Effect of the coronavirus disease on the organization and the measures taken to contain it including taxation and levies measure

تأثير فيروس كورونا على المؤسسات والإجراءات المتخذة لاحتوائه بما في ذلك الإجراءات الجبائية

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Abstract:
This study provides a summary of the key considerations that are important when assessing how best to address the effects of the COVID-19 pandemic when managing entities for both the current and future periods impacted by COVID-19. For by means explaining; (i) how COVID-19 impacted and/ or is expected to impact the financial performance, financial position and cash flows of the entity, (ii) how the strategy and targets of the entities have been modified to address the effects of COVID-19 and (iii) measures taken to address and mitigate the impacts of the pandemic on the entity".

Keywords: Entity; Performance; Difficulties; Response; Pandemic.
Jel classification code: D02, L3, I23, M1, F2, L2.

الملخص:
تقدم هذه الدراسة ملخصًا للاعتبارات الرئيسية المهمة عند تقييم أفضل السبل لمعالجة آثار جائحة COVID-19 عند إدارة المؤسسات للفترات الحالية والمستقبلية المتأثرة بـ .COVID-19 عن طريق تبيان ؛ (1) كيف أثر COVID-19 أو من المتوقع أن يؤثر على الأداء المالي والمركز المالي والتدفقات النقدية للمؤسسة، (2) كيف تم تعديل إستراتيجية وأهداف المؤسسات لمعالجة آثار COVID-19 (3) وما هي التدابير المتخذة لمعالجة وتخفيف آثار الوباء على المؤسسات.

الكلمات المفتاحية: المؤسسة؛ الأداء؛ الصعوبات الإجابة؛ الجائحة.
تصنيف Jel: D02, L3, I23, M1, F2, L2.

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1-Introduction

Covid-19, an infectious disease caused by a novel coronavirus is exponentially spreading illness and causing deaths to citizens throughout the globe and has been recognized as a global pandemic by the who in view of the alarming levels of spread and severity, and of the alarming levels of infection. The various governments are taking drastic measures, including locking down of entire country to reduce the impact of this catastrophe. The measures to reduce the spread of the COVID-19 include lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown and disruptions to various businesses and significant volatility in the Stock Exchange. COVID-19 has not only affected the health of people across the globe and it has also caused severe disturbances in the global economic environment which has consequential impact on entities. Due to overall uncertain situation about the impacts and duration for which the abovementioned measures will continue, the overall impact on the entities cannot be predicted with reasonable certainty.

For by means what already stated can ask this question:

How can the economic and social implications of Covid-19 affect entities of all kinds and what the measures are taken to address them?

Importance of searching:

- The COVID-19 pandemic has resulted (at the time of writing) in almost 172 million confirmed cases and about 3.6 million deaths globally (World Health Organization, 2021). It has also produced concerns about future social-economic crises and recession;
- The institution represents the nucleus of any economy in the world as it represents the main source for creating wealth and jobs;
- The institutional sector is considered the most prone to damage as a result of the spread of the Corona epidemic, because the institution represents an open system that is affected by and affects the changes in the surrounding environment;
- The ability of institutions to face the crisis is a key factor for economic recovery in the affected economies;
- The need for ongoing evaluation of the entity's performance to ensure its viability and growth.

Targets of Search:

- Highlighting the most important fundamental concepts related to the institution;
- Highlighting the different types of institutions and comparing with each other;

- bringing out the most important implications of COVID-19 on the institutional sector;
- Highlighting few important considerations which require particular attention in respect of entities under covid-19 crisis; 4Helping directors, managers, navigate these considerations. However, this study seeks to be applicable for listed and unlisted entities, public sector entities, not-for-profits, charities and small and mediumsized entities (SMEs);
- Highlighting the most important measures taken by institutions to avoid the severe effects of COVID-19 on their performance and continuity;
- Presenting the most important government measures taken to support the enterprise sector in light of the Corona crisis and the expected results that underlie it.

Research methodology:

This topic was studied by following the descriptive approach to clarify the various concepts as well as the analytical approach in order to facilitate the full understanding of the topic by highlighting all its parts.

2- Organization definition and its kinds:

2-1 organization definition:

Organizations are goal-oriented cooperative entities that bring together people and other resources. (Eddy, Roger, & Caren, 2009, p. 14)

An organization is a collection of decision-making units that exist to pursue objectives. As a system, every organization accepts inputs and transforms them into outputs that take the form of products and services. A manufacturing firm transforms raw material, labor, and other scarce resource inputs into tangible items, such as furniture, that are subsequently sold in pursuit of the goal of profit. A university accepts a variety of inputs, such as faculty labor and student time, and transforms these inputs into a variety of outputs in pursuit of the broad goals of education and the promotion of knowledge (George H & William S, 2013, p. 1). A business organization is a system in which human and economic resources are transformed by various business processes into goods and services (James A. O'Brien, George M. Marakas, 2011, p. 26). Conceptually, all organizational systems seek objectives through a process of resource allocation, which is accomplished through the process of managerial decision making. (George H & William S, 2013, p. 1)

Organizations themselves consist of many subsystems, such as departments, divisions, process teams, and other workgroups. Organizations are examples of open systems because they interface and interact with other systems in their environment. Finally, organizations are examples of adaptive systems because they can modify themselves to meet the demands of a changing environment. (James A. O'Brien, George M. Marakas, 2011, p. 30)

2-2 Kinds of organizations:

This typology of organizations is based on the coherence between the flow of goods and the flow of money. More specifically, the presence of a flow of goods results in a higher position in the typology. Because every organization has a flow of money, but not every organization has a flow of goods, the two main categories distinguished are organizations with a dominant flow of goods, and organizations without a dominant flow of goods. The typology presented here has many similarities with some well-known industry classifications. However, the main difference is that existing industry classifications are based on some kind of natural distinction between organizations without having made an unambiguous choice for any criterion, whereas this classification is based on the criterion of whether or not there is a dominant flow of goods that complements a flow of money. A special position is taken by governmental institutions, which mainly generate revenues from taxes, and other not-for-profit organizations such as foundations, associations and nongovernmental organizations (NGOs). These organizations may very well offer products and services that are similar in nature to those offered by organizations in other categories in the typology, yet the relationship between goods or services sold and cash received is often nonexistent. For instance, a province that engages a contractor to build a road will have to pay him, but will not normally receive any cash for the usage of the road by cars. Rather, the province will collect taxes from all people that have cars, or receive governmental contributions, as a result of which there is no direct relationship between expenditures and revenues. Therefore, these organizations are considered in a separate category in the typology. The typology of organizations that will be discussed in the following chapters is depicted in Figure 1. (Eddy, Roger, & Caren, 2009, p. 197. 198)

Figure 1: Typology of organizations

Classification			Examples
Organizations with a dominant flow of goods	Trade Organizations	Cash sales	Supermarkets, department stores, petrol stations
		Credit sales	Mail order companies, wholesalers
	Production Organizations	Production to stock	Brickyards, paper mills
		Mass customization	Computer assembly companies, car assembly companies, single cut clothing

			manufacturing
		Agrarian and extractive Organizations	Dairy farms, mines, oil, companies
		Production to order	Shipyard, aircraft factories, contractors, film companies
Organizations without a dominant flow of goods	Service organizations with a Limited flow of goods	Limited flow of own goods	Restaurants, newspapers, publishers
		Limited flow of goods owned by third parties	Auctioneers, dry cleaners, bicycle repair stores, garages
	Service organizations that put space and electronic capacity at their customers' disposal	Disposition of specific space	Hotels, hospitals, oils pipeline companies, airlines, water companies, gas companies, transportation companies
		Disposition of specific electronic capacity	Internet providers, telecom providers, electricity companies
		Disposition of nonspecific space	Swimming pools, cinemas, concert halls, railway companies
	Service organizations that put knowledge and skills at their customers' disposal	Selling man hours	Public accounting firms, cleaning service companies
		Deployment of intellectual property	Software producers, car navigation companies, information brokers, traders of bitable goods
		Sale of financial products	Banks, insurance companies, pension funds
	Governmental and other not-for-profit organizations		Ministries, government agencies, police organizations, prisons, universities, municipalities, foundations, associations and nongovernmental organizations(NGOs)

Source: (Eddy, Roger, & Caren, 2009, p. 198)

In addition, to provide a better understanding of organizations, it is appropriate to describe the major features of activities undertaken in the manufacturing, merchandising and service organizations. Manufacturing organizations purchase raw materials from suppliers and convert these materials into tangible products through the use of labour and capital inputs (e.g. plant and machinery). This process results in manufacturing organizations having the following types of inventory: (Colin Drury, 2018, p. 23)

- Raw material inventories consisting of purchased raw materials in stock awaiting use in the manufacturing process;
- Work in progress inventory (also called work in process) consisting of partially complete products awaiting completion;
- Finished goods inventory consisting of fully completed products that have not yet been sold.

Merchandising companies such as supermarkets, retail departmental stores and wholesalers sell tangible products that they have previously purchased in the same basic form from suppliers. Therefore they have only finished goods inventories. Service organizations such as accounting firms, insurance companies, advertising agencies and hospitals provide tasks or activities for customers. A major feature of service organizations is that they provide perishable services that cannot be stored for future use. Therefore service organizations do not have finished goods inventory but some service organizations do have work in process. For example, a firm of lawyers may have clients whose work is partially complete at the end of the accounting period.

3- Determining the effects of COVID-19 on the organization:

Global responses to the coronavirus disease 2019 (COVID-19) outbreak continue to rapidly evolve. COVID-19 has already had a significant impact on global financial markets, and it may have accounting implications for many entities. (deloitte, 2020, p. 1)

Some of the key impacts include, but are not limited to: (deloitte, 2020, p. 1)

- Interruptions of production;
- Supply chain disruptions;
- Unavailability of personnel;
- Reductions in sales, earnings, or productivity;
- Closure of facilities and stores;
- Delays in planned business expansions;
- Inability to raise financing; because: (KPMG International Standards Group, 2020, p. 22)
    - The entity’s credit ratings were downgraded by Rating Agency. This has made it difficult for the entity to refinance existing financial liabilities or to access alternative financing arrangements;

- The entity's credit facilities were terminated and reduced due to significant losses incurred by the entity as a result of the COVID-19 coronavirus pandemic.
- Increased volatility in the value of financial instruments;
- Reduced tourism, disruptions in nonessential travel and sports, cultural and other leisure activities;
- The COVID-19 pandemic lockdown placed severe stress on the entity's liquidity position as revenue-generating activities were severely restricted from 12 March 2020. The entity believes that the effects of the COVID-19 pandemic on its operations will continue to have a material negative impact on its financial results and liquidity, and this negative impact may continue well beyond the containment of the COVID-19 pandemic (KPMG International Standards Group, 2020, p. 22).

For not-for-profit entities. In addition to the way for-profit entities are affected, NFPs might be impacted in unique ways. This includes: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 10)

- Inability to hold face to face fundraising events;
- Reduced corporate or individual donations because of economic circumstances;
- Reduced volunteer activities;
- Impact on government funded projects/initiatives.

When assessing what the impact may be, entities will need to form a view, not only on some of the issues set out above, but on the different ways in which the COVID-19 pandemic itself could develop, including its transmission and its effect on the community at large. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 10)

The following is a list of questions to consider when assessing the impact of COVID-19. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 31)

This list is not intended to be exhaustive. It is based on a publication released by the U.S. Securities and Exchange Commission in March 2020. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 31)

- In light of changing trends and the overall economic outlook, how do you expect COVID-19 to impact your future operating results and near-and-long-term financial results?
- Do you expect that COVID-19 will impact future operations differently than how it affected the current period?
- How has COVID-19 impacted your capital and financial resources, including your overall liquidity position and outlook?
- Does COVID-19 increase the risk of you breaching any debt covenants? What is the likelihood of that occurring? Have you undertaken any discussions with your lender about what would occur in those circumstances?
- How do you expect COVID-19 to affect assets on your balance sheet?
- What assumptions have you built into your assessment of impairment, in particular of non-current assets, intangibles, and goodwill? Will there be significant changes in judgements in determining the fair value of assets?
- Have there been increases in allowances for credit losses, restructuring charges, other expenses, or changes in accounting judgements that have had or are reasonably likely to have a material impact on your financial statements?
- Have COVID-19-related circumstances such as remote work arrangements adversely affected your ability to maintain operations? What if they were to recur or last for a lengthy period?
- Have you experienced challenges in implementing your business continuity plans or do you foresee requiring material expenditures to do so? Do you face any material resource constraints in implementing these plans?
- Do you expect COVID-19 to materially affect the demand for your products or services?
- Do you anticipate a material adverse impact of COVID-19 on your supply chain or the methods used to distribute your products or services? Do you expect the anticipated impact of COVID-19 to materially change the relationship between costs and revenues?
- Will your operations be materially impacted by any constraints or other impacts on your human capital resources and productivity?
- Are travel restrictions and border closures expected to have a material impact on your ability to operate and achieve your business goals? Is your entity exposed to material effect of COVID-19 in an overseas jurisdiction where you operate a business?

- Has COVID-19 had a significant material effect on a related business entity (e.g. a parent, subsidiary, joint venture) and what will the effect be on your entity's financial and operational circumstances?
- Have you considered the possibility of contract modifications from customers and its effects on revenue?
- How reliant are you on continuing government support for your operation e.g. Jobkeeper? How vulnerable are you to sudden changes in government policy such as withdrawing that support?
- Have you undertaken any scenario analysis for different possibilities facing your business? What does this tell you about your assumptions around going concern?

Specific questions for NFPs for assessing the impact of COVID-19: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 32)

- How has your volunteer base been affected? Are they in a particularly vulnerable cohort that might be impacted by social distancing? Does this mean you may have to scale back activities?
- Has your ability to conduct your traditional fundraising been affected? Do you anticipate you will still be able to hold fundraising events?
- Are you reliant on government or corporate grants or sponsorship that may no longer be forthcoming in a time of economic downturn?
- Will clients, patients or recipients of assistance require additional support through a time of economic downturn? What does that mean for your current operational plan?

A non-exhaustive list of issues to consider when assessing the impact of COVID-19 includes: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 9) (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)

- temporary shut-down of operations (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- the extent of operational disruption; (deloitte, 2020, p. 2)
- potential diminished demand for products or services; (deloitte, 2020, p. 2)
- contractual obligations due or anticipated within one year; (deloitte, 2020, p. 2)
- potential liquidity and working capital shortfalls; (deloitte, 2020, p. 2)

- Access to existing sources of capital (e.g. available line of credit, government aid) ; (deloitte, 2020, p. 2)
- Liquidity and how liquidity risk was managed;
- Reasons for reduced (or increased) demand for goods and services (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 9), In other words, reduced demand for goods and service or other income streams, caused by: (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- restrictions and shutdowns imposed by governments, or reduction in discretionary spending by customers;
- expectations of future restrictions that might affect future demand;
- uncertainty surrounding the length of current or future restrictions;
- expected changes to the 'status quo' following the pandemic – for example, possibilities of increased working from home or financial conservatism;
- unavailability of resources necessary to continue operations, including inventory and employees; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- inability to repay borrowings, creditors, lease payments or other debts which become due during the pandemic; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- reliance on obtaining financing or credit from another company that is suffering financial difficulty due to the pandemic, or has made restrictions on lending due to the pandemic; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- breaching loan covenants; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- likelihood of financial guarantees being called upon; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 11)
- failure of other companies with similar structures and comparable operations in the same industry; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 12)

- financial difficulty or failure of debtors; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 12)
- negative equity as a result of asset impairments and/or reduced trading volumes; (AUDITING AND ASSURANCE STANDARDS BOARD (AUASB), Australian Accounting Standards Board (AASB), 2020, p. 12)
- fair value losses on assets, particularly where such assets were expected to be realised in the short-term and are relied on for short-term cash management purposes; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 12)
- reliance on intercompany funding or expected support from an overseas parent or subsidiary that may no longer be available; (AUDITING AND ASSURANCE STANDARDS BOARD(AUASB), Australian Accounting Standards Board (AASB), 2020, p. 12)
- Changes to previously announced plans, projects or initiatives and whether targets, aims or goals were missed;
- Changes in terms of trade or contract modifications with suppliers or customers that significantly affected or may affect cash flow such as customer payment defaults/bad debts;
- Breaches, or the potential for breaches, of debt covenants;
- Support provided to customers, employees or other stakeholders Changes to remuneration including bonus and incentive arrangements, and share-based payment arrangements;
- Sale or disposal of assets that would otherwise not have occurred;
- Impacts on financial position including reserves;
- Interruptions to supply chains;
- Operation of business continuity plans and effect of remote work arrangements on ability to maintain operations and controls, including cyber-security risk;
- Effects on a related company such as a parent, subsidiary, associate or joint venture including whether any support or performance guarantees have been given;
- Impact of travel restrictions and border closures;
- Significant impairment of assets, for example goodwill, Property, Plant and Equipment (PPE) or intangible assets;

- For listed entities, whether it has affected ability to pay a dividend including where an entity has previously declared an interim dividend but not yet paid it.

A non-exhaustive list of business risks that an entity may wish to consider are set out below: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 18)

- Ongoing or intermittent government-imposed shutdowns of sectors of the economy, (such as hospitality, leisure and tourism) impacting demand for goods or services;
- COVID-19-related reduction in demand for goods and services;
- Travel restrictions and border closures by either domestic or foreign governments in relevant jurisdictions impacting supply chains, exports or customers;
- Increases in the rate of COVID-19 infection within the country and/ or other relevant jurisdictions;
- Financial impacts resulting from breaches of bank covenants, withdrawal of funding or inability to increase borrowings or raise capital;
- Lack of internal controls in remote working environment including potentially increased exposure to cyber security risks;
- Pandemic outbreak among employees, in particular key management personnel
- The withdrawal of government support;
- Political instability in other countries;
- Foreign exchange fluctuations.

4- Measures taken to mitigate the impact of covid-19 on the organization:

4-1 Measures taken by the organizations:

The entity has taken and continues to take actions to mitigate the impact, including reducing capital expenditure and operating expenses, terminating leases, selling off assets and suspending all discretionary dividend payments. (KPMG International Standards Group, 2020, p. 22)

Actions already taken by management to mitigate the trading downsides brought by COVID-19, such:

- Cancellation of dividends in order to maintain a larger capital base during the economic downturn arising from the COVID-19 pandemic and renegotiation of property rents. (KPMG International Standards Group, 2020, p. 2)
- The most severe downside case scenario, which is considered to be prudent but plausible, would have a significant adverse impact on sales, margin and cash flows. In response, management has the ability to take the following

mitigating actions to reduce costs, optimise the entity's cash flow and preserve liquidity: (KPMG International Standards Group, 2020, p. 3)

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend; and
- freezing non-essential recruitment, reducing marketing spend and reducing the supply pipeline of merchandise to reflect the impact of the entity's temporary store closures;
- The entity announced a combination of layoffs, furloughs and salary reductions, including for senior management.

- Based on the entity's liquidity position, and in light of the uncertainty surrounding the future development of the outbreak, management estimates that in the downside case, it will need additional financing to meet its financial obligations. The entity is currently in discussions with its bankers regarding additional financing arrangements. Other financing options, such as sale and leaseback of the entity's property, are also being considered;
- The entity has renegotiated financial liabilities and put in place new facilities to manage liquidity risk in response to the COVID-19 coronavirus pandemic;
- However, there is no assurance that financing can be obtained, and in the quantum needed. If the entity is unable to obtain financing or take other actions in response to these circumstances within that time, it may be unable to continue as a going concern; (KPMG International Standards Group, 2020, p. 3)
- Obviously, users will be looking at steps taken by the entity to manage the impacts of COVID-19, which may also be indicative of how resilient the entity may be to ongoing uncertainties and any future shocks (such as new outbreaks of COVID-19 domestically or internationally). A non-exhaustive list of possible mitigating factors includes: (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 10)
    - Details of any government subsidies received, such as JobKeeper, or benefits received from schemes, such as the Coronavirus SME Loan Guarantee Scheme or an industry support scheme;
    - Any new financial arrangements that have been entered into with lenders, such as debt renegotiations or extension of credit lines;
    - Reductions in operating costs, such as cancelling or deferring capital expenditure;
    - Capital raisings and the purpose of that raising;
    - Renegotiation of major contracts, such as rent relief;

- Reductions in remuneration (including for senior executives and the; board) or staffing levels;
- Halting or winding back of production and running down of inventory.

4-1-1 Liquidity risk management:

'Liquidity risk' is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The entity's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The entity have to use activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. (KPMG International Standards Group, 2020, p. 20)

The entity have to aim to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The entity also should monitor the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This estimate excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The increase in expected cash inflows from trade receivables compared with the prior year is largely attributable to the entity having extended the credit terms of certain trade receivables as a result of the COVID-19 pandemic. (KPMG International Standards Group, 2020, p. 20)

4-2 Government measures:

With increased social and economic distress and an impending health crisis, policy actions by Governments must ensure a swift response to mitigate the impact of the pandemic, using a comprehensive and inclusive approach that leaves no one behind. (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 4)

- Deferring individual loans and mortgages, temporarily suspending government fees, and providing tax relief to those in need;
- Supporting impacted businesses to reduce job layoffs and stimulate the economy by postponing social contribution payments for employees, extending tax exemptions, providing wage subsidies to maintain workers on payroll, and temporarily suspending loan repayments during the COVID-19 crisis;
- Extending credit support and providing interest free loans to small and medium enterprises (SMEs) and the self-employed;

- Boosting demand and job creation through increased government spending on labour-intensive projects and procurement, especially expenditure on health-care programmes and emergency response systems;
- Encouraging large corporations to limit layoffs and integrate SMEs in their value chains, including favouring them in procurement and subcontracting, and offering them rent suspensions or waivers during the crisis; (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 6)
- Recommending private banks to provide relief from interest payments during the crisis, and temporarily suspend collection of principals from SMEs and and the self-employed; (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 6)
- Establishing a dedicated Emergency Fund sponsored by the private sector and high net worth individuals to support government actions in mitigating the impact of the COVID-19 crisis, including the use of corporate social responsibility resources in solidarity with local communities; (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 6)
- Urging multinational corporations to hold back on shifting primary incomes to avert further vulnerabilities to the balance of payments and financial accounts (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 6).
- Reducing communication tariffs and fees, strengthening broadband Internet capacity, and providing free software to enable remote working and social interaction. (United Nations Economic and Social Commission for Western Asia (ECWA), 2020, p. 5)

4-2-1 Government assistance:

In response to the COVID-19 pandemic, governments are considering, or have implemented, legislation to help entities that are experiencing financial difficulty stemming from the pandemic. Such assistance may be in the form of income-based tax credits that are dependent on taxable income or other forms of relief that is not dependent on taxable income (e.g. payroll tax credits, tenant reliefs and other similar subsidies). (deloitte, 2020, p. 30)

4-2-1-1 Reduction in levies:

In response to the financial difficulties encountered by entities, governments have agreed to reduce the rate on certain levies for a predetermined period of time. For example, some governments have provided entities with relief from property taxes. (deloitte, 2020, p. 32)

4-2-1-2 Deferral of remittance of sales tax:

To help entities facing liquidity issues, some government have offered all entities the option to postpone, for a fixed period, the remittance of sales tax collected by the entity on behalf of the government. Entities opting to defer payments are not charged interest by the government. (deloitte, 2020, p. 32)

4-2-1-3 Government grants:

In response to the COVID-19 coronavirus pandemic, the governments introduced a wage subsidy programme for companies that had to shut their operations and furlougha staff[1]. Under the programme, an eligible company could apply for the subsidy in an amount of up to 75% of each employee's salary, subject to a maximum per employee, to continue paying monthly salaries to its furloughed employees. (KPMG International Standards Group, 2020, p. 34)

4-2-1-4 Income tax subsidy:

On 27 March 2020, the US president signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act with retroactive effect. As a result, the entities will benefit from the following tax reliefs.

<u>a. Carry-back of net operating losses:</u>

The Act allows companies to carry back for five years the full amount of net operating losses arising in tax years beginning after 31 December 2017 and before 1 January 2021.

<u>b. Alternative minimum tax (AMT):</u>

The Act accelerates the receipt of outstanding credits under the AMT regime (repealed in 2017). (KPMG International Standards Group, 2020, p. 36)

4-2-1-5 Financial guarantee:

Some governments introduced a general financial support scheme in response to the economic impacts of the COVID-19 coronavirus pandemic, which provided a guarantee of the full amount of qualifying new corporate loans issued. (KPMG International Standards Group, 2020, p. 41)

4-2-1-6 other Government assistance:

Government support may also be provided as forgivable loans or low interest loans. A forgivable loan from government, for which the government has

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1 Lay off employees temporarily.

undertaken to waive repayment under certain prescribed conditions, is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. (deloitte, 2020, p. 31)

In other cases, government subsidies are available to entities that meet certain criteria (e.g. size or industry) but without further conditions (e.g. the subsidy is not conditional on the entity incurring certain costs or making certain investments), having applied for the subsidy. (deloitte, 2020, p. 31)

4-2-2 other Government measures:

- As part of a package of announcements responding to COVID-19, some Governments made the decision to temporarily suspend the duty of a director to prevent insolvent trading with respect to any debts incurred in the ordinary course of the entity's business. This relieves the director of personal liability that would otherwise be associated with the insolvent trading. However, this does not waive the obligation to pay debts in due course and all other existing duties continue to apply. Directors' personal liability for trading while insolvent was suspended for a certain term, unless the Government decides to extend the suspension by regulation; (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 22)
- For Charities and Not for-profits, it will not investigate certain breaches of the Governance Standards and the External Conduct Standards that occur, unless they are significant breaches that harm the public interest. These breaches are: operating outside the charity's purposes, incurring debts such that the charity becomes insolvent, or being unable to obtain reporting from the charity's overseas operations or partners. Recommends holding AGMs remotely via video or phone conference in order to be accountable to members during social distancing. (The Australian Institute of Company Directors (AICD), Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia., 2020, p. 55)

5- CONCLUSION:

The Covid-19 Coronavirus is generating an inevitable negative impact on the economy, the quantification of which is subject to a high level of uncertainty. This fact is forcing many governments, including the Spanish one, to take exceptional restrictive measures and drastic reduction of economic activity to contain the spread.

Impacts such as business and production disruptions, supply-chain interruptions, volatility in the equity and debt markets, reduced revenue and cash flows and other economic consequences also have accounting and financial implications.

The lockdown has also caused disruptions in supply chain including supply of produced goods to the customers of the entity and receipt of trade debts. The entity is also facing liquidity problems on account of delayed payments from its customers. The impact of measures to reduce the COVID 19 has also impacted the credit risk of the customers of the entity, which along with other macro-economic factors will also impact the expected credit losses in the subsequent periods. Many of the listed entities operating in textile, cement, chemicals, steel and other sectors have given notices to the Stock Exchange for temporary suspension of their operations.

The adverse impact of this global pandemic can vary from nation to nation industry to industry and above all entity to entity. The effect depends upon the nature and extent of business connectivity of the individual entities with the nations more seriously affected by this pandemic. Apart from the health and safety of mankind, COVID-19 has unfavourably affected the economic environment which in turn has consequently impact on the results in the entities.

Changes in the economic activity caused by the pandemic will cause many entities to renegotiate the terms of existing contracts and arrangements. Examples include contracts with customers, compensation arrangements with employees, leases and the terms of many financial assets and liabilities. Ultimately, we can extract these outcomes:

- The coronavirus 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. For example, many entities in the travel, hospitality, leisure, and retail industries have seen sharp declines in revenues due to regulatory and organisational mandates (e.g. "shelter in place" mandates, school closures) and voluntary changes in consumer behaviour (e.g. "social distancing");
- As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand, layoffs and furloughs, and other restructuring activities. The continuation of these circumstances

could result in an even broader economic downturn which could have a prolonged negative impact on an entity's financial results;
- COVID-19 has created unique challenges in the operation and oversight of entities. These challenges are particularly acute when it comes to perpetuity of entity;
- The consideration of risks and issues to determine the effects that can affect the institution, is the beginning of the journey;
- COVID-19 is having an unprecedented impact on the economic outlook for the domestic and global economy. For the first time, many entities will be required to consider their solvency and ability to continue operating as a going concern in more detail;
- consider which impacts need addressing and whether and how these should be addressed. Doing this effectively will be critical for entities during periods impacted by COVID-19;
- We realise that entities may face uncertainties about future economic and market conditions, and the future impact on their businesses. Accordingly, directors, management may need to make difficult judgements on the entity performance;
- Directors and managers should review how they addressed or mitigated any negative effects on the entity;
- While this document focuses on issues that are likely to be the most frequently encountered, many others are certain to arise. As the situation continues to evolve, so too will the consequential issues.

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