ABSTRACT

Prudence is a prudent attitude in dealing with conditions of economic uncertainty in the future. This principle is used to prevent overstatement or understatement in financial reporting. Thus, the financial statements are presented fairly and free from material misstatement.

This study aims to examine the effects of simultaneous and partial effects of capital intensity, conflict of interest, litigation risk, and growth opportunity on prudence in Consumer Goods industry companies in 2017–2020.

By using a purposive sampling technique, a research sample of 104 observation data was obtained from the Consumer Goods industrial sector listed on the Indonesia Stock Exchange in 2017-2020. Data analysis used are descriptive statistical analysis and panel data regression analysis.

The results show that capital intensity, conflict of interest, litigation risk, and growth opportunity have a simultaneous effect on prudence. Partially, capital intensity has no effect on prudence, conflict of interest and litigation risk have a positive effect on prudence, while growth opportunity has a negative effect on prudence.

Suggestions for further research are to re-examine this research in different industries, replace the capital intensity proxy, or replace the capital intensity with another variable. For companies, this research can be used as consideration for implementing prudence in their financial reporting. For investors and creditors, this research is expected to be useful as additional information in making decisions.

Keywords: *Capital Intensity, Conflict of Interest, Growth Opportunity, Litigation Risk, Prudence*