Accounting and Profit Management records in banking companies during the Covid-19 pandemic

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The Covid-19 pandemic is the spread of Coronavirus in China in January 2020, which became a global crisis in March 2020. The Covid-19 outbreak was first detected in Wuhan City, Hubei, China on December 30, 2019, and was designated a pandemic by the World Health Organization (WHO) on March 11, 2020. As of November 14, 2020, more than 53,241,350 cases have been reported in more than 219 countries and regions around the world. The Indonesian government designated the Covid-19 pandemic as a national disaster on January 31, 2020. This pandemic condition immediately hurts the company's performance, especially in the banking sector caused by lockdowns and large-scale social restrictions (PSBB). So that not a few companies in the banking sector experience problems related to cash flow and balance sheets. This Covid-19 pandemic that has an impact on the economic sector is reflected especially in the sustainability of employment and income. Data from the Ministry of Manpower as of April 30, 2020, recorded a total of 2,804,859 workers from 114,590 companies were laid off and affected by job cuts. The Central Statistics Agency (BPS) report in August 2020 revealed Indonesia's economic growth in the second quarter of 2020 minus 5.32 percent. Previously, there was a report that Indonesia's economic growth only grew by about 2.97 percent, down 0.13 percent in the same period last year.

LITERATURE

Agency theory
Romy, (2020)

Profit Management
Hiday and Wahden (1999: 366)

Accounting Records
(Fahmi, 2018)

RESEARCH METHODS

This type of research uses the partial descriptive qualitative research. The data used in this study is secondary data. Data analysis is carried out using narrative study techniques based on theoretical assumptions by analyzing existing documents, namely company financial statements obtained from the Indonesia Stock Exchange website (IDX) on http://www.idx.co.id/. The sample used in this study was 13 banking companies listed on the Indonesia Stock Exchange in 2020.

RESULTS AND DISCUSSIONS

1. Fair Value Financial Reporting
2. Big-4 Accounting, Deloitte, PricewaterhouseCoopers, and KPMG
3. Large Profit Alignment and Loss Avoidance Accounting
4. Loose Accounting Rules During a Pandemic

Conclusions
The research determines some of the accounting practices that can be carried out by banks during pandemics. Some accounting recording methods used currently are accumulated recording where income is considered more productive in profit management. Accounting valuation methods that are often used are the Fair Value Method, Market Value Method. After research, PricewaterhouseCoopers, and KPMG Accounting are some of the methods that help banks hide poor performance, in order to achieve a stable financial condition (positive). It is concluded that a company's accounting practices during the pandemic can be used to provide information to all parties, both insiders and outsiders, in making decisions, whether those decision makers are shareholders or customers. The conclusions made in this study suggest that accounting techniques could be used to mitigate the negative impact of pandemics on a company's financial statements. One of the techniques that can be used by companies during pandemics include fair value accounting, profit alignment, loss avoidance, and loose profit management. The implication is that accounting can play an important role in reducing the impact of pandemics on company's performance. Accounting methods can be utilized to help reduce the negative effects of pandemics on a company's financial performance when managers are not allowed to use significant accounting discretion to mitigate the negative effects of pandemics on their balance sheets. As pandemic get worse, more fundamental accounting information becomes relevant and important. This study also concludes that the financial crisis in particular in reducing the negative impact of crisis on any companies on pandemics. Accounting methods could be used for future studies to mitigate the negative effects of pandemics on a company's financial performance. When managers are not allowed to use significant accounting discretion to mitigate the negative effects of pandemics on their balance sheets. As pandemic get worse, more fundamental accounting information becomes relevant and important. This study also concludes that the financial crisis in particular in reducing the negative impact of crisis on any companies on pandemics. Finally, the security of the contraction pandemic (COVID-19) and its social impact require a reassessment of all areas of accounting research and its relevance to the improvement of society in difficult times. Future research is expected to focus not only on the scope of the operational effect of accounting behavior on companies during pandemics.
INTRODUCTION

The Covid-19 pandemic is the spread of Coronavirus disease 2019, abbreviated as Covid-19 worldwide for all countries. This pandemic condition indirectly hurts the company's financial performance, especially in the banking sector caused by lockdowns and large-scale social restrictions (PSBB). So that not a few companies in the banking sector experience problems related to cash flow and balance sheets. The Covid-19 pandemic that has an impact on the economic sector is reflected especially in the sustainability of employment and income. Data from the Ministry of Manpower as of April 20, 2020, recorded a total of 2,084,539 workers from 116,370 companies were laid off and affected by job cuts. The Central Statistics Agency (BPS) report in August 2020 reported Indonesia's economic growth in the second quarter of 2020 minus 5.32 percent. Previously, there was a report that Indonesia's economic growth only grew by about 2.97 percent, down far from the growth of 5.02 percent in the same period last 2019. The banking sector is an intermediation institution that supports the needs of investment funds for the business world, so the COVID-19 Pandemic is considered to be an important problem for banks. The Indonesian government issued several Monetary policies of Bank Indonesia in addressing the impact of Covid-19. Some of the policies include BI increasing the intensity of intervention in financial markets, BI lowering the minimum mandatory current account ratio (OWM) of conventional commercial banks which was previously 8 percent from DPK now 4 percent, and the existence of credit restructuring policy. Credit restructuring is an effort to improve credit activities to debtors who have the potential to have difficulty meeting their obligations. Bank Indonesia's monetary policy certainly makes banks have to adjust their performance so that their financial performance remains good. Banking financial performance in addition to being seen from the appearance of its financial statements can also be traced from the assessment of accounting recording techniques. Accounting recording techniques can show how the techniques implemented lead to improvements in cash flow, income statements, and company balance sheets. The trust of investors (shareholders) must be maintained by the company's management so that this can motivate them to make improvements in accounting recording techniques. The important thing related to improving the company's financial condition is the level of profit. Profit becomes the main goal of the establishment of the company and the expected investor for the return of investment services made. The condition of the Covid-19 pandemic that gave rise to monetary policy can affect banking profit. Credit restruksi by providing a decrease in credit interest and reduction of principal arrears and credit interest directly impact the company's profit so that the company needs to do profit management. Profit management is generally used as an effort by companies to influence or interfere with information on financial statements to trick stakeholders or people who want to know the condition and performance of the company. Managers make certain decisions in financial statements to exert influence on stakeholders with contract results to keep investing in the company. This study attempts to examine how the methods of recording accounting and profit management practices applied by banking sector companies during the Covid-19 pandemic. The expected goal in this study is to hope that banking managers have the initiative in using accounting techniques to improve the company's financial performance during the coronavirus pandemic (Covid-19).
METHODS

➢ This type of research is descriptive qualitative research.
➢ Qualitative descriptive research aims to describe, describe, explain, explain and answer in more detail the problems that will be studied by studying an event.
➢ In qualitative research, humans are instruments of research and the results of writing in the form of words or statements that correspond to the actual circumstances. In this study, a descriptive qualitative method was used to find out the accounting recording practices used by banking companies in Indonesia during the Coronavirus pandemic by comparing it with previous literature that was used in Indonesia. The same is an event that has an impact on the condition of financial instability of the company.
➢ The data used in this study is secondary data.
➢ Data analysis is carried out using narrative study techniques based on theoretical assumptions by analyzing existing documents, namely company financial statements obtained from the Indonesia Stock Exchange website.
➢ (IDX) on Http://www.idx.co.id.
➢ The sample used in this study was 13 banking companies listed on the Indonesia Stock Exchange in 2020.
RESULTS AND DISCUSSIONS

During a pandemic, banks will reduce their participation in economic activities that require interaction between people especially if the pandemic is linked to some transmission of the virus. Due to fear and uncertainty, financial markets will become unstable as investors become risk-averse and prefer safer investments. Equity will be difficult for companies, private equity investment will decline, supply will be affected as production falls, operating costs will increase and profits will fall, leading to poor corporate performance. In these circumstances, companies can use accounting techniques in financial reporting to mitigate the negative impact of pandemics on company performance.

- Fair Value Financial Reporting
- Liabilities reported on the balance sheet, fair value financial reporting refers to the convention of recording the value of assets and liabilities at prices where transactions occur between market participants. Changes in fair value are recorded in the income statement in the form of income and expenses. Another method of valuation is market value, which relies on the valuation of assets and liabilities concerning their contemporary market value. During a pandemic, companies that have large liabilities or large amounts of securities liability may have an incentive to reassess their liabilities at fair value using current market prices or nearby replacements that can reduce the amount to be paid and the total liabilities of the company.
RESULTS AND DISCUSSIONS

✓ Big-Bath Accounting, Bailout Funds, and Stimulus Packages

Big-bath accounting is a profit management technique in which the removal of large accounting is carried out on revenues in the current period to reduce assets (Hope, & Wang, 2018), resulting in lower costs in the future. Banks that experienced a drastic decline in sales in early 2020 are companies that must list the financial conditions that are what they are in the first interim financial statements of 2020. When a company uses Big Bath accounting, it refers to the cost adjustment process of subsequent years to the current fiscal year.

✓ Large Profit Alignment and Loss Avoidance Accounting

In the absence of stimulus packages or bailouts during pandemics, banks will seek to remain competitive during pandemics by using accounting techniques that allow companies to report stable profits to signal that companies are not underperforming compared to their competitors during pandemics. Examples of accounting techniques that can be used for such purposes are profit alignment techniques and loss avoidance accounting techniques. Profit alignment involves reducing, or leveling, fluctuations in the size of profits over time so that reported earnings are never too high or too low (Ozili, 2017).
RESULTS AND DISCUSSIONS

✓ Loose Accounting Rules During a Pandemic:

Accounting rules that loosen or give managers more flexibility in financial reporting, may be needed to avoid problems with corporate bankruptcy and poor performance during pandemics. But loose accounting rules during pandemics also lead to manipulation of accounting figures that can ultimately decrease the reliability of accounting information during a pandemic.
The research discusses some of the accounting practices that can be used by banks during pandemics. Some accounting recording methods used mostly use accrual-based recording where income is considered more profitable in profit management. Accounting valuation methods that are often used are the Fair Value Method, Market Valuation, AThe research loss, Profit Alignment, and Big Bath Accounting are some of the methods that can help banks hide poor performance, or realize a worse financial position than they are. It concludes that a company's accounting policies greatly affect the extent to which their business is affected by recessions and exceptional circumstances such as 2020. In addition, accounting can help companies to survive, or be the cause of the decay of a banking company. Overall, the discussion of this study suggests that some accounting techniques could be used to mitigate the negative impact of pandemics on a company's financial statements. Some of the techniques that can be used by companies during pandemics include fair value accounting, profit alignment, loss avoidance, and big-bath profit management. The implication is that accounting can play an important role in reducing the impact of pandemics on a company's performance. Accounting methods can be blamed for failing to help reduce the negative effects of pandemics on a company's financial performance when managers are not allowed to use significant accounting discretion to mitigate the negative effects of pandemics on their balance sheets. As pandemics get worse, more fundamental questions will be questioned about the contribution of accounting to society in particular in reducing the negative impact of crises or pandemics on companies. Accounting methods can be blamed for failing to help reduce the negative effects of pandemics on a company's financial performance when managers are not allowed to use significant accounting discretion to mitigate the negative effects of pandemics on their balance sheets. As pandemics get worse, more fundamental questions will be questioned about the contribution of accounting to society in particular in reducing the negative impact of crises or pandemics on companies. Finally, the severity of the coronavirus pandemic (COVID-19) and its social impact demands a reassessment of all areas of accounting research and its relevance to the improvement of society in difficult times. Future research is expected to empirically investigate the effect of accounting behavior on companies during pandemics.
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