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EFFECTS OF CONSERVATION ACCOUNTING AND TAX RISK ON FIRM VALUE: AGENCY COSTS AS A MODERATING FACTOR

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ABSTRACT

Purpose: *Finding out how tax risk, financial conservatism, and agency costs impact firm value is the objective of this research.*

Methodology/approach: *To select 45 companies according to the criteria, we utilized the population of all businesses that are members of the Food and Staples, Beverage Retail Sub Sector. As part of the quantitative investigation, data analyzed using Partial Least Squares method.*

Findings: *The results of the study show that tax risk and accounting conservatism both have a partial effect on company value, but agency costs have no effect on firm value, agency costs do not fully strengthen the relationship between tax risk and accounting conservatism on firm value, agency costs in research this gives rise to the influence of tax risk on firm value, but can also strengthen accounting conservatism on firm value.*

Practical implications: *Previous research findings reveal that these elements have very little or no impact on business value; However, the findings of this research have become a strong controversy so that they can become a reference for external and internal companies in decision making.*

Originality/value: *This novelty is agency costs as a moderator which can strengthen or weaken factors that influence firm value.*

KEYWORDS: *Agency Costs; Accounting Conservatism; Firm Value; Tax Risk.*

ABSTRAK

Tujuan penelitian: Mencari tahu bagaimana risiko pajak, konservatisme keuangan, dan biaya agensi berdampak pada nilai perusahaan adalah tujuan dari penelitian ini.

Metode/pendekatan: Untuk memilih 45 perusahaan sesuai kriteria, kami memanfaatkan populasi seluruh bisnis yang tergabung dalam Sub Sektor Ritel Makanan dan Bahan Pokok, Minuman. Sebagai bagian dari penyelidikan kuantitatif, analisis jalur dilakukan.

Hasil: Hasil penelitian menunjukkan bahwa risiko pajak dan konservatisme akuntansi sama-sama berpengaruh secara parsial terhadap nilai perusahaan, namun biaya keagenan tidak berpengaruh terhadap nilai perusahaan, biaya keagenan tidak sepenuhnya memperkuat hubungan antara risiko pajak dan konservatisme akuntansi terhadap nilai perusahaan, biaya keagenan dalam penelitian ini melemahkan pengaruh risiko pajak terhadap nilai perusahaan, namun juga dapat memperkuat konservatisme akuntansi terhadap nilai perusahaan.

Implikasi praktik: Temuan penelitian sebelumnya mengungkapkan bahwa elemen-elemen ini mempunyai dampak yang sangat kecil atau tidak sama sekali terhadap nilai bisnis; Namun, temuan penelitian ini telah menjadi kontroversi yang kuat sehingga dapat menjadi acuan eksternal maupun internal perusahaan dalam pengambilan keputusan.

Orisinalitas/kebaharuan: Kebaharuan ini ialah agency cost sebagai pemoderasi yang dapat memperkuat atau memperlemah faktor-faktor yang mempengaruhi nilai perusahaan.

KATA KUNCI: Biaya Agensi; Konservatisme Akuntansi; Nilai Perusahaan; Risiko Pajak.

INTRODUCTION

Companies today must keep up with the rapid pace of development of information technology in order to survive and prosper, so that competition continues to increase. Along with following trends, organizations must master financial and non-financial variables that can increase their value over time (Wardani & Susilowati, 2020). Businesses aim to maximize market capitalization for shareholders. According to (Fama, E. F. & French, 1995), a company's share price reflects its investment, financing and asset management decisions. The share price of a company is usually used by investors to evaluate it. Economic conditions outside the company can influence share prices. There is no way to separate enterprise risk from the pursuit of value. (Drake et al., 2019) defines risk as a bad event or the chance of a different outcome than expected. Risk is naturally related to nonconformity because risk arises as a reaction to future uncertainty. (Hutchens, M. & Rego, 2015) calls the uncertainty of a company's net cash flow "corporate risk". (Hutchens, M. & Rego, 2015) and (Badertscher et al., 2013) suggests management decision-making incorporates business risks. Because risk may hinder a company's ability to maximise profit and sustain operations, (Assidi et al., 2016) analysis corroborates our findings since it, too, use ETR volatility to evaluate French firms' exposure to tax risk.

The Indonesian economy relies heavily on the industrial sector. The manufacturing industry sector delivers a considerable investment boost in addition to annual growth (kemenperin.go.id). Government officials have reaffirmed their dedication to the industrial sector in the midst of the current Covid-19 outbreak. This sector, which has been a cornerstone of the Indonesian economy for decades, is expected to grow at a quicker rate than most others (Timotius, 2020) Republika.go.id). The manufacturing sector's robust performance also makes it the economy's primary source of tax income. The production of non-commercial consumer products has decreased during the pandemic, but it still contributes to Indonesia's tax income (Reily, 2017); national.kontan.co.id). Even if you're a believer in Indonesia's tax performance, that doesn't guarantee tax collections are at their highest possible level; corporations nonetheless engage in tax evasion methods (Carolina et al., 2021). However, there has been little work done to establish a correlation between tax risk and the worth of a firm. Identifying whether tax risk is a systematic risk, an idiosyncratic risk, or a combination of both is challenging (Drake et al., 2019).

In the perspective of agency theory (Arfiansyah, 2021), measuring company risk strengthens the importance of understanding the dynamics of the relationship between owners (principals) and managers (agents) in managing tax risk. Conflicts of interest between principals and agents can cause agency burden, where managers tend to take actions in their own personal interests (Anam et al., 2023). Managers may tend to choose risky tax strategies to maximize personal profits or to achieve performance targets that may affect their incentives and bonuses (Drake et al., 2019). On the other hand, owners may prefer stability and predictability in tax management risks to minimize the impact and maximize company value in the long term.

A conservative approach in measuring profits and assets is considered an important agent control mechanism (Octaviani & Suhartono, 2021). By implementing conservatism, financial reports tend to reflect a more careful picture of the company's performance and financial position. This can help mitigate the behavior of agents who tend to seek to maximize profits or report assets that are too high, especially in situations where precise information is difficult for principals to perform (Ismanto & Zulfiara, 2020). By adopting a conservative approach, principals can limit the potential for excess optimism and ensure that financial statements provide a more reliable and conservative picture of the company's performance and financial position. This can help create incentives that are more aligned between principals and agents in achieving company goals so that they can influence company value (Anam et al., 2023).

In the context of corporate governance, agency costs relate to costs arising from inherent conflicts of interest between shareholders and company management. Based on the findings of (Kusuma, I. G. A. M. & Sudiartha, 2020), his research shows that there is a significant simultaneous influence between tax risk, accounting conservatism, and agency costs on company valuation. However, it can change based on these dynamic conditions. The negative impact of tax risk on firm value is juxtaposed with the good impact of accounting conservatism on firm value. Tax risks have the potential to create ambiguity for companies and reduce investor assurance, but accounting conservatism has the capacity to provide clarity for investors and increase confidence in an organization's financial statements.

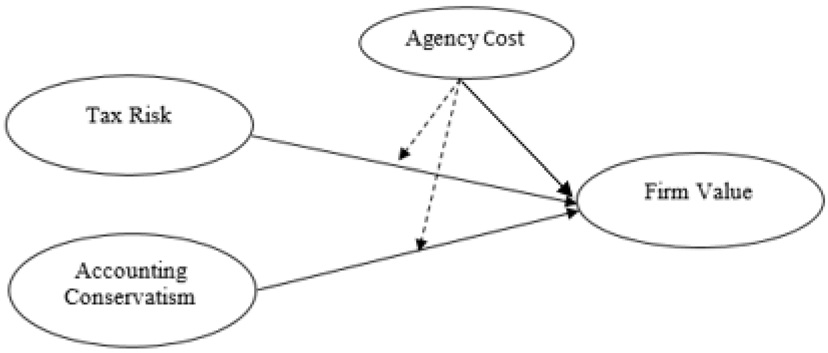

Figure 1. Conceptual Framework

Research (Carolina et al., 2021) states that tax avoidance will lead to increased tax risks resulting in the uncertainty that companies will face in the future, which shows that financial information is not transparent for investors and this can reduce firm value. The same results were also obtained by (Nesbitt et al., 2016) who conducted research on how the market reacted to tax risks in Luxembourg. Research (Ismanto & Zulfiara, 2020; Octaviani & Suhartono, 2021) shows that accounting conservatism has a positive and significant effect on firm value. Meanwhile, research (Basuki, 2017) shows that accounting conservatism has a negative and significant effect on firm value. The results of other research conducted by (Jusny, 2014) stated that accounting conservatism does not have a significant effect on firm value. (Adityamurti & Imam, 2017) found that agency costs had a positive effect on firm value, on the other hand (Wellalage & Locke, 2013) found that agency costs had a negative effect on firm value. There are inconsistencies in research results related to the influence of potential tax risks and conservative accounting practices on firm value by paying attention to the moderating role of agency costs. Researchers are interested in studying it more deeply.

Based on the explanation above, we can outline the following conceptual framework.

(Neuman et al., 2013) suggest that tax risk includes all actions that have the potential to change tax expenditures from previously projected levels. This is closely related to company liquidity. The gap in perspectives between taxpayers and tax authorities regarding ambiguous tax issues is a significant contributor to potential future uncertainty, as highlighted in previous research (Dyreng et al., 2018); (Guenther et al., 2017)). If a company chooses to claim all available deductions, it may face increased tax liabilities due to the possibility that some of the deductions may not be considered allowable by tax authorities. (Wardhana et al., 2022) A company's increasing involvement in tax avoidance methods is directly linked to increased volatility in its upcoming tax payments , which has potentially adverse consequences for its cash flows. Because of the inherent uncertainty, it makes sense that a company is more susceptible to bankruptcy. According to (Dyreng et al., 2018), the use of aggressive tax avoidance strategies can result in large tax uncertainty over a long period of time. The decision to exploit legal gaps is subjective and depends on an individual's point of view. It is possible that there will be an increase in tax obligations in the future due to this situation. Lack of transparency in financial information for investors has the potential to reduce firm value (Desai & Dharmapala, 2007)(Desai & Dharmapala, 2006) due to uncertainty that may arise in the company's operations in the future. The potential increase in risk for companies is estimated to be caused by tax uncertainty and lack of corporate transparency. However, so far only a few studies have been conducted that show a definite relationship between tax risk and firm value. Because it is difficult to distinguish whether tax risk is caused by systematic factors, specific factors, or a combination of both (Drake et al., 2019), tax planning often relies on cautious assumptions. (Drake et al., 2019) found that investors tend to reduce the value of a business when they perceive increased tax risks associated with the organization. (Carolina et al., 2021) found that tax avoidance increases tax risk, creates uncertainty for companies, hides financial information from investors, and reduces firm value. (Nesbitt et al., 2016) observe a similar Luxembourg market reaction to tax issues. Nesbitt et al. examines the market response to the company name and taxation process of the Tax Leakage case study. After the Tax Leak, investors understood the company's risk was lower than expected, so the market reacted positively. (Arfiansyah, 2021) investigation found the opposite. This shows that shareholders see tax avoidance by management as beneficial for shareholders. However, tax risk has no effect on firm value . This then gives rise to the following research hypothesis:

H$_1$: It is suspected that there is an influence between tax risk and firm value

The concept of "accounting conservatism" was first introduced by Bliss in the study of (Jusny, 2014), where Bliss is considered a pioneer who first articulated this idea in 1924. Bliss (year) argued that accounting conservatism requires anticipating all prospective losses while refraining from does not anticipate uncertain profits. In 2020, (Octaviani & Suhartono, 2021). propose that the concept of prudence, along with associated conservatism, has the potential to reduce conflict between shareholders and management by deterring managers from participating in self-interested, opportunistic actions. Accounting conservatism is a practice that prioritizes providing stricter verification of good news than bad news, with the aim of providing benefits to investors and other consumers of financial reports (Basu, 1997). It is usually advisable for management to send an encouraging message to shareholders by demonstrating adherence to conservative accounting methods, as seen in the company's financial statements. The valuation of a company's shares in the capital market is experiencing an increasing trend due to positive signals sent to investors. The impact of accounting conservatism on firm value has been demonstrated by empirical investigations conducted by (Octaviani & Suhartono, 2021) and (Ismanto & Zulfiara, 2020). This research has revealed an important and beneficial relationship between accounting conservatism and business value. Accounting conservatism is known to contribute to the production of financial reports of superior quality, because such reports are less susceptible to overstatement. Consequently, this practice tends to increase the value of the company in the eyes of investors, giving rise to a more positive perception. In his tests before 2014, Jusny found that financial conservatism had no effect on the value of a company. Based on the above observations, we put forward the following hypothesis for this study:

H$_2$: It is suspected that there is an influence between accounting conservatism and firm value

Agency costs, in 2014 according to Djumahir in (Carolina et al., 2021), ensure that managers prioritize the interests of shareholders. Conflicts between executives and shareholders are detrimental to company profits. Incentives encourage managers to reinvest free cash flow in profitable projects. On the other hand, investors want surplus capital to be reallocated to provide financial benefits (Wardani & Susilowati, 2020). High agency costs reduce firm value. Managers evaluate shareholder investments, so that when they pursue internal and external governance, they may gain incentives in their own interests at the expense of shareholders(Anam et al., 2023). Firm value decreases when agency costs increase. (Adityamurti & Imam, 2017) conclude that agency fees increase business value, in contrast to (Wellalage & Locke, 2013). So, our research hypothesis is:

H3: It is suspected that there is an influence between agency costs on firm value

(Neuman et al., 2013) define tax risk as "an action or activity that could result in tax expenditures being different from the original estimate". This is related to the company's liquidity. As mentioned, taxpayers and tax authorities view the gray zone differently, which will increase the uncertainty of tax aggression ((Dyreng et al., 2018; Guenther et al., 2013). Of course, the IRS hasn't approved every deduction the company claims, so the tax bill is bigger. Tax payments affect a company's cash flow, therefore the more a company avoids taxes, the more the company is afraid of future tax obligations. Due to uncertainty, businesses are more susceptible to failure. (Dyreng et al., 2018) suggest extensive tax avoidance from aggressive tax avoidance. A person's use of legal loopholes is subjective. Therefore, future tax payments may increase. Because organizations face uncertainty in the future, financial information is invisible to investors, which can reduce firm value (Desai & Dharmapala, 2007)(Desai & Dharmapala, 2006). Tax uncertainty and lack of corporate transparency will increase corporate risk. This is consistent with (Kim et al., 2011), who show that aggressive tax evasion increases stock market crashes. (Drake et al., 2019) find that investors devalue businesses with increasing tax risk. Furthermore, (Octaviani & Suhartono, 2021) said that businesses work hard to provide correct financial data to customers because financial reports are very important to them. One part of the plan is to use conservative accounting. (Watts, 2003) says that prudent accounting is the practice of caution when reporting financial data so that a business does not record profits from selling assets too quickly or write off losses due to bad debts too quickly. (Basu, 1997) said that conservative accounting does not mean waiting until all the money comes in before calculating it. When confirming income, which is good news, the limits are smaller than when confirming losses, which is bad news. This cautious way of doing business is still discussed. (Monahan, 1999) says that the notion of prudence makes financial reports useless for knowing how risky a business is due to bias. Because buyers cannot know what is actually happening to a business if accounting methods are too careful, the value of the business may decline (Penman & Zhang, 2002). Opponents of accounting conservatism say that this leads to lower quality financial reports, although it prevents companies from inflating their profits and ensuring that their assets are properly presented in their financial statements (Watts, 2003). Both (Octaviani & Suhartono, 2021) and (Ismanto & Zulfiara, 2020) found that companies would be more valuable if they used careful accounting methods. However, research by (Basuki, 2017) shows that careful accounting methods greatly reduce firm value. Tax risk, as an important factor in corporate financial decisions, can put additional pressure on corporate value. On the other hand, accounting conservatism can affect the recognition of income and expenses, affecting the final results in the financial statements, which in turn affects the market's assessment of the company's value. When considered together with agency costs, it is possible that there are complex interactions that can strengthen or weaken the influence of tax risk and accounting conservatism on firm value. Some studies find a positive correlation, while other studies find a negative correlation between agency costs and firm value. Agency costs have been proven to increase firm value by (Adityamurti & Imam, 2017). So, our next research hypothesis is:

H4: It is suspected that agency costs moderate tax risk on firm value

H5: It is suspected that agency costs moderate accounting conservatism on firm value

METHOD

Table 1. Sampling Research Samples

Total BEI-listed Food and Beverage Staple Retail Subsector Companies	**95**
In 2019–2022, Indonesia Stock Exchange (BEI)-listed food and beverage staple retail sub sector companies did not publish their full financial reports.	25
Food and Beverage Staple Retail Sub Sector IPOs on the Indonesian Stock Exchange during study periode research.	12
During the study period, Indonesian Stock Exchange-suspended food and beverage staple retailers.	13
Total Sample	**45**

This is a causal associative study. The main objective of this research is to summarize the correlation and influence of variables. This study explores how “tax risk”, “accounting conservatism”, and “agency costs” affect firm value. This research uses quantitative data that can be measured quantitatively. Science often uses secondary data. This analysis covers Food & Staples, Beverage Retail companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2022. This sample includes 95 different companies. The author chooses the Food & Staples, Beverages Retail Sub Sector as the mainstay sector driving the Indonesian economy. Apart from positive growth every year, the Food & Staples, Beverage Retail Sub Sector also provides a large investment boost (kemenperin.go.id). The strength of the manufacturing industry also makes this sector the largest contributor to tax revenues, so that in Indonesia several cases of companies apply tax risks and accounting conservatism to manage financial reports so that they can maximize firm value. Purposive sampling selected 45 different companies for this study. This survey took a sample of 45 companies using the following criteria:

1. Food & Staples, Beverages Retail Sub Sector Companies which are listed on the Indonesia Stock Exchange (BEI) from 2019 to 2022 and publish their financial reports successively.
2. Companies in the Food & Staples, Beverage Retail Sub Sector on the Indonesian Stock Exchange that conduct an IPO are companies under the research period.
3. Food & Staples, Beverages Retail Sub Sector Companies that were not suspended on the Indonesian Stock Exchange during the research period.

The company's financial reports throughout 2019-2022 have an accounting period ending on December 31.

In SEM-PLS, the first phase is referred to as the assessment of the measurement model, also known as the outer model. Subsequently, the subsequent phase is denoted as the evaluation of the structural model, often referred to as the inner model(Ghozali., 2018). In the context of external models, assessing validity and reliability involves utilizing many statistical measures. Specifically, the inner model, R-squared statistics is used to evaluate the explanatory power of the dependent construct (Sugiono., 2017). Additionally, the Stone-Geisser Q-square test was used to test the predictive relevance of the model. Next, the t test is used to determine the significance of the structural path parameter coefficients (Ghozali., 2018).

Outer Reflective Relationship Model The outer model specifies the relationship between latent variables and their indicators. In a reflective relationship, indicators are a reflection or manifestation of the latent variable. Indicators Xjk and Yjk are assumed to be linear functions of the latent variables ξj and ηj are as follows(Ghozali., 2018):

$$\mathbf{X_{jk}} = \boldsymbol{\lambda_{jk}\xi_j} + \boldsymbol{\delta_{jk}} \quad \text{for exogenous variables}$$

$$\boldsymbol{Y_{jk}} = \boldsymbol{\lambda_{jk}\eta_j} + \boldsymbol{\varepsilon_{jk}} \quad \text{for endogenous variables}$$

where $\boldsymbol{\lambda_{jk}}$ is the loading coefficient, $\boldsymbol{\delta_{jk}}$ and $\boldsymbol{\varepsilon_{jk}}$ are the residuals.

Inner Model, This model specifies the relationship between latent variables based on theory, where the variables are assumed to have a linear relationship and have a cause and effect relationship. The inner model equation is written below(Ghozali., 2018):

$$\boldsymbol{\eta_j} = \sum_{k=1}^{k_i} \boldsymbol{\gamma_{jk}\xi_j} + \sum_{i=1}^{i_i} \boldsymbol{\beta_{ji}\eta_i} + \zeta_j$$

Variable Measurement

Firm Value

In accordance with the findings of (Ghozali., 2018), it may be posited that the valuation of a firm is contingent upon the price of its shares. The increase in firm value is a desirable outcome for owners, since it holds the potential to enhance their quality of life. In a study conducted by (Wardani & Susilowati, 2020), it was shown that the valuation of a firm may be approximated by considering the price of its shares. The Price Book Appraise (PBV) is employed in this study to assess the valuation of a company. Investors utilize the prevailing market price of a company's share as a fundamental factor in their assessment of the company's book worth. The Price to Book Value (PBV) ratio is an alternative method for evaluating the correlation between stock prices and book value. This statistical measure illustrates the relative worth generated by a company in relation to its available cash holdings. According to the study conducted by (M. R. Nurmalasari & Merry Nirmala Yani, 2021), The inquiry was conducted by the researchers with the follows methodology:

$$\mathrm{P}BV = \frac{\text{Price per share}}{\text{Book value per share}}$$

Tax Risk

For instance, tax risk is defined by (Nesbitt et al., 2016) as characterize tax risk as variations in the outcomes of tax avoidance schemes.. Nesbitt et al. found that as management's efforts to evade taxes grew more complex and extensive, so did the likelihood that they would be discovered by tax authorities. (Assidi et al., 2016) analysis corroborates our findings since it, too, use ETR volatility to evaluate French firms' exposure to tax risk (Hutchens, M. & Rego, 2015). Following the methodology of (Drake et al., 2019), we use the standard deviation of an organization's yearly ETR between t-4 and t as a proxy for tax risk. In line with the findings of (Drake et al., 2019), we find that the tax risk faced by the companies in our sample increases as the standard deviation of the ETR does. The following equation can be used to approximate tax risk:

$$ETR = \frac{\text{STDEV } \sum_{n=1}^{5} ETR}{\text{ETR}}$$

Accounting Conservatism

According to (Givoly & Hayn, 2000), the concept of accounting conservatism, as defined by Smith and Skousen, entails making judgments that have the least effect on owner's equity when reporting accounting information is ambiguous. This suggests that the selected choice is the least likely to result in the disclosure of more assets or income. According to (Ismanto & Zulfiara, 2020), the metric of earnings/accrual is utilized to assess the level of operational conservatism exhibited by a corporation. The measurement of accounting conservatism is conducted by the utilization of the accrual approach, as outlined by (Givoly & Hayn, 2000) study.

$$CONACC = \frac{\text{Net profit} - \text{Operational Cash Flow}}{\text{Total assets}}$$

Agency Costs

In order to align corporate operations with the preferences of the principle, shareholders incur agent fees, also known as agency costs (Adityamurti & Imam, 2017). The present analysis used the free cash flow methodology to ascertain the extent of agency expenses. The calculation of free cash flow involves the deduction of cash flow generated from operational operations from cash flow allocated to investment, as stated by (Wardani & Susilowati, 2020). Subsequently, the free cash flow is divided by the total assets during the corresponding time. The calculation of free cash flow (FCF) may be derived by employing the accompanying formula:

$$FCF = \frac{\text{CFO} - \text{CFI}}{\text{Total assets}}$$

RESULTS AND DISCUSSION

Table 1 shows mixed results. During the study period, tax risk ranged from -1342.30 to 4470.98. The average value is 240.6020. The research standard deviation is 334.7602 . The accounting conservatism variable ranges from 0.00 to 1.22, an average of 0.0972. In this study the standard deviation was 0.13847 . Specifically, Agency Cost ranges from 14 .00 to 00.57, with an average of 0.1666. In this study, the standard deviation was 0.4012 . The range of Firm value is -5.04 to 45.65 with an average of 3.1981. Meanwhile , 5.9317 is the calculated standard deviation.

No.	Company Code	Company name
1	ADES	PT AKASHA WIRA INTERNATIONAL TBK
2	AISA	PT TIGA PILAR SEJAHTERA FOOD TBK
3	ALTO	PT TRI BANYAN TIRTA TBK
4	BTEK	PT BUMI TEKNOKULTURA SUPERIOR TBK
5	BUDI	PT. BUDI STARCH & SWEETENER TBK
6	CHECK	PT. WILMAR CAHAYA INDONESIA TBK
7	CINT	PT. CHITOSE INTERNATIONAL TBK
8	CLEO	PT. SARIGUNA PRIMATIRTA TBK
9	DLTA	PT DELTA DJAKARTA TBK
10	DVLA	PT DARYA-VARIA LABORATORIA TBK
11	GGRM	PT GUDANG GARAM TBK
12	HMSP	PT HANJAYA MANDALA SAMPOERNA TBK
13	HOCKEY	PT. BUYUNG POETRA SEMBADA TBK
14	HRTA	PT HARTADINATA ABADI TBK
15	ICBP	PT INDOFOOD CBP SUKSES MAKMUR TBK
16	IIKP	PT. INTI AGRI RESOURCES TBK
17	INAF	PT. INDOFARMA TBK
18	INDF	PT. INDOFOOD SUCCESS MAKMUR TBK
19	KAEF	PT KIMIA FARMA TBK
20	KETCH	PT. KEDAUNG BEAUTIFUL CAN TBK
21	KINO	PT. KINO INDONESIA TBK
22	KLBF	PT. KALBE FARMA TBK
23	LMPI	PT. LANGGENG PROSPEROUS INDUSTRIES TBK
24	MBTO	PT. MARTINA BERTO TBK
25	BRAND	PT. MERCK TBK
26	MGNA	PT. MAGNA INVESTAMA MANDIRI TBK
27	MLBI	PT. MULTI BINTANG INDONESIA TBK
28	MRAT	PT. MUSTIKA QUEEN TBK
29	MYOR	PT. MAYORA BEAUTIFUL TBK
30	PCAR	PT. PRIMA CAKRAWALA ABADI TBK
31	PSDN	PT PRASIDHA ANEKA NIAGA TBK
32	PYFA	PT. PYRIDAM FARMA TBK
33	RMBA	PT. BENTOEL INTERNATIONAL INVESTAMA TBK
34	BREAD	PT. NIPPON INDOSARI CORPINDO TBK
35	SCPI	PT. ORGANON PHARMA INDONESIA TBK
36	SIDO	PT. HERBAL AND PHARMACEUTICAL INDUSTRY SIDO MUNCUL TBK
37	SKBM	PT. SEKAR EARTH TBK
38	SKLT	PT. SEKAR SEKAR TBK
39	STTP	PT. SIANTAR TOP TBK
40	TCID	PT. MANDOM INDONESIA TBK
41	TSPC	PT. TEMPO SCAN PACIFIC TBK
42	ULTJ	PT. ULTRA JAYA MILK INDUSTRY & TRADING COMPANY TBK
43	UNVR	PT. UNILEVER INDONESIA TBK
44	WIIM	PT. WISMILAK INTI MAKMUR TBK
45	WOOD	PT. INTEGRA INDOCABINET TBK

Source: Data from researchers, 2023

Table 2. Number of Companies and Sample Companies in the Food & Staples, Beverage Retail Sub Sector

The overall data characteristics of each variable are shown in Table 2 as follows:

Table 3. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Risk	180	-1342.30	44706.98	240.6020	3334.76022
Accounting Conservatism	99	.00	1.22	,0972	,13847
Agency Costs	143	.00	.57	,1667	,14012
The value of the company	180	-5.04	45.65	3,1981	5.93175
Valid N (listwise)	86				

Source: Smart PLS Processing Data, 2023

The results of research model hypothesis testing using Smart PLS can be explained as follows:

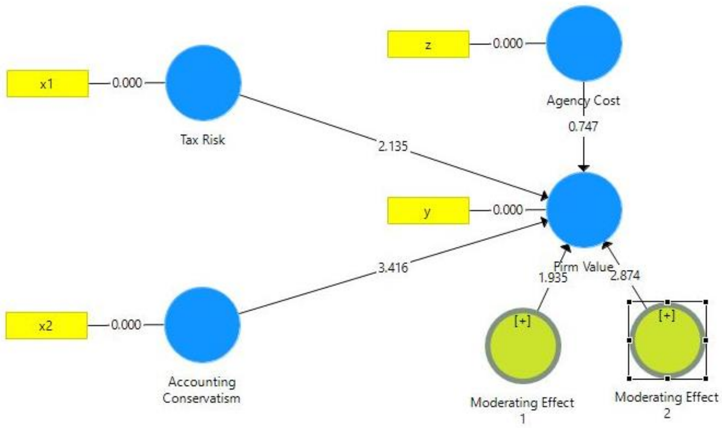

Figure 2. Output Calculate Algoritma

Table 4. Statistical t test results and p value

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Accounting Conservatism -> Firm Value	0.507	0.460	0.148	3,416	**0.001**
Agency Cost -> Firm Value	-0.072	-0.071	0.096	0.747	**0.455**
Moderating Effect 1 -> Firm Value	0.859	0.864	0.444	1,935	**0.054**
Moderating Effect 2 -> Firm Value	-0.277	-0.244	0.096	2,874	**0.004**
Tax Risk -> Firm Value	0.815	0.836	0.382	2,135	**0.033**

Source: Smart PLS Processing Data, 2023

From the table above the result of the p value is 0.033 which is smaller than the significance limit of 0.05 , with a positive direction where the original sample shows a value of 0.815. This states that the first hypothesis is accepted. Tax risk is an action that might cause tax expenditures to differ from predictions, according to (Neuman et al., 2013). This concerns strong financial flows. Tax aggressiveness creates uncertainty about future outcomes, according to (Dyreng et al., 2018); (Guenther et al., 2017)). As previously stated, taxpayers and tax authorities view gray areas differently, giving rise to misunderstandings. If the government rejects all cuts by companies, their tax burden could skyrocket. As companies avoid taxes, they become increasingly uncertain about paying taxes in the future. Due to tax obligations, the company's cash flow becomes uncertain. Uncertainty increases the risk of corporate bankruptcy. According to (Dyreng et al., 2018), extensive tax evasion can raise tax concerns in the future. An individual's subjective view determines the legitimate use of loopholes. If this trend continues, tax responsibilities may ultimately require higher taxes. A business world facing uncertainty in the future must struggle with financial data that is not clear to investors. Lack of transparency can reduce firm value (Desai & Dharmapala, 2007)(Desai & Dharmapala, 2006). Uncertainty about future taxation and a lack of corporate transparency can increase corporate risk. However, studies of tax risk and business value are still limited. Tax risks may be systematic and unique, making classification difficult (Drake et al., 2019). (Drake et al., 2019) find investors do not like tax risk. For example, investors value a company less when they think its tax risk has increased. Tax risk appears to have minimal influence on firm value, according to (Arfiansyah, 2021). However, this is consistent with findings (Carolina et al., 2021) that tax evasion will raise tax risk, demonstrating that investors lack access to clear financial information and potentially decreasing firm value.

From the table above the result of the p value is 0.001 which is smaller than the significance limit of 0.05 , in a positive direction where the original sample shows a value of 0.507. This states that the second hypothesis is accepted. (Jusny, 2014) said Bliss defined accounting conservatism in 1924. Bliss said conservative accounting involves anticipating losses and deferring doubtful income. This means being prepared for losses and not relying on any income . Research by (Octaviani & Suhartono, 2021) Agency conflicts can cause shareholder and management problems. Caution or conservatism may help. This idea prevents managers from exploiting circumstances, and this is important. Conservative accountants review good news more than negative news for investors and other stakeholders who rely on financial reporting (Basu, 1997). Investors want financial reports that show that the business uses conservative accounting to avoid overstating assets and earnings. Accounting conservatism can distort financial reporting. Biased financial reports cannot accurately predict future cash flows and cannot be used to evaluate a company. Cautious leaders can delay organizational revenues and assets. Fair accounting conservatism should not materially change a company's value over time. Future cash flows are used to evaluate a company. Business estimates, market dynamics and interest rates can influence future cash flows. Thus, accounting conservatism has a smaller impact on firm value in this area. This is contrary to recent research conducted by (Octaviani & Suhartono, 2021) and (Ismanto & Zulfiara, 2020) found accounting conservatism increases firm value. Investors prefer these companies because their conservative accounting processes produce high-quality, non-exaggerated financial reports.

From the table above the result of the p value is 0.455 which is greater than the significance limit of 0.05 , with a negative direction where the original sample shows a value of -0.072. This states that the third hypothesis is rejected. in 2014 according to Djumahir in (Carolina et al., 2021), defines agency costs as costs incurred to ensure managers act in the interests of shareholders. Conflicts of interest between management and shareholders hamper free cash flow. Managers typically reinvest free cash flow in profitable projects rather than putting it in the bank to increase their incentives. However, shareholders aim to distribute the remaining money to increase their wealth (Wardani & Susilowati, 2020). (Wellalage & Locke, 2013) show that agency costs reduce firm value. In this study, it is shown that there is no significant relationship between agency costs and firm value in the retail sub-sector of food and staple products, drinks. This may be attributed to the utilization of a free cash flow proxy as the measurement proxy in this research. Consequently, the findings indicate that enterprises that allocate their resources towards expenditures are not affected by agency costs. The impact of high agency expenses on a company's value is not necessarily positive, as the magnitude of free cash flow does not align with the high market value observed in the food and staple food and beverage retail sub-sectors. According to a study conducted by (P. Nurmalasari & Maradesa, 2021), it has been shown that agency charges do not have a significant impact on the enhancement of firm value.

An additional finding from the moderation test suggests that agency costs do not play a moderating role in the relationship between tax risk and firm value. This is evident from the statistical analysis, which reveals a p-value of 0.054, above the significance level of 0.05. Tax risk refers to the prospective alterations in tax regulations that might potentially impact a company's financial performance. (Drake et al., 2019) conducted research which suggests that concerns over a company's tax liabilities might lead to a decline in stock prices. The imposition of agency charges may ensue. Tax concerns may have an impact on both a company's financial success and its dividend distributions. According to in 2014 according to Djumahir in (Carolina et al., 2021), agency costs refer to the financial outlays incurred in order to ensure that managers prioritize the interests of shareholders. The presence of conflicts of interest between management and shareholders hinders the generation of free cash flow. Managers often choose to reinvest free cash flow in successful companies instead of preserving it. Nevertheless, it is the primary objective to allocate the remaining money to shareholders with the aim of augmenting their wealth (Wardani & Susilowati, 2020). The study conducted by (Wellalage & Locke, 2013) demonstrates that agency fees have a negative impact on a company's value. The use of a free cash flow proxy as the measuring instrument in this research leads to the identification of firms that prioritize investment in expansion rather than cost reduction as a means of maintaining competitiveness within the retail sub-sector of food, staple goods, and beverages. Despite the disparity between the scale of their free cash flow and their stock market valuation, companies operating in the food and staple food and beverage retail sub-sectors exhibit a notable level of market value. This observation aligns with the research conducted by (M. R. Nurmalasari & Merry Nirmala Yani, 2021), which indicates that the imposition of agency charges has little influence on the overall worth of a firm throughout its expansion phase.The mild test of the two outcomes confirms the minimal impact of accounting conservatism on business value.

The outcomes of the data analysis support this assertion, since the p-value of 0.004 above the significance level of 0.05. In contrast, accounting conservatism refers to the practice of deliberately underestimating a company's income and assets by rounding them down during calculations. In the context of corporate governance, agency fees refer to the expenses borne by the shareholders or owners of a firm to monitor and oversee the actions and decisions of the management. The impact of accounting conservatism on firm value has been shown via empirical research conducted by (Ismanto & Zulfiara, 2020);(Octaviani & Suhartono, 2021). Accounting conservatism is a practice that contributes to the production of financial reports of superior quality, as they are less prone to overstatement. Consequently, this approach enhances the value of the firm by investors, so yielding a more beneficial outcome. Nevertheless, the imposition of agency charges might have complex implications for a company's valuation. Effective management strategies have the potential to improve corporate performance and thereby increase the value of a firm. However, it is important to note that these approaches need significant investment.

CONCLUSION

This research shows that tax risk and accounting conservatism both have a partial effect on firm value, but agency costs have no effect on firm value, agency costs do not fully strengthen the relationship between tax risk and accounting conservatism on firm value, agency costs in this study weaken the effect of tax risk on firm value, but can also strengthen accounting conservatism regarding firm value. Implications of this research can be a reference for external investors when it comes time to decide where to put their money. Apart from that, it is hoped that various internal company parties can utilize the findings of this research as a basis for decision making. It is hoped that research factors other than those studied by the researcher will be introduced in further research in order to be able to provide maximum results for subsequent research. The next suggestion is that further research is expected to increase the research period and sample range. The limitation in this research is that the scope of the company sample is very limited due to limited research time, and the results are less than optimal due to the limited variables used in this research, which only uses 3 variables consisting of 2 independent variables and one moderating variable that influences company value.

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