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Impact of COVID 19 on company financial and sustainability
reporting**

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Evaluation of research findings of Covid-19 pandemic effect on financial statements in Turkey

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A look at some financial statement items during Covid 19 (2019-2020):

- ❑ Revenue: Online retail, export-oriented textile, technology increased; health, tourism, construction decreased.
- ❑ Inventory: Inventory levels decreased; manufacturing companies increased raw material inventories
- ❑ Liabilities: Short term financing increased
- ❑ Cashflows: Operating & Investing decreased, Financing increased
- ❑ Net Income: Decreased in highly debted companies, increased by revaluation of Investing Property
- ❑ Result on ratios:
 - **Low Current Ratio**
 - **High Debt Ratio (especially short term debt)**

Coping mechanisms during Covid 19 (2019-2020):

- Take advantage of government short- time working allowance
- Increase in bank credits (banking sector funded the economy generously)
- Inventory management, trade credits & e-commerce
- Government subsidies
- Focus on staying liquid, focus on exchange rate risk (foreign debt of private sector is high)



A look at audit reports during Covid 19 (2019-2020):

| Opinion | 2019 | 2020 |
|-----------------------|------|------|
| Unmodified | 321 | 320 |
| Modified | 54 | 56 |
| Adverse | - | - |
| Disclaimer of Opinion | 4 | 1 |

Key Audit Matters (in order of commonality):

| | |
|-----------------------------------|-------|
| Revaluations of assets | (65%) |
| Impairment | (45%) |
| Revenue | (60%) |
| Accounts receivable | (60%) |
| Provisions | (30%) |
| Inventory | (25%) |
| Hedge accounting | (20%) |
| Going concern | (10%) |
| Deferred tax assets | (10%) |
| Contingent assets and liabilities | (5%) |

Evaluation

- Companies funded with short term debt
- Liquidity concerns
- Covid 19 has been mentioned in the financial reports in at least in one section.
- Banking sector has made the most explanation on Covid 19 in their financial reports
- Key audit issues focus on revaluation, impairment, revenue recognition and accounts receivable
- Very few audit reports addressed “Going Concern”
- Covid 19 was not mentioned in audit reports



Thank you...

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