

Need to prepare interim financial reports in pandemics and crises / Corona pandemic as a model

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Abstract: Accounting is an open system that operates in an environment that affects it and is affected by it according to the changes and developments that occur and what could affect the accounting work inside or outside the economic units in which it takes place.

Among the changes that have occurred at the present time is the emergence of the Corona pandemic and what led with it to the direct impact on human life in general, including on the business sectors in particular, with all its financial activities, which represent the basis of accounting work.

The research discussed a main question about how to take advantage of accounting standards in preparing interim financial reports in light of the Corona pandemic, and then clarifying the need for preparing interim financial reports in light of the Corona pandemic based on accounting standards and activating work with them in light of the economic conditions in which economic units operate different.

The research has achieved its objectives in clarifying the impact of the Corona pandemic on the accounting work in general and on the output of the accounting work represented by the various financial reports and their timing, as the international accounting standards and financial reporting standards that are required to work were determined in line with the impact of the Corona pandemic on economic units in general and on the accounting work In particular, and then suggesting the nature of accounting work in preparing interim reports in light of the Corona pandemic.

Keywords: Interim financial reports, Corona pandemic, international accounting standards, financial reporting standards.

JEL Classification Codes : H87; N2.

I. Introduction.

The health crisis that occurred in late 1999 due to the outbreak of the emerging virus (COVID-19) represents a global crisis whose repercussions extended to various sectors operating in different countries, as it started in China and then spread to other countries with varying infections in mid-February 2020 until it reached Its climax was mid-March 2020, and as a result there was a partial or complete curfew in most or all countries, which caused a complete cessation of all sectors (especially industrial, agricultural, commercial and financial), and perhaps the business sector, which represents the common factor in these various sectors, has He was greatly affected by the financial repercussions that accompanied those repercussions.

Since the accounting profession is the prominent face through which all activities and their implications can be translated according to a financial language understood by those involved in the companies in which it operates, it is required that accountants, in light of the repercussions of this pandemic, provide appropriate and appropriate information that can be used by stakeholders. Decisions in making future decisions, whether in light of the continuation of this pandemic or controlling and recovering from it, as well as directing companies the correct and accurate guidance

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for current and future accounting treatments in light of the financial crises that cast a shadow on the reality and the future, hence the need to address the potential accounting effects on the financial statements in light of the Corona pandemic, which should guide companies in general in preparing the required financial reports.

Accordingly, the researcher raises a major question about how to benefit from accounting standards in preparing interim financial reports in light of the Corona pandemic.

The importance of the research comes through the need to prepare interim financial reports in light of the Corona pandemic based on accounting standards and activating work with them in light of the economic conditions in which the various economic units operate.

The researcher seeks to achieve the following objectives:

1. Clarifying the impact of the Corona pandemic on the accounting work in general and on the output of the accounting work represented by the various financial reports and their timing.
2. Determining the international accounting standards and financial reporting standards that are required to work in accordance with the impact of the Corona pandemic on economic units in general and the accounting work in particular.
3. Suggesting the nature of accounting work in preparing interim reports in light of the Corona pandemic.

The descriptive approach was relied upon by benefiting from research and studies that dealt with the Corona pandemic in general and its impact on the accounting work in particular.

II. Repercussions of the Corona pandemic on the accounting work.

Accounting is an open system that operates in an environment that affects it and is affected by it according to the changes and developments that occur and what could affect the accounting work inside or outside the economic units in which it takes place.

Among the changes that have occurred at the present time is the emergence of the Corona pandemic and what led with it to the direct impact on human life in general, including on the business sectors in particular, with all its financial activities, which represent the basis of accounting work.

(Rinaldi, and others, 2020) indicate that one of the variables that have occurred at the present time is the emergence of the Corona pandemic and what has led to a direct impact on human life in general, including business sectors in particular, with all their financial activities that represent the basis of accounting work, as the crisis increased The emerging coronavirus COVID-19 is increasing the complexity surrounding the accountability and governance of organizations, while accounting and accountability research has evolved and become more complex, and thus the challenges posed by the COVID-19 pandemic represent a challenge and a need for research in this field to become more impactful.

Given the need for accountants to provide a clear and accurate picture within a certain period of time of the activities undertaken by the economic unit in the field of its work to all the parties concerned with making decisions (internal and external) in it, it is necessary to focus on how the accounting fulfills its obligations towards those parties in various circumstances and changes in view of the The need for these bodies to take appropriate decisions for their goals.

In view of the continuity of the Corona pandemic with the inability to determine the time limit required for its end in the foreseeable future, accountants must be directed to adopt appropriate methods and methods to show the information needed by decision-makers who have a relationship with this and to know whether the company they care about will continue its work or should filtered? As well as determining the losses resulting from the company remaining operating under the conditions of the Corona pandemic and how to deal with it accounting, hence the importance of providing the stakeholders (management, owners, shareholders and investors) with current information without leaving the matter until the end of the financial year on 12/31/2020.

The researcher believes that this can be done through the preparation of interim reports stipulated in Accounting Standard No. (34), which aims to describe and define the minimum content of the interim financial reports, as well as describe the principles of recognition and measurement in the short or complete financial statements for a specific interim financial period,

which contributes to Enhancing the users of accounting information in making rational decisions. The standard also indicated that the required explanatory notes are designed to provide explanatory information about important events and processes that help in understanding changes in the company's business results and financial position since the last annual financial reports.

Since the majority of countries in the world were affected by the Corona pandemic in mid-February 2020, until it reached its climax in mid-March 2020, and all companies had prepared their annual financial reports until 31/12/2019, it is possible to prepare interim reports on A financial period that begins on 1/1/2020 and ends on 30/4/2020, provided that it continues to prepare interim reports for a lesser or more financial period according to what is required by the time period for the survival or end of this pandemic and as decided by the companies' managements, each according to the country in which it operates In which.

III. Advantages of accounting standards In preparing financial reports in the Corona pandemic.

In preparing interim reports in the Corona pandemic, accountants should be guided by some of the accounting standards (International Accounting Standards IAS and International Financial Reporting Standards IFRS) as explained below: (accounting standards can be consulted at: <https://www.iasplus.com/en/standards/ias> and <https://www.ifrs.org/issued-standards/list-of-standards/>)

1. International Accounting Standard No. (1).

which states:

- a. The management preparing the financial reports should take into account the assumption of continuity, and make an assessment of the company's ability to continue to practice its activity in the future and prepare the financial reports on this basis, unless there is an intention to liquidate or stop its operations or if the management has no other realistic alternative but that .
- b. The standard also stipulates that during the evaluation process, when any material uncertainty appears related to the company's ability to continue its activity during the future, and the management was aware of this, it must disclose these fundamental cases of uncertainty.
- c. In the event that financial reports are not prepared on the assumption of going concern, the management shall disclose this, along with the reasons for the company's inability to continue as a going concern.
- d. The same standard also requires management, when evaluating and determining whether the going concern assumption is appropriate, to take into account all available information about the future, which extends at least twelve months from the end of the reporting period for the issued financial reports, without being limited to that period. .

(Debell & Kalidas, 2020) indicates that management should take into account the requirements specified in International Accounting Standard (1) for the disclosure of significant accounting policies, the most significant judgments that are made in applying those accounting policies, and the estimates that are likely to lead to Adjustment of profits in future periods. All of these disclosures may be different as a result of the impact of the virus.

There may be a need to increase the extent of disclosures about the estimation uncertainty, for example, the carrying value of more items may be subject to a material change within the next year.

In light of the Corona pandemic, accountants must take into account all subsequent events from the end date of the reporting period for the issued financial reports, whether these aspects are negative on the conduct of business and the inability to pay debts on their due dates, or positive through support And the facilities provided by governments to facilitate business in various companies.

2. International Accounting Standard No. (10).

It relates to the subsequent events of the financial statements after the end of the year and before the publication of those reports, as the company must:

- a. Appropriate assessment of subsequent events that occur in the period after the end of the financial year and before the publication of those reports.
- b. Preparing reports on the basis of going concern in the light of those subsequent events and applying the requirements of International Accounting Standard No. (10) related to “events after the reporting period”, regarding the facts that may affect the company’s ability to continue as a going concern and the emergence of material indicators that prevent the company from continuing its basic activity, Where this standard states that the deterioration of the company's operational condition after the financial reporting period requires reviewing those reports again, which is fully applicable to the current situation in light of the Corona pandemic.

(Al-Masoudi et al. 2020) notes that IAS 10 (Events subsequent to the financial reporting period) includes requirements when adjusting events (those that provide evidence of conditions that existed at the end of the reporting period) and unadjusted events (those that indicate conditions that arose after the reporting period) which reflects these in the financial statements, and the amounts recognized in the financial reports are adjusted to reflect adjustment events, but disclosures are required for unadjusted events. Judgment is required to determine whether or not events that occurred after the end of the reporting period are adjusted, this will depend to a large extent on the reporting date, facts, and conditions of each company's operations and value chain, and management may need to constantly review and update assessments up to the date of the report. Financial 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 consensus that the effects of the COVID-19 outbreak are the result of events that arose after the reporting date. For later reporting dates (eg end of February or March 2020) it is likely that it is an event in the current period, and here an ongoing assessment is required to determine the extent to which developments after the reporting date are recognized in the financial reporting period.

3. International Accounting Standard No. (34).

According to this standard, companies must ensure that the minimum disclosure requirements contained in IAS 34 are supplemented by additional disclosures, if they are relevant to an understanding of their interim results, position and cash flows, including: changes in significant judgments and assumptions made by management, as well as areas Uncertainty estimate as required by IAS 1; and comprehensive disclosures on the impact of the COVID-19 outbreak on interim financial position, performance, and cash flows. [IAS 34.15, 15B(d), 15C, IAS 1.17(b)-(c), 122, 125].

IAS 34 Interim Financial Reporting generally requires that all events and transactions be recognized and measured as if the interim period were a separate period—that is, there are generally no recognition or measurement exemptions for interim financial reporting (Insights 5.9.80.10).

The condensed interim financial statements (hereinafter referred to as "interim financial statements") typically focus on changes since the last annual financial statements. Companies are required to provide an explanation of events and transactions that are significant to an understanding of the changes in their financial position and performance since the date of the last annual report. Information disclosed in connection with such events and transactions updates the relevant information contained in the most recent annual financial report. Due to rapidly changing economic expectations and trading conditions, the information in the 2020 interim financial statements may, for many companies, include more than the usual update since the last annual financial statements. [International Accounting Standard 34.15].

4. International Accounting Standard No. (37).

It is related to providing other disclosures related to potential (contingent) liabilities under International Accounting Standard No. (IAS-37), as well as disclosing the objectives and policies

for managing financial risks, whether in light of the continuation of this pandemic or its control and recovery from it.

(Debell & Kalidas, 2020) indicates that IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", requires a provision to be recognized only in the following cases: the entity has a current obligation; It is likely that an outflow of resources will be required to settle the obligation; A reliable estimate can be made. Management's actions in relation to the virus should be accounted for as a provision only to the extent that there is a current obligation that it is probable that an outflow of economic benefits can be estimated reliably. For example, a provision for restructuring should be recognized only if there is a detailed formal plan for restructuring, and management has raised a valid expectation among those affected that the plan will be implemented.

5. International Financial Reporting Standard No. 9 (IFRS-9).

The necessity for companies to disclose quantitatively and qualitatively their Expected Credit Losses for financial assets that are not measured at fair value according to the Impairment methodology in light of the outbreak of the Corona pandemic, to enable users of financial reports to understand those risks in accordance with the International Financial Reporting Standard No. (IFRS-9).

6. International Financial Reporting Standard No. 13 (IFRS-13).

Compliance with International Financial Reporting Standard No. (IFRS-13) with regard to the measurement of the fair value of assets and liabilities, which shows companies in light of the Corona pandemic to take place from the measurement date, which prevailed on the date of financial reporting (for the financial period for which it was prepared) and not on some date It will happen in the future due to the Corona pandemic.

Conclusions and Suggestions

1. Disclosure of all changes that followed the financial statements prepared on 12/31/1999.
2. A statement on the extent to which the concerned company is able to continue carrying out its various activities or the need to liquidate it.
3. Determining the losses resulting from the company's suspension of the interim period for which the financial reports are prepared (whether in a quarterly period, semi-annual or less), as well as the extent of the financial supplies (subsidies) of the state in which the company operates, and a determination of whether these supplies are capable To cover its past or expected losses in the future as a result of the Corona pandemic.
4. In the case of declaring the continuity of the company, accountants should determine the accounting bases to be followed within the procedures of future work following the prepared interim financial reports.
5. Disclosure of the financial decisions that have been taken regarding the accounting treatments of all items of the financial position that were directly affected by the Corona pandemic for the financial period for which the interim financial reports were prepared, as well as the disclosure of future decisions regarding them if the pandemic continues for longer periods (end of the fiscal year).
6. Reports of disclosure of the environmental and social activities contributed by the companies during the period of the Corona pandemic.

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