

ABSTRACT

The purpose of this study is to examine the impact of audit committee on auditor independence in its relation with the conservative of financial statement. Limitation of auditor tenure mandated since 2002 for guaranteeing independence. Otherwise the mandatory forming of audit committee for go public companies defined since 2004. The effective performance of audit committee being predicted to strengthen the positive effect of auditor rotation on accounting conservatism. Alternatively, the effective performance of audit committee has been advocated to weaken the negative effect of audit tenure on accounting conservatism.

This study using financial statements and annual reports of manufacturing companies that were listed in Indonesia Stock Exchange (BEI) during 2007-2011 reporting periods. The data were collected by purposive sampling method. Data analysis tool used is multiple linear regression analysis. Moderated regression analysis being chosen because of moderating variables in the regression model.

The result of the study indicates that all of the main variables, that is auditor rotation, audit tenure, the effect of competence and frequency meeting of audit committee on auditor rotation, also the effect of competence and frequency meeting of audit committee on audit tenure do not significantly affect accounting conservatism.

Keywords : conservatism, audit tenure, auditor rotation, audit committee