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Research Article

On the relationship of accounting information value and stock prices: The moderation of accounting conservatism

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ABSTRACT

An information content of published financial statements has value relevance if it is able to revise investor confidence. The indication is the market reaction in the form of changes in stock prices. Many believe that recently the value relevance of accounting information has declined amid increasing conservatism practices. This research has two objectives. First, detecting the existence of value relevance of accounting information through its effect on changes in the same price. Second, examine the effect of accounting conservatism practices on value relevance. The objects of research are manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2016. The sample size is 320 observations, consisting of 80 companies each year. By using multiple regression as an analytical tool, this study finds that accounting information is proven to have value relevance to stock prices. Accounting conservatism has a different effect on each accounting information.

Keyword: Value relevance, accounting information, stock price, conservatism

INTRODUCTION

The content of accounting information is an important consideration for investors in making investment decisions, especially in the stock market. The presentation of relevant accounting information to investors and other users of financial statements can help them in making decisions (Mashayekhi et al., 2013). The publication of financial report can causes a market reaction, which inturn, can causes the investors to re-evaluate their investment strategy. Another impact of this publication is the change of stock prices (Nyabundi, 2013).

There are number of cases that show that the value relevance of the content of accounting information shared through the publication of financial statements is not fully utilized. The example is the experience of an automotive company from Berlin, namely Volkswagen (VW). Although its operating profit rose from US$ 3.3 billion in the first quarter of 2015 to US$ 3.8 billion in the first quarter of 2016, VW's share price fell 3.8% after the publication of the financial statements to € 132.80 (Kontan, 2016). Another example is PT. Gudang Garam Tbk (GGRM). In the Indonesia Stock Exchange, its share price decreased by 3.18% in mid-April 2017 even though the 2016 annual financial report published on 10 April 2017 showed an increase in net profit of 3.41%.

Earnings information is an element associated with value relevance, but its effect on changes in stock prices is inconsistent. Several previous researchers showed that earnings have value relevance to stock prices because statistically it has a positive and significant relationship to stock prices (Karunarathne & Rajapakse, 2010; Viandita et al., 2013). This finding is different from the results of research by Almilia and Sulistyowati (2007) and Sugiarti and Suyanto (2007).

In addition to earnings information, the book value of equity is also often associated with value relevance research. In fact, the book value of equity has a higher value relevance to stock prices than the value of earnings, especially when the company experiences negative earnings levels (Collins et al., 1997; Kwon, 2009). Several previous researchers have consistently shown that the book value of equity has value relevance to stock prices because it has a statistically positive and significant relationship (Adibah et al., 2009; Karunarathne & Rajapakse, 2010), but it is not in line with research (Stella, 2009; Omokhudu & Ibadin, 2015).

Value relevance research is also often associated with operating cash flow. Some researchers even consider that the operating cash flow element has more value relevance than the value of earnings (Black, 1998; Kwon, 2009). Operating cash flow has value relevance if statistically it has a positive and significant relationship to stock prices (Omokhudu & Ibadin, 2015), but it is not in line with research (Mutia, 2012). In addition to information on operating cash flows, leverage value is also often used as a material consideration for investors in making investment decisions, therefore this leverage value is said to have value relevance (Dimitrov & Jain, 2008). The leverage value proxied by the debt to equity ratio has value relevance if statistically it has a positive and significant relationship to stock prices (Pebriana, 2014), but contradicts the results of research (Devi & Badjra, 2014; Haghiri & Haghiri, 2012).

Previous research has consistently revealed that there is a decrease in the value relevance of accounting information from time to time (Lev & Zarowin, 1999; Kousenidis et al., 2009). The decline in value relevance does not only occur in certain countries, but also has an international impact (Hail, 2013). This phenomenon are also found in Indonesia. The relevance of the value of accounting information in Indonesia has also decreased from time to time (Pinasti, 2004; Widiastuti & Meiden, 2012).

Many believe that the decline in the value relevance of accounting information is caused by the increasing practice of accounting conservatism (Givoly & Hayn, 2000; Karami & Hajiazimi, 2013). However, there are a number of studies that refute the results of the research above by proving that the decline in value relevance is not related to the application of accounting conservatism principles (Balachandran & Mohanram, 2005; Kousenidis et al., 2009). Thus, there are still many differences of opinion and inconsistency of results regarding the role of accounting conservatism on the value relevance of accounting information.

The manufacturing industry sector is predicted to be the booster of national economic growth in 2018 (Luciana, 2017). The International Yearbook Industrial Statistics 2016 also noted that currently Indonesia has won the 9th position of the largest manufacturing industrial country in the world (Julianto, 2017). Furthermore, the selection of manufacturing companies as research objects is due to the fact that according to the facts described, cases involving manufacturing companies are more or more dominant than other companies.

There are two interesting questions in this study. First, whether accounting information in the form of profit, book value of equity, leverage, and operating cash flow has value relevance for stock prices. Second, how does the application of accounting conservatism affect the value relevance of accounting information. This study aims to find answers to these two questions.

LITERATURE REVIEW

Clean Surplus Theory

Scott (2015:219) shows that the market value of the company is generally reflected in the fundamental variables contained in the income statement and balance sheet. In terms of clean surplus, the term net of capital contribution is known, the value of which is the difference between changes in the value of assets/liabilities. This change is reflected in the value of net income minus the value of dividends which are directly related to changes in the value of retained earnings in equity (balance sheet). A clean surplus relationship indicates that changes in the value of assets/liabilities (net income) have an indirect relationship to changes in retained earnings in equity (balance sheet) because they come from the income statement (Ohlson, 1995).

An information is said to be relevant if it can be used by investors in predicting the market value of the company. The market value of the company can be understood as a combination of the book value of equity which reflects the current market value with the company's expected aggregate profit in the future. The value is calculated based on the present value of future accumulated net income (Ohlson, 1995). Thus, the book value of equity and profit are basic variables that have an indirect effect on determining firm value.

Signaling Theory

Signaling theory is a theory that explains how a company should give signals to users of financial statements (Mashayekhi et al., 2013). Signaling theory indicates that the market will react to information that is seen as giving a good signal (good news) and a bad signal (bad news). An accounting information content is said to have value relevance if the information is able to give a good signal to investors to revise their beliefs, which is then reflected through an increase in stock prices.

Agency Theory

Agency theory is based on an agreement relationship between two parties where one party (the agent) agrees to act for the other party (the principal). This relationship works well when the agent is able to make decisions that are in accordance with the wishes of the principal and will not work well when there are differences in interests (Gitman & Zutter, 2015: 21). An accounting information is said to have positive and significant value relevance in increasing the value of the company, if the information submitted by the manager acting as an agent is in line with the goals expected by the shareholders acting as principals which can further reduce conflicts of interest and agency costs.

Efficient Market Theory

An efficient market is characterized by how quickly the market reacts when new information is published (Scott, 2015: 156). So the semi-strong form of efficient market is a form of efficient market that is directly related to value relevance research, because all information in financial statements, especially accounting information, must be publicly available information. Felix & Rebecca (2015) added that a market is said to be efficient if the market value is able to reflect investors' beliefs and estimates.

Value Relevance

Value relevance means the ability to explain (explanatory power) of accounting information in relation to firm value. An accounting information is said to be relevant if the information is able to create a difference in decision making (Kieso et al., 2014:46). The valuation model commonly used is the price model and the return model. This study uses a price model because the relationship between financial statement indicators and returns shows the risk side for the company and does not show abnormal returns for the company (Sugiarti & Suyanto, 2007). Value relevance is determined by testing the statistical relationship between accounting information and stock prices, if the statistical relationship is significant positive then the information is said to be relevant (Barth et al., 2001; Mashayekhi et al., 2013).

If accounting information is useful and used by investors as the basis for making decisions, then the investor's reaction will be reflected in changes in volume or stock prices (Scott, 2015: 154).

Profit

Suwardjono (2014: 490) explains that the accounting profit announced through the financial statements is a signal from a collection of information available to the capital market. Earnings per share is an indicator to measure the level of management efficiency, because it contains information that is useful for predicting dividends and stock prices in the future. (Schroeder et al., 2014:203). So that earnings are said to have value relevance in a positive and significant association with stock prices (Nyabundi, 2013; Omokhudu & Ibadin, 2015).

Book Value of Equity

The book value of equity is seen as a proxy that the company will be able to survive and generate positive profits expected from its normal operating results in the future and also as a proxy for the value of rejection, especially when the company is experiencing losses (Collins et al., 1999). Thus, the book value of equity as accounting information is an element forming the value of the company which is reflected in the market price of the company's shares. So the book value of equity is said to have value relevance to stock prices in a positive and significant association (Hail, 2013; Lam et al., 2013).

Leverage

The value of leverage reflects the survival of the company, namely the company's ability to remain a going concern (Schroeder et al., 2014: 256). Leverage proxied by DER describes the ability of own capital to meet obligations and anticipate debt. A high DER value tends to make managers in companies choose accounting methods that can increase current profits compared to future earnings, which in turn increases stock prices. So that DER is said to have value relevance to stock prices in a positive and significant association (Pebriana, 2014).

Operating Cash Flow

The information contained in the cash flow statement, especially operating cash flows contains accrual values, so that it is a good predictor in predicting future cash flows (Watts & Zimmerman, 1986: 69). The higher cash flow from operating activities indicates the company is able to operate profitably and reduce uncertainty in terms of dividend payments (Zakic et al., 2012). So that operating cash flow has a value relevance of share prices in a positive and significant association (Hail, 2013; Omokhudu & Ibadin, 2015).

Accounting Conservatism

Conservatism is a precautionary principle in financial reporting, which requires a higher level of verification when recognizing profits than when recognizing losses (Watts, 2003). Until now, there are still a number of debates about the usefulness of implementing conservative accounting practices. Those who support this practice state that this practice is believed to be beneficial because it can reduce the behavior of managers who are opportunistic (Watts, 2003), besides that this practice is beneficial from the agency side because it can reduce the occurrence of agency conflicts or lawsuits (Mayangsari, 2004), so it can reduce agency costs. Meanwhile, those who oppose this practice think that conservatism is the cause of the declining value relevance of accounting information

(Karami & Hajiazimi, 2013) and tends to cause the quality of reported earnings to be low (Penman & Zhang, 2002).

Companies that practice conservatism tend to have a tendency to delay revenue recognition until there is evidence and it is said to have occurred, but recognize expenses as soon as possible. As a result, the earnings information presented is said to contain a downward bias because of the asymmetric recognition of revenues and expenses. Profit information that is biased downwards will then be responded negatively by investors, this can be seen in investors who do not revise their beliefs and is shown by the declining demand for shares which leads to a decline in stock prices. So that conservatism weakens the relevance of the value of earnings to stock prices (Darsono, 2012). In addition, companies that apply conservative principles tend to report earnings at negative levels. Companies that have a negative profit value tend to be unable to carry out their operating activities smoothly, including paying off their obligations in terms of dividend distribution, due to the unavailability of sufficient cash flow. This can reduce investor confidence which in turn makes the company's market value, namely the stock price, decrease.

Profit reporting that is biased and negative is unable to predict future income, as a result, investors switch to the role of book value of equity as a proxy for rejecting value. When companies anticipate reporting profits that occur by tending to report negative earnings, investors will turn to the ability to book value of equity, this is in accordance with findings (Darsono, 2012) which have proven that conservatism strengthens the relevance of equity book value to stock prices. The same thing is experienced by companies with high levels of leverage which tend to be more supervised and apply the precautionary principle (Lo, in Dewi & Suryanawa, 2014). This high level of supervision is expected to reduce conflicts that generally occur and can increase the reliability of the quality of financial statement information in making investment decisions, which in turn has an impact on firm value. So the practice of conservatism tends to strengthen the relevance of leverage value to stock prices. We now arrive to the following formulation hypothesis:

H1: Accounting information (earnings, book value, leverage, and operating cash flow) has value relevance to stock prices

H2: Accounting conservatism weakens the value relevance of accounting information (earnings, operating cash flow) to stock prices

H3: Accounting conservatism strengthens the value relevance of accounting information (book value of equity, leverage) to stock prices

RESEARCH METHODS

Research Object

The research objects used in this study are companies that are included in the manufacturing industry that have gone public and published annual financial reports in the 2013-2016 period which are listed on the Indonesia Stock Exchange (IDX) and viewed from the Indonesia Capital Market Directory (ICMD), www. idx.co.id, and www.sahamok.com.

Measurements

Stock price

The dependent variable in this study is the closing price on the publication date of the financial statements (Darsono, 2012; Yendrawati & Pratiwi, 2014).

Profit

The earnings variable as measured by earnings per share (earnings per share) is calculated by dividing the profits available to ordinary shareholders by the number of ordinary shares outstanding (Gitman & Zutter, 2015:87; Schroeder et al., 2014).

$$EPS = \frac{\text{Earnings available for common stockholders}}{\text{Number of shares of common stocks outstanding}}$$

Book Value of Equity

Book value of equity as measured by book value per share shows the value of net assets (net assets) owned by shareholders for each share. This net asset value shows the total equity owned by shareholders (Kieso et al., 2011:245).

$$\text{BVPS} = \frac{\text{Total Stockholder's Equity}}{\text{Number of shares of common stocks outstanding}}$$

Leverage

The leverage variable is measured using the debt to equity ratio which shows the comparison of total debt, including long-term debt with total owner's equity (Devi & Badjra, 2014).

$$\text{DER} = \frac{\text{Total debt}}{\text{Total Stockholder's Equity}}$$

Operating Cash Flow

Operating cash flow per share shows the relationship between cash generated from operating activities and the number of ordinary shares outstanding (Karunarathne & Rajapakse, 2010)

$$\text{OCFS} = \frac{\text{Net Cash Flows from Operating Activities}}{\text{Number of shares of common stock outstanding}}$$

Accounting Conservatism

Conservatism in this study is proxied by accrual measures such as in the research of Pratanda & Kusmuriyanto (2014) which was adapted from the research of Givoly & Hayn (2002). If Cit<0, means conservative, while Cit>0 means non-conservative.

$$Cit = NIit - CFit \ldots (1)$$

Information:

Cit = level of conservatism
NIit = net income before extraordinary items plus depreciation and amortization
CFit = cash flow from operational activities

Sampling Procedure

The sampling technique used in this research is non-probabilistic sampling, namely the purposive sampling method of judgment sampling type, in which the sample presented by the object of research is determined based on certain criteria, including:

1. The company was always listed on the Indonesia Stock Exchange in the period 2013-2016 and did not experience delisting during the study period.
2. Complete financial report data for the period 2013-2016 is available.
3. Companies must have financial statements ending on December 31 (accounting period is the calendar year). This is intended to avoid bias due to differences in financial reporting periods and to improve comparability.
4. The company presents financial statements in Rupiah.
5. The company did not conduct an Initial Public Offering (IPO) during the research period.
6. The company did not experience any special events during the research period such as stock splits, mergers and acquisitions, and shifts to sectors other than the manufacturing industry.

Data Analysis Techniques

Fixed Effect Test: Least Square Dummy Variable Approach

This test is needed to test the similarity of the slope coefficient or the point of intersection, this is done to ensure whether data pooling (combining cross section and time series data) can be carried out. In order to be pooled, the regression equations for each year must be identical or called coincident regression. To test it, the researcher used a dummy variable technique with a value of "1" for each year. For example, in this study using 4 years of data from 2013-2016, so that dummy 1 is in 2013, dummy 2 is 2014 and dummy 3 is 2015 with the following specification:

DT1: dummy variable (1 = year 2013, 0 = other than 2013)
DT2: dummy variable (1 = year 2014, 0 = other than 2014)

DT3 : dummy variable (1 = year 2015, 0 = other than 2015)

Multiple Regression Analysis

Multiple regression analysis was performed with the help of SPSS 20.0. The following is the price regression model used in this study:

Model I:

$$CP_{i,t} = \beta_0 + \beta_1 EPS_{i,t} + \beta_2 BVPS_{i,t} + \beta_3 DER_{i,t} + \beta_4 OCFS_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots (2)$$

Model II:

$$CP_{i,t} = \gamma_0 + \gamma_1 EPS_{i,t} + \gamma_2 BVPS_{i,t} + \gamma_3 DER_{i,t} + \gamma_4 OCFS_{i,t} + \gamma_5 C_{i,t}.EPS_{i,t}$$
$$+ \gamma_6 C_{i,t}.BVPS_{i,t} + \gamma_7 C_{i,t}.DER_{i,t} + \gamma_8 C_{i,t}.OCFS_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots (3)$$

Information:

$CP_{i,t}$: Closing Price of company i in period t
$EPS_{i,t}$: Earnings per share of company i in period t
$BVPS_{i,t}$: Book value of equity per share of company i at the end of year t
$DER_{i,t}$: debt to equity ratio of company i in period t
$OCFS_{i,t}$: operating cash flow per share of company i in period t
$C_{i,t}$: index of conservatism (Accrual)
0: constant Model 1
0: Model 2 constant
1-4: coefficient of independent variable Model 1
1-8: coefficient of independent variable Model 2
i,t: error term

RESULTS

Fixed Effect Test: Least Square Dummy Variable Approach

As can be seen in 2, data pooling in the 2013-2016 period for the regression model consist of two group, fisrt without moderation and the second is with accounting conservatism moderation. This is indicated by the value of all dummy variables having a significance value above 0.05, which means that there are similarities in the slope coefficient and the intersection point in the regression.

Classical Assumption Test

Based on the results of the classical assumption test in Appendix 2, the results of the normality test using the One-Sample Kolmogorov-Smirnov test on the dependent variable without transformation show the asymp value. Sig.(2-tailed) 0.000 below 0.05, this indicates the residual value is not normally distributed. The next researcher performs a transformation in the form of a natural logarithm on the dependent variable so that the data is normally distributed. The results of the normality test without or with moderation after being transformed show the asymp value. Sig.(2-tailed) 0.436 and 0.484, greater than 0.05. Then the residual data is normally distributed. The multicollinearity test for the unmoderated regression model showed TOL≥0.1 and VIF<10 values. Meanwhile, the moderated regression model shows TOL<0.1 and VIF>10 values for Cit_EPS and Cit_BVPS. However, according to (Disatnik & Sivan, 2016) multicollinearity is only a matter of measuring intervals, so it does not affect the validity of the results and still deserves to be interpreted.

Heteroscedasticity testing of the regression model with and without moderation was carried out with the Park test. The result shows the significance value of all independent variables was above 0.05, so there was no heteroscedasticity in both models. The autocorrelation test for the unmoderated regression model was conducted using the Durbin-Watson test. The DW value of 2.001 is in the range of du<d<4-du so that there was no autocorrelation.

The autocorrelation test for the moderated regression model was carried out with a run-test test with a probability value of 0.057 that exceeds the 5% confidence level. Therefore, we can conclude that there was no autocorrelation in the two models.

Test (F Test)

The F test results on all tested regression models, both regression models with and without accounting conservatism, obtained a significance level of 0.000 as shown in Appendix 2. This value is below the confidence level used, which is 0.05 and the two models are good fit

T-test

The t-test for the model with no moderation show that the variables of earnings per share (EPS), book value of equity per share (BVPS), debt value divided by total equity (DER), and operating cash flow value per number of shares outstanding (OCFS) are confirmed to have value relevance. Their coefficients are positive and a significance at $\alpha=0.05$.

For the moderating model, the significant moderation of accounting conservatism (M) is only for confirmed on the relationship of value relevance of operating cash-flow (X) and stock price (Y), in which M weakening the relationship of X and Y as specified in hypothesis 2.

Discussion

The Relevance of the Value of Accounting Information to Stock Prices

Based on the results of the t significance test, the variables of earnings per share (EPS), book value of equity per share (BVPS), debt to equity ratio (DER), and operating cash flow per share (OCFS) are proven to still have value relevance to stock prices in Indonesia. positive and significant influence. The value of earnings per share is an indicator that is often used to measure the level of management efficiency, because it contains information that is useful for predicting future stock prices.

Table 1

Results Summary

Category	Criteria	Result						Decision	
		NONCONS			CONS				
Normality test	Sig. > 0,05	0,436			0,484			Normal distribution	
Autocorrelation test								No autocorrelation	
DW	dU<d<4-dU	2,001			-				
Run test	Sig. > 0,05	-			0,057				
Multicollinearity test	TOL ≥ 0,1 VIF < 10	VAR	TOL	VIF	VAR	TOL	VIF	NONCONS	
		EPS	0,162	6,157	EPS	0,105	9,534	No multicollinearity	
		BVPS	0,166	6,042	BVPS	0,157	6,368		
		DER	0,962	1,040	DER	0,896	1,116		
		OCFS	0,557	1,797	OCFS	0,255	3,924	CONS	
					CEPS	0,005	220,9	No multicollinearity	
					CBVPS	0,004	234,0		
					CDER	0,394	2,541		
					COCFS	0,322	3,109		
Heteroscedasticity test	Sig. > 0,05	VAR	Sig.		VAR	Sig.		Homoscedasticity	
			0,613		EPS				
		EPS	0,822		BVPS	0,463			
		BVPS				0,221			
		DER				0,349			
		OCFS				0,839			
			0,731		DER				
			0,127		OCFS				
					CEPS	0,838			
					CBVPS	0,900			
					CDER	0,900			
					COCFS	0,883			
Determination Coeffcient	$0<Adj.R^2<1$	0,459			0,512				
F test	Sig. < 0,05	0,000						Model fit	
T test	Sig. < 0,05	VAR	Sig.	+/-	VAR	Sig.	+/-	N	C
		EPS	0,021	+	EPS	0,000	+	Reject H0	Reject H0
		BVPS	0,000	+	BVPS	0,000	+	Reject H0	Reject H0
		DER	0,035	+	DER	0,089	+	Reject H0	Don't reject H0
		OCFS	0,012	+	OCFS	0,463	-	Reject H0	Don't reject H0
					CEPS	0,296	-		Don't reject H0
					CBVPS	0,469	+		Don't reject H0
					CDER	0,365	+		Don't reject H0
					COCFS	0,021	-		Reject H0

This study result can also be viewed as a reflection of the net of capital contribution, which provides useful information in increasing the company's equity value. So that, if the actual profit exceeds the previously expected profit, then this will be considered as good news so that this will encourage investors to revise their beliefs through the action of buying shares in companies that announce high earnings per share values, which in turn will lead to an increase. The number of requests for shares and encourage an increase in closing stock prices as Nyabundi (2013) and Omokhudu and Ibadin (2015) also found.

The book value of equity together with the present value of expected future income is a component of the company's market value (Ohlson, 1995). The book value of equity is seen as important for investors because of its role as a proxy that describes expected future normal earnings, and is also seen as important, especially when the company is experiencing a loss or crisis, because of its role as a rejection value (Collins et al., 1999). . Thus, if a company has a good book value of equity, it can increase investor confidence to invest, which in turn can increase the demand for shares and lead to an increase in share prices. The results of this study are in line with research (Hail, 2013; Lam et al., 2013).

The leverage value proxied by the debt to equity ratio is a ratio that describes the ability of own capital to anticipate all debts, including current and non-current debt. In a contract or debt agreement, managers as internal parties of the company tend to have better information about the future prospects of a project than investors as external parties. If the manager can realize good performance on the projects being managed, this will further increase the credibility of the manager as well as the actions of investors to revise their beliefs through buying or holding shares, which has an impact on increasing share prices. These results are in line with research (Pebriana, 2014).

Operating cash flow information is a reflection of the company's ability to carry out its operating activities, repay loans, and the crucial issue is the company's ability to pay dividends. According to agency cost theory, the purpose of companies committing to paying dividends is to convince shareholders that managers will not waste their money. With this guarantee, it is hoped that investors will be able to revise investors' assessments to dare to value the company's stock price higher (Gitman & Zutter, 2015:574). So that the higher the operating cash flow announced will give a good signal in the eyes of investors which has an impact on the increase in stock prices. These results are in line with research (Hail, 2013; Omokhudu & Ibadin, 2015).

The Effect of Conservatism Moderation on the Value Relevance of Accounting Information to Stock Prices

Based on the results of the t significance test in the moderated regression model, conservatism was only proven to weaken the relevance of operating cash flow values, but was not proven to be able to moderate other variables such as earnings per share (Cit_EPS), book value per share (Cit_BVPS), and debt to equity ratio (Cit_BVPS). Cit_DER) in a statistically significant effect. The results of this study are not in line with (Darsono, 2012) that confirmed that conservatism weaken the relevance of earnings value and strengthen the relevance of book value significantly.

The negative moderation of conservatism occurs due to its decrease after the adoption of IFRS (Andre & Filip, 2012). At the time the research is conducted, the IFRS has been fully adopted, starting from January 1, 2012 (Juanda, 2012). The IFRS is able to reduce/eliminate the problem of measurement asymmetry between income and costs. Since that time, according to the manager (agent) the application of accounting conservatism practices is considered irrelevant reducing conflicts/demands.

This study found that, from the 320 observed company, there are only 123 companies found to have practiced accounting conservatism. This result shows that the practice of conservatism is not applied excessively. This argument is in line with (Kousenidis et al., 2009) who found that if the company applies conservatism within limits that are not excessive (moderate), then the information presented still has value relevance to investor decisions. In other words it can still be taken into consideration.

The negative effect moderation of conservatism on the relationship of value relevance of operating cash flow and stock prices may be caused by a investors' tendency to use the principle of historical cost as indicated by information asymmetry of income and costs. Information on past cash flows is an important consideration for investors because it can reflect the philosophy or attitude related to the company's track record with respect to dividend payments, investment and reinvestment of available cash, as well as the company's ability to obtain additional funding (Hendriksen & Breda, 2003). 1992:277). Consequently, the cash flow information taken from historical costs is considered more reliable (Hendriksen & Breda, 1992:511), which is in accordance with the principle of conservatism which emphasizes reliability (Juanda, 2012).

A company that uses the historical cost measurement principle is a conservative company. Companies that apply conservative principles basically tend to limit the disclosure of relevant information (Hendriksen & Breda, 1992:149), in this case, operating cash flow information. This is in line with the findings of Karami & Hajiazimi (2013) which revealed that conservatism is a procedure that reduces the level of information disclosure, causing a decrease in the value relevance of accounting variables.

CONCLUSIONS AND RECOMMENDATIONS

The accounting information (earnings, book value of equity, leverage, and operating cash flow) have value relevance on stock pricesThe practice of conservatism weaken the relevance of the value of operating cash flows to stock prices.

The authors propose several suggestions for the next research:

1. Further research can use other independent variables such as intangible assets, R&D, dividends, and other variables that have value relevance as well.
2. Further research can include three types of cash flows, namely operating cash flows, investment cash flows, and funding cash flows to obtain more detailed results.
3. Further research can compare the differences in the value relevance of accounting information before and after IFRS convergence.
4. Further research can conduct value relevance testing based on the company's life cycle which consists of 4 stages, namely start up, growth, mature, and decline.
5. Further research can use new moderating variables such as Investment Opportunity Set, Restatement, Earning Management, financial ratios, and other moderating variables so as to find different and more detailed results.

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