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Covid-19 Related Disclosures and Firm Value: Evidence from Indonesia

Laura Sabatini Sitanggang[1], Arie Pratama[2]
Departemen Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas Padjadjaran, Indonesia

Abstract

This study aims to determine the effect of covid-19 related disclosure in financial statements on the firm value. Covid-19 related disclosure is measured by three different indicators. The population in this study is financial statements listed on the Indonesian Stock Exchange in 2020. The total sample processed in this research is 305 companies. The data was analysed using several types of analysis: Chi-Square test, Kruskall-Wallis test, and multiple regressions. The results showed that (1) There is no difference in covid-19 related disclosures among business sectors in terms of words count, and disclose/not disclose; However, there is a difference in disclosures among business sectors in terms of positive/negative results; (2) Covid-19 related disclosures positively influence firm value, using all three different indicators; (3) company size and profitability don't influence the firm value, but the leverage positively influence the firm value. Based on the results of this study, it can be implied that (1) the covid-19 related disclosures varied depends on how the Covid-19 pandemic affects the business results; (2) Covid-19 disclosure in financial statements increases investor understanding in the assessing the impact of high uncertainty during the pandemic, and (3) the uncertainty create an anomaly of results in the financial performance variables toward firm value.
Keywords. *Covid-19, disclosures, firm value, words, positive/negative results.*

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh pengungkapan terkait dengan Covid-19 pada laporan keuangan terhadap nilai perusahaan. Pengungkapan terkait dengan Covid-19 diukur dengan menggunakan tiga indikator. Populasi pada riset ini adalah laporan keuangan perusahaan yang terdaftar di Bursa Efek Indonesia tahun 2020. Sampel yang diproses dalam riset ini berjumlah 305 perusahaan. Data dianalisis menggunakan berbagai metode analisis: Uji Chi-Kuadrat, Uji Kruskall-Wallis, dan Uji Regresi Berganda. Hasil penelitian menunjukkan bahwa: (1) Tidak ada perbedaan pengungkapan terkait covid-19 antara sektor bisnis jika diukur menggunakan jumlah kata, dan mengungkapkan/tidak, namun terdapat perbedaan pengungkapan antar sektor bisnis jika diukur menggunakan dampak positif /negatif; (2) Pengungkapan terkait Covid-19 berpengaruh secara positif pada nilai perusahaan, dengan menggunakan ketiga indikator; (3) Ukuran perusahaan dan profitabilitas tidak memengaruhi nilai perusahaan, namun leverage berpengaruh positif terhadap nilai perusahaan. Berdasarkan hasil tersebut, maka dapat diimplikasikan bahwa: (1) Pengungkapan terkait covid-19 akan bergantung pada dampak positif atau negatif pada sektor bisnis; (2) Pengungkapan covid-19 meningkatkan pemahaman investor dalam menilai dampak ketidakpastian selama pandemic, dan (3) Ketidakpastian akibat pandemic ikut menciptakan hasil yang anomali terkait dengan variable kinerja keuangan terhadap nilai perusahaan.
Kata kunci. Covid-19, pengungkapan, nilai perusahaan, kata, hasil positif dan negatif.

Corresponding Author. arie.pratama@fe.unpad.ac.id

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INTRODUCTION

A Covid-19 virus has impacted the world in the first quarter of 2020, making it necessary for all countries to curtail their economic activity. Almost all countries experienced shrinkage, despite the fact that positive growth was still well below average. Every business in a country with a high number of Covid-19 cases has suffered a severe setback (Shen HuaYu, 2020). Every company affected by Covid-19 will suffer enormous losses in all parts of its operations (Bauji et al., 2020). The main cause of the huge loss was the company's economic activities and operations being hampered. According to the findings of Bose Sudipta et al. (2021) who used data from 4,278 enterprises in 47 nations, the value of companies around the world has decreased because to covid-19. Despite this, there are still several corporate sectors that have grown, albeit slowly, during the pandemic. The world and domestic economies have endured tremendous uncertainty as a result of the Covid-19 pandemic, which has influenced every entity's decision in drafting its financial accounts. Several Accounting Standard Guidelines, including SFAS 68, 71, and 73, have become a concern as a result of Covid-19, according to IAI. Since the revelation of the Covid-19 case in Indonesia, the JCI on the stock exchange has dropped. Market concerns over the impact of Covid-19 on the global economy contributed to the drop.

Public anxiety triggered by news about Covid-19 in the media has a strong link to heightened stock market volatility (Haroon & Rizvi, 2020). Covid-19, according to He et al. (2020), has had a global impact on financial markets, resulting in an unprecedented amount of risk. Because the stock market has collapsed, global stock market volatility has grown (Ali et al., 2020; Baker et al., 2020). Because of this, determining whether a transaction is included in an orderly transaction or vice versa is challenging, which has an impact on determining fair value. If a corporation decides to employ a valuation technique to alter existing valuation assumptions such as interest rates, credit spreads, and so on, the influence of covid-19 might be considered in determining fair value. Companies must provide proper disclosures regarding changes in recording as a result of the impact of covid-19 so that financial statement users such as creditors, investors, and others can make informed decisions.

If there are significant uncertainties related to the risk factors, the assumptions made, as well as the identified uncertainties that give rise to significant doubts about the company's ability to continue as a going concern, must be disclosed, according to the provisions of accounting standard SFAS 1, paragraph 23. Several studies have also found that external interests have a major impact on the level of disclosure in financial statements and the company's liquidity.

As is well known, disclosure is important since it serves to convey financial and non-financial, quantitative, or other economic information about a company's financial status and performance so that it can be used by its users to make decisions (Healy & Palepu, 2001). Entities must disclose information that has a significant impact on the financial statements' stated values. Covid-19 is a new challenge for businesses, and it affects many different aspects of accounting. Users of the report seek to learn not just about the pandemic's impact at the time, but also about the hazards the entity may face in the future. Covid-19-affected businesses are experiencing cash flow problems as a result of disruptions in operations, high operational costs, or lower demand for their products, resulting in lower revenue. Managers must make acceptable and supportive assumptions and give thorough disclosure of the assumptions and sensitivities employed due to the high uncertainty presented by Covid-19. Entities must carefully examine all facts and circumstances in order to identify the proper accounting treatment to adopt and to give financial statement users with a clear knowledge of the economic and accounting implications through transparent disclosure. The entity must determine whether additional disclosures are required to allow users of financial statements to assess the impact of the assessments made on the entity's financial status, performance, and cash flows. The use of assumptions and evaluations must be disclosed to financial statement users (EY, 2020).

Tibiletti et al. (2021) and Larcker D et al. (2020) did several investigations on the impact of covid-19 on financial statement transparency. According to Tibiletti et al. research in 2021, organisations who have been

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badly impacted by the pandemic are more likely to disclose more information and consider disclosures dedicated to examining risks such as liquidity and credit risk. Then, according to research undertaken by Larcker D. et al. (2020), there is a varied prevalence of Covid-19 disclosure among industries. Only about 0.7 percent of companies made disclosures about the impact of the covid-19 pandemic in 10-Ks, 10Qs, or 8-Ks at the start of the pandemic. As the severity of the pandemic increased, more and more companies disclosed the impact of covid-19 until almost all of them (99.6%) made some level of disclosure about the pandemic. The influence of the COVID-19 disclosure on firm valuation, on the other hand, has received little attention.

The aim of the research is to (1) discover all Covid-19-related disclosures, both in general and in specific business sectors. Because the effects of Covid-19 varied by industry, important business sectors are studied; (2) examine the impact of Covid-19 disclosure on firm value. This study is likely to see the impact of disclosures for extraordinary items, such as the Covid-19 pandemic and how it is reported in financial reporting, as well as investor reactions to such reporting. In addition, this article is divided into four sections: Section 1 will cover the literature review and framework, Section 2 will cover the methodology, Section 3 will include the results and discussion, and Section 4 will wrap up the article.

Literature Review and Hypothesis Development

Covid19 Related Disclosures

Covid-19 has caused global and domestic economic uncertainty, which has influenced the entity's decision to use SFAS in financial reporting. Economic uncertainty can cause issuers, public corporations, and auditors' productivity accounting norms to be disrupted (Wolk, Harry I., James L. Dodd, 2001). The following is the type of accounting standard treatment applied as a result of covid-19's influence, as summarised in the table below:

Table 1. Relevant SFAS related to Covid-19 Disclosure

SFAS	Description
SFAS 8 Events after the balance sheet date	1. Based on the evidence and timing of events, IAI considers that the spread of Covid-19 in Indonesia is a non-adjusting event, as the WHO only declared the Covid-19 pandemic a pandemic in 2020. 2. However, as stated in SFAS 8, companies are required to take the business continuity assumption into account while generating financial accounts. If the entity believes that events occurring after the period have an impact on the financial statements for the most recent period, the corporation must examine the impact of covid-19 on the company's continuity as well as all information connected to government programmes.
SFAS 14 Inventories	Covid-19 has had such a significant impact on organisations that many have closed their plants or are running them at a lower capacity than usual. This has a significant impact on the volume of inventory created. Due to Covid-19, a lot of inventory, as well as raw materials, has accumulated up due to declining demand. In addition, the inventory loss allowance was enhanced, particularly for perishable commodities. Covid-19-related damage occurrences do not need to be modified in the 2019 financial report. Adjustments are done during the inventory damage period caused by covid-19, which is the 2020 period.
SFAS 48 Impairment of assets	As a result of the Covid-19 pandemic, there are indications that assets that are not employed in commercial activities are losing value. As a result, the company must pay close attention to the impairment of its non-financial assets.
SFAS 68 Fair value measurement	1. The Covid-19 epidemic has had an impact on stock exchange volatility and transaction volume around the world, particularly in Indonesia. The Covid-19 epidemic has created economic uncertainty, which has impacted the entity's ability to determine the fair value of financial

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SFAS	Description
	instruments. At the measurement date, fair value measurement seeks to ascertain the price at which an orderly transaction happens between marketplaces. 2. However, when the amount of transactions and trading activity on the exchange drastically decreases, it is difficult to tell whether a transaction is a regular transaction or not. While calculating an entity's fair value using a valuation technique, the impact of covid-19 must be taken into account when adjusting various valuation assumptions, including as interest rates, credit spreads, credit risk, and so on. SFAS 68 necessitates additional disclosures for organisations that do not use quoted prices to determine fair value. Additional disclosures are required to help financial statement users understand the impact of valuation procedures on profit or loss or other comprehensive income during the reporting period.
SFAS 71 Financial instruments	1. The provision for impairment of financial assets in the form of loans, receivables, or credits becomes a major concern in SFAS 71. SFAS 71 employs the KKE (Expected Credit Loss) model, which requires an organisation to determine the allowance for losses on both historical and future data. 2. Since information on covid-19 in Indonesia became accessible in March 2020, entities cannot use it to calculate KKE. SFAS 71 mandates that if a financial instrument has a PSRK (substantial increase in credit risk), the lifetime KKE must be recognised. 3. When analysing future conditions, organisations must take into account the impact of Covid-19 as well as initiatives implemented by authorities/governments to mitigate Covid-19's economic impact. In most cases, lenders who restructure their receivables show PSRK followed by a KKE allowance for the life of the account. To avoid PSRK during the remaining estimated life of the receivables, entities must identify and assess the debtor's potential to recover after being harmed by Covid-19 and meet its contractual commitments once the restructuring period ends. If the allowance for losses is increased, it will influence profit or loss in 2020, however the loss will not be recorded in 2019 due to the SFAS 71 transition.
SFAS 72 Revenue from contracts with customers	The application of SFAS 72 has been hampered by the economic slowdown caused by the Covid-19 epidemic. When entities seek to recognise income when passing over units, this presents a barrier since the entity must examine by classifying which sales can be recognised and recorded. After that, the organisation reviews and evaluates all contracts to ensure that they meet the revenue recognition requirements set forth in SFAS 72.
SFAS 73 Leases	1. As a result of the epidemic, several businesses have had to shut down their operations, leading in a halt in client sales and cash flow. The government and other parties provide various aid or concessions as a stimulus, one of which is rent payment reduction. 2. The lessee can provide assistance in the form of a payment holiday or a reduction in the amount owed. A lease modification is an example of a change in lease payments. Because of the impact of covid-19, SFAS 73 was amended to allow the lessee to apply a change in contract payments rather than a contract modification. This is a practical option provided to the lessee, thus there is no need to consider the lease concession as a lease modification.

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Covid19 Related Disclosures and Firm Value

Because reliable and relevant information is represented in the disclosure of financial statements during times of market uncertainty, disclosure is the most significant item in the organisation. Accounting data and information that readers need to evaluate the firm's value and make decisions make up relevant information (Shamkin et al., 2016; Mohammad Khalid, 2016). The primary goal of financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), which is an international financial reporting standard, is to provide information that will be beneficial to users of financial statements in making economic decisions. Users of financial statements want to know not only how the company is currently affected, but also how this may impact future performance and what dangers they are still exposed to (EY, 2020). The financial statements must include disclosures concerning accounting data and other relevant information to achieve this goal. Disclosures in financial statements include information about the basis for financial statement preparation and the accounting policies chosen and determined by the entity for each event and transaction, as well as information from SFAS. Not only does the disclosure include financial statement data that tracks income, cash flows, and asset value changes, but it also provides other data that helps to explain, qualify, or forecast future performance and risks. (David Larcker et al., 2020)

Because the Covid-19 epidemic has resulted in high levels of micro and macroeconomic volatility, it has an influence on various SFAS implementations, including SFAS 68, 71, and 73. Entities must exercise sound judgement in order for financial statements to accurately reflect the current situation and facts. As a result of covid-19, if the entity's measurement, valuation, or method differs from the prior year, the entity must disclose the reasons for considering using that value in the financial statements (IAI, 2020). This is necessary to declare because it has an impact on financial performance. The contents of Covid-19's disclosure take many forms. The cash position had a large increase in Covid-19 disclosure because to market worries about boosting liquidity and solvency (Larcker David, 2020). Additionally, most businesses were hurt by this epidemic, however other businesses benefited from it. According to BPS statistics (2020), the corporate sectors that suffered a negative impact were company services, lodging, food and beverage, and transportation. Meanwhile, the health sector, water supply, waste management, waste and recycling, and information and communication are among the corporate sectors that have benefited. Because each company's impact was varied, there were disparities in the amount of information disclosed about Covid-19’s impact. Each company shall offer adequate and informative disclosures in its own way.

The disclosure of information in the financial statements is significant because it serves as the foundation for future projections of the company's financial health, cash flow, and profitability. Companies that can use the principle of transparency by making more broad disclosures will be evaluated favourably compared to companies who do not. Transparency is a type of information that can help you make better decisions (Gunawan, 2016). The major reason for the necessity of financial statement transparency is to provide information about business activities to investors, lenders, and creditors so that they can better allocate resources in the capital market (Barth et al., 2013; Shakesperare, 2020). Financial statement disclosure, according to Foroghi Dariosh (2012), has a considerable impact on firm value. However, publicising the Covid-19 epidemic hurts the national economy, leading in a drop in financial performance in a variety of industries. Due to disruptions in supply and demand via shipping to all countries through trade and financial links, the pandemic has generated an economic depression that has grown into a global crisis (Bofinger et al., 2021; Price Asare, 2021). The industrial sector's financial performance will be impacted by the economic crisis (Devi, 2021). This is owing to the fact that the economic crisis will have an impact on the level of sales in the industrial sector as people's purchasing power declines (Wijayaangka, 2014).

Based on the above framework, the research hypotheses can be formulated, namely:

***H_1*: Disclosures related to Covid-19 affect the firm value.**

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Control Variables

We added three control variables to the model to make it more robust: leverage, size, and profit. The ratio of long-term debt to total assets is known as leverage. Debt is a powerful tool for forcing managers to generate cash flows in order to pay interest and principal, reducing agency conflicts caused by free cash flows (Shleifer & Vishny, 1997; Kieso et al., 2015). Leverage has been proven to be negatively connected to business value in previous study. High leverage is a significant financial burden for the company and does not result in an ideal capital structure (Gitman, 2006); but, as Ross et al. (2005) point out, leverage can boost corporate performance by raising earnings per share (EPS)

The natural logarithm of total assets is used to calculate size. The size of a company is a common determinant of its worth and performance. Larger companies are likewise connected with higher monitoring expenses, as they are more complicated and have more arm's-length transactions. Previous research has generally found a negative relationship between firm size and value (Lestari and Wardhani, 2015). This could happen because organisations with a high amount of assets are frequently towards the end of their life cycle, when they reach maturity or decline. However, according to research conducted in Thailand by Koananthachai (2013), the bigger the company's overall assets, the higher the firm's value. Companies with higher total assets are believed to have more resources to execute more operations that will improve their business and, as a result, increase firm value. Profitability is a company's primary metric of success (Wild and Subramanyam, 2011; Gitman, 2006). Companies with high profitability can cover all expenses and then pay higher dividends. The more profitable a company is, the more valuable it is. Control variable theories can be summarised as follows:

***H_2*: There is an influence of leverage toward firm value**

***H_3*: There is an influence of size on firm value**

***H_4*: There is a positive influence of profit on firm value**

Method

This research takes a quantitative, descriptive, and explanatory approach. In this study, 585 financial statements from companies registered on the Indonesia Stock Exchange were examined. The results of this study are more generalisable because they include all aspects of the population. This study chose only 305 financial statements after eliminating 260 outlier companies and companies in the financial and banking sectors. The influence of Covid-19, which is highly dramatic on financial performance, results in a high number of outliers, necessitating a high level of outlier reduction. Financial and banking companies are excluded because they have a fundamentally different assessment of company value and financial performance than other industries.

The variables in this study can be explained in Table 2. To measure the disclosure variable of covid 19, this study uses 3 different indicators to measure the disclosure of Covid 19.:

Table 2. Operationalisation of variables

Variable	Indicator / Formula
X_1 Covid 19 Disclosure	Indicator 1 (X_{11}) Number of Covid words used The total amount of Covid-19 terms discovered in the financial statement notes. Indicator 2 (X_{12}) Positive or negative impact of covid-19 A mock scale was used to calculate the weight. If it is negatively affected, it is given a value of 0; if it is favourably affected, it is given a value of 1. The impact of Covid-19 on the company's financial statements is determined by the context of the company's submission of the impact of Covid-19 in the notes to the financial statements. Indicator 3 (X_{13}) Disclosing / Not disclosing

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Variable	**Indicator / Formula**
	A dummy scale was used to calculate the weight. If it does not disclose, it is given a value of 0; if it does, it is given a value of 1.
X_2 Company size	Natural logarithm (Ln) Total assets
X_3 Leverage	Debt to Equity Ratio $\frac{\text{Total liabilities}}{\text{Total equities}}$
X_4 Profitability	Return on Asset Ratio $\frac{\text{Net income}}{\text{Assets}}$
Y The value of the company	Tobin's Q $Q = \frac{EMV + D}{EBV + D}$ The lag time used is 1 quarter, in other words, the EMV and EBV values used are the values that appear in the first quarter of 2021 financial statements

Secondary data, such as information from the company's financial accounts, was used to compile the information. The researcher employs content analysis to determine the X_1 variable by reading and analysing the company's disclosures, while the other variables are generated using the formula in Table 2.

Descriptive and inferential statistics were used to analyse the data. There will be two types of descriptive data analysis: general analysis and sectoral analysis. The Chi-Square Difference Test, to test groups that have a nominal scale, namely variables X_{12} and X_{13}, and the Kruskal-Wallis test, to test groups that have a nominal scale, will be used in general, while sectoral analysis will use a different test between groups, namely the Kruskal-Wallis test, to test groups that have a nominal scale. The variables X_{11}, X_2, X_3, X_4, and Y are on an interval or ratio scale. The business sector is organised into ten categories, which include:

1. Consumer cycle
2. Healthcare
3. Technology
4. Transportation and logistics
5. Industry
6. Infrastructure
7. Energy
8. Property and Real estate
9. Basic materials
10. Non-cyclical consumers

Multiple regression is used in this work for inferential analysis and hypothesis testing. To handle the X_1 variable, which has three separate indications, three multiple regression models will be used. The following are the steps for submitting multiple regression models:

$$Y = \alpha + \beta_1 X_{11} + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (1)$$

$$Y = \alpha + \beta_1 X_{12} + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (2)$$

$$Y = \alpha + \beta_1 X_{13} + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (3)$$

Results and Analysis

Descriptives

Table 3 shows the outcomes of the 305 companies' financial statements that were successfully analysed:

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Table 3. Descriptive Statistics

Variable	**Continuous variable**				**Dummy variable**	
	Mean	**Std. Dev**	**Max**	**Min**	**1**	**0**
X_{11}	4.5672	3.1061	13.00	0.00		
X_{12}					98 companies	207 companies
X_{13}					275 companies	30 companies
X_2	28.3064	1.75579	33.45	23.14		
X_3	0.9948	0.8685	0.00	4.56		
X_4	0.0029	0.1071	1.00	-0.60		
Y	0.9996	0.3795	2.01	0.08		

Some intriguing facts can be observed in Table 3 above. The typical corporation uses the phrase Covid four times in the notes to the financial statements, according to the X_{11} variable. With a standard deviation of 3, a maximum value of 13, and a minimum value of 0, it is clear that the number of covid disclosures differs significantly amongst organisations. The sub-chapters below provide more information on disclosure by sector. In general, 207 companies (67.8%) claimed that the Covid-19 epidemic had a negative influence in the description of the X_{12} variable, although 32.2 percent of enterprises stated otherwise. However, no significant differences were found after a different test was conducted between groups of organisations that reported favourable and negative effects of covid. Only 30 companies did not reveal the influence of Covid-19 in their X_{13} variable descriptions, despite the fact that 275 companies, or more than 90%, did. The average firm size is 28.3064, or Rp. 1,964,777,257,769.6, while the average leverage is 0.998, showing that the amount of debt is virtually equal to the capital, and the standard deviation is significant, suggesting that the sample companies' leverage varies widely. The average business value is also in the range of 0.996 or near to 1, which is where the company is still regarded positive, but there are still some low-value companies in the sample, up to 0.08.

Business Sector Comparison

This section goes over the statistics in further depth for each of the 10 sectors. The variables for each sector are included in Table 4 and are described below.

Table 4. The description of business sectors

Sectors	**X_{11}**		**X_2**		**X_3**		**X_4**		**Y**	
	Mean	**Std Dev**	**Mean**	**Std Dev**	**Mean**	**Std Dev**	**Mean**	**Std Dev**	**Mean**	**Std Dev**
Consumer cyclist	5.057	3.290	27.965	1.683	0.897	0.768	-0.033	0.155	1.109	0.413
Healthcare	5.700	3.268	28.819	1.265	0.790	0.558	0.530	0.046	1.255	0.379
Technology	4.500	4.655	26.980	1.308	0.594	0.800	-0.230	0.035	0.742	0.110
Transportation and logistics	7.000	3.333	27.405	1.644	1.007	0.858	0.008	0.566	1.048	0.385
Industry	3.800	3.078	28.070	2.002	1.149	1.143	-0.018	0.129	0.869	0.322
Infrastructure	5.028	3.009	28.955	1.956	1.315	0.970	0.008	0.067	1.138	0.033
Energy	4.769	2.006	27.910	1.592	0.895	0.551	0.009	0.086	1.004	0.507
Property and Real estate	4.067	2.945	28.567	1.692	0.706	0.715	-0.015	0.066	0.773	0.318
Basic material	4.244	3.360	27.881	1.404	1.125	1.048	0.013	0.067	0.991	0.355
Consumer non-cyclist	4.271	2.811	28.683	1.825	1.117	0.748	0.022	0.142	1.104	0.328

Table 4 reveals some intriguing facts: the transportation and logistics sector has the highest amount of terms Covid-19 (variable X_{11}) in the comments on the company's financial statements, greatly exceeding other sectors. This is related to the negative impact

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of Covid-19 on the transportation sector, but the Covid-19 pandemic has also been able to raise firm revenues in the logistics sector, because delivery of goods is the only option for business to continue throughout the quarantine period. The infrastructure and health sectors have the highest asset values in variable X_2. There are 5 sectors in the X_3 variable with an average DER value greater than 1, indicating a high risk of solvency. In general, sectors with a DER greater than 1 are badly affected by the Covid-19 epidemic. The healthcare industry has a very large ROA compared to other sectors, which is due to a growth in demand and sales of various health support instruments, particularly for the application of health protocols, as shown in variable X_4. The IT industry was the one that took the worst of the blow. This is because, despite the fact that WFH is implemented via technology, there are numerous concessions and a significant decrease in purchasing power, forcing technology companies to endure a profit slowdown. Although the regression results demonstrate differently, variable Y can show comparable results to variable X_3, where sectors with high profitability tend to have high firm values.

For continuous variables, the test for different values between groups is carried out using a non-parametric test, namely the Kruskall Wallis Test. The test results can be seen in Table 5.

Table 5. Kruskall Wallis Test Results

Variable	**Kruskall-Wallis Test**	
	Chi Square	**Sig**
X_{11}	12.923	0.166
X_2	21.269	0.012
X_3	21.737	0.010
X_4	32.899	0.000
Y	50.513	0.000

The Kruskall Wallis test finds that all continuous variables are significant, with the exception of X_{11}, indicating that while there is no difference between business sectors in terms of the number of Covid-19 words expressed by financial statements, there are significant differences between business sectors in terms of company size, profitability, leverage, and company value.

The difference in values between groups with values of 0 and 1 was calculated using the non-parametric Chi-square test for discrete variables. Tables 6 and 7 show the outcomes of the tests. Table 6 shows that only the health sector has a majority of good impacts, whereas the rest has a majority of negative impacts. Although there are nearly equal numbers of positive and negative affected enterprises in the non-cyclical consumer sector, many are nonetheless negatively affected. The chi-square test results are significant at a 5% alpha, indicating that there are differences in positive and negative impacts amongst the company's sectors. Meanwhile, practically all sectors reveal the impact of the Covid-19 pandemic in table 7, indicating that there is no difference between sectors in terms of sharing or not disclosing Covid-19 information, according to the chi-square test results.

Table 6. Chi Square Test of Variable X_{12}

Sectors	**Negative impact (Score = 0)**		**Positive Impact (Score = 1)**		**Total**
	Number of comp.	**%**	**Number of comp.**	**%**	
Consumer cyclist	43	81.13%	10	18.87%	53
Healthcare	1	10.00%	9	90.00%	10
Technology	4	100.00%	0	0.00%	4
Transportation and logistics	8	80.00%	2	20.00%	10
Industry	24	80.00%	6	20.00%	30
Infrastructure	24	66.67%	12	33.33%	36

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Energy	8	61.54%	5	38.46%	13
Property and Real estate	45	75.00%	15	25.00%	60
Basic material	25	60.98%	16	39.02%	41
Consumer non-cyclist	25	52.08%	23	47.92%	48
Total	**207**	**67.87%**	**98**	**32.13%**	**305**
Pearson Chi-Square statistics score		32.265	Sig		0.000

Table 7. Chi Square Test for Variable X_{13}

Sectors	**Not disclose (Score = 0)**		**Disclose (Score = 1)**		**Total**
	Number of comp.	**%**	**Number of comp.**	**%**	
Consumer cyclist	4	7.55%	49	92.45%	53
Healthcare	0	0.00%	10	100.00%	10
Technology	1	25.00%	3	75.00%	4
Transportation and logistics	0	0.00%	10	100.00%	10
Industry	4	13.33%	26	86.67%	30
Infrastructure	3	8.33%	33	91.67%	36
Energy	0	0.00%	13	100.00%	13
Property and Real estate	7	11.67%	53	88.33%	60
Basic material	6	14.63%	35	85.37%	41
Consumer non-cyclist	5	10.42%	43	89.58%	48
Total	**30**	**9.84%**	**275**	**90.16%**	**305**
Pearson Chi-Square statistics score		6.765	Sig		0.662

Regression Analysis

The regression test results are presented in Table 8 below. With an average value of adjacent R^2, all models have passed the goodness of fit test with the F test, and all models exhibit consistent findings. The first and third hypotheses are accepted, whereas the second and fourth hypotheses are rejected. In general, the regression results show that Covid-19 disclosure has a favourable impact on firm value.

Table 8. Regression Test Results

Description	**Model 1**		**Model 2**		**Model 3**	
	Coeff.	**Sig.**	**Coeff.**	**Sig.**	**Coeff.**	**Sig.**
C	1.488	0.000	1.455	0.000	1.443	0.000
X_{11}	0.014	0.035				
X_{12}			0.132	0.004		
X_{13}					0.115	0.027
X_2	-0.024	0.051	-0.022	0.077	-0.024	0.060
X_3	0.127	0.000	0.118	0.000	0.120	0.000
X_4	0.432	0.073	0.221	0.339	0.394	0.097
R^2	8.12%		9.10%		7.55%	
F-sig.	8.105	0.000	8.790	0.000	8.006	0.000

Discussions

According to the research, there is a positive association with covid-19 disclosure and firm valuation. After three different multiple linear regressions on each indicator of the Covid-19 disclosure variable, this was established. The first regression model counts the number of Covid-19 words cited in the financial report using the Covid-19 disclosure variable indicator (X_{11}). According to the results of hypothesis testing, investors and potential investors will consider Covid-19 information in making investment decisions after obtaining the information provided by the company. As a result, the inclusion of covid-19 in the financial statements has an impact on the company's worth. Investor trust in a firm can be boosted by the amount of information they have about Covid-19's influence on financial statements and how

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companies can survive. As a result, businesses must boost transparency and report the impact of risks that may arise during uncertain times. According to Aymen Ajina et al. (2015), a larger disclosure area and greater quality can reduce information asymmetry and hence improve stock performance by increasing investors' rational decision-making abilities. This study's findings are similar to those of Kerstin Lopatta et al. research (2020). Furthermore, the second regression model's conclusions have the following ramifications: Companies that see a good impact from Covid-19 may be able to raise their company value. When comparing corporate profitability in 2019 and 2020, the favourable influence of covid-19 can be detected. Because the Covid-19 pandemic has a negative and considerable influence on the company's financial performance, investors will be increasingly interested in companies that can maintain and even enhance their profit levels in times of uncertainty. This was due to government policies that adopted PSBB at the time, as well as the establishment of WFH (Work from Home). As a result, the positive influence of Covid-19 on the company's profit might be a good indication as well as one of the data points used to track the company's profit progress. This is in line with the findings of Puti & Utiyati (2020) and Hidayat & Triyonowati (2020), who found that profitability increases business value. The third regression model's implications are as follows: According to the findings of the study, companies who report Covid-19 in their financial statements have a higher company value than companies that do not. In order to make economic decisions, shareholders as principals currently require an overview and information about the situation. This disclosure will provide investors with additional information about the company's prospects in a thorough and timely manner, allowing them to make informed judgments. Because it decreases information asymmetry, Covid-19 risk disclosure reduces stock risk dramatically. The findings of this study agree with those of Jie Hao et al. (2022), who found that disclosing covid-19 can minimise investor uncertainty, draw investors' attention, and improve the company's value at the same time. The three regression models produced consistent results, indicating that they have a positive and significant effect. This suggests that the hypothesis given at the start of the study is correct, implying that the disclosure of Covid-19 in the financial statements has an impact on the company's worth.

Based on the findings of the study, it is clear that the size of a company has no bearing on its worth. The findings of this analysis suggest that organisations with a significant number of assets will be unable to effectively utilise those assets during the covid-19 epidemic, resulting in asset hoarding due to decreased asset turnover. One of the factors contributing to this is government rules aimed at reducing communal activity. As a result, investors no longer evaluate the size of a company when making investment decisions. The findings of this study support the findings of Gultom et al. (2013) and Mediawati and Mildawati (2016), who found that firm size has no impact on firm value.

Leverage has a favourable effect on firm value, according to the findings of research. High leverage shows that the company's prospects are favourable, which encourages investors to raise demand for shares while also increasing the company's worth. Several businesses sustained losses as a result of government laws mandating them to reduce communal activities during the Covid-19 outbreak. Using capital derived from debt or assets financed by debt is one option for management to sustain the company's viability. As a result, the corporation may run its business to its full potential in order to increase profits. Investor confidence will be boosted by the company's high earnings. These findings support previous studies by Prasetyorini (2013), Kouki and Said (2011), and Setiadewi (2014), all of which found that leverage had a positive and significant impact on firm value.

Profitability has no substantial effect on business value, according to the findings of the study. Profitability is an excellent indicator of a company's future prospects, which motivates investors to buy more stock. This is due to the fact that great profitability denotes a high rate of return to investors, which increases investor interest in the company while also boosting its value. However, many companies faced low profitability during the Covid-19 epidemic, thus company earnings might be seen from all accessible sources, not only profit. This means that while investing, investors look for more

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than just a high rate of return; they also examine the investment environment. The findings of this investigation are consistent with Warouw et al research's (2016). As a result, during the Covid-19 pandemic, profitability had little bearing on the company's worth.

Conclusions

The financial statement disclosure of covid-19 has a positive and significant influence on the company's value. It has provided consistent results, which have a favourable and significant effect on company value, based on the results of the regression carried out three times. Covid-19 disclosure in financial statements will lessen information asymmetry between the principle and management, allowing investors to examine a broader range of facts when making investment decisions. As a result, the inclusion of covid-19 in the financial statements has an impact on the company's worth.

However, there are some limitations to this study, including the following. Because the researchers only took samples from 10 industries that have been listed on the Indonesia Stock Exchange and have produced an audited 2020 annual report, this study cannot represent all sectors in Indonesia.

The following are some of the suggestions made. In the face of heightened uncertainty caused by Covid-19, every company's management must boost investor trust. One of them is that, as part of analysing the going concern assumption, management must disclose information regarding business strategies, business models, and their adaptability to new normal conditions, as well as the sources of cash flows generated. Investors should pay closer attention to the impact of Covid-19 on the company's financial performance as disclosed in the financial statements, as well as the company's ability to sustain operational continuity through loan capital during the Covid-19 pandemic. The four independent variables explain a very tiny business value, according to the research findings. Other elements that are considered to effect the company's worth that come from both internal and external factors should be included by future studies.

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