

ABSTRACT

Prudence is the principle of prudence in revenue recognition even though it is still in the form of potential and meets the requirements for revenue recognition. Prudence is used so that companies in presenting their financial statements do not overstate or understate, so that companies produce quality financial reports. The application of prudence will result in the value of profits tends to be low compared to the value of expenses.

This study aims to determine the effect between litigation risk, political cost and brand name audits on prudence in food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period, either simultaneously or partially.

The research sample consisted of 75 food and beverage industry observation data listed on the IDX during 2015-2019 with the sampling technique of purposive sampling. The data were analyzed using descriptive statistical analysis methods and panel data regression using excel & eviews 10 software.

The results showed that litigation risk, political cost and brand name audit have a simultaneous effect on prudence. Partially, litigation risk and political cost have a positive effect on prudence. While the brand name audit has no effect on prudence.

The novelty of this study lies in the political cost variable that the proxy used is the current tax burden on profit before tax. For further researchers, it is recommended to re-examine this study by adding other independent variables. For companies, the result of this study can be used as a consideration to be more prudence in their financial reporting and remain compliant with tax regulation. For investor, the result of this study is useful as information in making investment decisions. For creditors, the result of this study become the basis for consideration in granting credit.

Keywords : *Prudence, Litigation Risk, Political Cost, Brand Name Audit*