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## Article

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## Financial Reporting Quality during the Covid-19 Pandemic: Evidence from Transportation Sector and Tourism/Recreation Industry in Indonesia

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### ABSTRACT

**Purpose:** The purpose of this research is to analyze the financial reporting quality during the Covid-19 pandemic. This study is focused on transportation sector companies, which comprised of the passenger land transportation and airlines industries and the companies in tourism and recreation industry. This is important since these companies experienced a severe impact during the COVID-19 Pandemic.

**Design/methodology/approach:** To analyze the quality of financial reporting during the Covid-19 pandemic, this study occupies the parametric and non-parametric test of difference, namely t-test paired sample and Wilcoxon signed rank test to compare the financial reporting quality between the period prior and during the pandemic. The financial reporting quality is proxied by accrual earning management.

**Findings:** This research finds that the financial reporting quality of companies in passenger land transportation, airlines, tourism and recreation industries is significantly lower during the Covid-19 pandemic. Companies in these industries attempt to conceal their poor financial performance during the pandemic by opportunistically manage their earnings.

**Research limitations/implications:** This study highlights the importance of high-quality financial reporting to help investors to make better investment decisions. This study does not specifically examine the role of auditor in ensuring the high quality of financial reporting.

**Originality/value:** This study contributes by providing new empirical evidence about the financial reporting quality by investigating the impact of Covid-19 on accrual earnings management practices. To the best knowledge, this is the first study that explores the issue of financial reporting quality during the Covid-19 for passenger land transportation, airlines, tourism and recreation industries in Indonesia.

*Keywords: Covid-19 pandemic, Financial reporting quality, Discretionary accrual, Transportation sector, Tourism industry*

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## I. Introduction

The Covid-19 pandemic has caused the global economy to experience the deepest downturn since the second world war and has been considered as the greatest disaster of global health of the century (Naseer et al., 2023; WorldBank, 2020). Restrictions of activity and even lockdowns imposed during the pandemic have a negative impact on production, operations, sales and revenue, which resulted in the decline in company profits (Alsamhi, Al-Ofairi, Farhan, Al-ahdal, & Siddiqui, 2022; Hu & Zhang, 2021; Shen, Fu, Pan, Yu, & Chen, 2020).

In crisis situations during a pandemic, the quality of financial reporting becomes increasingly important and relevant. As organizations sustain revenue losses, prepare for recovery, and begin to embrace new business models, the correct disclosure of financial performance, changes in strategy, and management's perspectives become matters of concern (J. J. Tang, Karim, & Roy, 2023). Investors and other stakeholders need timely and transparent financial information that reveals information about the impact of the Covid-19 pandemic on the company's operational performance, financial position, liquidity and future prospects (IOSCO, 2020). The high quality of financial reporting will help stakeholders in making investment decisions or other business-related decisions. However, in a state of crisis during the Covid-19 pandemic, companies may manipulate financial statements to improve the appearance of their financial position.

Research on the quality of financial reporting in times of crisis, including during the Covid-19 pandemic, is not yet conclusive (Saha, 2022). Some previous studies concluded that in times of crisis, the quality of financial reporting will increase because companies want to increase trust by reducing information asymmetry (Arthur, Tang, & Lin, 2015; Azizah, 2021; Firmansyah & Ardiansyah, 2020). However, there are also studies that document the low quality of financial reporting during the Covid-19 pandemic due to increased earnings management practices carried out by companies (Angelina &

Lindrawati, 2022; Hsu & Yang, 2022). Other studies also highlight the inability of the auditors to detect irregularities in earning management practices that produce lower audit quality during restriction in the Covid-19 pandemic implying lower financial reporting quality (Chen, Chiang, & Voren, 2023; Gong, Ho, Jin, & Kanagaretnam, 2022)

This study, then, attempts to fill the gap by analyzing the financial reporting quality during the Covid-19 pandemic in Indonesia. This study aims to provide answer to the question of whether the Covid-19 pandemic affects the quality of financial reporting in Indonesia. This study specifically offers several distinct characteristics with other researches. First, this study analyzes the impact of the Covid-19 pandemic on financial reporting quality in a single country setting, i.e. in Indonesia. Isidro, Nanda and Wysocki (2020) argue that study in a single setting allows a thorough insight and offers opportunities to explore distinct dataset that are often unavailable for a large number of countries. Second, as the largest economy in South East Asia (WorldBank, 2020), the economic consequences of the Covid-19 pandemic in Indonesia are immense and therefore may amplify the pandemic impact on the quality of financial reporting. Based on a survey by the Ministry of Workforce, there were around 88% of companies experiencing operational losses due to the pandemic (2020). Third, as some industries will experience different impact of the Covid-19 Pandemic from others, this study focuses on the impact of the Covid-19 on financial reporting quality of companies in the Passenger Land Transportation, the Airlines and the tourism and recreation industry. Among industries that faced hardship during the pandemic, companies in transportation sector and tourism and recreation industry are those that are most affected (Hamsal, Abdinagoro, Zulkarnain, Leonandri, & Ichsan, 2022; Jang, 2021; Suastini, Ni, Sihoming, & Wirautama, 2022).

The transportation sector, which consists of the Passenger Land Transportation and Airlines industry, is one of the sectors that experienced severe impact of the pandemic, causing revenue and profit decline

in companies, and some of the companies have even experienced huge losses (Aldin, 2021; He, Sun, Zhang, & Li, 2020; Puspa, 2021). Beside the transportation sector, companies in tourism and recreation industry were also severely affected by the Covid-19 pandemic and had to operate in survival mode rather than making profit (Hamsal et al., 2022). The hotel sector losses amounted to IDR 30 trillion and restaurants IDR 40 trillion due to a significant reduction on the hotel room occupancy rate (Alsamhi et al., 2022; Amalia, Sulasno, & Sinaga, 2021; Deli, Sambodo, Suganda, & Pramana, 2022; Wahyudi, 2020). The uncertainties and disruption faced by companies in Passenger Land Transportation, the Airlines and the tourism and recreation industry during the Covid-19 Pandemic, affected data collection, estimation, revenue recognition, disclosure processes and even increased the risk of restatements (Crowe, 2020; Posner, 2021); and hence affecting the financial reporting quality. Therefore, studying the impact of the Covid-19 pandemic on the financial reporting quality of these companies is relevant and significant.

Results from this research is expected to contribute as being the first study that provide new empirical evidence related to financial reporting quality that investigates the impact of Covid-19 on accrual earnings management practices on companies in transportation sector and tourism and recreation industry. The findings from this study indicate a reduction in the quality of financial reporting of companies in Passenger Land Transportation, Airlines, Tourism and Recreation industries during the Covid-19 pandemic, despite the fact that as listed companies, their financial reports have been audited by external auditors. Companies in these industries are indicated to alter their earnings and as shown by the significant income-increasing discretionary accruals, which lends support to the claim that the auditors are unable to detect irregularities in financial reports during the pandemic (Gong et al., 2022), hence lowering the financial reporting quality. During the pandemic, the top management attempts to dress up the company's financial performance by carrying out earnings management, which results in a decrease in the quality

of financial reporting during the COVID-19 pandemic. The remainder of this study is organized as follow: prior studies surrounding financial reporting quality are reviewed in the next section, followed by the research methodology and the findings and discussion section. Conclusion is then presented in the final section.

## II. Literature Review

Financial reports act as means of communicating between companies and external parties, which contain information as a basis for making investment and business decisions. Financial reports assume crucial role in enabling external capital suppliers to assess the performance of the management and in reducing information asymmetry to foster transparency (Mahdi Sahi, Mahdi Sahi, Abbas, & F. A. Khatib, 2022). Information in financial reports becomes useful if the information contains relevance and representational faithfulness characteristics, and meets the enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability (IASB, 2023).

Despite an extensive amount of study conducted over the past few decades, a precise and universally accepted definition of the quality of accounting information in financial reports remains elusive (Fuad, Juliarto, & Harto, 2019). Tang, Chen and Lin (2016) also argue that the quality of financial reporting could differ due to its complex interactions among many variables, thus it is inherently difficult to measure. Tang et al. (2016) refer financial reporting quality to as the degree to which the financial reports provide true and accurate information about the underlying financial condition and economic performance. In addition, financial reporting quality is defined by the precision of financial reports in conveying information about a firm's operations, in particular its cash flows, in order to inform equity investors (Biddle, Hilary, & Verdi, 2009). Jones and Blanchet (2000) also suggest

that financial reporting quality should also be able to meet the needs of the user and protect the investors.

The quality of financial reporting is measured through the extent to which financial statements provide accurate and useful information for investors in their investment decisions (Schipper, 2003; Schipper & Vincent, 2003). In order to make sound investing decision, investors urge to obtain high quality of financial reporting as reflected by the quality of earnings (Fuad et al., 2019; Herath & Albarqi, 2017). Dechow et al. (2010) suggest that magnitude of accruals is one proxy for earnings quality. Companies with large accruals have lower quality of earnings because extreme accruals represent a less persistent component of earnings (Abdullaev, 2019; Dechow et al., 2010). Accruals are considered as a crucial element in financial reports, reflecting the discrepancies between reported earnings and cash flows due to the timing differences in payment receipts and the delivery of goods and services (Fuad et al., 2019). Accrual quality is widely utilized to measure financial reporting quality because companies often manipulate earnings through discretionary accruals, resulting in poor financial reporting quality (Dimitropoulos & Asteriou, 2010). The ability to accurately measure accruals quality is increasingly vital as it mirrors the quality of financial reporting (Fuad et al., 2019; Nwaobia, Kwarbai, Olajumoke, & Ajibade, 2013).

Herath and Albarqi (2017) further suggest earnings quality is influenced by managerial incentives, where the greater the extent to which a company engage in earnings management, the lower the company's financial reporting quality. Therefore, the absence of earnings management practices is also termed as financial reporting quality (Cohen, Krishnamoorthy, & Wright, 2004). Earnings management is a critical corporate practice that impacts the figures reported in financial statements and influences the decision-making of financial report users (Lee & Chun, 2023). The earning management practice exploits the managerial discretion established in the accounting standard and distorts the earnings usefulness attribute to its potential users (Hasan, Aly, & Hussainey, 2022), which in turn lower the quality of financial reporting.

Prior to the pandemic, financial reporting quality research examined the quality of financial reporting in the context of accounting scandals and harmonization of accounting standards in ensuring transparency and comparability in accounting transactions (Camfferman & Wielhouwer, 2019; Gajevszky, 2015; Herath & Albarqi, 2017; Mbir, Agyemang, Tackie, & Abeka, 2020). Other study analyzes quality of disclosure in financial report in the context of corporate governance mechanisms such as board size, board meetings, and audit committee size and conclude that these corporate governance aspects have a positive impact on disclosure quality (Eriqat & Al-Khazaleh, 2023)

During the Covid-19 pandemic, good financial reporting quality has become increasingly important. Although there are standards in the preparation of financial statements, in reality, the preparation of financial statements using principal-based accounting is merely based on estimates and judgments from management, which gives management freedom in the choice of accounting methods (Angelina & Lindrawati, 2022; Mbir et al., 2020).

Based on agency theory, during a crisis like the Covid-19 pandemic, the management of the companies can manipulate financial statements in order to continue to achieve their target profit (Firmansyah & Ardiansyah, 2020). Previous literatures documented the increase in earning management practices during the Covid-19 pandemic (Angelina & Lindrawati, 2022; Hsu & Yang, 2022). For example, using company data in the UK, Hsu and Young (2022) concluded that during the Covid-19 pandemic, the quality of financial reporting decreased, nonetheless the negative impact of the pandemic was mitigated by the existence of corporate governance mechanisms proxied by the size of the board of commissioners.

Another study that investigated the impact of pandemic on earnings management practices in Europe suggested that during the pandemic financial reporting quality became less reliable as the firms engage in income-increasing earnings management, which resulted in low quality of financial reporting since the information presented in the reports did

not truly represent the actual performance (Lassoued & Khanchel, 2021). Similar result also discovered by Ryu and Chae (2022) and Chen et al. (2023) that suggested positive and significant discretionary accruals were reported by service and distribution companies in Korea and companies listed the Taiwan Stock Exchange (TSE) during the period of the Covid-19 pandemic, indicating lower financial reporting quality to the engagement of earning management practices.

Some past studies, on the contrary, argued that the quality of financial reporting will be better because companies want to increase trust by reducing information asymmetry (Arthur et al., 2015; Azizah, 2021; Firmansyah & Ardiansyah, 2020). Lee and Chun (2023) suggested that financially constrained companies, like those in the transportation sector and tourism/recreation industry, may use discretionary accruals strategically to signal positive outlook for external capital providers, allowing them to generate capital required for investment. These financially constrained companies do not depend on real activities management, which sacrifices long-term cash flows and firm value (Lee & Chun, 2023). Ramdani, Pratomo and Zuliansya (2022) also concluded that there were no differences in accrual earnings management and real earnings management during the Covid-19 pandemic compared to the period before the Covid-19 pandemic in companies in the hotel, tourism, restaurant and retail sub-sectors.

### III. Methods

This study investigates the financial reporting quality during the Covid-19 pandemic and focuses Indonesia because it is the largest economy in South East Asia and rank tenth in the world by purchasing power of parity (World Bank, 2020). As the purpose of this study is to examine companies in transportation, tourism and recreation industry, the financial data of these companies were obtained from the Environmental, Social, and Corporate Governance Intelligence (ESGI) database. Some data that were unavailable in the database were manually hand-collected from the companies' financial report. List of the companies included in the sample can be found in Appendix 1.

The sample period spanned from 2018 to 2021 to allow the comparison between the pre-pandemic (i.e., 2018-2019) and pandemic periods (i.e., 2020-2021). After excluding observations with missing data, the final sample consists of 180 firm-year observations. The sample selection process is displayed in Table 1.

The quality of financial reporting is proxied by the accrual earnings management (AM) variable. Accrual earnings management is measured by discretionary accruals based on the Kothari et al (2005) model, the same model used by previous studies (Angelina & Lindrawati, 2022; Firmansyah & Ardiansyah, 2020). The model is presented in the equation below:

**Table 1.** Sample selection process

Sample Selection	Total Observation (firm-year)
Indonesia listed companies in Land Passenger Transportation industry	32
Add: Indonesia listed companies in Airlines industry	12
Add: Indonesia listed companies in Tourism and Recreation industry	180
Less: missing data	44
<b>Final Sample</b>	<b>180</b>

(Sources: Data processed, 2023)

$$\frac{Accruals}{TA_{t-1}} = \beta_0 \left( \frac{1}{TA_{t-1}} \right) + \beta_1 \left( \frac{\Delta EV - \Delta EC}{TA_{t-1}} \right) + \beta_2 \left( \frac{PPE}{TA_{t-1}} \right) + \beta_3 ROA + \epsilon \quad (1)$$

Where Accruals = *income after tax - cash from operation*;  $TA_{t-1}$  = total asset at t-1;  $\Delta REV$  = changes in revenue ( $REV_t - REV_{t-1}$ );  $\Delta REC$  = changes in receivable ( $REC_t - REC_{t-1}$ ); PPE = plant, property, dan equipment; ROA = return on asset (net income/total asset);  $\epsilon$  = regression residual, which is the estimation of *discretionary accruals*.

Discretionary accruals indicate earnings management, which is the opportunistic management actions that manipulate financial statements (earnings) to hide their poor financial performance by increasing their profit, i.e. income-increasing discretionary accruals (positive value of discretionary accruals) or by reducing accounting profits to delay earnings reporting, i.e. income-decreasing discretionary accruals (negative value of discretionary accruals). A high (absolute value) discretionary accrual value means low quality of the company's financial reporting.

The aim of this study is to analyze the quality of financial reporting. In order to do so, this study compares accrual earnings management variables between pre- Covid-19 (2018 and 2019) and post-Covid-19 (2020 and 2021). To test the different of accrual earnings management between before and during Covid-19, this study then occupies both parametric and non-parametric test of difference, namely paired-sample t-test and Wilcoxon signed rank test. A high discretionary accrual absolute value means low quality of the company's financial reporting.

## IV. Results and Discussion

### A. Descriptive Statistic

Table 2 presents descriptive statistics of the components used to calculate Accruals Earning Management based on the Kothari et al (2005) model.

Panel A reports descriptive statistics for all samples (2018 - 2021) with a total of 180 observations. Descriptive statistics for the years before the COVID-19 pandemic and during the COVID-19 pandemic are presented in Panels B and C.

Based on Table 1 panel A, the mean AM in the pooled sample is 0.457. Furthermore, when compared to this value, the mean of AM before the COVID-19 pandemic (in 2018 and 2019) reported in panel B, i.e. 0.405, is smaller than the value of AM in the pooled sample. During the COVID-19 pandemic (in 2020 and 2021), however, the mean of AM (reported in Panel C) is much larger, i.e. 0.509, than both the pooled sample and the period pre- Covid-19. This positive AM may indicate the occurrence of income increasing earning management in the entire sample; and this value is increasing during the COVID-19 pandemic.

When AM is decomposed by each variable that are used to calculate it, the only variable that was higher in the pandemic period was the total asset (TA). Before the pandemic, the total assets of companies in the passenger land transportation, the airline and the tourism/recreation industries amounted to IDR 3.7 trillion (TA<sub>b</sub>) and increased to IDR 4.9 trillion during the pandemic (TA<sub>a</sub>).

The performance of sales and cash flow from operating activities of the companies, on the other hand, decreased considerably during the pandemic (Reva and CFO<sub>a</sub>) compared to before the pandemic (Revb and CFO<sub>b</sub>). Furthermore, prior to the pandemic, the average sales and operating cash flows of the companies amounted to IDR 2.3 trillion and IDR 154 billion; nonetheless these figures decreased drastically to IDR 790 billion and IDR 43 billion during the COVID-19 pandemic. The earning after tax before the pandemic had exhibited a loss of IDR 9.5 billion. During the pandemic, the losses of companies in these industries became much greater, reaching IDR 1.1 trillion. Among the financial variables that are used to measure AM, only the value total assets that increased from IDR Rp. 3.7 trillion during the period before the pandemic to IDR 4.9 trillion in the period of the pandemic.

**Table 2.** Descriptive statistic

VAR	N	Mean	Std Dev	Min	Max
Panel A: Pooled (2018-2021)					
AM	180	0.457	0.292	0.012	1.481
TA	180	4,423,077,301,641	15,949,228,793,744	52,239,377,000	152,192,781,540,539
Rev	180	1,562,631,546,522	6,975,341,992,355	658,372,000	64,488,745,205,000
EAT	180	-589,912,462,151	5,184,280,055,827	-59,558,915,774,640	619,842,764,000
ROA	180	-0.028	0.203	-0.659	2.071
CFO	180	98,657,234,077	548,585,977,666	-1,182,956,753,647	5,329,401,276,981
Panel B: Before COVID (2018 dan 2019)					
AMb	90	0.405	0.246	0.012	1.457
TAb	90	3,778,417,827,434	10,388,350,752,645	52,239,377,000	61,938,393,491,132
Revb	90	2,317,857,296,033	9,472,712,872,609	1,943,955,000	64,488,745,205,000
EATb	90	-9,534,200,642	339,665,932,051	-2,643,105,939,000	619,842,764,000
ROAb	90	-0.011	0.118	-0.659	0.115
CFOb	90	154,332,162,737	750,212,864,329	-1,182,956,753,647	5,329,401,276,981
Panel C: During COVID (2020 dan 2021)					
AMa	90	0.509	0.325	0.045	1.481
TAa	90	4,967,456,413,192	19,493,663,650,106	61,585,045,937	152,192,781,540,539
Reva	90	790,241,575,432	2,449,486,961,979	658,372,000	21,049,336,922,000
EATa	90	-1,150,944,781,610	7,238,128,205,721	-59,558,915,774,640	258,812,539,573
ROAa	90	-0.041	0.253	-0.580	2.071
CFOa	90	43,614,975,061	198,440,984,402	-160,078,398,107	1,578,270,145,797

(Sources: Data processed, 2023)

Where: AM = Discretionary Accrual, AMb = Discretionary Accrual before the pandemic, AMa = Discretionary Accrual after the pandemic, TA = Total Asset, TAb = Total Asset before the pandemic, TAa = Total Asset after the pandemic, Rev = Sales, Revb = Sales before the pandemic, Reva = Sales after the pandemic, EAT = Earning After Tax, EATb = Earning After Tax before the pandemic, EATa = Earning After Tax after the pandemic, ROA = Return on Asset, ROAb = Return on Asset before the pandemic, ROAa = Return on Asset after the pandemic, and CFO = Cash Flow from Operating Activities, CFOb = Cash Flow from Operating Activities before the pandemic, CFOa = Cash Flow from Operating Activities after the pandemic

## B. Empirical Results

The empirical results to test the differences in the quality of financial reporting as proxied by AM before and during the COVID-19 are presented in Table 3. Panel A of Table 3 presents the results of paired sample t-test, whereas Panel B of the table displays results of the Wilcoxon Signed Rank Test.

The results from the t-test paired sample (Table 3 Panel A) show that the value of AM is higher during the COVID-19 pandemic (AMa) when compared to before the COVID-19 Pandemic (AMb). The difference between the AM before and after is 0.1041 and the value is significant at the 5% level

(t-statistic = 2.595 and p-value of 0.011). The positive and increasing value of AMa indicates that an income-increasing earning management. The companies in the passenger land transportation industry, the airline industry and the tourism and recreation industry, which suffered big loss due to the restrictions and lock down in during the pandemic, attempt to dress up their earnings performance by increasing the profits.

Panel B of Table 3 shows the results from the Wilcoxon Signed Rank Test. The non-parametric test results confirm the findings of from the parametric testing with a higher significance level of 1%. Specifically, the results in Panel B show that there are 54 observations with larger AM values (positive

**Table 3.** Empirical results: Test of difference AM between pre- Covid-19 and post Covid-19

Panel A: <i>T-Test Paired Sample</i>					
Pair	N	Mean	Std. Dev	Std. Error Mean	t-statistic
AMa - AMb	90	0.1041	0.3805	0.0401	2.595**

  

Panel B: <i>Wilcoxon Signed Rank Test</i>					
Pair	Ranks	N	Mean Rank	Sum Rank	z-statistic
AMa - AMb	Negative ranks	36 <sup>a</sup>	38.7222	1394	-2.629***
	Positive Ranks	54 <sup>b</sup>	50.0185	2701	
	Ties	0 <sup>c</sup>			
	Total	90			

(Sources: Data processed, 2023)

<sup>a</sup> accrual earning management during pandemic (AMa) < accrual earning management before the pandemic (AMb); <sup>b</sup> accrual earning management during pandemic (AMa) > accrual earning management before (AMb);<sup>c</sup> accrual earning management during (AMa) = accrual earning management before (AMb) >

\*\*\* significant at level 1%, \*\* significant at 1 5%

ranks) during the COVID-19 pandemic (AMa) compared to before the pandemic (AMb) and 36 observations with smaller AM values (negative ranks) when compared between the pandemic (AMa) and before the COVID-19 pandemic (AMb). Results are significant at the 1% level of significance.

The empirical results in Table 3 above show that an increase in the AM value as a proxy for financial reporting quality indicates a decrease in financial reporting quality during the COVID-19 pandemic. This result confirms the results of previous studies, which concluded that the quality of financial reporting during the COVID-19 pandemic has decreased (Angelina & Lindrawati, 2022; Chen et al., 2023; Hsu & Yang, 2022; Lassoued & Khanchel, 2021; Ryu & Chae, 2022).

During the Covid-19 Pandemic, companies in passenger land transportation, airlines, tourism and recreation industries face some systematic challenges. First, as a result of the disruption of their business operations, the companies are challenged with the issue of going concern assessment due to the uncertainties about these companies' ability to continue operating because of travel restrictions and social distancing. Second, companies in these industries experienced decline in revenue because they have to halt of operations and needed to record fair value losses or impairment losses on their investments due

to market volatility and economic uncertainty during the pandemic (Crowe, 2020; Posner, 2021). Third, various social and physical distancing policies, specifically work from home policy, may hinder the activities of the auditors to perform its audit process and collect complete audit evidence due to limited access and travel constraints, and thus limit the ability of the auditors to detect irregularities in financial reports (Badawy, 2021; Chen et al., 2023; Gong et al., 2022). These challenges may create the incentive for the management to act opportunistically to manipulate their reported earnings and engage in income-increasing earnings management. In accordance with agency theory, company management has made income-increasing discretionary accruals as an effort to continue to achieve their target profit and hinder their poor performance during the Covid-19 pandemic.

## V. Conclusion

This study documents a significant difference in the quality of financial reporting in companies in passenger land transportation, the airline, and tourism/recreation industries between the period before and during the COVID-19 pandemic. This

study specifically shows that there is an increase in the value of Accrual Earning Management during the COVID-19 pandemic. Thus, the quality of financial reporting of the companies in passenger land transportation, the airline industry and tourism/recreation industries during the pandemic is lower, as shown by the income-increasing discretionary accruals. The top management of the companies in these industries, which exhibited loss during the pandemic, has opportunistically managed the companies' earnings so the companies target profit can be obtained.

By documenting the decline in the quality of financial reporting during the COVID-19 pandemic, it is then suggested that companies need to improve the quality of their financial reporting. This can be done by providing information that meets the enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. In making investment decisions, investors need to consider the information contained in the company's financial statements to ensure accuracy in decision making.

As the pandemic has cast doubt on the survival of numerous companies in transportation sector and tourism/recreation industries, companies must be transparent and address both short-term survival and long-term recovery planning. The financial reporting must include qualitative and quantitative information that reflects the strategic plans for adapting to the new-normal. Some companies may also need to modified their accounting policies to reflect the unique circumstances.

Although this study does not specifically examine the relationship between audit quality and financial reporting quality during the Covid-19 pandemic, it is necessary to highlight that auditor faced difficulties in conducting their audit activities during pandemic. The challenges may hinder the ability of the auditor to perform high quality audit function. Future study may address this issue and examine the role of audit variables in ensuring high financial reporting quality during the time of crises like Covid-19 pandemic.

Finally, the Covid-19 pandemic profoundly

impacted financial reporting in the passenger land transportation, the airline, and tourism/recreation industries, imposing adaptability, transparency, and robust risk management. The road to recovery for these industries remains long challenging, but high-quality financial reporting plays a crucial role in regaining trust and investor confidence.

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**Appendix 1.** List of companies in passenger land transportation, the airline, and tourism/recreation industries included in the sample

No	Ticker	Company's Name	IDX-C Industry
1	AKKU	ANUGERAH KAGUM KARYA UTAMA TBK., PT	Tourism/Recreation
2	ARTA	ARTHAVEST TBK.	Tourism/Recreation
3	ASSA	ADI SARANA ARMADA TBK., PT	Passenger Land Transportation
4	BAYU	BAYU BUANA TBK, PT	Tourism/Recreation
5	BIRD	BLUE BIRD TBK, PT	Passenger Land Transportation
6	BLTZ	GRAHA LAYAR PRIMA TBK, PT	Tourism/Recreation
7	BOLA	BALI BINTANG SEJAHTERA TBK, PT	Tourism/Recreation
8	BPTR	BATAVIA PROSPERINDO TRANS TBK, PT	Passenger Land Transportation
9	CINT	CHITOSE INTERNASIONAL TBK, PT	Tourism/Recreation
10	CLAY	CITRA PUTRA REALTY TBK, PT	Tourism/Recreation
11	CMPP	AIRASIA INDONESIA TBK, PT	Airline
12	CSMI	CIPTA SELERA MURNI TBK, PT	Tourism/Recreation
13	DFAM	DAFAM PROPERTY INDONESIA TBK, PT	Tourism/Recreation
14	EAST	EASTPARC HOTEL TBK, PT	Tourism/Recreation
15	FAST	FAST FOOD INDONESIA TBK	Tourism/Recreation
16	FITT	HOTEL FITRA INTERNATIONAL TBK, PT	Tourism/Recreation
17	GIAA	GARUDA INDONESIA (PERSERO) TBK., PT	Airline
18	HELI	JAYA TRISHINDO TBK, PT	Airline
19	HRME	MENTENG HERITAGE REALTY TBK, PT	Tourism/Recreation
20	JGLE	PT GRAHA ANDRASENTRA PROPERTINDO TBK	Tourism/Recreation
21	JHID	JAKARTA INTERNATIONAL HOTELS & DEVELOPMENT TBK, PT	Tourism/Recreation
22	JSPT	JAKARTA SETIABUDI INTERNASIONAL TBK	Tourism/Recreation
23	KPIG	MNC LAND TBK	Tourism/Recreation
24	LRNA	EKA SARI LORENA TRANSPORT TBK., PT	Passenger Land Transportation
25	MAMI	MAS MURNI INDONESIA TBK	Tourism/Recreation
26	MAPB	MAP BOGA ADIPERKASA TBK., PT	Tourism/Recreation
27	MINA	SANURHASTA MITRA TBK., PT	Tourism/Recreation
28	NASA	AYANA LAND INTERNATIONAL TBK., PT	Tourism/Recreation
29	NATO	NUSANTARA PROPERTI INTERNASIONAL TBK, PT	Tourism/Recreation
30	PANR	PANORAMA SENTRAWISATA TBK	Tourism/Recreation
31	PDES	DESTINASI TIRTA NUSANTARA TBK, PT	Tourism/Recreation
32	PGLI	PEMBANGUNAN GRAHA LESTARI INDAH TBK, PT	Tourism/Recreation
33	PJAA	PEMBANGUNAN JAYA ANCOL TBK, PT	Tourism/Recreation
34	PNSE	PUDJIADI AND SONS TBK.	Tourism/Recreation
35	PSKT	RED PLANET INDONESIA TBK., PT	Tourism/Recreation
36	PTSP	PIONEERINDO GOURMET INTERNATIONAL TBK, PT	Tourism/Recreation
37	PZZA	SARIMELATI KENCANA TBK., PT	Tourism/Recreation
38	SAFE	STEADY SAFE TBK, PT	Passenger Land Transportation
39	SHID	HOTEL SAHID JAYA INTERNATIONAL TBK	Tourism/Recreation
40	TAXI	EXPRESS TRANSINDO UTAMA TBK., PT	Passenger Land Transportation
41	TRJA	TRASKON JAYA TBK, PT	Passenger Land Transportation
42	UANG	PAKUAN TBK, PT	Tourism/Recreation