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# FINANCIAL REPORTING CHALLENGES IN THE FACE OF THE COVID-19 PANDEMIC IN POLAND

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## Abstract:

As a result of the COVID-19 pandemic, the world faced numerous challenges and losses. Polish financial reporting also was put to the test. The main challenge is to assess the impact of a pandemic on the business and identify associated risks. The main objectives of financial reporting as well as the information needs of users also need to be reviewed in the face of the economic crisis caused by COVID-19. Trends in the development of financial reporting in the pandemic era are also identified.

## THE PRIMARY OBJECTIVE OF FINANCIAL REPORTING

- to provide reliable and complete information about an entity's financial position, financial performance, and changes in its financial position that is useful to a wide range of users in making economic decisions.



## IS THIS GOAL CHANGING WITH THE COVID-19 PANDEMIC?

The statutory accounting principles are so universal that they can be applied both in a condition of good prosperity and in a difficult economic situation. The crisis caused by the pandemic does not change the purpose of the financial statements. However, it may change the needs of users, who will primarily focus on the entity's ability to generate cash flows and, consequently, on the going concern assumption.



### WHAT DATA IS THE USER OF THE ENTITY'S FINANCIAL STATEMENTS CURRENTLY LOOKING FOR?

- ◆ the liquidity and solvency of the entity
- ◆ the market (fair) value of its assets
- ◆ a threat to the entity's going concern assumption



### WHAT IS THE MAIN CHALLENGE?

Performing appropriate calculations and estimates by identifying the level of pandemic risk affecting your business accurately.

# RISK

The deterioration of the economic situation of our contractors may indicate the necessity to make an impairment loss for receivables.



## Asset impairment

You need to make an assessment indications of impairment, using the models defined in KSR 4 or IAS 36, to be able to determine whether it is necessary to recognize an impairment loss.

## Collection of trade receivables

# RISK IDENTIFICATION

## Inventory valuation

In a situation where circumstances causing a decrease in the purchase price or production cost occur, we should create impairment write-offs for inventories up to the value of selling prices.

## Estimates

They can be provisions or write-downs. Estimates are a response to identified risks, including impairment or incurring a cost that the company expects, but is unable to determine the moment of its occurrence and the exact amount. For example, a provision for restructuring.

## Going concern assessment

# IDENTIFICATION

Going concern  
assessment

The result of such an analysis is a conclusion whether the company is able, with a substantially unchanged extent, to continue its operations for at least 12 months from the balance sheet date. It is extremely important, especially in the current situation, to exercise due diligence and to support the conclusion included in the financial statements with appropriate analyzes in order to avoid making a mistake in this regard.

## CONTEMPORARY TRENDS IN THE DEVELOPMENT OF FINANCIAL REPORTING

- ◆ deviation from the historical cost in favor of the fair value (requiring estimates)
- ◆ focus on forward-looking information and marginalization of control and billing information
- ◆ extending the information derived from accounting with non-financial, uncountable, immeasurable and discretionary information
- ◆ transferring accounting functions outside the company (outsourcing) and concentrating them in large financial and accounting centers.



*We focus largely on what will be in the future, not just the realities of the past.*

# Bibliography

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