

Earnings Management as a Tool of Bankruptcy Prevention During Global Pandemic of COVID-19

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- The Covid-19 pandemic affects all areas of operation in almost every country, except for Slovakia.
- The second phase is foreseen in the autumn, which should be much more demanding, and it will also be a great challenge for companies to be able to adapt their activities to the new standards.
- An important question for companies is how this will affect their financial results. Some companies were not affected by the disease; others had to be closed, did not generate any profit, eventually went bankrupt

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Introduction

- Succeeding in business leads business owners and leaders to think differently about money and resources.
- One of the goals that leaders should pursue is to build and maintain a healthy business savings account.
- Investment in research and development and earnings management means a two-way relationship. Research and development is a stimulus for earnings management as well as earnings management practices. Investments in projects that could have been preceded by research are also close to research and innovation.
- Knowledge of intellectual capital is gaining in importance compared to other factors of production, such as land, capital and machinery.
- Disclosure of companies' environmental information has quickly become an essential part of earnings management.

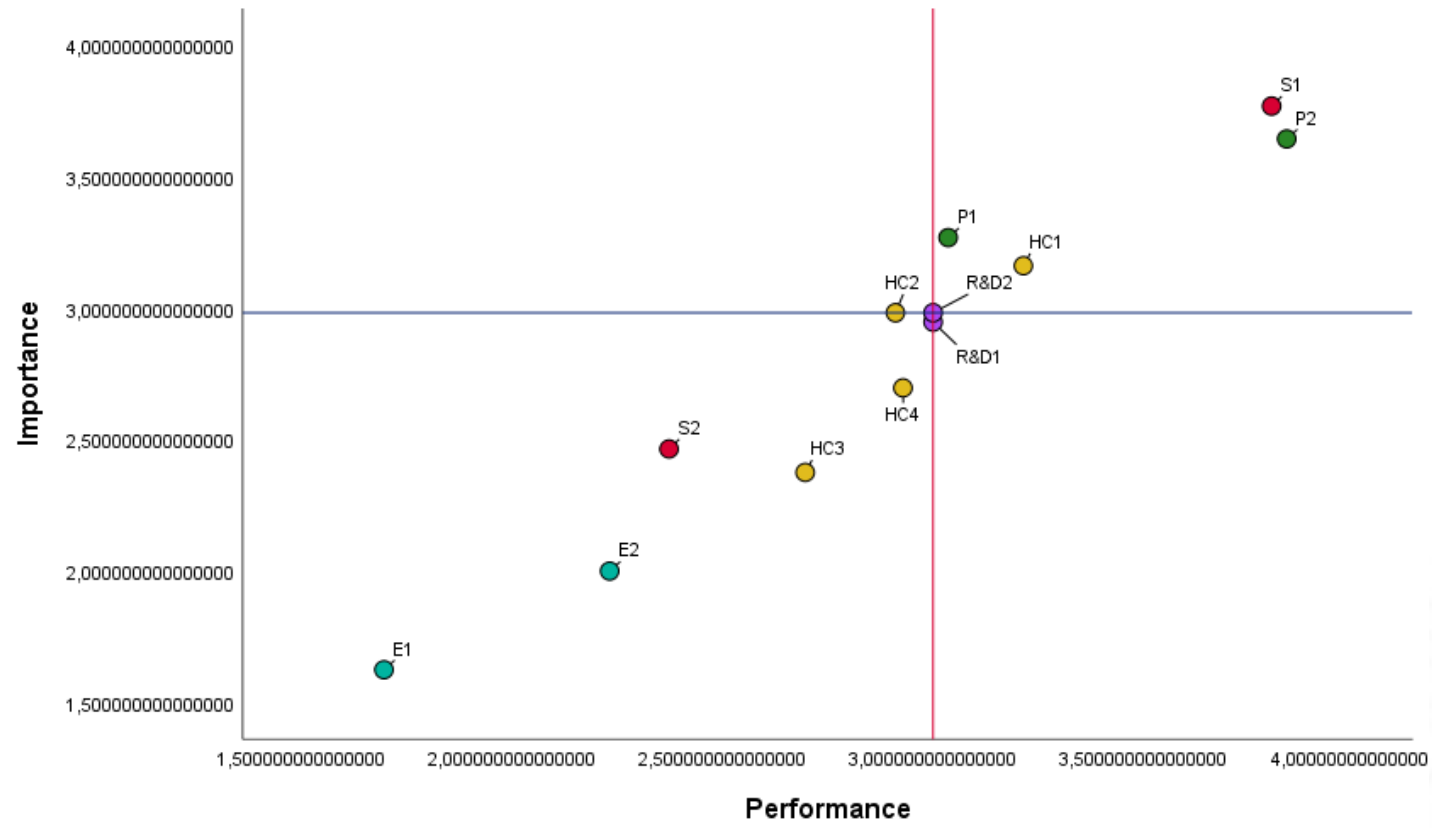
Methodology

- First of all, classical analytical tools were used to collect knowledge from individually selected categories. We focused only on publications published in renowned databases Web of Science, or Scopus. Subsequently, we created Table 1, where the individual publications are mentioned. In the practical part, we focused on data collection through a questionnaire, and we managed to obtain a total of answers from 172 companies from various sectors

Results

Dimension	Item	Question
Savings	S1	Company creates savings account
	S2	Company focuses on energy savings
Project investment	P1	Company participates on projects from ITMS
	P2	Company works on own projects or cooperate with different companies or entities to achieve success
Research & development	R&D1	Company develops new device/principle/method/
	R&D2	Company works on own infrastructure
Human capital	HC1	Company ensures for employees' education & courses
	HC2	Company participates on conferences
	HC3	Company has an own library or provides for employees' books/manuals/research publications etc.
	HC4	Company creates the best working environment for employees
Environment	E1	Company takes a part in voluntary donation
	E2	Company has and develops own waste management

Results



Conclusions

- The pandemic disease, which has been spreading in Slovakia since about March, is associated with a partial or complete restriction of the company's operations, which has an impact on reducing revenues, profits and generating fixed costs, a substantial reduction in cash flow.
- Another wave of this disease is expected in autumn and winter, which should be much more threatening for Slovakia. Therefore, we decided to address the issue of earnings management.
- Based on our results, companies will primarily resort to creating a certain reserve in the form of a savings account. Generating savings makes it easier for a corporation to bargain with more critical conditions and thus evade bankruptcy. However, if the opportunity will not let their projects lie down, and they will seek realization.

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