
Effects of the Covid-19 Pandemic Estimated in the Financial Statements and the Auditor's Report

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Abstract

The COVID-19 pandemic had a significant impact on all aspects of life, but also on the financial reporting of companies and on the activity of auditors. The paper aims to highlight the importance of reporting in the financial statements the subsequent events caused by the COVID-19 pandemic, but also of the aspects that can significantly influence the going concern of companies' activities, respectively how these effects can cause changes in the quality of audit services. The study was conducted on a sample of 60 companies listed on the Bucharest Stock Exchange, analyzing the components of the annual reports for the financial year 2019, namely the financial statements, the administrator's report and the independent auditor's report. The results showed that the effects generated by the COVID-19 pandemic had a significant impact in most of the industries studied, affecting both companies to carry out activities by closing borders, reducing or even closing certain activities, stopping travel and hindering communication with suppliers, customers or investors, reduced sales, deferred payments or the need to optimally manage costs and available resources, as well as at the level of employees by performing work at home, technical unemployment or salary reductions, but also at the level of the client-auditor relationship, by limiting travel in business interest. Most of the estimated effects of the pandemic were presented in the administrator's report, some of the effects being mentioned in the explanatory notes to the financial statements. From a statistical point of view, the companies' declaration of the effects of the pandemic was correlated with the size of the auditor, the opinion issued by him and the average number of employees. The study showed that certain auditors assessed the risks posed by subsequent events reported by companies, presenting insignificant uncertainties in some cases, but also significant uncertainties regarding the going concern of the activity of some companies.

Key words: COVID-19; audit; subsequent events; going concern; adjustment

JEL Classification: M40, M41

To cite this article:

Crucean, A.C., Hațegan, C. D. (2021), Effects of the Covid-19 Pandemic Estimated in the Financial Statements and the Auditor's Report, *Audit Financiar*, vol. XIX, no. 1(161)/2021, pp. 105-118, DOI: 10.20869/AUDITF/2021/161/001

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2021/161/001>

Received: 13.11.2020

Revised: 7.12.2020

Accepted: 19.01.2021