THE INFLUENCE OF EARNING MANAGEMENT, INTELLECTUAL CAPITAL, AND CAPITAL INTENSITY RATIO ON STICKY COST BEHAVIOR AND THEIR IMPACT ON ACCOUNTING CONSERVATISM

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IJMSSSR 2021
VOLUME 3
ISSUE 5 SEPTEMBER - OCTOBER **ISSN: 2582 - 0265**

Abstract: Conservatism is one of the corporate governance mechanisms that can help managers reduce their potential to manipulate and exaggerate financial statements, as well as the agency costs associated with information asymmetry. Asymmetry can be eliminated by requiring management to fully disclose the company's financial condition. Regrettably, this principle can be warped by companies' economic insecurity regarding the level of demand for their products. Management must commit resources in such a way that costs are not rigid, by reducing the mix of fixed and variable costs and raising variable costs, in order to avoid a sticky cost structure. The purpose of this study was to determine the effect of earning management, intellectual capital, and capital intensity ratio on sticky cost behavior and how these factors affect accounting conservatism. The data were analyzed with the EViews 11 program using the panel data regression method. The study's population comprised retail sector companies that were publicly traded on the Indonesia Stock Exchange. Saturation point sampling was used to get samples. The findings indicated that whereas earning management and intellectual capital had no effect on sticky cost behavior, the capital intensity ratio did. The condition of sticky cost behavior in companies can affect estimations of appropriate accounting conservatism. The decline in accounting conservatism results in financial statements that do not accurately reflect the company's actual financial status, misleading financial statement users.

Keywords: Accounting Conservatism, Sticky Cost Behavior, Capital Intensity Ratio, Intellectual Capital, Earning Management

INTRODUCTION

Accounting conservatism is a reaction that adopts a prudent attitude or behavior in the face of inherent economic uncertainty in the company (Suwardjono, 2016). This principle is believed to prevent losses caused by excessive management optimism, which results in a high tendency for managers to overstate the value of net assets and corporate profits. Accountants feel that by selecting a valuation method that results in the lowest net asset value and profit, readers of financial statements will be less likely to be misled. The conservatism principle can be distorted by companies' economic uncertainty regarding the future level of demand for their products. Management must commit resources in such a way that costs are not rigid, by reducing the mix of fixed and variable costs and raising variable costs, in order to avoid a sticky cost structure.

The retail industry's path in Indonesia shows the phenomena of sticky cost behavior. According to Berman & Evans (2018), retail industry is a business activity that involves the sale of goods and services to consumers for personal, family, or household consumption. The retail industry is critical to examine due to its economic influence, distribution function, and link with companies that sell goods and services to retailers for resale or use. According to Euis S (2008), The retail industry is a critical link in the distribution chain of goods, serving as the final link in the process. A product can interact directly with its users through retail. This phenomenon is in the form of downturn in sales growth since 2016 and the retail industry in Indonesia is collapsing.

The following chart illustrates the trend in quarterly sales growth year over year (yoy) in Indonesia:

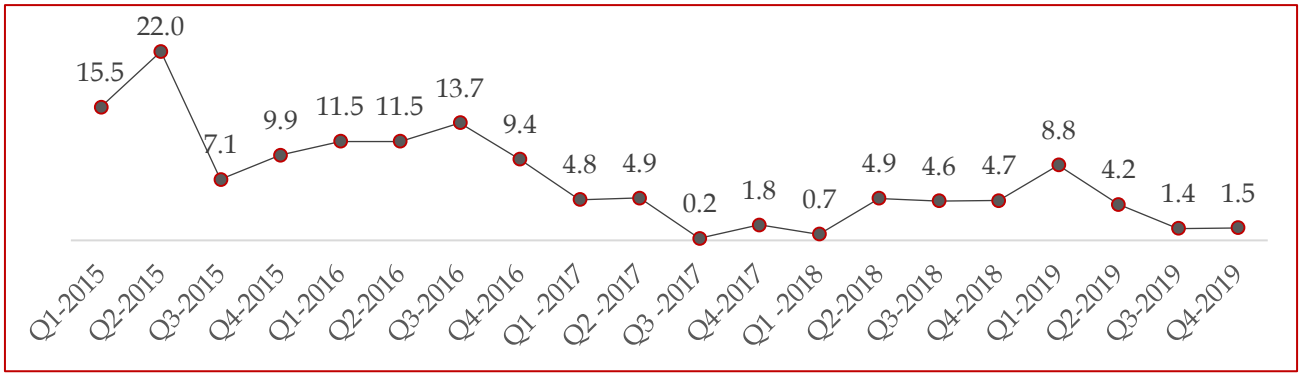

Figure 1. Quarterly Retail Sales Growth 2015-2019

Source: Bank Indonesia, (Data reprocessed, 2020)

As a result of the phenomenon, it can be stated that retail sales activity continues to decline, and companies become increasingly vulnerable to sticky cost behavior conditions because it has to bear fixed costs such as general, administrative, and selling costs. Nazari (2017), general, administrative, and sales expenses account for a sizable portion of a company's operating costs, self-serving managers frequently increase general, administrative, and sales expenses rapidly while progressively reducing costs in order to increase sales. Management conduct with regards to cost reduction or cost increase has a significant impact on company earnings, as investors demand maximum profits, and managers take advantage of this chance by maximizing profits in their financial statements. As a result, managers' understanding of changes in cost behavior in response to changes in activity levels or sales levels is critical information for making earning management decisions.

Various factors, including earnings management, will affect sticky cost behavior. Scott (2015) Earnings management is defined as a management action taken during the preparation of financial statements in order to raise or decrease accounting profit in accordance with the company's interests. Kama & Weiss (2013) managers reduced operating cost rigidity in order to avoid reported losses or decreased profits. As a result, it is projected that the link between greater earnings management and cost rigidity will be inverse.

Along with earnings management, the level of a company's intellectual capital also can drive sticky cost behavior. According to research Ramashar et al (2019), a high level of intellectual capital indicates a wealth of information and knowledge, including information and knowledge about the company's behavior, which indicates the company's sticky cost behavior. Thus, the higher the level of intellectual capital, the greater the company's ability to reduce the level of inherant behavior.

Capital Intensity Ratio (CIR) level is also a factor that can affect the company's sticky cost behavior level. Capital Intensity Ratio (CIR) is the ratio of total assets or fixed assets to sales, which is a ratio to determine the company's efficiency in utilizing its assets to produce goods or services (Xiao, 2011). Companies that use a significant number of assets, such as machines, information technology equipment, constructions, or software, incur high maintenance costs. In times of diminishing sales, these costs cannot be easily lowered because it would require the corporation to sell the asset. The greater the capital intensity ratio, the more difficult it is for the business to cut expenditures linked with this asset. Given the significant adjustment costs associated with asset release, companies with a high capital intensity ratio typically find it more difficult to lower expenses in the short term, resulting in the occurrence of sticky costs.

The analysis covered the retail industry on the Indonesian Stock Exchange from 2016 to 2019. This is because retail sales activity continues to fall. The retail business is a critical link in the distribution chain of goods, serving as the final link in the chain. A product can interact directly with its users through retail. Almost all economic sectors experienced sluggishness during the Covid-19 pandemic in 2020 and 2021, with only a few surviving. The retail industry is one of them, while the pandemic has not yet gone, the economic situation is projected to improve shortly, providing an opportunity for retail entrepreneurs to resume business and investment that had been

delayed.

METHOD, DATA, AND ANALYSIS

The method of study is quantitative research. This study was planned as a confirmatory study with the objective of verifying the independent variable's effect on the dependent variable. To accomplish the research aims, the researcher tested the model's applicability using two panel data regressions, the first with the dependent variable sticky cost behavior and the second with the dependent variable accounting conservatism. The population is retail sector companies listed on the Indonesia Stock Exchange for the period 2016-2019. The sampling technique in this study is a saturated sample using all sample data from retail companies listed on the Indonesia Stock Exchange with certain considerations or criteria. For saturated samples, there is no need for a significance test and if the sample is taken as much as the population, then the data is considered being normally distributed and homogeneous (Sugiyono, 2016). The criteria for determining the sample are (a) the issuer is a company engaged in the retail industry which is listed on the Indonesia Stock Exchange (IDX) in the 2016-2019 period (b) the issuer does not conduct a listing or delisting during the observation period. The samples were 23 companies. The analytical method used is the E-Views version 11.

Table 1 is a summary of the operationalization of the research variables containing the variables used, dimensions and indicators as well as the measurement scale.

Table 1. List of Research Variables Operational Definition

No	Variable	Dimension	Indicator	Measurement Scale
1	*Earning Management* (X1) (Jones, 1991)	*Discretionary Accrual (DA)*	DAit = TAit – NDAit Note: DAC : Discretionary Acrruals	Ratio
2	*Intellectual Capital* (X2) (Pulic, 2000)	*Value Added Intellectual Capital* (VAIC™)	VAIC™ = $VACA + VAHU + STVA$ Note: VA = OUT – IN VACA = VA / CE VAHU = VA / HC STVA = ST / VA	Ratio
3	*Capital Intensity Ratio (X3)* (Xiao, 2011)	*Total Asset and Sales*	Capital Intensity Ratio = Total Asset / Revenue	Ratio
4	*Sticky Cost* (Y1) (Anderson & Banker, 2003)	Sales, General and Administrative Expense (SGA Expense)	Sticky Cost = (SG&A/Sales)it- (SG&A/Sales)it-1, T, T E{t -5,…,t} Note: SG&A: Sales, General & Administrative Expense t : periode t t-1 : periode t-1 (one period before period t)	Ratio
5	Accounting Conservatism (Z) (Givoly & Hayn, 2000)	*Earning/Accrual measures*	CONACCit=((NI+Dep)it-FFOit) x -1 Note: CONACCit : Accounting Conservatism NIit : Profit before extraordinary items DEPit : Depreciation and amortization CFOit : Operating cash flow	Ratio

RESULT

The maximum, minimum, standard deviation, and total observations for all variables in this analysis are shown in Table 2.

Tabel 2. Descriptive Statistics

	EM	IC	CIR	SC	KA
Mean	0.008867	14.92918	1.311276	-0.048761	0.047270
Median	0.000382	7.606326	0.491265	0.001262	0.014202
Maximum	0.319834	237.8273	20.92342	2.925093	4.220919
Minimum	-0.010707	-214.5366	0.034694	-2.740268	-3.776587
Std. Dev.	0.043150	42.52136	3.094100	0.505969	0.645883
Skewness	5.893806	0.282363	4.352073	-0.612764	0.889974
Kurtosis	38.63747	19.15787	23.31111	27.39781	33.51250
Jarque-Bera	5401.078	1002.017	1871.830	2287.561	3581.026
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	0.815744	1373.485	120.6374	-4.485996	4.348844
Sum Sq. Dev.	0.169434	164534.0	871.1844	23.29638	37.96200
Observations	92	92	92	92	92

Source: Processed data from E-Views statistical version 11

According to Table 2, the minimum Earning Management value (EM X1) was -0.010707 in 2016 for GLOB companies and 0.3198 in 2017 for MCAS companies, with an average of 0.008867 and a standard deviation of 0.043150. Intellectual Capital (IC X2) has a lowest of -214.5366, corresponding to the MKNT firm in 2019, and a highest of 237.8272, corresponding to the KIOS company in 2019, with an average of 14.9291 and a standard deviation of 42.52136. The Capital Intensity Ratio (CIR X3) has a mean of 1.311276 and a standard deviation of 3.094100, with the lowest value of 0.034694 for GLOB companies in 2019 and the highest value of 20.923 for RIMO companies in 2017. Sticky Cost Behavior (SC Y) has a mean of -0.048671 and a standard deviation of 0.505969, with the RIMO company having the lowest value of -2.740268 in 2017 and the highest value of 2.9250 in 2016, with an average of -0.048671 and a standard deviation of 0.505969 in 2016. Accounting Conservatism (KA Z) has a mean of -0.04727 and a standard deviation of 0.64588, with the lowest value of -3.776588 being for RIMO firms in 2016 and the greatest value of 4.22092 being for GLOB companies in 2019.

Statistical tool for data analysis using the multiple regression method with the E-Views version 11 software. This study performed two regressions, the first regression with the dependent variable sticky cost behavior and the second regression with the dependent variable accounting conservatism. Table 3 shows the results of the panel data regression model estimation test and model selection. From the results of the panel data regression estimation test, the appropriate regression estimates are obtained, namely the fixed effect model for the dependent variable sticky cost behavior and the random effect model for the dependent variable accounting conservatism.

Table 3. Model estimate outcomes and selection of regression models.

Type/Model	Cross-Section Prob	Cross-Section Prob	Breusch-Pagan	Result
Variabel Dependen Stikcy Cost Behavior				
Uji Chow	**0,0000**	-	-	Fixed Effect
Uji Hausman	-	**0,0000**	-	Fixed Effect
Lagrange Multiplier	-	-	-	-
Model yang terpilih				Fixed Effect
Variabel Dependen Konservatisme Akuntansi				
Chow	**0,9984**	-	-	Common Effect
Hausman	-	**0,9069**	-	Random Effect
Lagrange Multiplier	-	-	**0,0001**	Random Effect

Model yang terpilih	Random Effect

Source: Processed data from E-Views statistical version 11.

Classical assumption test on the dependent variable Sticky Cost Behavior because the selected model is a fixed effect then using the Ordinary Least Square (OLS) method with classical assumption tests including normality, multicollinearity, autocorrelation and heteroscedasticity. According to Basuki (2016) not all classical assumption tests must be performed, for panel data regression, the classical assumption test only included multicollinearity and heteroscedasticity. Because the chosen model has a random effect, the standard assumption test on Accounting Conservatism is performed using the General Least Square (GLS) estimation model. As opposed to Ordinary Least Square (OLS), this estimate model does not require a classical assumption test because General Least Square (GLS) is extremely efficient, i.e. resistant to violations of classical assumptions. To estimate the model using the Generalized Least Square (GLS) method, it is unnecessary to test the classical assumptions (Surjandari & Wati, 2020).

Multicollinearity Test

Table 4. Multicolonierity Test

	EM	IC	CIR
Earning Management (EM)	1	0.2863	0.00186
Intellectual Capital (IC)	0.2863	1	-0.06825
Capital Intensity Ratio (CIR)	0.00186	-0.06825	1

Source: Processed data from E-Views statistical version 11.

Table 4 illustrates this point. The coefficient of correlation between the independent variables is <0.80, so it can be inferred that there is no multicollinearity.

Heteroskedasticity Test

According to Table 3, the Fixed Effect Model is the first regression for the dependent variable Sticky Cost Behavior. In addition to the multicollinearity test, the heteroscedasticity test is required in this model. Meanwhile, the Random Effect Model was chosen for the second regression of Accounting Conservatism's dependent variable, which eliminates the need for a classical assumption test (Surjandari & Wati, 2020). Table 5 shows the heteroscedasticity test results for the dependent variable sticky cost behavior. Based on the partial Prob value t and the F test Prob value of 0.05, it can be concluded that the model does not exhibit heteroscedasticity and thus meets the requirements or assumption of homoscedasticity.

Tabel 5.Heteroskedasticity Test

Variable	Prob.
Earning Management	0.1768
Intellectual Capital	0.4282
Capital Intensity Ratio	0.2630
Prob(F-statistic)	0.3340

Source: Processed data from E-Views statistical version 11.

HYPOTHESIS

The first panel data regression model for the dependent variable sticky cost behavior was constructed using the Cross Section Weight (PSCE) estimation coefficient method based on the findings of data processing with the fixed effect model. Meanwhile, the findings of data processing with a random effect model were used to generate the second panel data regression for the dependent variable of accounting conservatism.

Table 6. Hipotesis – Fixed Effect Model- Dependent Variable Sticky Cost Behavior and Random Effect Model- Dependent Variable Accounting Conservatism

Fixed Effect Model – Sticky Cost Behavior					
Hipotesis	**IndependentVariables**	**Fixed Effect Model**			**Result**
		β	***t*-Statistic**	**P-value**	
Earning Management's effect on Sticky Cost Behavior	Earning Management	-0.386181	-1.083970	0.2823	Rejected
Intellectual Capital's effect on Sticky Cost Behavior	Intellectual Capital	3.20E-05	0.118401	0.9061	Rejected
Capital Intensity Ratio's effect on Sticky Cost Behavior	Capital Intensity Ratio	-0.291123	-18.34533	0.0000	Accepted
Coeficient		0.335929			
Model Statistik	R-Square		0.877469		
	Adjusted R-Square		0.831055		
	Prob (F-statistic)		0.000000		
Random Effect Model – Accounting Conservatism					
Hipotesis	**IndependentVariables**	**Random Effect Model**			**Result**
		β	***t*-Statistic**	**P-value**	
Effect on Accunting Conservatims of Sticky Cost Behavior	Sticky Cost Behavior	-0.528376	-5.189127	0.0000	Accepted
Coeficient		0.021506			
Statictical Model	R-Square		0.232248		
	Adjusted R-Square		0.223718		
	Prob (F-statistic)		0.000001		

Source: Processed data from E-Views statistical version 11.

The results of panel data regression for the dependent variables sticky cost behavior and accounting conservatism are shown in Table 6. The adjusted R-Square value for the fixed effect panel data regression model with the dependent variable sticky cost behavior was 0.831055. It can be concluded that the independent variables included in this model account for 83.10% of the variance in the dependent variable, whereas variables not included in the model account for the remaining 16.90%. The panel data regression results for the random effect model with Accounting Conservatism reveal an adjusted R-Square value of 0.223248. This indicates that the independent variable, Sticky Cost Behavior has a 22.32% effect on Accounting Conservatism, whereas the remaining 77.68% is determined by factors outside the model.

Sticky Cost Behavior exhibits a degree of Prob (F-statistics) 0.000000 0.05, implying that the adequacy of the Fixed Effects regression model utilized has a simultaneous effect on Sticky Cost Behavior, particularly EM, IC, and CIR. The regression findings for the dependent variable Accounting Conservatism from panel data have a significant value of Prob (F-Statistics) 0.000001 < 0.05, indicating the Random Effect Model's suitability for the association between Sticky Cost Behavior and Accounting Conservatism.

DISCUSSION

Test the regression hypothesis t-test (H1) shows that earning management, as measured by discretionary accruals, has a p-value value of 0.2823, greater than =0.05. As a result of the rejection of the first hypothesis (H1), it may be

concluded that earning management has no discernible effect on sticky cost behavior. The findings of this study demonstrate empirically that earnings management has no significant effect on a company's sticky cost behavior. This could be because the average retail company in Indonesia during the study period almost never used earnings management, resulting in earnings management having no significant effect on sticky cost behavior. According to Choi, et al (2016), the economic condition of the company might influence management behavior in order to exceed the profit benchmark. Riduwan(2010) states that earnings management practices result in blurring of financial information and users of financial statements are more difficult to determine the quality of financial statements. In this case, the blurring of financial statements makes it difficult for users of financial statements to evaluate financial performance in the company's financial statements. According to Jensen & Meckling (1976) Agency Theory states that each individual maximizes his or her utility. The concept of agency theory is the relationship or contract between the principal and the agent. The principal employs agents to perform tasks in order to fulfill the interests of the principal so that if at the time of the financial statements there is a loss or a decrease in profit, the manager carries out earnings management to increase profits on the financial statements so that the sticky cost level of the company will be lower.

This study has results that are under the results of research conducted by Sayrani, et al (2016) and Hananto (2021) which states that earning management has no significant effect on sticky cost behavior. However, the results of research conducted by Xue & Hong (2015), Kama & Weiss (2013), Li (2018), Dierynck et al. (2012), Nazari (2017) and Yang (2018) gives an erroneous conclusion that earnings management has a significant effect on a company's sticky cost behavior; according to his research, when managers are compensated, they will engage in accrual earnings management by manipulating earnings to make them profitable profits; this can help companies avoid sticky cost behavior conditions. The same thing was also found in the research Jin (2017) and Hemati & Javid (2017) which states that although production costs (both variable and fixed) are necessary production inputs, most costs, such as advertising and research and development, are likely to be selected by managers in order to reduce the level of sticky cost behavior in the organization.

The t-test regression results in this analysis reveal that the effect of Intellectual Capital on Sticky Cost Behavior has a p-value of 0.9061. or greater than =0.05. As a result of the rejection of the second hypothesis (H2), it may be inferred that Intellectual Capital has no effect on Sticky Cost Behavior. This demonstrates that the manager may believe that the intellectual capital he or she owns will generate future income and that the income decrease is only temporary; the manager may also believe that the increase in future income generated by intellectual capital will absorb the cost of unused resources, resulting in cost rigidity. Managers of companies with high organizational capital are optimistic; they will maintain administrative, general, and selling costs due to the company's economic logic, which increases administrative, general, and selling costs to develop intellectual capital. While this increase in costs may reduce current period profits, in the long run, this increase in costs will cause increased profits. By increasing the company's intellectual capital, it will expand its sales.

According to agency theory Jensen & Meckling (1976), explains that a conflict of interest arises when the agent has access to more information about the company than the principal. This is referred to as information asymmetry. Intellectual capital is an intangible asset that can provide useful information and knowledge for improving a company's competitiveness and performance. A high level of intellectual capital indicates that the company also has a lot of information and knowledge, including information and knowledge about its behavior, indicating the presence of sticky company cost behavior.

This research corroborates the findings of a previous study conducted by Ramashar et al (2019) It implies that the amount of adjustment expenses required when net sales fall forces managers to minimize layoffs in order to keep the workforce decrease relatively minimal. When net sales decline, the company's costs do not decrease significantly either. This in line with Yang (2018) which states that intellectual capital has a slight effect on sticky cost behavior. This is because adjusting costs when activity declines make it difficult for managers to reduce the number of workers, especially if the adjustment costs associated with reducing the number of resources exceed the adjustment costs associated with adding resources.

The results of this study are not in line with research conducted by Mohammadi & Taherkhani (2017) and Venieris, et al (2014) gives an unequal conclusion where intellectual capital has a significant effect on the company's sticky cost behavior, managers of companies with high organizational capital are more optimistic and form more optimistic expectations for sales in the future, so companies withhold administrative costs, general

costs and sales. Although the increase in these costs reduces the profit of the current period, but in the long term by increasing the level of organizational capital, the company will host behavior show a significant p-value of 0.0000 or less than = 0.05. The third hypothesis (H3) is thus accepted, implying that the capital intensity ratio has a significant effect on sticky cost behavior in retail companies listed on the IDX in 2016-2019.

This shows that the capital intensity ratio of the company can significantly affect the sticky cost behavior of the company. The direction of the negative relationship shows that the higher the capital intensity ratio owned by the company, the level of sticky cost behavior in the company will actually decrease. This shows that the possibility of fixed assets used by the company and the amount of investment in purchasing company assets uses assets using the leasing method which includes a clause that assets can be returned if the company will not reuse them. This results in the adjustment costs incurred by the company being greater than the holding costs, resulting in the company being able to reduce the number of assets owned when there is a decline in sales. The results of this study support agency theory Jensen & Meckling (1976) According to this view, agency is produced by a mismatch of goals (conflict) between the delegate (principal) or shareholders and the delegated (agent); this is referred to as a conflict of interest. Shareholders (principals), as sources of firm money, desire a higher rate of return on their investment and a relatively quick turnover. Meanwhile, the agent or management working in the capacity of a resource manager seeks compensation or incentives for their work in preserving and managing the company's resources and assets (Saifudin & Yunanda, 2016).

This study has results that are in accordance with the results of the study Nelmida & Siregar (2016), Subramaniam & Watson (2016), and Chen, et al (2012) which shows that the capital intensity ratio has a significant effect on sticky cost behavior, the negative and significant coefficient on the capital intensity ratio indicated that the company required relatively more assets to sustain its activities, as proven by the company's increased level of SG&A cost asymmetry. Adjustment costs will tend to be higher when SG&A activities rely more on the assets and people employed by the firm unless there are relatively easy long-term contracts to reduce resources purchased when demand falls. The results of this study are different from the research conducted by Brüggen & Oliver (2014), Fourati & Ghorbel (2020) and Zulfiati, et al (2019) which states that the capital intensity ratio has no significant effect on sticky cost behavior. This is because management assumes that the decline in sales is temporary and thus does not require a higher adjustment cost for severance pay for dismissed employees, costs associated with selling and buying back fixed assets, and other adjustment costs. The same thing has been discovered in research Soenjoto & Alfiandri (2019) which states that capital intensity has no role in the level of stickiness in SG&A costs. This is due to the behavior of managers who adjust costs based on fluctuations in net sales income. Managers treat capital intensity independently, and only see the effective and efficient use of company assets.

The regression results for the fourth hypothesis in this research indicate that the Sticky Cost Behavior has a significant p-value of 0.0000, which is smaller than =0.05 on the t-test. T he fourth hypothesis (H4) is accepted. This demonstrates that Sticky Cost Behavior can have a major impact on an organization's accounting conservatism. The negative direction of the relationship suggests that as a company's level of sticky cost behavior increases, its level of accounting conservatism decreases. The uncertainty that surrounds commercial and economic activities is a threat to the retail company's business environment. The state of sticky costs in businesses can distort estimations of the level of conventional accounting conservatism that should be practiced by companies. In Agency Theory (Jensen & Meckling, 1976), Accounting conservatism has a role in agency theory because it assists in determining the most efficient practice that limits agency conflicts or issues. The company's practice demonstrates that agents frequently act inconsistently with labor contracts with shareholders, implying that agents are more likely to increase their own welfare. This can occur as a result of the establishment of knowledge asymmetry between agents and shareholders, allowing agents to engage in this behavior through financial statement manipulation. Accounting conservatism can help eliminate information asymmetry in agency theory by restricting agents' ability to manipulate financial statements.

This study has results that are in accordance with the results of research conducted by Fasarany, et al (2015), Fourati & Ghorbel (2020), and Banker, et al (2015) which states that sticky cost behavior has a significant effect on accounting conservatism. Research by Fourati & Ghorbel (2020) argues that cost rigidity distorts the demand for conservatism standards such as book-to-market ratios, leverage, and size, and about other conservatism correlations such as managerial ownership.

CONCLUSIONS

The following conclusions can be drawn from the results of this study based on the results of two panel data regressions and the explanation that has been provided:

1. Earning management has no significant effect on sticky cost behavior. On average, retail companies in Indonesia in the study year tended not to carry out earnings management, so this could not affect the cost structure of the company.
2. Intellectual capital has no significant effect on sticky cost behavior. The company has not been effective in managing its human resources, if the management of human resources is managed as well as possible then the company's goals can be achieved appropriately and well, including in recognizing and controlling sticky costs.
3. Capital intensity ratio has a significant effect on sticky cost behavior and the direction is negative. Acquisition of assets used a lot using the leasing method by including a clause that assets can be returned if the company does not reuse it so that the company can control sticky or sticky costs when the company's activities decline.
4. Sticky cost behavior has a significant effect on accounting conservatism and the direction is negative. The condition of sticky cost behavior in companies can distort estimates of standard accounting conservatism that should be carried out by companies. A decrease in accounting conservatism will cause the information contained in the financial statements to not reflect the actual condition of the company, resulting in misleading users of financial statements.

LIMITATION AND SUGESSTION

Limitation

This study assumes that managers are optimistic about future performance when their company has an efficient intellectual capital and capital intensity ratio and feels it can boost future financial performance. Future research can incorporate a proxy for CEO optimism (e.g., the CEO is overconfident) and explore the relationship between intellectual capital and the sticky cost behavior that CEO optimism influences. Additionally, future study can examine the effect of additional managerial incentives on cost asymmetry, such as management compensation and managerial risk taking. Future research in this area could also include a variety of different research methodologies to examine managers' motivations and views towards asymmetric cost behavior, such as experimental or interview methods.

Sugesstion

This study has significant implications for users of financial statements (e.g., investors, financial analysts, auditors, creditors, and standard setters) to understand managers' cost management decisions, raising awareness that managers' decisions about adjusting idle resources in response to a decrease in demand can be as performing earnings management actions. Users of financial statements can be more conservative in their assessment of the efficiency of the company's intellectual capital and total assets when creating predictive models to forecast the company's future performance. Additionally, corporate leadership can avoid some of the decision-making associated with adjustment and retention expenses during periods of declining sales by making thoughtful decisions in the best interests of the company during periods of sales growth. These decisions may include reducing contract periods, increasing contract flexibility, supplementing personnel with freelancers, and leasing fixed assets, allowing resources to be modified to accommodate decreased sales levels without incurring costs.

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