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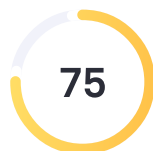
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BEWARE OF THE EXISTENCE OF A BIG BATH WITH ASSET IMPAIRMENT AFTER PANDEMIC COVID-19

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ABSTRACT: The objective of this study is to investigate
the relationship between a big¹ bath accounting and asset
impairment.² The sample constituted of 231 firm-years
observation from 33 mining companies that listed in
Indonesia Stock Exchange during the 2012 to 2018
period.³ Logistic Regression⁴ has been used⁵ to analyze a
big⁶ bath accounting on assets impairment. The results of
this⁷ study found evidence that companies that tend to do
a big⁸ bath accounting will recognize a loss of asset value.
A big⁹ bath accounting is done¹⁰ because managers assume

that investors will give the same response¹¹ when the company suffered large¹² losses¹³ or small losses. The manager acknowledges the costs of future periods and current period losses when unfortunate unavoidable circumstances in the current period. It will consequently make a profit higher than expected in the next year. In the next period, the company's performance will look better so that managers can maximize utility in the form of compensation for the targets that have been achieved.¹⁴

Keywords: Assets impairment, a big¹⁵ bath accounting, earnings management, loss.

INTRODUCTION

Every company requires capital to run and achieve its objectives. The owners of the company hire managers to manage the company's capital¹⁶ and its assets to achieve the goals and increase the wealth of the company owner.¹⁷ Managers are responsible for optimizing the owner's return and¹⁸ they will be compensated¹⁹ according to the contract (Jensen and Mekling, 1976).

The COVID-19 pandemic that occurred throughout the world, which began at the end of 2019²⁰ gave rise to many changes in the behavior of the industrial world. Almost the entire industrial sector was affected by the pandemic. Many sectors²¹ have decreased or slowed growth. Some other sectors²² grow well. Pandemic²³ has²⁴ caused some companies to close their operations, factories reduce and manage work schedules, decrease the amount of production, decrease the use of assets that trigger a decline in the value of assets. The hospitality, transportation, manufacturing, and mining industries are the sectors that have declined due to the pandemic.

A sharp change in the company's financial condition raises a variety of potential changes in management behavior. Agency theory suggests that management is the party that controls information compared to other parties so that there²⁵ is a possibility that financial information presented is of efficiency and opportunistic nature. In pandemic or natural disaster, accounting also has affected (Stenheim and Madsen, 2016; Cheng et al., 2019; Ozili, 2020). Managers who have moral hazard

intentions, the condition of this force Majeure²⁶ can be utilized²⁷ for opportunistic purposes. Management can ride a pandemic by accounting engineering. They can use earnings management techniques by riding COVID-19. One possibility of earnings management that can be done² is taking a big bath (Cheng et al., 2019). A big bath²⁹ took by riding on impairment assets. One possibility of earnings management that can be done³⁰ is taking³¹ a big bath³². Managers will have more internal³³ information and prospects compared to the owners, this³⁴ condition called information asymmetry (Rossi, 2014; Hope and Wang, 2018). Information asymmetry provides an opportunity for managers to use the information they know as a tool to manipulate financial statements to maximize their prosperity³⁵. Problems that arise from a conflict of interest between managers and owners of companies is called the agency problem.

In management with moral hazard intentions, the condition of this force Majeure can be utilized³⁶ for opportunistic purposes. Earnings management techniques can be done³⁷ by riding COVID-19. Managers do earnings management by using a big³⁸ bath accounting. A

big³⁹ bath accounting will make the profit does not match the conditions of economic reality. The profit⁴⁰ represents a worse performance when the company incurs losses. This⁴¹ makes the next period's earnings higher than expected after the company⁴² incurs⁴³ a large⁴⁴ loss⁴⁵ in the current period (Gonçalves et al., 2019).

The owners of the company use profitability as a reference for investment in a company listed on the stock exchange (Grace and Ambrose, 2013).⁴⁶ Prior research (Karlsson and Reimbert, 2016; Hope and Wang, 2018; Ayedh, Fatima and⁴⁷ Mohammad, 2019) shows when a company performance is below the desired level, management would prefer to adopt impairment approach that initiates the recognition of impairment loss to restart future performance.

Firm size can determine the level of ease in obtaining funds from the capital market. The capital market has uncertain economic value. This condition makes manager worries and does⁴⁸ various efforts to be opportunistic desires remain implemented, one⁴⁹ alternative is using impairment loss. According to (Dudycz and Prażników, 2020) impairment occurs as a result of changes in market

conditions indicating the value of the recoverable assets is less than the value of the book, and if the assets owned are greater⁵⁰ then it will tend to decrease in value.

IAS 36 regulates asset testing that conducted⁵¹ periodically using an impairment test to estimate the recoverable amount of an asset (Hassine and Jilani, 2017). The recognition of an impairment loss provides an opportunity for managers to use accounting options. Accounting options are a chance for opportunistic management to maximize earnings management by looking for gaps in IAS 36 but still complying with applicable standards.

Research conducted by the authors is a replication of research Co and Rodiel who^{52,53} found that assets impairment used to gain earnings management by doing income smoothing and a big⁵⁴ bath accounting (Abrigo and C. Ferrer, 2016). Siggelkow and Zuelch (2010) and Athanasakou et al. (2010) show different⁵⁵ empirical evidence. Managers no longer perform earnings management in the form of a big⁵⁶ bath accounting because of management concern over the consequences if they do a big⁵⁷ bath accounting (Siggelkow and Zülch,

2013; Athanasakou and Hussainey, 2014). Differences in the results of previous research led researchers to investigate whether a big bath accounting affects asset impairment. Therefore, the authors would like to investigate the influence of a big bath accounting against the loss of value of mining companies listed in the Indonesia Stock Exchange 2012-2018.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory solves potential lack of harmonious goals, preferences, and actions between managers and shareholders, companies should tie manager compensation to shareholders through ownership or compensation. This includes providing stock options and bonuses to managers that match with the company's stock price (Rossi, 2014; Wiyadi et al., 2015; Devie, 2017). Titik and Putri provide empirical evidence, as a result of strong financial harmonization between CEO and shareholder, the CEO makes decisions to increase the company's net profit or market value of its shares (Titik and Putri, 2014). Thus, management compensation

provides a ⁶⁶very ⁶⁷strong motivation for CEOs and other top management to manipulate earnings,⁶⁸ to improve their financial statement.

Positive Accounting Theory

Positive accounting theory assumes that managers behave opportunistically in their interests or to increase their wealth (Watts and Zimmerman, 1990). Therefore, Watts and Zimmerman (1990) explain that accounting choices are made⁶⁹ in terms of individual goals and effects of accounting methods in achieving those objectives.

Positive accounting has three hypotheses: bonus planning, debt management, and political cost hypothesis. While the debt agreement hypothesis explains that the higher the firm's debt to equity ratio, the more likely it is managers will use accounting methods that will increase revenues and prevent companies from breaking any debt covenants. Finally, the political cost hypothesis suggests that large firms tend to recognize more on impairment rather⁷⁰ than diminish their net profits and avoid "public eye."

A Big Bath Accounting

There are several kinds of earnings management techniques, they⁷¹ are⁷² a big bath, income minimization, income maximization, and income smoothing (Scott, 2012). A big⁷³ bath technique recognizes costs in future periods and current period losses when adverse
unpredictable⁷⁴ conditions are inevitable in the current period. Consequently, management will do a "self-cleaning" by charging upcoming cost estimates and doing⁷ "clear the decks".⁷⁶ A big bath makes the earnings of the next period will be higher than it should be.

According to Ayedh et al. (2019) and Hope and Wang (2018), big⁷⁷ bath charges happen when the company earns very low⁷⁸ profits or negative, the company will charge more expenses in that year so that profit⁷⁹ is getting smaller. The goal is to reduce the burden in the future. Earnings⁸⁰ management model is done⁸¹ because investors will have the same response when the company suffered large⁸² losses or small losses.

Jordan and Clark explain that companies often make earnings management in the form of a big⁸³ bath accounting⁸⁴ to recognize the accumulated impairment

loss (Jordan and Clark, 2004). Cheng and Warfield found evidence that impairment decisions are used⁸⁵ by managers with high equity incentives to increase the value of their shares (Cheng and Warfield, 2005). Abrigo and Ferrer (Abrigo and C. Ferrer, 2016) found different results from the Jordan and Clark research, but in line with results^{86,87} of another research⁸⁸ (Laskaridou and Vazakidis, 2013; Siggelkow and Zülch, 2013; Laskaridou, Athanasios and Stergios, 2014). Managers no longer perform earnings management in the form of a big⁸⁹ bath accounting management awareness of the consequences if they do a big⁹⁰ bath accounting. If managers do a big⁹¹ bath accounting⁹² it will make the public view it become bad (Abrigo and C. Ferrer, 2016). Companies that perform a big bath accounting are required to restate the wrong financial report by the Securities and Exchange Commission.

Asset Impairment

Impairment is a condition where there is objective evidence of loss events as a result of one or more events occurs after the initial recognition of credit, and such⁹⁴ loss events have an impact on the estimated future cash flows

of a financial asset or group of financial assets that can be estimated reliably (Laskaridou, Athanasios and Stergios, 2014).

Any impairment loss of revalued fixed asset is treated⁹⁵ as a decrease in revaluation,

Recognized in other comprehensive income, as long as the impairment loss does not exceed the amount of the revaluation surplus for the same asset;

Impairment loss on revalued assets reduces the revaluation surplus for the asset (Andersson, 2014).

Recognition of impairment loss occurs if the asset's recoverable amount is less than its carrying amount, the⁹⁶ asset's carrying amount is lowered⁹⁷ to its recoverable

amount (Andersson, 2014). The decrease is an impairment loss. An impairment loss is recognized

immediately in the statement of income unless the asset is presented⁹⁸ at a revalued amount following others. Any

impairment loss of the revalued asset is treated⁹⁹ as a decrease in revaluation then it is recognized in other comprehensive income, as long as the impairment loss does not exceed the amount of the revaluation surplus for the same asset and the impairment loss on the

revaluation asset reduces the revaluation surplus for the asset.¹⁰⁰

Hypothesis Development

Agency theory said that there is a separation of functions between ownership (investor) and management.

Separation of functions¹⁰¹ in agency theory has a negative side that is the flexibility of management¹⁰² to maximize profits that can lead to the process of maximizing¹⁰³ the interests of managers with the costs assigned to the owner of the company (Duru and Alexandros Tsitinidis, 2013). According to Jensen and Meckling (1976), information asymmetry between company owners and managers provides an opportunity for managers to act opportunistically for personal earnings.¹⁰⁴ An approach used by managers to maximize personal¹⁰⁵ earning is doing earnings management. One of the earnings management techniques is a big¹⁰⁶ bath accounting. This technique recognizes the costs of future periods and current period losses when unfortunate circumstances are happening¹⁰⁷ in the current period. The consequence is earnings in the future¹⁰⁸ period will be higher than they should be. The

profit management model is done¹⁰⁹ because investors will give the same response¹¹⁰ when the company suffered large¹ losses or small losses.

Kirchenheiter and Melumad (2001) explain that companies were often done earnings management in the form of a big¹¹² bath accounting to recognize the accumulated impairment loss of assets. Cheng and Warfield (2005) found evidence that impairment decisions are used¹¹³ by managers with high equity incentives to increase the value of their shares.

A big¹¹⁴ bath accounting is done¹¹⁵ because managers assume that investors will give the same response¹¹⁶ when the company suffered large¹¹⁷ losses or small losses. The manager recognizes the costs of future periods and current period losses when the company meets unfortunate circumstances in the current period. Consequently, the profit in the next period will higher than expected. When a company gets a low profit or losses, the company will charge more expenses by recognizing an impairment loss to reduce future expenses¹¹⁸ so that the financial statements of the

company in the next period will look better.¹¹⁹ Therefore, the hypothesis formulated is as follows:

H1: A big¹²⁰ bath accounting has a positive effect on asset impairment loss.

METHODOLOGY

Research Design

The research design that will be used¹²¹ is quantitative research based on the mining company's financial report listed on the Indonesia Stock Exchange year 2012-2018. The sample selected using purposive sampling with criteria as follows:

Companies must be registered with the Indonesia Stock Exchange and not delisting in 2012-2018;

The company publishes audited financial statements for 2012-2018;

The financial statements are denominated¹²² in US¹²³ dollars and Rupiah;

The company provides complete annual financial reporting that has the end of the financial¹²⁴ year as of December 31, 2012-2018;

The variables studied are fully available in the financial statements of 2012-2018.

Types and Data Sources

The data used in this study is secondary data taken from the financial statements and¹²⁵ independent auditors report of mining sector companies. There is a 231 firms-years observation. The data is obtained¹²⁶ from the website www.idx.co.id.

Operational Variables

Dependent Variables (Y)

The dependent variable is asset impairment (IM)¹²³. Asset impairment is measured¹²⁷ by variable¹²⁸ dummy based on disclosure data of asset impairment in the company's financial statement. Logit models are often used¹²⁹ in data classification data. This study follows Abrigo and C. Ferrer (2016) and Laskaridou et al. (2014) that use the dummy variable model. Companies that not recognize asset impairment given the number 0 and companies that recognize¹³⁰ the asset impairment are given¹³¹ the number 1.

Independent Variable (X)

The independent variable used in this study is big bath¹³² accounting. According to Siggelkow and Zuelch (2010), a big bath¹³³ accounting is measured quantitatively by the formula:

A big bath =

The ratio of a big bath according¹³⁴ to Siggelkow and Zuelch (2010) has several weaknesses:

The ratio of a big bath only shows the number of big bath companies each year, so it can not show¹³⁵ clearly¹³⁶ which company doing¹³⁷ a big bath¹³⁸ accounting.

The big bath ratio does not indicate when the year companies do a big bath¹³⁹ accounting.

The ratio of a big bath can not distinguish the company that experienced the actual loss and the company that doing¹⁴⁰ a big bath¹⁴¹ accounting.

Based on those weaknesses, this study uses cut-off to determine whether a company is likely or not to do a big bath¹⁴² accounting. The cut-offs that used are the industry average each year and the company's standard deviation. The industry average¹⁴³ cut-off each year¹⁴⁴ indicates whether the company recognizes lower profits or lower losses

than other companies in the same field. Besides, the ratio of a big bath of each company is illustrated with graphs to analyze the lowest point (lowest standard deviation) of a company to indicate a big bath accounting.¹⁴⁵

Below are criteria of companies that doing or not doing a big bath accounting:¹⁴⁶

Figure 1.

Criteria of Companies that Tend to Do A big bath Accounting¹⁴⁷

Based on the company criteria that tend to do a big bath accounting,¹⁴⁸ the author then categorizes companies that tend to do or not a big bath accounting into the dummy variable as follows:¹⁴⁹

Control Variables

The control variable is an independent variable whose effect on the criterion variable is controlled by the

researcher by making the effect¹⁵⁰ neutral. The control variables used in this study are:

Profitability

This study uses return on equity as a profitability proxy that affects the impairment loss. This¹⁵¹ is based¹⁵² on Laskaridou et al..¹⁵³ (2014).

x 100%

Firm size

Measurement of firm size refers to Abrigo and C. Ferrer (2016) that using total assets.

Data Analysis Method

The logistic regression model using the dependent variable model which is also dichotomous and using a value of 1 or 0, this is used in situations where the dependent variable has the possibility of response "doing impairment" or "not doing impairment"¹⁵⁴, in this study the likelihood of response is 1 = doing impairment and 0 = doing impairment.¹⁵⁵ Independent variables are a big bath¹⁵⁶ accounting, and control variables are profitability that proxied with return on equity and firm size proxied by total assets. Logistic regression models do not require

classical assumptions on their independent variables (Ghozali, 2011).

General Equation of Logistic Regression

The hypothesis in this study was tested¹⁵⁷ by using logistic regression analysis because the dependent variable was measured using the dummy variable, so the researcher chose to use this kind of method to investigate the influence of the independent variable that is a big bath¹⁵⁸ accounting.¹⁵⁹ Logistic regression⁴ is a regression used to test whether the probability of occurrence¹⁶⁰ of a dependent variable can be predicted¹⁶¹ with an independent variable. A logistic regression model that used¹⁶² for this study is as follows:

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Based on the results of descriptive statistical analysis, there is a 231 firm-year observation from 33 companies from 2012 to 2018. 231 firm-year observation¹⁶³ has

complete data for research purposes. Here is an explanation of the data description of all the variables used in the research model using descriptive statistical analysis.

Table 1.

Results of Descriptive Statistics Analysis

Variables

Minimum

Maximum

Mean

Standard Deviation

Varian

A big bath Accounting

0.00

1.00

0.4061

0.49259

0.243

Profitability

-2.18

4.57

0.0796

0.58422

0.341

Firm size

6.66

10.09

8.5094

0.40571

0.434

Impairment Loss

0.00

1.00

0.7939

0.4540

0.231

Source: Secondary data processed, 2020

The recognition of impairment loss represents a minimum value of 0 and a maximum value of 1. There is a 20.8% observation that did not recognize the impairment loss of assets during 2012-2018. There is 79.2% observation that recognizes impairment loss of assets during 2012-2018.

If the average of all samples is taken¹⁶⁴, the asset impairment losses incurred by the company are 0.792 or 79.2%, which means that the average recognition of impairment loss is near the maximum value. So it can be concluded¹⁶⁵, that the company's awareness to recognize impairment loss of assets is high. The standard deviation of 0.40571 shows the variations contained in the index. The standard deviation value in this study is smaller than the mean value which¹⁶⁶ means that the research data on the recognition of¹⁶⁷ impairment loss still less varied during the research period.

There is 59,3% observation that does not perform a big¹⁶⁸ bath accounting during 2012-2018. There is a 40.7% observation that tends to perform¹⁶⁹ a big¹⁷⁰ bath accounting during the year 2012-2018. If the average of all samples is taken¹⁷¹, companies that tend to do a big¹⁷² bath accounting are 0.407 or 40.67% which¹⁷³ means that the average firms that tend to do a big¹⁷⁴ bath accounting are far from the maximum. So it can be concluded¹⁷⁵, that companies that tend¹⁷⁶ to do a big¹⁷⁷ bath accounting are low. The standard deviation of 0.49259 indicates the variations contained in the index. The standard deviation value in this study is

greater¹⁷⁸ than the mean value which¹⁷⁹ means that a big bath accounting variable data varies during the research period.

Profitability measured by the return on equity ratio shows a minimum value of -2.18 and a maximum value of 4.57.

The average value¹⁸⁰ of profitability in a firm-year observation is 0.0796 or 7.96%. This¹⁸¹ means that the average return on equity returns in the sample criteria has a low profitability ratio. The standard deviation of 0.65847 shows the variations contained in profitability. The standard deviation value in this study is greater¹⁸² than the mean value which¹⁸³ means that the variable profitability data varies during the research period.

Firm size indicates a minimum value is 6.66 and¹⁸⁴ a maximum value¹⁸⁵ is 10.09. This¹⁸⁶ means that the average mining industry has a very large¹⁸⁷ asset. The deviation unit of 0.65847 shows the variation in firm size. The standard deviation value in this study is smaller than the mean value which¹⁸⁸ means that the variable data of firm size varies less during the research period.

Results of the General Equation of Logistic Regression

Logistic regression⁴ is a regression used to test whether the probability of occurrence¹⁸⁹ of a dependent variable can be predicted¹⁹⁰ with an independent variable. Here's the output of variables in the equation:

Table 2.

The output of Results Varibeles In The Equation

B

S.E.¹²³

Wald

Sig.

Exp(B)

A big bath

1.354

0.490

7.633

0.006

3.872

Profitability

-0.724

0.448

2.609

0.106

0.485

Size

-0.216

0.327

0.434

0.510

0.806

Constant

2.850

2.791

1.042

0.007

17.288

Source: Secondary data processed, 2020

Based on Table 2, it can be seen¹⁹¹ that a big bath accounting is significant at prob¹⁹² 0.006, profitability is not significant¹⁹³ at prob¹⁹⁴ 0.106, firm size is not significant¹⁹⁵ at prob¹⁹⁶ 0.510.

Discussion

The effect of A big¹⁹⁷ bath Accounting on Impairment Losses Based on the result of hypothesis testing can be found evidence that a big bath accounting has a significant positive effect¹⁹⁸ on the recognition of impairment loss of assets.¹⁹⁹ Companies that doing a big bath²⁰⁰ accounting recognize an impairment loss because when a company earns a low profit or losses,²⁰¹ the company will charge more expenses in the year to lower earnings by recognizing²⁰² an impairment loss to reduce future expenses²⁰³ so that the financial statements companies in the next period will look better.²⁰⁴ The results of the study fit the positive accounting theory that managers make bonus plans by choosing accounting policies.²⁰⁵ Managers may choose²⁰⁶ to recognize an impairment loss to increase their bonuses in future periods.

Results of this study supported by research conducted by Kirchenheiter and Melumad (2001) which²⁰⁷ explains that the company performs earnings management in the form of a big bath²⁰⁸ accounting to recognize the accumulated impairment loss of assets that derived from the low target achieved.²⁰⁹ Cheng and Warfield's research (2005) is in line with the results of this study which²¹⁰ found evidence

that decisions on asset impairment are used²¹¹ by managers with high equity incentives to increase the value of their shares.²¹² Abrigo and Ferrer prove that impairment is used²¹³ to earn earnings management by making income smoothing and a big²¹⁴ bath accounting (Abrigo and C. Ferrer, 2016).

This study differs from previous research that has been done by (Siggelkow and Zülch, 2013) which²¹⁵ explains that managers no longer perform earnings management in the form of a big²¹⁶ bath accounting because of management concern over the consequences if they do a big²¹⁷ bath accounting. Athanasakou²¹⁸ et al. prove that when managers make a big²¹⁹ bath accounting²²⁰ it will make the public view the company badly and are required to restate the wrong financial report by the Securities and Exchange Commission (Athanasakou, Strong and Walker, 2010).

The Effect of Control Variables on Impairment Losses Profitability has an insignificant negative effect on the recognition of²²¹ impairment losses due to potential investors giving the same response when the state of the

company is experiencing a low ²²² loss or profit. Low or high profitability does not affect investors in investing in a company. So, managers keep doing impairment of assets even if the company has high or low profitability.

The result of this study was supported by Kirchenheiter and Melumad ²²³ which resulted in the finding that when the return on equity fell to the lowest or highest point, the company continued to recognize the accumulated impairment loss (Kirschenheiter and Melumad, 2002).

This study differs from Cheng and Warfield results that decisions on impairment ²²⁴ are used by managers with high equity incentives to increase their share value so that the value of the company's stock will tend to be better than the period when the recognition of an impairment loss occurs (Cheng and Warfield, 2005; Cheng, Warfield and Minley, 2011). Laskaridou et al. (2014) prove that the recognition of impairment losses indicates that the company can not satisfy shareholders.

Firm size also has an insignificant negative effect on the recognition of impairment losses. ²²⁵ This is consistent with the positive accounting theory of the political cost hypothesis. ²²⁶ The greater ²²⁷ the political costs faced by the

company, the greater²²⁸ the tendency of companies to use accounting options that can reduce earnings.²²⁹ Companies tend to admit more to impairment than to reduce their net income and avoid public attention.

The results of this study are supported²³⁰ by Kirchenheiter and Melumad (2001) stating²³¹ that companies that have²³² large or small sizes continue to recognize the accumulated impairment loss of assets. This²³³ is done²³⁴ so that the company can meet expectations expected earnings of the company's owners so that the company will have a stable and satisfactory performance in the eyes of investors. This study differs from Cheng and Warfield's (2005) research results which²³⁵ suggest that large companies will think more about public views regarding recognized impairment losses. Athanasakou et al. (2010) also differ from this study which²³⁶ resulted in the finding that managers no longer perform earnings management in the form of a big²³⁷ bath accounting because management was concerned for the consequences if they do a big²³⁸ bath accounting.

CONCLUSION, SUGGESTIONS, AND LIMITATIONS

Conclusion

This study investigates the effect of a big bath²³⁹ accounting on the case of impairment loss of assets in Indonesian mining companies. The research control variable consists of profitability measured by return on equity and firm size measured by total assets.

The results of this²⁴⁰ study found evidence that companies that tend to do a big bath²⁴¹ accounting will recognize a loss of asset value. Managers maximize personal profits by making earnings management in the form of a big bath²⁴² accounting. A big bath²⁴³ accounting is done²⁴⁴ because managers assume that investors will give the same²⁴⁵ response²⁴⁵ when the company suffered large²⁴⁶ losses or small losses. The manager acknowledges the costs of future periods and current period losses when unfortunate unavoidable circumstances in the current period. It will consequently make a profit higher than expected in the next year. In the next period, the company's performance will look better so that managers can maximize utility in the form of compensation for the targets that have been achieved.²⁴⁷

Companies that have low or high profitability will still recognize an impairment loss. Low or high profitability does not affect investors in investing in a company.

Managers continue to impair asset values even if the company has high or low profitability.

Companies that have large or small sizes continue to recognize impairment losses on assets. Companies that have high-profit rates will receive wide²⁴⁸ attention from consumers and the media which²⁴⁹ will also attract the attention of government and regulators that lead to political²⁵⁰ costs, including government intervention, higher taxation, and various other demands that can increase political²⁵¹ costs.²⁵²

Limitations

The limitations of this study are:

A big bath is an undisclosed action manager. Formulas designed to detect large baths²⁵³ have not been tested²⁵⁴ in reality. The results of this study are based²⁵⁵ on this. The conclusion from the results must be seen²⁵⁶ in the perspective of a big bath detection instrument.

The control variables used in this study are internal firm variables. Future studies need to incorporate external pressures experienced by companies or managers who carry out large baths²⁵⁷

Suggestions

Based on the above limitations, suggestions for further research are:

Testing the validity of the measuring formula for the occurrence of a big bath.

Add or use other control variables such as public stock ownership, market reaction, and debt covenant.

References

1.	big → significant	Word Choice	Engagement
2.		Intricate Text	Clarity
3.		Intricate Text	Clarity
4.	<i>Regression; regression</i>	Text Inconsistencies	Correctness
5.	<i>been used</i>	Passive Voice Misuse	Clarity
6.	big → significant	Word Choice	Engagement
7.	The results of this → This	Wordy Sentences	Clarity
8.	big → significant	Word Choice	Engagement
9.	big → significant	Word Choice	Engagement
10.	<i>is done</i>	Passive Voice Misuse	Clarity
11.	give the same response → respond	Wordy Sentences	Clarity
12.	large → significant, massive, substantial	Word Choice	Engagement
13.	losses → injuries, damages	Word Choice	Engagement
14.	<i>been achieved</i>	Passive Voice Misuse	Clarity
15.	big → significant	Word Choice	Engagement
16.	capital → money	Word Choice	Engagement
17.		Intricate Text	Clarity
18.	, and	Punctuation in Compound/Complex Sentences	Correctness
19.	<i>be compensated</i>	Passive Voice Misuse	Clarity

20.	2019,	Punctuation in Compound/Complex Sentences	Correctness
21.	sectors → areas, industries	Word Choice	Engagement
22.	sectors → areas, industries	Word Choice	Engagement
23.	Almost the entire industrial sector was affected by the pandemic. Many sectors have decreased or slowed growth. Some other sectors grow well.	Monotonous Sentences	Engagement
24.	Pandemic → Epidemic	Word Choice	Engagement
25.	so that there → . There	Hard-to-read text	Clarity
26.	Majeure,	Punctuation in Compound/Complex Sentences	Correctness
27.	be utilized	Passive Voice Misuse	Clarity
28.	be done	Passive Voice Misuse	Clarity
29.	bath → bathroom	Word Choice	Engagement
30.	be done	Passive Voice Misuse	Clarity
31.	taking → making	Word Choice	Engagement
32.	bath → shower, bathroom, dip, bathtub	Word Choice	Engagement
33.	internal → private	Word Choice	Engagement
34.	, this → ; this, . This	Punctuation in Compound/Complex Sentences	Correctness
35.		Intricate Text	Clarity
36.	be utilized	Passive Voice Misuse	Clarity

37.	<i>be done</i>	Passive Voice Misuse	Clarity
38.	big → significant	Word Choice	Engagement
39.	big → significant	Word Choice	Engagement
40.	profit → benefit	Word Choice	Engagement
41.	<i>This</i>	Intricate Text	Clarity
42.	the company → it	Wordy Sentences	Clarity
43.	incure → suffers	Word Choice	Engagement
44.	large → significant, substantial, massive, considerable	Word Choice	Engagement
45.	loss → decline	Word Choice	Engagement
46.		Intricate Text	Clarity
47.	, and	Comma Misuse within Clauses	Correctness
48.	does → makes	Incorrect Phrasing	Correctness
49.	, one → ; one, , and one, . One	Punctuation in Compound/Complex Sentences	Correctness
50.	greater → more significant, higher, more considerable, more excellent	Word Choice	Engagement
51.	that conducted	Wordy Sentences	Clarity
52.	, who	Punctuation in Compound/Complex Sentences	Correctness
53.	who → . They	Hard-to-read text	Clarity
54.	big → significant	Word Choice	Engagement

55.	different → contradictory, contrary	Word Choice	Engagement
56.	big → significant	Word Choice	Engagement
57.	big → significant	Word Choice	Engagement
58.	big → significant	Word Choice	Engagement
59.		Intricate Text	Clarity
60.	investigate → examine	Word Choice	Engagement
61.	big → significant	Word Choice	Engagement
62.	, companies → ; companies, , and companies, . Companies	Punctuation in Compound/Complex Sentences	Correctness
63.	compensation → payment	Word Choice	Engagement
64.	<i>This</i>	Intricate Text	Clarity
65.	strong → substantial, energetic, loud, intense	Word Choice	Engagement
66.	very	Wordy Sentences	Clarity
67.	a very strong → a powerful	Word Choice	Engagement
68.	earnings,	Punctuation in Compound/Complex Sentences	Correctness
69.	<i>are made</i>	Passive Voice Misuse	Clarity
70.	rather	Wordy Sentences	Clarity
71.	, they → ; they, . They	Punctuation in Compound/Complex Sentences	Correctness

72.	, they are → :	Wordy Sentences	Clarity
73.	big → significant	Word Choice	Engagement
74.	unpredictable adverse	Misplaced Words or Phrases	Correctness
75.	doing	Wordy Sentences	Clarity
76.	; → ."	Misuse of Semicolons, Quotation Marks, etc.	Correctness
77.	big → significant	Word Choice	Engagement
78.	very low → meager	Word Choice	Engagement
79.	profit → benefit, advantage	Word Choice	Engagement
80.	The earnings	Determiner Use (a/an/the/this, etc.)	Correctness
81.	is done	Passive Voice Misuse	Clarity
82.	large → significant, massive, substantial	Word Choice	Engagement
83.	big → significant	Word Choice	Engagement
84.	, accounting	Punctuation in Compound/Complex Sentences	Correctness
85.	are used	Passive Voice Misuse	Clarity
86.	results → findings	Word Choice	Engagement
87.	the results	Determiner Use (a/an/the/this, etc.)	Correctness
88.	research → study	Word Choice	Engagement
89.	big → significant	Word Choice	Engagement

90.	big → significant	Word Choice	Engagement
91.	big → significant	Word Choice	Engagement
92.	accounting,	Punctuation in Compound/Complex Sentences	Correctness
93.	big → significant	Word Choice	Engagement
94.	, and such → . Such	Hard-to-read text	Clarity
95.	is treated	Passive Voice Misuse	Clarity
96.	, the → ; the	Punctuation in Compound/Complex Sentences	Correctness
97.	is lowered	Passive Voice Misuse	Clarity
98.	is presented	Passive Voice Misuse	Clarity
99.	is treated	Passive Voice Misuse	Clarity
100.	<i>Any impairment loss of the revalued asset is treated as a decrease in revaluation then it is recognized in other comprehensive income, as long as the impairment loss does not exceed the amount of the revaluation surplus for the same asset and the impairment loss on the revaluation asset reduces the...</i>	Hard-to-read text	Clarity
101.	functions → tasks	Word Choice	Engagement
102.	management → control	Word Choice	Engagement
103.	maximizing → optimizing, optimizing	Word Choice	Engagement
104.		Intricate Text	Clarity
105.	personal → own	Word Choice	Engagement

106.	big → significant	Word Choice	Engagement
107.	are happening → occur	Wordy Sentences	Clarity
108.	future → next, coming, forthcoming	Word Choice	Engagement
109.	<i>is done</i>	Passive Voice Misuse	Clarity
110.	give the same response → respond	Wordy Sentences	Clarity
111.	large → significant, massive, substantial	Word Choice	Engagement
112.	big → significant	Word Choice	Engagement
113.	<i>are used</i>	Passive Voice Misuse	Clarity
114.	big → significant	Word Choice	Engagement
115.	<i>is done</i>	Passive Voice Misuse	Clarity
116.	give the same response → respond	Wordy Sentences	Clarity
117.	large → significant, massive, substantial	Word Choice	Engagement
118.	expenses → costs	Word Choice	Engagement
119.		Intricate Text	Clarity
120.	big → significant	Word Choice	Engagement
121.	<i>be used</i>	Passive Voice Misuse	Clarity
122.	<i>are denominated</i>	Passive Voice Misuse	Clarity
123.	US; IM; S.E	Text Inconsistencies	Correctness
124.	financial → fiscal	Word Choice	Engagement
125.	, and	Punctuation in Compound/Complex	Correctness

Sentences			
126.	<i>is obtained</i>	Passive Voice Misuse	Clarity
127.	<i>is measured</i>	Passive Voice Misuse	Clarity
128.	<i>a variable</i>	Determiner Use (a/an/the/this, etc.)	Correctness
129.	<i>are often used</i>	Passive Voice Misuse	Clarity
130.	recognize → <i>understand, know</i>	Word Choice	Engagement
131.	<i>are given</i>	Passive Voice Misuse	Clarity
132.	big → <i>significant</i>	Word Choice	Engagement
133.	big → <i>significant</i>	Word Choice	Engagement
134.	<i>, according</i>	Punctuation in Compound/Complex Sentences	Correctness
135.	show → <i>explain</i>	Word Choice	Engagement
136.	<i>clearly</i>	Misplaced Words or Phrases	Correctness
137.	<i>is doing</i>	Incorrect Verb Forms	Correctness
138.	big → <i>significant</i>	Word Choice	Engagement
139.	big → <i>significant</i>	Word Choice	Engagement
140.	<i>is doing</i>	Incorrect Verb Forms	Correctness
141.	big → <i>significant</i>	Word Choice	Engagement
142.	big → <i>significant</i>	Word Choice	Engagement
143.	<i>average industry</i>	Misplaced Words or Phrases	Correctness
144.	each year	Wordy Sentences	Clarity

145.	big → significant	Word Choice	Engagement
146.	big → significant	Word Choice	Engagement
147.	big → significant	Word Choice	Engagement
148.	big → significant	Word Choice	Engagement
149.	big → significant	Word Choice	Engagement
150.	effect → impact	Word Choice	Engagement
151.	<i>This</i>	Intricate Text	Clarity
152.	<i>is based</i>	Passive Voice Misuse	Clarity
153.	..	Misuse of Semicolons, Quotation Marks, etc.	Correctness
154.	" → , "	Misuse of Semicolons, Quotation Marks, etc.	Correctness
155.	<i>The logistic regression model using the dependent variable model which is also dichotomous and using a value of 1 or 0, this is used in situations where the dependent variable has the possibility of response "doing impairment" or " not doing impairment ", in this study the likelihood of response is...</i>	Hard-to-read text	Clarity
156.	big → significant	Word Choice	Engagement
157.	<i>was tested</i>	Passive Voice Misuse	Clarity
158.	big → significant	Word Choice	Engagement
159.		Intricate Text	Clarity
160.	of occurrence	Wordy Sentences	Clarity

161.	<i>be predicted</i>	Passive Voice Misuse	Clarity
162.	used → applied	Word Choice	Engagement
163.	observation → view, comment	Word Choice	Engagement
164.	<i>is taken</i>	Passive Voice Misuse	Clarity
165.	concluded,	Punctuation in Compound/Complex Sentences	Correctness
166.	, which	Punctuation in Compound/Complex Sentences	Correctness
167.	the recognition of → recognizing	Wordy Sentences	Clarity
168.	big → significant	Word Choice	Engagement
169.	perform → play, show, deliver, present	Word Choice	Engagement
170.	big → significant	Word Choice	Engagement
171.	<i>is taken</i>	Passive Voice Misuse	Clarity
172.	big → significant	Word Choice	Engagement
173.	, which	Punctuation in Compound/Complex Sentences	Correctness
174.	big → significant	Word Choice	Engagement
175.	concluded,	Punctuation in Compound/Complex Sentences	Correctness
176.	tend → are typically	Word Choice	Engagement
177.	big → significant	Word Choice	Engagement
178.	greater → higher	Word Choice	Engagement

179.	, which	Punctuation in Compound/Complex Sentences	Correctness
180.	value → cost, amount	Word Choice	Engagement
181.	This	Intricate Text	Clarity
182.	greater → higher	Word Choice	Engagement
183.	, which	Punctuation in Compound/Complex Sentences	Correctness
184.	, and	Punctuation in Compound/Complex Sentences	Correctness
185.	value → amount	Word Choice	Engagement
186.	This	Intricate Text	Clarity
187.	a very large → a huge, a tremendous	Word Choice	Engagement
188.	, which	Punctuation in Compound/Complex Sentences	Correctness
189.	of occurrence	Wordy Sentences	Clarity
190.	be predicted	Passive Voice Misuse	Clarity
191.	be seen	Passive Voice Misuse	Clarity
192.	prob	Inappropriate Colloquialisms	Delivery
193.	significant → substantial	Word Choice	Engagement
194.	prob	Inappropriate Colloquialisms	Delivery
195.	significant → substantial	Word Choice	Engagement

196.	<i>prob</i>	Inappropriate Colloquialisms	Delivery
197.	big → significant	Word Choice	Engagement
198.	effect → impact	Word Choice	Engagement
199.		Intricate Text	Clarity
200.	big → significant	Word Choice	Engagement
201.	losses → declines, injuries	Word Choice	Engagement
202.	recognizing → identifying, accepting	Word Choice	Engagement
203.	expenses → costs	Word Choice	Engagement
204.	<i>Companies that doing a big bath accounting recognize an impairment loss because when a company earns a low profit or losses, the company will charge more expenses in the year to lower earnings by recognizing an impairment loss to reduce future expenses so that the financial statements companies in ...</i>	Hard-to-read text	Clarity
205.		Intricate Text	Clarity
206.	choose → want	Word Choice	Engagement
207.	, which	Punctuation in Compound/Complex Sentences	Correctness
208.	big → significant	Word Choice	Engagement
209.	<i>Results of this study supported by research conducted by Kirchenheiter and Melumad (2001) which explains that the company performs earnings management in the form of a big bath accounting to recognize the accumulated impairment loss of assets that derived from the low target achieved.</i>	Incomplete Sentences	Correctness

210.	, which	Punctuation in Compound/Complex Sentences	Correctness
211.	are used	Passive Voice Misuse	Clarity
212.		Intricate Text	Clarity
213.	is used	Passive Voice Misuse	Clarity
214.	big → significant	Word Choice	Engagement
215.	, which	Punctuation in Compound/Complex Sentences	Correctness
216.	big → significant	Word Choice	Engagement
217.	big → significant	Word Choice	Engagement
218.	Athanasakou → Athanasiou	Misspelled Words	Correctness
219.	big → significant	Word Choice	Engagement
220.	accounting,	Punctuation in Compound/Complex Sentences	Correctness
221.	the recognition of → recognizing	Wordy Sentences	Clarity
222.	loss → injury	Word Choice	Engagement
223.	, which	Punctuation in Compound/Complex Sentences	Correctness
224.	are used	Passive Voice Misuse	Clarity
225.	This	Intricate Text	Clarity
226.	greater → higher	Word Choice	Engagement
227.	political → administrative	Word Choice	Engagement

228.	greater → higher	Word Choice	Engagement
229.	<i>The greater the political costs faced by the company, the greater the tendency of companies to use accounting options that can reduce earnings.</i>	Incomplete Sentences	Correctness
230.	<i>are supported</i>	Passive Voice Misuse	Clarity
231.	, stating	Punctuation in Compound/Complex Sentences	Correctness
232.	that have → with	Wordy Sentences	Clarity
233.	<i>This</i>	Intricate Text	Clarity
234.	<i>is done</i>	Passive Voice Misuse	Clarity
235.	, which	Punctuation in Compound/Complex Sentences	Correctness
236.	, which	Punctuation in Compound/Complex Sentences	Correctness
237.	big → significant	Word Choice	Engagement
238.	big → significant	Word Choice	Engagement
239.	big → significant	Word Choice	Engagement
240.	The results of this → This	Wordy Sentences	Clarity
241.	big → significant	Word Choice	Engagement
242.	big → significant	Word Choice	Engagement
243.	big → significant	Word Choice	Engagement

244.	<i>is done</i>	Passive Voice Misuse	Clarity
245.	give the same response → respond	Wordy Sentences	Clarity
246.	large → significant, massive, substantial	Word Choice	Engagement
247.	<i>been achieved</i>	Passive Voice Misuse	Clarity
248.	wide → full, ample, extensive	Word Choice	Engagement
249.	, which	Punctuation in Compound/Complex Sentences	Correctness
250.	political → administrative	Word Choice	Engagement
251.	political → administrative	Word Choice	Engagement
252.	<i>Companies that have high-profit rates will receive wide attention from consumers and the media which will also attract the attention of government and regulators that lead to political costs, including government intervention, higher taxation, and various other demands that can increase political c...</i>	Hard-to-read text	Clarity
253.	baths → tubs, bathrooms	Word Choice	Engagement
254.	<i>been tested</i>	Passive Voice Misuse	Clarity
255.	<i>are based</i>	Passive Voice Misuse	Clarity
256.	<i>be seen</i>	Passive Voice Misuse	Clarity
257.	baths.	Closing Punctuation	Correctness