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Auditor Reputation Moderates the Effect of Managerial Ability and Executive Overconfidence on Goodwill Impairment

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ABSTRACT: This study aims to test and analyze the effect of Managerial Ability and Executive Overconfidence on Goodwill Impairment and Auditor Reputation as a moderation variable in technology sector companies in Southeast Asia from 2021 to 2023. This type of research is quantitative, using secondary data. The data analysis method is logistic regression (logit) using Microsoft Excel and E-views 13 applications. The population in this study is all technology sectors listed on the Indonesia Stock Exchange, Singapore Stock Exchange, and Bursa Malaysia. The data collection technique in this study is a purposive sampling technique, from 216 companies in the research population to 63 companies used as research samples. The results of the study indicate that Managerial Ability and Executive Overconfidence simultaneously have effect on sustainability performance in technology companies from 2021 to 2023. The results of the study obtained Managerial Ability has no effect on Goodwill Impairment, Executive Overconfidence has an effect on Goodwill Impairment. The reason for choosing a technology company is because of the “Tech Winter” phenomenon, where there has been a decline in investment and activity in the technology industry, especially among start-ups in recent years.

KEYWORDS: Goodwill Impairment, Managerial Ability, Executive Overconfidence, Auditor Reputation, Tech Winter

I. INTRODUCTION

Goodwill, an intangible asset on the balance sheet after a business acquisition, represents the difference between the amount paid by the acquiring company for the acquired company during the acquisition and the carrying amount of the acquired company (Shalev, 2009). According to PSAK 48, goodwill impairment occurs when the carrying amount is higher than the amount that would be obtained from either the use or sale of the asset. The objective of this impairment is to ensure that the assets presented in financial reporting are fair. Goodwill impairment is the result of such a reduction after an acquisition (Sharev, 2009). It arises from the difference between the fair value of the acquired company and the price paid by the acquiring company (Killins et al., 2021). For this reason, goodwill assets are accounted for by the acquiring company as an intangible asset whose benefit is not obvious in the future (Subramanyam, 2014). Goodwill can play a significant role in the purchase price, which is the difference between the amount the acquiring company paid for the target company and the book value of the target company. According to Shalev (2009), goodwill typically represents more than 50% of the purchase price. Impairment of goodwill is a non-cash expense caused by the impairment of goodwill that has occurred since the acquisition.

Prior to 2002, goodwill was amortized periodically over operating income, up to a maximum of forty years, based on its estimated useful life. In 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142, Goodwill and Other Intangible Assets), which made significant changes to the accounting for goodwill. SFAS 142 became effective in 2002 (Financial Accounting Standards Board, 2001). The new rule eliminates periodic amortization of goodwill. Instead, an annual test for impairment and loss of goodwill is required, based on fair value. The goodwill impairment test under SFAS 142 requires US companies to determine the economic value of goodwill and report an impairment loss if the fair value of the acquired unit has decreased. This means that if the carrying amount of the reporting unit exceeds its fair value, the fair value of identifiable assets and liabilities must be determined. Goodwill at fair value is the difference between the fair value of a business unit and the fair value of the identifiable assets and liabilities. The assets and liabilities are adjusted based on their fair values, with appropriate impairments being made in the result.

The idea behind the establishment of accounting standards is that the new rules for reducing the value of business or company assets better reflect the underlying economic value of those assets in a systematic manner, and several studies provide some supporting evidence. However, the goodwill impairment is highly subjective. According to Ramanna and Watts (2012), the new regulations give managers a significant, unassailable, and challenging negotiating space when it comes to identifying value-minders for business or company assets. If estimates of agreed-upon time values are used to justify the failure to realize a value reduction of business or company values and this is not realized in the following period, a manager may easily claim that factors beyond his control caused the expected by-established time values to not be met, leaving him with no recourse or minimal responsibility for any resulting goodwill-related damages. According to Ayres et al. (2019b), new accounting standards have presented the testers with new difficulties because it is very challenging to assess the significance of management actions in relation to goodwill evaluation.

Since the business or company value adds a significant amount to the company's worth and is a significant asset, it is important to keep an eye on the business or company value itself. In this regard, the assessment of the business or company value is crucial for determining the future cash flows of the company. Additionally, the disregard for business or company values reflects the incapacity of management to evaluate acquisitions more broadly (Sun, 2016). According to Darrough, Guler, and Wang (2014), the prevalence of goodwill reminders has drastically increased, and goodwill reminder losses have grown to be a significant event. According to literature, a reduction in the value of a business or company has an impact on the business. These effects include the impact on the company's value (Nuryani, 2014), the profitability of company loans (Li Sun, 2017), the market value (Kevin Li, 2010), and the value of the company's assets (Abughazaleh et al., 2012).

This study chooses to use technology companies or industries listed on the Indonesia Stock Exchange, Malaysia Stock Exchange, and Singapore Exchange for the period 2021-2023. Research on the technology industry is urgent according to researchers, because the decline in goodwill is a complex and crucial issue in the business world, where the decline in goodwill is often an early warning signal of more serious financial problems which are currently happening throughout the world, the tech winter phenomenon, namely a period of significant decline in the technology industry which is likened to a winter where growth slows, investor interest decreases, and many start-ups experience difficulties or even go bankrupt.

The novelty of this research is based on three perspectives. First, the research uses the background of technology companies in Southeast Asia where currently technology companies are companies affected by cases of goodwill impairment in the years after the pandemic or known as the tech winter period which has attracted the attention of the wider community, and the selection of the Southeast Asia area because of the rapid growth of technology businesses in this region, recorded in the Startup Ranking (2023) that as of May 26, 2023 there were 4,603 technology start-ups in Southeast Asia, with the highest growth in Indonesia. Second, this study uses the latest year data, namely from 2021-2023. Third, this study combines the behavioral approach of overconfidence and managerial ability which is a development of previous research which is the first to be conducted in Indonesia, which usually finds research related to the influence of managerial ability and executive overconfidence on goodwill impairment conducted in developed countries.

II. LITERATURE REVIEW

From the research of Lasmono & Siregar (2021), agency theory describes the formation of an agency relationship when owners engage other people (agents) to provide services and delegate decision-making authority to them. Of course, conflicts can arise in the relationship between owner and agent. For capital owners and agents, business continuity is the most important thing. In contrast, agents focus on the health of the company's management (Endiana & Suryandari, 2021). In addition, agency fees are charged to ensure that the agent's services function well and effectively.

Due to the diverging interests of the agent and the owner, the likelihood of fraud increases (Endiana & Suryandari, 2021). Agency theory (Lesmono & Siregar, 2021) states that it is human nature to prioritize one's own interests. For example, if the principal of a company is seeking a significant increase in profits but the agent is unable to do so, the agent may try everything to maintain its reputation for performance. In addition, due to personal interests, agents sometimes do not hesitate to use assets that should be used in the interests of the principal for their own purposes. This differing set of interests can lead to fraudulent acts in both the public and private sectors.

According to agency theory, conflicts can arise between members of the organization. Therefore, good governance in a company or corporation actually helps reduce conflicts that can threaten the stability of the company (Bakti & Triyono, 2022). The elements of good corporate governance - such as transparency, accountability (this term appears twice in the list), independence and fairness - are expected to help members of the organization work together effectively to achieve the organization's goals.

Adam Smith developed the shareholder theory in 1776 (Brown & Forster, 2013). It aims to maximize the welfare of owners or shareholders through their investments and leads to two main themes: the principal agent or financial model and the myopic market model. According to the shareholder theory, shareholders are the main target group of the company. According to this theory, the main task of a company is to maximize the wealth of shareholders. In order to generate added value for shareholders, companies must invest in accordance with this shareholder theory (Tse, 2011). In addition, as How et al. (2019) examine, it is possible for shareholders to review the assets and institutional elements of the company in order to control the actions of managers. It follows that improving company performance can also be done ethically. That is, despite the importance of managers to the company, their actions must be ethical in order to ensure the trust of shareholders.

Accounting standards PSAK 19 on intangible assets, PSAK 22 (business combinations) and PSAK 48 (impairment of assets) determine the value of goodwill in Indonesia. Intangible assets have unlimited usefulness and impairment is a more appropriate method. Therefore, there is no requirement for companies to make amortization on the value of goodwill. According to (Killins et al., 2021), SFAS 142 specifies how to recognize goodwill losses and assess impairment annually. The gain after goodwill amortization is negative and is consistent with the convergence of IFRS 3, which requires changes in the treatment of goodwill through annual impairment tests. This impairment loss on goodwill has an impact on the company's market price.

This standard statement is based on the assertion that goodwill is an asset with an indefinite useful life, which is why goodwill amortization methods are inappropriate. Accounting standards contain many controversial objections to goodwill. According to them, two calculations are made when it comes to amortizing goodwill: the cost of amortizing it and the cost of maintaining it. Therefore, it is not necessary to amortize the goodwill. However, it is necessary to revalue it periodically to check whether a capital impairment has occurred. If so, the cost of the impairment is included in the profit or equity portion. Determining the useful life of goodwill is also a challenging task due to the numerous uncertainties in the future. Arbitrary determination of the amortization period is a common practice that affects the company's profit (Radebaugh et al., 2006).

Some opponents argue that there is no need to maintain goodwill because new goodwill will always replace old. There are also considerable doubts about the value of goodwill. Because the company uses goodwill as a resource, amortization is necessary, which reduces profits. This corresponds to the principle of "matching" that is central to accrual accounting. The same rules that apply to other assets that are used and spent to generate future income also apply to goodwill. Profits in the future will increase if goodwill is not amortized and there are unallocated costs (Radebaugh et al., 2006).

Previous research examines the effectiveness of units or organizations particularly in relation to the performance of highly skilled managers (Gillen and Carroll 1985; competitiveness (Sahin 2011) and success (Masuda 2009, 2010) are linked to this, as is Smutny et al. 2016), cost-effectiveness (Dziwornu, 2017) and overall performance (Young et al. 2000; Bose et al. 2017). Managers with high skills can prevent or reduce the possibility and extent of goodwill impairment (Sun 2016). In the context of the banking industry, stronger management skills correlate with higher franchise value (Curi and Lozano-Vivas 2020), better bank loan quality (Banna et al. 2018), and increased liquidity (Andreou et al. 2016). In addition, several studies show that management skills influence subsequent firm performance after acquisitions and venture capital transactions (Kaplan et al. 2012), mergers and acquisitions (Galavotti 2019; Cui and Leung (2020) and IPOs (Cox 2017). In line with research by (Siregar & Hadiprajitno, 2020) that goodwill impairment is significantly negatively affected by managerial ability. Company managers play an important role in goodwill impairment testing. Effective managers are considered better at testing and estimating the possibility of goodwill impairment.Accounting for goodwill under PSAK 48 in Indonesia involves practices and standards based on management's assessment of the value of these assets. The fair value of goodwill describes the manager's actions in making future decisions and implementing the company's strategy. So, it is difficult to verify because the assessment of the fair value of goodwill is subjective. It is difficult for the principal to judge whether the manager is complying with his wishes or not. Principals require high management skills from managers to reduce the risk of impairment of goodwill (Siregar, Hadiprajitno, 2020). Some managers have used the goodwill impairment rule (SFAS 142) to slow the rate of impairment of these assets and thereby increase earnings and stock prices. Li and Sloan (2017) made this discovery. According to Filip et al. (2015), managers use incremental changes in current cash flows to support their decisions not to report goodwill impairments. Based on the description above, the hypothesis can be concluded :

H1: It is suspected that Managerial Ability has a negative effect on Goodwill Impairment

The link between overconfidence in leaders and financial disclosure has been thoroughly researched. (Banarjee et al., 2018) conducted several studies. The results of this research show that overconfident leaders tend to act recklessly and exaggerate the company's potential. This leads to biased and inaccurate information from management, which results in the company receiving lawsuits from shareholders. Weng's (2020) research states that executive overconfidence tends to cause overpayments in company acquisitions, thereby causing goodwill impairment. Research by Killins et al. (2021) states that companies with overconfident executives tend not to realize and recognize the level of goodwill impairment costs. As a result, executive overconfidence, although not intentionally, hides some of this information resulting in the non-recognition of the goodwill impairment value in the financial statements. Killins' research (2021) is refuted by the results of research (Martiana, et al., 2022) where research findings show that executive overconfidence will increase the disclosure of goodwill impairment. This finding is in line with shareholder theory which states that managers still need to use ethical methods to increase the shareholder value of a company (How, et al., 2019). In other words, although the disclosure of goodwill impairment often leads to a decrease in shareholder value, executives still believe that they must use ethical and sustainable methods. Hirsh Leifer et al. (2012) found that executive overconfidence increases investment in innovation, obtains more patents and patent citations, and achieves more innovative success in innovative industries, thereby increasing goodwill value.

H2: It is suspected that Executive Overconfidence has a positive effect on Goodwill Impairment

The results of research conducted by Huang (2022) on the relationship between managerial ability and goodwill impairment show that the existence of a reputable audit firm can be associated with better financial reporting practices and a lower likelihood of goodwill impairment.

H3: Auditor Reputation is suspected to moderate the effect of Managerial Ability on Goodwill Impairment

Killins' (2021) study on the impact of executive overconfidence on goodwill impairment revealed that having a reputable auditor from a Big Four KAP increased the likelihood of goodwill impairment. Meanwhile, the study by Ferramosca et al. (2017) investigated auditor reputation and goodwill write-offs, revealing that big-four audit firms were more inclined to avoid writing off underestimated goodwill while overestimating it. This indicates that major auditors are worried about rising goodwill values (and increased earnings), as these suggest a greater risk of substantial premature write-offs that could harm their reputation and potential. The study conducted by Azhari, Hasnan, and Sanusi (2020) in Malaysia regarding auditor reputation and accounting misstatements revealed that the audit quality represented by the four major public accounting firms (KAP) did not have a significant correlation with the occurrence of material accounting misstatements. This study aligns with the conclusions of Yasar (2013), which claims that Big Four KAPs do not enhance the credibility of financial reporting, despite multiple studies indicating that Big Four auditors are more adept at guaranteeing the reliability of financial statements.

H4: It is suspected that Auditor Reputation moderates the influence of Executive Overconfidence on Goodwill Impairment.

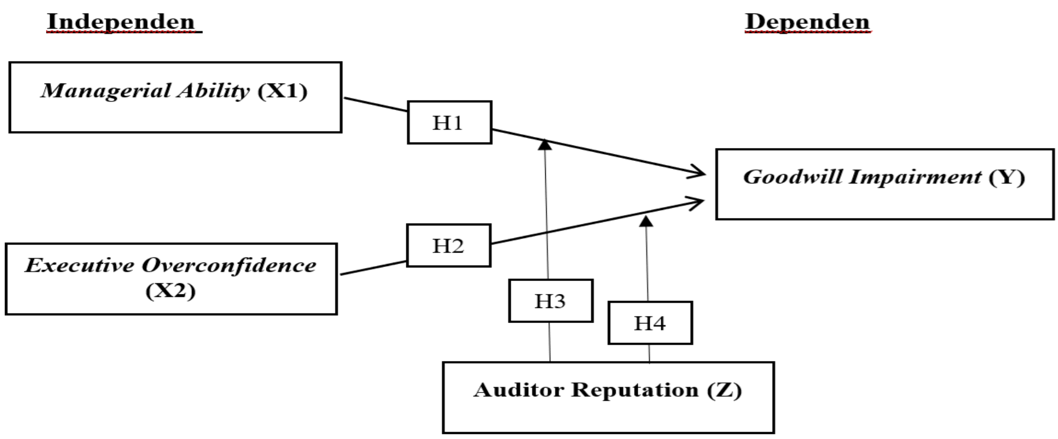

Figure 1. Research Model

Source: Research Data, 2024

III. RESEARCH METHOD

In this study, the research method used is a quantitative research method with a causal associative type, a method that intends to explain the causal relationship and influence between variables through hypothesis testing. This study will examine the effect of Managerial Ability and Executive Overconfidence on Sustainability Performance in Technology Sector Companies in Southeast Asia, with Auditor Reputation as a moderating variable. Quantitative data is defined as quantitative information that can be used for mathematical calculations or statistical analysis (Rosini, 2023).In this study, the research method used is a quantitative research method with a causal associative type, a method that intends to explain the causal relationship and influence between variables through hypothesis testing. This study will test the effect of Managerial Ability and Executive Overconfidence on Sustainability Performance in Technology Sector Companies in Southeast Asia, with Auditor Reputation as a moderating variable. The data used as a research sample is the annual financial report of the stock exchange of issuers in Southeast Asian countries in the technology sector. This research was taken by visiting the official website of the stock exchange of the country studied, looking for information about the list of issuers included in the technology industry, then downloading the annual financial report of each issuer included in the research sample, to then find the value of each variable according to the proxy that has been set.Statistical analysis of the data used in this study is logistic regression analysis. According to Ghozali (2018) logistic regression analysis is a regression that tests whether there is a probability that the dependent variable can be predicted by the independent variable. Logistic regression analysis does not require a normal distribution in the independent variable (Ghozali, 2018). Therefore, logistic regression analysis does not require a normality test, heteroscedasticity test, and classical assumption test on its independent variables. The logistic regression analysis equation, without moderation variable is as follows:

GDWLIit = β0 + β1MABit + β2CONFit + Uit

β0	= Constant
β1β2β3	= Regression Coefficient
GDWLI	= Goodwill Impairment
MAB	= Managerial Ability
CONF	= CEO Overconfidence
u	= Error term
i	= Decision Making Unit (DMU)
t	= Period

In this study, the moderating variable used was Auditor Reputation, so the logistic regression analysis equation with the moderating variable is as follows :

GDWLIit = β0 + β1MABit + β2CONFit + β3RA + β4MABRA + β5CONFRA + Uit

β0	= Constant
β1β2β3	= Regression Coefficient
GDWLI	= Goodwill Impairment
MAB	= Managerial Ability
CONF	= CEO Overconfidence
u	= Error term
i	= Decision Making Unit (DMU)
t	= Period

Goodwill Impairment

Goodwill Impairment is the dependent variable used in this study. Goodwill Impairment is the result of a decrease in the value of goodwill after an acquisition, and a decrease in the value of goodwill due to an acquisition (Sharev, 2009) where the value of goodwill arises due to the difference between the fair value of the acquired company and the price to be paid by the acquiring company (Killins et al., 2021). So that goodwill assets are recorded by the acquiring company as one of the intangible assets, with benefits that cannot be identified for the future (Subramanyam, 2014).The goodwill impairment formula (GDWLi,t) uses a dummy variable (Siregar & Hadiprajitno, 2020) which has a value of 1 if the goodwill value decreases from the previous year and a value of 0 otherwise. The goodwill value is contained in the statement of financial position and the impairment information is explained in the notes to the financial statements.

Managerial Ability

In making a measure of managerial ability, which is the remainder of the company's total efficiency after eliminating a number of company-specific features, is to make a measure of company efficiency using DEA. Demerjian & Mcvay (2012) rely on Data Envelopment Analysis (DEA) to estimate the total efficiency of a firm by industry and year. DEA requires the identification of input and output variables, using seven input variables: cost of goods sold, selling, general and administrative expenses, real estate, plant and equipment, operating leases, research and development costs, goodwill, and other intangibles, with the output variable being net sales.

$$Firm\ Efficiency = \frac{Sales}{_{V1}COGS +_{V2}SGA +_{V3}PPE +_{V4}OpsLease +_{V5}RD \atop _{V6}Goodwill +_{V7}OtherIntan}$$

Sales	= Sales
COGS	= Cost of goods sold
SGA	= Selling, general, and administrative expenses
PPE	= Property, plant, and equipment

OpsLease	= Operating lease
R&D	= Research and development expense
Goodwill	= Goodwill this year
OtherIntan	= other intangible assets or other intangible assets

Executive Overconfidence

Executive confidence in protecting personal wealth by holding stock options until almost the end of their term is a key indicator of executive overconfidence behavior used in this study. As used in the studies (Banarjee, et al., 2018), (Killins, et al., 2021), and (Martiana, et al., 2022) using CEO Overconfidence measurements with capital expenditure. Capital expenditure is a proxy used to measure overconfidence (CONFi,t); if asset purchases grow faster than sales, CEOs also tend to spend more money on related businesses than other businesses (Killins, et al., 2021).

$$CONF_{it} = \frac{CAPEX}{Total\ Asset}$$

CAPEX	= Capital Expenditure
Total Asset	= Total assets for the year

Auditor Reputation

Moderation is a variable that influences (strengthens and weakens) the relationship between the independent variable and the dependent variable (Sugiyono, 2018). The moderating variable in this study is Auditor Reputation. The auditor's reputation shows the achievement of the quality of his/her professional performance. Some professional auditors with good reputations and registered in The Big Four, including Deloitte Touche Tohmatsu, Pricewaterhouse Cooper, Ernst and Young, and Klynveld Peat Marwick Goerdeler. Auditor reputation is generally measured based on the income of the Public Accounting Firm. Companies that use KAPs registered with The Big Four will be given a score of 5 for the highest performance and 2 for the lowest performance, while companies that use KAPs outside The Big Four will be given a score of 1 (Suwaldiman and Fitriani, 2023).

IV. RESULT

The data that will be used in this study are annual report data from Technology Companies in Indonesia, Singapore, and Malaysia, listed on the Indonesia Stock Exchange (IDX), Singapore Exchange (SGX), and Bursa Malaysia for the period 2021-2023.

Table 1. Process and Results of Sample Selection Based on Criteria

No	Information	Total
1	Total public companies in the technology sector listed in IDX, SGX, and Bursa Malaysia period 2021-2023	216
2	Companies that do not publish financial reports and goodwill values during 2021-2023 consecutively.	(153)
	Sample used	63
	Number of years of observation (2021-2023)	3
	Number of samples during the study period	189

Source: Research Data, 2024

Table 2. Descriptive Statistical Result

	MAB	CONF	GDWLI
Mean	0.722535	0.041367	0.164021
Median	0.757835	0.031473	0.000000
Maximum	1.443408	0.371768	1.000000
Minimum	0.049779	-0.572686	0.000000
Std. Dev.	0.265747	0.075921	0.371278
Skewness	-0.525999	-1.562399	1.814656
Kurtosis	3.175643	27.86014	4.292977
Jarque-Bera	8.958212	4943.854	116.8941
Probability	0.011344	0.000000	0.000000
Sum	136.5591	7.818335	31.00000
Sum Sq. Dev.	13.27681	1.083636	25.91534
Observations	189	189	189

Source: Research Data, 2024

Auditor Reputation Moderates the Effect of Managerial Ability and Executive Overconfidence on Goodwill Impairment

Based on the Table.2, it can be seen that the number of sample data used in this study was 189 data from 63 manufacturing companies listed on the Indonesia Stock Exchange (IDX) which were sampled from the 2021-2023 period. Table 4.2 describes the variables statistically and shows the results of descriptive statistics regarding the independent and dependent variables in this study.

The first independent variable, namely Managerial Ability (MAB), shows the results that the minimum value of 0.0497 is found in Revez Corporation Ltd. (Singapore), in 2023 and the maximum value of 1.4434 is found in the Rexit Berhad company (Malaysia) in 2023. The average value (mean) of the managerial ability variable is 0.7225, meaning that the level of managerial ability in technology companies in Southeast Asia has an average value of 72.25%. Meanwhile, the standard deviation value for the managerial ability variable is 0.2657.

The second independent variable, namely Executive Overconfidence (CONF), shows that the minimum value of -0.5727 is found in the technology company SMRT Holdings Berhad (Malaysia) in 2023 and the maximum value of 0.3718, which is found in Zen Tech Berhad (Malaysia) in 2021. The average value (mean) on the executive overconfidence variable is 0.0413, meaning that the level of executive self-confidence in technology companies in Southeast Asia has an average value of 4.13%. While the standard deviation value on the executive overconfidence variable is 0.0759. The dependent variable, namely Goodwill Impairment (GDWLI), shows that the minimum value of 0.00 is found in technology companies that do not experience a decrease in goodwill value and the maximum value of 1.00 is found in technology companies that experience a decrease in goodwill value. The average value (mean) on this dependent variable is 0.1640 and the standard deviation value is 0.3713.

After conducting descriptive statistical analysis, the next step is to test the feasibility of the regression model using Hosmer and Lemeshow's Goodness of Fit Test which is measured by the chi square value. If the Hosmer-Lemeshow test shows a probability value (P-value) ≤ 0.05 (significant), this suggests that there is a significant difference between the model and its observed value, which prevents the model from being used to predict that value. If the Hosmer-Lemeshow test shows a probability value (P-value) ≥ 0.05 (significant), this suggests that there is no significant difference between the model and the data, which suggests that the model can be used to predict the values of its observations.

Table 3. Hosmer and Lemeshow's Goodness of Fit Test

Goodness-of-Fit Evaluation for Binary Specification
Andrews and Hosmer-Lemeshow Tests
Equation: UNTITLED
Date: 12/24/24 Time: 15:01
Grouping based upon predicted risk (randomize ties)

	Quantile of Risk			Dep=0		Dep=1	Total	H-L
	Low	High	Actual	Expect	Actual	Expect	Obs	Value
1	0.0139	0.0809	16	17.0402	2	0.95976	18	1.19097
2	0.0875	0.1187	18	17.0366	1	1.96336	19	0.52717
3	0.1189	0.1333	17	16.6218	2	2.37818	19	0.06874
4	0.1334	0.1437	18	16.3694	1	2.63057	19	1.17313
5	0.1438	0.1516	17	16.1777	2	2.82233	19	0.28140
6	0.1518	0.1600	17	16.0379	2	2.96211	19	0.37021
7	0.1607	0.1740	15	15.8263	4	3.17365	19	0.25831
8	0.1746	0.1915	14	15.4938	5	3.50620	19	0.78044
9	0.1939	0.2451	13	14.9204	6	4.07963	19	1.15113
10	0.2487	0.9664	13	12.4758	6	6.52422	19	0.06415
		Total	158	158.000	31	31.0000	189	5.86566

H-L Statistic	5.8657	Prob. Chi-Sq(8)	0.6623
Andrews Statistic	7.2393	Prob. Chi-Sq(10)	0.7027

Source: Research Data, 2024

The results of the regression analysis show that the results of the Hosmer and Lemeshow Goodness of Fit Test obtained a chi-square value of 9,056 with a significance level of 0.66. The test results show that the probability value (P-value) ≥ 0.05

(significant value) is 0.66 ≥ 0.05, so H0 is accepted. This indicates that there is no significant difference between the model and the data so that the regression model in this study is feasible and able to predict its observation values.

Table 4. Omnibus Tests of Model Coefficients (f-test)

Prob (LR statistic)	0.007804

Source: Research Data, 2024

From the table.4 was found that the significance value of F was 0.007804 which was smaller than 0.05. So it can be concluded that the independent variables (Managerial Ability and Executive Overconfidence) simultaneously affect the dependent variable (Goodwill Impairment).

Table 5. Logistic Regression Analysis Test Result (Without Moderation Variable)

Dependent Variable: GDWLI
Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)
Date: 12/24/24 Time: 18:12
Sample: 2021 2023
Included observations: 189
Convergence achieved after 6 iterations
Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-0.580389	0.549298	-1.056601	0.2907
MAB	-1.078970	0.713591	-1.512030	0.1305
CONF	-8.909832	4.136594	-2.153905	0.0312

McFadden R-squared	0.057539	Mean dependent var	0.164021
S.D. dependent var	0.371278	S.E. of regression	0.360059
Akaike info criterion	0.872946	Sum squared resid	24.11354
Schwarz criterion	0.924402	Log likelihood	-79.49339
Hannan-Quinn criter.	0.893792	Deviance	158.9868
Restr. Deviance	168.6931	Restr. log likelihood	-84.34657
LR statistic	9.706351	Avg. log likelihood	-0.420600
Prob(LR statistic)	0.007804		
Obs with Dep=0	158	Total obs	189
Obs with Dep=1	31		

Source: Research Data, 2024

From the results of the regression analysis shows that the coefficient of determination value seen from the McFadden R-Squared value is 0.0575. This indicates that the ability of the independent variables, namely managerial ability and executive overconfidence in explaining the dependent variable, namely goodwill impairment, is only 5.75%. While the rest is explained by other variables outside of this research model, which is 94.25%.Based on the results, the significance value of Prob (LR Statistic) is 0.007804 which is greater than 0.05. So, it can be concluded that the independent variables (Managerial Ability and Executive Overconfidence) simultaneously do not affect the dependent variable (Goodwill Impairment).Goodwill impairment refers to the recognition of impairment losses after a goodwill impairment test is carried out which is formed in the process of a company merger (Fu & Shen, 2020). There are several factors that influence the value of goodwill such as the company's reputation and brand, customer relationships, innovation and technology, operational efficiency, leadership, as well as employees and corporate culture. So with the role of good managerial skills, it should be able to maintain and even increase the value of goodwill, but the role of executive overconfidence who takes too many risks and is not careful in making decisions to purchase assets can make the decline in goodwill even greater. Based on the results of the logistic regression that has been carried out, it can be seen that the partial influence of the variables Managerial Ability and Executive Overconfidence on Goodwill Impairment is as follows:

1. Managerial Ability

The independent variable Managerial Ability individually (partially) does not affect the Goodwill Impairment variable, this can be seen from the significance value in the Prob. MAB table of 0.1305 which is much greater than the value of 0.05. Based on many previous studies such as Li Sun's research, 2016; Geovanne, 2019; Siregar and Hadiprajitno, 2020; Huang, 2022; Zhao, 2023; Al-Qaliti, 2023; managerial ability has a significant influence on goodwill impairment because based on Agency Theory, competent managers can take proactive steps to maintain and increase the value of the company. However, this study provides results that managerial ability does not affect the decline in goodwill value, because there are other factors that are not controlled in the study, such as macroeconomic conditions where the researcher took the research year during the tech winter or winter experienced by most technology companies in the world.Before and during the early period of the pandemic, the technology industry, start-ups and digital banks enjoyed an extraordinary high increase in valuation. Investors expected that digital technology-based companies would play a very important role in driving the post-pandemic economy, thus pushing the valuations of many of these companies even higher. In addition, the 2019-2021 period which was dominated by very low interest rates encouraged venture capitalists and investors to invest in many technology companies that were considered to have good prospects in the future. The conditions reversed in 2022. Geopolitical uncertainty with the Russia-Ukraine conflict, high inflation triggered interest rates to continue to rise, becoming obstacles for many sectors to grow. Not to mention, because interest rates continued to rise, many capital owners reconsidered their investment choices. As a result, the technology sector which was previously an attractive investment destination, began to be abandoned, and culminated in the arrival of a technology 'winter' (tech winter).

2. Executive Overconfidence

The independent variable Executive Overconfidence individually (partially) affects the Goodwill Impairment variable, this can be seen from the significance value in the Prob. CONF table of 0.0312 which is much smaller than the value of 0.05. With a Z-Statistic value of -2.153905, it can be concluded that Executive Overconfidence individually (partially) has a negative effect on the Goodwill Impairment. It can be concluded that Executive Overconfidence is able to reduce Goodwill Impairment where this study does not support the results of Martiana's (2022) study which conducted research in Indonesia; as a developing country, after previous research was conducted in developed countries, such as Banarjee's research, 2018; and Killins, 2021; with the results of the study that CEO Overconfidence has a positive effect on Goodwill Impairment. Although Executive Overconfidence is generally associated with a decrease in goodwill value, there is also a possibility that this behavior can actually contribute to an increase in goodwill value, under certain conditions, such as Executives having a clear and transformational vision can convince investors and other stakeholders that the company is on the right track to achieve significant growth. Excessive optimism can be a catalyst for positive change in the company. Executive overconfidence is also more willing to take risks and encourage innovation. If the innovation is successful, the company's value can increase significantly. High self-confidence from the Executive can be transmitted to the management team and other employees. This can increase team motivation and productivity, which will ultimately have a positive impact on company performance. In line with the Shareholder Theory that the main goal of the company is the shareholders. Maximizing shareholder wealth is the main task of the company, according to this theory.

Table 6. Logistic Regression Analysis Test Result (With Moderation Variable)

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.480274	1.130590	-1.309293	0.1904
MAB	-0.860926	1.401964	-0.614086	0.5392
CONF	-11.87226	9.550989	-1.243040	0.2139
RA	0.396577	0.545387	0.727149	0.4671
MABRA	-0.053748	0.655930	-0.081941	0.9347
CONFRA	3.383495	7.484778	0.452050	0.6512

Source: Research Data, 2024

Auditor Reputation Moderates the Effect of Managerial Ability and Executive Overconfidence on Goodwill Impairment

Based on the Table.5, it can be concluded that Auditor Reputation cannot moderate the effect of Managerial Ability on Goodwill Impairment because the Prob value of 0.9347 is above the significance value of 0.05. Auditor Reputation cannot moderate the effect of Executive Overconfidence on Goodwill Impairment because the Prob value of 0.6512 is above the significance value of 0.05. This result is not in line with Huang's (2022) research where the existence of a reputable audit firm can strengthen the influence of managerial ability with better financial reporting practices and a small possibility of goodwill impairment. An unfavorable economic situation, especially in the technology industry (tech winter), can greatly hinder the effectiveness of auditors in moderating the effect of managerial ability on goodwill impairment.

CONCLUSIONS

This study aims to measure the effect of managerial ability and executive overconfidence on goodwill impairment carried out in technology companies in Southeast Asia, listed on the Indonesia Stock Exchange (IDX), Singapore Exchange (SGX), and Bursa Malaysia in 2021-2023.

Based on the results of the determination coefficient test in Table. 4, the coefficient of determination value seen from the McFadden R-Squared value is 0.0575. This indicates that the ability of the independent variables, managerial ability and executive overconfidence in explaining the dependent variable, namely goodwill impairment, is only 5.75%. While the rest is explained by other variables outside of this research model, which is 94.25%.

Based on the results of the F-Statistic value, the significance value of Prob (LR Statistic) is 0.007804 which is which was smaller than 0.05. So it can be concluded that the independent variables (Managerial Ability and Executive Overconfidence) simultaneously affect the dependent variable (Goodwill Impairment).

The partial test shows the results that managerial ability partially does not affect the Goodwill Impairment, with a value of Prob. MAB table of 0.1305 which is much greater than the value of 0.05. There are other factors that were not controlled in the study, such as macroeconomic conditions where the researcher took the research year during the tech winter or winter experienced by most technology companies in the world. Meanwhile executive overconfidence partially has a negative effect on goodwill impairment this can be seen from the significant value in the Prob. CONF table of 0.0312 which is much smaller than the value of 0.05. With a Z-Statistic value of -2.153905, it can be concluded that executive overconfidence individually (partially) on the goodwill impairment.

Auditor Reputation cannot moderate the effect of Managerial Ability on Goodwill Impairment because the Prob value of 0.9347 is above the significance value of 0.05. Auditor Reputation cannot moderate the effect of Executive Overconfidence on Goodwill Impairment because the Prob value of 0.6512 is above the significance value of 0.05.

Since this research was conducted on technology companies during the tech winter, the research results obtained were not much in line with previous research. It would be very good if in the future researchers could compare the results of research tests before and after the tech winter to be able to find out more specific conditions related to goodwill impairment experienced by technology companies.

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