

Corona Virus and the Possible Effects of the Pandemic on Profession of Accountancy and Auditing

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Abstract

The research casts light on challenges that face profession of accountancy, auditing, accountants and auditors while treating with effects of Covid-19 pandemic . Which caused unprecedented disorder on trading businesses . So what the companies have to know when gathering financial data over results of processes of financial center with elements of financial lists for economic units . And during continuation of impacts of pandemic . The healthy , commercial and governmental policies change quickly in response . This create crisis to the companies when the matter is related to arrange the financial statements . How to review , but still it is required to assess effect of the crisis of covid-19 pandemic on their businesses and to think in any risks or suspicions , besides to any other procedure to alleviate may be needed to be included as disclosures to support these situations Such as to turn to reality of international accountancy standards to prepare the financial reports within outbreak of covid-19 . As consideration that the profession of accountancy and auditing is the actual translator for the financial crises . Through enact modernizations , amendments for laws , international standards in accountancy and the financial statements in order to direct firms , institutions generally to the true path , to control for current , future accountancy processes in the midst of the financial crises which cast their shadow over reality and the future So the global accountancy , auditing companies have dealt in their publications , modernized reports the potential accountancy effects on the financial reports in the time of corona virus – 19 pandemic . Which in general the companies have to be guided by them through arrangement the financial reports , such as accountancy and auditing companies

Keywords: Possible Effects; Auditing; Corona Virus

Introduction

Since not long time ago, the alarm bell sounded, warning of an upcoming major economic crisis that might afflict the global economy in 2020 . And year 2019 witnessed the greatest pessimistic expectations of the short-term prospect of the global economy .

Where the hints of the crisis started to be appeared as economic slowdown within major world economies . Whereas chances of arriving the global financial crisis were boosted to reach its peak in 2020 with negative expectations about future of the American economy . Which it

is the first economy in the world . These expectations were shown in the summer of 2019 . Where the economic association of American Entrepreneurs has predicted that the American economy would enter two years of recession in 2020 and 2021

There is no doubt that the world faces nowadays a global health crisis . And there are no doubts about its seriousness for the outbreak of (Corona Virus Pandemic - 19) . What increases the seriousness of the crisis is that it coincides with other severe crises in other related fields, such as the escalating global economic crisis since last year, the financial market crisis, and other crises are related to currency prices or political, military, economic and trade wars

The aim of the research

The research aims to shed light on the effects of the outbreak of the Corona virus pandemic -19 . Which the profession of accounting, auditing and accountants face on economic units and on the results of their operations and financial position . And there is no doubt that the spread of the Corona virus has future effects on business sectors that may be difficult to predict. Although the international accounting standards have presented general principles for dealing with uncertainties. In view of the significant impact of the uncertainties are associated with the estimates, also the need for users of financial statements for useful information to make their economic decisions . Therefore the International Accounting Standard No. (1) has presented financial statements. So any certain entity must disclose information about the assumptions which it makes for the future

The problem of the research

The companies have to think to take steps as following :

- 1) Determination if Covid-19 , has amended or not amended to the financial statements in 2019
- 2) Assessment effect of Covid-19 on estimations and inherent codes in the financial statements
- 3) Assessing whether the accounts still need to be prepared on a going concern basis. Where we need to adjust the financial statements “ Events after the balance sheet date” that provide further evidence of conditions that were existed at the end of the period of arranging the report , including events that indicate that the going concern assumption with respect to all or part of an entity is not appropriate under the International Accounting Standard (IAS 10)
- 4) Assessing whether auditing processes of financial statements will be completed within suitable time for financial statements under conditions of corona virus -19

The research hypothesis

- 1) Does the outbreak of corona virus impact on profession of accountancy and auditing ?
- 2) Do the international accountancy standards and auditing criteria have ability to face current or extended pandemic's effects against financial reports and statement of the auditor ?

The research plan

In this research is going to be discussed many subjects :

- * First item : Attitude of the accountancy systems for corona virus pandemic
- * Second item : Attitude of international accountancy standards for corona virus pandemic
- * Third item : Attitude of auditing criteria of effect for corona virus pandemic

* First item: Attitude of the accountancy systems for corona virus pandemic:

The outbreak of the Corona virus -19 , among the countries of the world and its impact on the economies of countries, beginning with the global financial markets in all countries , in trading of stocks or documents and investment in the world . So accounting as an information system includes a set of elements and components. Whether they are material, human, technical or procedural. Financial crises were in the past , their role in presenting misleading or poor-quality financial information I regard of the perspective of appropriateness and reliability . Which had one result, which is to mislead the parties , beneficiary offices from these information, thus to take wrong decisions on their part which affected the global economy in general. These accounting abuses as a system were represented in the shortcomings in the rules and international accounting criteria to keep pace with the requirements and global changes. And a group of internal parties' effect on the accounting work, which led to misleading the reader of financial information, and that most commercial companies aim to apply , adhere to accounting principles, assumptions , accountancy policies by accountants and auditors, and with the emergence of the Corona virus and its spread in countries, many countries imposed travel restrictions and quarantine measures . These measures, policies have led to the disruption of their activities. Which led to disorders in most commercial and industrial activities, also with the continuing outbreak of this epidemic. It has become from difficulty to predict its extent or duration and its impact on the economy, then these companies face difficulties in preparing financial reports in accordance with international standards .(EY , 2020)

However, there is no single point of view on how it will develop and its effect on the economy. So the absence of such a consensus in viewpoints imposes an urgent need for full disclosure of important policies, assumptions and significant estimates more importantly than before . (Danyluk , 2020)

* Second item: Attitude of international accountancy standards for corona virus pandemic:

Consequences of crises or disasters like current crisis which is caused by outbreak of corona virus extend to many of economic lives activities . Which in their turn affect on arrange financial lists or on auditing those financial lists in accordance to accredited criteria , especially as this recession is considered as a source of uncertainty in regard to future of economic units

And in this work paper , it is going to be debated most prominent of details are stated in the international criteria to manage financial reports and range of effect of corona virus on preparation those lists

In rule of international standards for the financial report are based on principles . So it is possible to be applied within multi – conditions . For what may commit with it to make administration of economic units in many of opinions are submitted by criteria according to provisions of economic unity . And from the most important of loans which concentrated on standards of international accountancy or what is called (Standards of notifying of international funding) while applying standards of international financial requirements standards

Imposing continuation : Where it is assumed that the foundation continues to not certain period of time . When there are suspicions about continuation of the foundation or the foundation has intention to liquidate or to restrict its businesses basically . So it is required to disclose for uncertainty that is related to non continuation . Where the financial lists shall be

not arranged on the basis of continuation , but on another concern like basis of liquidation as an example (Hmedat , 2014 , 19)

And in this context , as those unique circumstances of kind which stand before administrations of economic units . The international accountancy standard no. 1 , states " That it is from necessary on the administration when arranging financial lists have to prepare assessment for the foundation to be exist as continuous entity " . The economic unit has to prepare financial tables on the basis of continuation , unless there is intention at the administration to liquidate the foundation or to halt its operations . When there is founded or to be occurred at the administration the knowledge previously with cases of uncertainty essentially related to occurrences or conditions may to stir capacity of the institution to greatly continuation . So the administration has to show situations of those uncertainties . As this criterion also to be needed at assess extension of appropriateness of accountancy assumption special to continuation . Where it is required to confirm it that the institution should to assess range of suitability of arranging financial lists on continuation basis in the next period of time for date of end of the fiscal year before its publishing to financial tables . Where it is needed to apply requirements of international accountancy standard no. 10 , in concern of arrange financial lists under appearance of indications to prevent institution to assume works continuation after date of end of fiscal year and before publishing financial lists

The administration takes into its consideration the available information about the near future . Which it is period no less than twelve months from end of arranged financial duration for financial lists . And in the case of possible effects of corona virus . So the administration has to adopt the future information for the next twelve months for period of report at least , alike as it is related to negative effects of the virus on proceed of works or ability to pay debts . And in the other hand , what are related to positive effects of bunch of facilities , back are presented by states and their governments for transactions are effected by impacts of spread corona virus pandemic

1) Stored International Accountancy Standard (IAS 2) : It is one of non financial origins of economic unit which is exposed to decrease value because of decline or stagnation sales , consequently it is possible to be declined of value of stored items for cost of purchase them . Which it is called as net of importing value of stored items in accordance with criterion of stored articles , also in discontinue some businesses for period of time , contraction size of production or obsolescence some goods or damage others . It has an impact on gauge stored articles produced within a period of time or on stored articles in the last time . Stored International Accountancy Standard (IAS 2) states (To be provided that to allocate expenditures of fixed extra production on costs of transferring based on ordinary productivity power for facilities of production , ordinary productivity energy is medium of prospected production to be fulfilled on range of times of periods or seasons under usual conditions . It is necessary to be affirmed during circumstances of Covid-19 which may lead basically to decrease in production without ordinary energy . So when assessing stored articles , we will need to rethink , if common arrangements of purchasing are not benefited . When companies needs to find out new ways to get commodities which they lack them to secure continuation in series of importing , to keep customers to be effected by these new arrangements (Al- Hadhry , 2019,5)

2) International Accountancy Standard (IAS 10) : Subsequent events for date of end fiscal period of time :

The most important of definitions for taking places after period of report : The desired or not desired events which are taken place between end period of arrange report , and the date that in which the financial lists to be depended to be published , accreditation (Authorization) that the financial statements in 2019 were effected greatly , clearly in some of their significant items . The international accountancy standards , particularly International Accountancy Standard (IAS 10) of events after period of arrangement report (It considers like these occurrences are subsequent events after date of financial statements . It is not required to be amended in financial statements , because the taking place had no signals within financial year 2019 , its results were shown within year 2020 . So it is presumably for administrations of companies to provide illustration about range of effect this pandemic on the status quo of fund of the company according to statement of abovementioned International Accountancy Standard (Brief of International Standards , 2019)

Pursuant to tenth standard of International Accountancy Standard (IAS 10) . It must on economic units to disclose for clearances of financial lists for events subsequently for period of arranging financial lists for any effect or possible risk may be coming because of spread corona virus . It is disclosed only when there is essential effect on financial lists

The economical units suffice with articulate potential dangers . It is not required to amend on crux of financial lists , except in case of found effect on continuation of the company . In this situation it must on economic units to change method of present financial lists . This matter is needed to be essentially change in the accountancy basis

Expectedly that the spread of this pandemic will be remarked its effect on financial lists for many of firms around the world starting from first quarter in 2020 , from the probable effect is the change in revenues of the company . The matter may reach to affect on value of the company's origins . It is required to company to reveal if there is basic effect may be occurred from period of end of fiscal year till publishing financial lists (Abu Shmala , 2008 ,67)

3) International Accountancy Standard (IAS 9) The financial tools :

International financial requirements standards foundation had published document in the concern of applying International Standard for financial reports (No. 9) . The financial tools within this period for non economical uncertainty because of corona virus pandemic – 19 . Where this document was arranged for teaching purposes , such as casting light on requirements are stated in the international standards are related to companies which teach how the pandemic affects on their accounts are relevant to owning , belonging expected losses

For applying document of International financial requirements standards No. , document in the light of corona virus , International financial requirements standards no. 9 determines the framework to specify amount of expected losses of credit that must be recognized . It is required to confess the expected credit losses a long age time , in case of found big increase in risks of credit on financial tool , in addition to that it is not determined clearly or to put procedural course to determine when it is required to recognize losses a long age span . As it is not present the accurate basis which economic units may base on them by choose future scenarios that may be taken into consideration when estimation expected credit losses . International financial requirements standards no. 9 , requires good evaluation , as it is required to permit to economic units to modify their ways , to make efforts to determine expected credit losses in various conditions . Perhaps are not included the current environment many of hypotheses or links which assign the method by which was estimated expected credit losses till now .

As in the example : Extension of postpone of payment of the whole borrowers within certain groups of the financial tools shall be not lead to consider that all those tools might be loaded great increase in credit risks to assess big increase in credit risks . So International financial requirements standards no. 9 , to be required to make entities to assess changes in risks of occurrence default for expected age span of financial tool (Chartered Accountants Association , 11 , 2019)

4) International Accountancy Standard (36) Declining in value of origins :

Decreasing of value very possible , that origins may be lesser value than were in the past . So it is important to assess necessary allocations as related to those matters

According to International Accountancy Standard (36) about how to measure decline in value of origins and to articulate them . The standard indicates number of indicators that should be taken into consideration . Whether origins of long term their value fallen down among them taking place big changes within period or to expect its occurrence in the near future in the environment that the economic unit works with it . Which the origin is affected by these changes . And there is negative effects of these changes on the economic unit , increasing the book value for net of origins of economic unit for market charges . So the economic units have to read the aforementioned criterion accurately to be taken into consideration the time span for effects of corona virus , its effect range on money flow in the expected future of using origins . As the example in : Decreasing the revenue within period of rent may be affect on decrease value of assets are linked to origins of right of using , as the identical it is possible to long term effects of corona virus pandemic to affect on expected continuous economic performance for origins of right of using . Also decreasing value of origin when economic unit disable to return back its book value , either by using it or to sell it , therefore the required from economic units to assess in date of report , if there are any indications on value decreasing , with taking into consideration the last developing from outbreak of corona virus pandemic – 19 (SOCPA , 2015 – 22)

* Third item : Attitude of auditing criteria of effect for corona virus pandemic

What is the expected action by the auditors in the subsequent events which were effected by outbreak corona virus pandemic – 19 ?

The questions were replied by team of professional practices in the international federation of accountants which requires international auditing (560) from the auditor to determine whether events are taken place between date of financial statements and date of report of auditor to be shown suitable in those financial statements according to structure of arrange financial reports are done

It is expectedly that auditors ask the administration , the responsible for governance , such as effect of corona virus pandemic – 19 on financial statements as the example not limited debate about flexibility of businesses and cash center (International Federation of Public Accountants , 2019)

In the present time , effect of corona virus pandemic – 19 on report of auditor of accounts , international accountancy standards from the significant subjects that occupy minds of professional accountancy associations , specifically over next or emergent events which were occurred between end of fiscal year , and between date of depend on financial lists . Where under standards , corona virus pandemic – 19 was classified as it is emergent event was

arisen after end period of report . This is means to accountants , auditors that amending financial statements in 2019 is not required . It must on auditor to disclose results of works of company that may be occurred in the future alike if they were positive or negative

Corona virus pandemic – 19 crisis is unprecedented , it is from difficulty to predict results , future companies after it . Through auditing makes to deal with them as it is emergent condition . It made international large offices of auditing launch their notifications , communicate with their clients , their offices are spread in all over the world to put plan to deal with them , to state report of the auditor . It notified in the same time that the effect may be directly or indirectly on companies . The financial lists will be effected by those progressively . The damages nowadays it is not from necessary to be the same after passing one month or two months or one year . It is known that the companies stopped their works at the beginning of the crisis , most of them from the small or medium companies which work with little capital or limited capital , some of them do not face the crisis , others can stand for limited period of time within support by the government , in the same time there are no a few of companies may be not effected (Sawan , 2014)

The auditor has to gain also , for evidences of suitable auditing for next events are required to amend financial statements or to disclose them

The inquiries of the auditor may include , as the example :

- * If it was entered into commitments or loans or new securities
- * Whether sales or seizure over origins were happened or to be planned
- * Whether if there are extras in the capital or issuance debt tools , such as issuance shares or new debentures , or to be approved to merger or liquidation or to be planned
- * Alike if they were events taken place or from possibility to be occurred may to suspect range appropriateness of used accountancies policies in the financial statements , as the case , as the example , if there are suspicious events in truth of hypotheses of continuation
- * If there are any occurrences are related to measure estimations or income allowances in the financial statements
- * Whether there are happenings are relevant to return back assets
- * When there are fluctuations or uncertainty for next events for end fiscal year is big . Where it is not possible to implement procedures of subsequent events acceptable . It is founded limit to scale on auditing

Question \ What is the effect of Corona virus pandemic – 19 on the auditor to assess administration to capacity of economic unit for continuation as existing entity ?

The answers on questions were made by team of professional practices in the international federation of accountants . The responsibility of the auditor represented by what is related of continuation to assess or conclude range of appropriateness of using administration as principle of continuation in accountancy to arrange financial statements and to conclude whether there are uncertainty essentially relevant to project of continuance

When administration assesses capacity of the foundation for continuance . It is required to auditor to cover same duration to be used by administration to make assessment for required way in the frame of arranging financial reports . The auditor should to affirm of period of assessment of administration to cover twelve months at least

Where item no. 11 , states that the international standard no. 570 , to be provided that " The auditor has to be remain alert a long period of auditing for events or conditions that may cast their shadows on suspicion of capacity of institution to be continued as vital foundation "

Item no. A7 indicates to international standard no. 570 . directions of applying as following :

The international standard no. 315 , requires on the auditor to review assessment of risks of auditing , amending procedures of additional planned auditing in accordance with occurring or gaining evidences of extra auditing while proceed of processes of auditing which affect on assessment of auditor to risks . If events were determined or conditions that may casting their shadows from suspicion on capacity of foundation to continue as existing institution after procedure of assessing to risks of auditor , besides to implementation stated procedures in item no. 16 . So the auditor may need to assess risks of essential mistakes to what are necessary to be reviewed (FAC , 2019)

Conclusions

Both researchers have reached collection of results as below :

1) International Accountancy Standard (No.1) states that it is required on administration when preparation financial lists to make assessment for capacity of foundation to be continuous as existing . The foundation has to prepare financial lists on basis of continuance , unless there is intention at the administration to liquidate the foundation or to stop its operations , or if it has no any actual replacement other except to do this action . When administration has the knowledge when make its procedures of assessment in cases of non confirmation essentially are related to events or conditions may stir big suspicions about capacity of foundation to remain as existing institution . So it must to disclose about cases of uncertainty for those

2) Continuation of effect of Corona virus pandemic – 19 crisis on economic units , then on financial statements , may lead to continuance of pandemic as period of time extended to negative effect for long term on financial results and financial lists for economic units

3) The financial lists will be effected by these in progress , the damage nowadays it is not from necessity to be the same after month or two months or one year

4) All reports which were published in 2019 , to be not amended because of Corona virus pandemic – 19 is regarded as subsequent event according to International Accountancy Standard (No.10) " Events after date of balance "

5) Necessity to modernize plans of auditing in the future for face any new risks unexpected and to anticipate for worst scenario to deal with it

6) The effect in regard to accountancy , which is required to be reviewed in policies must to take collection of procedures as following :

1) Assessment of store : We will need to rethink . If common arrangements of purchasing are not benefited . When companies needs to find out new ways to get commodities which they lack them to secure continuation in series of importing , to keep customers

- 2) Decreasing value : It is very possible , that origins may be lesser value than were in the past . So it is important to assess necessary allocations as related to those matters
- 3) Confession with revenues : Do the principles of fulfillment from revenues needed to be reviewed because of problems of ability of gaining
- 4) Loans : Any declining may affects on processes on financial ratios , commitments of paying , need to put them in tables and to reclassification

Recommendations

Both researchers have concluded most important recommendations as mentioned In the field of accountancy standards as following :

- 1) For the purpose of preparation financial lists must review in suitability of using basis of continuation or amending which followed by current conditions pursuant to needs
- 2) Standards of international accountancy are structured on principles , therefore they are possible to be applied in multi conditions for what commit to administer economic units with many of opinions under principles are available by international standards according to status quo conditions
- 3) It is from difficulty on companies to forecast results of their trading businesses or future . The pandemic left variant effects on companies , to illustrate that made in similar action of effect in report of auditor of accounts and international accounts standards

Field of standards of auditing as following :

- 4) Checking the next happenings , particularly cases of not certainty , continuance , that auditor takes his enough time to express his opinion
- 5) The auditor has to disclose results of businesses of the company to be possible happened in the future alike positive or negative
- 6) Corona virus pandemic – 19 is unprecedented crisis . It is from difficulty to foresee with results or future of companies after it . Through auditing should deal with it as it is emergent condition by put planning to tackle with it and to state them within report of auditing
- 7) The auditors and the responsible professional associations about auditing have to state effect of corona virus pandemic – 19 that may affect basically or expectedly to affect essentially on assessment of auditor to estimate continuance that is made by the administration

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