

**How to Cite:**

Andika, T. E., Sinaga, O., & Muda, I. (2022). How accounting helps investors in pandemic of COVID-19 era and other decision makers understand business. *International Journal of Health Sciences*, 6(S1), 2737–2743. <https://doi.org/10.53730/ijhs.v6nS1.5202>

# How Accounting Helps Investors in Pandemic of COVID-19 Era and Other Decision Makers Understand Business

**Tengku Ezy Andika**

Universitas Sumatera Utara, Medan, Indonesia

**Oddy Sinaga**

Universitas Sumatera Utara, Medan, Indonesia

**Iskandar Muda**

Universitas Sumatera Utara, Medan, Indonesia

**Abstract**--This study intended to apply the concept of how investor needed accounting information. The Investor need accounting information emphasizes on “how accounting information for (investors)?”. How investors react to the announcement of accounting information? These reactions will prove that the content of accounting information is a very important issue in making investment decision. So, it can be said that accounting information was useful for investors. Analysis of this study used a variable approach. Data collected using semi-structured opinion method. We used the snowball technique to determine informant. The results indicate that accounting information gives meaning usefulness for investors. Therefore, this study’s findings add strength of the concept of value relevance of accounting information and the usefulness of accounting information for market participants (investors).

**Keywords**--value relevance of accounting information, useful of accounting information.

## Introduction

The accounting for investments occurs when funds are paid for an investment instrument. The exact type of accounting depends on the intent of the investor and the proportional size of the investment. Depending on these factors, the following types of accounting may apply. The stock market is a place for interested parties such as investors whether local or foreign to invest their money and achieve their main purpose of gaining profit and increasing wealth (Ahmad et al., 2022). Stock market allows investors to utilize various

instruments to operate their liquidity to forecast reasonable associated risk. On the other hand, stock market serves two critical functions. First, it provides a link between the firms that need funds to start their new businesses and investors who spend money to invest in new firms. The second function is to provide a regulated place for buying and selling securities at prices determined by supply and demand, notwithstanding other macroeconomic fundamentals such as interest rates and inflation. Encouraging investors to invest their savings and providing corporations with opportunities to invest in equity finance lead to an increase in the level of investment in the stock market. These developments in turn enhance the economic growth in the country (Usman et al, 2022). Investment in the stock market is the major area of concern among people who want to utilize their money effectively. In particular, making an informed decision is really the toughest task for most information users such as investors, creditors, financial analysts and auditors. No specific criteria are being used by various stakeholders who perform the financial and investment decisions. Every individual or group relies on its own way of dealing with the situations to make a right choice and rational decision (Witra., 2022). Today, corporate financial reports play a significant role in national economic growth and are considered as an effective tool providing useful information required by various users. The broad area of financial reporting offers a number of fundamental measures of company performance for accounting periods which in turn assists its users to make rational decisions (Osma, 2022). For the stock market to operate efficiently and effectively, it should satisfy the capital providers' needs. In this sense, capital providers seek good opportunities to add capital value, while market operators hope to raise further capital through attracting investors for operation to make profit (Lukkarinen, 2022). Thus, without accounting information, the market could not operate effectively and the potential investors may be reluctant to trade because they lack sufficient information to assess the value of investment (Kothari,2001). For instance, Anderson and Epstein (1995) reported that corporate financial reports enable the financial director to precisely predict the future and could make a major contribution to improve corporate communications, accountability, and governance. In contrast, Hasibuanadn Islamiati (2020) confirmed that it is not possible to make a decision without conducting analysis of financial information. Adequate financial information is essential to maintain an efficient market system. Disclosure and transparency of the corporation protect the investors, and thereby enhance the investors' confidence in the market. But the question remains whether the financial reports' users read and utilize these reports in their decisions or not. Examining the users' perceptions of financial reports have been the subject matter of a large number of studies conducted in many countries (developed and less developed) during the past years. Similarly, the current study seeks to contribute to the development of the knowledge in this field in Libya as a developing country and to identify the investors' perceptions of the importance of accounting information in their investment decisions

### **Literature review**

Accounting is used in various circles from time to time because without accounting business will not run well and can have bad consequences. Bad in the sense here is in the case of a businessman who does not have bookkeeping.

Accounting can also sometimes be bookkeeping for UMKM and for big companies too, because it has become a talk among the public that accounting can be referred to as bookkeeping. According to Alfian et al (2020) the notion of accounting is the process of identifying, measuring and conveying economic information as information material in terms of considering various alternatives in drawing conclusions by the users. Similarly, according to Tampubolon et al (2020) accounting is identifying, measuring and reporting economic information, to enable clear and firm judgments and decisions for those who use the information. Meanwhile, according to the Committee on Terminology of the American Institute of Certified Public Accountants in the book Rodrigues and Craig (2022), the notion of accounting is the art of recording, classifying, and summarizing transactions and events of a financial nature in a meaningful way and in units of money and investing the results. In conclusion, the three experts have the same assessment of the true meaning of accounting. After finding the meaning of the accounting, a question can arise again when the accounting is actually used and what are the real benefits of accounting and who the actors are:

In the following, researchers will present the accounting function as follows:

- a. As financial information to those who need  
Business actors who carry out financial transactions and do not record the details of these transactions, at that time the accounting acts as a medium of financial information for the business actors, so that the direction and purpose of the transaction can be known.
- b. As evaluation material  
With the information that is owned, of course, as a material for consideration and evaluation of business people in seeing whether income and expenses are worthy of profit or not, accounting acts as a forum for evaluating these events.
- c. As financial evidence that can be accounted for  
Especially for someone who has accounts payable in business, of course accounting plays a role in accountability in terms of financial evidence so that there are no mistakes in paying accounts payable
- d. Helping family economy record  
In this case, housewives who really need accounting in order to maintain household finances so that accounting can help record expenses and income as well as family savings for a better future for the family to buy a house, car, and so on.

Above, the researcher has explained the true meaning of accounting and the perpetrators of the accounting users are all circles and many people of course use accounting because it is a very accurate financial information so that mistakes and problems do not occur in the future. Accounting is also useful for investors who can review and assess the extent to which the business is going well, because the purpose of accounting is to convey financial information and an investor of course reads accounting which financial statements in seeing a business deserve to be invested with large or small amounts of funds so that with accounting an investor will not make a wrong step in making a decision. Therefore, Accounting plays an important role for investors in making decisions from one business to another and how does accounting play a role? with financial

statements which are still part of Accounting itself (Lei et al., 2022). An investor certainly needs an accountant, namely someone who understands and understands accounting and its types and is proficient in reading financial statements. With the help of an accountant, investors can make wise decisions from this financial information. Decision making has steps that should be understood so that an investor does not make a wrong step, the Decision Making Process that is:

- a. Defining Problems,
- b. Determine Alternative Actions,
- c. Evaluating Alternatives,
- d. Choosing the Best Alternative,
- e. Implementing the Chosen Alternative

## **Method**

The method used is a survey research method, this method is obtained from beliefs, opinions, characteristics, behaviors, as well as testing hypotheses. Due to time and place constraints, this study uses a survey research method by using opinions from several groups and testing hypotheses. The variable relationship:

- 1) Do investors need accounting to make their work easier?
- 2) Do Investors need Accounting for decision making?

Opinion :

- 1) Opinion by Cigarette Investors
- 2) Opinion by clothing investor

## **Result and Discussion**

### **Results**

The results of this study consist of two kinds, namely Relationship Variables and Opinions. The following will present the results of the Hypothesis Testing as follows:

#### 4.1.A. Variable Relationship

- 1) Do investors need accounting to make their work easier?  
Several surveys were found in several circles and some opinions that it is very necessary. The survey is reinforced by several theories and opinions that the results say it is very necessary, which means that the two variables are related
- 2) Do investors need Accounting for decision making?  
Several surveys were found in several circles and some opinions that it is very necessary. The survey is reinforced by several theories and opinions that the results say it is very necessary, which means that the two variables are related

#### 4.1.B. Opinion

- 1) Opinions by Cigarette Investors  
The survey results from several opinions of Cigarette Investors emphasize that without accounting the company will not run well and cannot make a decision whether it is worth investing or not.

2) Opinions by Apparel Investors

The survey results from several opinions of Apparel Investors emphasize that accounting makes it easier for me to pay for production costs, fixed and variable costs and so on and helps me avoid theft

## Discussion

The discussion here describes the results of several survey research methods carried out. The results found are very satisfactory because they have a positive assessment. The following describes the results and discusses the meaning of these results.

### 4.2.A. Variable Relationship

1) Do investors need accounting to make their work easier?

The discussion of the results above that Investors certainly facilitates work in various ways such as protecting company finances Described above The Accounting Function as financial evidence is accounted for, therefore with the existence of Accounting for Investors, protecting Investors' finances from persons with bad intentions.

2) Do Investors need Accounting for decision making?

The discussion of the results above that investors certainly really need accounting in making decisions to be able to invest or not. Described above the Decision Making Process, namely:

- a) Defining Problems, Investors use Accounting to identify problems which of course are the company's financial statements are said to be good or not,
- b) Determining Alternative Actions, Investors after identifying the problem, then the action is carried out by studying the financial statements as well as possible,
- c) Evaluating Alternatives, Investors will then study with economic statistics so that the results obtained will be satisfactory.
- d) Choosing the Best Alternative, the inspection is complete with the financial statements said to be good, has good profits, it can be said to be a financially healthy company
- e) Implementing the chosen alternative, the results of the examination and implementing the chosen alternative, namely making wise decisions to be able to invest in the company.

This is the decision-making process carried out by an investor using accounting. Relationship Variables say related and based on theory say that it is true that an investor really needs accounting to facilitate work and decision making.

### 4.2.B. Opinion

1) Opinions by Cigarette Investors

The survey results based on the opinion of Cigarette Investors is how Accounting makes it easier for them to use Accounting as Decision Making. This opinion directs that the Cigarette Distributors to be invested in are able or not to sell products in the area they manage.

Of course, investors read the financial statements of the cigarette distributor companies before taking alternative actions, namely decision making. Accounting makes it easier for an investor not to make a wrong step in making decisions by reading financial statements which are part of accounting itself.

## 2) Opinions by Apparel Investors

The results of the survey based on the opinion of the Apparel Investor is how Accounting makes it easier for them to use Accounting to help an Apparel Investor and make it easier for them in their work. In the Accounting Function, it is explained that one of them is as financial evidence that can be accounted for. In this case, the Apparel Investor felt a very significant impact from the Accounting Function, namely protecting the company's finances in transactions such as paying salaries, electricity, telephone water, operational costs and production costs as well as protecting from theft. Of course, Accounting makes it easier for an Apparel Investor in terms of protecting the Company's Finances. The function of accounting as financial information is to protect the company's finances from unscrupulous persons. With the existence of financial information as evidence that can be accounted for, of course, if there is a financial leak, it will be investigated by accounting

## Conclusion

Accounting has an important role in the economic field, especially businessmen, investors, employees, managers and anyone who really needs accounting, so that there is a job as an accountant who understands all things about accounting which makes it easier for anyone. This study also proves that how accounting helps an investor which has been presented above with the functions and uses of accounting, an investor will find it very helpful and make wise decisions in terms of investing and protecting company finances

## Reference

- Ahmad, T., Hussain, S., Akbar, M., & Rehman, A. U. (2022). Impact of terrorism on stock market: Evidence from developed and developing markets. *International Journal of Disaster Risk Reduction*, 102786.
- Alfian, F, Purba, V,(2020). The Contingency Approaches to the Design of Accounting Systems. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 949-956. <https://tojqi.net/index.php/journal/article/view/8207>
- Hasibuan, D.R.F, Islamiati, H, (2020). The Behavioral Effects of Accounting Information. *Turkish Online Journal of Qualitative Inquiry*. 11(4). <https://tojqi.net/index.php/journal/article/view/8202>
- Lei, Z., Gong, G., Wang, T., & Li, W. (2022). Accounting Information Quality, Financing Constraints, and Company Innovation Investment Efficiency by Big Data Analysis. *Journal of Organizational and End User Computing (JOEUC)*, 34(3), 1-21.
- Lukkarinen, A., Shneor, R., & Wallenius, J. (2022). Growing pains and blessings: Manifestations and implications of equity crowdfunding industry maturation. *Decision Support Systems*, 113768.

- Osma, B. G., Gomez-Conde, J., & Lopez-Valeiras, E. (2022). Management control systems and real earnings management: Effects on firm performance. *Management Accounting Research*, 100781.
- Rodrigues, L. L., & Craig, R. (2022). Using historical institutional analysis of corporatism to understand the professionalization of accounting in Latin America. *Accounting, Organizations and Society*, 97, 101330.
- Tampubolon, E.H, Aini, N, (2020). Construction In Progress On Financial Statements During The Covid-19 Pandemic. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 1053-1059.  
<https://tojqi.net/index.php/journal/article/view/8223>
- Usman, M., Jahanger, A., Makhdum, M. S. A., Balsalobre-Lorente, D., & Bashir, A. (2022). How do financial development, energy consumption, natural resources, and globalization affect Arctic countries' economic growth and environmental quality? An advanced panel data simulation. *Energy*, 241, 122515.
- Witra, W. P. P., & Subriadi, A. P. (2022). Gender and information technology (IT) investment decision-making. *Procedia Computer Science*, 197, 583-590.