Research article

Accounting and Profit Management Records in Banking Companies During the COVID-19 Pandemic

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Abstract.
A company's management team is responsible for measuring its financial performance and assessing the operational needs for utilizing the company resources based on its ability to generate profits. The ongoing COVID-19 pandemic made it imperative for the banking sector to implement effective profit management strategies so that their financial position remains stable, considering that there are several government policies regarding the other types of funds. This study intended to examine the accounting and profit management practices applied by the banking sector companies in Indonesia during the COVID-19 pandemic. Using a qualitative descriptive method, the researchers extracted data from the online Indonesia Stock Exchange (IDX). A sample of 13 banking companies was selected. Data analysis was done using narrative study techniques based on theoretical assumptions by analyzing existing documents. The majority of banks studied in this research applied accrual-based accounting records because of their relationship to income recognition. Profit management was implemented to maintain financial performance and tax savings.

Keywords: accounting record-keeping, profit management

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1. INTRODUCTION

The transmission of the 2019 corona virus disease or the whole world called it covid 19 first occurred and was detected in China on December 31, 219 to be precise in the city of Wuhan, Covid 19 was said to be a pandemic by the WHO in 2020 on March 11, more than 53,281,350 in the year 2020 on November 14, this case has been reported and 219 even more countries and regions around the world. The existence of this has made the government in Indonesia decide that the COVID-19 pandemic is a national disaster on Saturday, March 14, 2020. 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 impact of the economic sector due to the Covid-19 pandemic is reflected in income and sustainability in employment. There are workers on April 20, 2020, according to the Ministry's data, there are 2,084,538 workers in 116,370 companies that have been laid off. In August 2020 BPS reported that economic growth in Indonesia in the second quarter of 2020 experienced minus 5.32%. If previously it was reported that the growth in the economy in Indonesia was only around 2.97% which grew, this shows that there was a significant decline from growth of 5.02% in the same period in 2019 ago. 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 (GWM) 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 someone who wants the state and capabilities of the company. Managers make certain decisions in financial statements to exert influence on stakeholders with contract results to keep investing

in the company. How are accounting recording methods and earnings management practices applied by banking sector companies during the Covid-19 pandemic? The researchers tried to conduct a study in this study, the hope of the purpose of this research is that bank managers are expected to take the initiative to use accounting practices in increasing financial capacity. to the company during the covid 19 pandemic.

2. LITERATURE

2.1. Agency theory

Supriyono, (2018) Agency theory is a relationship that occurs between the agent and the principal is where the principal is the party who gives orders or directions in the form of orders to the agent (management) for how the agent performs its duties, how to run and manage the company and also how to delegate decision making to the agent [1]. Hamdani, (2016) Agency theory discusses the contract relationship between agents (management) and principle (shareholders) and their problems [2]. Principle as a capital supplier gives confidence to the agent to manage the assets he has and the agent must report the development of the asset to the principal periodically. This relationship is governed by a contract called an agency contract (Jensen and Meckling, 1976) [3]. However, in the course of the relationship that is expected to run well turned out to cause conflict so that it is needed to bridge between agents and principals, namely auditors. This agency theory helps the manager in providing detailed and relevant information to the pertinent shareholders about the conditions in the company, both the financial condition and business operations from company. Availability of news on financial reporting is provided reliably, relevantly, and promptly until the basis for policy making can be used process by shareholders regarding investment decisions. In addition to being useful for shareholders, financial statement information is also important for the auditor. The auditor understands the problems of interest that occur between the principal and the agent. Conflicts of interest can occur for a variety of reasons, such as information asymmetry. Information asymmetry is defined as an information imbalance due to unequal distribution of information between agents and principals. According to Scott (2015) that the existence of positions, background functions of principals, agents and interests that are opposite or different but require each other, inevitably in practice will cause opposition by attracting interests and influences between each other [4]. Agency theory seeks to answer the problem of agency that occurs because parties who work together have different goals. The emergence of interest by an independent

third party in providing or checking trust regarding financial reporting by management or so-called auditors is due to information about asymmetry. Part of the audit, which is the purpose of assurance, is to reduce the acquisition of information asymmetry that is taking place between the principal and management. Therefore, the placement of principals requires a mechanism by which the auditor is employed as an independent person in conducting the auditing process on financial reporting, it is hoped that the quality of financial reporting can increase which will later be able to make shareholders' confidence in financial reporting (Ittonen, 2010) [5]. With an independent auditor, it is expected that there will be no more fraud in financial statements made by management. So that financial statements will produce relevant information and be useful for investors and creditors.

2.2. Profit Management

Profit management or commonly referred to as earnings management is an action taken by managers to increase or decrease profits that will be reported into the financial statements. The financial statements will be shown to stakeholders or parties who have certain interests in the company. The process of raising or decreasing profits is not done carelessly but is done by accounting principles. Profit management is usually used as an effort by the company to influence or interfere with information on financial statements to trick stakeholders or people who wish to know the company's capabilities and circumstances. Managers make certain decisions in financial statements to trick stakeholders or to influence the outcome of contracts that use the numbers in financial statements. The term intervention is used because some parties consider profit management to be cheating but some consider it not as cheating. It is not considered cheating because it is still done by managers in accounting procedures and methods that are still acceptable and generally recognized. Healy and Wahlen (1999: 369) Profit management as management efforts in using its considerations in compiling financial statements, to mislead stakeholders in assessing the company's performance or can affect revenues that have been determined based on financial statement figures [6]. While the definition of profit management According to Scott (2000: 351) is the selection of accounting policies from several accounting policy alternatives available in existing standards that

can maximize the market value of the company [7]. According to Scott (2003: 377), some of the factors that drive individuals or business entities to do profit management are [8]:

1. Bonus Motivation To motivate managers to be able to work optimally in managing the company, usually shareholders promise bonuses when the company's performance achieves planned results. One way to measure the performance of managers is to look at the amount of profit that the company managed to earn in a certain accounting period. The greater the profit that the company managed to earn, the maximum acceptance of the bonus will be obtained.
2. Debt Motivation For the interests of the company's expansion needs relatively large amounts of funding, this funding needs in addition to obtained from their capital can also be met from outside parties of the company, namely creditors. To attract creditors to invest their funds in the company, managers sometimes beautify the company's financial statements so that the capability of a company looks good and becomes an attraction for investors.
3. Tax Motivation The existence of management actions to minimize the amount of taxes that must be paid by the company is one of the factors that motivate management to do profit management. Management uses tax accounting policies to present profits that are lower than the actual profits earned by the company.
4. Motivation Initial Public Offering (IPO) Profit management is also often done by companies that will conduct their initial stock offerings to the public. Efforts to beautify financial statements aim to make the company's financial performance look good so that it attracts potential investors to invest funds by buying shares of the company.
5. Motivation for The Change of Directors sometimes motivates the conduct of profit management by the company's management. With the company's performance that looks good, then at the end of the board of directors' performance will also still look good in the eyes of shareholders.
6. Political motivation
7. In companies with strategic business fields and related to the needs of the wider community such as electricity, gas, fuel, the government provides subsidies so that the company can carry out its operations well and can provide the needs of the community at an affordable price. Sometimes government subsidies motivate management's creative actions to maintain financial performance in certain positions so that subsidies can be maintained.
8. Political Motivation In companies with strategic business fields and related to the needs of the wider community such as electricity, gas, fuel, the government

provides subsidies so that the company can carry out its operations properly and can provide the needs of the community at an affordable price. Sometimes government subsidies motivate management's creative actions to maintain financial performance in certain positions so that the provision of subsidies can be maintained.

2.3. Accounting Records

(Fahmi, 2018) The accounting record method is a system for implementing accounting practices. Methods in accounting records are known there are 2 (two) methods [9].

2.4. Cash base method

Cash Base is one of the most meaningful designs in accounting, where cash base recording is a style of recording the transaction period occurs where money is obtained or issued. Sis cash is accounting that trusts the effects of transactions and other events when cash or cash equivalents are earned or given that are used for the receipt of income, expenditure, and financing. The cash base will generally record all activities but if the payment funds have not been obtained then the recording of the transaction is not done and if the cash has been obtained then the transaction will be recorded.

2.5. Accrual base method

The accrual basis has a different function with the recording of the cash base, where the transaction can be recorded because the transaction has a relationship of money in or out in the future or the future. Transactions on an accrual basis are recorded at the time of the transaction even though money has not been earned or issued. In other words, an accrual basis is an accounting base that recognizes the influence of transactions and other events at the time of the transaction and the event occurs without regard to when cash or cash equivalents are received or paid.

Laeven *et al*, (2014) shows If the balance sheet reporting to the bank during the overall financial crisis is an irrelevant representation of a healthy bank's finances [10]. There are observations when banks overestimate their capital ratios and fixed assets during the mortgage crisis in the US. Another thing about sustainable assets in the presence of real estate can be rated very highly on balance sheets in banks, the most important of which is market banking, while large exposures with banks to mortgage-backed securities

have less provision for loss- making loans or banks that have problems in borrowing money. the use of accounting policies on the classification of mortgage-backed securities in inflated financial reporting held. Arnold, (2009) shows that accounting practices are more involved in global financial crises as well as opinions on recapitalizing financial

institutions for the restoration of global financial system stability [11], (Ozili & Arun, 2018) which proves that the system at banks manipulates the provision of estimated loan losses in ease profits during a recession.[12]

3. RESEARCH METHODS

Descriptive qualitative research is the type of this research. This research method is a method based on the philosophy of postpositivism where the assessment of the conditions of use in the object, in which the researcher is the main instrument, trigulation data collection and inductive data analysis and the results in qualitative research explain more than generalization. Moleong (2007: 6) states that qualitative research is research with the aim of knowing what is happening or is being experienced by an object in the study. The purpose of qualitative descriptive research is to reflect and answer in a gamble about the phenomenon to be researched by understanding an event [13].

Humans are the result of writing in the form of sentences or statements that correspond to the actual circumstances and are research instruments, this is explained in qualitative research. Qualitative descriptive method used in this study to find out the accounting recording practices used by banking Indonesia during the the Covid-19 pandemic compared with previous studies that was used in Indonesia. The same is an event that has an impact on the condition of financial instability of the company. Secondary data used in this study. Data analysis that is carried out using narrative study techniques based on theoretical assumptions by analyzing existing documents, namely company financial statements on the IDX at http://www.idx.co.id. With 13 companies used in the research sample in 2020.

4. RESULTS AND DISCUSSIONS

Banks will reduce their participation in economic activities that require communication between people while the Covid-19 pandemic is still ongoing, especially if Covid-19 continues to spread the virus. Uncertainty and fear cause financial markets to become unbalanced, this is because investors avoid risk and tend to decide to invest in what they think is safe. Capital becomes a problem for a company, supply is affected due

Table 1: List of companies used as research samples.

No	Code	Emiten Name	The IPO
1)	BMRI	Bank Mandiri (Persero) Tbk	14/07/2003
2)	MEGA	Bank Mega Tbk	17/04/2000
3)	SDRA	Bank Woori Saudara Indonesia 1906 Tbk	15/12/2006
4)	BBTN	Bank Tabungan Negara (Persero) Tbk	17/12/2009
5)	BBYB	Bank Yudha Bhakti Tbk	13/01/2015
6)	NISP	Bank OCBC NISP Tbk	20/10/1994
7)	BJBR	Bank Pembangunan Daerah Jawa Barat Tbk	08/07/2010
8)	BBCA	Bank Central Asia Tbk	31/05/2000
9)	BNGA	Bank CIMB Niaga Tbk	29/11/1989
10)	BNII	Bank Maybank Indonesia Tbk	21/11/1989
11)	BBNI	Bank Negara Indonesia (Persero) Tbk	25/11/1996
12)	BDMN	Bank Danamon Indonesia Tbk	06/12/1989
13)	BBRI	Bank Rakyat Indonesia (Persero) Tbk	10/11/2003

Source: www.idx.go.id *(processed data)*

to decreased production, a decrease in private equity investment, profits will decrease and operational financing will increase which causes the company's capabilities to be not good. In a pandemic condition in reducing the unfavorable impact on the company's capabilities, companies can use accounting techniques to perform financial reporting.

1. Fair Value Financial Reporting

Fair value financial reporting, reporting debt on the balance sheet refers to the convention of recording debt and asset value at prices where transactions occur between market participants. Changes in recording fair value in the financial statements of profit and loss on the type income and expenses. Another method of valuation is market value, which relies on the valuation of assets and liabilities concerning their contemporary market value. Companies that have large debts during the pandemic or large amounts of securities liability may have an incentive to reassess their liabilities at current market price using fair value or the closest substitute that reduces the total payable and the total debt to the company. This works if the debt contract is accomp anied by the option of calculating fair value. Fair value accounting in the past was related to the existence of a financial crisis. Subsequent research proves that fair value in accounting contributed to the existence of a financial crisis in 2008 even though it was not a direct cause. It was obtained by several experts stating the recognition that fair value in accounting contributed to the existence of a financial crisis (Laux, & Leuz, 2010) [14], obtained another statement if fair value in accounting was a financial crisis that was used as a

scapegoat (Veron, 2008) [15]. Although the effect of fair value on accounting on the pandemic has not been known empirically,it is possible to suspect that if the debtor or creditor

benefits, it will be disadvantaged during the pandemic when the valuation of assets and debts is calculated based on market prices.

1. 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) [16], 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. This will reduce assets and profits in the current year for the company but will allow them to make their future results look better. A government that provides the stimulus and a bailout package for a depressed industry, will most likely point to the use of Big Bath's deep accounting in an attempt to hide the company's surplus assets and revenues. These assets and incomes can be suspended for subsequent years when the country has recovered from the situation. Amid a global pandemic, where a company's financial statements are already poor, the use of Big Bath techniques can make a company's performance results look worse than they are. That would create room for a deferral of revenue for the next financial year, allowing the company to reduce costs, and increase its profits in the future.

1. Large Profit Alignment and Loss Avoidance Accounting

No bailouts or stimulus packages were obtained during the pandemic, banks will try to be competitive during the pandemic by using accounting techniques that can enable companies to inform balanced profits in a sign that the company does not perform poorly when compared to other competitive conditions during ongoing pandemic. An example of the use of accounting techniques used for this purpose is to use accounting techniques to avoid losses and income smoothing. Profit size fluctuations from time to time, reductions, smoothing are involved in income smoothing so that the reported profits have never been too big or too small (Ozili, 2017) [17]. The smooth running of a company can be carried out by the company by delaying financing for development and research (R&D) as well as by reducing labor wages during the year the pandemic occurs. In addition, companies may be involved in a number of practices in avoiding

losses by deferring substantial financing in the coming year or by recognizing future profits in the year of the pandemic in order to avoid reporting losses in the year of the pandemic. For example, delaying the purchase of software or hardware technology, machinery, equipment that can be carried out by the company in addition to delays in major purchases made on credit and recognition of future cash flows during the year during the pandemic.

1. Loose Accounting Rules During a Pandemic

The loosening of accounting rules, as well as managers who are given more flexibility in financial reporting, this may be necessary in avoiding problems related to bankruptcy in a company or poor performance during the pandemic. However, loosened regulations on accounting during the Pandemu period also led to fraudulent numbers in accounting which ultimately reduced the ability of news to accounting during the pandemic. Laux & Leuz, (2010) prove that loosened regulations on accounting, such as valuation of fair value rules lead to a decrease in the reliability of accounting information and fraud, this is due to the lack of transparency related to asset values. Although it is common for governments to put pressure on accounting standards that are made to ease accounting rules during a pandemic which is also the influence of most financial institutions, the answer to this argument is that accounting regulations cannot be eased during a pandemic, this is because companies can reasonably anticipate regulations on accounting (Laux & Leuz, 2010).

5. CLOSING

5.1. Conclusion

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. A more basic question when the pandemic is getting worse is the question related to accounting participation in society, especially in reducing the negative impact of a crisis in a company. The severity of the Covid-19 pandemic and its social impact puts pressure on a recalculation of the entire field of research in accounting and its relevance to improvement in society during difficult times. In the future, a study is expected to empirically prove the influence of behavior on accounting in a company during a pandemic.

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