



مجلة البحوث المالية والتجارية

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Studying accounting and audit considerations of global pandemic Coronavirus (Covid-19) crisis and its effects on financial reports and auditing procedures “Survey study in Egyptian market”

دراسة اعتبارات المحاسبة والمراجعة لأزمة جائحة فيروس كورونا العالمية (كوفيد-19) وأثارها على اعداد التقارير المالية وإجراءات المراجعة " دراسة استقصائية علي السوق المصري"

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Abstract:

Crises and disasters such as the current crisis caused by the spread of the Coronavirus (Covid-19) outbreak extend many activities of economic life. It has an impact on preparing financial statements and on auditing these financial statements under the approved standards, especially since such a crisis is a source of uncertainty about the future of the entities.

This study aims to explain and address the practical problems of accounting and the challenges associated with the impact of Coronavirus (Covid-19) on financial statements preparation and auditing. The research is focused on two key issues that aim to help the research objective. The key issues into which the study is subdivided are:

- The effects of (Covid-19) virus on accounting measurement and disclosures for financial reporting requirements.
- The effects of the (Covid-19) virus on the audit procedures.

Based on these two themes the research question aims to answer is:

“What are the practical accounting issues and challenges related to COVID-19 crisis effects on preparing and auditing of financial reports?”

The survey outcomes of the research:

- Proves the first hypothesis that there is a significant effect in all dimensions of the implications of (Covid-19) on accounting measurement and disclosure in the financial reports.
- Proves the second hypothesis that there are significant effects on the implications of (Covid-19) on the audit procedures of financial reports.
- Concludes that we can refuse the third hypothesis which said that there are no statistically significant differences for the opinions of each of the academics working in the Egyptian universities, accountants, and audit professionals about the implications of (Covid-19) virus on the preparation of financial reports and audit procedures, except some items that mentioned previously especially which related to Events after reporting, going Concern, disclosures, and audit Report.

Keywords: Coronavirus (Covid-19), financial reporting requirements, audit procedures



دراسة اعتبارات المحاسبة والمراجعة لأزمة جائحة فيروس كورونا العالمية (كوفيد -19) وأثارها على اعداد التقارير المالية وإجراءات المراجعة " دراسة استقصائية علي السوق المصري "

ملخص البحث:

تمتد الأزمات والكوارث مثل الأزمة الحالية الناجمة عن انتشار فيروس كورونا (كوفيد -19) إلى عدد من أنشطة الحياة الاقتصادية وتؤثر على إعداد البيانات المالية ، وعلى مراجعة هذه البيانات المالية وفق المعايير المعتمدة. خاصة أن مثل هذه الأزمات هي مصدر عدم اليقين بشأن مستقبل المنشآت والمشروعات.

ان الغرض من هذه الدراسة هو فهم ومناقشة قضايا المحاسبة العملية والتحديات المتعلقة بتأثير فيروس كورونا (كوفيد-19) على إعداد ومراجعة القوائم المالية. ويستند البحث إلى موضوعين اساسيين لخدمة هدف الدراسة من خلال:

- دراسة تأثير فيروس (كوفيد -19) على متطلبات القياس والإفصاح المحاسبي لغرض إعداد التقارير المالية.

- دراسة تأثير فيروس (كوفيد -19) على إجراءات المراجعة.

بناءً على هذه المحاور ، فإن السؤال الذي يهدف هذا البحث إلى الإجابة عليه هو:

"ما هي القضايا والتحديات المحاسبية العملية المتعلقة بآثار أزمة COVID-19 على إعداد ومراجعة التقارير المالية؟"

وكانت نتائج الدراسة الميدانية للبحث علي النحو التالي:

-تبوت صحة الفرض الأول للبحث أن هناك تأثيراً معنوياً لآثار فيروس (كوفيد -19) على كافة أبعاد القياس والإفصاح المحاسبي في التقارير المالية.

- تبوت صحة الفرض الثاني أن هناك تأثيرات مهمة لانعكاسات (كوفيد -19) على إجراءات مراجعة التقارير المالية.

- رفض الفرض الثالث القائل بأنه لا توجد فروق ذات دلالة إحصائية في آراء كل من الأكاديميين العاملين في الجامعات المصرية والمحاسبين والمراجعين المحترفين حول آثار فيروس (كوفيد -19) على اعداد التقارير المالية وإجراءات المراجعة بشكل إجمالي، باستثناء بعض البنود التي تتعلق بالأحداث لاحقة بعد تاريخ اعداد القوائم المالية، الإفصاح، وتقرير المراجعة.

الكلمات المفتاحية: فيروس كورونا (كوفيد -19)، التقارير المالية، إجراءات المراجعة.

1- Introduction:

China alerted the World Health Organization about several cases of an unusual form of pneumonia in Wuhan in late December 2019. Clear information about what has been recognized as coronavirus or (COVID-19) had only shown up in early 2020. All nations have forced travel bans on millions of individuals. It was announced that (COVID-19) is a pandemic and people worldwide are placed with quarantine measures.

Many signs are proving that coronavirus has remarkably affected the global economy, whereas developments all through 2020 are causing extraordinary uncertainty for the worldwide economy. Entities will face a lot of risks as a result of the uncertainty that is associated with this crisis. Because of that, all entities should evaluate whether and how they are affected, so distinctive governments have declared steps to provide affected industry and impacted businesses with monetary and non - monetary assistance. (AASB–AUASB, March 2020).

As the coronavirus (COVID-19) outbreak in many countries, the main effects were observed most quickly by the tourism industry and educational institutions, but now the effect got to be more extensive and is creating significant uncertainty for the global economy and most entities all over the world (ICAEW, 2020).

2- Research problem:

Disasters and Crises such as the current crisis caused by the spread of the Coronavirus (Covid-19) affected many activities in the economic life and affect preparing financial statements, and auditing procedures according to the approved standards, especially since such a crisis is a source of uncertainty about The future of the entities.

As a result of the effect of the global pandemic and its global risk, professional accountants and audit experts should consider the effects of the (COVID-19) outbreak on financial reporting. The coronavirus (COVID-19) episode is having a major effect on entities but the degree to which this influences the financial statements influenced by the individual details and conditions of each firm.

Follow- up the issuances of the International Accounting Standards Board, the International Auditing Standards Board, as well as follow-up on what is issued by a range of global bodies which interest in accounting and auditing, stated that no exemption or amendment of the requirements of the standards has issued up to date (SOCPA, April 2020).



No doubts that the spread of the Covid-19 virus will affect the business sectors in the future with effects that are difficult to predict, yet the financial reporting standards have established general principles for dealing with uncertainties. Under IAS 1 Presentation of Financial Statements, an organization should disclose information on potential assumptions, other primary sources of uncertainty, and major risks at the end of the reporting period. It may result in an adjustment of relative importance in the amounts of the assets and liabilities during the following fiscal year.

Within the current situation of the Covid-19 virus outbreak, it requires an estimate of future uncertainty about the carrying amounts of assets and liabilities at the end of the reporting period, which may be caused by this pandemic (SOCPA, April 2020).

On the other hand, carrying out audits became practically difficult for auditors who will probably affect how audit firms will audit these companies. As a result of the increased constraints on traveling, meetings and access to company locations, auditors are forced to establish other alternate audit procedures to assist them in the collection of adequate and sufficient audit evidence. (Accountancy Europe, March 2020).

Research question:

Due to the uncertainty associated with the COVID-19 outbreak, it likely that organizations and entities will face difficulties in the selection of suitable assumptions and the creation of accurate estimates. There are few guidelines or standards regulating the effect of COVID-19 on financial reports and audit procedures. This pandemic's major risks not only affect financial statements, but also audit procedures, there are challenges for financial statement preparers and auditors who need to rely on best practices where professional judgment is required. It is also an area with a few studies and practical experiences on the issues of auditing..

This study subsequently seeks to answer the following question: *“What are the main accounting and auditing issues related to COVID-19 crisis effects on preparing and auditing of financial reports?”*

This study aims to explain and address the accounting and auditing issues and challenges associated with COVID-19 outbreak impacts on financial report preparation and auditing. Two main themes are the basis of this study. The themes are divided into:

- The effects of (Covid-19) virus on financial reporting

requirements.

- The effects of (Covid-19) virus on the audit procedures.

3- Research objectives:

The general aim of this research is to explain the effects of the global Corona pandemic (Covid-19) on financial reporting requirements and audit procedures.

In light of that general objective, the aims to study to achieve the following objectives:

- 1) Analysis of the effect of coronavirus (Covid-19) on accounting measurement and disclosure for financial reporting requirements
- 2) Analysis of the effect of coronavirus (Covid-19) on the audit procedures.
- 3) Survey study of the opinions of experts from academics and professionals on the effects of coronavirus (Covid-19) on the requirements of financial reporting and auditing procedures.

4- Research hypotheses:

In light of the objectives of the study, we can set the following hypotheses:

First hypothesis:

From experts' point of view there is a significant effect for the implications of (Covid-19) on accounting measurement and disclosure in the financial reports.

The second hypothesis:

From experts' point of view there is a significant effect for the implications of (Covid-19) on the audit procedures of financial reports.

The third hypothesis:

There are no statistically significant differences for the opinions of each of the academics working in the Egyptian universities, accountants and audit professionals about The effects of the (Covid-19) virus on financial statements preparation and audit procedures..

5- Research limitations:

Besides those posed in this research, there is a wide range of other accounting issues about the implications of (Covid-19) virus the main focus is on financial effects, going concern, events after reporting period, audit evidence, and other disclosure requirements in financial statements. Other issues found is the accounting for Fair value measurement, Lease contracts, Insurance recoveries, Government grants and Income taxes are outside of the scope of this research.

6- Research Theoretical framework



To achieve the objective of the research we divide the theoretical framework into three main topics. In the first topic, we present several literature reviews related to our subject. In the remaining, we have two main topics one focuses on the effect of coronavirus (Covid-19) on requirements of financial reporting, and the second focuses on the effect of (Covid-19) virus on the audit procedures.

Finally of the research, we will have a survey study. It provides information related to the collection of data, data interpretation, and results of the survey.

6.1 literature review

6.1.1 Study of Ernst & Young (EY March 2020)

This publication aims to analyze the existing accounting standards to be considered in the arrangement of the IFRS financial statements for the interim or annual reporting period ending in 2020 addressing the financial effects of the (Covid-19) outbreak. This publication also mentions disclosure considerations for interim and annual financial statements. The problems discussed depend on the facts and circumstances of each entity and its applicability.

6.1.2 Study of Australian Accounting Standard Board and Auditing and Assurance Standard Board (AASB–AUASB, March 2020)

This AASB-AUASB publication aims to guide the preparers and auditors of the financial report on those issues they should consider. Essentially, at the beginning of the financial reporting and audit process, managers and governance members, chief executive officers, financial officers, and audit experts should examine and determine the effects of Coronavirus on financial reports .

COVID-19 causes a sudden rise of different and rapidly changing circumstances that might not have been faced before by preparers of financial reports and auditors. Auditors need to practice professional skepticism about the possibility that these circumstances could lead to misstatements in financial reports.

6.1.3 Study of Institute of Chartered Accountants in England and Wales (ICAEW 2020)

The Financial Reporting Faculty created this ICAEW Know-How Guide; The Financial Reporting Faculty creates a checklist of some of the considerations that should be considered when setting up the

accounts of your clients. The checklist is specifically targeted at businesses that end after Covid-19 roughly at the beginning of the 2020 year .

This guide concludes that it is not meant to cover all eventualities in this checklist, only areas that are likely to be of common concern .When assessing the causes and effects of the coronavirus on financial statements, each company should consider its business, transactions, and contracts in which it has engaged, the environment in which it operates, and what can be seen as material to its users.

6.1.4 Study of International Federation of Accountants (IFAC, June 2020)

According to the International Federation of Accountants (IFAC), various organizations of all sizes have been affected by the number of losses resulting from the widespread Covid-19 in all sectors of the industry. Management and governance members have been forced to make dealing with complex, financial, and strategic decisions.

Due to the existence of an unprecedented degree of uncertainty and low likelihood of economy forecasts, expected income, and various other inputs, the impacts on financial reporting and audit responsibilities are considered complicated.

IFAC claims that the responsibilities of planning and monitoring financial reporting through the management and those charged with governance (TCWG) must exercise considerable judgment in the current market climate. IFAC creates a web page that covers many of the Coronavirus's main financial reporting issues and recommendations and outlines different tools available on the dedicated website.

6.1.5 Study of Accountancy Europe (March 2020)

This study warns that, in addition to the fact that this epidemic has major economic effects on businesses; the coronavirus (Covid-19) pandemic continues to spread in more than one region. These economic impacts have affected the financial statements of businesses in the area of accounting, reporting, and auditing.

This publication focuses on some of these potential implications:

- Each company will be affected by the coronavirus (Covid-19) pandemic impacts. As a result, businesses and their auditors need



- to manage and frequently review the impact on their business.
- It is hard to predict the further development, and effect of the coronavirus (Covid-19) pandemic impacts.
 - It is considered that coronavirus effects on businesses would have to be reviewed, in addition to the question about entity going concern.
 - All the categories of the accounts subject to judgement and evaluation shall include:
 - Uncertainty and associated estimates in accounting.
 - Consider the effects of fair value measurements.
 - Consider the impairment of assets.
 - Measurement expected credit loss.
 - Considerations related to hedge accounting.
 - Requirements for financial statement disclosure.

6.1.6 Study of Saudi Organization for Certified Public Accountants (SOCPA, April 2020)

The Saudi Organization for Certified Public Accountants (SOCPA) has issued a beneficial bulletin setting out the key international standards to be considered in preparing financial reports and requirements of audit process under COVID-19 conditions .

In this bulletin, the Saudi Organization for Certified Public Accountants poses a variety of issues that should be very significant. In this situation, we must consider whether those issues are applied by the preparers of the financial statements or to their auditors, and whether the entity applies the full version of the international standards applied by the entity, or whether the IFRS applies to SMEs.

6.1.7 Study of PricewaterhouseCoopers (PWC, Feb. 2020)

The study concluded that events results from the spread of the COVID-19 after 31 December 2019 was a non-adjusting event as the situation was that there was no clear evidence of human-to-human transmission and virus had not been identified to the World Health Organization on 31 December 2019.

Later, the spreading of the virus and its detection as a particular coronavirus do not provide further evidence of the conditions on 31 December 2019,, it is also considered a non-adjusting event.

6.1.8 Study of Deloitte (March, 2020)

The primary goal of this publication is to concentrate on some of the

major issues for entities to consider in the preparation of their financial reports by applying IFRS standards for periods ending on or after December 31, 2019 under the conditions of COVID-19.

The outcome of the study was that when assessing how their financial statements could be influenced by current events, companies would carefully take into account their particular circumstances and risk occurrence likelihood. Specifically, the material consequences of the COVID-19 pandemic would need to be reported through financial statement disclosures.

Some of the main concerns that organizations need to be considered are:

- Asset recoverability and impairment.**
- Financial asset accounting.**
- Modifications to contracts.**
- Events after reporting period.**
- Assessing Going concern.**

6.1.9 Study of KPMG (Feb., 2020)

This newsletter focuses on the impacts of the coronavirus (COVID-19) outbreak from financial instruments. It also summarizes some other issues related of financial instruments that are supposed to be a main goal for entities during the 'financial year-end' of 31 December 2019.

The most critical issue is whether the spreading coronavirus influences the reporting date assessment of expected credit losses (ECLs) or whether it is 'non-adjusting event '.It addressed that entities must provide information that helps users of financial statements to understand the impact of the coronavirus outbreak (COVID-19) on their financial position and performance before the statements are approved for issue.

Other topics that addressed in this study are:

- Whether or not entities should update their risk disclosures during the 2019 development period and after the reporting date .**
- How financial guarantees impact ECL calculation in the light of the associated IFRIC discussion in 2019 .**
- Compliance with the standards of financial instruments.**

6.1.10 Study of International Auditing and Assurance Standards Board (IAASB, March 2020),

This publication focused on the effects of the Coronavirus on the work of auditors.

It also highlights some important areas that need to be more focused on while planning and implementing audit procedures to obtain



appropriate and sufficient audit evidence:

- Identification and evaluation of material misstatement risks (Revised ISA 315)
- Evaluated Risks Response (ISA 330).
- Auditing Accounting Estimates ISA 540 (Revised).
- Responsibilities of the auditor concerning subsequent events (ISA 560).
- Responsibilities of the auditor relating to going concern (ISA 570 Revised).
- Forming an opinion including main audit issues, on the financial statements (Revised ISA 700, and ISA 701).

6.1.11 Researcher's comment on previous studies:

Previous studies have shed light on many important aspects of the effects of the Coronavirus (Covid-19) on accounting measurement and disclosures when preparing financial reports, as well as the audit procedures required from auditors. Each study dealt with certain aspects different from the other, making them integrated. The researcher has relied on these studies and other studies in the development of the theoretical framework of the current research, in addition to the opinion of experts from academics and auditors to achieve the objective of the research.

Next, the study will concentrate on two key issues that help to support the objective by including many viewpoints on the problems and challenges posed by the global pandemic in accounting and auditing.

6.2 The effects of the global coronavirus pandemic (Covid-19) on accounting measurements and financial report disclosures.

In this section, the researcher offers notice of the accounting guidelines that must be considered when we address the impacts of the coronavirus (Covid-19) epidemic in the preparation of the annual or interim financial reports for periods ending in 2020 under IFRS. It also includes disclosure issues .

The issues of debate and potential applications depend on each entity's facts and circumstances. The issues of financial reporting outlined in this section are:

- Financial impacts.
- Requirements of financial statement disclosures.

6.2.1 Assessing Coronavirus (COVID-19) financial impacts

The impact of Coronavirus (COVID-19) on interim and annual financial reports resulting from this major global pandemic should be

taken into account by all financial report preparers. Direct financial impacts may include the following:

A. Impairment of some tangible or intangible assets

At the end of each reporting period, IAS 36 'Impairment of Assets' requires an entity to determine if non-financial assets are subject to any impairment. The standard includes an annual impairment test for goodwill and other infinite useful life intangible assets. For other classes of assets, when there are impairment indicators, an entity is required to assess if there are any impairment losses. In this case, an impairment evaluation can only be carried out if those indicators exist.

There is a wide range of assets included in the requirements for IAS 36. This includes land, plant and equipment, all intangible assets (carried at cost or revalued), goodwill, and the right to use assets (carried at cost). Investment property, biological assets, investments in associates, and joint ventures accounted for using the equity method is also included (Deloitte, March 2020).

With the recent developments of the outbreak of Covid-19 virus and its related precautionary measures, all local and global information sources, such as a decrease in inventory and product prices, a decrease in interests rates, manufacturing plant shutdowns, shop closing, decrease in demand for products and services and selling prices, etc., indicate that some asset may indeed be be impaired (EY, March 2020), (SOCPA, April 2020).

Likely due to COVID 19 epidemic that indicates that carrying amount of a cash-generating unit (CGU) will not be recovered might include:

- (1) Decrease in sales of the goods or services of an entity ;
- (2) Higher costs/disruption of business due to supply chain issues ;
- (3) Cancellation or delays of orders from customers ;
- (4) Major concessions need to be provided, and
- (5) Major customers facing financial problems with cash flow.

Therefore, the needed information from IAS 36 might be supported by some additional information such as a sensitivity analysis according to "IAS 1" (Deloitte, March 2020).

Within the progress of the crisis and the uncertain circumstances, management is expected to exercise considerable judgement at this point



to assert rational conclusions that represent the circumstances existing for impairment testing at the reporting date. We expect that most of these assumptions are subject to considerable uncertainty in the current situation.

Asset impairment information should be reported to help users of financial statements understand the effects of the COVID-19 pandemic on the entity's financial position and performance. The disclosure of the key assumptions used to calculate the recoverable amount must be given in adequate detail. A significant source of estimation of uncertainty is considered a key assumption used in performing impairment tests.

B. Inventory valuation

According to IAS 2, the inventory would have to be written down if the expected sale price is less than its carrying value to be completed and sold, depending on the circumstances that occurred at reporting date. This would be with special importance if inventory have a short shelf life or when demand for the goods is likely to be decreased.

The estimated costs to complete and sell can also be influenced by higher input costs and delivery charges. According to IAS 2, net realizable value estimates should also be based on the best available reliable evidence at the time of the calculation of the expected amount to be realized by the inventory.

Under the conditions of the Coronavirus (Covid-19), resulting in a slowdown or loss of sales, the cost of the inventory may not be recoverable if it is damaged, whether it becomes totally /partially redundant, or its selling price falls. If the estimated costs of completion increase, the cost of inventory may also not be recoverable. Hence, the inventory value must be reduced to the net realizable value (SOCPA, April 2020).

The Covid-19 epidemic may also impact the recoverability of balances of inventory in entities that have seasonal or obsolete inventory. These entities may have to determine whether obsolescence or slow-moving inventory write-down will be necessary on an interim or annual period. Other entities may have to determine if the estimated selling price is likely to decline, which may need the cost of the inventory in interim or annual reports to be written down.

It is important to note that IAS 2 allows the loss of inventory value to be reversed in a later time due to circumstances that previously caused the inventory value to drop to less than cost. We consider that the reduction amount is refunded if economic conditions improve and the

negative effect of this virus is reduced, i.e. the response is limited to the original reduction amount.

C. Establish allowances for the amount of the expected losses

IAS 37 “provisions, potential liabilities and contingent assets” defines provision as an uncertain liability in terms of timing or amount. The disruption to the global supply chain is a major impact of the spreading (Covid-19). For instance, where a manufacturing company has contracts to sell goods at a fixed price and, due to the breakdown of its manufacturing operations, is unable to produce the goods by itself without purchasing them from a third-party provider at a much greater price.

So, the conditions of Covid-19 virus may cause some futures contracts to be ineffective, making it necessary to establish a provision for the amount of the resulting loss. The onerous contract provision would represent the lower penalty for termination of the contract or the net cost of completion of the contract at the present value (EY, March 2020).

Any contracts, such as aircraft, restaurant, or retail space operating leases that may have previously been considered profitable (or break-even) may now be considered onerous contracts. A provision will be required for any present obligation at the balance sheet date. Note that there is no provision for future operating losses (ICAEW 2020).

Contracts should be reviewed in order to assess whether there are any specific requirements capable of relieving an entity of its obligation. Contracts which can be terminated without paying compensation to any of the other parties do not become onerous.

D. Financial instruments and Expected credit loss (ECL) Allowance:

As the coronavirus (Covid-19) continues to spread, IFRS 9 "Financial Instruments" and IFRS 7 "Disclosures of Financial Instruments" are substantially affected. In various sectors, the effect of Covid-19 on credit risk will be more significant and urgent. As a result of the coronavirus, outbreak the Expected credit loss (ECL) allowance may need reassessment due to the decline in the credit quality of the borrower or financial asset issuer.

The impact of COVID-19 on ECLs will be especially challenging and important for banks and other lending institutions. For non-financial companies, the impact may also be important, that's because ECL applies not just to loans but also to other financial asset-bearing interest investments (e.g. bonds and debentures), trade receivables, lease receivables, issued loan obligations, and financial guarantee contracts.



(Deloitte, March 2020).

Through the impairment general model, a 12-month ECL or lifetime ECL recognized depending on if a significant increase in credit risk ('SICR') of a financial asset (or other exposure) has occurred since original recognition. Given the uncertainties of the potential impact of COVID-19 the analysis involves estimation of financial asset lifetime default risk at the initial recognition and each balance sheet date subsequently, based on an evaluation for the forward-looking information.

In response to questions relating to the application of IFRS 9, the IASB has issued a paper requiring entities in the assessment of expected credit losses (ECLs) for financial assets, not measured at fair value by profit or loss, to include adequate and supportable information on past events, current conditions and the forecast of future economic conditions (IFAC June 2020).

The widespread coronavirus may alter the credit risk of some loans or receivables, as particular borrowers or clients may be involved or in areas where is more likely to be affected. Firms should then begin to (re)segment their portfolios. To ascertain their effect on the ECL calculation and any other accounting consequences, if payment terms are extended in the face of contemporary economic conditions, it will be necessary to assess the terms and conditions of the extension. For example, if a receivable's payment terms are extended from 90 days to 180 days, this is not likely to be considered a main change to the receivable.

According to the above-mentioned discussion, an estimation of the effects of an outbreak of coronavirus on ECL would seem to have taken a substantial judgment, in particular, because it is not directly comparable to any previous similar events. it will be important to reveal the key assumptions used and judgments taken in the ECL calculation.

6.2.2 impact of Coronavirus (COVID-19) o financial statement disclosures

AS 1 requires that disclosure about future assumptions and other sources of expected uncertainty should be reported at the end of the reporting period, which is highly likely to lead to a material adjustment of the carrying amounts of assets and liabilities for the next financial year. Disclosures must be described in a manner that allows users to understand the future and other sources of estimated uncertainty in financial statements and management decisions. Depending on the

nature of the assumption and other circumstances, the type and scope of the information supplied can differ.

Covid-19 is one of the causes of uncertainty about the future. In dealing with the uncertainty posed by the circumstances of Covid-19 outbreak, preparers of the financial statements and auditors must take the required professional precautions and make the necessary disclosures to assist of the financial statements users in making rational economic decisions based on high-quality information. If, in fact, it is not possible at the end of the reporting period to disclose the extent of the potential effects of the uncertainty, the entity should disclose that (SOCPA, April 2020).

The outbreak of Covid-19 can also result in commitments or uncertainties that may not have been incurred or reported previously by an entity. To clarify the effect of the outbreak, areas that might include provisions and contingent assets/liabilities. The entity may also decide whether additional information should be disclosed in the financial statements or not.

Due to the outbreak of the Covid-19, the disclosure in financial statements will vary directly and/or indirectly according to its financial effect, and the availability of information. For entities that quantitative financial information on the effects of the virus epidemic will be available by the time the annual financial statements are issued, those quantitative disclosures may be included in their financial reports, if the effect is material. Where such impact is considered to be non-adjustable by the standard, the entity shall not change the carrying amounts but disclose the facts if reasonably estimated.

Since not all entities would be affected in the same way and to the same extent, the conclusion reached is that the degree of disclosure required depends on the circumstances of the case. Given the evolving nature of the outbreak and the uncertainties involved, before the date of issuance of the financial statements, there will be a need for considerable judgment and continuous updating of assessments.

6.3 The effect of global pandemic Coronavirus (Covid-19) on audit procedures

Auditors should address the effect of the coronavirus on the company business operations, the reporting calendar, and the related audit schedule, including their relevant contingency plan.



In this section, the researcher provides notice of the audit procedures that really should be addressed when discussing the financial impact of the outbreak of coronavirus (Covid-19) on the audit process. The following are the main issues highlighted in this section:

- Risk assessment and materiality.
- Audit evidence.
- Events after the reporting period.
- Going concern.
- Financial statements disclosures.
- Audit report.

6.3.1 Risk assessment and materiality

The auditor's risk assessment needs to be updated in compliance with 'ISA 315 Identifying and Assessing the Risks of Material Misstatement,' because of the possibility of new significant risks .In applying ISA 315, auditors should consider the impacts of the COVID-19 outbreak in obtaining an understanding of the audit client and its environment, taking into account its goals, plans, and other business risks.

One of the key issues that Auditors must also address with management and those charged with governance (TCWG), if the influence of the COVID-19 outbreak has been integrated into their risk assessment practices and how the significance of the business risks that occur have been identified and assessed.

For instance, whether the client has trade relations or components in affected jurisdictions, the risk assessment may affect. (AASB–AUASB, March 2020).

Auditors must consider the management's assessment of the risks arising from the pandemic and its materiality, including whether they can reasonably predict the impact of COVID-19 on the entity. Auditors should exercise professional skepticism if governance members and management have accepted that there is no material financial impact on the entity. If, as a result of the COVID-19 event, the risk analysis has been updated, the audit's materiality will also need to be updated as the audit progresses.

6.3.2 Obtaining audit evidence

In compliance with the "audit evidence" International Standard for Auditing "ISA 500" Auditors should determine how to obtain adequate audit evidence.

In the coronavirus (Covid-19) situation, auditors should realize that an audit approach might need to be modified and develop alternative procedures, and the auditor should consider using more technology to

exchange data or host virtual meetings (Accountancy Europe, March 2020).

The ISA 500 Audit Evidence states that if the inventory is of relative significance to the financial statements, the auditor must obtain adequate audit evidence as to the nature of the inventory and its condition by attending to the physical inventory count unless this is not practically feasible. If due to unexpected circumstances, the auditor is unable to take part in the actual count of inventory, he must carry out or observe such actual inventories on an alternate date and apply audit procedures for the transactions that took place during the interim period.

The circumstances accompanying the spread of the Corona virus can be seen as a practical example of the fact that the existence of an actual inventory count is not practicable because of the risk to the protection of auditors, which is reinforced by government precautions that restrict the presence at workplaces (SOCPA, April 2020).

In such situations, the standard indicates that, when attendance is not practicable in such instances, the application of alternative audit procedures might provide sufficient audit evidence as to the existence and quality of the inventory, such as the investigation of next sales documents for particular stock products acquired or purchased prior to the actual inventory count. For example, by tracking selected items from inventory records to actual inventory and tracking selected items from physical inventory to manage inventory records.

The standard allows test inventories to be executed, providing audit evidence of the completeness and accuracy of such records .

In addition to recording auditor inventory checks, the standard also shows that obtaining copies of complete inventory count control documents to decide whether inventory records correctly represent the actual results of the inventory count.

Several publications issued by a range of international bodies influencing the accounting and auditing profession. For example, the American Institute of Certified Accountants (AICPA) and English Institute of Certified Accountants (ICAEW), have discussed some alternative audit methods, including the use of remote technology references. It includes a clear visual display of inventory items, allows the auditor to choose simultaneously and surprisingly some inventory items to ensure the existence of the stock and its condition.

Among the alternative measures suggested (SOCPA, April 2020) are:



- Documentary examination of purchases and sales related to selected items in inventory.
- Examination of inventory records carried out by the management with analytical procedures on the volume of purchases and sales, and
- Analysis of inventory data in multiple places.

In all cases, the auditor must provide a tendency to exercise professional skepticism and, if the auditor is unable to obtain adequate audit evidence regarding the actual existence of the inventory and its condition by introducing alternative audit procedures, the auditing standard (705) allows the auditor to modify the opinion of the auditor in his report due to scope limitation.

6.3.3 Events after the reporting period

The International Auditing Standard No. 560 "Subsequent Events" sets down clear criteria for the auditor to check the events occurring between the financial reporting date and the auditor's report authorized date. Likely, the auditor did not consider some issues until after the financial statements were released and his report was published. In such a scenario, the standard requires the auditor to address the matter with management and those charged with governance (TCWG) to decide if it is necessary to change the financial statements. When management modifies financial statements, the standard sets clear requirements. It also sets requirements if the management has not made necessary adjustments to the financial statements.

According to IAS 10, a basic concept in the preparation of accounts is that they should reflect the circumstances that existed at the reporting date. Where information obtained after the reporting date and provided evidence of the circumstances that occurred at the reporting date (adjustment of post-balance sheet events) should be reflected in the accounts of the financial statements. Information on circumstances occurring after the reporting date but not affecting the assessment of amounts at the reporting date (non-adjustment of post-balance sheet events) should be disclosed when it is material (ICAEW 2020).

The auditor will determine if the effect of the COVID-19 case needs adjustment or disclosure in the financial reports based on 'IAS 10' and whether the event affects the validity of the accounting basis of the current concern.

Several governments have taken various steps as a result of the coronavirus (covid-19) epidemic, including travel bans, quarantines, business closures, and the lockout of certain areas. The global supply chain and the demand for goods and services have been impacted by

these measures. At the same time, to help the economy, fiscal and monetary policies are being relaxed. Should coronavirus be accounted for as an adjusting or non-adjusting event is the key question here?

One of the studies stated that the Financial Reporting Council in the UK has reported that for the majority of UK companies preparing financial statements for periods ended 31 December 2019, Covid-19 had been a non-adjusting event in 2020. For later reporting dates we must entail continuous evaluation to determine the extent to which adjustments after the reporting date should be recognized in the reporting period or not (June 2020, IFAC).

Other studies have also reported that for companies with a year-end of 31 December 2019, the coronavirus outbreak is a non-adjusting event, as the outbreak occurred in mid-January 2020 (Accountancy Europe, March 2020) (PWC, Feb. 2020). (PWC, Feb. 2020).

If management concludes that the impact of non-adjusting events is material, the firm should disclose the nature of the event and estimate its financial results. If it couldn't be reliably estimated quantitatively, qualitative disclosure must be made, including a statement that it is not possible to estimate the effect.

In more details the study of Australian Accounting Standard Board and Auditing and Assurance Standard Board (AASB–AUASB, March 2020) highlights the following areas considered by auditors:

- If there is a significant financial effect on the firm post-reporting date of your audit client due to the COVID-19 case where circumstances occurred before the reporting date, and then determine if there are sufficient adjustments.
- If the COVID-19 case occurred after the reporting date, the auditor must ensure that there are sufficient disclosures that have been reported in the financial report.
- If the effect of the COVID-19 case has been known before the financial report has been published, an amendment to the auditor's report may be necessary.
- When concluding on the appropriateness of the audit client's going concern assessment, the auditor needs to consider all relevant details up to the date of the auditor's report.

In light of the above-mentioned discussion, it can be concluded that



the auditor must take into account the impact of the coronavirus on the business of the client, which may differ depending on the circumstances in which it operates. This requires that, in the next reporting period, the disclosures express possible effects. Appropriate disclosure of the potential effects of the Covid-19 virus should be needed if it is necessary to assist users of financial reports in making rational decisions based on available information.

6.3.4 Going concern

Per the International Auditing Standard 570 'Going Concern,' the duties of the auditor are to obtain adequate audit evidence to justify conclusions on the reliability of management to use the basis of going concern in the preparation of financial statements and to assess if there is material uncertainty as to the viability of the firm as going concern. In determining if the accounting basis of the going concern is appropriate, management shall take into consideration all available details at least, but not limited to, 12 months from the date on which it is permitted to publish the financial statements.

In the current situation, the importance of the interest of the auditor in the requirements of the standard increases in the significant effects of the Covid-19 outbreak, which can be the main source of considerable uncertainty regarding the entity's ability to survive as a going concern organization .

As described before, many companies affected by a coronavirus, such as companies in the fields of transport, leisure, tourism, and aircraft, need to consider issues of going concern. They need to consider performing several potential sensitivity analyses to determine whether there is any material uncertainty about their ability to continue as a going concern. It is important to periodically update the assessment of this going concern before the date of authorization of the financial statements (Accountancy Europe, March 2020).

The auditor should discuss the effects of the Covid-19 virus with the management to determine whether it can raise significant doubts, individually or with other events, about the ability of the entity to continue as a going concern. If such an assessment has already been carried out by the management, the auditor should discuss it with the management and those charged with governance (TCWG), and also reviews management plans to deal with these events or conditions (SOCPA, April 2020).

Therefore, even if the end of the year is on or before 31 December 2019, the effect of COVID-19 must be reflected in the ongoing evaluation

of concern for all accounts not yet approved for issuance. Adjustments in the financial statements to the carrying amounts of assets and liabilities may be acceptable if the company is not a going concern (ICAEW 2020).

6.3.5 Disclosures within the financial statements

The IAASB updated its standard on accounting estimates, ISA 540 (Revised) 'Auditing Accounting Estimates, and Related Disclosures, to respond to the rapidly changing business climate. The analysis ensures that the standard continues to keep pace with the evolving market and encourages a skeptical mindset of auditors that is more independent and demanding. Therefore, to help users of financial statements understand the judgment applied in the financial statements, auditors should carefully consider whether additional disclosures are needed. In the circumstances of COVID-19, entities should disclose their main assumptions as to why it has no effect or why it is not considered material.

Also in circumstances such Covid-19 virus, it is the important for the auditor to ensure that there is adequate disclosure about the entity's ability to continue as a going concern entity.

6.3.6 Audit report

In compliance with the requirements of the IFRS, the International Standard for Auditing ISA No. 700 'Formation of Opinion and Report on Financial Statements' notes that the auditor should evaluate whether the financial statements are prepared in all material respects under the requirements of the IFRS framework. The standard also indicates that the auditor is expected to determine whether the significant accounting policies applied are properly disclosed in the financial statements and to determine whether the financial statements provide adequate disclosures to allow targeted users to understand the effect of transactions and significant events on the information in the financial statements.

Users of financial reports are expected to pay more attention to the external auditor's report under the Covid-19 virus conditions, which gives more confidence in the details provided in the financial statements. One of the issues that may be of interest to the auditor in the audit report, the effects of the Covid-19 virus conditions among the key audit issues in compliance with International Standard on Audit No. 701 the reporting on the major audit issues in the independent auditor's report.



The auditor must consult with management and those charged with governance (TCWG) about the circumstances of the Covid-19 virus among the main audit matters while auditing the financial statements of the current period.

Following International Standard for Auditing ISA No 706 (REVISED), the focus in the Independent Auditor's Report on the Explanatory Paragraphs and Paragraphs of Other Matters, if the conditions of the Covid-19 virus were not among the major audit issues. The auditor may include a paragraph that draws the attention of the users to an order submitted or disclosed in a manner Appropriate in the financial statements. (SOCPA, April 2020).

On the other hand, if a client has not issued adequate disclosures to indicate the impact of Coronavirus, consider the consequences for the audit report and if it needs to be updated in the Independent Auditor's Report according to ISA 705 "Modifications to the Opinion in the Independent Auditor's Report"(AASB–AUASB, March 2020).

Furthermore, if it is not possible to acquire adequate audit evidence due to (COVID-19) outbreak regarding the existence and status of the inventory by applying different audit procedures, the audit standard (ISA705) allows the auditor to change his report's opinion as a result of the scope limitation.

Finally, the possible consequences of COVID-19 for auditor's report can be summarized as follows :

- Due to the coronavirus (COVID-19) outbreak, if the main audit matter relating to additional audit work, an 'emphasis of matter' paragraph is required. For example, a significant subsequent event disclosed in the financial statements or substantial uncertainty resulting from the outbreak should be highlighted .
- Because of the (COVID-19) outbreak, if a material uncertainty about going concern, an 'emphasis of matter' paragraph is required .
- Owing to (COVID-19) an outbreak if insufficient disclosures or uncertainties are involved, qualification or adverse opinion in the financial statements may be required .
- Due to (COVID-19) outbreak of qualified opinion or disclaimer opinion if it is unable to obtain adequate audit evidence as a scope limitation.

7- Survey study

7.1 Research Methodology:

The research methodology section is divided into two parts:

7.1.1 Data acquisition methodology

We choose questionnaire as our data gathering tool since that COVID-19 pandemic crisis still in action and there aren't enough published financial statements or auditing reports available to be analyzed, so we survey the opinions and expectations of experts to gain more understanding of the current situations and try to predict the future.

Questionnaire consists of 3 parts: the first part for demographic variables (Academic qualification, specialty, and Experience), the second part to measure the effect global pandemic Coronavirus (Covid-19) on accounting measurement and disclosure in financial reports from point of view of experts, the third part to measure the effect of global pandemic Coronavirus (Covid-19) on audit procedures.

7.1.2.1 Research population and sample

Population of this research includes Academicians and



professionals working on the field of accounting and auditing. The Questionnaire disturbed to them through google forms service and was sent to around 1000 Academicians and professionals. The response rate reached 15.4% with 154 sample size; all of the responses were valid to be analyzed.

7.1.3 Data analysis methodology

Statistical analysis used:

- **Reliability tests**

Reliability is the extent to which an instrument would give the same results if the measurement were to be taken again under the same conditions: its consistency, we used Cronbach's alpha test to measure the reliability of the scale used on the survey.

- **Validity tests**

We used factor analysis to which extent the survey measures the opinions of experts on the effect of Coronavirus pandemic (Covid-19) on accounting and audit procedures.

- **Normality Tests**

To test if the data follow the normal distribution, so we can decide which kind of statistical tests we will use to analyze the data, parametric or non-parametric tests. We used Kolmogrov smirnov test.

- **Descriptive Statistics.**

Such as Mean, Standard deviation, variance, skewness, kurtosis, etc. used to describe the basic features of the data.

- **Non-parametric tests**

The non-parametric tests (Mann-Whitney U Test & Kruskal–Wallis test) were used to measure the differences of attitudes between different groups. Non-parametric tests used because the data do not follow normal distribution.

7.2 Statistical Analysis Results:

7.2.1 Cronbach's Alpha test results

Table (1) Cronbach's Alpha test Result

Cronbach's Alpha	N of Items
.903	25

The result of the reliability measure was excellent which reflects that all the items in our survey were internally consistent and reliable to assess the attitude of participants.

7.2.2 Factor Analysis results

Table (2) Factor loadings and communalities for questions measuring the effect of global (Covid-19) crisis on accounting measurement and disclosure

Question no.	Materiality of the event	Assessing financial effects on entities	Events after the reporting period	Going concern	Disclosures	Communalities
1	.307					.648
2	.513					.724
3		.511				.559
4		.576				.622
5		.628				.682
6		.673				.587
7		.632				.672
8					.61	.645

From the table we can see that there are five dimensions for the accounting measurement and disclosures are:

- A. Materiality of the event
- B. Assessing financial effects on entities
- C. Events after the reporting period
- D. Going concern
- E. Disclosures

Factor analysis results shown in table (2) reflect accepted validity for the scale used in our questionnaire since that all factor loadings in the accounting dimensions are higher than 0.3 which are statistically acceptable.

Table (3) Factor loadings and communalities for questions measuring the effect of global (Covid-19) crisis on auditing procedures

Question no.	Risk assessment and materiality	Audit evidence	Events after the reporting period	Going concern	Disclosures	Audit reports	Communalities
1	.652						.553
2	.688						.626
3	.743						.630
4	.705						.540
5		.632					.534
6		.550					.770
7		.601					.614



8			.694				.489
9				.745			.579
10				.719			.526
11					.746		.580
12						.606	.632
13						.441	.631
14						.561	.548

From the table we can see that there are six dimensions for the auditing procedures are:

- A. Risk assessment and materiality
- B. Audit evidence
- C. Events after the reporting period
- D. Going concern
- E. Disclosures
- F. Audit report

Factor analysis results shown in table (3) reflect accepted validity for the scale used in our questionnaire since that all factor loadings in the auditing dimensions are higher than 0.3 which are statistically acceptable.

7.2.3 Normality tests

Table (4) Results of normality tests

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
AC11	.457	154	.000	.551	154	.000
AC12	.290	154	.000	.860	154	.000
AC21	.408	154	.000	.624	154	.000
AC22	.281	154	.000	.774	154	.000
AC23	.266	154	.000	.867	154	.000
AC24	.295	154	.000	.781	154	.000
AC25	.273	154	.000	.789	154	.000
AC31	.303	154	.000	.748	154	.000

AU11	.295	154	.000	.730	154	.000
AU12	.316	154	.000	.719	154	.000
AU13	.299	154	.000	.741	154	.000
AU14	.252	154	.000	.756	154	.000
AU21	.284	154	.000	.755	154	.000
AU22	.268	154	.000	.852	154	.000
AU23	.249	154	.000	.782	154	.000
AU31	.334	154	.000	.712	154	.000
AU41	.278	154	.000	.746	154	.000
AU42	.262	154	.000	.770	154	.000
AU51	.292	154	.000	.757	154	.000
AU61	.280	154	.000	.763	154	.000
AU62	.253	154	.000	.774	154	.000
AU63	.243	154	.000	.804	154	.000

a. Lilliefors Significance Correction

Data normality was tested using Kolmogorov-Smirnov test and Shapiro-Wilk, from results shown in table (4) we can see that the data violates the normality condition, so we will use non-parametric tests to analyze this data.

7.3 Descriptive statistics

7.3.1 Demographic Variables

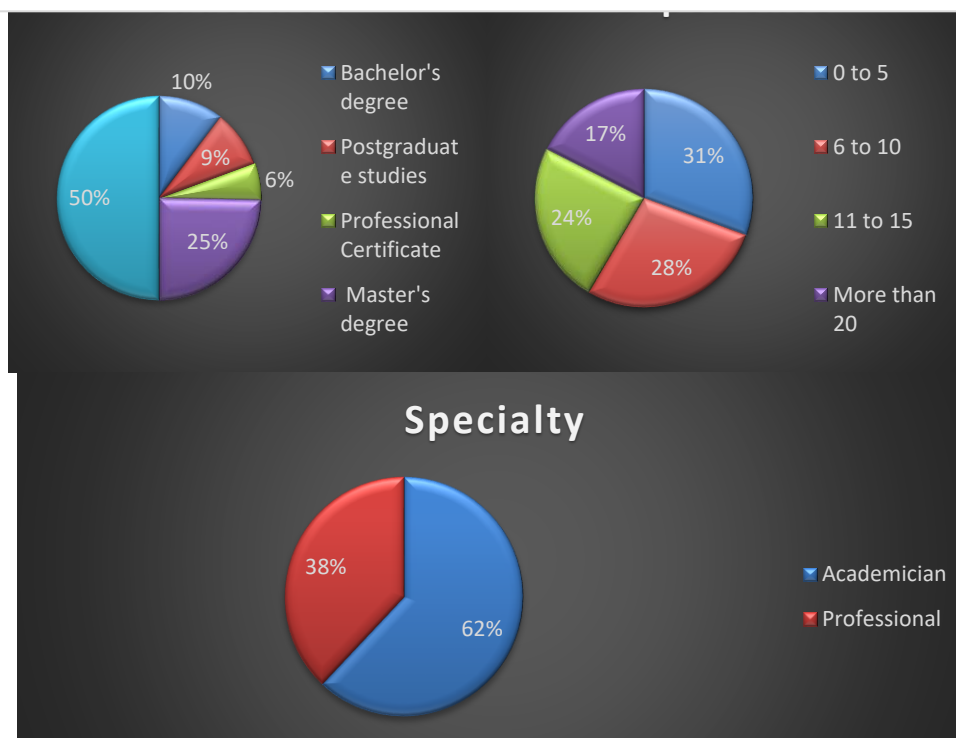
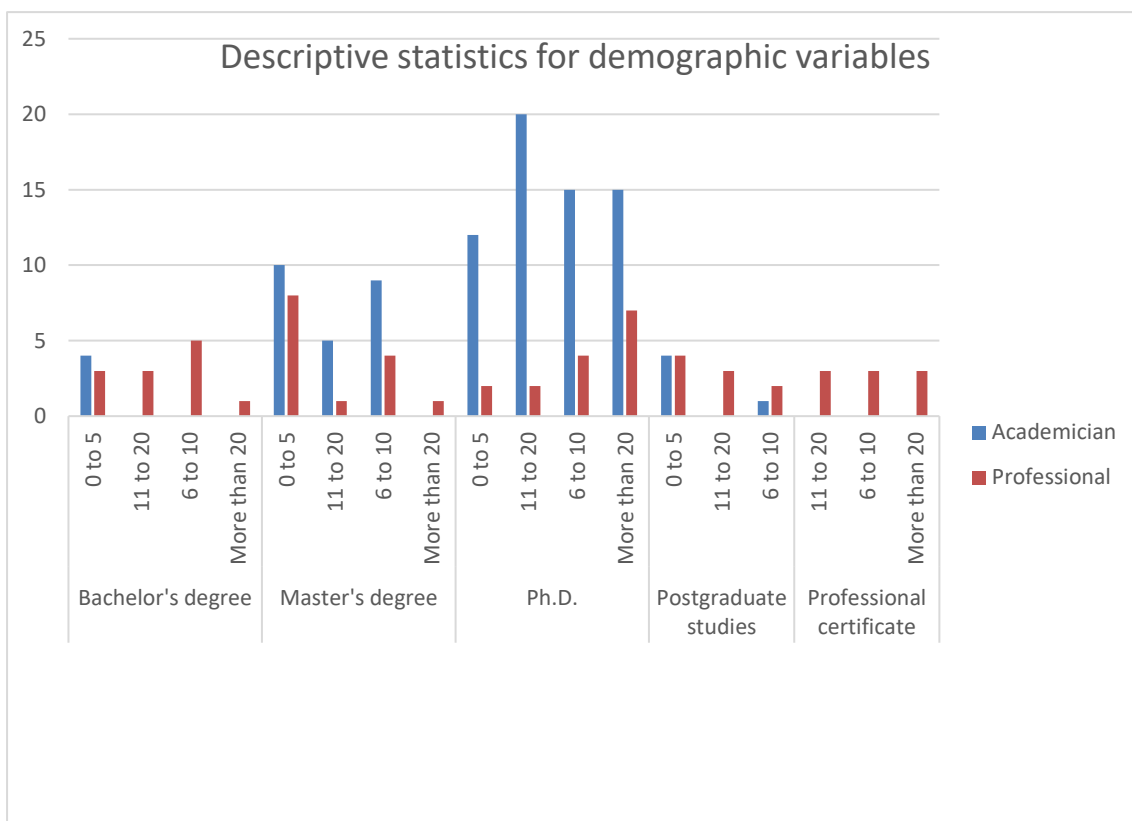
Table (5) Descriptive statistics for demographic variables

Variable	Frequency (N=154)	Percentage
Education		
• Bachelor's degree	16	10.4
• Postgraduate studies	14	9.1
• Professional certificate	9	5.8
• Master's degree	38	24.7
• Ph.D.	77	50.0
Specialty		
• Accountant	12	7.8
• Financial manager	8	5.2
• Auditor	29	18.8
• Academician	95	61.7
• Other	10	6.5
Experience		
• 0 to 5	47	30.5
• 6 to 10	43	27.9



• 11 to 20	37	24.0
• More than 20	27	17.5

Chart (1) Descriptive statistics for demographic variables



As shown in charts (1&2) half of the respondents hold Ph.D (50%) and work as an academicians, 25% of the sample hold master degree and the rest hold bachelor degree, diplomas or has professional certificates like MBA, PMP, etc. There are high variety on the experience of the respondents, ranging from 0 experience to more than 20 years with a decent portion for every segment as shown on table (5), table (6) and chart(1).

Also the charts show that the total number of academicians represents 62% of the sample whereas number of professionals represent 38%.

7.4 Hypotheses Testing

7.4.1 First hypothesis:

From experts' point of view there is a significant effect for the implications of (Covid-19) on accounting measurement and disclosure in the financial reports.

This hypothesis was covered by the question from 1 to 11 on the first part of the questionnaire, regarding five dimensions of accounting measurement and disclosures in the financial reports which are Materiality of the event, Assessing financial effects on entities, Events after the reporting period, Going concern and Disclosures, we used Mann Whitney U test, means and percentage to test the hypothesis according to items individually, and for each total dimension. The results were as the following:

Table (6) Experts attitudes toward the effect of COVID-19 on Accounting measurement and disclosure

Dimensions	Items(questions)	Total		Rank
		Mean	Percentage	
Materiality of the event	Materiality of event	4.73	95%	1
	Investors expectation about financial effects	3.66	73%	7
Assessing financial effects on entities	Materiality of Financial effects	4.64	93%	2
	Effect on Impairment of non-current assets	4.18	84%	4
	Effect on Inventory valuation	3.79	76%	6
	Effect on expected credit losses (ECL)	4.20	84%	4
	Increase provisions or allowances	4.17	83%	5
Disclosures	Effect on Disclosures	4.40	88%	3



From Table (6) we notice that expert's responses to all items reflected a high significant effect for COVID-19 crisis on the accounting measurement and disclosures in the financial reports. We also notice that The highest effect of COVID-19 from expert view were on materiality of events (95%), and the materiality of financial effects (93%), while the lowest effect was on Investors expectation about financial effects (73%), and the effect on Inventory valuation (76%).

Table (7) Experts attitudes toward the effect of COVID-19 on Accounting measurement and disclosure Dimensions

Dimensions	Mean	Percentage	Rank
Materiality of the event	4.19	84%	2
Assessing financial effects on entities	4.19	84%	2
Disclosures	4.40	88%	1

From Table (7) we notice that all experts on the field think that the COVID-19 crisis has a significant effect on all dimensions of the accounting measurement and disclosure in the financial reports. We also notice that the most affected dimension in the accounting measurement and disclosures in the financial reports is the disclosures dimension (88%) while the effect on other dimensions was nearly the same with (84%).

From the previous results we proved that experts think that corona virus pandemic crisis has a high effect on accounting and its different dimensions that proves the first hypothesis that there are a significant effect for the implications of (Covid-19) on accounting measurement and disclosure in the financial reports.

7.4.2 Second hypothesis:

From experts' point of view there is a significant effect for the implications of (Covid-19) on the audit procedures of financial reports.

This hypothesis was covered by the question from 1 to 14 on the second part of the questionnaire, regarding six dimensions of on the audit procedures of financial reports which is Risk assessment and materiality, Audit evidence, Events after the reporting period, Going concern, Disclosures and Audit report, we used Mann Whitney U test, means and percentage to test the hypothesis, and the result was as the following:

Table (8) Experts attitudes toward the effect of COVID-19 on

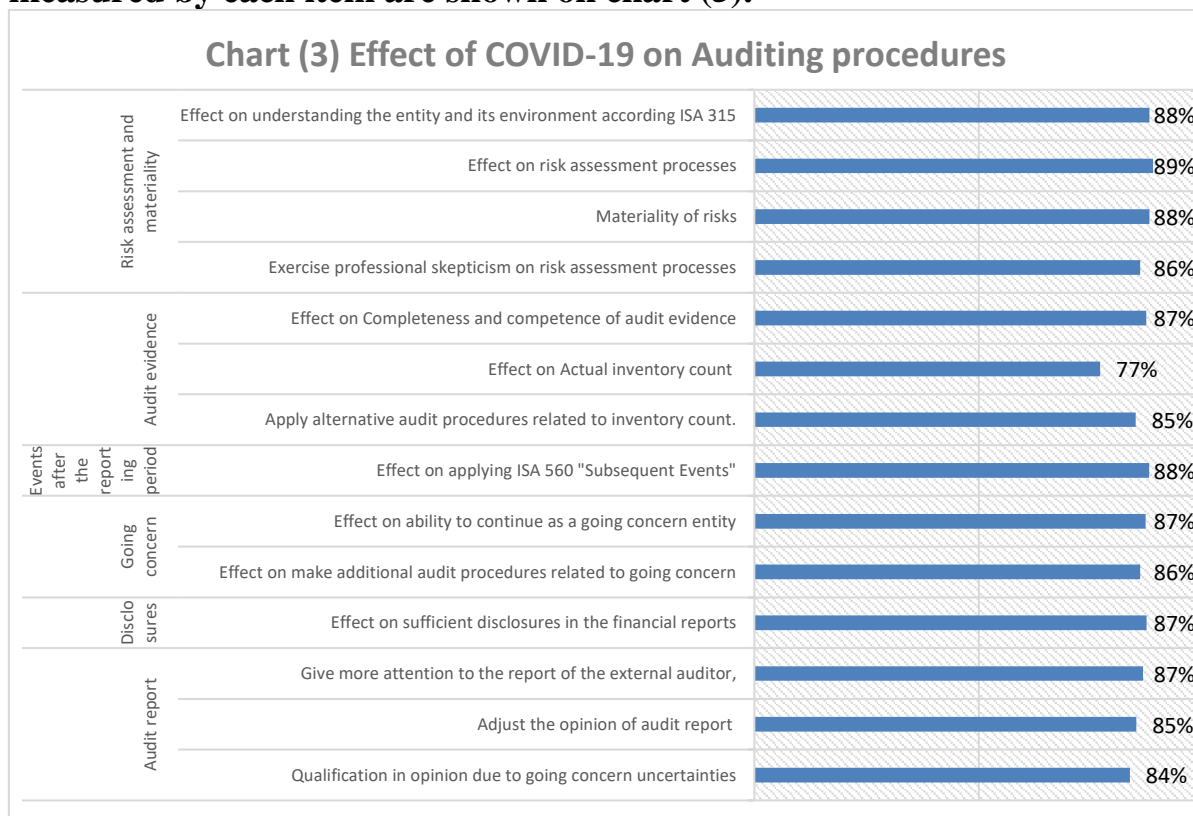
Auditing procedures

Dimensions	Items (Questions)	Total		Rank
		Mean	Percentage	
Risk assessment and materiality	Effect on understanding the entity and its environment according ISA 315	4.40	88%	2
	Effect on risk assessment processes	4.44	89%	1
	Materiality of risks	4.40	88%	2
	Exercise professional skepticism on risk assessment processes	4.30	86%	4
Audit evidence	Effect on Completeness and competence of audit evidence	4.36	87%	3
	Effect on Actual inventory count	3.85	77%	7
	Apply alternative audit procedures related to inventory count.	4.25	85%	5
Events after the reporting period	Effect on applying ISA 560 "Subsequent Events"	4.40	88%	2
Going concern	Effect on ability to continue as a going concern entity	4.36	87%	3
	Effect on make additional audit procedures related to going concern	4.30	86%	4
Disclosures	Effect on sufficient disclosures in the financial reports	4.37	87%	3
Audit report	Give more attention to the report of the external auditor,	4.33	87%	3
	Adjust the opinion of audit report	4.25	85%	5
	Qualification in opinion due to going concern	4.18	84%	6



uncertainties

From Table (8) regarding the auditing procedure we notice that expert's responses to all items reflected a high significant effect for COVID-19 crisis on the auditing procedure. The difference impacts measured by each item are shown on chart (5).

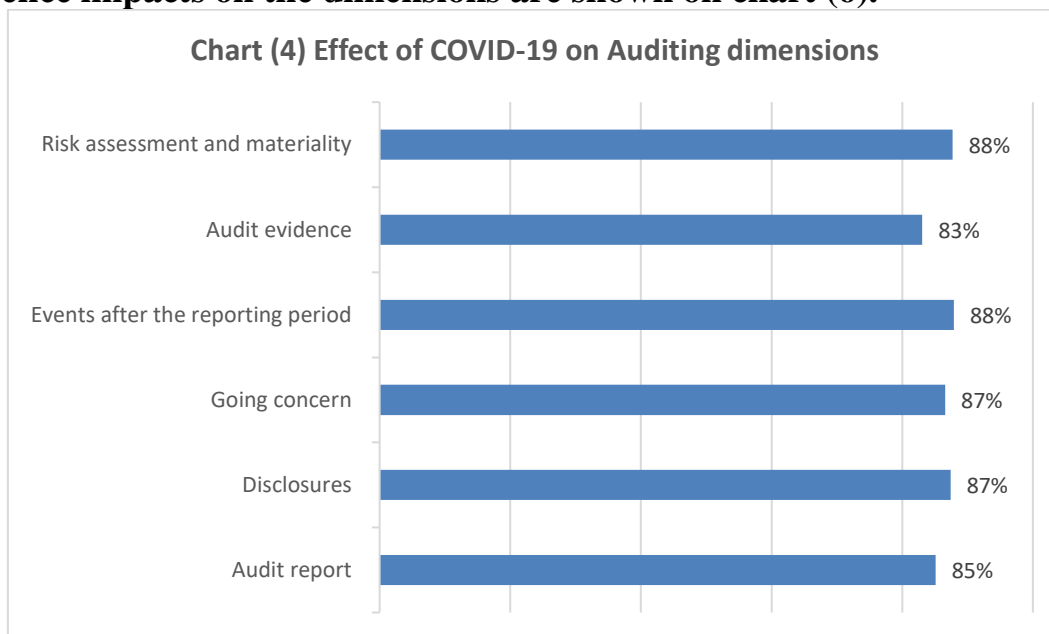


From Table (8) and chart (3) we notice that the effect of COVID-19 from expert view was nearly similar on all items related to audit procedures, ranges from 84% to 89%. Except for effect on Actual inventory count with low percentage 77%.

Table (9) Experts attitudes toward the effect of COVID-19 on auditing procedures

Dimensions	Mean	Percentage	Rank
Risk assessment and materiality	4.39	88%	1
	4.15	83%	4
Audit evidence	4.40	88%	1
Events after the reporting period	4.33	87%	2
Going concern	4.37	87%	2
Disclosures	4.26	85%	3
Audit report	4.39	88%	1

From Table (9) we notice that experts think that the COVID-19 crisis has a significant effect on all dimensions of the auditing procedures. The difference impacts on the dimensions are shown on chart (6).



From Table (9) and chart (4) we notice that the effect on auditing dimensions was slightly different ranging from 83% for Audit evidence and 88% for Risk assessment and materiality and Events after the reporting period. We notice also that effects were not high as the effects on the accounting procedures but it still high.

From the previous results we proved that experts think that corona virus pandemic crisis has a high effect on auditing and its different dimensions that proves the second hypothesis that there are a significant effect for the implications of (Covid-19) on the audit procedures of financial reports.

7.4.3 Third hypothesis:

There are no statistically significant differences for the opinions of each of the academics working in the Egyptian universities, accountants and audit professionals about the implications of (Covid-19) virus on the preparation of financial reports and audit procedures.

To test this hypothesis, we used Mann Whitney U test to decide if there are any significant difference on expert opinion about the implication of COVID-19 pandemic on the preparation of financial reports and audit procedures.

Mann Whitney U is a non-parametric test; we used non-parametric tests to measure the difference of opinions and attitudes because the data don't follow the normal distribution which considered



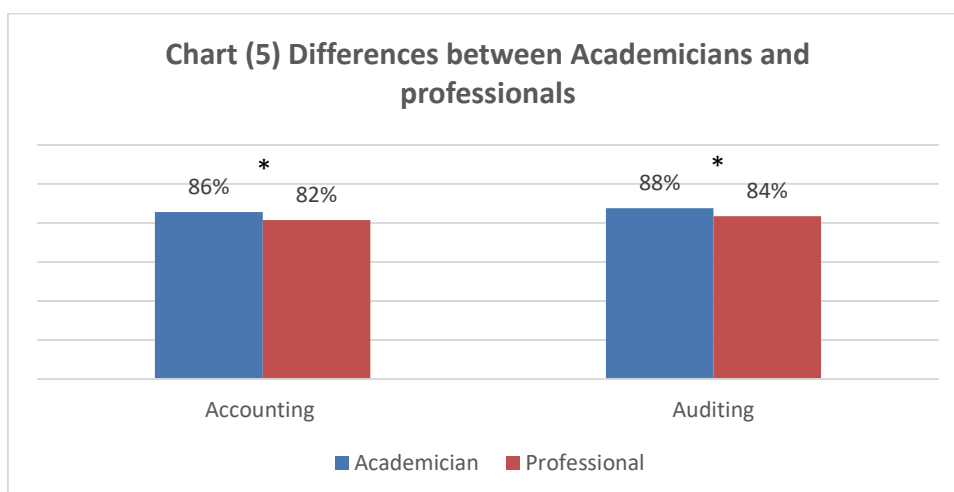
a violation of the condition of using parametric tests.

The test of this hypothesis will be on three levels:

- Level one: the differences between academicians and professional on their on their view to the implications of the COVID-19 pandemic crisis on the preparation of financial reports and audit procedures in general.
- Level two: the difference in each element measuring accounting and auditing dimensions.

7.4.3.1 First Level analysis

Differences between Academicians and professionals attitudes toward the implication of COVID-19 crisis on accounting and auditing in general



(*) the difference is significant at the 0.05 level.

From Mann Whitney U test results, we found that there are a significant different in opinions between different specialties (Academicians and professionals) toward the implications of the (Covid-19) pandemic on the preparation of financial reports and audit procedures.

Academicians see that the crisis will have a greater effect on the accounting and auditing procedures with 86% for the accounting and 88% for the auditing, while professional see it as a great effect but they see it less than what academicians think with 82% for accounting and 84% for auditing.

Both academicians and professionals approve that the crisis will have greater implications on accounting more than auditing.

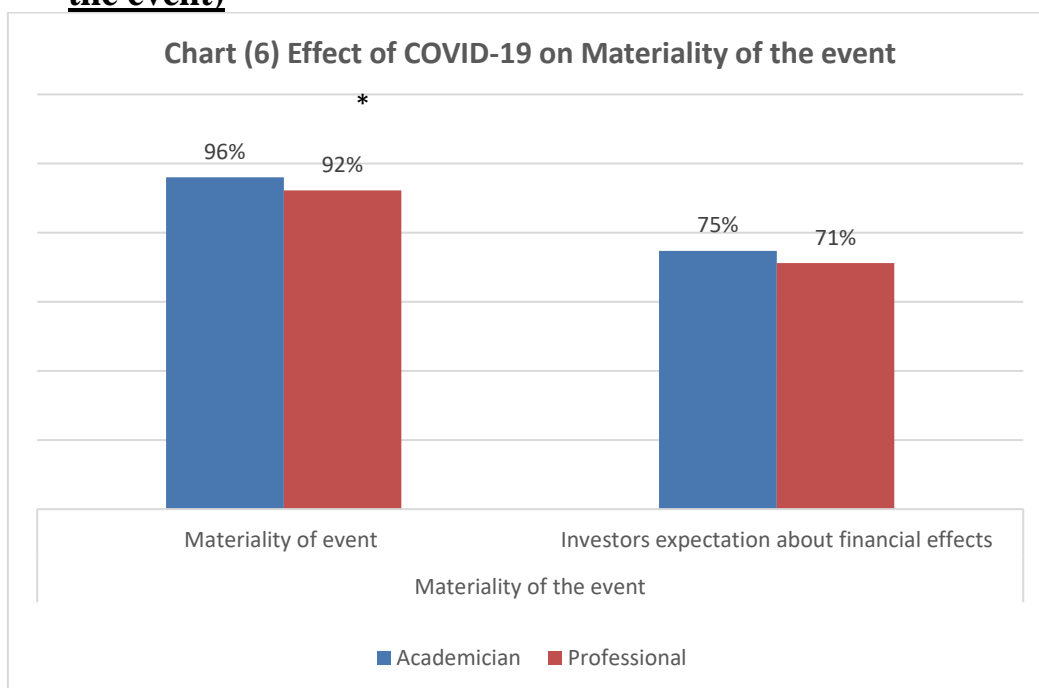
7.4.3.2 Second Level analysis

Differences between Academicians and professionals attitudes toward the implication of COVID-19 crisis on the elements of accounting

implications and auditing procedures

A. Differences between Academicians and professionals attitudes toward the implication of COVID-19 crisis on the elements of accounting measurement and disclosure dimensions.

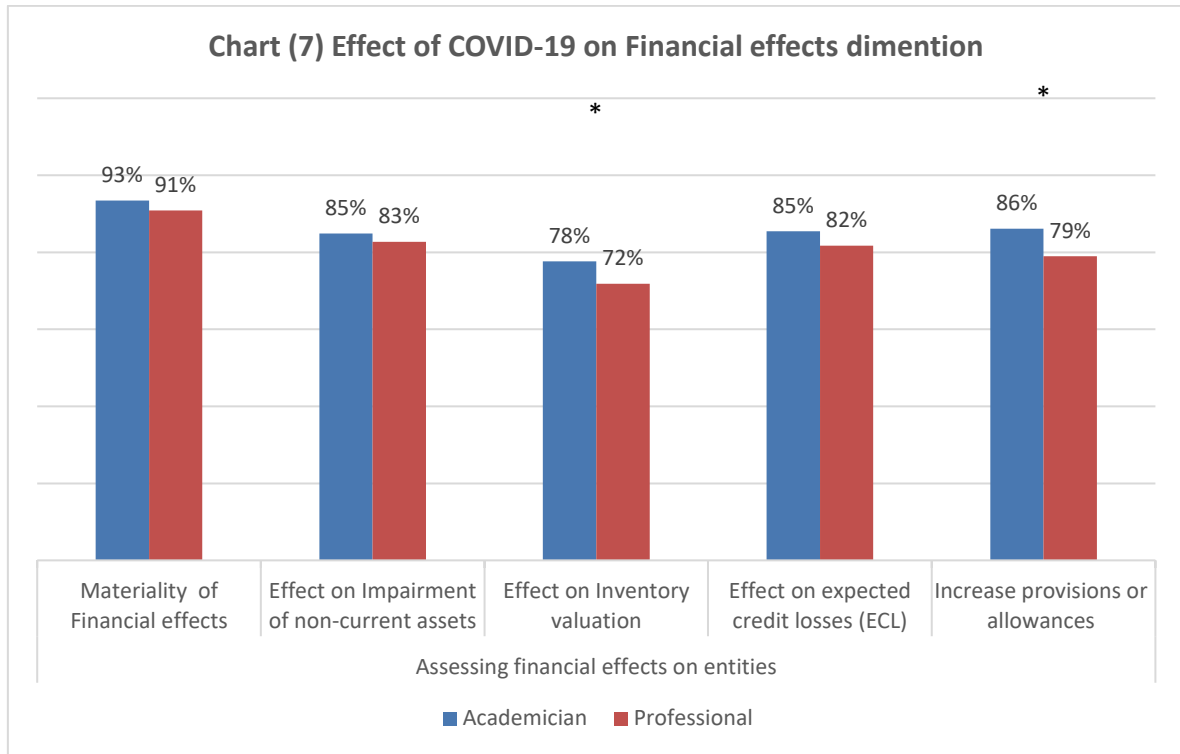
1) Effect of COVID-19 on the first dimension elements (Materiality of the event)



(*) the difference is significant at the 0.05 level.

Chart (6) shows that both academicians and professionals think that COVID-19 pandemic has a great material impact on the entities, the impact is greater from the view of academicians (96%) comparing to professionals (92%) and this difference was significant with p-value less than 0.05. Chart also shows that the ability of investors to expect that COVID-19 pandemic has a great impact on financial statements was believed to be not high enough from the both opinions of academician and professional, and without a significant difference between them regarding this point (P-value > 0.05).

2) Effect of COVID-19 on the second dimension elements (Financial Effects)



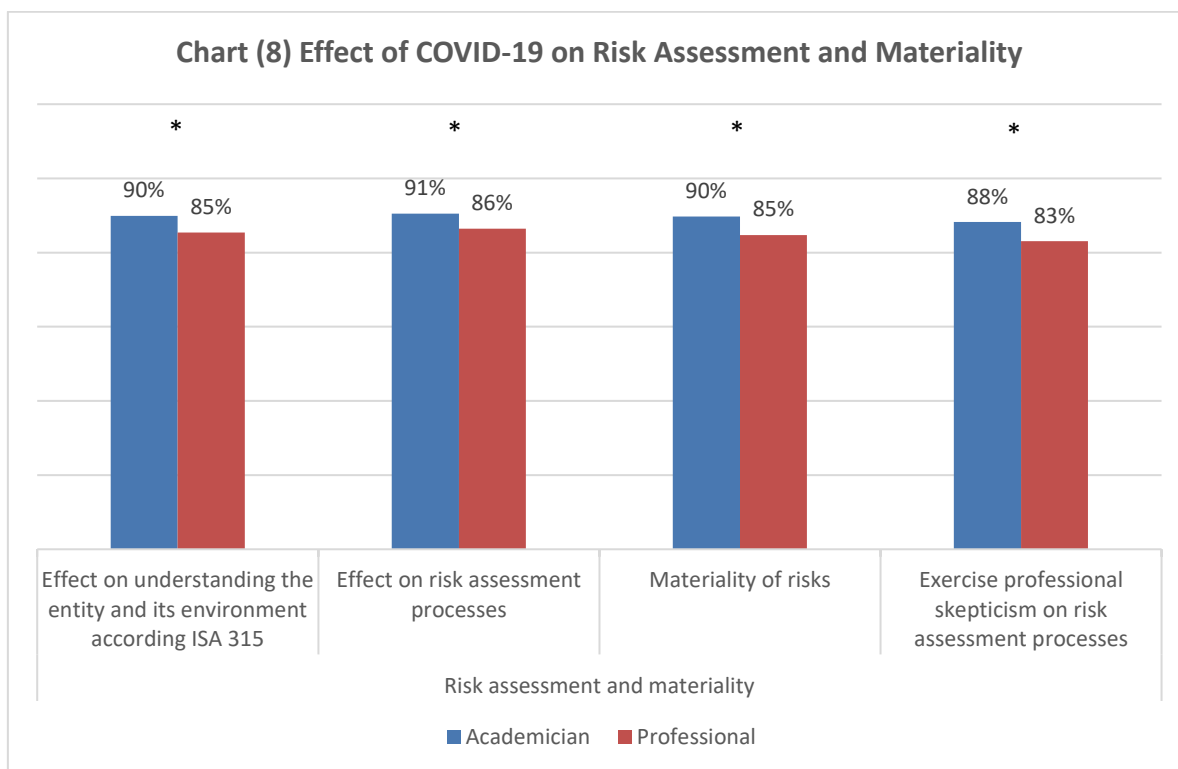
(*) the difference is significant at the 0.05 level.

From chart (7) we can conclude that academicians and professionals think that COVID-19 pandemic has a great financial effect. From this chart we can also conclude the highest effect would be on the financial effect materiality and increase in provisions or allowances, and lowest in related to inventory valuation. The impact was significant only on inventory valuation and increase in provisions or allowances with p-value less than 0.05 that is mean it is very important item.

B. Differences between Academicians and professionals attitudes toward the implication of COVID-19 crisis on the elements of auditing procedures dimensions

1) Effect of COVID-19 on the First audit dimension elements (Risk

Assessment and Materiality)



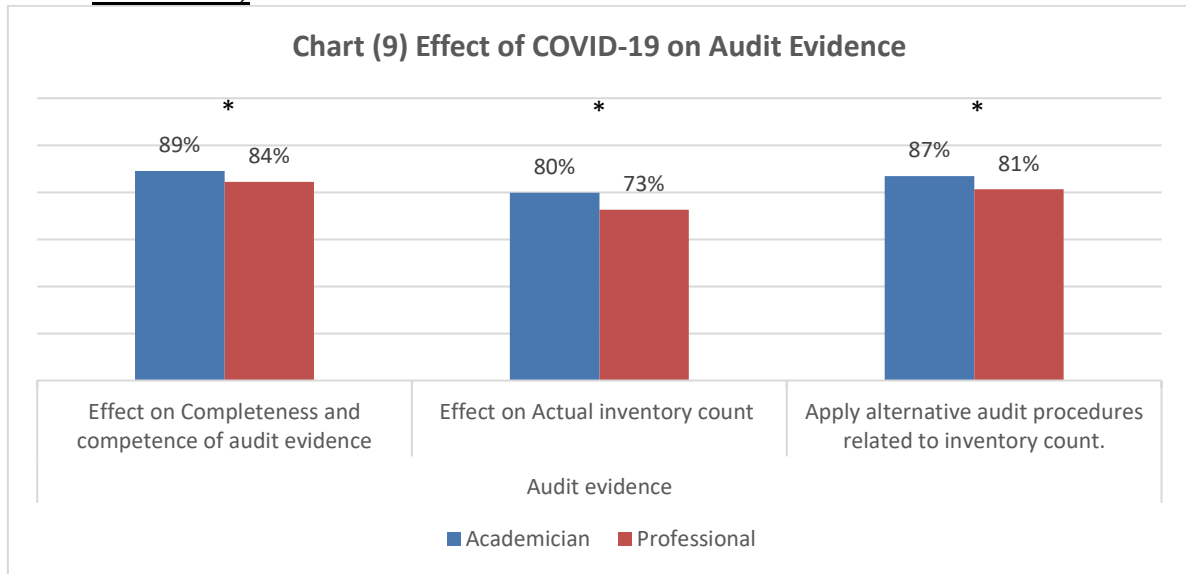
(*) the difference is significant at the 0.05 level.

The first dimension on the audit procedure part was one of the highest dimensions affected by the COVID-19 pandemic crisis. From chart (8) we can conclude that academicians and professional experts see it as highly affected from the crisis specially the effect on understanding the entity environment and risk assessment process so it must put in their consideration in performing audit procedures. In all items of risk assessment academicians though that risk assessment should be considered more than the professional do, and the differences between them on all questions were significant with p-value less than 0.05.

2) Effect of COVID-19 on the second dimension elements (Audit



Evidence)

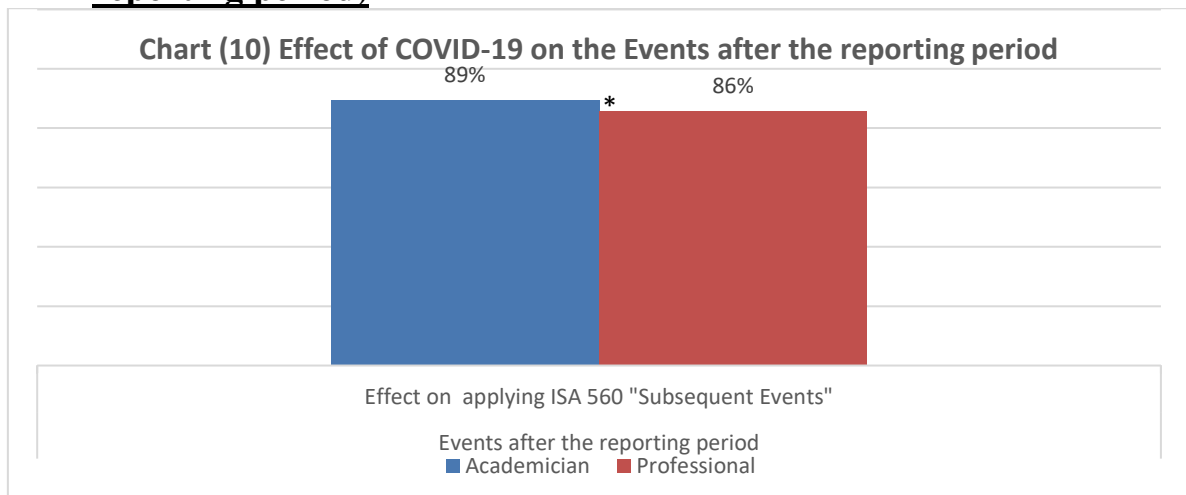


(*) the difference is significant at the 0.05 level.

From chart (9) we can conclude that audit evidence would be highly affected by the COVID-19 pandemic crisis according to experts, academicians, and professionals opinion.

Professionals think that inventory count is lowest item to be affected compared with other items on auditing procedures, may be because they still think that the audit evidence related to inventory need to still restrict to maintain the credibility of the auditing process. The gap between academicians and professionals in this dimension was significant on all items with p-value less than 0.05.

3) Effect of COVID-19 on the third dimension (Events after the reporting period)

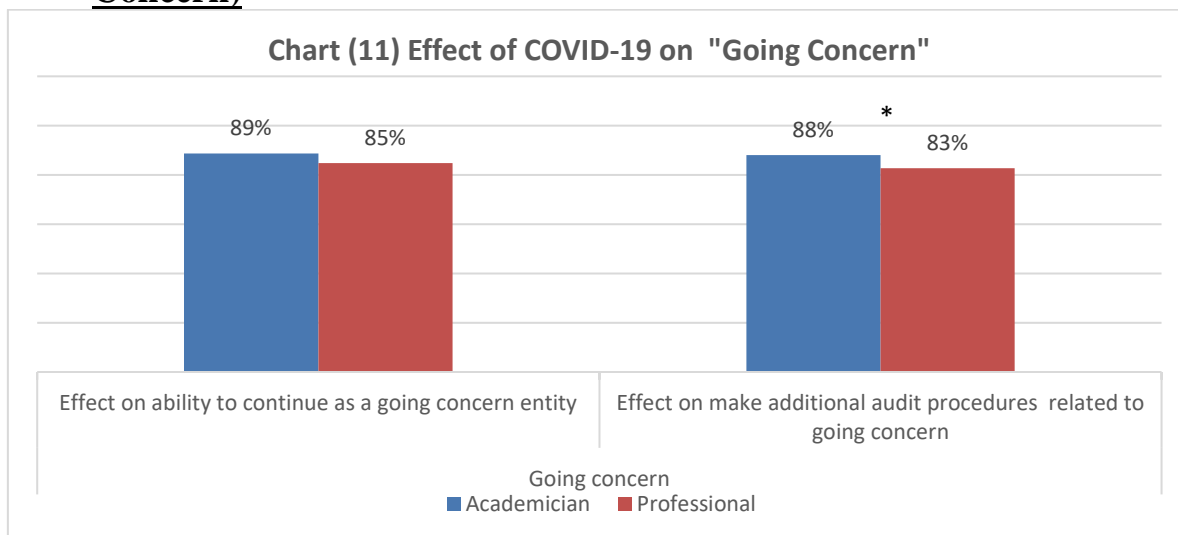


(*) the difference is significant at the 0.05 level.

Chart (10) shows that academicians and professionals think that COVID-19 pandemic has a great effect on auditing the events that

occurs after the reporting period, the difference between their attitudes to this point was significant with p-value less than 0.05.

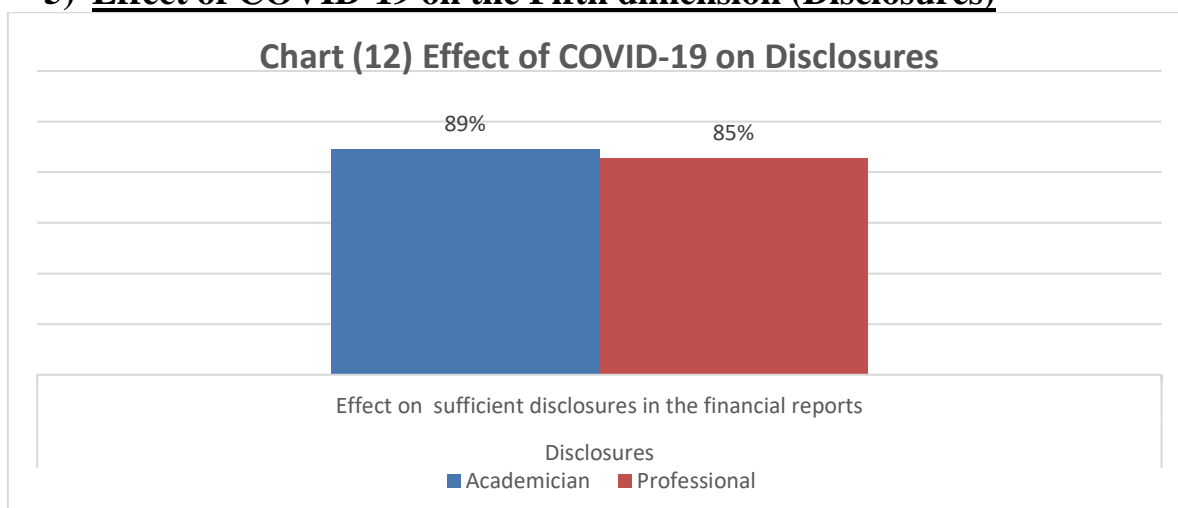
4) Effect of COVID-19 on the fourth dimension elements (Going Concern)



(*) the difference is significant at the 0.05 level.

From chart (11) we can conclude that all experts agree that management and auditors should discuss the implications of COVID-19 pandemic crisis on the ability of entity to continue as a going concern entity. The difference between them was non-significant on the importance of discussing these challenges. But it was significant difference between them on adding more procedures to the auditing process; the academicians give higher weight (88%) for adding these procedures more than professionals (83%).

5) Effect of COVID-19 on the Fifth dimension (Disclosures)



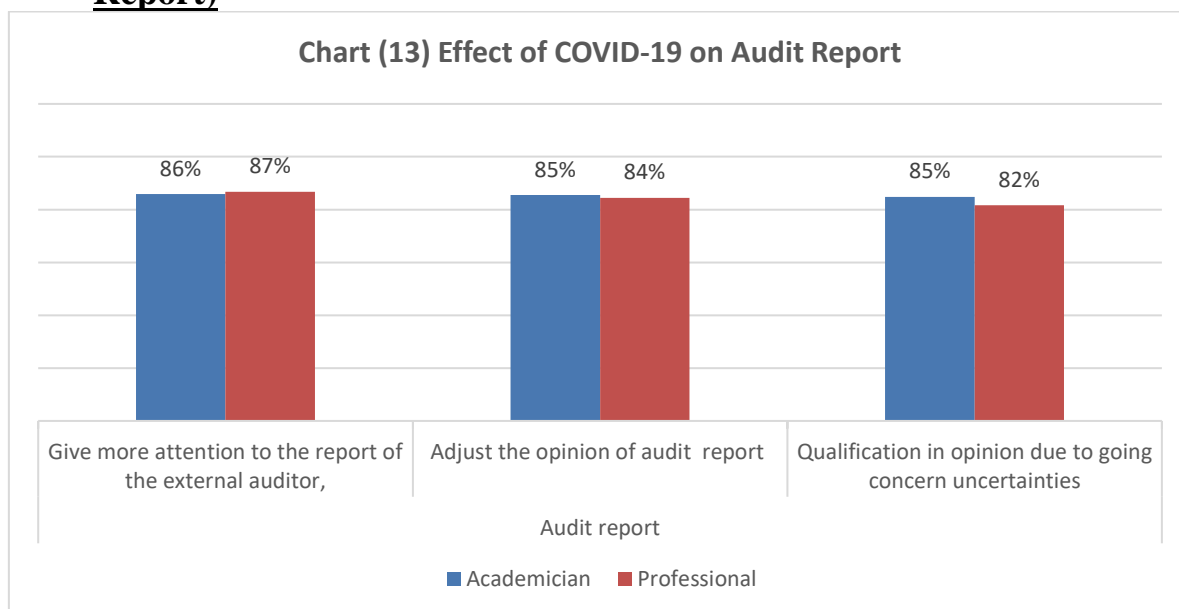
(*) the difference is significant at the 0.05 level.

From chart (12) we can conclude that both academicians and professionals think that COVID-19 pandemic has a great impact on the



disclosures with 89% for academicians and 85% for professionals, the difference between them was non-significant since p-value is higher than 0.05. That means all of them agree that COVID-19 pandemic need more disclosures

6) Effect of COVID-19 on the sixth dimension elements (Audit Report)



(* the difference is significant at the 0.05 level.

The audit report is highly important dimension on the auditing process. Chart (13) shows that the effect of COVID-19 pandemic crisis on the audit report is high. The audit report was nearly at the same level of importance for professionals and academicians, that explains the non-significant of the differences between them in all items of that dimension.

From previous results we can conclude that we can totally refuse the third hypothesis which said that there are no statistically significant differences for the opinions of each of the academics working in the Egyptian universities, accountants and audit professionals about the implications of (Covid-19) virus on the preparation of financial reports and audit procedures, except some items that mentioned previously specially which related to the following dimensions:

- Events after reporting period.
- Going Concern.
- Disclosures.
- Audit Report.

8. Results and Proposed future researches :

8.1 Research results:

Within the framework and the objectives of the research, the researcher reached a set of results:

8.1.1 1 Results of the theoretical study:

A- The effects of global pandemic Coronavirus (Covid-19) on accounting measurement and disclosures in financial reports:

In this section the researcher concludes number of results:

- **Information about asset impairments should be reported in financial statements, also disclosure of the key assumptions used to determine the recoverable amount, must be provided in sufficient detail.**
- **Under the conditions of the Corona virus, resulting in a slowdown or loss of sales, the cost of the inventory may not be recoverable if it is damaged, whether it becomes totally / partially redundant, or its selling price falls. Hence, the inventory value must be reduced to the net realizable value.**
- **Some contracts that may have previously been deemed profitable (or break-even) may now are considered onerous, for any present commitment at the balance sheet date, a provision will be needed.**
- **The Covid-19 impact on credit risk will be more significant and immediate in different sectors, as a result of the coronavirus outbreak, Expected credit loss (ECL) Allowance must be reassessed.**
- **With a 31 December 2019 year-end, the emergence of coronavirus is a non-adjusting event, since the outbreak occurred midst of January 2020.**
- **Material uncertainties that cast significant doubt on the entity's ability to operate under the going concern basis need to be disclosed in the financial statements.**
- **Under Covid-19 virus outbreak businesses must adequately disclose the information about those assets and liabilities that are subject to significant estimation uncertainty, in order to provide users with a better understanding of the financial impact.**

B- The effect of global pandemic Coronavirus (Covid-19) on audit procedures

In this section the researcher concludes number of results:

- **Auditors should also discuss with those charged with governance (TCWG) and management whether the impact of the COVID-19 has been incorporated into their risk assessment processes and how they have identified and assessed the significance of the business risks arising.**
- **The conditions accompanying the spread of the Covid-19 virus can be seen as a realistic example of considering that the presence of an actual inventory count is not practicable due to the risk it poses to the**



safety of auditors, which is supported by government precautions that limit the presence at workplaces; some alternative audit procedures including the use of references for remote technology that provide a direct visual display of inventory items.

- If there is a material financial impact on your audit client's business post balance date due to the COVID-19 event where the conditions existed before the balance date, then consider if appropriate adjustments or disclosures in the financial report have been made and audit these adjustments or disclosures.
- If the conditions of COVID-19 event existed after balance date, consider if appropriate disclosures in the financial report have been identified and audit these disclosures.
- In accordance with the International Standard for Auditing ISA No 706 (REVISED), emphasis of explanatory Paragraphs, and Paragraphs of Other Matters in the Independent Auditor's Report, if conditions of the Covid-19 virus were not among the major matters for audit, the auditor may include a paragraph that draw the attention of users to an order that has been presented or disclosed in a manner Appropriate in the financial statements.

8.1.1 2 Results of Survey study:

- Proves the first hypothesis that there are a significant effect in all dimensions of the implications of (Covid-19) on accounting measurement and disclosure in the financial reports.
- Proves the second hypothesis that there are significant effects for the implications of (Covid-19) on the audit procedures of financial reports.
- Concludes that we can totally refuse the third hypothesis which said that there are no statistically significant differences for the opinions of each of the academics working in the Egyptian universities, accountants and audit professionals about the implications of (Covid-19) virus on the preparation of financial reports and audit procedures, except some items that mentioned previously specially which related to events after reporting. Going Concern, disclosures, and audit Report.

8.2 Proposed future researches

There are many other issues can subject to further researches that not included in the current research. For example:

- The accounting for Fair value measurement under (Covid-19) outbreak.
- The effect of (Covid-19) on Lease contracts, and Insurance recoveries.

- **Government grants and Income taxes in the age of (Covid-19) pandemic.**



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