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ABSTRACT: Covid-19 has an impact on the decline in firms' performance. Several previous studies have found that companies strive to sustain performance through earnings management practices. Earnings management that can be performed in a company includes accrued earnings management and real earnings management. Previous studies have only focused on the differences in earnings management during the pandemic using accrual earnings management. So that in this study, apart from using accrual earnings management, it also adds real earnings management. This study aims to offer empirical insight into variations in earnings management during the Covid-19 period. This duration is divided into three distinct phases: pre, during, and post-Covid. Focusing on the 2017-2022 timeframe, this study specifically examines companies in the hotels and tourism subsector. The hypothesis was tested with a paired sample t-test. The findings showed no disparity in accruals earnings management in the pre, during, and post-Covid periods. However, the analysis showed significant differences in abnormal real earnings management related to production and discretionary factors before, during, and after the Covid-19 outbreak. Notably, abnormal real earnings management in production remains consistent before and after, as well as during and after the pandemic. In addition, discretionary abnormal real earnings management shows no difference before and during Covid-19 or during and after the pandemic. The practical implication is that post-Covid-19 pandemic firms actually carry out higher real earnings management as an effort to maintain or as a result of the decline in firms' performance during the Covid-19 pandemic.

Keywords: Accrual Earnings Management, Real Earnings Management, Covid-19 Pandemic.

INTRODUCTION

The global impact of the Covid-19 pandemic, coupled with the ensuing economic downturn, presents a significant challenge to businesses worldwide, threatening the very existence of many enterprises (Barai & Dhar, 2021). Since late 2019, the outbreak of Covid-19 has instilled fear and
The Covid-19 outbreak is significantly reshaping business operations, based on current assessments. Recent research primarily explores how market dynamics influence practical challenges faced by businesses. For instance, (Hassan et al., 2020) observed that Covid-19-related shocks led to abrupt disruptions in supply chains and a decreased demand for most enterprises. Businesses are confronted with considerable uncertainty regarding their sustainability and growth prospects. Especially concerning supply, sudden public health crises make it challenging to maintain the regular flow of production elements like labor and raw materials (Ma et al., 2019). Consequently, these challenges rapidly propagate throughout the supply chain, affecting numerous businesses from upstream to downstream. Many companies face the risk of capital chain disruptions due to supply chain issues, which hampers their ability to sustain production (De Vito & Gómez, 2020).

One of the industries most affected by the epidemic is the tourism industry. The Indonesian government imposed social restrictions during the epidemic, which led to fewer tourists visiting the country and the closure of several businesses including hotels and restaurants (Wijay & Darmanto, 2023). The Covid-19 outbreak has significantly impacted global demand, leading to substantial negative effects on employment and consumption due to lockdowns and restrictions (Baker et al., 2020; Baldwin & Weder, 2020). This situation has greatly affected the need for investments, causing interruptions in industrial and infrastructure projects (Dai et al., 2021). The reduced demand for goods and services has emerged as a critical issue for businesses during the pandemic, significantly undermining their profitability (Carletti et al., 2020). This decline in profits has led to liquidity shortages, complicating loan repayments and elevating financing needs (Park & Shin, 2021).

To sustain operations amid the Covid-19 crisis, companies must devise strategies, including efforts to maintain profitability. Notably, earnings management practices, as suggested by (Sulistyanto 2018, n.d.), have been employed during this period. Previous empirical studies, such as (Lizińska & Czapiewski, 2023), demonstrate that management has become more aggressive in utilizing accrual and real earnings management policies in preparing financial statements. This has led to notable differences in discretionary accruals and real earnings management during the Covid-19 pandemic compared to the pre-pandemic period, resulting in diminished financial statement reliability (Lassoued & Khanchel, 2021b).

Several studies have delved into earnings management practices, including (Al-Begali & Phua, 2023; Garfatta et al., 2023; Liu & Sun, 2022; Rahman et al., 2023; Silva Flores et al., 2023). The findings reveal various patterns, such as larger reported losses, increased discretionary accruals, and alterations in real earnings management practices during the pandemic. For instance, (Liu &

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Sun (2022) highlighted increased loss reporting during 2019 and 2020, while Silva Flores et al. (2023) observed higher discretionary accruals in Brazilian companies amid the pandemic. Garfatta et al. (2023) identified income-decreasing real earnings management patterns during the Covid-19 period. Rahman et al. (2023) showcased increased real earnings management in family-owned Chinese companies during the pandemic. Additionally, Al-Begali & Phua (2023) discovered limitations in accrual discretion but a positive association with real earnings management in Jordanian firms during Covid-19.

Studies in Indonesia have also scrutinized earnings management during the pandemic. Firmansyah & Ardiansyah (2020) found no differences in accrual and real earnings management levels between the pandemic and pre-pandemic periods. Prihatni et al. (2023) examined real earnings management in specific sectors, revealing differences in certain proxies but not others between companies. Pernamasari & Tanjung (2023) noted differences in abnormal discretionary expenses before and during the Covid-19 pandemic, suggesting a preference for real earnings management over accrual-based methods. Previous research by Suranta et al. (2010, 2014) highlighted the stronger tendency for earnings management behavior during crises, emphasizing the influence of agency theory on management practices during turbulent periods.

This study replicates and extends the work of Angelina & Lindrawati (2022) by including real earnings management variables. It identifies a significant disparity in accrual earnings management before and after the Covid-19 pandemic. This approach aligns with Zhu et al. (2022) suggestion to measure real earnings management using three proxies: The abnormal operating cash flow (ABNCFO), abnormal production cost (ABNPROD) and abnormal discretionary expense (ABNDISEXP). These include advertising, research and development, selling, general and administrative expenses. It is used as three aspects to measure actual earnings management. Next, he created the REM index to measure real earnings management. From research conducted by Angelina & Lindrawati (2022), the formulation of the problem in this study is whether there are differences in accrual earnings management before, during and after the Covid-19 pandemic and whether there are differences in real earnings management before, during and after the Covid-19 pandemic.

Agency theory

Jensen & Meckling (1976) agency theory highlights inherent conflicts known as agency problems between capital owners (principals) and managers (agents), stemming from differing interests. These disparities often result in managerial misconduct. Agency problems arise when the owner of the company is unable to implement a direct supervision mechanism over the actions taken by managers in managing the company. This can cause managers to act opportunistically, which has the potential to harm company owners (Husaini et al., 2021).

The second agency issue pertains to managers, being internal members of the company, possessing more comprehensive insights and future prospects compared to external capital owners and stakeholders. This information asymmetry between managers and owners often leads to conflicts, as highlighted by Angelina & Lindrawati (2022). This disparity in information encourages agents to potentially misrepresent or manipulate information, particularly when it influences the
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assessment of their performance. This dynamic urges agents to strategize on utilizing accounting figures to optimize their gains, commonly known as earnings management (Amaliah, 2009).

Earnings Management

As per (Scott, 2015), earnings management denotes the managerial practice of manipulating financial reports to optimize personal or corporate advantages through accounting policies. This approach represents an opportunistic strategy employed by management to enhance their benefit and well-being while fulfilling contractual obligations with the principal. In the research of (Healy & Wahlen, 1999), earnings management is the practice of misleading multiple stakeholders, which occurs when managers change or manipulate accounting numbers reported in financial statements during financial reporting and transaction preparation. Earnings management is negative since it covers the genuine data almost the company's execution. By giving insufficient and wrong information, profit control can unfavorably influence asset assignment, as speculators may provide funds to less creditworthy companies (Trung et al., 2020). Adequate company information owned by managers is utilized so that earnings management actions can be carried out (Henny, 2019).

According to agency theory, management performs earnings management opportunistically by prioritizing its own interests and ignoring the interests of other stakeholders (Liu & Sun, 2022). Earnings management refers to the deliberate alteration of accounting entries and financial data within financial statements to mislead users, as noted by (Healy & Wahlen, 1999). This practice, from the perspective of financial reporting, allows managers to steer clear of losses or deviations from analysts' profit projections, aiming to sidestep damage to corporate reputation, failure to meet investor expectations, and adverse reactions in stock prices, as highlighted by (Sekaranti & Juliarto, 2022). Earnings management can be executed through various methods. (Scott, 2015) identifies strategies employed by managers such as taking a big bath, minimizing income, maximizing income, and income smoothing, which are applicable to both accrual earnings management and real earnings management. The assessment of earnings management can be conducted using diverse empirical models including the Aggregate Accruals model, the Specific Accruals model, and the Distribution of Earnings approach, as outlined by (Sulistyanto, 2018, n.d.).

Accrual Earnings Management

One method employed for earnings management involves utilizing the accrual method. Accruals signify the variance between a company's generated net cash flow from operational outcomes and the reported profit in its income statement, encompassing discretionary and non-discretionary accruals (Asni & Mayasari, 2018). Accrual earnings management denotes the alteration of accounting techniques or the strategic utilization of estimations to boost profits (Nagar & Sen, 2016). This practice of accrual earnings management is evident when managers manipulate accrued earnings, which aren't linked to cash flow. This manipulation technique itself is the result of the application of the accrual accounting system. Accrual accounting basically requires estimation and judgment, which gives managers the freedom to determine and set accounting policies. This freedom also allows managers to embellish financial statements and manage income (Lisnawati & Sebrina, 2019).

Real Earnings Management

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(Roychowdhury, 2006) defines real earnings management (REM) as a manipulation of a company's operational activities, measured by a deviation from its standard operational practices. This form of management involves altering daily activities within a company during an accounting period. REM is typically motivated by timing, allowing for manipulation at any point during the accounting period to achieve specific goals such as meeting profit targets, averting losses, and aligning with analysts' projections (Zurriah & Sembiring, 2020). According to (Sulistiawan et al., 2011), earnings management through real activities involves manipulating earnings figures via actions arising from normal or operational business activities. For instance, tactics might include delaying product promotions or hastening sales through significant discounts. (Ratmono, 2010) elaborates that real earnings management practices may utilize three techniques: sales manipulation, excessive production, and discretionary expense reduction. Companies suspected of engaging in these activities typically exhibit higher abnormal cash flow operations (CFO) and abnormal production costs compared to others, alongside lower abnormal discretionary expenses (Ningsih, 2017).

Hypothesis Development

According to agency theory, managers might engage in earnings management for opportunistic reasons (Jensen & Meckling, 1976). This behavior becomes particularly significant during challenging periods for companies, such as crises or disasters (Lisboa & Kacharava, 2018). Specifically, during a pandemic or natural calamity, managers with moral hazard intentions possess substantial control to strategically alter financial statements in their favor, potentially risking these benefits in such circumstances. Earnings management typically takes two forms: accrual earnings management and real earnings management. (Badertscher, 2011) asserts that accrual earnings management involves modifying financial reporting by altering accumulated income or expenses. In contrast, real earnings management involves manipulating displayed earnings in financial statements, presenting an advantage over accruals due to its difficulty in detection by auditors or regulators.

Empirically, earnings management has been scrutinized in various crisis periods, including the Asian crisis in 1997 (Chia et al., 2007), the subprime crisis in 2007-2009, the oil crisis in 2014 (Bugshan et al., 2022; Kjærland et al., 2020) and most recently, the 2020 Covid-19 pandemic (Ali et al., 2021; Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021a; Yan et al., 2022).

For instance, (Ali et al., 2021) investigated the impact of the Covid-19 pandemic and investor protection on developing countries, finding reduced earnings management during this period. Conversely, (Azizah, 2021) observed an increase in earnings management of manufacturing companies listed on the Indonesia Stock Exchange during the pandemic. Similarly, (Lassoued & Khanchel, 2021b) documented a considerable surge in earnings management practices among listed companies in Europe in 2020 due to the pandemic. (Aljughaiman et al., 2023; Yan et al., 2022) also noted heightened earnings management behaviors during the Covid-19 period.

In light of these observations, the following hypotheses are proposed:

H1: Differences exist in accrual earnings management before and during the Covid-19 pandemic.
H2: Differences exist in accrual earnings management before and after the Covid-19 pandemic.
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H3: Differences exist in accrual earnings management during and after the Covid-19 pandemic.
H4: Differences exist in real earnings management before, during, and after the Covid-19 pandemic.

METHOD
Research Type and Design
This study adopts a quantitative methodology involving descriptive secondary data analysis alongside descriptive statistical examinations and paired sample t-tests. Employing a quantitative approach, this research investigates the impact of the COVID-19 pandemic on corporate earnings management practices of companies operating in the hotels and tourism subsector and listed on the Indonesia Stock Exchange (IDX), with particular emphasis on accrued and real earnings during the research period from 2017 to 2022. This examination constitutes a Covid-19 pandemic event study aiming to discern variations in accrual and real earnings values before, during, and after the pandemic period.

Population and Sample
Within the hotels and restaurant sub-sector, 47 firms were included in the investigation. The research sample comprised 17 businesses that were listed on the Indonesia Stock Exchange (IDX) and were monitored over a period of six years, from 2017 to 2022. Purposive sampling was the sample technique used, and it was determined by the following criteria: (1) Hotels and tourism subsector companies recorded on the Indonesia Stock Trade from 2017 to 2022; (2) Companies that recorded yearly monetary reports in Indonesian Rupiah (Rp) on a regular basis between December 31, 2017, and December 31, 2022; and (3) Companies that provided extensive data for the evaluation of accrual management and real earnings management between December 31, 2017, and December 31, 2022.

Definition of Operations and Variable Measurement

<table>
<thead>
<tr>
<th>Variable Dependence</th>
<th>Measurement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period before, during and after</td>
<td>Period before, during and after covid 19</td>
<td>(Angelina &amp; Lindrawati, 2022; Firmansyah &amp; Ardiaynsyah, 2022)</td>
</tr>
</tbody>
</table>

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Variable Independe
a. \( \text{TACit} = \text{Niit} - \text{CFOit} \) (Midiasuety al., 2020)

b. \( \frac{\text{TACit}}{\text{TAit} - 1} = \beta_1 \left[ \frac{1}{\text{TAit} - 1} \right] + \beta_2 \frac{\Delta \text{Salesit}}{\text{TAit} - 1} + \beta_3 \frac{\text{PPEit}}{\text{TAit} - 1} \)

c. \( \frac{\text{NDACit}}{\text{TAit} - 1} = \beta_1 \left[ \frac{1}{\text{TAit} - 1} \right] + \beta_2 \frac{\Delta \text{Salesit} - \Delta \text{Recit}}{\text{TAit} - 1} + \beta_3 \frac{\text{PPEit}}{\text{TAit} - 1} \)

d. \( \frac{\text{DACit}}{\text{TAit} - 1} = \text{NDACit} \)

Real earnings manageme
\( \frac{\text{CFOit}}{\text{TAit} - 1} = k_1 \left[ \frac{1}{\text{TAit} - 1} \right] + k_2 \frac{\text{Salesit}}{\text{TAit} - 1} + k_3 \frac{\Delta \text{Salesit}}{\text{TAit} - 1} \) (Roychowdhury, 2006)

\( \frac{\text{PRODit}}{\text{TAit} - 1} = k_1 \left[ \frac{1}{\text{TAit} - 1} \right] + k_2 \frac{\text{Salesit}}{\text{TAit} - 1} + k_3 \frac{\Delta \text{Salesit}}{\text{TAit} - 1} + k_4 \frac{\Delta \text{Salesit} - 1}{\text{TAit} - 1} \)

\( \frac{\text{DISEXPit}}{\text{TAit} - 1} = k_1 \left[ \frac{1}{\text{TAit} - 1} \right] + k_2 \frac{\Delta \text{Salesit} - 1}{\text{TAit} - 1} \)

Data Collection Method

This study uses secondary data that was obtained from fully disclosed audited annual financial reports that were posted on the Indonesia Stock Exchange (IDX) between 2017 and 2022. The Indonesia Stock Exchange's official website (www.idx.co.id) and the individual firms' official websites served as the main sources of the data.
Data Analysis

The paired sample t-test and descriptive statistical analysis are the main analytical techniques used in this study to evaluate the impact of the Covid-19 epidemic on accrual and actual earnings values. Each variable is represented by the descriptive statistical analysis, and possible differences between accrued earnings management and real earnings management that is in abnormal cash flow operations (ABNCFO), abnormal production costs (ABNPROD), and abnormal discretionary expenses (ABNDISEXP) prior to, during, and following the Covid-19 pandemic are determined by means of the paired sample t-test.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics of research variables are presented in table 1 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC</td>
<td>102</td>
<td>-0.87</td>
<td>0.28</td>
<td>-0.0095</td>
<td>0.11429</td>
</tr>
<tr>
<td>ABNCFO</td>
<td>102</td>
<td>-0.55</td>
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<td>0.07367</td>
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<tr>
<td>ABNPROD</td>
<td>102</td>
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<td>0.54</td>
<td>0.0325</td>
<td>0.10188</td>
</tr>
<tr>
<td>ABNDISEXP</td>
<td>102</td>
<td>-0.20</td>
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<td>-0.0268</td>
<td>0.05796</td>
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<table>
<thead>
<tr>
<th>Before</th>
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<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
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<tbody>
<tr>
<td>DAC</td>
<td>34</td>
<td>-0.08</td>
<td>0.18</td>
<td>0.0070</td>
<td>0.04862</td>
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<tr>
<td>ABNCFO</td>
<td>34</td>
<td>-0.09</td>
<td>0.17</td>
<td>-0.0131</td>
<td>0.05095</td>
</tr>
<tr>
<td>ABNPROD</td>
<td>34</td>
<td>-0.14</td>
<td>0.23</td>
<td>0.0486</td>
<td>0.09135</td>
</tr>
<tr>
<td>ABNDISEXP</td>
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<td>-0.19</td>
<td>0.08</td>
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<td>0.06374</td>
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<table>
<thead>
<tr>
<th>During</th>
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<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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</thead>
<tbody>
<tr>
<td>DAC</td>
<td>34</td>
<td>-0.87</td>
<td>0.28</td>
<td>-0.0131</td>
<td>0.17122</td>
</tr>
<tr>
<td>ABNCFO</td>
<td>34</td>
<td>-0.06</td>
<td>0.06</td>
<td>0.0001</td>
<td>0.02738</td>
</tr>
<tr>
<td>ABNPROD</td>
<td>34</td>
<td>-0.13</td>
<td>0.20</td>
<td>0.0155</td>
<td>0.06243</td>
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<tr>
<td>ABNDISEXP</td>
<td>34</td>
<td>-0.21</td>
<td>0.06</td>
<td>-0.0406</td>
<td>0.06293</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>After</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC</td>
<td>34</td>
<td>-0.32</td>
<td>0.10</td>
<td>-0.0224</td>
<td>0.08849</td>
</tr>
</tbody>
</table>
Based on table 1, it can be explained as follows:

The descriptive statistics pertaining to the discretionary accrual (DAC) proxy, an indicator of accrual earnings management, showcase minimum values of -0.08, -0.87, and -0.32 respectively for the periods preceding, during, and following the Covid-19 pandemic. The negative figures in discretionary accrual (DAC) signify a trend among companies towards minimizing income or reducing income when engaging in accrual earnings management practices. The maximum value of discretionary accruals (DAC) before, during and after the Covid-19 pandemic is positive at 0.18, 0.28, 0.10. This illustrates that companies carry out accrual earnings management with income maximization/income increasing patterns. The average value of discretionary accrual (DAC) before covid 19 is positive 0.0070. The positive discretionary accrual (DAC) value illustrates that companies carry out earnings management with an income maximization/income increasing pattern. While during and after the Covid-19 pandemic is negative -0.0131, -0.0224. The negative value of discretionary accrual (DAC) illustrates that companies carry out earnings management with income minimization/income decreasing patterns.

The descriptive statistics for real earnings management variables, observed through the abnormal cash flow operations (ABNCFO) proxy, indicate a range of values across different periods before, during, and after the Covid-19 pandemic. The minimum values for these periods, -0.09, -0.06, and -0.55 respectively, depict that companies struggled to enhance profits by merely augmenting sales volume. Conversely, the maximum values of 0.17, 0.06, and 0.18 signify that companies engaged in earnings management practices during these periods by manipulating transactions to boost profit figures through increased sales volume facilitated by sales discounts. The average value during Covid-19 stands at a positive 0.001, suggesting similar strategies of profit augmentation via increased sales volume with discounts. However, the average values before and after the pandemic, at -0.0131 and -0.0168 respectively, illustrate an inability to amplify profits by increasing sales volume.

In terms of real earnings management variables using the abnormal production cost (ABNPROD) proxy, the descriptive statistics reveal a range of values before, during, and after the Covid-19 period. The minimum values, -0.14, -0.13, and -0.34 respectively, suggest that companies found it challenging to bolster profits through high-volume production methods. Conversely, the maximum values of 0.23, 0.20, and 0.54 indicate that companies engaged in real earnings management by manipulating production to increase profit figures by reducing production costs. The averages, 0.0486, 0.0155, and 0.0335, highlight the tendency of companies to manage earnings by minimizing production costs to augment reported profits.

The standard deviation value of discretionary accrual (DAC) for all observations is greater than the average value, as well as for the periods before, during and after. This illustrates that earnings management carried out by companies for all observations as well as before, during and after the covid period varies.
Regarding real earnings management variables using the abnormal discretionary expenses (ABNDISEXP) proxy, the descriptive statistics reveal a range of values before, during, and after the Covid-19 pandemic. The minimum values, -0.19, -0.21, and -0.17 respectively, suggest that companies encountered challenges in enhancing profits by curbing expenses. On the contrary, the maximum values of 0.08, 0.06, and 0.09 illustrate that companies managed earnings by reducing various costs like general administrative expenses and research development expenses to bolster profit figures. The averages, -0.0487, -0.0406, and -0.0247, indicate a tendency among companies to maintain or increase profit figures by not reducing expenses related to sales and research development. In the period after Covid-19, the standard deviation of real earnings management proxy abnormal discretionary expenses (ABNDISEXP) is smaller than the average, this illustrates that in the period after Covid-19 even during the Covid-19 pandemic, there are no significant variation differences in the real profit management practices implemented by companies.

Hypothesis Testing

This research intends to present empirical findings pertaining to the variations in earnings management before, during, and after the COVID-19 outbreak. It examines both accrual and real earnings management using three metrics: Abnormal Cash Flow Operations (ABNCFO), Abnormal Production Costs (ABNPROD), and Abnormal Discretionary Expenses (ABNDISEXP) To do. All hypotheses underwent examination using the Paired Sample t-test. The diverse outcomes of these tests are outlined in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>t</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC_BEFORE -</td>
<td>0.02013</td>
<td>0.581</td>
<td>0.565</td>
</tr>
<tr>
<td>DAC_DURING</td>
<td></td>
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<tr>
<td>DAC_BEFORE -</td>
<td>0.02940</td>
<td>1.606</td>
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</tr>
<tr>
<td>DAC_AFTER</td>
<td></td>
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</tr>
<tr>
<td>DAC_DURING -</td>
<td>0.00927</td>
<td>0.304</td>
<td>0.763</td>
</tr>
<tr>
<td>DAC_AFTER</td>
<td></td>
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<tr>
<td>ABNCFO_BEFORE</td>
<td>-0.01316</td>
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<td>ABNCFO_DURING</td>
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<td>ABNCFO_BEFORE</td>
<td>0.00376</td>
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<tr>
<td>ABNCFO_DURING</td>
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<td>ABNPROD_BEFORE</td>
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<td>0.01514</td>
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</tbody>
</table>
The purpose of this study is to examine deviations in the management of accrual and real revenues before, during, and after the COVID-19 outbreak. The paired sample t-tests were applied to test these hypotheses, and the results are outlined below:

Hypothesis 1: Variations in Accrual Earnings Management Before and During the Covid-19 Pandemic

The first hypothesis aimed to establish disparities in accrual earnings management pre and during the Covid-19 period. However, the paired sample t-test indicated no substantial difference between earnings management practices before and during Covid-19. This outcome contradicts several studies (Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021b; Pernamasari & Tanjung, 2023; Rahman et al., 2023; Silva Flores et al., 2023; Yan et al., 2022) and aligns with others (Al-Begali & Phua, 2023; Firmansyah & Ardiansyah, 2020; Garfatta et al., 2023).

Hypothesis 2: Differences in Accrual Earnings Management Before and After the Covid-19 Pandemic

This hypothesis aimed to demonstrate discrepancies in accrual earnings management before and after the Covid-19 outbreak. However, the paired sample t-test revealed no substantial difference in earnings management between these periods. Similarly, this outcome contradicts previous studies (Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021b; Pernamasari & Tanjung, 2023; Rahman et al., 2023; Silva Flores et al., 2023; Yan et al., 2022) and concurs with others (Al-Begali & Phua, 2023; Firmansyah & Ardiansyah, 2020; Garfatta et al., 2023).

Hypothesis 3: Disparities in Accrual Earnings Management During and After the Covid-19 Pandemic

The third hypothesis aimed to identify differences in accrual earnings management during and after Covid-19. However, the analysis found no significant variance between earnings management practices during and after the Covid-19 pandemic. This result contrasts with several studies (Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021b; Pernamasari & Tanjung, 2023; Rahman et al., 2023; Silva Flores et al., 2023; Yan et al., 2022) and aligns with others (Al-Begali & Phua, 2023; Firmansyah & Ardiansyah, 2020; Garfatta et al., 2023).

Hypothesis 4: Variations in Real Earnings Management Before, During, and After Covid-19

This hypothesis aimed to highlight differences in real earnings management before, during, and after the Covid-19 outbreak. The analysis revealed significant disparities in real earnings management concerning abnormal production (ABNPROD) during and before the Covid-19 pandemic, as well as abnormal discretionary expenses (ABNDISEXP) before and after the Covid-19 period. This result supports the findings of some studies (Al-Begali & Phua, 2023; Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021b; Pernamasari & Tanjung, 2023; Rahman et al., 2023; Silva Flores et al., 2023; Yan et al., 2022).
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et al., 2023; Yan et al., 2022) and contrasts with others (Firmansyah & Ardiansyah, 2020; Garfatta et al., 2023; Prihatni et al., 2023).

Moreover, the study found no significant differences in real earnings management practices concerning abnormal cash flow operations (ABNCFO) before, during, and after the Covid-19 pandemic. This outcome aligns with certain research (Firmansyah & Ardiansyah, 2020; Garfatta et al., 2023; Prihatni et al., 2023) and contradicts others (Al-Begali & Phua, 2023; Aljughaiman et al., 2023; Azizah, 2021; Lassoued & Khanchel, 2021b; Pernamasari & Tanjung, 2023; Rahman et al., 2023; Yan et al., 2022).

CONCLUSION

This research aimed to delineate differences in accrual earnings management pre, during, and post the Covid-19 pandemic, alongside real earnings management within the same time frames. Results suggest no variance in accrual earnings management across these periods. During the pandemic, companies demonstrated accrual earnings management with a pattern emphasizing income minimization, contrasting with the pre-pandemic period, where the focus was on income maximization. Amid the pandemic, companies tended to report immediate losses through income minimization to mitigate their impact in subsequent periods. Post-pandemic, the accrual earnings management aimed to bolster reported profits, following an income maximization pattern. Contrarily, substantial disparities in real earnings management were observed in abnormal production (ABNPROD) before and during the pandemic, and abnormal discretionary (ABNDISEXP) before and after the Covid-19 period. These practices involved reducing production costs and cutting selling and research development expenses. However, no significant differences were found in abnormal cash flow operations (ABNCFO) regarding the periods before, during, and after Covid-19. Additionally, there were no differences in abnormal real earnings management in production (ABNPROD) before and after, and during and after, nor in abnormal discretionary real earnings management (ABNDISEXP) before and during, and during and after the Covid-19 pandemic.

Theoretical implications for earnings management during the pandemic highlights the decrease in profit figures, indicating information asymmetry. This suggests deliberate reduction in profit figures during the pandemic to minimize future repercussions, illustrating an information asymmetry scenario. The practical implications of this study are as follows companies after the Covid-19 pandemic actually carry out higher real earnings management as an effort to maintain or as a result of a decline in companies performance during the Covid-19 pandemic.

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