Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Impact of COVID 19 on company financial and sustainability reporting
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Presented by

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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):

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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...

REFERENCES