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Accounting Conservatism and Its implications

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Abstract

Introduction/Main Objectives: This research aims to reveal trends in the concept of accounting conservatism through a systematic literature review. **Background Problems**: Studies on the topic of accounting conservatism are very diverse with inconsistent study results and only a few have conducted research using a systematic literature review approach. **Research Methods:** This research uses a systematic literature review approach with a description analysis of 208 articles sourced from the Scopus database for 2005-2024 and processed with Bibliometrix R and VOSviewer**.** **Finding/Results:** The research findings reveal topic trends related to accounting conservatism, including corporate governance, financial reporting quality, information asymmetry, corporate social responsibility, and IFRS. **Conclusion:** This research outlines various research directions related to accounting conservatism, such as manager characteristics, economic and cultural conditions, and tax aggressiveness.

Keywords: Accounting conservatism; Corporate governance; Systematic literature review

JEL Classification: D91; G32; M14; M41.

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INTRODUCTION

The principle of accounting conservatism involves a careful approach to measuring assets, liabilities, and income, which aims to minimize risk (Suwarno et al., 2022). The accounting conservatism debate continues with its arguments. Supporters of accounting conservatism argue that this principle is necessary so that company managers are careful in making decisions (Al-Hroot & Amireh, 2019). By treating assets and income conservatively, managers will be more careful in reporting company performance and avoid practices that can lead to overly optimistic financial reporting. Therefore, accounting conservatism can help protect the interests of shareholders and creditors. However, different views of accounting conservatism can produce biased information. This conservative approach can result in underestimating earnings and assets, potentially reducing a company's ability to obtain financing and investment. Critics argue that this principle can reduce the transparency of financial information, making it difficult for shareholders and investors to make decisions.

According to (Ahmed & Duellman, 2007a), accounting conservatism helps the board of directors reduce agency problems. By having more conservative financial information, boards of directors can more easily verify managerial performance and ensure that decisions are aligned with the company's and shareholders' interests, thereby reducing agency costs associated with information uncertainty. According to (Enache & García-Meca, 2019), companies with good corporate governance can protect stakeholders and investors by implementing accounting conservatism or reporting bad news on time. When managers' bonuses or incentives depend on profits, managers may hide bad news, which can reduce their profits. Therefore, accounting conservatism can be seen as a manager's control mechanism for earnings management.

Previous studies analyzed accounting conservatism with various topics. Studies by (Asri, 2017) and (Penman & Zhang, 2002) analyzed accounting conservatism and earnings quality. Preparing financial reports by applying accounting conservatism where the company chooses to report finances in a more careful (conservative) manner. This means that when faced with equivalent measurement or recognition alternatives, more profitable options are usually avoided, while options that are detrimental to the company are likely to be included. This approach aims to avoid potential overstatement, thereby providing a more realistic and conservative view of the company's financial condition. Other studies examine the importance of implementing accounting conservatism to improve the quality of financial reports (Marzuki & Wahab, 2016), (Fariz et al., 2020), (Zadeh et al., 2022), (NM, 2016), and (Delkhosh & Sadeghi, 2017). The principle of accounting conservatism tends to prioritize more conservative revenue recognition, by avoiding profit overestimation. Therefore, reported profits are more cautious and may be more in line with actual performance. However, several research results show different results that accounting conservatism will lead to biased financial reports because profit information is not presented as it should be (Daryaei et al., 2022), (Cahyani & Khafid, 2020), (Bach & Hang, 2016).

In addition, several studies examine the relationship between manager characteristics and accounting conservatism. The principle of accounting conservatism cannot be separated from the characteristics of managers. For example, a study by Ahmed & Duellman confirms that CEO trustworthiness has a negative relationship with accounting conservatism (Andre et al., 2014). Research conducted by Ho et al. examined the influence of CEO attributes on accounting conservatism, and the results show that the leadership characteristics of female CEOs are related to accounting conservatism (A. H. Nguyen et al., 2020). Apart from that, some link the attributes of good corporate governance (such as ownership structure and board of commissioners) with accounting conservatism. Good corporate governance mechanisms are believed to improve the supervision of opportunistic management actions. The application of accounting conservatism allows managers to manage profits so that financial performance looks good, aiming to increase incentives for increasing profits.

Accounting conservatism is defined as the tendency to recognize losses more quickly than profits. Based on this definition, conservatism refers to a more careful approach to reflecting the company's financial condition (Ball & Shivakumar, 2006) (Elshafie, 2023). Accounting conservatism can be divided into (1) conditional conservatism, and (2) unconditional conservatism. Ball and Shivakumar (2008) state that conditional conservatism involves a more cautious recognition of benefits depending on business or economic conditions, such as declines in market values. Basu's study states that uncertain market conditions can trigger the application of conditional conservatism (Hsu et al., 2017). Unconditional conservatism implies that the company does not consider certain conditional factors. Ball and Shivakumar (2008) state that in unconditional conservatism, loss recognition is considered more consistent and does not depend on market fluctuations or economic conditions. Watts' research states that companies that apply unconditional conservatism may more frequently experience asset impairments and recognize losses, thereby creating a more stable recognition basis without considering fluctuations in market or economic conditions (Watts, 2005).

Studies on the topic of accounting conservatism have often been carried out, but not many have used a systematic literature review (SLR) approach. This research focuses on reviewing articles

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with the SLR approach using Scopus. The SLR method is a scientific method that has advantages and disadvantages; one of its advantages is being able to detail, evaluate, and synthesize relevant literature on a topic (González-Sánchez et al., 2023). The steps include determining research questions, selecting inclusion/exclusion criteria, literature search, literature selection, data extraction, analysis, and report writing. This research aims to identify contextual themes related to accounting conservatism and provide directions for future research.

The focus of this research study aims to answer research questions, namely how the topic of accounting conservatism develops and future research directions. The research method used is qualitative content analysis using the SLR approach and paper analysis using Bibliometrix R_package and VOSviewer. This research contributes to the development of science, especially accounting theory related to the principle of accounting conservatism.

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RESEARCH METHOD

This study used a systematic literature review approach by combining content analysis and bibliometric techniques. Content analysis is used to identify and select relevant literature for in-depth analysis based on predetermined inclusion and exclusion criteria. Thus, the text material that answers the research question is encoded into relevant and easily organized data. The quantitative aspect of this research involves bibliometric techniques to review literature in the field of accounting that is still considered new. This method has two main objectives: to provide a basis for advanced research and scientific mapping. The main advantage of bibliometrics analysis is the power and efficiency of its quantitative techniques in reviewing studies. SLR provides a systematic and comprehensive review of the literature, provides an in-depth overview of the topic under study, and helps direct future research in a more informed and effective manner. (Mustikarini & Adhariani, 2022) (Fink, 2010) The exponential growth of academic studies has impacted bibliometric analysis, leading to literature reviews that are more informed, structured, and comprehensive in scope compared to conventional literature reviews.

Figure 1 explains the stages of the methodology: (1) developing the research questions, (2) creating the research design, and (3) analyzing and interpreting the results. The research questions include (1) how the concept of conservatism accounting evolves, (2) what the prevailing themes are in conservatism accounting research, and (3) the future direction of conservatism accounting research. The second stage involves the research design, which addresses these questions through data collection and data analysis, detailing the methodologies and software used for this purpose. The final stage focuses on examining the results and interpreting the findings.

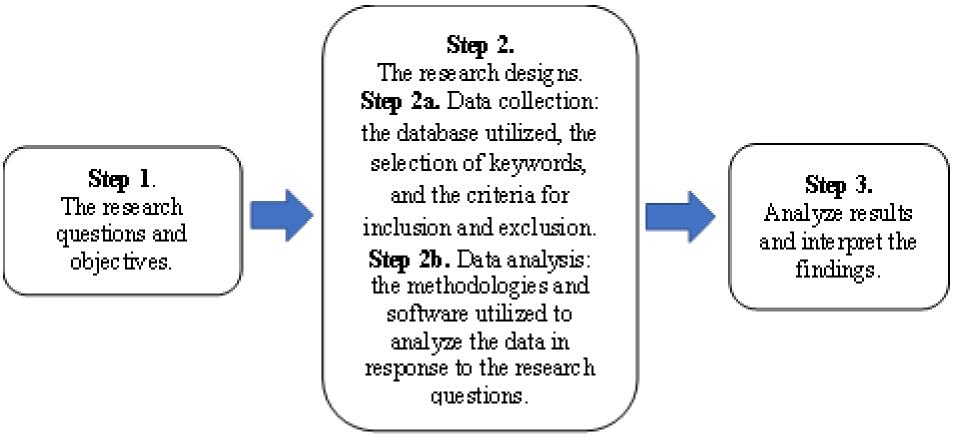

Figure 1. Stages of Research Method

In the design of this study, methods for collecting and analyzing data were considered (Step 2 in Figure 1). Data is collected from the Scopus database as a basis for reviewing literature. Scopus is recognized as the leading database for academic studies in accounting. Keyword searches using Boolean functions were performed to collect relevant bibliographic data (Table 1). The search is conducted on January 1, 2024, at 4:00 p.m. and involves the period from 2005 to 2024 with the search keyword "Accounting conservatism". Of the 682 English-language documents found at an early stage and left 480 articles. The researcher then conducted an in-depth selection of articles using covidence (prisma) to get articles that were by the research objectives, from 480 articles there was 1 duplicate article, 267 articles that were not by the research objectives, and 4 study design articles were wrong so that 208 final articles were obtained with the theme of factors related to accounting conservatism (figure 1). A further 208 articles were selected, bibliometric analysis using Bibliometrix R and VOS Viewer (table 2).

Table 1. Keyword search in the Scopus database

Keywords and filters	Criteria	Article
Search Filters	("accounting-conservatism" OR "accounting AND conservatism")	682
Search Period	2005 - 2024	666
Category	Subject Area (business, management, and accounting)	534
Paper	Article, Review	518
Publication Stages	Final	498
Source Type	Journal	488
Language	English	480

Then, each research question is answered through a structured approach (table 2). Dynamic co-citation analysis is applied to understand the development of conservatism accounting, with visualization of citation networks using Bibliometrix R_package and VOS Viewer. Furthermore, to answer the questions of the dominant themes in the study of accounting conservatism using co-occurrence analysis with VOS Viewer visualization. Meanwhile, to identify the direction of accounting conservatism research is carried out using visualization of co-occurrence analysis with a VOS viewer. Research presents future research directions as the final part of this methodology.

Table 2: Methodology and software for analysis

Research Questions	Content Analytics	Bibliometrics technique	Bibliometric Software
Information and publications	No	Bibliometric citation analysis	Bibliometrix R-package
How did the concept of accounting conservatism develop?	Yes	Dynamic co-citation analysis and visualization	Bibliometrix R-package VOS Viewer
What is the dominant theme in the study of accounting conservatism?	Yes	Bibliometric co-occurrence analysis	VOS Viewer
What is the future research direction of conservatism accounting**?**	Yes	Bibliometric co-occurrence analysis	VOS Viewer

Source: data processed

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RESULTS AND DISCUSSION

This study reviewed 208 articles on conservatism accounting studies from 93 sources derived from the Scopus database period 2005-2024. The initial period of 2005 was chosen when the accounting conservatism principle was no longer a principle in the conceptual framework. As shown in Table 3 in total, 489 authors have written 205 articles with an average citation rate of 30.86 per year. The first article was published under the title conservatory accounting and managerial incentives in the journal Management Science Period 2005. Most studies were multi-authored (92.7%, n=453); Only 7.3% (n=36) were single authors. While the type of article documents is 98.1% (n = 205) and Review is 1.9% (n = 3).

Table 3. Main information

	Results	Percentage
Sources (Journals, Books, etc.)	93	
Average citations per doc	30,86	
References	9629	
Document Contents:		
- Keywords Plus (ID)	24	
- Author's Keywords (DE)	458	
Authors:		
- Authors	453	92,7%
- Authors of single-authored docs	36	7,3%
Authors Collaboration:		
- Single-authored docs	39	
- Co-Authors per Doc	2.53	
International co-authorships %	31,73	
Document Types:		
- Article	205	98,1%
- Review	3	1,9%

Source: Data is processed by Bibliometrix_R

Productivity and Impact Analyses in Scientific Resources

Furthermore, the top 10 sources with the most AC article publications in 2005-2024 are shown in Table 4. The Journal of Business Finance and Accounting has published 11 articles since 2007 while the Journal of Accounting and Economics has 6 articles with 1,717 total citations with h_index 6 and g_index 8 since 2007.

Table 4. Most Source and Local Impact

No	Source	Articles	h_index	g_index	TC	PY_start
1	Journal Of Business Finance and Accounting	11	9	11	216	2007
2	European Accounting Review	10	8	10	364	2007
3	Contemporary Accounting Research	7	7	7	579	2008
4	Journal Of Accounting Research	7	7	7	1191	2008
5	Accounting Review	8	6	8	408	2007
6	Journal Of Accounting and Economics	6	6	6	1717	2007
7	Review Of Quantitative Finance and Accounting	7	5	7	73	2016
8	Journal Of Accounting and Public Policy	6	4	6	75	2010
9	Journal Of Contemporary Accounting and Economics	5	4	5	68	2012

10	Journal Of International Accounting, Auditing and Taxation	4	4	4	77	2012

TC: Total Citation,
Source: data processed by bibliometrix_R_package

Table 5 shows the 10 authors with the highest number of citations for the period 2005-2024. The article entitled "Estimation and Empirical Properties of a Firm-Year Measure Of Accounting Conservatism" written by Khan M was cited in 695 with an average citation of 43.44 per year (TcpY). The second article written by Ahmed As, "Accounting Conservatism and Board of Director Characteristics: An Empirical Analysis" has been cited 434 with an average of 24.11 per year. 8 articles with the theme Good Corporate Governance (supervisory mechanism), and litigation risk (2 articles)

Table 5. The Most Cited Papers and Recent Published Articles

No	Author	TI	TC	TcpY
1	Khan M, 2009	"Estimation And Empirical Properties of a Firm-Year Measure of Accounting Conservatism".	695	43.44
2	Ahmed As, 2007	"Accounting Conservatism and Board of Director Characteristics: An Empirical Analysis".	434	24.11
3	Krishnan Gv, 2008	"Does The Sox Definition of An Accounting Expert Matter? The Association Between Audit Committee Directors' Accounting Expertise And Accounting Conservatism".	352	20.71
4	Lafond R, 2008	"Managerial Ownership and Accounting Conservatism"	341	20.06
5	Ahmed As, 2013	"Managerial Overconfidence and Accounting Conservatism"	326	27.17
6	Altamuro J, 2010	"How Does Internal Control Regulation Affect Financial Reporting?".	226	15.07
7	Ho Ssm, 2015	"Ceo Gender, Ethical Leadership, And Accounting Conservatism".	224	22.4
8	Nikolaev Vv, 2010	"Debt Covenants and Accounting Conservatism".	222	14.8
9	Ramalingegowda S, 2012	"Institutional Ownership and Conservatism".	212	16.31
10	Kanagaretnam K, 2014	"Influence Of National Culture on Accounting Conservatism and Risk-Taking In The Banking Industry"	192	17.45

TC: Total Citation, TcpY : Total citation Per Year,
The data is processed using Bibliometrix_R.

Mapping Conservatism Accounting Concepts

Subsequently, the procedure analyzed the Scopus database extraction using a VOS viewer to categorize concepts based on groups/clusters. Figure 3 shows various concepts displayed with cluster density, with a total link of 107, a total link strength of 215, and 5 clusters. The difference in cluster color indicates a distinction between one discussion group and another. This makes it easier for researchers to map groups of data for study and analysis. The following is an explanation of Figure 1, namely clusters/groupings based on themes related to accounting, and accounting conservatism.

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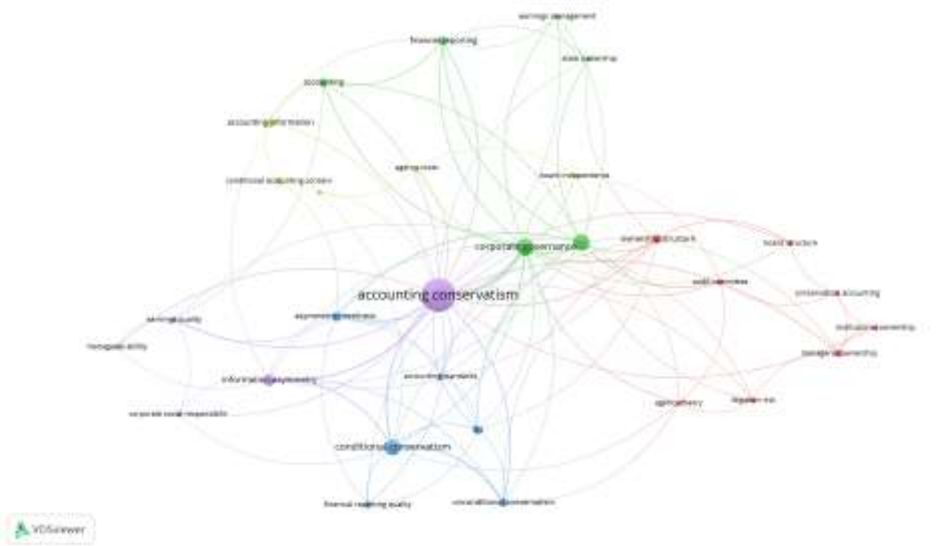

Figure 2. Clusters of discussion topics related to accounting conservatism.

In cluster 1 the keywords that appear are managerial ownership, ownership Structure and Institutional ownership, and agency theory. Agency theory is a framework for analyzing the relationship between owners and agents. Agency issues arise when an agent's interests do not always align with those of the owner, so the agent may have an incentive to act in his or her interests, which may conflict with the owner's interests. This can result in agency costs caused by information asymmetries, conflicts of interest, or moral issues. It is necessary to supervise the actions of management by emphasizing the importance of implementing accounting conservatism. Accounting literature notes that accounting conservatism can reduce accounting asymmetry, agency costs, and litigation. According to (Ahmed & Duellman, 2007b) that accounting conservatism will reduce agency costs because it will reduce information asymmetry. However, accounting conservatism can also serve as a mechanism to balance the interests of managers and shareholders and reduce the impact of information asymmetry (Cullinan et al., 2012). According to (Liu, 2019) that ownership structure is negatively related to accounting conservatism. The supervisory mechanism carried out by the owner will help managers manage company finances more carefully to encourage the implementation of accounting conservatism. A more decentralized ownership structure, in which shareholding is spread among many individuals or entities, allows for greater adoption of accounting conservatism. This is because the diverse interests of diversified shareholders tend to encourage management to use more conservative accounting practices to reduce the risk of information asymmetry between management and shareholders. Several empirical studies have been conducted to examine the relationship between ownership structures, supervisory mechanisms, and accounting conservatism. For example, a study by (Watts & Zimmerman, 1983) found that companies with more dispersed shareholdings tended to use more conservative accounting practices. Another study by (Klein & Marquardt, 2006) highlights that a more independent board of directors is associated with the adoption of greater accounting conservatism. An independent board of directors has a greater ability to monitor and evaluate accounting decisions taken by management. Therefore, the existence of an independent board of directors can provide incentives for management to use more conservative accounting practices, reducing the risk of manipulation of financial information.

The keywords that appear in cluster 2 are financial reporting, earning management, state ownership, and corporate governance. Conservatism accounting will have an impact on the quality of financial statements and profit management (Fan & Zhang, 2012). Scientific research highlights the complex relationship between financial reporting, earning management, state ownership, and corporate governance in the context of accounting conservatism. State ownership and corporate governance often act as a mechanism for the supervision of company management. State ownership tends to encourage accounting conservatism by increasing transparency and accountability in financial reporting. However, research from (Yang, 2011) and (Gaio & Pinto, 2018) found that state ownership does not affect accounting conservatism. On the other hand, good corporate governance can reduce management incentives to conduct earning management, thereby improving the quality of more conservative financial statements. However, the impact of both is not always linear and can be influenced by contextual factors, such as capital market regulation and industry characteristics. Thus, the interaction between financial reporting, earning management, state ownership, and corporate governance demonstrates the complexity of maintaining accounting conservatism and requires careful analysis from other perspectives.

In cluster 3, the keywords that appear are financial reporting, Accounting standard, International financial reporting standard, Asymmetric timeliness, and Financial reporting quality. (LaFond & Watts, 2008) have conducted a study of the relationship between accounting conservatism and the quality of financial statements. They define financial statement quality as the ability of financial statements to reflect information that is relevant, reliable, and useful to users in economic decision-making. The results showed that the adoption of the principle of accounting conservatism is positively related to the quality of financial statements. Conservative accounting practices, such as early recognition of losses rather than gains, tend to increase the relevance and reliability of the information presented in financial statements. This is because accounting conservatism helps reduce biases that may arise from estimates and assumptions, as well as reduce the risk of profit manipulation. In addition, accounting conservatism can give signals to stakeholders about the quality of company management. Companies that apply conservative accounting practices tend to be considered to have more conservative management in risk management, which can increase the trust and reliability of their financial statements. However, International Financial Reporting Standards (IFRS) do not include the principle of conservatism in the conceptual framework of financial statements. They argue that its higher verifying tendency to recognize profits rather than to admit losses leads to information bias. This bias can affect the quality of financial reporting, which includes the accuracy, reliability, and relevance of financial information. Studies such as those conducted by (Ball & Shivakumar, 2006) explore these concepts and their implications for accounting and financial reporting. The study of Ball and Shivakumar (2008) highlights the importance of time velocity asymmetry in financial reporting and its implications for the quality of financial reporting. They found that such asymmetries can influence investor decisions and cause distortions in the appraisal of company performance. In addition, the study suggests that the practice of accounting conservatism can reduce the negative impact of time-velocity asymmetry on the quality of financial reporting by providing protection against information that cannot be fully verified. Meanwhile, Basu's (1997) research highlights the role of accounting conservatism in improving the quality of financial information. He found that companies that adopt more conservative accounting practices tend to give lower estimates of profits and assets. This indicates that accounting conservatism can help reduce optimism bias in financial reporting, thereby increasing the reliability and relevance of financial information for users.

In cluster 4 the keywords that appear are accounting information, agency cost, board independence, and timely loss recognition. The keywords that emerged are accounting information, agency cost, board independence, and timely loss recognition. Accounting conservatism involves

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recognizing losses sooner, deferring profit recognition, and leading to relevant and reliable financial statement information quality. However, some argue that accounting conservatism may increase information asymmetry, hence the need for oversight mechanisms from independent commissioners. Independent commissioners act more objectively in assessing managerial performance and ensuring the accurate preparation of financial reports. The actions of independent commissioners can ultimately reduce agency problems or agency costs. Timely loss recognition can enhance financial statement information quality as profits are not overstated. However, accounting conservatism may decline when linked to investment decisions. According to Qiao et al. (2024), overconfident CEOs reduce the level of accounting conservatism or information asymmetry (Jain et al., 2020). Overconfident CEOs tend to make high-return investments when management incentives are provided to CEOs. Further analysis indicates that the relationship between excessive managerial risk incentives and accounting conservatism is clearer when companies face debt-shareholder conflicts (C. Hu & Jiang, 2019).

Cluster 5 shows that topics related to accounting conservatism are increasingly diverse, including corporate social responsibility, earning quality, information asymmetry, and managerial ability. Based on the path analysis in Figure 2, shows two paths with two topics, including (1) Corporate social responsibility (CSR), earning quality, information asymmetry, and accounting conservatism, and (2) earning quality, information asymmetry, managerial ability, and accounting conservatism. Stakeholder theory explains that companies must provide added value to all stakeholders. Disclosure of CSR accountability reports is a form of commitment to stakeholders so that the quality of profits must increase as an action to increase the company's legitimacy. Earnings quality is often associated with accounting conservatism, but previous literature shows inconsistent results regarding the relationship between CSR and accounting conservatism. The research results of Garanina & Kim (2023b), Hong (2020), and Boulhaga et al. (2023) show a negative relationship between CSR and accounting conservatism. The second path relationship (2) shows the relationship between earning quality, information asymmetry, managerial ability, and accounting conservatism. Managerial ability is a manager's characteristics related to experience, education, skills, and so on. Based on previous literature, managerial ability will increase accounting conservatism (Sari et al., 2022) (Haider et al., 2021). High managerial ability will be able to make the right decisions in recognizing losses so that it can improve the quality of financial reports.

Table 6. Relationships and Grouping of Themes in Accounting Conservatism Studies

Clusters	Concept	Item
Cluster 1	Accounting conservatism, agency theory, litigation risk, managerial ownership, structure ownership, institutional ownership, audit committee, board structure	8
Cluster 1	Accounting conservatism, financial reporting, earning management, state ownership, corporate governance	6
Cluster 3	Conditional conservatism, unconditional conservatism, accounting standard, IFRS, asymmetric timeliness, financial reporting quality	6
Cluster 4	Conditional conservatism, accounting information, agency cost, board independence, timely loss recognition	5
Cluster 5	Accounting conservatism, corporate social responsibility, earning quality, information asymmetry, managerial ability	5

Source: Data processed from VOS viewer

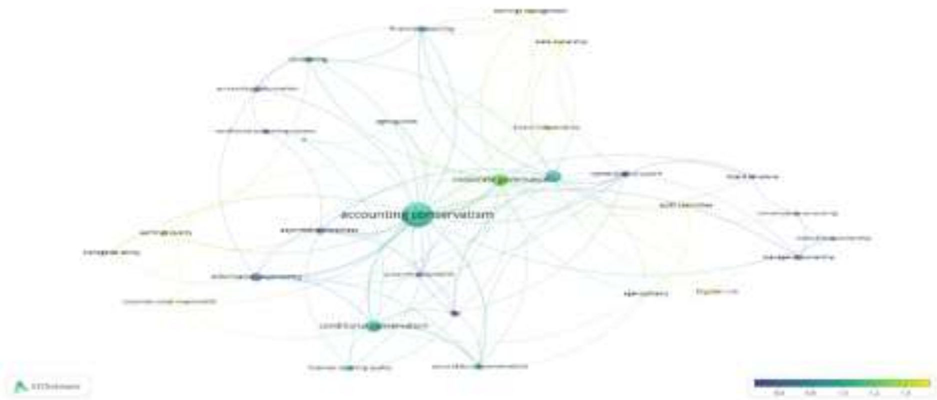
The dominant theme in the study of accounting is conservatism.

The results of the analysis using VOSviewer are presented in Figure 2 which shows several dominant themes related to accounting conservatism research. The theme grouping aims to make the research more focused so that it can present relevant conclusions and make it easier for the author to map several topics that are closely related to the topic of accounting conservatism. This is done so that the subject matter is not too general or more focused.

Figure 2 displays several dominant concepts related to the study of accounting conservatism. Judging from the series of words in Figure 2, from various previous discussions of accounting conservatism, several groups discuss dominant themes or concepts. The thickness of the color reflects how often the theme is discussed. The closeness between themes makes it easier for researchers to draw comprehensive conclusions regarding accounting conservatism. Among the dominant themes are good corporate governance and the quality of financial reporting

The dominant topic (1) is good corporate governance, namely a form of management supervision mechanism in managing a company. GCG is often proxied by supervisory structures (institutional ownership and managerial ownership). Large institutional ownership will put pressure on managers to implement accounting conservatism. (Ahmed, Billings, Morton, & Stanford, 2002). In this context, management tends to be more careful in measuring the company's profits and asset value to meet the expectations of institutional investors who have large shares in the company. This can lead to conservative practices in accounting such as slower revenue recognition or conservative asset value assessments. Thus, high centralized ownership can be an important factor in determining the accounting approach taken by company management.

The second dominant topic is the quality of financial reports. Previous literature shows that the application of accounting conservatism affects the quality of financial reports. Accounting conservatism is the recognition of losses more quickly than profits. This can increase the reliability of financial reports because assets are not presented excessively and can reduce the company's excessive risk. Although there are several dominant themes, not all of them are discussed in this research, but each theme is related to each other, this provides a reference for further research regarding accounting conservatism. Understanding the dominant concepts from previous research is important so that researchers can summarize and produce conclusions that are relevant to accounting conservatism.



Figures 3. Dominant topics in the study of accounting conservatism.

Research directions

Research on accounting conservatism has experienced significant growth, involving multiple perspectives. Nonetheless, we believe that several areas still require further exploration to improve our understanding of the complexities of accounting conservatism, particularly when it involves diverse contextual features. Our four-step methodological approach is designed to provide recommendations for future research. Our first step involves identifying the articles covered in the analysis of bibliometric citations from the last three years of 2020 - 2023. Next, we analyze the

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content of these articles to identify research trends that can guide the direction of future research. From there, we convert identified trends into concrete research questions. The final step involves verifying and excluding questions that may have already been addressed.

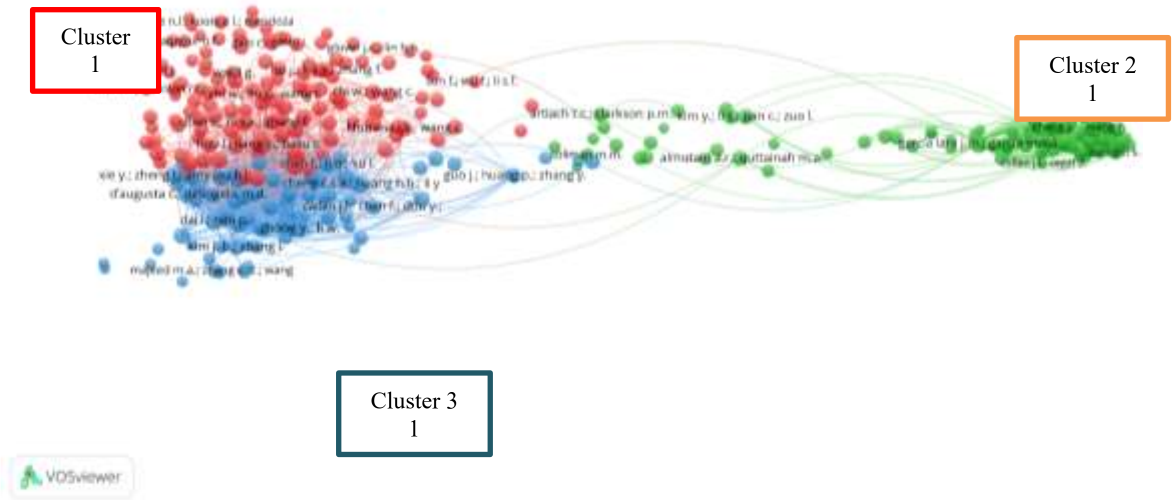

Figure 4. Cluster of topics in the upcoming accounting conservatism research

We reviewed 22 articles by analyzing the article content to determine the direction of research on the topic of accounting conservatism. The dominant research topic is good corporate governance which is proxied by ownership structure, characteristics of the board of commissioners, and board of directors. The topic of the relationship between GCG and accounting conservatism (Nguyen et al., 2020), (Alves, 2023), (Hamdan, 2020), (Hu et al., 2020), is interesting for conducting future research, namely the characteristics of managers (Hu et al., 2020) (Nguyen et al., 2020) (Hrazdil et al., 2023). Future research could test whether manager characteristics can reduce or increase the level of accounting conservatism. The characteristics of managers are interesting to study further because conservatism is also synonymous with the precautionary principle which is also inherent in a person's character apart from being an accounting principle.

Second (2) is a focus on external company factors such as economic conditions and country culture. It is interesting to examine whether external company factors will influence the application of accounting conservatism. According to Wronski & Klann (2020), a country's culture can influence the quality of accounting information, impacting the level of accounting conservatism to a greater or lesser extent (Wronski &; Klann, 2020). The application of accounting conservatism in the preparation of financial reports is important because it helps with the economic and financial analysis of companies, contributes to the accounting regulatory process, and encourages the publication of higher-quality financial reports. However, according to Pereira & Cerqueira (2023), the economic crisis factor at the beginning of the economic crisis had an impact on decreasing levels of conservatism, consistent with managers using their discretion to delay reporting bad news in the hope that economic conditions would improve. So, the study of external factors such as economics and organizational culture is interesting to research in the future.

Topic (3) tax aggressiveness, a literature review shows that there is a relationship between tax aggressiveness and accounting conservatism, such as the results of research conducted by Martinez et al. (2022) that taxable income has a relationship with accounting income in the corporate income tax system. Therefore, tax planning can influence financial information. Tax strategies aimed at avoiding tax burdens relate to conditionally conservative accounting. Therefore, the practice of conditional conservatism seems to be related to the alternative of reducing tax-deductible income (Li et al., 2023). The third topic that is interesting to research is the relationship between tax aggressiveness and accounting conservatism because not many have researched the topic of taxation, especially unconditional conservatism.

CONCLUSION

This research reveals several dominant studies related to accounting conservatism. Some of the most important aspects of conservatism accounting are as follows: (1) the relationship of the application of good corporate governance to conservatism accounting. The supervisory role carried out by the board of commissioners and shareholders on the management of the company, will reduce the opportunistic behavior of management and minimize agency costs, (2) the application of conservatism accounting that can improve the quality of financial statements because the presentation of financial statements that consider risk aspects but on the other hand will make the report biased, (3) conservatism helps companies to be transparent in the implementation of CSR so that respect the interests of all stakeholders.

This research is useful to show the development of conservatism accounting research in the future. The relationship of tax aggressiveness with accounting conservatism seems interesting for further research because acceptance of the principle of accounting conservatism by delaying the recognition of income and immediately recognizing the burden will have an impact on tax reporting and tax regulations. In addition, the relationship between cultural and economic aspects will be interesting to link to conservatism accounting because economic conditions will have an impact on the risks that must be faced by the company. Finally, the relationship of CGC with accounting conservatism, where the characteristics of managers such as managerial experience are internal factors of directors will influence in taking (risk taker). But studying also has limitations. First, the reviewed articles are only sourced from the Scopus database; Therefore, there is no comparison data. Secondly, it excludes articles published before 2005, in which accounting conservatism is still an accounting principle. Therefore, further research needs to apply a comparative analysis approach that uses the Web of Science (WoS) database as a source of highly reputable international journals and extends the period to become a source of published research**.**

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