

ABSTRACT

This study aims to analyze the effect of the covid-19 pandemic on financial distress and earnings management, through the mediating variable financial distress and the control variables leverage, liquidity and profitability. This research is a quantitative descriptive study using secondary data from the financial statements of all companies listed on the Indonesia Stock Exchange (IDX) from 2017-2022. The 2017 to 2019 financial statements are financial statements before the Covid-19 pandemic, while the 2020 to 2022 financial statements are financial statements during the Covid-19 pandemic. The sampling technique used is purposive sampling technique. The sample that met the criteria was 333 companies with six years of observation, so that the data obtained was ready to be processed is 998 datas. The data analysis technique used is panel data regression with the Eviews application program.

Findings show that the Covid-19 pandemic has no significant effect on financial distress. Likewise, the Covid-19 pandemic and financial distress have no significant effect on accrual earnings management and real earnings management of companies. This means that management does not use accounting methods to manipulate profits during the Covid-19 pandemic and when financial distress occurs. The research results can add to the research literature on earnings management during crisis conditions. This research has practical implications for stakeholders, especially investors as investment considerations during a pandemic or crisis caused by other causes. The government can make references to policy making during a pandemic by taking balanced steps between controlling the pandemic and maintaining the business climate.

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