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Abstract

The world today is facing the worst economic crisis since the 2008 financial crisis. So far, all efforts and measures on how to manage this crisis have been insufficient. Today, almost every government in the world has a plan for "economic recovery." The government of Kosovo also has such a plan, although today there are many doubts that this is the right plan to save the economy in country. Purpose of this research is to discuss the impact of the pandemic on accounting implications and financial reporting from the perspective of Kosovo. The research was based on a questionnaire structured according to the Likers scale. The questionnaire was distributed to a selected sample of certified accountants and uncertified accountants. The other purpose of this study was to find significant differences between the opinions of certified and uncertified accountants regarding the impact of the pandemic on financial reporting. Research reveals that Covid-19 will have a significant impact on accounting and financial reporting based on the opinions of certified accountants and uncertified accountants in Kosovo. Also research through applied techniques with SPSS reveals that there is no significant difference in the opinions of certified accountants and uncertified accountants.

Key words: Financial reporting, accounting, pandemic Covid-19.

I. Introduction

Since march 20, when the World Health Organization declared the spread of the coronavirus Covıd-19 as a pandemic, many countries around the world have taken strict and rigorous measures to prevent the spread of this pandemic. Pandemic Covid-19 developed rapidly since January 2020, continues to cause great damage to both human and economic lives. Losses have also been accompanied by volatility in international capital markets. Statistical results about the epidemiological situation with coronavirus in the world published by the World Health Organization (WHO, 2020) confirms 21,756,357 cases of infection and 771,635 deaths. While based on statistics published by WHO (18.08.2020) in the Republic of Kosovo so far 11,502 cases of infected and over 400 dead have been confirmed.

The spread of Covıd-19 is causing irreparable damage, not only to human health, but also to financial and commercial health worldwide. Almost the entire world economy is forced to reduce their activities and ask their workers for commitment from their homes. Despite the measures taken by the various countries, the potential short- and long-term impacts of the pandemic Covid-19 in the business world seem difficult to evaluate and predict. Numerous companies in Kosovo have addressed the impact of the pandemic Covid-19 in their economic activities, addressing problems regarding the cash flow, the sales decline, liquidity and financial reporting. Rigorous measures taken by the government of Kosovo have further aggravated the economic situation, in which case they have pushed the modification of doing business. Many businesses have been online for a large part of their time and many of them still continue to instruct their employees to work from home.

Research by projections made by local and international institutions claim that there is a decline in economy in the country and world. In many economic branches there was a decline in production in recent months about 50-80%. As a result of the crisis, budget revenues in Kosovo decreased by about € 200 million and the number of registered unemployed nationwide increased by 70,000 since the beginning of the year. With the budget review, expenditures have increased by about € 300 million. As a result of the created circumstances and the measures taken by the government of Kosovo, economic damages are enormous. Rehabilitation of these economic damages will require a strategy and mobilization of local resources.

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The emergency package in the amount of € 170 million, launched by the Kosovo government did not have significant effects on the country's economy. With the budget review are planned donations to the country's economy. The law on economic recovery that is expected to be approved in the coming months after the negative effects caused by the pandemic Covid-19, offers an opportunity to finance economic losses and investments in the country through a partnership, with the private sector and donors. It is already clear that coronavirus effects are spreading widely and are associated with many industries without restrictions on specific sectors.

The pandemic management crisis followed by huge economic losses will not be overcome without affecting the financial reporting and auditing processes. The created circumstances will show numerous difficulties and dilemmas in the operations and functions of accountants and auditors. As a result of the circumstances created this study explores the main implications of the Covid-19 crisis in financial reporting for certified accountants and auditors. The research also discusses serious implications in certain areas of accounting such as; the impact of the crisis on the ongoing concern assumption, revenue recognition, inventory valuation, fair value, provisions, borrowings, uncertainty of valuation of assets and liabilities, etc.

II. Literature Review

During the literature review it is clear that a limited number of studies have addressed the effects of the Covid-19 crisis on accounting and financial reporting. Table 1 summarizes the studies that have addressed the effects of Covid-19 on financial reporting.

Table 1. Literature Review

Studies	Model	Results
(Joshi, 2020)	Obtaining Evidence	The conclusion states that since the conditions are uncertain, in order to maintain the quality of financial information for users, auditors should exercise professional skepticism when auditing financial statement figures.
(El-Mousawi & Kanso, 2020)	Cronbach’s Alpha and Guttman Split-Half Coefficient and One-Sample T-Test	The Covıd-19 crisis will result in major financial implications for fiscal year 2020 and will affect an organization's activities and its financial position.
(Ozili, 2020)	Accounting practices	The study reveals that several accounting techniques can be used to reduce the impact of pandemics on the financial report, such as fair value accounting, income smoothing, loss avoidance, big-bath earnings management.
(Debell & Kalidas, 2020)	Report	Broad IFRS implications, including: non-financial assets; Leases; revenue recognition; non-financial obligations; going concern; disclosures.
(AASB-AUASB, 2020)JOINT FAQ	Report	Financial statements must present fairly the financial position, financial performance and cash flows of the entity.

III. Objectives of the Study

The main objective of the study is to shed light on the impact of Covid-19 on accounting implications and financial reporting from Kosovo perspective. Also the purpose of the study was to reveal differences in opinions between certified and uncertified accountants regarding the impact of the Covid-19 crisis on financial reporting.

IV. Research Methodology

To examine the impact of Covid-19 crisis on accounting implications and financial reporting, the basic research tool used is the survey / questionnaire method. The questionnaire consists of 11 questions. The model defined for this study to determine the quantity of samples is the model used in the past by Moser & Kalton (1979) and by Abdurrahmani & Doğan (2019):

$$n = \frac{x\,.\,(1 - x)}{[S.E(p)]^2}$$

Where:
n = The amoun of samples
X = The respondest variability
[S.E(p)] = Standard error

The proper amount of samples for this research is set to be around 63 respondents. From which 24 were certified accountants and 39 uncertified accountants but experienced practitioners of accounting. The survey method is used for collecting research data. Data collection is achieved by completing the questionnaire in a period of 2 months. In order to process the data, SPSS 10.0 (Statistical Package for Social Sciences) was used. Testing the hypothesis is done by using; Independent-Samples T Test. Independent-Samples T Test compares two different sets of samples. The members of the two groups are separated from each other. Where there should be no common members between the two groups. The data was measured using the 5th degree of Likert.

- From 0 to 1,24 the most insignificant (Strongly Disagree),
- From 1.25 to 2.24 insignificant (Disagree),
- From 2.25 to 3.24 neither significant nor insignificant (neutral),
- From 3.25 to 4.24 significant (Agree),
- Above 4.25 will be interpreted as most significant (Strongly Agree).

V. Survey Results and Discussion

This section presents the average level of research participants' responses regarding the impact of Covid-19 crisis on accounting implications and financial reporting.

Table 2. Distribution of participants regarding the impact of Covid-19 on accounting implications and financial reporting

The impact of Covid-19 on Accounting Implications and Financial Reporting							
	5	**4**	**3**	**2**	**1**	**Mean**	**Std. Deviation**
Impact of Covid-19 on compliance with IAS 36 impairment of assets	21 (33%)	18 (29%)	5 (8%)	11 (17%)	8 (13%)	**3.52**	**1.435**
Impact of Covid-19 on the principle of ongoing concern	23 (37%)	20 (32%)	3 (4%)	10 (16%)	7 (11%)	**3.67**	**1.403**
Impact of Covid-19 on IAS 2 and net realizable value	15 (24%)	19 (30%)	8 (13%)	12 (19%)	9 (14%)	**3.30**	**1.399**
Impact of Covid-19 on IFRS 13	16 (25%)	17 (27%)	6 (10%)	11 (17%)	13 (21%)	**3.19**	**1.512**
Impact of Covid-19 on IAS-10	14 (22%)	16 (25%)	11 (17%)	12 (19%)	10 (16%)	**3.19**	**1.401**
Impact of Covid-19 on IFRS-9	13 (21%)	17 (27%)	12 (19%)	13 (21%)	8 (12%)	**3.22**	**1.337**

Impact of Covid-19 on fair value	20 (32%)	19 (30%)	7 (11%)	11 (17%)	6 (10%)	**3.57**	**1.353**
Impact of Covid-19 on IAS 23	17 (27%)	21 (33%)	9 (14%)	11 (17%)	5 (8%)	**3.54**	**1.280**
Impact of Covid-19 on IFRS 15 Revenue Recognition	18 (29%)	16 (25%)	13 (21%)	9 (14%)	7 (11%)	**3.46**	**1.342**
Impact of Covid-19 on IAS 37 Provisions, contingent liabilities and contingent assets	13 (21%)	15 (24%)	13 (21%)	12 (19%)	10 (6%)	**3.14**	**1.378**
Impact of Covid-19 on the financial statements in the following period	22 (35%)	19 (30%)	6 (10%)	9 (14%)	7 (11%)	**3.63**	**1.383**

(5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree)

The question which states "Covid-19 and its impact on ongoing concern" came in the first place as its relative mean is 3.67, which is equal to the value of 4 "agree". The respondents consider that some businesses after the Covid-19 crisis will face liquidity problems and the fulfillment of the principle of ongoing concern. This may be due to material uncertainties over the ability of the business to operate based on the principle of ongoing concern. Such situation needs professional evaluation to assess the ability of business if it meets the principle of ongoing concern.

The question which states "Covid-19 and its impact on the financial statements in the following period" came in the second place as its relative mean is 3.63, which is equal to the value of 4 "agree". The respondents consider that the spread of coronavirus is likely to affect the financial statements in the following period. The financial statements are affected by certain events that occur after the financial period and before its publication. IAS 10 distinguishes two types of events: those that provide evidence of conditions that existed at the end of the accounting period; and those that provide evidence of the existence of conditions only after the end of the accounting period, therefore there is a need to correct items in the financial statements for those events that are corrective, while for events that do not affect the situation in the financial statements is not required correction of items, but they should be disclosed in the notes to the financial statements.

The question which states "Covid-19 and its impact on fair value" came in the third place as its relative mean is 3.57, which is equal to the value of 4 "agree". The respondents consider that measurements of fair value may reflect greater uncertainty in making economic and financial forecasts, due to the difficulty in predicting the duration of the economic impact of the Covid-19 crisis. And as a result when companies make assessments and judgments to measure fair market value, they must take into account the terms and assumptions which were known to market participants at the reporting date in relation to the pandemic Covid-19.

The question which states "Covid-19 and its impact on IAS 23" came in the fourth place as its relative mean is 3.54, which is equal to the value of 4 "agree". The respondents consider that difficulties arise when an entity uses a wide range of debt instruments to finance a wide range of assets and as the start of capitalization it is necessary for three events or transactions to occur in order for capitalization of borrowing costs to begin; asset expenditures have occurred, borrowing costs have occurred and activities are underway to prepare the asset for its intended purpose. As a result of the Covid-19 crisis activities necessary to prepare an asset for its intended purpose may have been delayed or impeded as they are also related to a range of administrative activities such as obtaining a building permit or other technical issues.

The question which states "Covid 19 and its impact on compliance with IAS 36 impairment of assets" came in the fifth place as its relative mean is 3.52, which is equal to the value of 4 "agree". The basic principle of IAS 36 states that impairment of assets is determined by comparing the carrying amount of the asset with its recoverable amount. As long as the recoverable amount is the fair value less costs to sell and its value in use, whichever is higher. The respondents consider that difficulties arise when as a result of the Covid-19 crisis there may be movements in both business and market-related factors, companies should take appropriate tests for impairment of non-current assets as required by IAS 36. Any decline in profits as a result of the Covid-19 crisis may have a impact on determining the recoverable amount of property, plant and equipment.

The question which states "Covid-19 and its impact on IFRS 15 revenue recognition" came in the sixth place as its relative mean is 3.46, which is equal to the value of 4 "agree". IFRS 15 provides details on many aspects that accountants should consider. With regard to the evaluation of new contracts, companies should assess whether the agreement creates rights and obligations applicable under IFRS 15. The respondents consider that the contract will exist only if the set criteria are met and the contract is approved and the parties are committed to their obligations. But when it comes to situations and circumstances such as the Covid-19 crisis now, companies need to re-evaluate whether the criteria are still met for those contracts. So the entity should reassess the possibility of collecting cash flows related to the contract. The impact of the Covid-19 crisis may call into question the ability of entities to adhere to the stated terms of their contracts. As a result, the value of revenue recognition may be significantly affected, or revenue may not be recognized at all.

The question which states “Covid-19 and its impact on IAS 2 and net realizable value” came in the seventh place as its relative mean is 3.30, which is equal to the value of 4 “agree”. The respondents consider that in the period of Covid-19 crisis entities should consider the costs movements in markets, in terms of estimates of the net realizable value of stocks. Under IAS 2 stocks should be valued at cost or net realizable value whichever is lower. It should be understood that the assessment of the net realizable value should be done at the same time with the valuation of the sale price. In the Covid-19 crisis period if the decline in net realizable value is significant, it should be disclosed in detail including the causes and reason.

The question which states “Covid-19 and its impact on IFRS 9” came in the eighth place as its relative mean is 3.22, which is equal to the value of 3 “neutral”. IFRS 9 financial instruments emerged after the onset of the financial crisis in order to avoid loan losses and to signal to financial institutions when banks may face risk. The respondents consider that the Covıd-19 crisis has affected many financial assets to be structured with some changes such as; lowering interest rates, grace periods, postponing the payments. All these have raised the possibility of credit risk assessment for financial assets. The coronavirus crisis has also imposed a number of measures supported by the Kosovo government to support businesses by delaying payments and interest.

The question which states “Covid-19 and its impact on IFRS 13” came in the ninth place as its relative mean is 3.19, which is equal to the value of 3 “neutral”. Under IFRS 13 fair value estimates recommend that entities accurately estimate the fair value of assets and liabilities based on market prices at the reporting date. The respondents consider that as a result of Covid-19 crisis fair values can vary significantly although multiple valuation techniques must be used during fair value assessment. Thus, since the valuation of the fair value of assets and liabilities reports on the conditions at the valuation date, then entities that are required to make valuations at fair value in the Covid-19 crisis period should take into account the circumstances and determinants of market at the reporting date.

The question which states “Covid-19 and its impact on IAS 10” came in the tenth place as its relative mean is 3.19, which is equal to the value of 3 “neutral”. Based on the requirements under IAS 10 all events after the reporting period that occur between the reporting date and the date that financial statements are published requires disclosure, recognition and measurement in the financial statements. Respondents consider that as a result of Covid-19 crisis entities should evaluate all events that occurred after their financial reporting date. Where for such events the financial statements need to be adjusted, or will only need to be disclosed.
The question which states “Covid-19 and its impact on IAS 37 Provisions, contingent liabilities and contingent assets” came in the eleventh place as its relative mean is 3.14, which is equal to the value of 3 “neutral”. In accordance with the requirements of IAS 37, provisions, contingent liabilities and contingent assets, a provision may be recognized only if: an entity has a current liability, or if an outflow of resources may be needed and an assessment may be done. Respondents consider that for example, if an entity is required to pay the costs of a training, seminar, workshop or even a trip abroad after the end of the reporting period, but it has been canceled due to the spread of the Covid-19 pandemic, this cost will be recognized as a liability at the time of cancellation as it would be an unavoidable cost.

Test of Hypothesis

In this section the test of hypothesis is done through the Independent-Samples T Test. Independent-Samples T Test compares two different sets of samples. The members of the two groups are separated from each other. Through this technique this study claims to test the differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

H_0. There are no significant differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

H_A. There are significant differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

Table 3. The results of group statistics

	N	Mean	Std. Deviation	Std. Error Mean
Certified Accountants	24	40.8750	16.49852	3.36775
Uncertified Accountants	39	35.3333	13.60212	2.17808

Table 4. The results of independent-samples T test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	1.512	.224	1.447	61	.153	5.54167	3.82958	-2.11605	13.19938
Equal variances not assumed			1.382	41.835	.174	5.54167	4.01070	-2.55321	13.63654

According to the results of the analysis, the average of 24 certified accountants participated in the research is 40.8750 and average of 39 accountants uncertified participants in research is 35.3333. Thus, the test showed that between the two groups of certified accountants and uncertified accountants there is no significant difference in their opinion regarding the impact of Covid-19 on accounting implications and financial reporting. Even the result of Sig (2-tailed) (p = .153 & p = .174) shows that there is no significant difference between the means of the two groups (The value of Sig. Is higher than 0.05 within the 95% confidence interval). In this way the null hypothesis is accepted and the alternative hypothesis is rejected. In this case it can be concluded that both certified accountants and uncertified accountants think the same regarding Covid-19 and its impact on accounting implications and financial reporting.

Conclusion

The rapid outbreak and spread of the Covid-19 coronavirus has hit the economy in all countries of the world. The efforts of all countries are addressed in combating the economic consequences of this pandemic. As the global economic crisis continues, businesses are expected to be affected for a long time by its consequences. Found in this situation, the created circumstances present challenges and difficulties to companies and accountants in financial reporting in accordance with IFRS. The implications of Covid-19 crisis on the financial statements include the effects from the measurement of assets and liabilities to the disclosure of information as well as the ability of an entity to continue its economic activity.

The requirements of IFRSs are different and specific to different industries and economic activities. Based on the findings of the following research and professional judgment, some of the effects of the Covid-19 crisis on financial reporting are presented, which should be considered by accountants and auditors in financial reporting in accordance with IFRSs.

- Based on research the spread of coronavirus is likely to effect the financial statements in the following period. The financial statements are affected by certain events that occur after the financial period and before its publication. Financial statements in accordance with IFRSs should be prepared on an ongoing basis as long as management does not intend to liquidate or discontinue economic activity.

- Based on research the spread of coronavirus is likely to affect liquidity of economic entities and application of ongoing concern. This may be due to material uncertainties over the ability of the business to operate based on the principle of ongoing concern. Such situation needs professional evaluation to assess the ability of business if it meets the principle of ongoing concern. Concerns about the effects of the coronavirus crisis may make it difficult to predict the assessment of decrease of asset values, declining demand for goods and services, and supply chain problems. Under the effects of coronavirus regardless of the outcome of the management assessment, the entity should exercise professional judgment and assess the conditions which were caused by the Covid-19 crisis, to assess the parameters whether the entity meets the principle of ongoing concern.

- Based on research the spread of coronavirus effect valuation of fair value. The valuation of fair value of assets and liabilities reflect the conditions at the valuation date and not in subsequent periods. The effects of the Covid-19 crisis may make it challenging to estimate the price of assets due to highly volatile markets. As a result entities should consider market conditions and parameters which were known on the reporting date.

- Based on research the spread of coronavirus effect IAS 23 borrowing costs. Risks arising from financial instruments may require extensive disclosure. Disclosure of credit risk arising from financial assets such as receivables, trade receivables, should have extensive disclosure due to significant judgments and estimates.

- Based on research the spread of coronavirus effect IAS 36 impairment of assets. As a result of the Covid-19 crisis there may be movements in both business and market-related factors, companies should take appropriate tests for impairment of non-current assets as required by IAS 36. Any decline in profits as a result of crisis may have an impact on determining the recoverable amount of property, plant and equipment.

- Based on research the spread of coronavirus effect IFRS 15 revenue recognition. The implications of crisis may risk the ability of economic entities to adhere to the stated terms of their contracts. As a result, the value of revenue recognition may be significantly affected, or revenue may not be recognized at all.

- Based on research the spread of coronavirus effect IAS 2 and net realizable value. In crisis period if the decline in net realizable value is significant, it should be disclosed in detail including the causes and reason. Businesses should assess the significance of any deductions and whether they require disclosure in accordance with IAS 2.

- Based on research the spread of coronavirus effect IFRS 9. Economic entity should consider the impact of Covid-19 in classification of financial instruments. Businesses should also assess the impact of any change in the terms of a loan agreement, possibly due to actions taken by the state or even renegotiation of terms between financial institutions and lenders.

- Based on research the spread of coronavirus effect IAS 10. According to IAS 10 all events after the reporting period that occur between the reporting date and the date that financial statements are published requires disclosure, recognition and measurement in the financial statements. As a result of crisis entities should evaluate all events that occurred after their financial reporting date.

- Based on research the spread of coronavirus effect IAS 37 Provisions, contingent liabilities and contingent assets. The entity's measures in relation to the Covid-19 crisis should be accounted for as a provision only at the existing level of a current liability for which the outflow of economic benefits is probable and estimable.

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