

ANALYSIS OF COMPANY RISK IN FINANCIAL ACCOUNTING REPORTING

¹Yuliana, ²Nelcie Mussa, ³Ika Ismiyar, ⁴Effendi Tjahjadi, ⁵Agus Munandar

^{1,2,3,4,5} Program Studi Magister Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas Esa Unggul Jakarta

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E-mail:
Agus.munandar@esaunggu.ac.id

ABSTRACT

The purpose of this study was conducted to draw a conclusion related to risk management for every activity carried out by the organization in previous research, especially risks that can affect financial reports based on the results of a summary of the conclusions. The literature review used in this study is to determine company activities related to risk management, financial performance and reporting, good corporate governance, human resources and information technology. The research method is based on journals and observations of literature reviews that have something to do with research problems. The study technique uses qualitative methods based on existing journals and articles. The results of the study synthesized that all the variables in previous research were connected to risk management which consisted of how to mitigate, evaluate, and analyze each risk that could affect the performance of an organization.

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1. INTRODUCTION

This research was compiled based on the evaluation results of previous articles conducted by several researchers related to financial accounting reporting from different perspectives, but in essence it boils down to the element of risk. Risk is an unexpected uncertainty, and can result in non-achievement of goals that result in losses [1]. In a risk management organization, there are several types of risks faced by companies, including financial, operational, legal, reputational and strategic risks [2].

The application of risk management is carried out by the company in order to detect possible risks that may result in a loss [3]. The risks faced by entities must be controlled with a good internal control system, including by implementing optimal governance management, so as to avoid negative impacts on the company [4]. Management of significant risks that disrupt the company's business objectives requires a good internal control, in the form of a GCG system to avoid conflicts of interest. The scope of GCG is to produce financial accounting reports that contain the TARIF principle [5].

Preparation of company financial reports that pay attention to GCG principles will help stakeholders to know the company's performance, thereby facilitating decision making [6]. In this case good financial reports, which are free from fraud, are very beneficial for investors because they can describe the level of soundness and productivity of a company. Likewise HR has an important role in achieving the success of company goals [7]. Work productivity that empowers human resources, information, technology and skills as well as management can maintain the quality of financial reports.

The regulation of human resources is regulated in Law No. 8 1978 concerning Employee Principals which has been changed to Law No. 43 of 1999 which was then revised by Law No. 5 of 2014 concerning State Civil Apparatuses. Only qualified human resources can be useful and contribute optimally in the implementation of corporate strategy [8].

This research was conducted to see the extent of risk management faced by companies in fulfilling financial accounting reporting obligations, by analyzing whether the application of GCG principles, internal control systems, HR utilization, and risk management in companies has been going well or not.

2. METHOD

According to Kitchenham & Charters (2007) states that the SLR method is a journal review process by identifying, assessing, interpreting, and evaluating some of the problems contained in the research topic to be able to provide answers and explanations that are carried out t [10]. The steps in question are:

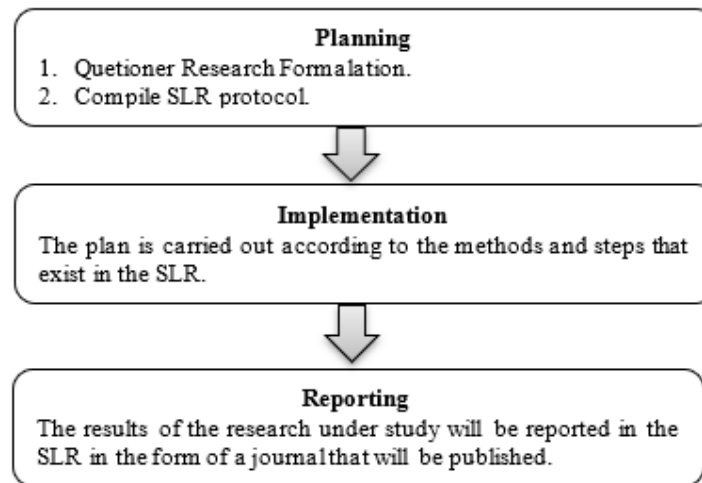


Figure 1. SLR Method Stages

In the picture above, it starts from the planning stage then the next stage is implementation and then at the end of the stage, namely reporting as the final stage of the SLR into a report.

Research Question (RQ)

The questions are arranged and adapted to the research topic. The research questions referred to are as follows:

- RQ1 : In research related to the risk of reporting financial accounting, what kind of method is often used ?
- RQ2 : What elements can have an impact on the company's financial accounting reporting risk ?
- RQ3 : What research topics and trends are the choices of researchers related to the risk of financial accounting reporting ?
- RQ4 : When looking at the risk of reporting financial accounting in research, what method is used to determine the best performance ?

Based on the RQ (Research Question) research questions mentioned above, the hypothesis is described as follows:



Figure 2. Hypotesis Design

Research Process

To obtain the cause of the problem under study, it can use the search process in order to answer the research problem. In answering research questions and obtaining references and data sources through the site <https://scholar.google.co.id> which is the secondary data used.

Study Selection

In selecting studies, you can use secondary data or primary data, so you can see whether the data is suitable for use as a source of research data or not. The data criteria referred to in the selection of this research study are as follows: Data that has a period from 2021 to 2022; data retrieved from

<https://scholar.google.co.id>; data obtained from previous research journals related to risk management on financial accounting reporting.

Extraction Data

The data that has been contributed will be summarized to respond to research questions according to the topic and then the data will be extracted and arranged according to the extraction form. This aims to assist in collecting data on the main research according to the topic on the problem so that the main data becomes the main data in answering research questions. Data extraction can be arranged and carried out as in the table below

Table 1. Properties of Data Extraction Mapped to Research Questions

Regarding	Research Question (RQ)
Publish	RQ1
Research problem	RQ2
Quality reporting method	RQ3
Financial accounting report quality	RQ4

Assessment Quality

The data obtained at this stage is evaluated according to the following questions:

1. QA1: Does the intended journal published in the period 2021-2022 ?
2. QA2: Does the intended journal discuss the risk of reporting financial accounting ?
3. QA3: Does the intended journal include the quality of financial accounting reporting ?
4. QA4: Does the intended journal analyzing risk management related to the topic ?

The quality of the assessment that was explained earlier will later be re-evaluated based on the existing standard values, thus each journal paper will be given a value according to the question on the quality of the assessment using the following values:

Yes : journals that meet the criteria for assessment quality questions.

No : journals that do not meet the criteria for assessment quality questions.

Data Collection

This research is secondary data whose data source is indirectly in the data collection process, for example collection through other parties or other documents [10].

Stages of secondary data in this study, namely:

1. Literature study, by reviewing data related to articles regarding the risk of reporting financial accounting using the SLR method obtained from the website <https://scholar.google.co.id>.
2. Journal data is stored in the Mendeley application.

Data Type

The type of data in this study utilizes quantitative types by means or interpretation techniques in terms of processing the sources of data obtained, and getting answers to the formulation of the problems previously described with understanding, not the frequency of phenomena that often or rarely occur naturally in the social world [10].

3. RESULT AND DISCUSSION

Search Process Result Inclusion and Exclusion Criteria

From the results of the search process based on inclusion and exclusion standards, 15,200 articles were obtained in the search process, however, only 10 journal papers complied with the standards for journal papers published in the period 2021-2022 which place discussions related to financial accounting reporting risks. The types of journal papers that have been successfully obtained include:

Table 2. Classification Based on Journal Type

No	Journal Type	Year	Total
1	Jurnal Konferensi Riset Nasional Ekonomi, Manajemen, dan Akuntansi	2021	1
2	Jurnal Studi Akuntansi dan Keuangan Indonesia	2021	1

3	Jurnal Duniabisnis.org	2021	1
4	Jurnal Magister Akuntansi Trisakti	2021	1
5	Jurnal Riset dan Akuntansi	2021	1
6	Jurnal Bisnis dan Akuntansi	2022	1
7	Jurnal Transekonomika Akuntansi, Bisnis dan Keuangan	2022	1
8	Jurnal Edusaintek: Pendidikan, Sains dan Teknologi	2022	1
9	Jurnal Pendidikan Ekonomi (JURKAMI)	2022	1
10	Jurnal Ekonomi dan Manajemen	2022	1
	Total		10

Results of RQ1: Method used

RQ1 searches get results based on the category of data collection techniques in the journal. This can be seen in table 3 which proves that the research was dominated by quantitative methods as data collection techniques. Because researchers want to see the effect of risk management on financial statements through measurement and assessment as the most widely used settlement technique.

Table 3. Data set

No	Data set method	Total
1	Quantitative	7
2	Quetioner	2
3	Observation	1

Results of RQ2: Influencing factors

The results in RQ2 regarding the factors that influence risk management on financial reports, and the categories that influence them are risk management, financial performance and reporting, good corporate governance, and the use of human resources and information technology. Table 4 below describes the factors that influence risk management on financial accounting reporting, as follows:

Table 4. Risk Management Factors against Financial Statements

No	Factors	Researcher	Total
1	Risk management	(Hunah et al., 2021), (Ticoalu et al., 2021), [13], [14], [15], (Agung Prasetyo, 2022), (Zunaedi et al., 2022), [17], [18], [4]	10
2	Performance and financial report	[14], [13], [15], [17]	4
3	Good Corporate Governance	[17], [4]	2
4	Human resources & Information technology	[17], [18]	2

Resulta of RQ3: Trend and Topic

The results of Research Question 3 regarding topic trends in this study that are significant to company risks to financial accounting reports. Based on the dominant research analysis using secondary data, it was chosen to answer questions related to risk management with detailed topics, as follows: Expressing and analyzing risk issues in financial accounting reports; stating the causes and effects of the occurrence of risks in financial accounting reporting; put forward and choose solutions to answer problems that occur in risks in financial accounting reporting; able to make conclusions as a good solution from risk research in financial accounting reporting.

On the first topic regarding risk issues in financial accounting reports Ticoalu et al. (2021) examines risk disclosure and corporate governance. Whereas Al Rasyid & Sazly (2021) examines the design of the effect of risk in financial accounting reporting. On research Damayanti & Venusita (2022) revealed that there is a positive relationship between company risk and financial accounting reporting.

In the second topic Wijaya (2021) explains how risk management can mitigate the impact of risks on the company's business continuity where there is no certainty. In research Kurniasih (2021) said that the factors affecting the company's business were from a financial risk standpoint, where the fair value of financial instruments and capital management contributed positively to financial risk.

The third topic that discusses the causes of problems caused by uncertainty which can cause different results if something happens, even though the degree of probability of that event cannot be known quantitatively. Al Rasyid & Sazly (2021), and Fahlevi & Manda (2021) explained how the application of risk management can predict the company in helping to save expenses while protecting business continuity. It is also supported by Hassanudin et al. (2022) who said complete and comprehensive risk disclosure is useful as a reference for making the right decisions, so companies that manage risk well can increase trust in the eyes of investors and the public.

While on the fourth topic which discusses the search for solutions to problems related to company risk on financial accounting reporting, Wahdah & Soewito (2022) explains the need for savings in spending as well as the need for evaluation in risk prevention in the company. This can be overcome by increasing risk prevention both in evaluation and planning, organizing, setting, coordinating or controlling. Maharani & Pravitasari (2022) revealed that proper use of human resources and advances in information technology and good corporate governance can support the implementation of reliable risk management in helping the company's business growth.

Results of RQ4: The Best Method

Based on RQ4 in assessing the performance method which is quite good and can be used for handling company risk problems in financial accounting reporting. By obtaining several research results using quantitative, qualitative and observational methods, the best method is the quantitative method. Because this method is used to obtain valid data and can be formed as a data source, so that the literature study method is also able to explain and obtain appropriate solutions in dealing with problems in research.

From the research results that have been obtained there are also several journals which still find that corporate risk has no significant effect on financial accounting reporting, but in other studies in 2022 there has been a simultaneous influence due to good internal control and the application and disclosure of risk management which is good for the company [22].

4. CONCLUSION

Refer to research results Hunah et al. (2021) proves that the disclosure of risk management through the measurement of several financial performance variables disclosed in the financial statements has a positive or negative impact and some does not have such an impact. Refer to research results Ticoalu et al. (2021) proves that disclosure of financial statement information through risk management on firm value will have a positive and negative influence on investors in responding to these conditions, and for small-scale companies that are generally vulnerable to risk, risk management disclosure is necessary. Refer to research results Kurniasih (2021) states that risk factors in business can give rise to several financial risks faced by companies, including risks to foreign currency exchange rates, interest rate risks, credit risks, liquidity risks, and profit fluctuation risks.

Refer to research results Widyastuti et al. (2021) states that the application of risk management for managers has a positive and negative impact on financial performance and also has implications for investors to make investment decisions. Refer to research results Al Rasyid & Sazly (2021) stated that risk management for the Bank has an important role in managing financial performance. Refer to research results Zunaedi et al. (2022) states that internal control based on risk performed by the auditor plays a very important role in improving effectiveness, control and governance in creating added value for the company. Refer to research results Agung Prasetyo (2022) states that in order to overcome information asymmetry for principals in making optimal decisions, it is necessary to disclose in the company's financial statements.

Refer to research results Wahdah & Soewito (2022) concluded that risk management is a guide for ABC companies in implementing corporate finance applications which have 17 low, 12 medium and 2 high level criteria that can be used as recommendations for managing risk for the smooth running of the project. Refer to research results Maharani & Pravitasari (2022) concluded that in overcoming the influence of business risks due to the impact of the Covid-19 pandemic, companies need risk management that is expected to be able to influence and control these risks. Refer to research results Pratama et al. (2022) states that Good Corporate Governance has a very dominant influence on the Bank's financial performance.

Based on the references to the 10 research results mentioned above, it can be synthesized that risk management has a very important role for the company, especially it can be used as a company guideline as a risk management assessment process which includes identification, analysis, evaluation, and how the company treats these risks. for the purpose of protection and creation of added value for the company.

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