**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

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**ANALYSIS OF ACCOUNTING AND FINANCIAL REPORTING MEASURES TO MITIGATE THE IMPACTS OF INFECTIOUS DISEASE OUTBREAKS DURING AND IN A POST THE OUTBREAK ENVIRONMENT: STUDY OF DELTA BEVERAGES PVT LTD DURING THE COVID-19 PANDEMIC.**

**BY**

**(B1953900)**

**DISSERTATION SUBMITTED TO BINDURA UNIVERSITY OF SCIENCE EDUCATION IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF ACCOUNTANCY HONOURS DEGREE**

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## **RELEASE FORM**

NAME: B1953900

PROGRAMME: BACHELOR OF ACCOUNTANCY (HONOURS)

TOPIC OF THE RESEARCH: ANALYSIS OF ACCOUNTING AND FINANCIAL REPORTING MEASURES TO MITIGATE THE IMPACT OF INFECTIOUS DISEASE OUTBREAKS DURING AND IN A POST THE OUTBREAK ENVIRONMENT: STUDY OF DELTA BEVERAGES PVT LTD DURING COVID-19 PANDEMIC.

YEAR COURSE DONE: 2023

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## **APPROVAL FORM**

The undersigned certify that the supervisor has supervised the student on the research project titled, “Analysis of accounting and financial reporting measures to mitigate the impact of infectious disease outbreaks during and in a post the outbreak environment: study of Delta Beverages (Pvt) Ltd during COVID-19 pandemic,” submitted by student registration number B1953900 in partial fulfilment of the requirements of the Bachelors of Accountancy Honor’s Degree program.

……………………………………. ………/………/…………

(Signature of Student) Date

…………………………………… ……./……../…………..

(Signature of Supervisor) Date

…………………………………. ……/……./……………

(Signature of Chairperson) Date

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## **DEDICATION**

I want to dedicate this research project to my father, my mother and my brother Tanaka, may the Almighty Lord continue to bless you and guide you

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## **Abbreviations**

IFRS International Financial Reporting Standard

BCM Business Continuity Management

WHO World Health Organization

IAS International Accounting Standard

AIS Accounting Information Systems

IASB International Accounting Standard Board

ECL Expected Credit Loss

PPE Property, Plant and Equipment

## **Abstract**

As a result of the coronavirus pandemic, they were significant disruptions around the world, with supply chains being broken and many business activities being scaled down or drastically altered. The protracted crisis had a huge negative financial impact on businesses. The main objective of this study is to provide frameworks for the resurgence of companies during and after crises like the coronavirus outbreak and other catastrophic disasters. It also looked at financial reporting implications that were brought about by COVID-19 outbreak. The article also discusses efficient procedures from accounting and business management perspectives that can assist organizations adjust to unforeseen disruptions during an infectious disease outbreak. A case study of Delta Beverages (Pvt) Ltd was used. 52 questionnaires were distributed to the targeted population of Delta Beverages (Pvt) Ltd employees from the following departments, credit control, costing, cash book, debtors control, internal auditor, human resources and reporting. 46 were returned indicating an 88% response rate. Interviews were also used to gather data. Secondary and primary were used. Data was collected, analysed and presented on pie charts graphs and tables. The main findings of this research revealed various financial reporting and accounting measures such as cutting variable costs, developing liquidity and cash management policies, focusing on inventory management, revenue recognition reevaluation, frequent going concern assessment and frequent fair value assessment of assets. The research also examined how crucial it is to continuously involve important stakeholders during times of crisis, efficient liquidity management prioritize people’s safety, and practice good business continuity management as a means of preparing an organization for the new normal and sustainability. The findings further showed the relationship between financial reporting, accounting measures and business survival both during and after an infectious disease outbreak like COVID-19. Based on the findings of this study, the researcher recommended that, COVID-19's effects on reporting, accounting and company’s internal controls should be carefully taken into consideration by management. To re-establish confidence, it is very important to provide timely and insightful disclosures with regards to the potential impact of the pandemic on the company's financial performance, condition, and viability and also the measures taken to keep risk at its minimum.

## **CHAPTER I**

## **1.0 INTRODUCTION**

This chapter provided the research's background and the problem statement area of the research. It’s focus is to assess financial reporting and accounting measures to mitigate the effects of infectious disease outbreaks. It then goes on to outline the main research objectives, research questions, the significance of the study, and the assumptions. There are further parts that cover the scope of the study, limitations, and chapter summary.

## **1.1 BACKGROUND**

WHO declared coronavirus a global pandemic on the 11th of March 2020, and on the 21st of March 2020, Zimbabwe recorded its first case of COVID-19. In an attempt to slowdown the fast spread of this highly contagious virus, WHO recommended that governments implement numerous strict preventive measures. Countries around the world followed WHO recommendations, this resulted in most nations having to implement full or partial lockdowns.

The pandemic brought vast problems for commercial enterprise environments globally. According to Sharma (2020), the lockdown measures and restrictions in movements have created many limitations within the chain of supply and feature threatened the continuity of any businesses’ activities in a vast range of forms of entities, from listed companies to small and medium-sized enterprises. Proof of this was witnessed across the globe for example, in large companies in South Africa. According to Silva, Schutte, and Surujlal (2021), Old Mutual Ltd and Anglo American Platinum Ltd reported a decline in trade growth and revenue for the first half of 2020. In Australia, it was projected that four major banks could face staggering debts of up to $14 billion (Barnoussi 2020). COVID-19 had tremendous effects on global financial markets and economies in general. Infectious disease outbreaks just like the coronavirus pandemic also affected the beverages manufacturing and distribution industry, because this industry is exposed to a variety number of internal and external factors, these consist of declines in profits, fluctuations in exchange rates, recessions, and unprofitability, among other factors.

Companies should assess the impact of infectious disease outbreak on their financial statements urgently as they approach their fiscal year-ended. This is crucial because these statements are a key source of information utilized by these companies’ stakeholders. Stakeholders will not be the only ones affected by an infectious disease outbreak, even the financial performance of the business community were affected. To cope with the circumstances of the situation businesses need to formulate strategic and contingency plans (Carmeli and schaubroeck 2008). Companies have to have a movement plan, which might also additionally consist of accumulating cash reserves, making sure that the firm’s liquidity is sustainable form the firm, while adapting to the new business conditions. Infectious disease outbreak will hit most companies in the economy, and Delta Beverages (Pvt) Ltd will not spared.

From an accounting viewpoint, providing useful information for economic decisions is the most important objective of financial reporting. They will be an elevated demand by major stakeholders that firms must disclose information regarding their capabilities to sustain operations during an infectious disease outbreak. Fagerström (2017), posted that sustainability accounting consists of activities which will impact the sustainability of an organization's operations, business continuity assumptions, as well as the product life cycle fiscal year. Sustainability accounting also includes reporting on environmental and social demanding situations in addition to the duty to offer an account of the organization’s actions (Geerts, 2021). Jung (2017), added that they is a positive relationship between a company's business sustainability and its financial performance. Financial performance is not only measured in terms of historical profits within the context of sustainable accounting (Schaltegger, and Burritt 2010). Instead, Kaczmarek, (2019), argued going concern principle assessed from the standpoint of the imminent business losses should be used to measure financial performance.

Although COVID-19’s effects are slowly wearing off and the economies are on the path to recovery, it continues to be vital for companies to take note of considerations of financial reporting and accounting roles in business revival as they continue to be vital in the context of any future business interruptions as a result of similar infectious disease outbreak.

Based on the above-mentioned discussion, this research seeks to explore financial reporting and accounting measures that can be used to ensure business revival during and post infectious pandemic outbreaks like COVID-19.

## **1.2 Problem statement**

COVID-19 created broad implications on accounting effects on businesses such as, recognition of revenues, impairment of assets, debt covenants, related going concern assessment and financing ability of firms to forecast cash flows among others. The novelty pandemic has brought many economies to their knees. As a result of this novel coronavirus, the magnitude of economic losses reached trillions of Dollars in 2020 and beyond. COVID-19 activated unique economic crises that are different from those seen before. To the best of my understanding, no comprehensive research has been carried out regarding the post-COVID-19 impact on company activities, especially from an accounting standpoint. In this context, the paper investigates the financial reporting and accounting roles in responding to business interruptions and recovery both during and after an infectious disease outbreak era.

## **1.3 Main research objective**

The main objective of this research is to analyze the accounting and financial reporting practices used to mitigate the effects of infectious disease outbreaks on businesses and assure their revival.

## **1.4 Research objectives**

This study is aimed at achieving the objectives below:

1. To highlight vital business managing frameworks to address infectious disease outbreaks impacts and ensure business continuity during and post the outbreaks.
2. To highlight accounting measures for managing a company’s cash flow during uncertainty periods.
3. To provide outlines on re-examination of reporting, accounting and business internal control practices during and after an infectious disease outbreak.
4. To highlight financial statement fraud risks during an infectious disease outbreak.

## **1.5 Research Questions**

1. How do businesses manage infectious disease outbreaks impacts during and ensure continuity post the outbreak?
2. What strategies can be used for controlling business cash flows during infectious disease outbreaks?
3. How has COVID-19 impacted reporting, accounting and businesses internal controls?
4. What are the critical financial statement fraud schemes in the event of an infectious disease outbreak?

## **1.6 Significance of the study**

**To the researcher**

By carrying out this research, the researcher gained more knowledge regarding infectious disease outbreaks impacts on financial reporting and accounting roles in business revival in the beverages industry. The outcomes of this research serve as a compost and starting point for future researchers by outlining areas in which further studies can be done on this or similar topics. By interacting with different people in the data collection process to come up with research findings the writer will gain good communication skills.

**To the University**

If the study findings are appropriate, the University may utilize them as literature for relevant or related topics. The researcher intended that the study will lead to future research by faculty members and other students who may want to study the financial reporting and accounting implications as a result of an infectious disease outbreak.

**To the organization**

From this study, a theoretical basis on the accounting roles in business revival for firms will be made available. Empirical and practical contributions for firms in the effective application of financial reporting and accounting measures to manage the effect of infectious disease outbreaks.

## **1.7 Underlying assumptions of the study**

1. Relevant and accurate data will be gathered by the researcher hence it can be relied on.
2. The researcher expects to have access to trustworthy, relevant, and accurate data that is not prejudiced.
3. Questionnaires and interviews were the only effective and efficient data collection techniques.
4. The respondents had knowledge of accounting and financial reporting, that is, the respondents had an insight into the GAAP, IFRS, and AIS.

## **1.8 Delimitations of the study**

The conceptual delimitation is the analysis of accounting and financial reporting measures to manage the effects of an infectious disease outbreak just like COVID-19. The research analyses the infectious disease outbreaks impact on financial reporting and accounting roles in business revival.

## **1.9 Limitations of the study**

During the research period, several respondents did not share all information because it was deemed confidential by the management of various departments visited by the researcher.

COVID-19 was a limiting factor, as most employees were working remotely which made it very hard to get in touch with them.

Some respondents were unfamiliar with the topic under investigation, so the researcher had to explain it to them.

## **1.10 Definition of terms**

**Accounting**

According to Woods and Sangster (2005), accounting is the act of identifying, measuring and communicating economic information so that users of the information can make smarter decisions and judgments.

**Financial reporting**

Graham, Harvey and Rajgopal (2006), define financial reporting as a standard accounting practice which uses financial statements to access the financial performance of firms over a specific period, usually on a quarterly or annual basis. It is critical to understand your bank or cash balance, how it is being generated and where it must be used. Management must make informed judgments based on data about the company's financial condition.

**COVID 19**

According to HWO (2019), COVID-19 is a very contagious disease caused by a virus known as SARS-CoV-2.

**International Financial Reporting Standards (IFRS)**

According to Palea (2018), IFRS is the international accounting framework for correctly reporting and organizing financial data. It is presently the mandatory accounting framework in over a hundred and twenty nations (Silva, Schutte, and Surujlal 2021). Silva, Schutte, and Surujlal (2021), added that, IFRS require companies to report their financial position and financial results by applying identical rules. As a result, the reduces the risk of fraudulent manipulation of financial statements, there is also a great deal of uniformity to all businesses that use IFRS to report their financial information; this will make comparing and contrasting their financial information easier.

**Infectious disease**

According to WHO, an infectious disease is a disease that affects a person's health and is brought on by an agent. Infectious diseases are usually spread from one person to another by either direct contact such as skin-to-skin contact, or indirect contact, such as contaminated food or water.

## **1.11 Chapter Summary**

This chapter outlined the research’s background, problem statement, research aims, research questions, the significance of the study, delimitations, limitations, definition of key terms, and assumptions.

## **CHAPTER 2**

## **LITERATURE REVIEW**

## **2.0 Introduction**

literature review is the examination of published scholarly articles, journals, books, and other materials related to a certain topic of inquiry (Onwubuzie, 2016). It summarizes, describes, and critically evaluates these investigations in connection to the research subject under consideration. This chapter investigates hypotheses advanced by various experts on the topic of study. This chapter detailed the conceptual framework, empirical data, and gap analysis.

## **2.1 COVID-19 crisis**

A crisis is an event that offers structures limited time to react, as a result, it will be a risk to their continuity, particularly if the resources for the structures are inadequate to manage the situations imposed by the crisis. A crisis usually has a turning factor impact on an organization, creating negative final results for the business (Guzzo and Company 2021). During the course of its lifespan, an organization may be confronted with many various crises. Conflicts with stakeholders, natural disasters, strikes, insolvency, and takeovers are some of the crises that can be faced by a firm. According to McKinsey & Company (2020), strong management is crucial during crisis management since an enterprise may be confronted by a scenario where enhancing the organization’s organisational responses, by focusing on the company’s future may be required. The management of an organization performs a vital part in the achievement or downfall of the organization during the event of a crisis. Baskan (2020), stated that management can view a crisis in one of the two ways. Firstly, the situation may be viewed as an opportunity and used for the benefit of the organization, or rather as a risk, that may lead to judgemental errors and unexpected risks for the organization.

Many crises, just like coronavirus, were witnessed before. In 2003 the world witnessed a dangerous acute respiratory syndrome virus. The influenza virus, became prevalent in 2009, and in 2014 Africa was confronted by the Ebola virus (Adegun, 2014). All these influenced the economies in different ways.

Economic activities worldwide continue to be affected by the coronavirus in the same way as the forgone crisis. Government efforts to slowdown the virus's rapid spread have had a rippling effect on the economy and in return led to ramifications for financial reporting. According to PCW (2020), these control measures and economic uncertainty directly affect an organization’s stakeholders, financial performance of companies, and can even force businesses into financial distress. It is vital for companies to assess COVID-19’s effects on financial reports as stakeholders depend upon these monetary reports to make informed decisions (Albitar 2020). Individuals of the International Federation of Accountants, accounting standard setters, and accounting firms released numerous articles and guidelines, in which professional advice regarding COVID-19 implications on financial reporting is given.

## **2.2 BUSINESS CONTINUITY MANAGEMENT STRATEGY DURING AN INFECTIOUS DISEASE OUTBREAK.**

Okuna (2014), defines BMC as the formulation, implementation, and monitoring of policies, programs, and strategies to help a firm in managing business interruption events, as well as creating the firm’s resistance. It helps in the preparations for, preventions, responses to, management of, and revival of businesses from the effects of infectious diseases outbreaks that disrupt business operations such as the coronavirus. The coronavirus pandemic has triggered companies all over the world to temporarily shut down to attempt to reduce the increased spread of the virus. However, some companies where capable of continuing with operations, even though not at full capacity, by making their staff operate remotely whilst practising social distancing, and self-isolation.

 As stated by KPMG (2020), outbreaks can pose severe hazards to Business Continuity Management. Alao and Gbolagade (2020), posted that, usually firms develop Business Continuity Management strategies, to deal with instances where their equipment, systems, buildings and services or products are in any way damaged with the anticipation that, at least a few of its staff will go back to their workstations post the event. However, major outbreaks can restrict access to both workers and workplaces, and these two are essential factors for business revival. EY, ICC, KPMG and other writers recommended the frameworks below. The frameworks serve as an essential guideline for business continuity and aid businesses to overcome periods of uncertainty.

### **2.2.1 Prioritize employee safety and continuous engagement**

Making sure that the protection and safety of the staff at the workplace is very important (EY, 2020). KPMG (2020), postulated that, to make sure that employees are protected and well-informed, businesses must make sure that well-timed communication and coordination within their departments and build a well-organised, responsive, transparent and effective communication mechanisms. Some of the changes organizations may need to embrace are to incorporate flexible work arrangements and different policies which will permit its staff to work safely and remotely (EY, 2020). According to Alao and Gbolagade (2020), when an outbreak occurs, HR departments play a vital role to make sure that the company’s operations continue and assist employees by continuing to engage them as they navigate through the pandemic by fully utilizing online interactive business system management, multi-party collaboration software and video conferencing.

### **2.2.2 Plans for emergencies and strategy modification for business sustainability**

Corporations face fundamental disruption to their business during pandemic outbreaks like COVID-19 as their traditional business operations will go through underperformance in these crisis moments. As ways to mitigate those challenges, businesses need to adopt the measures below;

1. **Develop liquidity and cash management strategy**

 KPMG (2020), alluded that effective cash management may help companies in the event of a crisis to fully utilise resources and assist the companies to a quicker recovery. Installation of short-term cash flow tracking procedures by companies will allow them to forecast cash flow pressure changes, and take control measures in a well-timed manner. EY (2020), cited that companies will additionally need to ensure strict controls on their working capital, in particular around handling inventory build-up and collecting receivables.

1. **Risk Assessment**

According to Settembre-Blundo (2021), risk management includes figuring out activities related to the company’s objectives which are opportunities and threats, assessing these objectives according to the probability and the extent of their effect, formulating reaction strategies, and tracking progress. Chapman and Ward (2011) added that by figuring out, while proactively monitoring opportunities and threats, firms protect and add stakeholder’s value. Particular interest should be placed on operational and financial threats. EY, (2020) businesses may want to track direct cost increases and the overall effect on product margins, renegotiating, and taking other corrective actions when needed.

1. **Flexible service delivery options and alternative supply chain**

According to EY, (2020), companies that import raw materials from suppliers in regions severely affected by an infectious disease outbreak should search for other sources. Companies should create a well-structured business portfolio by concentrating on continuous improvement of services.

1. **Evaluate budgets and business plans**

Goldstein, Koijen, and Mueller (2021), stated that businesses may need to stress-test financial strategies for various outcomes to know the possible effect on financial performance and estimate the duration of potential effects. When the effects are significant and previous business strategies and budget assumptions are now irrelevant, businesses may need to revise them to remain flexible. EY (2020), added that, if the organisation is extensively affected, organisations may want to consider minimum operational requirements, that include key interferences of the employees, technology, location and vendors.

1. **Observing the situation to see any change in severity**

According to Vermicelli, Cricelli and Grimaldi (2021), as the situation evolves, companies need to keep an eye on public health recommendations and government support programs for their workforce and company. Businesses should undertake the 2020 recommendation tips published by the International Chamber of Commerce.

1. **Gather information from reliable sources.**

According to WHO (2021), request public health advice from the country-wide and local health authorities in the areas where you operate, as well as from WHO itself.

1. **Monitor local transportation restrictions**

During an infectious disease outbreak, governments across the globe may introducing travel restrictions that might have an immediate effect on businesses. The measures may consist of grounding of freights, the introduction of travelling windows and the suspension of public transport (Deloitte 2020). Companies should check legal sources for updated information on a regular basis.

1. **Effective communication with relevant stakeholders**

Transparent, clear and well-timed communication is essential as management develop a platform to reshape the organisation and ensure continued support from investors, suppliers, creditors, regulatory authorities and employees (EY, 2020). As outlined by EY (2020), strategies such as reviewing terms and conditions on contracts and loans with investors and creditors, updating customers continuously with regards to the impacts of the pandemic on product or service delivery, keeping suppliers up to date regarding the ability to deliver goods and services and developing communication strategies that create a balance between caution and business as usual mind-set.

## **2.3 MANAGING BUSINESS CASH FLOW DURING AN UNCERTAINTY PERIOD**

Frid (2016), indicated that when confronted with restricted external finance, firms employ greater internal financing. The vulnerability of external capital providers grows as cash flow unpredictability grows. Then, these corporations have increased capital expenses that result in greater financial constraints to the point that they will have to lower investments owing to restricted capital (García-Teruel 2014). The unique COVID-19 pandemic response methods have a complex influence on every organization. Keeping in mind the key roles of cash flow to a company’s sustainability during these turbulent times, organizations must build a comprehensive treasury strategy for effective cash control as an overall component of their continuity strategies and operational risks (Alao and Gbolagade 2020). Maintaining sufficient cash flow to continue effective operations will become a key consign for most businesses during a pandemic.

Considering the above mentioned, the below frameworks advocated by Deloitte and many other writers will aid in dealing with company’s cash flow in uncertain periods.

### **2.3.1 Focus on Cash Flow as well as Cash-to-Cash conversion cycle**

Goldman (2010), cash remains the only oxygen that companies require to exist during turbulent times, therefore it is very important to keep operations running to avoid financial instability. Deloitte (2020), posted that, during the usual trading environments, businesses often concentrate on profits and losses, expanding their top line whilst maintaining their bottom line. There is a possibility that profit-making firms can experience cash shortages, while positive cash flows can be generated by an unprofitable organization. Deloitte (2020), added that during unusual trading environments, smart businesses must be focusing on the balance sheet rather than the income statement because profitability will become unnecessary if the company exhaust its cash reserves, as a businessman creating a cash flow projection and ensuring frequent updates is critical. According to Ding (2021), a three-month cash flow forecast helps management and stakeholders to identify the primary short-term uses and sources of the firm cash, and estimate the required amount and forecast possible cash deficits.

### **2.3.2 Reconsider variable costs**

According to Frykman and Tolleryd (2012), fluctuations in the amounts of cash and cash equivalents a company has on hand are illustrated by cash flow statements. This is different from profits or losses, recorded in the income statement. Cash flow statement's bottom line is undoubtedly the net changes in cash in hand for paying the company's obligations.

Cash flow is affected by elements that affect a company's financial stability. As stated by Deloitte (2020), instead of focusing on fixed cost, cutting variable costs is usually a quicker strategy that instantly decreases cash outflows. To cut variable cost levers, companies can implement measures which include restrictions of non-essential meetings and enforcing travel restrictions, enforcing hiring halts, and imposing restrictions on expenditures such as recreation and training. According to Waqas (2021), when labour costs are a significant component in the firm, take into account routes that can assist cut spending to prevent having to lay off employees. Allocating tasks to your permanent workforce and looking for ways to eliminate contract labour are some of the examples. Encourage workers to use existing leave balances to decrease balance-sheet obligations. If required to save cash, take into account giving voluntary or even involuntary unpaid leave (Deloitte, 2020).

### **2.3.3 Review capital investment strategies**

Keeping in mind income estimates, consider what is very essential in the short run. What capital investments are necessary to gain a competitive advantage as well as prepare the business for a comeback? What investments should be re-evaluated? What kind of capital investments are often delayed until the condition improves? (Deloitte, 2020).

### **2.3.4. Concentrate on expedite receivables and inventory management.**

During a pandemic, businesses may be faced with supply chain interruption threats as a result of component parts and raw material shortages. Graves (2022), posted that, they will be a need to revise inventory safety stock standards to show an increase in supply-side and demand unpredictability, which will have the impact of boosting total inventory levels, provided that is achievable. Butt (2021), added that firms may consider obtaining more inventory, or critical inventory, as an extra buffer to compensate against possible impacts if the supply chain disruptions are prolonged. In addition, from a cash flow standpoint, firms may need to consider minimizing finished goods inventories, particularly if products are perishable, where wastage is a critical factor and accessing markets continues to be hard.

Balancing the desire for extra buffer stock while preserving cash flow is more difficult than it looks. As a result, it is vital to enhance the quality of firms’ collection procedures. Concentrate on performance for specific customer payments and pinpoint firms that are altering their payment processes. Additionally, accurate and timely billing are basics that should be done correctly. Errors in the invoicing procedure might result in significant payment delays (Deloitte, 2020).

### **2.3.5 Audit receivables and payables transactions**

As advised by Deloitte (2020), pay the correct amount for the services or goods you obtain and collect correct the amount for the products or services you have sold. Also double-check your payables to ensure no obligations and taxes on acquisitions are not overpaid, especially if alternate global supplier locations are employed to maintain the supply chain going. (Alao and Gbolagade 2020). Chowdhury (2020), also added that if the cash flow is available, fully utilize all opportunities regarding discounts being offered. Alao and Gbolagade (2020), look for instances in which undeserved discounts were given and respond aggressively seeking the correct payments.

### **2.3.6 Understanding business interruption insurance**

Business disruption insurance replaces lost business income in the event of a disaster (Hanson, Sunderam, and Zwick 2021). According to French (2020), organisations need to understand their current company insurance policies as well as the protection they have against cases of severe business interruption. These coverages usually cover losses caused by interruptions to a company’s suppliers and customers.

## **2.4 COVID-19's EFFECTS ON REPORTING, ACCOUNTING AND COMPANIES INTERNAL CONTROLS**

The consequences of coronavirus differ across the economic sectors; nevertheless, in light of the pandemic, all impacted organizations will have to revise their accounting, reporting, and disclosure policies, along with their Internal Controls for Financial Reporting practices. PWC (2020), posted that, not only the measurements of liabilities and assets are encompassed in the financial statements, but they also disclosures the company’s capacity to keep operating for the foreseeable future.

Deloitte, EY, PWC, and other writers have advocated the following frameworks to mitigate the effects of coronavirus prospective accounting and audit on companies.

### **2.4.1 Impairment assessment of non-financial assets**

According to Burgos and Ivanov (2021), COVID-19 prompted reactions by institutions and governments, as a result, economic activities slowed down, while in severally affected regions, entities had to entirely shut down their operations, leading to idle property, a fall in demand for the firm’s products, as a result, operating costs increased, while revenue falling, affecting income, and share prices fall, among other things. Bakare (2022), stated that these activities imply that there may be a sign of non-financial assets impairment and perhaps impairment losses recognition in the income statement. However, the effect of reduced economic activity, and decreased revenues will likely have an effect on nearly any business and this might indicate impairment (Alao and Gbolagade 2020).

Impairment of an asset is done when an organization is no longer capable of recovering the assist’s carrying value either through use or sale (EY, 2020). Liu, Pronobis, and Venuti, (2020) added that many businesses will need to bear in mind the probable non-financial assets impairment. According to Benson, and Fortune, (2022) temporarily suspending operations, or noticing a sudden drop in demand, or profits are obvious activities that might indicate impairment. Reduction in revenue and economic activities, are most likely to have an impact on practically everyone, this could also indicate impairment (PWC, 2020). Tennyson, and Akani, (2016) posted that businesses must determine the asset’s receivables amounts during impairment assessment. According to EY, (2020), this computation implies predictions regarding cash flow variability as well as estimates of projected future cash flows.

### **2.4.2 Goodwill Impairment, (IAS 36)**

IAS 36 calls for assessment for impairment on indefinite-lived intangible assets and goodwill at least once every 12 months, while other nonfinancial assets must be examined anytime they is an indication that such assets may need impairment (PWC, 2020). Levy (2020), posted analyse if the indirect or direct consequences of the pandemic have resulted in impairment of goodwill. PWC (2020), added that if COVID-19's disruptive impacts continue, future cash flow estimates may be impacted. Charles, (2020) added that, if they are, corporations must examine whether or not a reporting unit's fair value has depreciated below its carrying amount.

### **2.4.3 Impairment of property, plant and equipment**

PCW (2020), the pandemic may imply PPE is under-utilized or now no longer used for a period, or suspension of capital projects. Even if an asset is temporarily idle IAS 16, requires businesses to continue charging depreciation in the income statement. Whenever asset development is stopped IAS 23, calls for the suspension of interest capitalization (PWC 2020). It may also be necessary to assess if any present, significant depreciation of long-term assets is recoverable (Alao and Gbolagade 2020). According to KPMG (2020), indicators such as significant price declines, prolonged unfavourable changes in an asset's usage or usefulness, adverse economic pressures or negative changes in the business climate, must prompt impairment evaluations of long-term assets.

### **2.4.4 Inventories: (IAS 2)**

Levy (2018), defined net realizable value as the expected selling price in the normal course of business less the projected cost of completion and the cost estimate to sell. Inventory may need to be written down at net realizable value (PWC, 2020). According to Deloitte (2020), in the near short to medium term companies may need to write off inventory due to obsolescence, losses and non-movement. Consider reducing the carrying value of inventory downward if the firm has experienced revenue losses or supply chain disruptions (Charles, 2020). According to Segura (2021), IAS 2, calls for fixed manufacturing costs to be factored into the cost of inventory depending on normal manufacturing capacity. Al‐Thaqeb (2022), added a that reduction in production may have an impact on the inclusion levels of overheads in the cost of inventory

According to Walker (2005), for organizations that produce or further process inventory, the cost of inventory comprises of a portion of fixed manufacturing costs depending on the facility’s normal production capacity. Normal capacity is measured under normal conditions and is calculated on an average over a number of seasons or periods. If actual production levels reflect normal capacity, they can be used. Even though for some businesses production continued, durations of operational constraints such as lockdowns, may indicate that they are not operating at normal capacity.

According to EY (2020), in light of the ongoing epidemic, estimations of NRV could be even more unclear than before, and choosing the proper assumptions may also need substantial judgment. According to PCW (2020), if their costs of completion have increased as a result of the coronavirus measures, some firms may have to consider writing down their inventories at NRV.

According to IAS 2, inventory must be measured at cost or at NRV, hence organizations are obliged to appropriately estimate their inventories NRV (PCW 2020).

### **2.4.5 Impairment of receivables, loans and investments (IFRS 9)**

According to Charles (2020), check the value of the investment for possible impairment. This can be shown by debt and equity issuers impacted by the pandemic. PWC, (2020) posted that entities must disclose changes in economic or business circumstances that have an impact on fair value of investments in joint ventures and associates or investment entities recorded in the books of accounts at fair value under IFRS 9.

### **2.4.6 Revenue recognition (IFRS 15)**

PWC (2020), posted that, reduction in economic activities as a result of measures implemented in an attempt to manage coronavirus, may result in an entity's revenue and sales falling, when this occurs, it is accounted for. According to EY (2021), companies should make significant judgments to figure out the impact of uncertainties surrounding the pandemic when accounting for revenue, However, the judgments made by management when estimating income from previously supplied goods or services, particularly the assessment of variable consideration, might be affected (PWC, 2020). According to IFRS 15, variable considerations should be recognized only if it is extremely likely that the amount recognized is not going to reverse when the uncertainties are addressed (IFRS, 2011).

According to PCW (2020), application of IFRS 15 is only applied to contracts when management anticipates the client to fulfil the contract's obligations in the time specified by the contract. Management may opt to keep on supplying a client even when they are aware that the client may be unable to pay for all or some of the items delivered. According to Levy (2020), in these situations, recognition of revenue is only done when they is a higher probability that the customer would pay the purchase price when it becomes due, exclusive of any price adjustment.

In addition, with declining revenue, companies can find it difficult to stay afloat as financial covenants and key performance indicators, if in place, can be affected (Garcez, Correia, and Costa, 2021).

According to EY (2021), management may be required to evaluate revenue recognition criteria owing to substantial changes in circumstances and facts as a result of the coronavirus. If it is no longer foreseeable that the client will be capable to pay for future services or products to be supplied, IFRS 15 requires revenue for the remaining services or products to be delivered not to be recognized. Revenue that has already been recognized will be unaffected; nevertheless, contract assets will be susceptible for impairment.

According to PCW (2020), IFRS 15 calls for organizations to disclose information which will enable stakeholders to know the timing, amount, nature and unpredictability of cash flows originating from sales. This may necessitate information regarding how an organization has applied its policies in light of the virus's unpredictability, important judgements made, such as the client’s ability to pay, and substantial judgements made, for instance in conjunction with variable costs.

### **2.4.7 Fair value measurement**

As posted by Deloitte (2020), fair value measurements of financial instruments need to capture, market data and market participant opinions at the measurement date under present market circumstances. COVID-19 is anticipated to have a substantial influence on fair valuations. A company is required to measure some of its liabilities and assets at fair value under IFRS 13. IFRS 13 defined fair value based on the concept of exit price and employs a fair value hierarchy resulting in a market-based valuation instead of a company-specific evaluation (IFRS, 2011). When determining fair value, the organization must evaluate the important assumptions and conditions that were known or should have been known to market players (EY, 2020).

According to EY (2020), enterprises should take into consideration disclosing information which will be anticipated to impact choices made by stakeholders based on those financial statements. According to KPMG (2020), if valuations are subjected to high measurement uncertainties owing to the coronavirus, and there is a broader range of potential estimates of the fair value, the company must use judgment in determining the point within that range that is most representative of the fair value in the conditions. According to PCW (2020), owing to this, fair value losses and gains are projected to display larger as well as more frequent fluctuations. The present market volatility is also likely to affect the fair values of joint ventures, and associates and investments in subsidiaries.

Under this environment, it is critical that organizations continue delivering transparency in terms of the input used, key assumptions and techniques used in determining fair value, including sensitivities, by providing IFRS 13 disclosures. Alao, and Gbolagade, (2020), added that, in these turbulent times, transparency is a vital part of fair value measurement and also important in enhancing the usefulness of financial statements.

### **2.4.8 Leases (IFRS 16)**

Owing to the pandemic’s control measures put in place, leased assets may have been temporarily shut down. Leases can thus be renegotiated, resulting in modifications to the original lease terms (EY, 2020). EY (2020), added that, such modifications might include lease payment reduction, rent-free periods or changes in the lease payment schedule. These changes are likely to have an impact on an entity's depreciation charges, interest expenses, lease liability and right-of-use assets.

 In response to numerous inquiries regarding the IFRS 16 application to rent concessions granted due to coronavirus, in April 2020 the IASB issued a raining document on lease accounting, followed by IFRS 16 amendment in May 2020.

####  **2.4.8.1 IASB educational document on lease modifications**

The IASB published a training document on the effects of COVID-19 on lease agreements in April 2020, noting that Lessors and lessees need to additionally apply the disclosure necessities of IFRS 16 as well as other IFRS standards, which include IAS 1 in relation to disclosure necessities regarding leases and, in particular, lease amendments. The publication severs as a reminder to financial statement preparers that IFRS 16 calls for the disclosure of information by lessors and lessees to enable financial statement users to evaluate the implications of leases on their cash flows, financial performance, and financial statements. The information provided must be adequate for financial statement users to comprehend the effects of COVID-19 related modifications in lease payments on the firm's financial performance and financial position.

### **2.4.9 Cash and cash equivalents (1AS 7)**

IAS 7 defined cash equivalents as short-term highly liquid investments that are easily convertible to known sums of cash and are subject to a low risk of value fluctuation (IAS, 2010). According to PCW (2020), coronavirus has caused the value of several money markets to fall dramatically. Furthermore, certain money market funds incorporate provisions that allow limitations on resumption by fund manager under unusual circumstances, one of which might be the consequence of the pandemic. According to PCW (2020), management need to assess if investments previously categorized as cash equivalents continues to fit the criterion as a result of these value decreases and redemption limitations. Reclassification of cash equivalent investments may be necessary.

### **2.4.10 Government grants (IAS 20)**

According to Deloitte (2020), governments all over the globe have addressed the impact of the pandemic with numerous measures, such as tax holidays as well as, specific assistance for firms to ensure that they can support their clients. They is the need for management to determine if such assistance from the government fulfils IAS 20's definition of a government grant (PWC, 2020).

### **2.4.11 Financial assets impairment (IFRS 9)**

PCW (2020), posted that in many companies, trade receivables are the most substantial balance exposed to expected credit losses. However, certain firms may have intercompany receivables or loans that should be determined using the usual (three-step) procedure.

EY (2020), posted that, the influence of COVID-19 on ECL will need significant considerations, since it is not directly comparable to any recent identical incidents. Because these models are constructed on the firm's prior experiences, they may have lost their usefulness as a predictor of future bad debt due to COVID-19 occurrence. According to Khatri (2020), entities will need to update their macroeconomic forecasts and consider using top-down management overlays to incorporate the ECL risks that their models have not yet completely captured. Given the degree of uncertainty and the sensitivity of estimates and judgments, disclosures of major judgments and assumptions used in predicting ECL, as well as the impact of any relief measures, will be crucial.

For trade receivables without a substantial financing component, IFRS 9 mandates the adoption of a simpler technique to calculate the ECL. (Awasthi, 2019). With significant lease receivables and financing components, the simplified approach can also be used as an accounting policy for trade receivables. Using the provision matrix to implement the simplified approach is now common in organizations. Due to the liquidity constraints following the pandemic outbreak, there is an increased likelihood that customers will be unable to make payments when due. As a result, a huge chunk of the trade receivables balances will fall into overdue categories and consequently further impairments. However, the reason for the delay in payment must be considered. They may be no significant increase in provisions from reasons such as operational problems rather than credit risk. Furthermore, forward-looking information used to determine ECL rates should reflect the reality of coronavirus.

### **2.4.12 Income taxes (IAS 12)**

According to Deloitte (2020), entities must assess how the negative effects of coronaviruses on liquidity, profitability, and impairment issues may influence their income tax accounting in accordance with IAS 12. For instance, incurrence of losses or a drop in current-period revenue, combined with a fall in predicted revenue as well as a projection of future losses, might lead to reconsideration if it is possible that part or all of the company’s deferred tax assets will be recoverable. According to Deloitte (2020), such evaluations will be especially difficult in circumstances where changes in projected as well as present profitability will lead to, or are likely to lead to, cumulative losses and the firm did not have a steady financial history prior to the consequences of the pandemic.

### **2.4.13 Share-based payments and employee benefits**

Marek, Patrik, Veronika, and Marina (2020), posted that, due to the pandemic, many firms were required to restrict the number of their employees and also to make specific payments, for example, health-related payments to infected employees. Some firms may have had to implement post-employment benefit plans, modify the arrangements of share-based remuneration programs or even postpone promotions. Under IAS 19, at year-end, a business must assess the present value of defined benefit obligations as well as the fair value of plan assets. According to Deloitte (2020), IAS 19 advises an organization to use the assistance of a highly qualified accountant in estimating its obligations.

PCW (2020), posted that employee benefit obligations, market inputs employed to compute share-based payments or any estimations, as well as the effects of any modifications to the arrangements of any employee benefit programs, should be scrutinized.

### **2.4.14 Going concern**

IAS 1 calls for management to examine the company's capacity to continue for the foreseeable future (Hahn, 2011). The ability of cash flows to survive the following half all full year is critical to the existence of any firm. EY (2020), added that, while generating financial statements, management should review the firm’s capability to continue as a going concern as well as the appropriateness of the going concern assumptions.

EY (2020), opined that during the pandemic, management should examine the current and future consequences of the epidemic on its operations. Operating on a going concern basis may be difficult because the pandemic’s possible impact is unpredictable, and signs of substantial uncertainties which will put doubts on the firm's capability to continue operations may be present. EY (2020), added that, if the firm prepares financial statements based on that hypothesis, disclosure of these uncertainties is key. According to the recommendations made by PWC, (2020), entities will be required to declare any financial risk changes which include currency risk, credit risk, and liquidity risk. According to PCW (2020), additional disclosures concerning liquidity risk may be required, if COVID-19 has harmed the company's usual cash inflow levels from operations or the company’s capabilities to source cash via other means such as supplier finance or factoring receivables.

### **2.4.15 Re-evaluation of Internal Control Considerations**

Such includes changes to the internal control environment, such as the arrangements to work remotely, as well as the inherent risk of controls not being performed as planned. Evaluate the operational efficacy of controls, including management review controls. As a result of illness, plant shutdown, remote work, and other gaps, re-evaluate the efficacy of control systems. When present measures cannot be used, identify alternative controls or other forms of mitigation (Charles, 2020).

## **2.5 KEY FINANCIAL STATEMENT FRAUD SCHEMES DURING AN INFECTIOUS DISEASE OUTBREAK.**

Infectious disease outbreaks unpredictability and disruption provide opportunities for crime and fraud (PCW 2022). The PCW Global Economic Crime and Fraud Survey, published in March 2020, discovered that economic crime and fraud occurrences incurred by Singapore-based enterprises were at an all-time high during the COVID-19 outbreak. As firms were struggling to manage the disturbance and stay afloat, COVID-19 crisis has intensified fraud incidences.

### **2.5.1 Revenue recognition fraud**

Revenue and expense recognition may deviate from usual accounting rules and policies (EY, 2020) According to Dave and Mayes (2021), the economic effects of the coronavirus may have provided opportunities and incentives to report fraudulent revenue. With company operations halted and consumer demand weakening, most firms' sales are likely to suffer, with industry estimates predicting a 10% reduction (Deloitte, 2020). To compensate for decreasing consumer spending, businesses may attempt to intentionally fabricate revenue in order to showcase management ability to lead in this hush business condition (Deloitte, 2020).

### **2.5.2 Manipulation of key estimates, impairment, provisions and assumptions**

Valuation of various items in the financial statements, such as fixed assets, goodwill, financial instruments, loans, among others may be affected by the disruptions caused by an infectious disease outbreak (Dave, and Mayes, 2021). Companies may intentionally underestimate this impact on their operations and fail to adequately account for the impact on their financial statements. Employees may be motivated to utilize the crisis to make unreasonably huge financial provisions, by either recognizing a large number of unrelated issues all at once, or to use as a "cookie jar" that may be released to boost future financial outcomes (EY, 2020).

### **2.5.3 Recording of PPE (property, plant, and equipment)**

During a financial or economic crisis, the disposal, purchasing, and regular depreciation of PPE can also become material issues (Dave, and Mayes, 2021). Ikbal (2020), posted that, employees may sense an increased motivation to incorrectly capitalize assets or apply prohibited depreciation strategies to save costs, and they may find it easier to justify this behaviour if they believe it would keep their business afloat. Companies may be tempted to capitalize expenses incorrectly or withhold expenditure recognition, and then charge these expenses to the income statement as depreciation/amortization over the years, all this will be done in order to present higher-than-actual profits (Deloitte, 2020).

### **2.5.4 Inadequate disclosure**

Due to the disruptions in the global economic environment following the pandemic, disclosures in the financial statements could be impacted, for example, contingent liabilities, impairment of assets balance sheet estimates, valuation of tangible and intangible assets, going concern considerations, etc (Deloitte 2020). Companies may be tempted to refrain from disclosing the full effects of coronavirus in their financial statements for certain elements, such as counterparties' ability to meet contractual obligations (Da Silva, and company, 2021). While the completeness and sufficiency of such disclosures are crucial to the true and fair view of the financial statements for stakeholders, the expected large impact of coronavirus may put management under pressure not to disclose important matters in order to meet objectives, performance targets or reach market expectations (PCW, 2022).

### **2.5.5 Vendor and employee management**

Dave, and Mayes, (2021), posted that, working remotely means less face-to-face engagement, which allows potential fraudulent behaviour to go undetected. Are employees hiring fictitious employees and paying salaries to themselves? Are new vendors being created and paid?

## **2.6 Theoretical Framework**

**Contingency Theory**

The contingency theory, which Danny Millier and Lawrence Gordon established for the construction of accounting information systems (AIS) in 1976, is the backbone of this work. It describes how to establish a basis for approaching accounting information systems from a contingency perspective. The theory stated that, an AIS must be adaptable enough to account for the firm’s organizational structure of the business as well as perceived environmental unpredictability. In other words, an accounting system must be built within a flexible framework. When formulating an accounting system, environmental uncertainty like infectious disease outbreaks just like the coronavirus epidemic, is a critical component. As the pandemic spreads, to accurately reflect current situations in accounts and financial reports, managers who make decisions prefer to look for extra external, ex-ante information and nonfinancial in addition to ex-post information and internal financial.

## **2.7 Empirical evidence**

Khan (2020), investigated COVID-19's financial reporting implications. A questionnaire with 31 questions focused on the consequences of the coronavirus on IFRS was developed and sent to relevant company employees. Around 30 IFRS disclosure components were covered by the questionnaire, and the research looks into how these changes were implemented by Unilever Pakistan Limited and also if other parts of the company are still operating under the same guidelines without suffering negative consequences.

Alao and Oladjo (2020), assessed the negative financial effects of COVID-19 on business and developed a framework for business resurrection during and after the crisis. From the accounting and business management viewpoints, the researchers also outlined realistic practices that will help businesses to deal with unanticipated disruptions during infectious disease outbreaks. The study took a qualitative approach by reviewing several literatures. Findings showed that building business resilience in preparation for the new normal and sustainability requires good business continuity management, effective liquidity management, prioritizing human safety, constant engagement of essential stakeholders during the crisis, and constant engagement of essential stakeholders during crisis times.

Shen et al. (2020), examined the impact of the coronavirus outbreak on the performance of business in China. The study used a quantitative research approach, and data from China's listed corporations were gathered. The survey's findings showed that the virus significantly affected the company's success, particularly when income from sales is reduced.

Prem (2020), discussed the financial reporting challenges and repercussions for auditing and accounting professionals which have emerged due to the occurrence of the coronavirus pandemic. According to the research, the impact of the outbreak is a non-adjusting event for 2019 and will only be adjusted and recorded in 2020 during the 1st quarter, under interim reporting. It went on to examine the possible consequences as well as concerns in important areas of accounting which include inventory valuation, bad debt provisions, non-financial assets impairment, hedge accounting, revenue recognition, goodwill impairment, fair value measurement, and non-financial assets impairment. Moreover, audit evidence and going concern issues are emphasized because management and auditors view them as murky areas due to the high level of judgment required. The predicted consequences of coronavirus on an entity’s liquidity, operating performance, and financial situation must be disclosed in a timely and relevant way. Because scenarios are unexpected, the research proposes that auditors employ professional scepticism when reviewing financial statement figures so as to ensure the validity of financial information presented to stakeholders.

Embele and Aifuwa (2019), looked into the impact of coronavirus spread on the performance of Nigerian private businesses. A survey research design approach was adopted. The information came from online questionnaires distributed to entrepreneurs and financial experts in Nigeria's capital city. The findings from the linear regression indicated that the pandemic hinders both the non-financial and financial performance of Nigeria's private companies.

BCM in a Situation of Crisis: Developing trends for Zimbabwe’s commercial banks during and after the coronavirus crisis is the subject of Muparadzi and Rodze's (2021), investigation. A qualitative study technique was adopted. The study reviewed that present BCM models among Zimbabwean banks are insufficient and are shifting toward the development of permanent models capable of anticipating surprises.

Kameliya (2021), explored COVID-19's global impact on the going concern concept, which is applied when preparing financial accounts for enterprises. A systematic approach was used during the research process that involves employing proper methodological tools for graphic visualization, generalization and analysis of the findings. An empirical study of data on profitability, revenues and availability of net cash for non-financial companies issued on the Bulgarian Stock Exchange was carried out based on the publication of interim financial statements for the first quarter of 2020.

Akenbor and Adue (2020), looked into the impact of the coronavirus pandemic on the accounting system in Nigeria. The population of the study was made up of 16 publicly listed non-financial entities with a year-end other than 31 December. Data for the research was analyzed using the Generalized Linear Model's mean and probity regression. According to the findings of the survey, the coronavirus lockdowns will lead to nearly 4.5 billion dollar loss in revenue, a 233 million increase in operational costs, and a 24 weeks delay in collection for credit. Additionally, it was realized that the pandemic had no significant impact on Nigeria's publicly traded non-financial enterprises' accounting systems.

Jabin (2021), assessed COVID-19’s influence on the accounting profession in Bangladesh. The study acquired primary data through the use of a questionnaire. The poll was sent over emails and Facebook. A random sampling technique was employed to establish the sample size. The survey included 190 Bangladeshis in total. For inferential and descriptive statistical analysis, the Wilcoxon signed-rank test was utilized. A Likert scale with five points was also used. According to the survey, in Bangladesh, coronavirus has a substantial influence on the accounting profession. The accounting profession in Bangladesh has changed significantly, as a result of the pandemic. Most accountants now work remotely and have adapted to new technologies. There are now virtual trainings and meetings being held. Accountants are now being faced with cyber security challenges owing to inadequate data security, and also increased job insecurity.

Daniel (2022), looked into the finance and accounting measures to manage the effects of the coronavirus pandemic. A quantitative approach was adopted during the study. The study population was comprised of 256 professional accountants from various industries. Data was gathered from primary sources through the use of a questionnaire that was emailed to the participants. The findings revealed different types of finance and accounting and measures such as cutting variable costs, sell of idle assets, and frequent reports among others.

Da Silva, Schutte, and Surujlal (2021), studied COVID-19’s implications on IFRS for selected leisure and travel firms trading on the Johannesburg Stock Exchange. This investigation looked at how financial information on going concern was published by these firms, or how COVID-19 impacted their financial information, for example, the firm's revenue, sustainability, and how they developed projections, among others. The financial statements for 10 JSE-listed leisure and travel firms were reviewed using content analysis. This investigation highlighted what extra disclosures these corporations have due to the pandemic. Considering the fact that there are no special IFRS standards providing advice on the effects of coronavirus, the data showed that firms used great caution when disclosing information on COVID-19's impact on their financial statements. Firms carefully assessed the coronavirus’s impact on their financial performance and financial statement readers were provided with comprehensive financial information, such as information on the firm’s sustainability, forecasts, revenue, and going concern.

Hope, and Company (2020), investigated the link between the COVID-19 epidemic and Nigerian businesses’ performances. The linear regression results indicated that the outbreak had an adverse effect on both the non-financial and financial performance of Nigerian private firms. According to the research, the pandemic hinders organizational effectiveness in Nigeria.

Teresa and Alves (2021), investigated the norms and guidelines that companies must adhere to, and the approaches that companies need to adhere to with respect to coronavirus, so as to assess how the pandemic has influenced the interim financial statements of the firms. The purpose of the study was to use financial ratios to examine the financial health of companies and the Zmijewski model to investigate the relationship between financial health and coronavirus disclosures. It confirms that on average companies implemented the required processes and the pandemic had an impact, mainly on credit risk, expenses, and revenues. Also according to the study, a very transparent organization is a financially sound one.

The examination by Deloitte (2020), focused on how COVID-19 influenced the corporate sector along with financial reporting. The study included 44 firms from various industries, including 15 from Germany, 17 from Switzerland and 12 from Great Britain. Despite the fact that this study is not statistically accurate, it provides an overall view of how COVID-19 influenced various businesses. 202 of the 44 nations did not provide financial figures in the third quarter, while one of the corporations finished its fiscal year on September 30, 2020. Out of the 39 nations left, 22 (or 50% of the total sample) have produced full interim financial statements in accordance with IFRS or US GAAP. The remaining 17 (39%) businesses have provided just little financial information (production reports, sales reports etc.) In the spring of last year, the epidemic caused an unexpected lockdown of the global economy. As a result, whole sectors were unable to sell and deliver their services or products to clients, due to disruptions in the supply chain and production processes, and severe uncertainty caused by falling demand. Severe limitations persisted even after the lockdowns, such as social distance requirements and travel constants, which complicate distribution models and result in less desire to spend, resulting in lower demand.

## **2.8 Research Gap**

A unique and unprecedented form of economic calamity was brought on by the coronavirus. To the best of my understanding, no comprehensive research has looked into the influence of infectious disease outbreaks on company activities, particularly from an accounting standpoint.

## **2.9 Chapter Summary**

The research objectives outlined in chapter one were fully explained in chapter two to provide a better grasp of them. In chapter two, a platform was established to explore the overview of business continuity management strategy during an infectious disease outbreak, ways of managing business cash flow during an uncertainty period, and COVID-19's effects on reporting, accounting and companies’ internal controls. The methodology employed in the study is detailed in Chapter Three.

## **CHAPTER III**

## **RESEARCH METHODOLOGY**

## **3.0 Introduction**

Research methods used to gather, analyse, and evaluate data for the study are outlined in this chapter. It makes an effort to provide a comprehensive overview of the research design and methods used to carry out the study. It is also going to give information on the research sample and population. The operational measuring variables and target population are described, followed by the sampling tools employed. This chapter also covers the tools, data gathering techniques, and data analysis procedures. Data validation, data presentation analysis and data reliability evaluation are also coved in this chapter. As a result, it forms the heart of the research because the data gathered generated many of the premises from which recommendations were derived.

## **3.1 Research Design**

 Creswell and Hirose (2019), alluded that, research design is the arranging of circumstances for data collecting and analysis.   According to Mohajan (2018), research design is an approach that combines processes of multiple natures of the research in ways that aims to find solutions to the research problem and hopes that the problem will be thoroughly solved. Research design is a process of gathering, presenting, and analysing data in ways that blend relevant study purposes with current economic circumstances (Gumbura, 2014). A research design is established to assist in smoother scaling and to give a blueprint for cost-cutting measures. It aids in collecting relevant and accurate data, as well as the aims of the study planning methods and data presentation techniques employed (Kanhn and Cannell 2014). The author went with a descriptive research design.

Snyder (2019), research design is defined as an extensive decision-making process that develops the grand strategy for the specified methodologies and procedures for data collecting and analysis. It is about certain sorts of methodologies intended for research and application. The focus of research designs is on measuring variables and also collecting data from participants, it implements a distinct technique when sampling the selected individuals and strategizes how to analyse the data collected.

## **3.2 Descriptive Research**

Moon (2019), alluded that, descriptive research design is research that is intended to accurately reflect the characteristics of a group of people. Moon (2019), also added that, descriptive research incorporates the investigation of a company’s operations conditions as well as the surrounding environment. The descriptive research design data is going to be used to analyse variables and circumstances similar to questions of the study topics. A series of controls are implemented in this design with the aim of gathering unprocessed data that sheds light on the composition of the target population. The descriptive research is going to be extremely valuable to the researcher in evaluating financial reporting and accounting measures to manage the effects of infectious disease outbreaks.

### **3.2.1 Justification**

The researcher adopted the descriptive study methodology as it depends on both secondary and primary data. Lune and Berg (2017), posted that descriptive surveys are more accurate since they recognise that anything that is observed at any moment is usual and may be repeated elsewhere under identical conditions.

Atmowardoyo (2018) acknowledges that descriptive research is conducted with defined goals in mind, resulting in a definitive conclusion. To interact with the subject and minimize misinterpretation, the researcher used a questionnaire with clearly stated questions. This aided the researcher in drawing inferences from the data acquired.

## **3.3 Target Population**

A research study's target population is a group of individuals (Shigemura, and company 2020). Atmowardoyo, (2018), added that, research population is the entirety of all subjects, objects and individuals who share similar qualities and attributes relevant to the research and to whom the sample outcomes may be extrapolated. Using the collections gathered, the author is able to simplify the research through a population study. Delta Beverages (Pvt) Ltd is the population being studied. Accountants, credit control, costing, cash book, debtors control, internal auditor, human resources and reporting were the targeted departments.

## **3.4 Sample size and sampling techniques**

According to Yeong, Ismail, and Hamzah (2018), sampling is the selection of people from a population of concern in order to estimate the population's attributes. In each department, the author will choose non-probability sampling approaches above probability sampling methods. Non-random sampling is a sort of convenience sampling.

## **3.4.1 Convenience Sampling**

According to Sharma (2017), convenience sampling are individuals who are believed to be representative of the community for whom they were picked, however, they are picked simply for being conveniently close and simple to reach instead of being picked randomly. Convenience sampling is a kind of non-probability sampling in which members of the target population are included for research purposes provided they meet certain criteria, such as being easily accessible, available at a specified time, willing to participate, and geographically close (Etikan, Musa and Alkassim, 2017). This method of sampling is straightforward, quick, and easy.

**Table 1: Distribution of respondents**

|  |  |
| --- | --- |
| Offices  | Number of respondents |
| Accountants | 4 |
| Credit control | 10 |
| Costing | 3 |
| Cash books | 6 |
| HR | 10 |
| Internal auditors | 5 |
| Debtors control | 5 |
| Reporting | 3 |
| TOTAL | 46 |

*Source: primary data*

## **3.5 Research Instruments and Data**

An instrument will be reliable when the study's results can be obtained using a comparable approach. Hence, reliability is the extent to which a measure provides results (Kivunja, and Kuyini, 2017). To be regarded as trustworthy, the measuring tools must be error-free, and the observations must be confirmed (Mohajan, 2017). To gather information, the researcher will employ both qualitative and quantitative research approaches, such as interviews and questionnaires.

## **3.5.1 Primary Data**

Primary data is any data gathered by the topic's researcher (Ajayi 2017). Primary data, is also referred to as field data, because it is information that is being gathered for the first time. The information for this study will be acquired through questionnaires and interviews sent to a selected population. It is fundamental to obtain primary data because the researcher will have significant control over the technique as well as the time period employed to gather the data. Therefore, the researcher will be able to give special attention to certain parts of the investigation. Also, by employing primary data, unique, truthful and up-to-date data will be acquired by the researcher. However, primary data is time consuming since the researcher must be on the ground obtaining data, hence proper time management will be key. Primary data gathering was used to supplement secondary data in substantiating the issue under investigation, which was not achievable with only secondary data. Also, the data obtained was recent, providing necessary details to the concerns being examined at the time and suitable to the study, hence boosting the dependability of the data acquired. As a result, two tools were used to collect primary data thus questionnaires and personal interviews.

## **3.5.2 Questionnaires**

According to Yeong, Ismail, and Hamzah (2018), a questionnaire is a research technique useful for the collection of data from participants and enables them to freely express their ideas on the subject being studied. According to Ishtiaq (2019), closed and open-ended questions, are the two types of questionnaires. Open-ended questions provide participants with the chance to explain their views and replies while closed-ended questions require respondents to select their responses from a set of predetermined options. Kumar, (2014), stated that questionnaires allow significant privacy because face-to-face dialogue is not necessary. The surveys encompassed both organized questions which were basically simple to answer and unstructured ones which examined the opinions of respondents without giving them directions. A carefully picked set of questions was used to elicit information from respondents on the financial reporting and accounting measures to manage the effects of infectious disease outbreaks like COVID-19.

Respondents were usually occupied with other important work, therefore issuing questionnaires to them provided them more time to reply to questions, leading to well-thought-out and more accurate responses. The researcher personally delivered and collected the questionnaires within 7 days to give respondents enough time to think about and fully complete them.

There were also closed-ended and open-ended questions on the form. In several cases, respondents were asked to defend their answers in order to provide more informed responses. Questionnaires were distributed to the target audience, which consisted of Delta Beverage workers. Many benefits might be emphasized to support and justify why the questionnaire was employed as a tool.

The main benefit of using questionnaires is that they are quantitative in nature, allowing the researcher to quickly examine the data. The researcher's questions cover every facet of the subject. The respondents had one week to fill in the questionnaires, and the researcher collected the questionnaires after one week. The biggest drawback of the questionnaire was that some respondents were not honest with their responses

## **3.5.3 Interviews**

An interview is a verbal dialogue between two individuals with the aim of collecting important data for the purpose of the research. Interviews are especially effective for learning the story behind the experiences of participants (Kumar and Mathur 2018). Face-to-face interviews will be used in this study. According to Opdenakker (2006), an interview is a detailed delivery of questions to each individual in a sample. Direct verbal dialogue is used by the researcher to gather information. Several interview questions were developed and distributed to Delta Beverages (Pvt) Ltd management. This instrument was also highly successful since certain ambiguous questions were addressed, and using open-ended questions the researcher was able to request further information with regards to the study. Interviews can encourage simpler communication by allowing for language flexibility, resulting in accurate findings. Nevertheless, several responders provided inaccurate information. The researcher performed the interview in order to enhance the questionnaires issued and collect the previously mentioned data. The main disadvantages of interviews are that they are expensive and time-consuming for the researcher since he must travel to see numerous respondents. Therefore, in an attempt to cut travelling expenses, the researcher conducted all of the interviews in a single day.

## **3.6 Likert Scale**

A Likert scale is a method for weighing responses provided by participants on given qualitative data used for data analysis (Joshi and Pal 2015). The scale was used by the researcher to let respondents select a pertinent response for a particular question on the questionnaires administered because the scale makes data interpretation simpler.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| To a very small extent | To a small extent | To a moderate extent | To a large extent | To a very large extent |
| 1 | 2 | 3 | 4 | 5 |

## **3.7 Reliability and validity**

Reliability is the extent to which the techniques employed to gather data will give consistent findings, whereas validity is how accurately data gathering techniques achieve the data they were meant to measure. The questionnaire's usefulness was tested using face validity. This will allow the author to craft easy to understand and meaningful questions. With the aim of assessing the questions’ effectiveness and evaluating the reliability of the replies, with the opinion of adjusting the questions so that they strive to accomplish this research’s goal, a pilot study on both the questionnaires and interview techniques was conducted. Evaluating the accuracy and dependability of the collected data is the main objective of pilot testing. For the pilot test, other students who are familiar with the research were used.

## **3.8 Data analysis and presentation**

According to Loeb (2017), data analysis is a method of restoring order, interpretation and structure to a large amount of data. The researcher presented and analysed data in line with the study's problem and questions. Statistical Package for Social Scientists (SPSS) was employed for quantitative data to analyse and data formulation. According to Oppenheim (2010), data analysis is the systematic organization, simplification and summarization of data. Data presentation is drawing conclusions from field research data (Mölder and company, 2021). Primary data gathered by the author was used for data presentation. Stacked bars, pie charts, Likert scales, percentages and tables, were used in the presentation. The relationship between the dependent and independent variables was established using graphs, frequency distribution tables, Likert scales and simple regression.

## **3.9 Chapter Summary**

This chapter is the cornerstone of this research because it is primarily focused on how the whole study will be conducted and data collocation ways. As a result, it included aspects of the research which include research instruments, data sources, research design, steps to guarantee reliability and validity, and ways in which data will be analysed and presented. The chapter below will concentrate on data analysis and presentation.

## **Chapter IV**

## **Data Presentation Analysis and Discussion**

## **4.0 Introduction**

This chapter presents, analyzes, and discusses the information gathered from Delta Beverages (Pvt) Ltd. SPSS was used to evaluate and record the acquired data, and the data was presented using graphs, frequency distribution tables and pie charts. To analyze respondents' opinions, primary and secondary data from surveys and interviews were employed.

## **4.1 Response rate**

**Table 2: Analysis of questionnaires distributed and returned**

|  |  |  |
| --- | --- | --- |
| Questionnaires | Number of Respondents | Percentage (%) |
| Distributed | 52 | 100 |
| Returned and Properly filled | 46 | 88 |
| Not Returned | 6 | 12 |

*Source: primary data*

**Table 3: Name of the respondent’s company departments**

|  |  |  |  |
| --- | --- | --- | --- |
| DEPARTMENTS | POPULATION | SAMPLE SIZE | **% REPRESENTAION** |
| Accountants | 4 | 4 | 100 |
| Credit control | 12 | 10 | 83 |
| Costing | 3 | 3 | 100 |
| Cash books | 7 | 6 | 85 |
| HR | 10 | 10 | 100 |
| Internal auditors | 7 | 5 | 71 |
| Debtors control | 5 | 5 | 80 |
| Reporting | 4 | 3 | 75 |
| Total  | 52 | 46 |   |

*Source: primary data*

The response rate is the total number of useable questionnaires divided by the entire sample after excluding uncontactable sample members (Samuel, 2012). A total of 52 questionnaires were handed out to participants, and 46 of them returned questionnaires. This corresponds to an 88% response rate. The semi-structured form of most of the questions contributed to the high response rate, making it easy for respondents to finish the surveys. A response rate of 50% is acceptable, 60% is better, and 70% is even more dependable (Snyde, 2019). Mago, 2014 added that a high response rate reflects reliable research.

## **4.2 Demographic data of respondents**

The current section presents information on the demographic factors of the respondents. The part includes information about gender, age group, qualification and experience within the organization. According to Abbas (2014), demographic data is the most basic piece of knowledge about the respondents. Aker (2010), suggested that the demographic information in the study is significant for assessing various information supplied by respondents.

### **4.2.1 Gender**

Figure 1: Information on gender of respondents

*Source: primary data*

According to the graph above, 60% of responders are men and 40% are women. This demonstrates that the majority of Delta Beverages (Pvt) Ltd’s workers are men, with fewer females. However, since the sort of replies required by the questionnaire needed objectivity, the gender biases of the respondents had no effect on the reliability or validity of the responses.

### **4.2.2 Age**

Figure 2: Age Analysis

*Source: primary data*

According to the data above, 12% of the respondents are between the ages of 18 and 25. 45% of those surveyed are between the ages of 26 and 39. 25% of those surveyed are between the ages of 40 and 50. The remaining 18% of those polled are 51 years and above.

### **4.2.3 Qualification**

Figure 3: Qualifications analysis

*Source: primary data*

Figure 3 above shows that, 7% of the respondents had diplomas, 40% of the respondents had degrees and 6% had PHDs, 15% of the respondents were Chartatared Accountants and 21% were members of ACCA and CIMA. This demonstrates that the researcher was able to acquire trustworthy and legitimate information from the respondents since they were qualified to engage in the subject matter.

### **4.2.4 The respondent’s experience**

|  |  |  |
| --- | --- | --- |
| Time period | Number of respondents | Percentage distribution |
| Less than 1 year | 5 | 11 |
| 1-5 years | 13 | 28 |
| 6-10 years | 19 | 41 |
| More than 10 years | 9 | 20 |

Table 4: information on the respondent’s experience

*Source: primary data*

According to the table above, the majority of respondents had been with the firm for more than 5 years. Only 11% of those respondents had worked for the organization for less than a year. This suggests that nearly all of those surveyed have a thorough grasp of the firm. As a result, any information gained from these individuals would be considered trustworthy. The investigation aimed to determine the number of years of working experience each respondent had and how that experience influenced their ability to deliver pertinent and accurate information because it was anticipated that they would be thoroughly acquainted with the company's operations. 28% of respondents had 1-5 years of job experience, 41% had 6-10 years of work experience, and 20% had more than 10 years of work experience.

## **4.3 COVID-19 affected activities in the organization**

Figure 4: The pandemic affected activities in the organization.

*Source: primary data*

The analysis of the response to the statement (the pandemic affected activities in the organization) reveals that 46%, 33% and 11% of the respondents ticked to a very large extent, to a large extent and to a moderate extent respectively while 7% and 4% chose to a small extent and to a very small extent. As indicated by the graph above 79% of the sample agreed that COVID-19 affected activities in the organization to a large extent. An insignificant number of 11% chose to a small extent this cannot affect the finding. This was also supported by Hope, Sude and Success (2020). They stated that the pandemic’s outbreaks hinder organizational effectiveness. Shen, Pan, and Chen, (2020), found that the COVID-19 outbreak significantly impairs performance.

## **4.4 COVID-19 affected the accounting profession.**

Figure 5: The pandemic affected the accounting profession

*Source: primary data*

The presented results above on the question, to what extent did COVID-19 affected the accounting profession, show that 43% of the respondents ticked to a very large extent, 33% to a large extent, 17% to a moderate extent, 7% to a small extent and non-chose to a very small extent. This showed that infectious disease outbreaks like COVID-19 significantly affected the accounting profession. This is because the COVID-19 outbreak affected how accountants worked, forcing them to change their usual working habits. Generally, it was impossible to meet the recently growing workplace needs. The study by Jabin (2021), also found that the epidemic has significantly altered how accountants do their job, they have been forced into regular transition and are generally not unable to adapt to new expectations of their job. Heltzer and Mindak (2021), further stated that, the pandemic’s financial and physical constraints have adversely impacted accountants' productivity, ability to complete their tasks, ability to keep relationships with customers and fellow employees, and ability to provide potential clients with future services.

## **4.5 The organization’s preparedness**

Figure 6: The organization was prepared for the pandemic

*Source: primary data*

Of the total respondents from the study on the figure above, 17% stated that the organization was prepared for the pandemic to a very large extent and 26% ticked to a large extent the other 22% ticked to a moderate extent while 15% ticked to a small extent and the remaining 20% ticked to a very small extent. In total, of the 46 respondents 57% ticked to a small extent or below. This shows that the respondents were of the opinion that the organization was not fully prepared to deal with the challenges brought by COVID-19 since it was a novelty pandemic.

|  |  |  |  |
| --- | --- | --- | --- |
|  | N | Mean | Std. Deviation |
| Reducing the number of employees | 46 | 4.67 | .474 |
| Frequent Risk assessment | 46 | 3.83 | 1.161 |
| Looking for alternative supply chains | 46 | 4.11 | .948 |
| Frequent reports | 46 | 4.07 | .998 |
| Frequent budget and plan evaluation | 46 | 4.17 | .677 |
| Valid N (listwise) **Overall mean** | 46 |  **4.17**  |  |

## **4.6 Ways to manage infectious diseases outbreaks.**

Table 5: Ways to manage infectious diseases outbreaks

*Source: primary data*

In the table above, the respondents were asked to rank the ways to manage COVID-19’s impacts during and ensure continuity post the pandemic. The survey's findings demonstrate that most respondents gave the various strategies for managing the effects of the pandemic excellent ratings, as indicated by the survey's overall mean score of 4.17. The findings revealed a higher mean in reducing the number of employees, looking for alternative supply chains, frequent reports as well as frequent strategy and budget evaluation as shown by a mean of 4.67, 4.11, 4.07 and 4.17 respectively. This means that accountants must deliver regular financial reports to allow diverse users to make timely choices, employ zero-based budgeting to eliminate inefficiencies in budgets, and seek alternate supply chains. The findings correspond with previous studies.

According to research by Deloitte (2020), accountants have expanded responsibilities during and after the COVID-19 epidemic. These responsibilities include regularly providing reports on firms, regularly evaluating risks, modifying revenue recognition policies, and implementing zero-based budgeting. Similar results are also seen in Priyesh's (2020) , research, which claims that accountants now have a greater responsibility than ever to guarantee that they deliver timely reports and to evaluate all corporate operations

## **4.7 Accounting measures to manage the company cash flow during uncertainty periods.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **N** | **Mean** | **Std. Deviation** |
| Cutting variable costs | 46 | 4.15 | .868 |
| Development of cash and liquidity management policies | 46 | 4.15 | .894 |
| Cash flows and cash conversion cycle management | 46 | 3.89 | 1.120 |
| Focus on inventory management | 46 | 4.07 | 1.104 |
| Sale of idle assets | 46 | 4.46 | .657 |
| Revisiting the capital investment plans | 46 | 4.37 | .771 |
| Valid N (listwise) **Overall mean** | 46 |  **4.18** |  |

Table 6: Accounting measures to manage the company cash flow during uncertainty periods.

*Source: primary data*

In the Table above, the respondents were asked to rank measures that can be employed to manage the company’s cash flow during uncertainty periods such as during the COVID-19 outbreak. The overall mean score of 4.18 from survey results shows that different financial measures to manage the company’s cash flow during uncertainty periods were ranked high by the respondents. Cutting variable costs, developing liquidity and cash management policies, focusing on inventory management, sale of idle assets and revisiting the capital investment plans were the highest-ranked measures as depicted by the mean score of 4.15, 4.15, 4.07, 4.46, and 4.37 respectively. 4.18 overall mean shows that various financial methods can be used to control cash flows during and after COVID-19.

The survey's results are consistent with those of the previous research. According to Ozil (2021), financial managers must routinely regulate the conversion cycle and assess risks. Athanosios and George (2021), and Daniel (2022), added that businesses must review their capital investment plans, seek out funding sources to finance working capital, and create cash and liquidity management policies following the pandemic's effects on the business sector.

## **4.8 Financial reporting and internal control measures to mitigate the impact of COVID-19**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1** | **2** | **3** | **4** | **5** |
| Reevaluation of internal controls | 0 | 6.5 | 4.3 | 41.3 | 45.7 |
| Revenue recognition reevaluation (IFRS 15) | 2.2 | 4.3 | 17.4 | 32.6 | 43.5 |
| Frequent fair value assessment of assets (IFRS 13) | 0 | 4.3 | 4.3 | 45.7 | 45.7 |
| Frequent going concern assessment (1AS 1) | 0 | 0 | 17.4 | 45.7 | 37 |
| Effect of COVID-19 on leases disclosures (IFRS 16) | 0 | 13 | 13 | 32.6 | 41.3 |
| Effect of COVID-19 on expected credit losses disclosures (IFRS 9) | 0 | 2.2 | 6.5 | 41.3 | 50 |

Table 7: Financial reporting and internal control measures to mitigate the impact of COVID-19

*Source: primary data*

**Reevaluation of internal controls**

The results in Table 7 show that among all the responses, none chose to a very small extent, 6.5% ticked to a small extent, 4.3% ticked to a moderate extent, 41,3% ticked to a large extent and 45.7% ticked to a very large extent. With an overall mean of 4.28 and mode of 5, this implies that re-evaluation of internal controls is a significant tool to use during turbulent times just like COVID-19. Alao and Oladjo (2020), indicated that management needs to reveal the effects of the coronavirus and internal controls on the company, as well as any possible effects on performance and the efficacy of risk management measures.

**Revenue recognition reevaluation**

The presented results in table 7 above show that 2.2, 4.3%, 17.4%, 32.6, and 43.5 ticked to a very small extent, to a small extent, to a moderate extent, to a large extent and a very large extent respectively. Additionally, supporting the frequency data were statistical findings with a mean of 4.11 and a mode of 5, indicating that the pandemic significantly impacted revenue recognition, hence reevaluation of revenue recognition will be very key. Antonio & Gomez 2020, found out that many companies may not be prepared to sign agreements with customers owing to the trading interruption brought on by the pandemic because of the uncertainties in financial troubles and liquidity challenges generated by the pandemic on companies. According to a survey by Deloitte (2020), accountants will have additional responsibilities during and after the COVID-19 epidemic which include revising the revenue recognition procedures.

**Frequent fair value assessment of assets**

As shown in table 7 the researcher found that non chose to a very small extent, whole 4.3%, 4.3%, 45.7%, 45.7% chose, to a small extent, to a moderate extent, to a large extent and to a very large extent respectively. These results indicate that, in an attempt to manage the consequence of the pandemic frequent fair value assessment of assets will be very essential, as this will provide stakeholders with quality information for decision-making, this is also supported by the mode of 4.33.

**Frequent assessment of going concern.**

As shown in table 7 above none of the respondents chose to a very small extent and to a small extent. 17.4, 45.7 and 37 chose to a moderate extent, to a large extent and to a very large extent respectively. This implies that during a pandemic going concern must be regularly examined. This is also supported by a mode of 4.20. According to Alao and Oladjo's (2020), research, companies must constantly examine their going concern. Similar conclusions are observed in Priyesh's (2020) research, which says that accountants have a greater responsibility than ever to give timely reports and examine all company activities. Deloitte (2020), pointed out that events that are likely to affect the going concern of the company need to critically analyze by the financial managers and accountants.

## **4.9 Relationship between business survival and accounting measures.**

|  |  |
| --- | --- |
|  |  |
| **Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** |
| **1** |  **.726a** |  **522** |  **.453** |  **.53815** |
|  |  |

Table 8: Relationship between business survival and accounting measures.

*Source: primary data*

Table 8 above indicates the relationship between the research variables. The findings indicate a substantial relationship between the investigated variable. The findings showed that of the differences in the business survival, 52.2% is due to financial and as shown by the R-square 52.2% is due to accounting measures. According to the research done by Daniel, (2022) financial reporting and accounting measures are essential for a company's survival in the infectious disease outbreak environment.

## **4.10 Are you aware of the following potential financial statement fraud risks during a pandemic outbreak?**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **N** | **Mean** | **Std. Deviation** |
| Working at home increased the risks of financial statement fraud | 46 | 4.09 | .915 |
| Revenue recognition fraud | 46 | 4.22 | .892 |
| Manipulation of key estimates, impairment and provisions  | 46 | 4.22 | .814 |
| Temptation not to disclose all necessary discloses | 46 | 4.50 | .587 |
| Incorrectly capitalize assets | 46 | 4.17 | 1.039 |
| Valid N (listwise) **Overall mean** | 46 |  **4.24** |  |

Table 9: Level of awareness

Source: primary data

In the table above, the respondents were asked to rank their level of awareness of the potential financial statement fraud risks during a pandemic. According to the survey findings, the majority of respondents were aware of possible financial reporting fraud during a pandemic outbreak, as demonstrated by the overall mean of 4.24. The findings presented a higher mean in working remotely, revenue recognition fraud, manipulation of key estimates, impairment and provisions, the temptation not to disclose all necessary discloses and incorrect capitalization of assets as shown by a mean of 4.09, 4.22, 4.22, 4.50 and 4.17 respectively.

This shows that during these times of uncertainties internal controls must be even stronger than before and the company must have a system for identifying fraud, thus taking relevant actions. The findings are consistent with previous investigations done by Albitar (2021), and Daniel (2022). According to Albitar (2021), special circumstances caused by the pandemic have put many companies at risk of bankruptcy and may have increased their incentives to manipulate financial statements and ultimately engage in fraudulent financial reporting. Daniel (2022), added that in situations of financial stress, management may not disclose unfavorable information and try to manipulate the financial reports to window-dress financial statements to maximize their job security, compensation, avoid breaking borrowing contracts, or decreasing regulatory costs.

## **4.11 Interview Guide for top Management.**

|  |  |  |
| --- | --- | --- |
|  | Interview Respondents | Percentage representation |
| Planned Interviews | 3 | 100 |
| Successful Interview | 2 | 67 |
| Unsuccessful Interview | 1 | 33 |

Table 10: Interview guide

*Source: primary data*

The interviews were scheduled with three respondents which are HR Manager, Finance Manager and Finance Executive, however, the HR Manager was not available during the scheduled time. The goal of the interviews was to guarantee a thorough examination of the problem being studied, backed by questionnaires. These interviews were conducted to gather more detailed data and to examine the accuracy and dependability of the information provided in the questionnaires.

### **4.11.1 COVID-19 affected activities in the organization**

The two interviewees agreed that COVID-19 significantly impacted the activities of the company in a negative way. Even though the company did not fully shut down even when the pandemic was at its peak, above 60% of the company workforce was working remotely, this affected accountants' productivity, ability to complete their tasks, ability to keep relationships with customers and fellow employees, and ability to provide potential clients with future services. Production was also significantly affected as a result of a shortage in the workforce. They also added that the revenue of the company significantly dropped as the company’s products were not able to reach its customers as a result of the lockdowns. The responses given by the Finance Executive and Finance Manager were supported by questionnaire responses indicated in Figure 4 where 79% of the respondents showed that the pandemic affected activities in the organization.

### **4.11.2 The organization was prepared for the pandemic**

They also added that due to the novelty of the pandemic, the company was not prepared to deal with the consequences of the pandemic. Almost similar results were depicted from the findings from the questionnaires presented in Figure 6, however, the finance manager went on to highlight that even though Delta Beverages (Pvt) Ltd was not fully prepared for the pandemic the company managed to cope with the pandemic’s new demands.

### **4.11.3 Measures to manage the company cash flow during uncertainty periods.**

They all pointed out that the measures in Table 6 above are key when managing the company’s cash flow during uncertainty periods. The Finance Executive added that accessing cheap sources of finance and differing payment of utilities can also be used to manage a firm’s cash flow. The Finance Manager pointed out that, company operations are heavily reliant on how the company manages its financial resources. As a result, finance is the heartbeat of any firm to continue operations. It is the blood that carries the oxygen to the heart of businesses to survive. In this sense, financial managers and accountants must be crucial to securing the survival of businesses.

### **4.11.4 Level of awareness on the potential financial statement fraud risks during a pandemic outbreak.**

The interviewees conducted also yielded similar results to those from questioners resented in Table 9. All the interviewees were aware of the potential financial reporting fraud following an infectious disease outbreak. They also added that different pressures such as obtaining the projected revenue or financial outcomes, particularly when the repercussions of failing to fulfil the anticipated financial targets are severe for management, can lead to fraudulent financial reporting, which is the case during the pandemic as many companies have faced different and increased pressures.

## **4.9 Chapter Summary**

Interpreting, evaluating, and presenting field data were the main topics of Chapter 4. Through the process of evaluating and presenting the data, the researcher came up with reasonable information obtained from the respondents. SPSS, graphs, frequency distribution tables, and pie charts were used for data analysis and presentation. Chapter 5 follows, and it contains a summary of the research study, recommendations, and a research study conclusion.

## **CHAPTER V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary of the Research**

The frameworks described in this research article are aimed at improving, promoting and disseminating theoretical knowledge of how to establish company flexibility during and after calamities like the coronavirus pandemic. The importance of the better prepared for the future, the disruption’s further potential and the complexity of elements and their relationships in the degree of preparedness at Delta beverages were examined. It also emphasizes measures that, from the viewpoints of accounting and business management, will allow organizations to quickly and efficiently react to unforeseen interruptions during an infectious disease outbreak.

Regardless of how unpredictable infectious disease outbreaks are, the study revealed that financial reporting measures that can be used to minimize the impact of the outbreak, these include preparing financial statements using the going concern principle and giving the capacity to be sustainable and operational in the near future to the users of financial statements. Companies must disclose how they are responding to the reopening of the economy and anticipated capital expenditures, even if revenue is declining. The management of businesses must thus look for other business prospects while maintaining confidence in the organization's capacity to continue operating for the foreseeable future.

The research also indicated that measures such as forcing on cash flows, securing new business contracts, changing the company’s existing business models to cater for consumers’ behavior changes, cutting costs by lowering overhead to match the revenue base, securing a line of credit, focusing on inventory management among others are useful to effectively manage a company’s cash flow during an infectious disease outbreak.

The results showed a relationship between financial reporting, accounting measures, and firm survival both during and after an infectious disease outbreak. This was proven by R-square values of 41% and 52%, respectively. This suggests that financial reporting and accounting tools are essential for a company's post infectious disease outbreak survival.

### **5.2 Conclusion.**

The findings of the survey highlighted a variety of financial reporting and accounting measures that businesses may employ to mitigate the detrimental consequences of an infectious disease outbreak both during and post the outbreak. Financial managers should play an important role by managing expenses properly, revisiting revenue cognition techniques, frequently assessing the fair value of assets, frequently examining the business's capability to continue operating, implementing activity-based costing and zero-based budgeting and producing frequent reports. The research also showed that in order to ensure the survival of the company both during and after a pandemic, the following financial measures should be put into practice: cash conversion cycle management, management of cash flows, risk management, accessing inexpensive sources of financing, revisiting the investment plans and working capital management. In addition to monetary and fiscal recovery measures, financial managers and accountants should take an active role in developing financial reporting and accounting measures to manage the consequences of an infectious disease outbreak in order to ensure survival of the businesses.

### **5.3 Recommendations.**

For a business to remain solvent, controlling liquidity is of utmost importance, and planning and analyzing liquidity will aid in managing the firm through a crisis. Creating a dynamic, rolling 13-week short-term cash flow projection that can be evaluated against the best- and worst-case scenarios is one way to do this.

Economic resilience is prioritized over efficiency. Given how much of the global economy can slowdown during a pandemic, management needs to analyze supply chain availability and demand realistically, but they also need to have a plan in place for reactivating orders if constraints are lifted and demand starts to increase.

A company's biggest asset is its people. Management must routinely and clearly convey the efforts they are doing to protect their staff members.

A good BCM strategy will guarantee that interruptions to company operations are kept to a minimum and resilience is increased. Management must adjust all activities as soon as there is a disturbance in the firm to maintain business continuity.

Management should keep an eye on public health recommendations and government assistance initiatives for the firm and employees as the situation unfolds.

The COVID-19's effects on reporting, accounting and companies’ internal controls should be carefully taken into consideration by management. Continuous disclosure obligations should be taken into account, and forward-looking comments made during past results presentations may need to be reviewed.

Financial managers and accountants need to be actively engaged in company recovery operations during and after a pandemic by devising and implementing reporting and accounting strategies to limit the consequences brought about by that pandemic on companies.

### **5.4 Future research suggestion**

This research, like other research studies, has certain limitations. The study only focused on Delta Beverages, this is only one company and one industry. The study also focused on COVID-19 which is only one of the many infectious diseases. Also, at the time of the study COVID-19 was a current event therefore the research did not investigate the entire scope of the pandemic's consequences. Future studies could take into account different sectors, regions, and prolonged time periods. Future studies might also give a comparison of the current findings with the disclosure in the post-COVID-19 era.

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Faculty of Commerce Department of Accountancy

P. Bag 1020 Bindura Zimbabwe

15 May 2022

THE HUMAN RESOUCE MANAGER

Corner Cripps and Seke Road, Graniteside.

Harare

Dear Sir/Madam

RE: APPLICATION FOR AUTHOURITY TO CONDUCT AN ACADEMIC

RESEARCH

I am a third-year student studying towards a Bachelor in Accountancy Honours degree at

Bindura University of Science Education. As partial fulfilment of my degree I am doing a

research project titled: **ANALYSIS OF ACCOUNTING AND FINANCIAL REPORTING MEASURES TO MITIGATE THE IMPACTS OF INFECTIOUS DISEASE OUTBREAKS DURING AND IN A POST THE OUTBREAK ENVIRONMENT: STUDY OF DELTA BEVERAGES PVT LTD DURING COVID-19 PANDEMIC.**

I kindly ask for permission to carry out may research. I promise to keep all the information

obtained confidential. I will be grateful if you consider my application.

Yours sincerely

B1953900



Instructions

1. Do not write your name
2. Tick the appropriate box and fill the spaces provided to answer

**SECTION A: DEMOGRAPHIC**

**Questions**

1. **Gender** male female
2. **Age** 18-25 26-39 40-50 51+
3. **Qualifications** Diploma Degree Masters If other(s) specify……...
4. **Experience** less than 1 year 1-5 years 6-10 years More than 10 years
5. **To what extent did the pandemic affect activities in your organization**

To very small extent To a small extent To a moderate extent

 To a large extent To a very large extent

1. **Was your organization was prepared for the pandemic**

To a very small extent To a small extent To a moderate extent

To a large extent To a very large extent

1. **To what extent did COVID-19 affected the accounting profession**

To a very small extent To a small extent To a moderate extent

To a large extent To a very large extent

 **Use the statements below to rate your responses on a scale of 1 to 5.**

1= To a very small extent

2= To a small extent

3= To a moderate extent

4= To a large extent

5= To a very large extent

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **1** | **2** | **3** | **4** | **5** |
| **To what extent can the following ways be useful to manage the impacts of infectious disease outbreaks (Research objective 1)** |
| 1. Reducing the number of employees
 |  |  |  |  |  |
| 1. Frequent Risk assessment
 |  |  |  |  |  |
| 1. Looking for alternative supply chains
 |  |  |  |  |  |
| 1. Frequent reports
 |  |  |  |  |  |
| 1. Frequent budget and plan evaluation
 |  |  |  |  |  |
| **To what extent can the following accounting measures be useful to manage the company cash flow during uncertainty periods (Research objective 2)** |
| 1. Cutting variable costs.
 |  |  |  |  |  |
| 1. Develop liquidity and cash management policies
 |  |  |  |  |  |
| 1. Management of the cash flows and cash conversion cycle
 |  |  |  |  |  |
| 1. Focus on inventory management
 |  |  |  |  |  |
| 1. Sale of idle assets
 |  |  |  |  |  |
| 1. Re-Visit the capital investment plan
 |  |  |  |  |  |
| **To what extent can the following financial reporting and internal control measures be useful to mitigate the impact of COVID-19 (Research objective 3)** |
| 1. Reevaluation of internal controls.
 |  |  |  |  |  |
| 1. COVID-19 affect the revenue of the company.
 |  |  |  |  |  |
| 1. Frequent fair value assessment of assets.
 |  |  |  |  |  |
| 1. The financial reports are prepared by means of the going concern assumption, in spite of COVID-19.
 |  |  |  |  |  |
| 1. The company provide any disclosure on the effect COVID-19 had on leases.
 |  |  |  |  |  |
| 1. Disclosures were made about expected credit losses due to COVID-19.
 |  |  |  |  |  |
| **Are you aware of the following potential financial statement fraud risks during an infectious disease outbreak? (Research objective 4)** |
| 1. Working at home increased the risks of financial statement fraud.
 |  |  |  |  |  |
| 1. Revenue recognition fraud
 |  |  |  |  |  |
| 1. Manipulation of key estimates, impairment, provisions and assumptions.
 |  |  |  |  |  |
| 1. Temptation not to disclose all necessary discloses
 |  |  |  |  |  |
| 1. Incorrectly capitalize assets
 |  |  |  |  |  |