

## The Impact of COVID-19 Pandemic on Managerial Accounting and Its Adjustments in Financial Markets

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### Abstract

*This study aimed to identify the impact of the COVID-19 pandemic on managerial accounting and its adjustments in financial markets to help business society deal with their businesses and companies during the pandemic. This study was conducted in Quezon City, Philippines, employing the descriptive design under the qualitative research method through an interview protocol and online form methods using Fiedler's Contingency Theory. A stratified random sampling was used with ten participants for the interview; five were business owners and the other five were managers and accountants. This research initiative is a great help for those who are suffering in their business, especially managers, accountants, and business owners. Managerial accounting in the financial markets has had a lot of difficulties since this pandemic occurred. In this case, businesses were not prepared for the advent of the COVID-19 pandemic. Some business owners had to close their businesses for three months because of the outbreak. Business owners are taking steps to become affable and open to the consumers that might purchase their products. Despite the pandemic, company owners are determined to stay open. They knew how to cope with scammers, especially those who ran an online company during this pandemic crisis.*

**Keywords:** *adjustment, contingency theory, COVID-19, financial market, impact, managerial accounting*

### 1. Introduction

In spite of the fact that it is still in the early stages of a worldwide pandemic, the novel coronavirus (COVID-19) is responsible for more fatalities than the SARS coronavirus. The first suspected case in the Philippines was investigated on January 22, 2020, and as of March 1, 2020, there were 633 suspected cases recorded nationwide (Edrada et al, 2020). In line with this, business owners who own markets, individuals, or partners, are the ones to control the monetary and operational decision-making process. They have ultimate control over the company and decide what and to whom to delegate. As financial markets have products that people need, there are some businesses that have become bankrupt because there are so many competitors. Especially when there is a pandemic happening, there are businesses that are demanded and crowded by people, such as masks, alcohol, and foods, and some are closed because there are no buyers anymore. Long-term businesses like market malls need to be closed because of this happening in our country (Anderson et al., 2021).

The manager's responsibility is to direct, manage, and coordinate the decision-making process as well as the course of the activity. Moreover, he has the responsibility and expertise to allocate the necessary capital, innovation, and human resources in order to achieve the desired result (Mitchell, 2002; Ratter, 2002). Managerial accounting assists managers in making operational decisions that will improve the operational efficiency of the organization while also assisting in the decision-making process for long-term investment decisions. Planning before starting a business is critical since, in the event of a pandemic, you must also know what to do, how to prepare effectively, and when to close your doors for a period of time in order to avoid going bankrupt. Planning is typically understood to be a process that involves formulating a

strategy to attain desired objectives while also solving challenges and encouraging action (Mitchell, 2002). It simply implies that you must plan ahead of time and understand how to deal with and solve problems, as well as provide a meaningful reaction and develop a better plan.

In this particular instance, the Philippines has risen to the top of the list of countries having the highest number of COVID-19 patients. According to some sources, some businesses were forced to close or go bankrupt as a result of the pandemic outbreak. Some market mall proprietors are dealing with it, despite the fact that it is quite challenging to encounter and deal with throughout this pandemic season. Some markets, on the other hand, gain from the pandemic season, particularly those who sell masks, face or eye shields, alcohol, foods, and medicines, and it has been noted that enterprises in this category will naturally experience a spike in demand.

Unlike the marketplaces in the malls, which were formerly filled with people, they are now only open to those who have been granted permission to visit the market malls based on quarantine regulations. Management, accounting, and investment professionals will benefit from discussing this problem since it will provide them with insight into how to handle the firms or markets that they own, particularly during a pandemic. Additionally, by conducting this research, they will gain a better understanding and knowledge of what to do, when to do it, and how to properly prepare. This research can also assist business owners in remaining strong and motivated on a daily basis, as we all know that some business owners have been forced to close their doors as a result of the epidemic.

### **1.1. Statement of the Problem**

This study aimed to determine the influence of the COVID-19 pandemic on managerial accounting in the finance industry and to increase financial market knowledge on what to do when a pandemic arises and to what extent it will affect managerial accounting in the finance industry. As part of achieving this objective, the researchers investigated and addressed the following questions:

- 1.1.1. What was the impact of managerial accounting on financial markets during the COVID-19 pandemic?
- 1.1.2. How do business owners maintain their businesses to avoid bankruptcy?
- 1.1.3. How did COVID-19 change the business lifestyles of business owners?
- 1.1.4. What are the adjustments that have occurred in the businesses of the owners since having COVID-19?

## **2. Literature Review**

Management requires both plans and objectives (Storey 1960). Albulescu (2020) conducted a study on the volatility of financial markets with the goal of determining the impact of official announcements regarding the COVID-19 new cases of infection and fatality ratio in the United States (US). The findings are consistent across a variety of model settings and show that the extension of the coronavirus pandemic is a significant source of financial volatility, making risk management efforts more difficult to implement. Because it demonstrates that when an unforeseen occurrence, such as a pandemic, occurs, it is normal and automatic for firms to be challenged, particularly in their risk management strategies and actions, this will be extremely beneficial to this study. In this case, so-called natural resource management includes decisions and activities relating to the appraisal, safeguarding, allocating, creating, utilizing, and processing of natural resources, as well as the rehabilitation, remediation, and restoration of natural resources. It also includes decisions and activities relating to the monitoring and evaluation of natural resource management (Ewert et al., 2004; Mitchell, 2002).

Additional contributions include a study on the spillover effect on Turkish financial markets developed by Alkan and Cicek (2020), with the goal of capturing the spillover effect between financial markets in the Turkish economy while also looking into the effects of global financial markets on Turkish finance. It was found that there is a large mean spillover from global markets to domestic stock and bond markets, from stock exchange markets to bond markets, and from the recovery of the dollar to the stock market, according to the findings of the study (Ely, 2015). The studies that were gathered employed a variety of expressions and explanations to communicate and explain their findings about the financial markets and how they are dealing with the pandemic that is currently taking place. Studies on financial markets in the context of the worldwide pandemic of COVID-19 are primarily concerned with identifying the overall pattern of the country and systemic vulnerabilities in the global financial markets (Zhang et al., 2020).

The effects of COVID-19 on management accounting in financial positions will be the subject of the investigation that will be carried out. The difference between the previous studies and this research is that this research will be conducted in a more constrained and smaller location than the previous investigations. One difference between them and this research is that some of them solely dealt with financial markets during the COVID-19 pandemic, whereas this research will deal with management accounting. Although there were some differences between the research about COVID-19 and the financial markets that were studied in this research, there were also some parallels.

All of these studies have identified the effects and consequences of COVID-19 now that a pandemic has erupted. It is shown that it is quite difficult to manage this epidemic, particularly for individuals who own or operate businesses or small businesses, because they will be the ones who will be most adversely affected by it. Because of the events taking place in our country, some businesses have been forced to close their doors temporarily. Some of them also shift their enterprises in order to continue to make money. COVID-19 has a variety of consequences for this country (Bartik et al., 2020). In the business world, business owners are doing a fantastic job, despite the difficult circumstances they are facing (Argandoña, 2015).

## **2.1. Theoretical Framework**

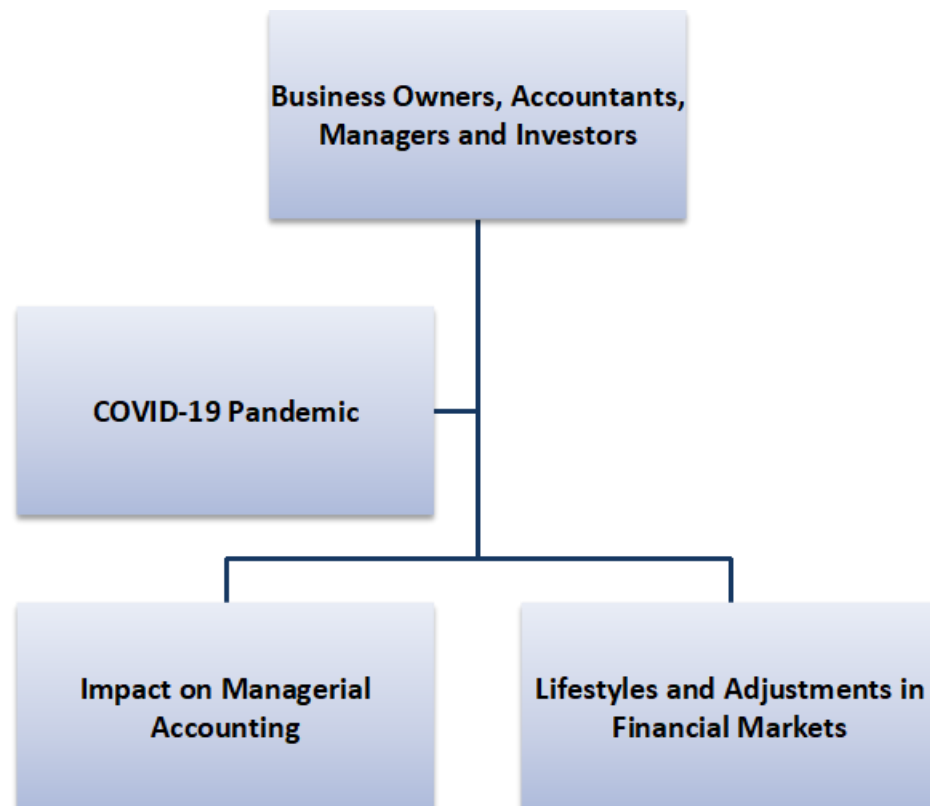
The Contingency Theory, developed by Fred Edward Fiedler in 1964, serves as the foundation for this investigation (Virkus, 2009). Theoretically, different types of good management will manifest themselves in different ways in different settings. This indicates that any acts that are done will be influenced by external and internal forces in equal measure. This idea is only loosely related to this study because the goal of the research is to determine how managers, accountants, business owners, and investors cope with managerial accounting during the epidemic, which is a relatively new concept. Furthermore, the researchers were interested in learning about the impact of the pandemic on how they look forward to the future by doing management accounting on their own financial markets in order to better understand the situation (Shahzadi et al., 2018).

Furthermore, this theory will serve as a guide and a foundation for determining whether it is true that, even if one's company is well prepared, one can never be too prepared for a pandemic such as COVID-19. This study also attempted to examine the various methods in which business owners dealt with the pandemic and what has changed since then in order to make decisions.

## **2.2. Conceptual Framework**

The COVID-19 pandemic impacted and immobilized the entire world as a result of the virus's ability to spread. Schools, businesses, and entire cities were placed on lockdown in an effort to contain the outbreak of the virus. People suffered a variety of consequences as a result of the lockdown, the most significant of which was a lack of money. The researchers opted to concentrate

their efforts on how the pandemic affected financial markets, namely their management accounting and adjustment processes, as a result of this (Board of Trustees of Leland Stanford Junior University, 2021).



**Figure 1. Conceptual Framework of the Study**

According to the conceptual framework depicted in Figure 1, this research will concentrate on business owners, accountants, managers, and investors in order to determine how the COVID-19 has affected their management accounting and how they have adjusted their financial markets in order to deal with the problem. Because of this, the researchers will have an easier time navigating and conducting this research step-by-step to achieve the data that they require from this study.

### **3. Methodology**

#### **3.1. Research Design**

This research study employed the descriptive design under the qualitative research method (Creswell, 2009; Tabuena et al., 2021) in determining the effects of COVID-19 on the society of business and accountancy. The researchers also determined the changes and factors of managerial accounting in financial markets. On the other hand, this research aims to help future business owners, managers, and accountants to be prepared for possible events in our country that could potentially affect their livelihoods. The researchers made sure that this research will help all the readers and can glean a lesson about a person's business life. This research used the Contingency Theory by Fred Edward Fiedler in 1964. This theory stated that some good sorts of management will show up in an unexpected way in different circumstances (Virkus, 2009).

### **3.2. Sample and Sampling Technique**

In this study, probability sampling was used, specifically stratified random sampling, because the participants were separated into multiple strata (Tabuena et al., 2021), namely accountants, managers, and business owners, in accordance with the research questions. The samples were collected in Quezon City, Philippines. The intended number of participants for the interview was ten (10) people, with five (5) of them being business owners and another five (5) being managers and accountants.

### **3.3. Data Gathering Procedure**

This study utilized the interview method which is executed virtually and the chosen participants who agreed and were able to answer the consent form will be notified and interviewed. The data were gathered in one of the cities in the National Capital Region, in Quezon City, Philippines. It will gather its data by interviewing the accountants, managers, and business owners. This is to fully get in-depth answers to explain and describe the changes in their businesses and managerial accounting during the pandemic. The researchers prepared a total of 9 questions, which were divided into 2 categories. There were 5 questions for business owners, while the managers and accountants had 4 questions.

### **3.4. Data Analysis**

As this is a qualitative study, the data will be evaluated using language-based analysis, which will include content and discourse analysis of the data. By employing the interview method as a data-gathering procedure, the researchers and participants are essentially having a conversation about the subject matter. Following that, the researchers examined each response and combined the results into a narrative (Tabuena and Hilario, 2021).

### **3.5. Ethical Considerations**

In terms of ethical considerations, the confidentiality of the participants was ensured. All of the information that has been gathered has been kept strictly confidential and has not been shared with anybody else without their permission. Before the participants are taken through the data collection procedures, they should be offered the opportunity to sign a consent form (Anderson, 2011). Every piece of information gathered in connection with this study was handled with care and authenticity.

## **4. Results and Discussion**

### **4.1. The Impact of Managerial Accounting in Financial Markets During the COVID-19 Pandemic**

#### ***4.1.1. Dealings and Adjustments on the Impact of Managerial Accounting in Financial Markets of the Managers and Accountants During the COVID-19 Pandemic***

It was difficult for the participants to deal with the pandemic due to the fact that they had not planned ahead of time for the arrival of the COVID-19 epidemic. They also stated that their individual companies lacked sufficient information and preparation as a result of the unexpected nature of the event. They said that the financial markets made a profit because, during the first three (3) months of the lockdown, it caused individuals to prepare to buy a variety of items, including food and other necessities, that would last at least two (2) weeks after the lockdown ended. The participants claimed that their intentions for 2020 had not been implemented as a result of the widespread adoption of the plan. Intense efforts were expended to reclaim the track on the line after it had been taken down due to the lockout. This was especially true for the advertisement. However, they chose to make the most of the available assets on the off chance that there were still a large

number of norms to adhere to. Recently, the participants have become fair locks in the trade by implying the physical assembly of the clients, after which the discussion begins, as previously said. In the face of the pandemic, they have chosen to relocate the last-mentioned into a more advanced and secure environment. The trade made use of online applications to facilitate the selling of the products that they had in their possession. Some of them claimed that everything went smoothly because their company's financial statements did not suffer any losses.

#### ***4.1.2. The Impact of Managerial Accounting on the Company of the Managers and Accountants During the COVID-19 Pandemic***

The participants stated that this pandemic in the Philippines is no joke. They expressed that their clients had difficulty in settling all the documents needed by the accountants, which, therefore, resulted in slow to no movement function at all. They also have difficulties in the process and a lot of pressure because their companies might go bankrupt. They also said that they made a serious adjustment, especially since they were not able to get out before, and it was difficult to interact with each other because others did not have a stable internet connection. They said that this pandemic has reduced the number of transactions being processed. There were a lot of provisions or doubtful collections during the pandemic, especially in their receivables, because many of their clients and business partners were bankrupt and inoperative already. They stated that, from a substance point of view, there will be unclaimed charges for solicitations and costs that they were not able to collect. Rebates, too, have got to be something to draw in as many customers as possible. Compensation for representatives is also something that should be checked on, depending on whether the substance laid off a few of its workers or not. If the previous process was done, generation would be moderately down and/or be less. In the event that it is the last mentioned, the substance, particularly if it does not have that many stores, there must be an arrangement to have misfortunes for the year 2020, and moving forward, if the substance will not be able to cover all the misfortunes in one year. They also declared that there were parcels of prevention that caused the company to moderate down the method of finalizing the financial statements. The alterations they made were visiting, taking after up, collaborating with the client, truly making the most out of the assets they have, and working on zones they are in control of at the minute, and not squandering their time on regions they do not have control over.

#### **4.2. Business Owners' Difficulties and Challenges in Maintaining their Businesses to Avoid Bankruptcy**

##### ***4.2.1. Difficulties of Business Owners to Cope Up in the Pandemic Season***

According to the participants, it was extremely tough during the first three months of the COVID-19 pandemic since individuals were unable to go outside due to the virus. It is under a great deal of pressure since some of the buyers, particularly the producers of the products, are unable to travel to Manila because the government has firmly implemented the enhanced community quarantine policy in the city (ECQ). In addition, all of the suppliers and merchants are from different provinces as well. In addition, they are unable to deny that their sales have decreased as a result of the pandemic. For instance, the financial markets, which do not sell food, have only recently been temporarily closed. Business owners that sell food, on the other hand, are in high demand during the pandemic, of course, because that is exactly what people were in desperate need of during those times. Business owners should head directly to the facilities and be prepared to stock up on food because only a few people should emerge.

#### **4.2.2. Challenges of Business Owners in the Financial Markets**

When asked why customers are more careful now than they were before the pandemic, business owners said that it is because customers have become more selective and sensitive when it comes to purchasing things, particularly when it comes to food. They also noted that some people who take loans from the money market are struggling to keep up with their financial obligations and that continuing to lend money from the financial money markets will become a hardship for those who do so. Business owners have also experienced numerous difficulties, particularly those who sell alcohol and face masks. It presents a difficulty for them because everyone buys a large number of stocks in order to avoid viruses or anything else that might be lurking there. It was also noted that what they did was significant restocking due to the fact that if they ran out of product, they would lose sales and be without a source of income. The fact that they chose to work and supply safety equipment despite knowing they could be infected with the virus presented another problem for them. Despite the pandemic, this was a difficult decision for them.

#### **4.3. Possible Business Lifestyles to Help the Business Owners Deal with the COVID-19 Crisis**

The actions that business owners took made them become affable and open to the consumers and customers that might purchase their products. They also said that having positive thinking during this pandemic season, especially during the first 3 months of the pandemic starting March 2020, has a huge impact on starting again the business. They said that it can help a lot, especially for the business to be maintained well and not go into bankruptcy. Some business owners said that the effects of this pandemic were really difficult, especially since they had to close their livelihoods for fear of the virus. However, the pandemic will not be the reason why they will stop working. Even though they lost their jobs in the markets because it was forbidden and only limited access, they had the opportunity to work at home, such as online and live selling, so that somehow, they could still have a source of income. They also brainstormed to further expand what should and should not be sold in this pandemic season. They also suggested that it is good to get opinions and advice from former customers so that, somehow, they know what they should do or not.

#### **4.4. Business Owners' Adjustments in the COVID-19 Pandemic Crisis**

Business owners are dealing with many adjustments, especially in the financial markets, because they are the ones who need to have safety, especially in the products they are selling. They also said that they really need to adjust and adapt to the demands of this pandemic to sanitize all the products that they have been selling, especially their tools for making their products. Because of this pandemic, they take additional safety measures when doing meet-ups to guarantee the general security as well as the customer's security. Business owners did the strategy of installment, to begin with, but since there are a lot of scammers online and the number of scammers has expanded, they have had to make alterations to adjust to the modern ordinary routine (new normal scheme).

### **5. Conclusions**

The managers and accountants were having difficulty dealing with this pandemic season. They were not prepared for the advent of this virus. Some companies do not have enough knowledge of how to cope with the pandemic because it suddenly happened and there was no preparation at all. Plans way back in the year 2020 were not pushed because the virus spread quickly. They chose to maximize their accessibility to investors and consumers. Bank and business transactions are almost frozen. Difficulties in day-to-day transactions, trouble with bankruptcy, uncollected costs, and the adjustment for financial statements reflected the hard time they

experienced. This COVID-19 pandemic greatly affected the Philippines' business sector and these difficulties still need to be addressed sooner.

Some business owners had to close their businesses for three months. Because of this pandemic, they can do nothing but follow the new government rules for the safety of everyone. The sales also dropped because of the pandemic. On the other hand, customers have become more selective and cautious, especially when it comes to the food industry. They also have difficulties up to now with loaning money from the money market because they are scared that they can not take the money back. Various sets and types of businesses have different challenges and difficulties.

The actions that business owners are taking are to become affable and open to the consumers and customers that might purchase their products. Thinking positively in this pandemic season helps business owners to gain more sales and to retain their business. Some businesses are going to be closed again because of this extension of the quarantine protocols. The government did tighten the quarantine policies as needed. Yet, this pandemic will never be the reason for making their businesses gain more profit. Even though many in the business industry have lost their jobs, especially in the financial markets, they have alternatives that will help them to gain income.

Business owners really have a strong stance to continue their business amidst the pandemic. They had options to keep their business strong and stable and know how to deal with scammers, especially those who have an online business as well in this pandemic season. They are more aware of selling products properly as their business depends on its outcome and customers' satisfaction. If they do not take it seriously, or if they do not adjust, maybe their business will have problems.

## **6. Implications and Future Research Directions**

This study obtained a variety of inputs and explanations to communicate and explain the findings concerning the financial markets and how they are dealing with the pandemic that is now taking place. Studies on financial markets in the context of the COVID-19 pandemic are primarily focused on understanding the general pattern of the country and systemic vulnerabilities in the global financial markets. When management, accounting, and investment professionals debate this issue, they will gain valuable insight into how to deal with the companies or markets that they own, particularly during a pandemic. Additionally, they will have a greater grasp and knowledge of what to do, when to do it, and how to properly prepare as a result of carrying out this research. The results of this research can also help business owners stay strong and motivated on a daily basis, which is important because we all know that some businesses have been forced to close as a result of the epidemic.

This study was conducted to look at the effects of COVID-19 on management accounting in financial positions. One of the distinctions between the prior studies and this one is that some of them focused primarily on financial markets during the COVID-19 epidemic, whereas this one deals with management accounting as well. The researchers highly urge all business owners, managers, and accountants to read and analyze this study in order to understand how to deal with the financial losses caused by the pandemic, which they believe will be significant. They will be able to identify patterns and experiences that are similar to their own, as well as learn how to solve them. In addition, accountancy, business, and management students are encouraged to use this study as a reference in their future research endeavors.



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