stakeholders. In contrast, Indonesia and other developing countries are still adjusting and developing regulations to achieve similar standards, although they face challenges in implementation due to differences in legal infrastructure, culture and supervisory commitment.

Developing countries also have differences in terms of regulations for the implementation of accounting conservatism. Developed countries often have stronger legal institutions and stricter enforcement of financial reporting standards, which encourage higher levels of accounting conservatism (Khalifa et al., 2016). For example, Big 4 audit firms are more conservative in countries with high litigation and reputational risks. In contrast, developing countries may face weaker legal frameworks and less stringent enforcement, leading to lower levels of conservatism. For example, the Czech market shows no significant evidence of earnings conservatism, most likely due to strict tax regulations and an economy in transition (Shimamoto & Fumiko, 2020).

Cross-country analysis has shown that cultural dimensions such as individualism and uncertainty avoidance influence CFOs' attitudes towards risk and accounting conservatism in different countries (Kanagaretnam et al., 2014; Rieger et al., 2015). Countries with lower individualism (more collectivist culture) are associated with higher accounting conservatism. Collectivist cultures emphasize group harmony and risk aversion, which translates into more conservative accounting practices (Kanagaretnam et al., 2014; Askary, 2008). In contrast, developing countries with high uncertainty avoidance tend to exhibit

higher levels of accounting conservatism because these cultures prefer to minimize risk and uncertainty, which leads to more conservative financial reporting practices (Kanagaretnam et al., 2014; Askary, 2008).

One phenomenon of accounting conservatism in Indonesia occurred at PT. Waskita Karya (Cahyo et al., 2022) which misrecorded its revenue in 2008, recognizing future revenue as current period revenue (Putri, 2020). As a result, the Ministry of State-Owned Enterprises suspended two directors of PT Waskita Karya and postponed privatization due to the need for corrections in the revenue reported in the 2008 financial statements (Putri, 2020). This phenomenon indicates the low implementation of the prudence or accounting conservatism principle because the CFO chose to take risks by reporting revenue early (Cahyo et al., 2022). Non-conservative behavior may stem from the CFO's lack of knowledge in making appropriate decisions (Harymawan et al., 2022). Therefore, this study aims to examine the influence of CFO characteristics on accounting conservatism in Indonesia.

This research contributes to the accounting and finance literature regarding the influence of CFO characteristics on accounting conservatism by providing empirical evidence that age and education level of CFOs can enhance the implementation of accounting conservatism in financial statements. Additionally, the research findings also confirm the upper echelon theory, which states that CFO characteristics influence corporate decision-making. The results of the study benefit management by encouraging them to consider CFO characteristics as they can affect their ability to make appropriate decisions. Moreover, it recommends investors to be more diligent in processing the information presented in the company's financial statements.

LITERATURE REVIEW AND HYPOTHESES

Accounting conservatism is one of the accounting policies that focuses on caution in identifying and measuring revenue and assets (Aliahmadi, 2021). By applying accounting conservatism, companies recognize losses earlier and defer revenue recognition (Odia & Osazevbaru, 2018). Although the term for the principle has changed to prudence, companies still adhere to this principle when facing certain conditions (Saputra et al., 2022). The principle of conservatism is used when companies require more time to recognize profits as it necessitates cash flow verification first (Watts, 2003). Conservatism is also employed when companies undergo a period of bankruptcy to avoid risky decisions in the face of financial uncertainty (Odia & Osazevbaru, 2018; Biddle et al., 2022).

The fundamental accounting principles contained in the Financial Accounting Standards (FAS) show the application of accounting conservatism. For example, a company recognizes revenue when the performance obligation is fulfilled or in progress (FAS 72 paragraphs 31, 32, and 46), indicating the principle of conservatism where revenue recognition is deferred to avoid overstatement (Ogunode & Salawu, 2021). Another example is FAS 14 paragraph 9, which measures the value of inventory at the lower of cost or net realizable value (IAI, 2018). These standards demonstrate the application of the principle of conservatism, as the lower figure is used as a reference in measuring the value of inventory (Shimamoto & Takeda, 2020).

Accounting conservatism can result in different net asset values in financial statements because it recognizes the lower value while still providing more benefits (Glover & Lin, 2018). One of the benefits is preventing earnings management actions that can harm the company (Watts, 2003), improving earnings quality by reflecting the actual financial condition, and helping the company predict future earnings (El-Habashy, 2019). Thus, conservatism plays a positive role in accounting practices (Artiach & Clarkson, 2014).

Women play a crucial role in shaping the success of the board of directors (Alves, 2023) because they tend to be independent, diligent in oversight, actively involved in board committees (Ararat & Yurtoglu, 2021), and can enhance company investment efficiency (Mirza et al., 2020). However, the percentage of women in board positions tends to be minimal due to external barriers that hinder women from reaching the highest levels of leadership, referred to as the glass ceiling (Johnson, 2017). The glass ceiling is a barrier experienced by women where they can see the positions they aspire to achieve but find themselves constrained by obstacles (Gammie et al., 2008; Gammie & Whiting, 2013). This barrier arises from gender-based discrimination in the workplace, which holds the belief that women are not as capable

as men (Khlif & Achek, 2017; Nelson et al., 2015). Consequently, women's opportunities to reach higher positions within companies are hindered (Gammie et al., 2008; Gammie & Whiting, 2013).

In addition to external barriers, women also face internal barriers such as imposter syndrome, which portrays a lack of ability to see leadership potential within oneself and a lack of ambition and confidence (Hewlett, 2014; Madsen, 2017). The doubt over one's own capabilities leads to low self-confidence among women (Madsen, 2017; Sandberg, 2013). While men use ambition, confidence, and competition as motivators for leadership, women interpret ambition as selfishness and narcissism, leading to contrasting behaviors (Devnew & Storberg-Walker, 2018; Madsen, 2017). This disparity causes differences in behavior between female and male directors in responding to risks (Yu, 2021).

The glass ceiling and imposter syndrome cause women to exhibit different behaviors compared to men in responding to risk and uncertainty (Al-Rahahleh, 2017). Firstly, women tend to feel fear and uneasiness when facing uncertain conditions compared to men (Croson & Gneezy, 2009). Secondly, when confronted with crisis situations, women have lower self-confidence and feel less competent compared to men (Huyse-Gaytandjieva et al., 2015). Thirdly, unlike men who enjoy challenges, women perceive risky situations as threats (Al-Rahahleh, 2017). These differences indicate that an individual's risk preferences are influenced by their gender (Yu, 2021). Men tend to be ambitious and willing to take risks, while women display a less ambitious and non-aggressive nature when making decisions (Khlif & Achek, 2017; Nelson et al., 2015). This less ambitious and non-aggressive nature causes women to adopt a more conservative approach in making risky decisions (Makhlouf et al., 2018; Plöckinger et al., 2016; Wang et al., 2016).

The upper echelon theory states that the experience and characteristics of individuals influence the behavior of top managers in determining policies (Hambrick & Mason, 1984; Hiebl, 2014). The different characteristics between women and men give rise to differences in management perspectives, as reflected in the quality of policy choices (Wardhani & Supratiwi, 2023). The quality of policy choices will determine the level of firm performance (Abatecola & Cristofaro, 2020). Therefore, individual characteristics need to be considered as the conservative decisions made by executives have implications for firm performance (Kaur & Singh, 2018). Thus, the upper echelon theory is used to examine the influence of female executives on accounting conservatism.

Female CFOs have a management style that tends to avoid risk-taking decisions (Jia et al., 2014; Yu, 2021). This management style is evident in the attitudes of female CFOs who report losses early when encountering negative cash flows (Ho et al., 2015) to avoid risky decisions in the future (Huang & Kisgen, 2013). The less aggressive nature of women also contributes to conservative behavior (Francis et al., 2015) which is reflected in their lower potential for involvement in financial fraud and earnings management cases (Abdullah & Ismail, 2016; Marzuki et al., 2019). The tendency to avoid risk and be non-aggressive leads female CFOs to adopt a more conservative approach when facing crises and uncertain situations (Xu et al., 2019). The low confidence, lack of ambition, and non-aggressiveness make female CFOs inclined to be conservative in decision-making when dealing with uncertainty and risk (Makhlouf et al., 2018; Plöckinger et al., 2016; Wang et al., 2016). Therefore, the proposed hypothesis is as follows:

H₁: Female CFOs tend to increase accounting conservatism

As individuals age, they tend to become more conservative and risk-averse due to their extensive experience in their field (Hambrick & Mason, 1984; Henninger et al., 2010). This experience helps older managers exercise caution in decision-making (Nielsen, 2010) as they possess good insights and skills (Wang et al., 2016). Different from older managers who prefer risk avoidance, younger managers tend to be more willing to take risks as they are motivated to generate new ideas (Horváth & Spirollari, 2012). Therefore, older directors are more likely to be conservative in decision-making when presenting financial reports (Yu, 2021).

The upper echelon theory states that older directors tend to avoid risky decision-making (Hambrick & Mason, 1984). There are two reasons why older CFOs tend to exhibit a conservative inclination. Firstly, older managers require more time to understand new ideas and behaviors (Hambrick & Mason, 1984). As a person's age increases, their ability to process information and make decisions slows down, as it takes more time and information to evaluate (Atwa et al., 2023). Secondly, older CFOs are committed to the current state of the company (status quo) and prioritize financial security and their careers, as they have

expectations of a guaranteed retirement income (Hambrick & Mason, 1984). These two behaviors make older CFOs tend to be cautious or conservative when making decisions (Badru et al., 2017).

Previous research has found that older CFOs produce more conservative financial reports (Badru et al., 2017; Huang et al., 2012; Ismail et al., 2021; Ting et al., 2016) due to their lack of desire to learn new things and their preference for taking safe decisions to avoid risks (Badru et al., 2017). This risk-avoidant attitude makes older CFOs cautious when making decisions (Ismail et al., 2021). Older directors also tend to be conservative because they avoid risky decisions that could jeopardize their positions within the company (Guo et al., 2021; Huang et al., 2012). Therefore, the proposed hypothesis is as follows:

H₂: CFO age can increase accounting conservatism

Education level is one of the valuable aspects of human resources within a company (Ghardallou et al., 2020) as it influences an individual's ability to receive and process information (Naranjo-Gil et al., 2009). The higher the education level, the better the director's skills in dealing with the company's conditions (Yu, 2021). These skills can be observed in a director's ability to make solution-oriented decisions and handle challenges that may arise in complex business environments (Altuwajri & Kalyanaraman, 2020; Bantel & Jackson, 1989). Therefore, directors with higher education levels tend to be retained due to their good performance in making appropriate policies for the company (Altuwajri & Kalyanaraman, 2020; Datta & Rajagopalan, 1998).

The success of a company depends on the ability of its directors to make decisions when facing different situations and company conditions (Ghardallou et al., 2020). Therefore, companies set minimum qualification requirements for recruiting CFOs with a higher education background, as highly educated CFOs can benefit the company (Ghardallou et al., 2020). With a higher education level, CFOs have adequate insights and skills (Makhlouf et al., 2018) enabling them to process information effectively and make sound decisions in the face of uncertainty (Andersson et al., 2016; Jianakoplos & Bernasek, 1998). Additionally, accounting principles and financial reporting evolve over time, leading companies to prioritize CFOs who stay updated with the latest information (Fu & Zhang, 2019) allowing them to adapt and exercise caution when making financial decisions (Ghardallou et al., 2020).

The upper echelon theory states that higher levels of education are related to openness of mind and the ability to process data, thus enhancing the knowledge and decision-making abilities of directors (Hambrick & Mason, 1984). Individual characteristics, such as education level, determine the director's ability to process information effectively in order to make optimal decisions (Saeed & Ziaulhaq, 2019). This theory emphasizes that in decision-making, the board relies on their experience and reasoning abilities (Wardhani & Supratiwi, 2023). Therefore, companies need to be aware of the education level of CFOs to ensure they can make quality decisions in complex and uncertain business conditions (Abatecola & Cristofaro, 2020; Cheng et al., 2010).

Higher education levels, such as master's or doctoral degrees, reflect a deep level of expertise and specialized knowledge in a particular field (Murphy, 2014). CFOs with master's or doctoral level education possess adequate analytical and practical skills required for director positions (Harymawan et al., 2022). Hence, this research analyzes the relationship between master's or doctoral education levels, reflecting the level of ability and skills of CFOs in making appropriate decisions when facing uncertainty (Ge et al., 2011; Ismail et al., 2021; Sun et al., 2017).

CFOs with a minimum education level of a master's degree tend to be conservative in presenting financial reports (Ge et al., 2011; Ismail et al., 2021; Jinghui Sun et al., 2017) due to their adequate abilities and skills, leading to cautious decision-making regarding risks (Andersson et al., 2016; Makhlouf et al., 2018; Yu, 2021). Additionally, CFOs with a master's education possess good theoretical and practical readiness (Badru et al., 2017) which makes them inclined to be cautious in making decisions (Ismail et al., 2021). CFOs with higher education levels, such as a master's degree, also tend to avoid risky decisions as they are hesitant in adopting new innovations (Ghardallou et al., 2020). CFOs with higher education levels become more cautious or conservative in decision-making when faced with risks (Andersson et al., 2016; Makhlouf et al., 2018; Yu, 2021). Thus, it can be concluded that CFOs with education levels beyond a bachelor's degree possess broad knowledge and skills, leading them to make more cautious decisions. Therefore, the proposed hypothesis is as follows:

H₃: CFOs with an education level above a bachelor's degree tend to be able to increase accounting conservatism

The role of executives in corporate policies is influenced by tenure (Yu, 2021). CFOs with long tenures, specifically more than three years, are capable of making sound decisions because they are familiar with the company's conditions (Francis et al., 2015). On the other hand, CFOs with shorter tenures tend to exhibit less conservative behavior due to their limited knowledge about the company (Muttakin et al., 2019). CFOs with long tenures are more conscious of the importance of high-quality financial information and the detrimental effects of earnings manipulation (Muttakin et al., 2019). With extensive work experience gained from a long tenure, CFOs take careful consideration when making decisions (Yu, 2021). As a result, they tend to be cautious and risk-averse in decision-making (Muttakin et al., 2019). Therefore, directors with long tenures are more likely to be conservative in presenting financial reports (Muttakin et al., 2019; Yu, 2021).

The tenure of directors is important to consider as it can influence the making of rational and low-risk decisions (Ting et al., 2015). The upper echelon theory states that directors with longer tenures tend to avoid risks when facing uncertainty and making decisions (Hiebl, 2014). The theory also suggests that the longer directors serve, the more limited their perspectives and knowledge become regarding conditions outside the company, leading to conservative policy choices due to a lack of innovation (Hambrick & Mason, 1984). CFOs with longer tenures have a good level of insight and experience related to the company, making it easier for them to understand the situation and tend to be cautious when making decisions (Schwenk, 1993). Therefore, CFOs who have served for a long time can enhance the company's performance through cautious or conservative decision-making (Ghardallou et al., 2020).

Previous research has found that directors with longer tenures have adequate abilities and skills, leading them to be more cautious or conservative when making decisions (Muttakin et al., 2019). CFOs with long tenures engage in less aggressive accounting practices in order to maintain their reputation for good performance in the company, thus avoiding risky decisions (Ali & Zhang, 2015). Consequently, CFOs with long tenures have broader experience and insight, leading them to be more conservative in presenting financial reports. Therefore, the proposed hypothesis is as follows:

H₄: CFOs with long tenure tend to be able to increase accounting conservatism

METHODS

This research utilizes CFO characteristic data obtained from annual reports on the official websites of companies, while financial data used to calculate accounting conservatism is sourced from the OSIRIS database. This study employs purposive sampling techniques, limiting the sample to specific groups that contain information required by the researchers (Campbell et al., 2020). The research sample consists of companies listed on the Indonesia Stock Exchange (IDX) in the energy sector (n=47), transportation, and logistics sector (n=18), and food and beverage sector (n=15), resulting in a total sample size of 80 companies. These three sectors have experienced significant losses due to the decline in energy consumption, transportation, and food and beverage consumption during the COVID-19 pandemic (Umah, 2021). When faced with uncertainty, companies tend to be more conservative in presenting financial reports (Odia & Osazevaru, 2018). Conservatism in financial reporting helps reduce agency costs and prevents managers from engaging in opportunistic behavior and presenting overly optimistic profitability scenarios (Zhong & Li, 2017). This is particularly important in industries with significant capital investment and long-term projects such as energy and transportation. Companies with a strong orientation towards social responsibility, which is often the case in the food and beverage sector, tend to adopt more conservative accounting practices. This is a credible commitment to act in the interests of stakeholders, ensuring that financial statements are reliable and not overly optimistic (Anagnostopoulou et al., 2021).

Previous research has measured accounting conservatism using the relationship between stock price movements and earnings during bad news periods introduced by Basu (1997). However, this measurement has limitations as it relies only on market-based measures and does not focus on cross-sectional variation over time (Givoly & Hayn, 2000). Conservatism pertains to the recognition of revenue and expenses relative

to cash flows, therefore, the distribution of these three components needs to be examined (Givoly & Hayn, 2000). Thus, this study employs the accrual method developed by Zhang (2008) because it can examine time series variation by testing the timeliness of recognition between losses and gains.

In calculating total accruals, net profit is added with depreciation. Depreciation is a cost that represents the decline in value of an asset over its estimated useful life (IAI, 2018). Depreciation is a non-cash cost that does not involve cash outflows, so in preparing the cash flow statement, depreciation is added back to net income (Haslem, 2015; Li, 2016). Therefore, adding depreciation to net income provides a more accurate representation of the cash flow generated or used by the company as a whole during a given period (Haslem, 2015; Li, 2016).

This research measures accounting conservatism by dividing non-operating accruals by total assets (see Equation 1). The division result of non-operating accruals by total assets is multiplied by -1 to make the Acc_Con value negative. This negative value indicates a lower level of conservatism, while a positive value indicates a higher level of conservatism (Zhang, 2008). The calculation model is as follows:

$$\text{Con_Acc} = \left(\frac{\text{non operating accrual}}{\text{total asset}} \right) \times -1 \quad (1)$$

$$\text{Con_Acc} = \left(\frac{\text{total accrual (TA)} - \text{operating accrual (OA)}}{\text{total asset}} \right) \times -1 \quad (2)$$

notes:

TA = (net profit + depreciation) – operating cash flow

OA = Δ accounts receivable + Δ inventories + Δ prepaid expenses - Δ accounts payable - Δ tax payable

Δ = the difference between the value in the year of research and one year earlier

This study includes control variables that can influence the dependent variable, so that the relationship between independent and dependent variables is not distorted by other factors that can affect the regression results (Hair et al., 2010). The first control variable is profitability (ROA) because companies with high profitability tend to choose to maintain their reputation in the eyes of investors by reporting high earnings, thus disregarding the prudence principle when preparing financial statements (Haider et al., 2021). Sales growth (Sgrowth) is also included as a control variable because high sales figures lead companies to make riskier decisions, resulting in less conservatism in decision-making (Sun & Liu, 2011). Leverage (Lev) is also controlled because companies with high levels of debt tend to be more conservative in making financial decisions as they seek to avoid risks (Watts, 2003).

This study also controls for the study period because in 2020, the Indonesian economy started experiencing deflation and instability due to the COVID-19 pandemic (Pratiwi, 2022). This condition made companies more conservative in presenting their financial statements (Odia & Osazevaru, 2018). Therefore, the study period is controlled by assigning a value of 1 for the years 2020-2021 and 0 for the years 2018-2019. Meanwhile, the industry type is chosen to determine the influence of different industries on accounting conservatism, measured using a dummy variable. A value of 1 is assigned to the energy sector, 0 to the transportation and logistics sector, and -1 to the food and beverage sector. The decline in energy consumption, transportation, and food and beverage consumption in society during the COVID-19 pandemic caused significant losses in these three sectors (Umah, 2021) leading companies to be more conservative in presenting financial statements due to the uncertainty they faced (Odia & Osazevaru, 2018). The summary of variable measurements is shown in Table 1. The following regression model is used:

$$\text{Con_Acc} = \alpha_0 + \beta_1 \text{ROA}_{i,t} + \beta_2 \text{Sgrowth}_{i,t} + \beta_3 \text{Lev}_{i,t} + \beta_4 \text{DummyYear}_{i,t} + \beta_5 \text{DummyID}_{i,t} + e_t \quad (3)$$

$$\begin{aligned} \text{Con_Acc} = \alpha_0 + \beta_1 \text{Female}_{i,t} + \beta_2 \text{Age}_{i,t} + \beta_3 \text{Edu}_{i,t} + \beta_4 \text{Tenure}_{i,t} + \beta_5 \text{ROA}_{i,t} \\ + \beta_6 \text{Sgrowth}_{i,t} + \beta_7 \text{Lev}_{i,t} + \beta_8 \text{DummyYear}_{i,t} + \beta_9 \text{DummyID}_{i,t} + e_t \end{aligned} \quad (4)$$

notes:

α = constant

β = coefficient of regression

e = error

i = i^{th} company

t = t^{th} period

Table 1. Measurement of Variables

Variable	Measurement
Con_Acc (Accounting Conservatism)	Using the accrual method developed by Zhang (2008) by dividing non-operational accruals by total assets.
Female (Female CFO)	The value is 1 if the company's CFO is female and 0 otherwise.
Age (CFO Age)	Age of the company's CFO
Edu (CFO Education Level)	Education level equals 1 if the CFO has a master's or Doctoral qualification and 0 otherwise.
Tenure (CFO Tenure)	Measured as the number of years the CFO maintains position in the company.
ROA (Profitability)	Total net profit divided by total assets.
Sgrowth (Sales Growth)	The difference between sales this year and the previous year is divided by the sales of the previous year.
Lev (Total debt)	Total debt divided by total equity.
DummyYear	The value is 0 for the 2018-2019 research period and 1 for the 2020-2021 research period.
DummyID	The value is 1 if the sample includes the energy sector, 0 for the transportation and logistics sector, and -1 for the food and beverage sector.

Before conducting regression analysis, an examination of extreme data points (outliers) was performed to prevent bias in statistical analysis (Hair et al., 2010). The screening results show the presence of 108 univariate outliers in the research dataset, but no multivariate outliers were found. Therefore, to mitigate the effects of univariate outliers, winsorizing was performed by transforming data into values that are closer to the other smaller values (Ghosh & Vogt, 2012).

After addressing the outliers, classical assumption tests were conducted to assess the normality of data and to determine the presence of multicollinearity, autocorrelation, and heteroscedasticity (Hair et al., 2010). The normality test using the Shapiro-Wilk test obtained a p-value > 0.05, indicating a normal distribution of the data (Demir, 2022). Secondly, the Variance Inflation Factor (VIF) revealed values less than 10, indicating no multicollinearity among the dependent variables in the regression model (Hair et al., 2010). Thirdly, the Wooldridge test showed a significance value of 0.27, which is greater than 0.05, indicating no autocorrelation issues in the data (Wooldridge, 2013). Finally, the Wald test yielded a p-value < 0.05, indicating the presence of heteroscedasticity (Wooldridge, 2013). Therefore, this study utilizes Generalized Least Squares (GLS) to test the hypotheses.

GLS is used to address heteroscedasticity issues by assigning different weights to each observation based on its residual variance (Gujarati, 2003), without requiring a specific scaling of the independent variables being analyzed (Kong et al., 2021). Additionally, GLS can produce more efficient estimates compared to Ordinary Least Squares (OLS), which yield inefficient estimates when the assumption of homoscedasticity is violated by assuming a constant residual variance (Gujarati, 2003).

Hypothesis testing in this study was conducted using the F-test and t-test (Hair et al., 2010). A p-value < 0.05 in the F-test indicates a good fit of the regression equation. Meanwhile, a t-test with a p-value < 0.05 can be interpreted as rejecting the null hypothesis of the study, and vice versa (Gujarati, 2003).

RESULTS AND DISCUSSION

From Table 2, the average accounting conservatism (Con_Acc) is negative, indicating a low level of adherence to the principle of accounting conservatism in the financial statements of energy, transportation, and consumption companies in Indonesia (Yuliarti & Yanto, 2017; Zhang, 2008). The positive average profitability indicates good financial performance, leading to low demands for caution in presenting financial statements (Givoly & Hayn, 2000; Zhang, 2008). Positive profitability can occur

because the average company has high sales growth (Haider et al., 2021). With a high volume of sales, the company's revenue will also increase (Haider et al., 2021).

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Standard Deviation
Accounting Conservatism	320	-0.296	0.293	-0.010	0.147
CFO Age	320	32.000	75.000	50.075	7.740
Profitability	320	-0.195	0.199	0.021	0.088
Sales Growth	320	-0.998	0.948	0.068	0.369
Total Debt	320	-2.940	2.981	0.745	1.225

The results of the Mann-Whitney U test in Table 3 Panel A indicate differences in the level of accounting conservatism between CFOs with a minimum master's degree education and CFOs with lower education levels. This difference occurs because CFOs with a master's or doctoral degree have good knowledge and skills (Makhlouf et al., 2018) enabling them to make conservative decisions when facing uncertainty and risk (Ge et al., 2011; Ismail et al., 2021; Jinghui Sun et al., 2017). The test results also show differences in the level of accounting conservatism between CFOs aged above 50 and those aged below. This difference occurs because older CFOs have greater insights and experience compared to younger CFOs (Makhlouf et al., 2018) and thus tend to make conservative decisions when facing risky situations and conditions (Ismail et al., 2021; Jinghui Sun et al., 2017).

Table 3. Conservatism based on Education Level, Age, Gender, Tenure, and Year of Research

	N	%	Mean	Median	Z	p-value
Panel A Level of Education						
Master or doctoral	138	43.120	0.022	0.010	-3.197	0.001**
Other than master or doctoral	182	56.880	0.034	-0.030		
Panel B Age						
Above 50 years old	183	57.187	-0.526	0.010	-4.354	0.000***
Below 50 years old	137	42.812	0.022	-0.400		
Panel C Gender						
Female	55	17.188	0.001	0.000	-0.008	0.994
Male	265	82.812	0.010	0.000		
Panel D Tenure						
Above 3 years	175	54.687	-0.017	-0.200	-1.205	0.228
Below 3 years	145	45.313	-0.001	0.100		
Panel E Year of Research						
2018-2019	160	50.000	0.018	0.020	1.024	0.306
2020-2021	160	50.000	0.001	0.000		

Note: significant at **p < 0.01, tested using Mann-Whitney U

The results did not find any differences of conservatism between gender groups (see Table 3 Panel C). This finding shows the impact of tokenism. When boards are formed with few female representation, this puts the female director in the spotlight and under pressure to perform. This lack of representation may also encourage women in these positions to mimic the behavior of male directors, leading to more “agentic” rather than “communal” behavior (Yarram & Adapa, 2021). In addition, the absence of differences may be due to women adopting masculine traits similar to men, which are more aggressive (Uribe-Bohorquez et al., 2019) resulting in similar behaviors when facing risk (Flynn et al., 2014; Nasution & Jonnergård, 2017). Female CFOs generally exhibit more risk-averse and conservative behavior in certain contexts such as tax avoidance (Liu et al., 2022), but have the same risk tolerance as men in capital structure adjustment (Krystyniak et al., 2024). That is, in high-risk situations, such as accounting conservatism, the behavior of female CFOs may not differ significantly from their male counterparts (Krystyniak et al., 2024). This suggests that female CFOs can be aggressive in certain financial decisions, influenced by external factors

and the nature of the decision at hand (Liu et al., 2022; Krystyniak et al., 2024; Francis et al., 2013). The conditions and environment in which they work can also lead female CFOs to adopt behavior similar to male CFOs, so there is no significant difference in the level of accounting conservatism (Ho et al., 2015).

The difference test results also did not find any differences in the level of accounting conservatism between CFOs with a tenure of more than three years and those with shorter tenure (see Table 3 Panel D). This finding suggests that CFOs with both short and long tenures exhibit similar behaviors in decision-making (Muttakin et al., 2019). In the Indonesian business context, CFO tenure may not be very important due to some cultural norms and industry pressures. CFOs' educational background and professional certifications are emphasized more than their tenure. CFOs with advanced education in finance and accounting are seen as more valuable, which suggests that their expertise is prioritized during their tenure (Ernestine, & Setyaningrum, 2019). The early years of a CFO's tenure do not significantly affect earnings management behavior, suggesting that tenure does not play an important role in financial decision-making practices (Khasandy, & Adhariani, 2019). In line with this, in many industries, CFOs' role in investment decisions is more influenced by their professional background (e.g. former auditors) than their tenure. This highlights that certain skills and experience are valued more than the duration of their service to the company (Ngelo, 2022). Additionally, no differences were found in the level of conservatism between the research years during the COVID-19 pandemic (2020 and 2021) and the two previous years (2018 and 2019).

As Table 4 indicates, there is a positive correlation between the age of the CFO and accounting conservatism, indicating that older CFOs tend to be more conservative in financial decision-making (Yu, 2021). This can be attributed to the fact that with increasing age, individuals tend to be more cautious in decision-making due to their broader experience (Hambrick & Mason, 1984; Henninger et al., 2010). The negative correlation between profitability and sales growth with accounting conservatism suggests that managers become less conservative as profitability and sales growth increase, as they have more confidence in the company's ability to meet debt and financial obligations, leading them to take risks and disregard the principle of conservatism (Haider et al., 2021).

Table 4. Pearson Correlation

Variable	(1)	(2)	(3)	(4)	(5)	(6)
(1) Accounting Conservatism	1					
(2) CFO Age	0.206**	1				
(3) CFO Tenure	-0.080	0.385**	1			
(4) Profitability	-0.130*	-0.130*	0.053	1		
(5) Sales Growth	-0.285**	-0.156**	0.027	0.318**	1	
(6) Total Debt	-0.194**	0.102	0.238**	0.094	0.122*	1

The negative correlation between total debt and conservatism indicates that as total debt increases, the company becomes less conservative. When leverage increases, companies have opportunities to fund growth, expansion, and potentially profitable projects, leading managers to be more willing to take risks and disregard caution or conservatism (Haider et al., 2021).

Table 5 shows a significant F-value, indicating a good regression model that is deemed suitable for use. The regression results find that the AIC value in Model 2 is lower than that of Model 1. A lower AIC value suggests that the model is a better fit compared to other models (Schermer & Martin, 2019).

Table 5. GLS Test

Variable	Model 1		Model 2	
	Coefficient	p-value	Coefficient	p-value
X ₂ -Age			0.004	0.000***
X ₃ -Edu			0.032	0.041*
X ₁ -Female			0.007	0.709
X ₄ -Tenure			-0.002	0.155

C ₂ -Sgrowth	-0.102	0.000***	-0.088	0.000***
C ₃ -Lev	-0.020	0.000***	-0.019	0.002**
C ₁ -ROA	-0.069	0.449	-0.033	0.714
DummyYear	0.001	0.953	-0.005	0.699
DummyID1	0.013	0.521	0.023	0.277
DummyID2	-0.015	0.521	0.005	0.822
Constant	0.000	0.669	-0.200	0.001**
Wald chi²		41.370		66.170
F		0.000***		0.000***
AIC		-345.302		-358.544

Note: Coefficient is significant at *p < 0.05; **p < 0.01; ***p < 0.001

The t-test in Table 5 Model 2 shows that CFO age has a positive influence on accounting conservatism. Older CFOs tend to seek safety by avoiding risky decisions, leading to a conservative approach in presenting financial reports (Hambrick & Mason, 1984; Ismail et al., 2021). This study also found that CFO education level has a positive influence on accounting conservatism. CFOs with higher education have better skills, enabling them to make informed decisions and exercise caution (Makhlouf et al., 2018). However, the research did not find any influence of gender and CFO tenure on accounting conservatism.

Table 5 Model 2 also indicates that sales growth and total debt have a negative impact on accounting conservatism. Companies with high sales growth possess large assets and profits, leading to less conservatism in their financial reporting due to recording positive earnings (Haider et al., 2021). The study did not find any influence of profitability, research year, and industry sector on accounting conservatism. Companies with high profitability tend to disregard cautionary principles because management reports positive company performance to stakeholders (Haider et al., 2021). Additionally, the lack of influence from the research year and industry sector could be attributed to companies adapting and innovating to achieve financial stability during the COVID-19 pandemic, even amidst declining profits (Cui et al., 2021) leading to less demand for cautious or conservative financial reporting (D'Augusta & Grossetti, 2023).

The Influence of Female CFOs on Accounting Conservatism

The research did not find any influence of female CFOs on accounting conservatism, hence the null hypothesis can be rejected. This finding contradicts the research by Ismail et al. Ismail et al. (2021), but aligns with the findings of Xu et al. (2016) and Nasution and Jonnergård (2017) that female CFOs do not affect accounting conservatism. Ismail et al. (2021) found that 36.65% of CFOs in Malaysia were female, while in this study, only 17% were female CFOs. This difference is due to the government regulations in Malaysia targeting a minimum of 30% female representation in top management positions (Ismail et al., 2021), whereas there is still no similar regulation in place in Indonesia.

In Indonesia, women are often viewed primarily as wives and mothers rather than career professionals, limiting their participation in senior positions within a company. This cultural perception reduces the number of women in leadership roles, including CFO positions, thus minimizing the potential impact on accounting conservatism (Khoifin et al., 2023; Yanti & Amaliah, 2024; Oktaviani, 2024). The overall low representation of women in firms means that even when women hold the CFO position, their influence on broader corporate practices, such as accounting conservatism, is diluted. This limited presence makes it difficult to observe significant changes in financial reporting practices solely based on gender (Khoifin et al., 2023; Kapotwe et al., 2023; Aryani et al., 2023).

Existing corporate governance frameworks in Indonesia may also not fully support or recognize the potential benefits of gender diversity in leadership. In Asian countries, including Indonesia, setting quotas for women on boards is still voluntary, with only 11.6% of women in top management positions, with 13.1% on boards of directors and 9.9% on boards of commissioners (Widarti et al., 2022). The limited proportion of women on boards of directors is due to challenges regarding gender discrimination, stereotypes, and differences in characteristics brought about by gender differences, so the presence of women is claimed not to have contributed to corporate governance practices (Singh et al., 2021; and Lara

et al., 2022). This lack of structural support may hinder the ability of female CFOs to effectively implement more conservative accounting practices (Khoifin et al., 2023; Yanti & Amaliah, 2024). The sociocultural context in Indonesia, characterized by traditional gender roles, low representation of women in senior positions, and cultural influences, contributes to the minimal impact of CFO gender on accounting conservatism (Khoifin et al., 2023; Yanti & Amaliah, 2024; Oktaviani, 2024; Kapotwe et al., 2023; Arquisola et al., 2020; Oktaviani et al., 2021).

Not only in Indonesia, but in other developing countries such as China, women also face invisible “boundaries” in the workplace (Chen et al., 2021). The proportion of women who get a place in the top management team is low due to China's traditional male-dominated culture. Although some women make it into top management teams, they face greater pressures than men, including double standards in codes of conduct, lower pay, and basing salary levels on physical appearance (Geiler & Luc, 2015). In addition, female CFOs have lower rehire rates than men after resigning due to losses from social networks (Fang and Huang, 2017).

The low representation of women in executive positions indicates a preference for men, as they are perceived as ambitious and willing to take risks (Makhlouf et al., 2018) compared to women who may feel less competent and lack confidence (Huysse-Gaytandjieva et al., 2015). However, women have now developed a willingness to make risky decisions similar to men (Uribe-Bohorquez et al., 2019). As a result, both genders tend to exhibit non-conservative behavior when facing risks (Flynn et al., 2014; Nasution & Jonnergård, 2017). Thus, gender does not influence an individual’s ability to make conservative decisions (Flynn et al., 2014; Nasution & Jonnergård, 2017).

These findings are consistent with the results of the difference test, which did not find any differences in the level of accounting conservatism between male and female CFOs (see Table 3 Panel B). The absence of differences indicates that men and women respond to risk in a similar manner (Uribe-Bohorquez et al., 2019). Additionally, the preparation of financial reports is a team task involving both male and female staff members (Belenzon et al., 2019), so the gender of the director does not influence the level of conservatism implementation because the CFO is not the sole policy-maker (Ullah et al., 2020). Within the organizational structure of a company, the board of directors is responsible for overseeing the CFO (Li & Roberts, 2017; Xu et al., 2018). The board of directors also guides and directs the CFO to behave in accordance with the instructions and recommendations provided (Li & Roberts, 2017; Xu et al., 2018), thereby limiting the influence of CFO characteristics such as gender in producing more conservative decisions. Therefore, the gender of the CFO does not play a role in shaping more conservative decisions.

These findings do not confirm the upper echelon theory, which states that an individual's characteristics influence corporate policy formation (Plöckinger et al., 2016). Companies pay more attention to demographic factors such as age and education level rather than gender (Muttakin et al., 2019), as female and male directors have similar attitudes when making decisions (Nasution & Jonnergård, 2017). Therefore, gender cannot be used as a reference for companies to measure the abilities of CFOs, as gender differences do not affect a director's decision-making abilities.

Upper echelon theory assumes that strategic choices are determined and shaped by the values and cognitive bases of the dominant/powerful coalition/actors in the organization, particularly top managers (Hambrick and Mason, 1984). The implementation of the theory in the context of Indonesia may not be fully because many companies in Indonesia tend to adopt a family system. Therefore, decisions are often the exclusive authority, along with several other key actors (such as family owners). The absence of influence from gender and tenure on accounting conservatism may be due to their limited power in determining various strategic choices. Therefore companies in developing countries can increase the number of women participation in the board of directors and managers. In addition, key actors in the company also need to improve their knowledge and skills so that strategic decisions made by the board of directors can be optimal.

The Influence of CFO Age on Accounting Conservatism

This research found that CFO age is capable of increasing accounting conservatism in financial reports, thus the null hypothesis cannot be rejected. This finding is consistent with previous studies showing

that older CFOs tend to be more conservative or cautious in decision-making (Badru et al., 2017; Huang et al., 2012; Ismail et al., 2021; Ting et al., 2016). This result aligns with the difference test that found differences in the level of accounting conservatism between older and younger CFOs (see Table 3). Older CFOs possess adequate knowledge and greater experience compared to younger CFOs (Makhlouf et al., 2018) leading to more conservative decision-making (Ismail et al., 2021; Jinghui Sun et al., 2017).

The study found that the average age of CFOs in the sample companies is 50 years old. These CFOs are considered relatively old, as 57% of the companies in the energy sector, 19% in the transportation and logistics sector, and 47% in the food and beverage sector, including family-owned businesses in Indonesia (Legacy, 2022). In family-owned businesses, older directors are often among the company founders, and they tend to make conservative decisions to avoid risks that could harm the company (Makhlouf et al., 2018).

The research also found that 57% of CFOs above the average age of 50 tend to be conservative in decision-making compared to 43% of CFOs below that age. This indicates that companies tend to choose older directors due to their broad insights and familiarity with the company's situation, making them more cautious in dealing with uncertainties (Badru et al., 2017; Ismail et al., 2021; Ting et al., 2016). Younger directors have less adequate experience, which may hinder their ability to make appropriate decisions when facing risks (Makhlouf et al., 2018). Therefore, companies should consider older directors as they reflect a higher level of skills and abilities in making conservative decisions (Badru et al., 2017; Huang et al., 2012; Ismail et al., 2021; Ting et al., 2016).

The age of directors is a key demographic factor that can influence a company's performance and the quality of financial decisions (Wang et al., 2016). As individuals age, CFOs tend to avoid risky decision-making due to their increased experience and knowledge (Hambrick & Mason, 1984; Henninger et al., 2010). With extensive experience and knowledge, CFOs become more competent and cautious when making financial decisions, reducing the potential for future harm (Makhlouf et al., 2018). Previous research has also found that older CFOs tend to be more conservative as they are less aggressive in decision-making (Ismail et al., 2021). Older directors make safe decisions to protect their positions and wealth (Ran et al., 2015; Wang et al., 2016) leading to a more cautious or conservative approach when preparing financial reports (Ge et al., 2011). These findings indicate that age plays a significant role in the decision-making process, as it can influence the level of conservatism in financial reporting (Huang et al., 2012).

These findings confirm the upper echelon theory, which states that the age of a leader influences decision-making that impacts a company's performance (Nielsen, 2010). Older directors tend to prioritize financial security and their careers due to established social circles, characteristics, and expectations regarding pension income (Hambrick & Mason, 1984). Age shapes an individual's abilities and skills, leading CFOs to be more cautious due to their broader experience in the field (Hambrick & Mason, 1984; Henninger et al., 2010). Therefore, age enhances an individual's experience and knowledge, making older CFOs more conservative when making risky decisions.

The Influence of CFOs with Education Levels Above Bachelor's Degree on Accounting Conservatism

This research found that CFOs with educational levels higher than undergraduate, such as master's or doctoral degrees, tend to be conservative in presenting financial reports, thereby rejecting the null hypothesis. The findings of this research align with previous studies that indicate the presence of CFOs with master's degrees influencing the level of accounting conservatism in corporate financial reports (Ismail et al., 2021; Wang et al., 2016). This result is also consistent with the difference test that found differences in the level of accounting conservatism between the group of CFOs with master's education and those with lower education (see Table 3 Panel A). This indicates that directors with a master's education have better skills, enabling them to make conservative decisions, whereas directors with lower education levels may lack sufficient insights and skills when facing risks (Makhlouf et al., 2018).

The study also found that 43% of CFOs with a minimum of a master's degree tend to make conservative decisions compared to 57% of CFOs with lower education levels. When selecting a CFO, companies measure an individual's competency through their level of education as it reflects their skills and abilities (Harymawan et al., 2022). Additionally, higher education is an important factor as a good level of

knowledge and capabilities can support directors in fulfilling their obligations within the company (Makhlouf et al., 2018). Furthermore, directors with extensive abilities and knowledge are better equipped to handle issues more effectively (Makhlouf et al., 2018). Therefore, educational attainment serves as a benchmark for assessing the level of capability and skills of directors in making conservative decisions (Makhlouf et al., 2018).

Individuals with higher levels of education possess better skills, which leads them to be more cautious when processing information for decision-making (Andersson et al., 2016; Naranjo-Gil et al., 2009). CFOs with higher educational backgrounds are inclined to keep up with the latest developments in accounting and finance, enabling them to exercise more caution when making decisions related to future risks (Sun & Rakhman, 2013). Higher education enhances the analytical skills and understanding of accounting principles for CFOs (Harymawan et al., 2022). With these abilities, CFOs become more conservative when preparing financial reports (Makhlouf et al., 2018) as they are capable of identifying situations more accurately and avoiding risky decisions (Xiong, 2016).

The results of this research confirm the upper echelon theory, which states that the educational background of directors influences decision-making (Hambrick & Mason, 1984; Harymawan et al., 2022). Higher education levels enhance an individual's ability to process data (Hambrick & Mason, 1984). The higher the level of education, the better the CFO's capability to face business situations within the company (Yu, 2021). Therefore, CFOs need to have a high level of education to be able to make conservative decisions when facing uncertainty.

The Influence of Tenure on Accounting Conservatism

The research did not find any influence of CFO tenure on accounting conservatism, thus rejecting the null hypothesis. These results contradict the research by Muttakin et al. (2019), but support the findings of Arabloo (2017) and Umar et al. (2021) that CFO tenure does not affect the level of accounting conservatism. This finding is consistent with the difference test results, which found no differences in the level of accounting conservatism between CFOs with tenure of more than three years and those with shorter tenure (see Table 3 panel D). The absence of differences implies that CFOs, whether with short or long tenure, exhibit similar behavior in decision-making (Muttakin et al., 2019). CFOs with tenure of less than three years tend to make risky decisions due to limited knowledge about the company's situation and conditions (Muttakin et al., 2019; Francis et al., 2015). CFOs with long tenure tend to be less adaptable to current information developments, making it difficult for them to make innovative decisions (Libit & Freier, 2015). Therefore, tenure cannot be used as a benchmark to assess the level of capability and expertise in making conservative decisions (Arabloo, 2017; Umar et al. 2021).

The study by Muttakin et al. (2019) found that the average CFO tenure in Australia is five years, whereas in this study, 66.25% of CFOs served for less than three years. Companies prefer directors with shorter tenures because they can provide fresh perspectives and decisions (Fu & Zhang, 2019) compared to directors with long tenures who tend to not keep up with current information, making it difficult for them to develop and adapt (Libit & Freier, 2015). Additionally, companies can offer lower salaries to directors with shorter tenures due to their lack of experience (Muttakin et al., 2019). Therefore, companies prefer directors with short tenures despite the risks associated with the duration of their tenure (Arabloo, 2017; Umar et al. 2021).

The length of a director's tenure has an implication for decision making (Muttakin et al., 2019). Directors with tenure of less than three years have limited knowledge about the company's financial situation and conditions, leading to behaviors that may lack caution (Muttakin et al., 2019; Francis et al., 2015). CFOs with longer tenures choose to overlook the principle of conservatism by reporting good financial performance to maintain their positions within the company (Arabloo, 2017; Umar et al., 2021). This indicates that directors, whether with short or long tenures, each have risks of producing non-conservative decisions (Muttakin et al., 2019). Therefore, management tends to consider age and educational level as they better reflect the directors' skill levels compared to tenure (Arabloo, 2017; Umar et al., 2021).

This research does not confirm the upper echelon theory, which states that directors with longer tenures are more rational and risk-averse when facing financial uncertainty (Hiebl, 2014; Ting et al., 2015). Conservatism is a part of the general principles applied in the accounting process, so regardless of tenure, CFOs still adhere to the applicable accounting principles (Muttakin et al., 2019). Furthermore, the determination of conservative decisions is influenced more by business situations and economic conditions rather than individual characteristics like tenure (Almeida & Lemes, 2020). Therefore, the length of tenure does not affect the CFO's inclination to exercise caution in making risky decisions.

CONCLUSION

This study aims to examine the influence of CFO characteristics, including gender, age, educational level, and tenure, on accounting conservatism in the energy, transportation and logistics, and food and beverage sectors in Indonesia from 2018 to 2021. The results of the study found that age and educational level of the CFO have a positive impact on accounting conservatism. Older CFOs tend to be conservative as they opt for safe decisions by avoiding risks. CFOs with at least a master's level of education possess adequate skills and abilities, enabling them to make conservative decisions when facing uncertainty.

The study also found that gender does not affect the level of conservatism. Gender does not play a role in shaping conservative decisions as CFOs work with teams consisting of both male and female staff when preparing financial reports. This indicates that financial decision-making is not solely influenced by the CFO. The study also revealed that CFO tenure does not have an impact on conservatism. Companies pay more attention to age and educational level since directors with both short and long tenures still carry risks in making financial decisions. From the results of this study, it can be concluded that age and educational level of the CFO are important considerations as they can influence the level of accounting conservatism in a company's financial reports.

The findings of this study provide insights for companies and investors. First, companies need to pay attention to age and education level because these factors can support the performance of directors in presenting more prudent financial statements, especially in times of uncertainty. Second, investors need to be more selective in making decisions by not only considering the fundamental performance of the company but also the background of the directors. Older directors with at least a master's degree have good abilities and expertise in their fields, allowing them to produce conservative financial statements because they tend to be cautious in making risky decisions. With competent individuals leading the company, the potential loss for investors in investing can be minimized. Third, to be able to benefit from the characteristics of the board of directors, companies are also expected to increase diversity, especially in terms of gender. The limited number of women in the board of directors in this study indicates that their influence is diluted so that it provides less benefit to accounting conservatism.

The findings in this study are quite different from most previous studies, as they show that gender has no effect on accounting conservatism. A possible explanation for this finding is that female CFOs adopt masculine leadership as a result of the environment in which they work. Therefore, cross-cultural comparative studies are needed to understand how cultural contexts such as social masculinity or femininity, influence the relationship between gender diversity and accounting conservatism. For example, banks in more feminized societies tend to be more conservative (Purwa & Setiawan, 2020).

The results of this research contribute to the literature on accounting and finance regarding the influence of CFO characteristics, specifically age and educational level, on accounting conservatism. This study demonstrates that CFO characteristics, such as older age and a minimum education level of a master's or doctorate, have a positive impact on accounting conservatism. Thus, this research provides empirical evidence regarding the internal factors that influence the implementation of accounting conservatism in financial reports. Additionally, this study confirms the upper echelon theory, which states that director characteristics affect the quality of corporate decisions, through the findings that age and educational level of the CFO positively influence accounting conservatism.

Previous studies on CFO characteristics and accounting conservatism have been conducted in developed countries, while research in Indonesia is only focuses on corporate governance and litigation

risk. Therefore, this research is different as it is conducted in the context of a developing country, Indonesia, thus expanding the literature on CFO characteristics related to accounting conservatism. However, the availability of CFO characteristic data in annual reports is still limited, which may not capture nuanced CFO characteristics such as risk tolerance or leadership style. Future research could benefit from utilize additional sources such as LinkedIn or conduct direct interviews with CFOs, to capture these subtler characteristics This study also only focuses on three industries: energy, transportation, and food and beverage, which limits generalizability. Broader sector inclusion could yield more comprehensive insights. For example, conducting similar research with a primary focus on state-owned companies, the manufacturing sector, companies with high earnings management, and Islamic banking that must implement accounting conservatism, strong corporate governance practices, and gender diversity initiatives (Saleh et al., 2021; Nahar & Maretta, 2023; Evana, 2020; Afrizal et al., 2020). The results of the study did not find any influence of CFO gender on accounting conservatism. Therefore, future research could increase the sample size by considering contexts in countries that have implemented regulations regarding minimum female representation in board director positions to obtain different results.

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