

## *Original Paper*

# Impact of COVID-19 Outbreak on Financial Reporting in the Light of the International Financial Reporting Standards (IFRS) (An Empirical Study)

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### ***Abstract***

*The outbreak of a novel type of Coronavirus (COVID-19) in the majority of countries around the world has had many negative implications on almost all aspects of life. Currently, about a quarter of the population of Earth is quarantined at their homes, social distancing is effective everywhere, almost all industries have ceased their activities, and various businesses are either closed down or working from home. Procedures taken by governments or local authorities to improve their ability to contain the outbreak have impacted the global economy, which in turn will have many consequences on financial reporting of organizations. This study examines the impact of the novel Coronavirus outbreak on financial reporting of organizations from the viewpoint of Certified Public Accountants in Lebanon. The researchers have used a descriptive-analytical approach and have constructed a well-structured five-point Likert style questionnaire as the study tool. The questionnaire was distributed to a sample chosen from the population of certified public accountants in Lebanon. The random sample consisted of 300 practitioners of the profession, and 221 of them responded; all of which were valid for testing and analysis. The study reached some important findings mainly that the COVID-19 outbreak has had a significant impact on the financial reporting of businesses according to the opinions of Certified Public Accountants (CPAs) in Lebanon, and the researchers had some recommendations as a result.*

### ***Keywords***

*COVID-19 outbreak, financial reporting, IFRS, cash flow, going concern*

## 1. Introduction

The globe has always witnessed pandemics, plagues and influenza epidemics from ancient times till present, which negatively impacted a great part of the world on both the economic and social levels. Nowadays, the world has been the scene of the detection of an outbreak of respiratory illness which is a result of a novel Coronavirus (COVID-19). This outbreak which initiated in the Chinese city of Wuhan has expanded rapidly in 2020 to more than 200 nations around the world, causing a fast deterioration in the global economy. COVID-19 has made an instantaneous negative impact on various non-industrial businesses, specifically entertainment, transportation, retail sales, schooling, and tourism. It has initially influenced almost all supply chains and goods production one country after the other until all relative activities came to almost a total halt. In certain industries such as health and groceries, there exist high demand and supply chain concerns, while in other industries with lower economic activity there exists a decrease in demand for a lot of goods and services. Financial services businesses such as banks that lend to organizations, insurance companies that provide services to individuals and entities affected, and investors and other funds that invest in affected entities are also likely to be negatively impacted. Procedures taken to improve the probability of containing the COVID-19 outbreak have affected the economic activity around the globe, which in turn had a lot of negative implications on financial reporting since accounting is the main method of communication of economic events of an organization, that reflects both the economic and social changes of a nation or its level of development (IFRS bulletin from PWC, 2020).

## 2. Literature Review

In the past two decades, there has been a serious series of outbreaks of diseases with flu-like symptoms. These outbreaks have demonstrated the continual need to improve methods that are required to control and curb transmittable diseases like the Severe Acute Respiratory Syndrome (SARS-Coronavirus) in 2003, Swine influenza pandemic (H1N1) in 2009, Avian influenza (H7N9) in 2013 (Springborn et al., 2015) and Ebola virus (World Bank, 2016).

SARS-CoV has primarily impacted economic growth in the short run through reducing demand. Consumer confidence has significantly deteriorated in a lot of economies, causing a considerable decrease in personal consumption expenditure. Much of the impact originates from the grand ambiguity and fear initiated by the SARS virus. People have decided to remain at home to decrease the likelihood of being infected (Fan, 2003). In addition, Service exports, particularly exports related to tourism, have been affected greatly. Moreover, investments have been affected since the overall demand has reduced, worries heightened and risks amplified.

The 2009 Swine influenza pandemic (H1N1) resulted in various economic impacts which include reduction of consumption on tourism, transportation, and retail. It also had a negative impact on businesses and education due to the increased absence, which increased demand for various medical services (Verikios et al., 2011).

The economic impact of Avian influenza (H7N9) was far less severe than that of SARS. It mainly resulted in the closure of live poultry markets and a fall in the price index of meat and poultry, which resulted in more than 40 billion RMB of loss in the Chinese poultry industry. Nevertheless, H7N9 had little global economic impact in comparison to SARS (Qiu et al., 2018).

A short version of a paper prepared by the World Bank (2016) stated that the economic and fiscal impact of Ebola has lasted more than the spread of the virus itself due to harsh shocks to production, consumption and investment throughout the region, in accordance with commodity price shocks. The death rate due to the pandemic of patients who got infected has been 60 percent. The mortality per capita has been 5 per 10000, and the Gross Domestic Product (GDP) impact per capita has been decreased by an average of \$125 per person in the three infected countries Guinea, Liberia and Sierra Leone.

In a study conducted by Jung and Sung (2017), the researchers concluded that people often change their economic behavior in response to an unexpected situation. The majority of the previous researches identified a decline in retail sales and in economic growth at a macro-level or at a sectorial level due to unconscious responses in people based on their dread of contracting the infection from any outdoor activity. This study also established the prospect of changing from offline marketing such as billboards, signs, and television to online marketing, thus reducing the effects of the external shock in retail sales. Moreover, the effects of the external shock due to the spread of disease on retail sales can be decreased if an online shopping experience is provided to possible customers in the virtual space.

The results of a case-study article about Taiwan (Chen et al., 2009) indicated that SARS Coronavirus had brought about negative effects on many sectors in Taiwan including retail, wholesale and tourism. These results were verified by some diverse previous researches made in different countries; however, most importantly, the study pointed out that the biotechnology sector witnessed some positive impacts of the SARS crisis. Therefore, managers and investors then had bought biotechnology stocks and reorganized their portfolios to achieve profits on their new investments, retain the returns, or decrease the investment risks during the SARS Coronavirus outbreak period. The study recommended that the government of Taiwan should sustain the progress of each industry adequately, which in turn could help protect the nation's economy and health of the citizens against any possible disease or outbreak similar to SARS.

Presently, the novel Coronavirus (COVID-19) persists in extending from one country to another. The German government and the Robert Koch Institute stated that the virus is expected to continue spreading worldwide. An increasing number of positive cases of the disease are being detected in Germany. This serious development is already demonstrating an economic impact on organizations because of limitations in production and trade or because of travel restrictions. Organizations or groups with business interactions in the most affected countries at present, mainly China, South Korea, Spain, Italy, UK and the USA are chiefly affected, according to the Institute of Public Auditors in Germany (IDW, 2020). The economic effects of the novel Coronavirus also have consequences on accounting

and on auditing the financial statements and management reports of the impacted organizations. Since further developments cannot be foreseen in detail, the information available and its possible effects must be constantly reviewed by the corporate bodies responsible for preparing the financial statements and management reports and by their auditors.

According to Accountancy Europe (March, 2020), any organization that has been negatively impacted by the novel Coronavirus must reflect ongoing concern matters. It must run many potential sorts of sensitivity analysis to verify any material uncertainty on its aptitude to continue as a going concern. The result could be a requirement for further disclosures particularly if there is any material uncertainty. Under some conditions, it might be essential to think about the validity of preparing the accounts supported a going concern. Thus, the organization must take into consideration any accessible information about the impact on its future trading. As for the time-frame, an organization must also consider the primary year after the date of the record, or after the date of signing the financial statements; however, it is recommended to take into consideration an extended time-frame. This assessment of a going concern must be constantly updated to the date of approval of the financial statements.

Managements must take the impact of the novel Coronavirus outbreak on both interim and annual financial statements into careful consideration because it could be considerable for several businesses and industries. The implications of the virus outbreak, which include the indirect consequences resulting from low economic activity, should be considered by all organizations, not just those which are most considerably affected (PwC, 2020).

Organizations must take into consideration whether to submit the potential effects of the COVID-19 outbreak on their industry in reporting major risks and uncertainties. If alleviating activities can be taken, they also must be reported together with a description of what the risk is. Carrying value of assets and liabilities can as well be impacted with the need to carry out further impairment tests as well as assessing whether the leases are turning burdensome in addition to potential inclusion within a company's disclosures of principal risks and uncertainties (Parker Russell Intl., 2020).

Organizations should take into careful consideration their distinctive conditions and their exposition to risks when they analyze how the current proceedings can impact their financial reporting. More particularly, financial reporting and its related disclosure in the financial statement need to communicate all material current or potential impacts of COVID-19. Likewise, it is of utmost importance that the management understands the risks that its organization is dealing with in addition to how these risks can impact the management (IFRS in Focus, April 2020).

In this paper, the researchers discuss the impact of the novel Coronavirus (COVID-19) outbreak on financial reporting which not only includes measurement of assets and liabilities but also disclosure and the possibility of the organization to continue as a going concern. The consequences of the outbreak, which include the indirect consequences that result from low economic activity, must be considered by all types of organizations, not only by those which are most considerably affected. The

researchers believe that this is the first exploratory study about the impact of the outbreak of COVID-19 on the financial reporting of organizations from the viewpoint of the Certified Public Accountants in Lebanese.

### 3. Research Problem and Hypothesis

The outbreak of COVID-19 represents severe damage, not only to the public health but also to the economy, since almost all important industries have come to a total stop and workers in the main domains of the economic cycle were asked to remain themselves at home. These measures, in the light of not yet finding a proper vaccine for the novel Coronavirus, have affected economic activity, which in turn may have certain implications on financial reporting.

The research problem can be summed up in answering the following question:

Do Certified Public Accountants (CPAs) in Lebanon consider that the COVID-19 outbreak has a significant impact on financial reporting for an organization?

Based on the above question, the researchers have the following hypothesis to prove or disprove:

H<sub>1</sub> The COVID-19 outbreak has a significant impact on the financial reporting for an organization from the viewpoint of the Certified Public Accountants (CPAs) in Lebanon.

### 4. Procedures and Methods

#### 4.1 Population and Sample Selection

The population of the study consists of certified public accountants in Lebanon whereas the sample was randomly chosen from practitioners of the profession. The researchers distributed 300 questionnaires among them; 221 responded, all of which were valid for testing and analysis as shown in Table 1 below.

**Table 1. The Sample's Distribution according to Demographic Data**

Variable	Category	Frequency	Percent
<b>Education</b>	Bachelor	77	34.8
	Master	130	58.8
	Ph.D.	14	6.3
<b>Major</b>	Accounting	129	58.4
	Economics	12	5.4
	Business Administration	60	27.1
	Banking and Finance	20	9.0
<b>Years of experience</b>	0-5 years	28	12.7
	5-10 years	42	19.0
	10-15 years	78	35.3
	15 years and above	73	33.0

<b>Certifications</b>	CPA	36	16.3
	CMA	6	2.7
	CIA	2	.9
	Other	177	80.1
<b>Total</b>		<b>221</b>	<b>100.0</b>

It is evident from Table 1 that 58.8% of the sample has a master's degree, 34.8% have a bachelor's degree and 6.3% have a Ph. D. It is also evident that the majority of the sample (85.5%) has Accounting and Business Administration majors, which means that they have the appropriate major to understand the items of the questionnaire and have a professional and reliable response for the subject-matter of the study at hand. The rest of the sample has Banking and Finance (9%) and Economics (5.4%) majors.

As for years of experience, most of the sample (68.3%) has more than 10 years of experience in their field of work, which adds to the reliability of their responses. As for the rest of the sample, 19% have less than 10 years of experience and 12.7% have less than 5 years of experience.

#### 4.2 Instrumentation

Based on the previous studies, scientific discussions with university colleagues in accounting and interviews made with members of the Lebanese Association of Certified Public Accountants (LACPA) in addition to the researchers' personal experience, the researchers constructed a five-point Likert Style questionnaire with 25 items.

The scale ranges as follows in Table 2:

**Table 2. Scale Ranges of the Questionnaire**

<b>Answer</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>Degree</b>	5	4	3	2	1

Findings of the current study show Cronbach's Alpha and Guttman Split-Half Coefficient as in Table 3 below:

**Table 3. Cronbach's Alpha and Guttman Split-Half Coefficient. (N=30)**

<b>Cronbach's Alpha</b>		<b>Split-Half</b>	
<b>No. of Items</b>	Cronbach's Alpha	Correlation Between Forms	Guttman Split-Half Coefficient
<b>25</b>	.888	.780	.875

It is evident from the above table that Cronbach's Alpha is 0.888 and the Guttman Split-Half Coefficient is 0.875, which means that there is reliability in all items of the questionnaire.

## 5. Data Analysis

Since the quintet Likert Scale was used in designing the tool of the study, the research adopts the standard illustrated in Table 4 which follows to judge the inclination of each item when using the quintet Likert Scale depending mainly on the mean value and relative weight to determine the extent of consent to the items and domains of the questionnaire.

**Table 4. Scale Used in the Study according to the Mean and Relative Weight**

	Approval level				
	Very low	Low	Medium	High	Very high
<b>Mean</b>	< 1.8	1.8- 2.59	2.6- 3.39	3.4- 4.19	> 4.2
<b>Relative Weight</b>	< 36%	36%- 51.9%	52%- 67.9%	68%- 83.9%	> 84%

This gives statistical significance that averages which are less than 1.8 show very low consent to the item or the domain as a whole, and averages ranging between 1.80 and 2.59 show low consent to the item or the domain as a whole, whereas averages between 2.60 and 3.39 indicate medium consent of the members of the sample to the item or the domain as a whole. Averages between 3.40 and 4.19 show high consent to the item or the domain and averages higher than 4.20 show very high consent to the item or the domain as a whole.

## 6. Testing and Discussing the Hypothesis

The researchers hypothesize that the COVID-19 outbreak has a significant impact on the financial reporting for organizations from the viewpoint of Certified Public Accountants (CPAs) in Lebanon.

To test the hypothesis, the researchers calculated the mean, standard deviation, relative weight, and level of approval and the ranked each item of the questionnaire relative to the study. Also, the One-Sample T-Test was used to determine the relevance of the responses to the value (3) which reflects neutrality. The results are shown in the following table:

**Table 6. Result Analysis of the Study Hypothesis**

Items	Mean	Std. D	Relative weight	T-test	Sig.	Approval level	Rank
<b>Coronavirus outbreak likely causes a reduction in future cash inflows in an organization.</b>	4.49	0.60	89.8%	36.88	0.00	Very high	1
<b>Coronavirus outbreak likely increases operating and other costs in an organization.</b>	3.42	1.00	68.4%	6.23	0.00	High	25
<b>Coronavirus outbreak likely causes a fall in an organization's share price.</b>	3.88	0.82	77.6%	16.05	0.00	High	17
<b>Coronavirus outbreak likely causes impairment in an organization's goodwill.</b>	3.71	0.88	74.3%	12.12	0.00	High	21
<b>Coronavirus outbreak likely affects determining the risk factors related to discount rate and cash flows.</b>	4.18	0.53	83.6%	33.41	0.00	High	5
<b>Coronavirus outbreak likely increases the degree of estimation uncertainty.</b>	4.33	0.66	86.7%	29.85	0.00	Very high	2
<b>Coronavirus outbreak likely causes impairment in an associate or joint venture.</b>	3.82	0.81	76.4%	15.01	0.00	High	19
<b>Coronavirus outbreak likely causes a reduction of movement in inventory.</b>	3.72	0.90	74.4%	11.94	0.00	High	20
<b>Coronavirus outbreak likely causes lower commodity prices.</b>	3.60	0.95	72.0%	9.46	0.00	High	23
<b>Coronavirus outbreak likely affects assessing the organization's ability to continue as a going concern.</b>	4.17	0.87	83.4%	19.97	0.00	High	6
<b>Coronavirus outbreak likely affects financial statements in a</b>	3.95	0.60	78.9%	23.41	0.00	High	13



subsequent period.

**Coronavirus outbreak likely**

**affects the costs of depreciation of PPE at a time the capital projects are suspended.**

3.58 0.90 71.7% 9.66 0.00 High 24

**Coronavirus outbreak likely**

**affects expected credit loss (ELC).**

4.23 0.60 84.5% 30.48 0.00 Very high 4

**Coronavirus outbreak likely**

**affects the measurement of a financial instrument at fair value.**

4.10 0.57 82.0% 28.61 0.00 High 8

**Coronavirus outbreak likely**

**increases the volatility of prices in various markets (shares, debt securities).**

4.04 0.47 80.7% 33.08 0.00 High 10

**Coronavirus outbreak likely**

**affects the terms of a lease between a lessor and a lessee.**

3.62 0.93 72.4% 9.86 0.00 High 22

**Coronavirus outbreak likely**

**affects the fair values of investments in subsidiaries, associates, and joint ventures.**

3.88 0.68 77.6% 19.18 0.00 High 17

**Coronavirus outbreak likely**

**causes a decline in an organization's revenue.**

4.11 0.43 82.2% 37.99 0.00 High 7

**Coronavirus outbreak likely**

**affects the reaction of governments' measures such as (tax rebates, supports, etc).**

4.07 0.42 81.4% 37.94 0.00 High 9

**Coronavirus outbreak likely**

**affects the changes to terms of any borrowing or loan agreement.**

3.93 0.60 78.6% 23.04 0.00 High 15

**Coronavirus outbreak likely**

**affects the recognition of liability of the employee benefits.**

4.00 0.47 80.0% 31.83 0.00 High 11

**Coronavirus outbreak likely**

**affects the liability towards**

3.97 0.68 79.5% 21.26 0.00 High 12

**suppliers and employees based on  
share-based payment.**

**Corona virus outbreak likely**

<b>affects determining the deferred tax liabilities</b>	3.93	0.52	78.6%	26.66	0.00	High	15
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**Coronavirus outbreak likely**

<b>affects the disclosure of significant accounting policies.</b>	3.94	0.80	78.7%	17.51	0.00	High	14
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**Coronavirus outbreak likely**

<b>affects the content of the interim financial statements.</b>	4.28	0.62	85.6%	30.70	0.00	Very high	3
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<b>All</b>	<b>3.96</b>	<b>0.41</b>	<b>79.2%</b>	<b>35.10</b>	<b>0.00</b>	<b>High</b>	
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The above table shows the following:

- 1) The item which states “Coronavirus outbreak likely causes a reduction in future cash inflows in an organization” came in the first place as its relative weight is 89.8% and the mean is 4.49, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 36.88, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely causes a reduction in future cash inflows in an organization. The researchers believe that the high approval level for this item is because almost all organizations in Lebanon have shut down their activities because of the COVID-19 outbreak, so they suffer from a severe decline in sales and profitability. The rest of the sample (10.2%) might have in mind entities which are engaged in manufacturing personal hygiene products and other necessary needs since these products have high demand in the current situation.
- 2) The item which states “Coronavirus outbreak likely increases the degree of estimation uncertainty” came in second place according to the relative weight 86.7% and the mean is 4.33, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 29.85, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely increases the degree of estimation uncertainty. The researchers believe that the very high approval level for this item is due to the difficulty in forecasting how much time is needed to contain the outbreak and determining the changes that might be effective on the economic indicators as a result of the outbreak.

- 3) The item which states “Coronavirus outbreak likely affects the content of the interim financial statements” came in third place according to the relative weight 85.6% and the mean is 4.28, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 30.7, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the content of the interim financial statements. According to IFRS 34, audited annual financial reports are considered the main tool which decision-makers rely on; however, the fast changes and consecutive events that an organization goes through make it increasingly urgent for the availability of information that covers periods less than one year, that is biannually, quarterly or monthly since there are changes in the economic situations around the globe that affect the fair value of assets and liabilities of an organization.
- 4) The item which states “Coronavirus outbreak likely affects expected credit loss ELC” came in fourth place according to the relative weight 84.5% and the mean is 4.23, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 30.48, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects expected credit loss ELC. The researchers believe that financial instruments that fall under IFRS 9, such as loans, debt instruments, trade and other receivables, contract assets, lease receivables, financial guarantees, etc might be affected by the measurement value because the credit risk has significantly increased.
- 5) The item which states “Coronavirus outbreak likely affects determining the risk factors related to the discount rate and cash flows” came in fifth place according to the relative weight 83.6% and the mean is 4.18, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 33.41, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects determining the risk factors related to discount rate and cash flows.
- 6) The item which states “Coronavirus outbreak likely affects assessing the organization’s ability to continue as a going concern” came in sixth place according to the relative weight 83.4% and the mean is 4.17, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 19.97, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects assessing the organization’s ability to continue as a going concern. The researchers believe that currently, the COVID-19 outbreak has had a severe impact on the ability of organizations to

continue as a going concern. Based on the going concern assumption, the financial statements are prepared on the basis that the organization is a going concern and will continue in its operations in the near future. If the going concern assumption is appropriate, the assets and liabilities are recorded on the basis that the organization is able to realize its assets and discharge its liabilities in the normal course of business.

- 7) The item which states “Coronavirus outbreak likely causes a decline in an organization’s revenue” came in seventh place according to the relative weight 82.2% and the mean is 4.11, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 37.99, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely causes a decline in an organization’s revenue. The researchers believe that the high approval level for this item is because the organization’s sales have declined due to the government’s measures taken to contain the outbreak, mainly the closure of industrial and non-industrial organizations; consequently, the revenues would decline.
- 8) The item which states “Coronavirus outbreak likely affects the measurement of financial instrument at fair value” came in eighth place according to the relative weight 82% and the mean is 4.1, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 28.61, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the measurement of financial instrument at fair value. The researchers believe that the high approval level for this item refers to the increased volatility in the market prices due to the outbreak in addition to the increase in credit risk which affected the fair value measurement.
- 9) The item which states “Coronavirus outbreak likely affects the reaction of governments’ measures such as tax rebates, supports, etc.” came in ninth place according to the relative weight 81.4% and the mean is 4.07, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 37.94, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the Coronavirus outbreak likely affects the reaction of governments’ measures such as tax rebates, supports, etc.
- 10) The item which states “Coronavirus outbreak likely increases the volatility of prices in various markets (shares, debt securities)” came in tenth place according to the relative weight 80.7% and the mean is 4.04, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 33.08, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely

increases the volatility of prices in various markets (shares, debt securities). The researchers believe that the high approval level for this item is because the fair value depends on the market prices; consequently, any changes in the market prices after the reporting date lead to volatility in the market prices.

- 11) The item which states “Coronavirus outbreak likely affects recognition of liability of the employee benefits” came in eleventh place according to the relative weight 80% and the mean is 4.0, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 31.83, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects recognition of liability of the employee benefits. The researchers believe that the high approval level for this item is because the managements of organizations take into consideration whether or not they have a legal commitment toward their employees who are restrained at home due to the Coronavirus outbreak.
- 12) The item which states “Coronavirus outbreak likely affects the liability towards suppliers and employees based on share-based payment” came in twelfth place according to the relative weight 79.5% and the mean is 3.97, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 21.26, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the liability towards suppliers and employees based on share-based payment.
- 13) The item which states “Coronavirus outbreak likely affects financial statement in a subsequent period” came in thirteenth place according to the relative weight 78.9% and the mean is 3.95, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 23.41, which is greater than the value of tabulated ‘T’ at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects financial statements in a subsequent period. The researchers believe that the high approval level for this item is because financial statements are affected by certain events that occur after the financial period 2019 and before publishing it. IAS 10 determined frameworks for preparing financial statements for two types of events: events that supply evidence of circumstances that were effective at the end of the period for financial statements and events that point to circumstances that arose after the reporting period.
- 14) The item which states “Coronavirus outbreak likely affects the disclosure of the significant accounting policies” came in fourteenth place according to the relative weight 78.7% and the mean is 3.94, which is greater than the neutral value of 3. Also, the value of the calculated “T”

test is 17.51, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the disclosure of the significant accounting policies.

- 15) The item which states “Coronavirus outbreak likely affects determining the deferred tax liabilities” came in fifteenth place according to the relative weight 78.6% and the mean is 3.93, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 26.66, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects determining the deferred tax liabilities.
- 16) The item which states “Coronavirus outbreak likely affects the changes to terms of any borrowing or loan agreement” also came in fifteenth place according to the relative weight 78.6% and the mean is 3.93, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 23.04, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the changes to terms of any borrowing or loan agreement. The researchers believe that the high approval level for this item is because the Lebanese government decreed that all payments for agreements due in February and March 2020 should be postponed until the end of May 2020. In accordance with the government’s decree, the Central Bank of Lebanon also issued a memo to all banks and other financial institutions to postpone payments for loans due in February and March till the end of May 2020.
- 17) The item which states “Coronavirus outbreak likely affects the fair values of investments in subsidiaries, associates, and joint ventures” came in seventeenth place according to the relative weight 77.6% and the mean is 3.88, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 19.18, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the fair values of investments in subsidiaries, associates, and joint ventures.
- 18) The item which states “Coronavirus outbreak likely causes a fall in an organization’s share price” also came in seventeenth place according to the relative weight 77.6% and the mean is 3.88, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 16.05, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak causes a fall in an organization’s

share price. The researchers believe that the high approval level for this item is because the demand for the entities' shares has decreased which is also coupled with a decrease in profitability. The rest of the sample (32.4%) responded negatively as they might have in mind other international entities that are engaged in the delivery of goods and products.

- 19) The item which states "Coronavirus outbreak likely causes impairment in the associate or joint venture" came in nineteenth place according to the relative weight 76.4% and the mean is 3.82, which is greater than the neutral value of 3. Also, the value of the calculated "T" test is 15.01, which is greater than the value of tabulated "T" at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak causes impairment in the associate or joint venture.
- 20) The item which states "Coronavirus outbreak likely causes reduction of movement in inventory" came in twentieth place according to the relative weight 74.4% and the mean is 3.72, which is greater than the neutral value of 3. Also, the value of the calculated "T" test is 11.94, which is greater than the value of tabulated "T" at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak causes a reduction of movement in inventory. The researchers believe that the high approval level for this item is because some organizations have a severe reduction of movement in inventory because customers are only purchasing the main necessities in the current circumstances.
- 21) The item which states "Coronavirus outbreak likely causes impairment in an organization's goodwill" came in twenty-first place according to the relative weight 74.3% and the mean is 3.71, which is greater than the neutral value of 3. Also, the value of the calculated "T" test is 12.12, which is greater than the value of tabulated "T" at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely causes impairment in an organization's goodwill. The researchers believe that the reason behind the high approval level is the decrease in demand for shares, which leads to a decrease in their prices, a lack of profitability and a reduction in future cash flows.
- 22) The item which states "Coronavirus outbreak likely affects the terms of a lease between a lessor and a lessee" came in twenty-second place according to the relative weight 72.4% and the mean is 3.62, which is greater than the neutral value of 3. Also, the value of the calculated "T" test is 9.86, which is greater than the value of tabulated "T" at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely affects the terms of a lease between a lessor and a lessee.

- 23) The item which states “Coronavirus outbreak likely causes lower commodity prices” came in twenty-third place according to the relative weight 72% and the mean is 3.6, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 9.46, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely causes lower commodity prices. Although the approval level on this item is 72%, the current situation in Lebanon is not so due to various factors (such as inflation and currency devaluation).
- 24) The item which states “Coronavirus outbreak likely increases the costs of depreciation of PPE at a time the capital projects are suspended” came in twenty-fourth place according to the relative weight 71.7% and the mean is 3.58, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 9.66, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely increases the costs of depreciation of PPE at a time the capital projects are suspended. The researchers believe that the high approval level for this item is because currently, organizations are either working at a lower-than-usual rate or are not working at all, and IAS 16 requires that depreciation continues to be charged in the income statements even if the asset is not being utilized.
- 25) The item which states “Coronavirus outbreak likely increases operating and other costs in an organization” came in twenty-fifth place according to the relative weight 68.4% and the mean is 3.42, which is greater than the neutral value of 3. Also, the value of the calculated “T” test is 6.23, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, Coronavirus outbreak likely increases operating and other costs in an organization. The researchers think that the reason behind the high approval level for this item is that organizations are closed; thus, they have no revenues, yet they still have other expenses such as salaries for employees and rent, if any. The remaining 31.6% responded negatively as they might be referring to entities that are allowed to operate under the current situation (supermarkets, pharmacies, bakeries, etc.) but are only giving employees and workers part of their due salaries.

In general, the mean of the sample’s responses to all items of the questionnaire relative to the study 3.96 and relative weight of 79.2%. Also, the value of the calculated “T” test is 35.1, which is greater than the value of tabulated “T” at the significance 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the hypothesis of the study which states that the COVID-19 outbreak has a significant impact on



financial reporting for an organization according to the viewpoint of Certified Public Accountants (CPAs) in Lebanon is accepted.

## 7. Conclusions and Recommendations

The study rendered important findings about the impact of the COVID-19 outbreak on financial reporting from the CPA's point of view. The results showed either high or very high approval level for all 25 items of the questionnaire, and the relative ranks are shown in Table 6 above.

There is no doubt that the outbreak of the novel COVID-19 would result in huge financial implications for the financial year 2020. In addition, the COVID-19 outbreak will affect an organization's activities and its financial position. The impact of the COVID-19 outbreak cannot be reasonably measured as this event happened at the end of the year 2019 and persists. Based on this, some implications of the outbreak will be explicit later in 2020 while others may not be clear in the short term. The researchers believe that there are material uncertainties and doubts as to whether or not the organizations are able to continue as a going concern; thus, they recommend that new items should be included in the notes of the IFRS which recognizes the potential changes that might occur as a result of the outbreak and affect financial reporting.

The researchers believe that preparing interim financial statements is a must for organizations to report the implications of the COVID-19 outbreak, coupled with continuous disclosure of all relative information about all events that the organizations have gone through during the reported period. Moreover, it is functional to continually revise analysis of major risks and uncertainties which help in making the required disclosures.

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