

Impact of COVID-19 on accounting sector

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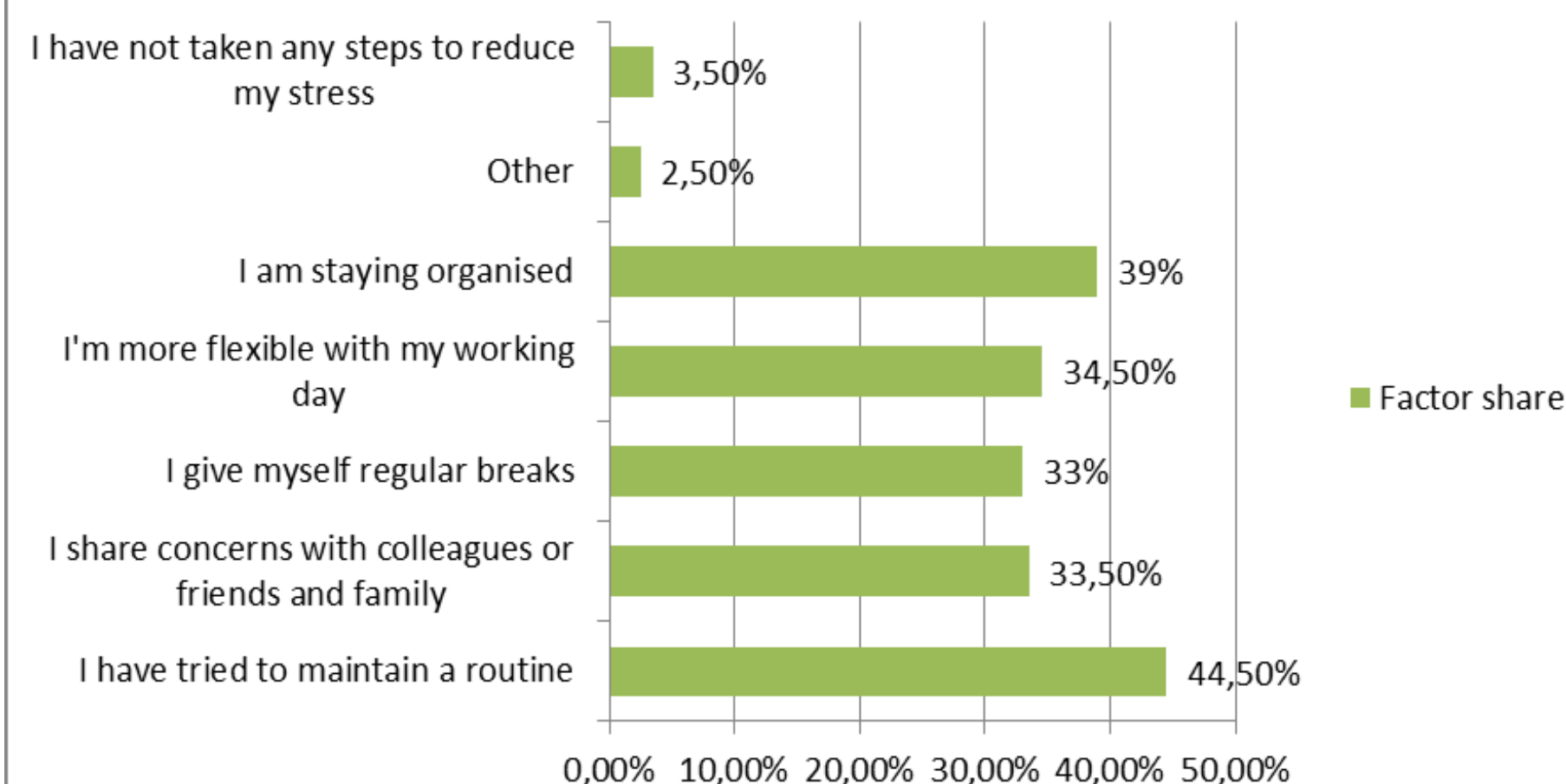
Introduction

- Accounting plays the important role in management system. The key point of accounting is to measure business results that determines conditions for multiplying the capital for investors. The proper organisation of accounting in management strategies lead to effective use of resources, especially during unforeseen economic events.
- When organizations are financially and organisationally struggling by external events arising from the COVID-19 pandemic, several accounting considerations come into play.
- The key role of accounting in management system during the COVID-19 pandemic is to diminish a potential business risk and support the management in making the right business decision.

Accountant and pandemic effects of work-related stress

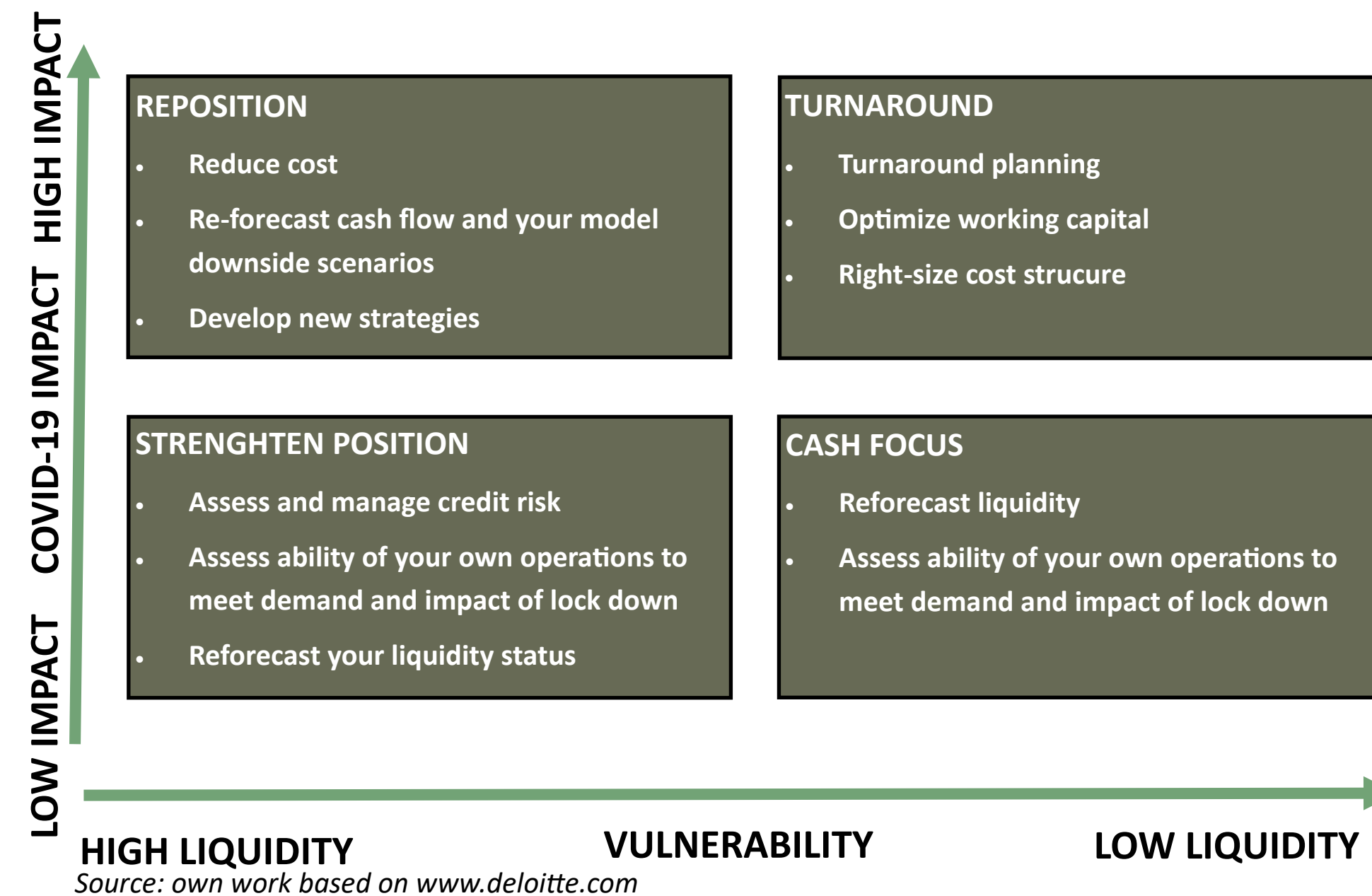
- Every single sector has been impacted by the COVID-19 pandemic. One of them was the accounting sector. According to the survey carried out by BRAEMAR FINANCE around 15% of accountancies expect their business to expand while 13% predict a reduction in size. In the same time 71% think it is „staying the same point”.
- Almost every accountant relied on one or more coping mechanism to address their mental wellbeing which affects the level of motivation and routine (taking into account the pandemic restrictions and remote work).

Actions to reduce stress or anxiety



Source: own work based on www.braemarfinance.co.uk

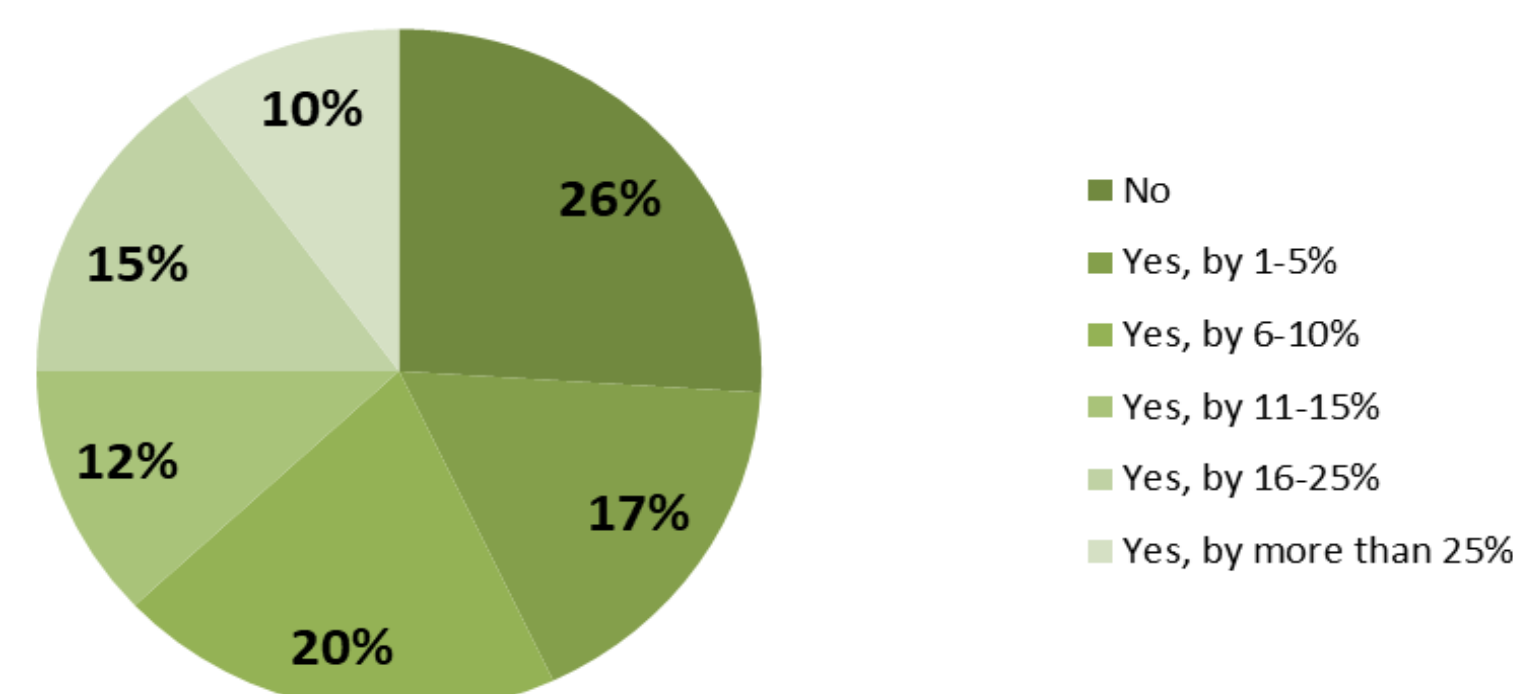
The key areas for managing business continuity



Pandemic and its impact on the revenue

- According to the survey by BRAEMAR FINANCE– eight in 10 accountants predict a reduction in revenue, while 14% are hoping for an increase; the remaining 6% anticipate ‘no difference’.
- 26% of respondents of AccountingToday believe that the pandemic has no impact on the level of income, but at the same time as many as 74% of respondents believe that the pandemic contributed to a decrease in revenue at least 1%. Only 10% of them indicate an impact of over 25%.

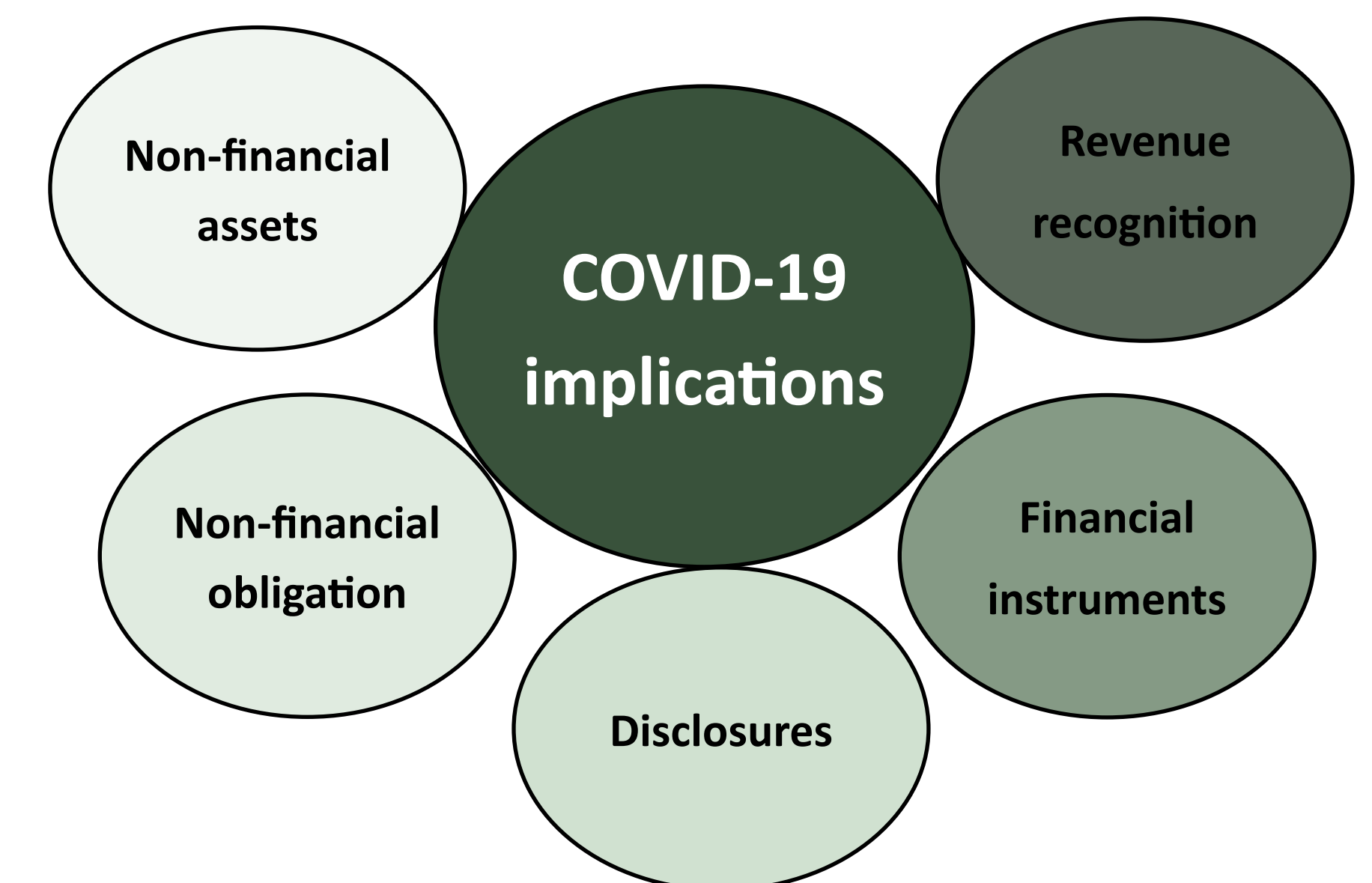
Revenue and expected level of decline



Source: own work based on www.accountingtoday.com

Accountancy and pandemic - 2019 and 2020 financial statements

- For reporting dates after 31 December 2019 an increasing number of financial statements have begun to communicate the potential impact of a pandemic on the entity's operations, e.g. impairment of intangible and tangible assets, level of assets and liabilities measured at true and fair value, expected or predicted credit losses on financial assets and net realizable value of inventory or other current or non-current financial liabilities.
- During a pandemic, true and fair value measurement is important. This may be particularly challenging when fair value measurement is based on unobservable inputs and worldwide pandemic situation are changing rapidly (according to KPMG survey).



Source: own work based on COVID-19: Responding to impact on Accounting and Reporting, www.pwc.com

Conclusion

- COVID-19 has already had a significant impact on global markets, and it may have had accounting implications for many entities.
- The COVID-19 pandemic had an impact on companies in 2020 and moving into 2021.
- The implications of COVID-19 include non-financial assets, financial instruments, leases, cash and cash equivalents, revenue recognition, non-financial obligations, going concern principle, disclosures and interim financial (according to PwC surveys).