



## Accounting Readings During the Time of Covid-19

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### **Abstract**

In light of the crisis of the Corona pandemic (COVID 19), the world is witnessing significant and dramatic changes in all levels, trends and sectors, which made this pandemic a justification and a way to rethink many of the topics affected by this misdemeanor, perhaps the most prominent of which is related to the accounting issue, this paper reviews the most important aspects and considerations which is highlighted to highlight the corona's score in accounting.

**Keywords:** *Accounting; Covid-19*

### **Introduction**

Many companies around the world have been affected by the emerging Corona Virus pandemic and according to the International Financial Reporting Standards, it must be disclosed if the company has been affected by the precautionary measures and the spread of Corona Virus. Companies are required to disclose if there is a material impact that occurred from the end of the fiscal year to the publication of the financial statements of the public, and according to the Tenth Standard of International Standards (IAS 10), companies are required to disclose in the financial statements clarifications about the events following the period of preparing the financial statements for any An upcoming potential impact and risk is due to the outbreak of new Coronavirus and is disclosed only when there is a material impact on the financial statements.

It is expected that the spread of this pandemic will be noted its impact on the financial statements of many companies around the world starting from the first quarter of 2020 AD, and the potential impact is the change in the company's revenues and may lead to the impact of the value of the company's assets.

The stock is one of the non-financial assets of the company, which is subject to a decrease in value due to the decrease and stagnation of sales, and therefore the value of the stock may fall below the cost of its purchase, which is called the net recoverable value of the stock following the stock standard (IAS 2).

As for financial assets such as debtors, the debtor can default on the payment of the amounts due on it, and therefore the ECL model must be reevaluated.

It is expected that some investments of companies valued at fair value will be affected by the fluctuation of the financial market prices and the decrease in the value of some investments.

The Saudi government has taken the initiative to provide assistance packages to support the Saudi economy and mitigate the negative impacts, and to assist the private sector is facing the challenges it faces due to the cessation of some economic activities [4].

### ***1. Financial Statements***

After the outbreak of the new Coronavirus pandemic spread around the world, there was no economy left around the world except that it was declared negatively affected by this virus. A few days ago, the International Monetary Fund announced that the world had entered into a recession that may be worse than the recession of 2009. Accordingly, many economic units, especially industrial ones, were affected as well as various sectors around the world affected by the measures taken by many countries to reduce the spread of the Coronavirus emerging, and the most prominent sectors that have taken a large part of the impact is the transportation sector, which is one of the largest affected by This crisis worldwide is due to the stoppage of many flights around the world, as several countries announced that they stop travel altogether until further notice. As for locally and within our country, Iraq, the transportation sector has been affected by this virus due to stopping air and land transport within the country until further notice. Another sector that was affected by the Corona pandemic is the tourism sector, which includes the hotel sector, which is one of those affected by this pandemic due to people's fear of social gatherings that facilitate the spread of the virus, so many countries resorted to stopping recreational activities and gatherings. Accordingly, the significant effects of the Corona pandemic have been reflected on the financial statements prepared by economic units of course, according to international accounting standards, in terms of the necessity of disclosing the negative effects of this pandemic, and whether these effects are substantial, and that they happened before the end of last year and the publication of the financial statements, according to IAS 10 of the International Accounting Standards, economic units are required to disclose in the Clarification Clause of the events following the financial statements preparation period for any possible and upcoming impact due to the outbreak of the Coronavirus emerging, provided that disclosure is made only when it is here As a fundamental influence on the financial statements, the most prominent of that effect is the presence of potential risks, the impact of which is difficult to explain in the core of the financial statements, except in the case of an impact on the continuity of the economic unit. In this case, the economic unit must change the way the financial statements are presented, and this matter requires a fundamental change in the accounting basis [1,2].

This is expected that the spread of the Corona pandemic has carried significant effects on the financial statements of many economic units around the world in the first quarter of this year (2020), and the most prominent of these effects is the change in the income of the economic unit and may lead to the impact of the value of the assets of the economic unit, For example, inventory, which is one of the non-financial assets of the economic unit, is subject to a decrease in value due to a decrease and stagnation of sales. As a result, the value of the stock may decrease compared to the cost of its purchase, which is called the net recoverable value of the stock following the stock standard (IAS 2). As for financial assets such as debtors, it is expected that default will occur by the debtors on the payment of the amounts owed to them, and as a result, the ECL model resulting from the non-payment must be re-evaluated. Which causes a decrease in the value of investments.

## **2. Continuity**

When assessing the continuity of any economic unit at work in light of the Corona pandemic outbreak, the current and expected effects of this pandemic on the activities of the economic unit must be taken into account, especially when this unit has a history of successful operations and it depends on external financing a large percentage in obtaining its resources, However, due to the outbreak of this pandemic, these operations were suspended before or after the date of the preparation of the financial statements, at which point the management of the economic unit will need to reconsider the factors that hinder the continuity of the economic unit, perhaps the most prominent of which is related to its liquidity and profitability, and then the And as high about the sustainability of the facility.

## **3. Financial Instruments**

While the emergence of the new Coronavirus continues to spread, the world is undergoing many changes at all levels as it interacts with the outbreak of this virus, although the result is unpredictable and the conditions are still volatile, and these adjustments may have a direct impact on accounting for financial instruments or may not Have a direct impact. According to the International Financial Reporting Standard (IAS7), the information should be disclosed that reflects the importance of financial tools for economic unity as well as the nature and extent of the risks arising from these financial tools and how to manage them, because economic units such as aviation and tourism, whose activities are concentrated in areas affected by the virus outbreak, did not believe that You will be exposed to severe risk in the near term such as the risk of an outbreak of the Corona pandemic, so the procedures and disclosures required by IAS7 should be reviewed [3].

## **4. Impairment of Assets**

Under International Accounting Standard (36) for the impairment of assets, the entity is required to assess at the end of each reporting period whether there is any decrease in the value of the entity's non-financial assets, and for the goodwill of the shop and intangible assets of unspecified productive life, the standard requires testing the extent of degradation that It affects those assets. As for other assets, it requires the economic unit in the period of preparing the financial statements and within the scope of this standard to assess whether there are any indicators or indications of a decrease or deterioration in the value of the asset, bearing in mind that a test of deterioration of the value of the asset should be conducted only if There was an example For these reasons, and as a result of recent developments resulting from the outbreak of the Corona pandemic, most notably the decrease in stock prices, the decrease in areas of interest in the market, the closure of productive factories, the closing of commercial stores, low demand for many goods (other than food and medical) and services, etc., these are It is considered as an indication that an asset may decrease in value, and then a test is required to measure the deterioration in the value of those assets [5-8].

## **5. Lease Contracts**

Changes in lease payments that are accounted for under IAS 16 related to lease contracts can occur. The required accounting for these changes includes (if substantial) the application of the provisions of the lease and these depend on several factors, including if these changes are part of the original terms and conditions of the lease, and changes can also arise directly as a result of the amendments to the lease itself. Or indirectly - for example - from government actions in response to the Corona epidemic.

When accounting for changes in rental payments due to an outbreak of QC, the parties (lessor and lessee) must review the lease and any applicable law or regulation. In other words, when IAS 16 is applied in the circumstances of the Fire Corona outbreak, the economic unit deals with the change in rental payments in the same way but with the agreement of the parties, regardless of whether the change is caused by a change in the contract itself or from a change in the applicable law or regulations. IAS 16 also defines specific requirements for how some changes in lease payments are calculated - for example, those arising from changes in the index or rate used to determine lease payments, otherwise, the accounting that Standard 16 requires for a change in lease payments depends on what. If this change meets the definition of a lease amendment and an assessment of whether the change in payments is an amendment to the lease agreement under Standard 16 as the lease amendment is defined as a change in the scope of the lease, or against the lease contract which was not part of the original terms and conditions of the contract the rent.

### ***6. Measuring the Fair Value***

In light of the Coronavirus outbreak, for all 2020 fair value measurements, especially financial instruments and investment property, must be reviewed to ensure that their values are real and at the date of the balance sheet preparation, noting that this measurement will be based on unobservable inputs that reflect how it will take Market participants to consider Corona's impact on their expectations for future cash flows related to the asset or liability at the reporting date. In the current environment, which witnesses increased price volatility in different markets, 'this may affect the fair value of profits either directly - if the fair value is determined based on market prices (for example, in the case of stocks or debt securities traded in an active market), Or indirectly - for example if the valuation technique is input-dependent and derived from volatile markets. As a result, special attention will be needed to forecast the prices of commodities used in developing fair value measurements. The objective of measurement at fair value is to transfer the present value of the asset or liability from the date of the current measurement. Accordingly, economic units must consider information related to the outbreak of the Coronavirus among market participants to measure fair value at the current date [9-11].

### ***7. Evaluate Corona Events After the Reporting Period***

This paragraph is based on the following question: How are the Corona events evaluated after the reporting period by the economic units?

IAS 10 (Subsequent events of the financial reporting period) includes requirements when adjusting events (those that provide evidence of conditions that were present at the end of the reporting period) and unadjusted events (those indicating circumstances that arose after the reporting period) and which These are reflected in the financial statements, and the amounts recognized in the financial reports are adjusted to reflect the events of the adjustment, but disclosures are required for unadjusted events. The judgment is required to determine whether the events that occurred after the end of the reporting period are modified or unmodified, and this will largely depend on the reporting date, facts, and circumstances of each company's operations and its value chain. Management may need to constantly review and update evaluations up to the date of the financial reporting given the volatile nature of the crisis and the associated uncertainty or uncertainty, and for reporting periods ending on or before December 31, 2019, there is a consensus that the effects of the Corona pandemic outbreak are the result of events that It arose after the reporting date. As for subsequent reporting dates (for example, the end of February or March 2020), it is likely to be an event in the current period and here an ongoing evaluation will be required to determine the extent to which developments are recognized after the reporting date in the financial reporting period [12-14].

In circumstances where it becomes clear to management that the impact of unadjusted events is essential, the economic unit must disclose the nature of the event and estimate its financial impact. But if it is not possible to estimate the event quantitatively and reliably, there is still a need for qualitative disclosure, including a statement that the impact that is expected to happen cannot be estimated. Examples of unadjusted events that will be publicly disclosed in financial reports include breaches of loan covenants, management plans to stop the process or implement major restructuring, significant decreases in the fair value of investments held, and abnormally large changes in asset prices after the reporting period. About its events.

### **8. Fixed Costs and Problem Coverage under the Covid-19 Pandemic**

Fixed costs in most economic units at present constitute a large percentage of production costs because most of these units depend on automation in their operational operations, and as is known, fixed costs are not related to the level of activity but rather to energy, so the economic unit incurs this type of cost Whether with or without the activity.

During the period from the beginning of the pandemic solutions and until now most of the economic units stopped production, but they still incur a large part of these costs in the form of salaries, benefits, social security, rents, extinction, interest, etc., which constitutes a burden that is not offset by any revenue on capital. These economic units, which are threatened by bankruptcy or at least huge losses, affect their continuity, their ability to compete and survive, which was evident in the decline in oil prices and they're reaching below the cost of their production and selling at negative prices to cover part of the fixed costs associated with oil extraction operations.

In light of these developments in the business environment, the following question arises: Will accounting remain idle while awaiting solutions imposed by the horrific results that are expected to result from this pandemic, or proceed to the development of assumed solutions and constructive proposals that mitigate its impact and its effects on economic units in particular, The local economy and the global economy in general?

To get out of this crisis, the researchers suggest a set of solutions and suggestions that may mitigate the expected catastrophic effects, and enable the economic units, as a result, to overcome the crisis with the least possible losses, and these solutions and suggestions include the following:

- The economic units inventory and determine the size of the fixed costs incurred so far and incurred during the period of the domestic and health quarantine imposed by most of the countries of the world to avoid the spread of the virus among members of society as a result of the convergence and social contact accompanying social, economic, recreational, educational and other activities, in preparation for putting it into the economic, financial and accounting treatment By legislative, legal and professional bodies, such as the Ministry of Finance, the Central Bank and the International Monetary Fund.
- Issuing binding legislation from legislative bodies that impose on governments the bulk of these costs in the form of grants or zero-interest loans as part of their responsibilities towards society and in a way that enables economic units to gather themselves and stand on their feet again.
- Contribute effectively to reducing tax burdens on economic units in proportions commensurate with the size of costs/losses incurred during the period and documented a documentary fundamentalist.
- Deduction/recovery of a portion of the social security funds to which the economic units contributed, as part of their payment to workers 'salaries without benefiting from their services on the one hand, and in a manner that guarantees future workers' rights on the other.

Accounting organizations determine the requirements that determine how changes in rental payments are calculated after the Corona pandemic occurred and the tenants attempt to obtain the necessary exemptions because rent amounts are one of the fixed costs that constitute a high percentage of salaries and that are borne by economic units that enter into the area of leasing For the goals of achieving expansion in its various activities [15].

After this article, it can be said that such kind of preparations to reduce the impact of the pandemic highlights the importance of providing reliable and appropriate accounting information that would support the economic decisions that would be taken by the higher departments at the level of economic units, and aggregate them in a way that supports the decision at the level of the national economy.

### ***9. The Impact of the Costs of the Corona Pandemic on the International Economy***

Today, the world is facing a new epidemic of Corona, which started from Wuhan, China, and reached the globe quickly. This new epidemic is still spreading day today in many countries. The truth is that the negative impact of the new Corona epidemic is the high costs incurred by economic units of various kinds and the impact of this as a result on the international economy in most economic sectors and that many countries suffer from the rapid spread that did not leave any opportunity to deal with people with the disease and also to protect their citizens from Infection.

As the economic units suspended all their activities in most of the cities of the world, which had a significant negative impact on the exports of those countries and the international markets in which the products are traded and this, in turn, led to an increase in the prices of these products because of the shortage of what is being offered of the products and that increase has reached weakness in some Among them, especially medical supplies related to the prevention of virus infection because most of these requirements in many countries are imported from other countries, which are also affected by the global epidemic and has been quarantined.

On the other hand, the damage caused by the emerging Corona Virus has included the international economy in several areas, especially tourism and transportation in general, and as a result, it has become threatened with liquidation and non-continuity due to the losses it incurs due to its inability to cover costs, as the flights of many airlines stopped in most of the Countries affected by this rapidly spreading and deadly epidemic of those whose health conditions are not in the best shape. Noting that the amount of losses incurred by the international economy daily due to the Corona pandemic is estimated in billions of dollars due to the interruption of trade between countries, especially China and other affected countries. It is expected that the economic cost of this pandemic will reach more than ten trillion dollars, and will increase continuously with the spread of the virus before the giant drug companies reach a successful treatment to deter this virus.

In general, it can be said that the impact of the cost of the emerging coronavirus pandemic may be more related to each of the dimensions of this pandemic, the risk of business interruptions, and the analysis of damages.

#### ***A. The Relationship of the Cost of the Emerging Coronavirus Pandemic to the Dimensions of the Pandemic***

The new Corona epidemic has many dimensions that have not been clearly defined up to this period, and it is reflected in a group of the main effects of this epidemic and is the interruption of

production, disturbances in the supply chain, the generation of idle energy, a decrease in sales and profits, the closure of companies and stores, delay In carrying out the planned business expansions, the inability to increase financing, increased fluctuations in the value of financial instruments, the decrease in tourism and the disruption of travel except necessary, and the cancellation of sports, cultural and recreational activities, of course, all of these dimensions may have significant impacts on the cost borne by the Economic units, especially the fixed ones such as salaries, rents, and others.

### ***B. The Relationship of the Cost of the Emerging Coronavirus Pandemic to the Risk of Business Interruption***

Today, all economic units face new risks related to recent events, and they must analyze these risks, and work to recover the stop losses from businesses represented by the costs they incur, so these units currently resort to insurance policies to recover the losses resulting from the Corona pandemic, and the affected economic units demand insurance companies Compensating for the risk of business interruption, and this type of insurance coverage is considered the most complex and controversial, because this type is designed to compensate the insured for something that has never happened, and it is the estimated net profit that the economic unit would have received in the absence of Disruption of its operations, and the losses may be recoverable, but it is a complex process from an accounting point of view. Therefore, accounting organizations are required to reconsider many of the accounting treatments included in the relevant accounting standards.

### ***C. The Correlation of the Cost of the Emerging Coronavirus Pandemic with the Analysis of the Pandemic Damage***

The economic units that were affected by the outbreak of the Coronavirus now require specialized chartered accountants to prepare analyzes of the damages that resulted from this pandemic repeatedly and help them to settle their situations and negotiate with insurance companies. The communication line between the affected economic units and the chartered accountants will remain open as long as the epidemic continues to spread Because the accounting profession is the actual translator of economic, financial, and health disasters also by producing numbers indicating the course of events, but we believe that accounting will stand before the problem of classic and modern measurement again, and an opportunity New to spark controversy over historical cost and fair value.

From the previous presentation, it is clear the need for a review of the accounting policies and the related standards that govern them to help economic units bear the costs incurred and imposed on them if they want to continue to perform their activities and achieve the goals for which they were established, through obtaining financial support or reducing tax burdens or Review lease contracts and other solutions. For example, many countries have taken some remedies to address the problem of increasing costs as a result of the Corona pandemic, for example, Italy has taken various measures, in this regard, to extend specific deadlines for payment of taxes imposed on economic units as well as to expand the coverage of the wage fund to provide additional support to people with limited income and the employment that is being demobilized. As for Korea, it has provided support in the form of wages to small economic units while raising the level of benefits for them. As for China, it has canceled social security contributions from business enterprises temporarily and increased benefits. The economic units that entered the losses area due to their inability to cover their costs due to the cessation of their activities.

On the other side, the central banks must be prepared to absorb the effect of the calamities left by the Corona pandemic by providing adequate liquidity to banks and non-bank financial companies, especially those that provide loans to small and medium-sized economic units, which may have been less

prepared to face severe turmoil such as the Corona pandemic... Governments can provide temporary and targeted credit guarantees to meet the needs of the economic units from liquidity in the short term and at least to cover some types of costs, the most important of which are salaries and wages such as Iraq for example. Small and medium affected [16].

Expectations are based on the fact that the virus will be brought under control this year, the situation will return to normal in the second half of this year, and economic units will be able to regain their activity again and achieve revenues that enable them to cover costs and achieve profit, even though the possibility of renewal of the virus is not excluded and its severity level is still unknown.

After this article, it can be said that no one knows when the global health emergency resulting from the Corona pandemic will subside, but what can be said is that the effects that this pandemic will leave may make the work that awaits accountants too large after its demise and it is a challenge to them and has importance from any time ago.

### **Conclusion**

What has been extrapolated from some aspects and considerations that have been highlighted to highlight the effects of the Corona pandemic in accounting, but are some of the results of the pandemic's outbreak that led to instability in the financial and monetary markets and the successive negative economic effects on countries, With the strong economic anticipation of the poles of the global economy in managing crises in light of the Corona virus's control over human health and the economic situation, which makes it difficult to predict financial solutions in the long run, in addition to what will lead to the effects of that virus on the economies of the dominant countries and other countries, and with You after containing and controlling that virus, which requires each country to put its financial, economic and political strategies in the foreseeable future to deal with the current and future conditions, and requires all economic units to study the possible accounting effects on their reality and financial reports, follow up on possible international accounting changes and changes and measure their impact On its interim financial reports for the year 2020 and the coming years, the statement of a country - the economic mogul - like China, "The world after Corona will not be as it was before Corona" Need to stop at that statement and think deeply about this phrase.

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