

ABSTRACT

Prudence is a prudent reaction in the face of uncertainty inherent in the company to try to ensure that uncertainty and risk in the business environment are sufficiently considered. There are several factors that affect prudence, namely profitability, financial distress, leverage and audit committees.

The research aims to analyze profitability, financial distress, leverage, audit committee and accounting prudence. In addition, it analyzed simultaneously and partially the influence of profitability, financial distress, leverage and audit committees on prudence accounting on chemical and pharmaceutical industry sub-sectors listed on the Indonesia Stock Exchange in 2015-2019.

The population in this study is all chemical and pharmaceutical industry sub-sector companies listed on the Indonesia Stock Exchange for the period 2015-2019. The sample selection technique uses purposive sampling and obtained 11 companies that are included with a period of 5 years so that 55 samples are observed. The analytical technique used in this study is regression analysis of panel data using the Eviews 9 application.

The results showed that profitability, financial distress, leverage and audit committees had simultaneous influence on prudence accounting. Partially, profitability affects prudence accounting, financial distress, leverage and audit committees have no effect on prudence accounting.

Research is advised to retest against variables that do not support the research hypothesis on the research object as well as different observation periods. For investors are advised to pay attention to profitability information and prudence accounting as mis-informed for investment decision making.

Keywords : accounting prudence, financial distress, audit committee, leverage, profitability