

## **The Challenges and Roles of Professional Accountants amid and post-Covid-19 Era**

The whole mankind of this planet is now living in a completely unknown socio-economic environment amid Covid-19 pandemic. The whole world is now witnessing unexpected and unprecedented adverse situation. Almost all organizations of all sizes and sectors including professional accountants, auditors and consultants are now facing unexpected and extreme challenges across the world. The entire global economy is now really at stake and passing one of the worst situations since 2008 global economic crisis. As per the economists, it is going to be far worse than 2008 global economic downturn. It is very difficult at the moment, to predict the post-Corona socio-economic scenario of the globe. But the history of mankind says that world human being will overcome the pandemic one day and they will start a fresh journey of growth again. Nobody still knows how long this deadly Corona virus will kill the people and bleed the economy and how quick the global economy can be repaired in post-Corona era. But one thing is clear that the economic losses will be endless and the 7.7 billion people of this planet will see a different world in post-Corona era.

Thousands of people are dying every day around the world. The cases of deaths are highest in the super power country, the United States of America. Almost all the businesses under industry and service sector have been affected very badly and now passing a hard time. However, the agriculture sector has not been effected that much. In case of Bangladesh, the government has been proved very successful in handling agriculture issues and paddy harvesting. But due to disruption of supply chain, marketing of vegetables, fruits, flowers, poultry and fisheries have been effected and farmers and fishermen could not get due prices amid lockdown.

The real situation is that the global economy is plunging into deep trouble day by day. Many people have already lost job their across the globe. Informal workers find no work, having no income and no livelihood. A large number of formal employees and workers are also losing their jobs. Millions of livelihoods have been destroyed as the economic activities are continuously shrinking. The jobless affects have compelled the poverty-ridden people to turn into beggars. Poorer and developing countries will be the worst sufferers. The World Bank has predicted that 60 million people worldwide could be pushed into extreme poverty level and the global economy could be shrunk by 5% this year. If the Covid-19 continues for longer period, the real situation may be far worse than the said prediction. Bangladesh and its neighboring state India's Kolkata have witnessed another shock with the hit of the devastating super cyclone 'Amphan' amid the lockdown situation of Covid-19. Apart from the loss of lives and properties of the people of the coastal belt, crops, cattle, houses, embankments and roads have been badly damaged by the cyclone. Under the said shocking economic hardship, Bangladesh and many other countries across the world have decided to open offices and all economic activities from 31<sup>st</sup> May and 1<sup>st</sup> June to repair the economy.

The present Covid-19 scenario has put peoples into unbearable sufferings. In fact, the entire socio-economic situation across the world is really alarming. Common people's purchasing power has been substantially reduced. Accountants, auditors and consultants are also in deep

trouble. They could not carry out their professional works properly due to lockdown and maintaining social distance amid Covid-19. However, in few cases, they are doing some urgent meetings through video conference but in reality, they are unable to provide whole-hearted services due to the hard reality of the current socio-economic situation. Moreover, in many cases, they are not getting their bills/professional fees etc. as their clients' are facing liquidity problems. Sourcing new assignments have also become difficult for them and as such, professional service providers are now unable to earn regular income and the situation is worst for the young and new practicing professionals whose income have fallen into nil or very negligible amount. Tax, VAT and Company affairs practitioners have also no work or very limited works because of the present reality. In fact, the whole professional practitioner community is facing hard time to maintain their offices and families.

Covid-19 has brought significant uncertainties, market volatility and business disruptions. Normal production and sales have been disrupted and the business organizations are now facing difficulties in collecting sales revenues, accounts receivables etc. The present situation has created an adverse liquidity position for the Corona virus affected businesses. It has become really difficult for those companies to pay salaries to their employees and meet the financial obligations and pay off the bank loans. Due to this, another situation may arise to sale a part of business or assets or discontinue the business itself. Under this reality, it may be difficult for professional accountants and auditors to apply IFRS 5 (Non-current Assets Held for Sale and Discontinued Operation) and they may apply professional judgment for ensuring a true and fair view of the financial statements. Moreover, they need to deal the matters of assessing the abilities and uncertainties of the organizations of their clients to continue as going concerns. Under this situation, they should know the management's plan to deal with the adverse effect of Covid-19 like handling the supply chain disruption, continuation of business contracts, discontinuation of any business operation and possible material changes and include those issues in the disclosures of financial statements and audit reports to protect shareholders' and stakeholders' rights and interest. But it will be very difficult for them to forecast and project a company's ability to run the business and earn profit amid and post-Corona virus era. Under the said scenario, the member bodies of SAFA may develop a widely agreed-upon conceptual framework for dealing these issues that will be well accepted to the shareholders, stake holders and regulators of this region.

The overall global socio-economic scenario amid Covid-19 is really frustrating! Among others, tourism, entertainment, movie theatres, saloons, public transport, big shopping malls and air lines are now at standstill. Other businesses like health care services, education, labor intensive industries like RMG, textiles, leather, footwear, real estate, cement, rod and other construction materials manufacturers, general trading, exports, imports, financial institutions and many other industries and businesses are also facing tough times and struggling to survive. In big economies also, highly technology based manufacturing industries from motor car to airplane have almost no work. Moreover, due to the fall of the oil prices to the lowest level of the history, the oil exporting countries in the gulf are now facing economic downturn which leads them to limit their development works and cut jobs of the migrant workers. This situation is hampering remittance inflows to the low income countries like ours and creating social

problems due to the return of the migrant workers having no job and no money to maintain their livelihood.

In view of the said devastating business and economic situation created by Covid-19, it has now become essential to do testing of impairment of assets because in economic recession period, generally assets may be impaired. There may be unexpected decline of the market value of assets like property, plant, equipment. It is obvious that the Covid-19 will lead to technological improvements of industries and businesses and as such many machinery and equipment will become obsolete and lose economic performance than expected. As a result, carrying value of those assets may not be recovered. So, the Covid-19 scenario demands that the professional accountants and auditors should assess the carrying values of those assets and give fair judgment on assets valuation. Professional accounting bodies may work on this issue on urgent basis and give a well-accepted guideline for applying professional judgment in addition to IFRS in the accounting treatment for asset valuation as a consequence of Covid-19.

As a result of the impact of Corona virus, many business organizations are witnessing unexpected stock lots of inventories due to cancellation of orders. IAS 2 requires that inventories should be measured at lower of cost and net realizable value (NRV). Corona has adversely affected the value of those inventories and created problem in estimating NRV. The changes in the valuation of inventories and depreciation of assets due to change of asset value will have impact on revenue recognition and provisioning of tax liabilities. In some cases, buyers are giving undue pressure for price discounting and compensation for delayed delivery of goods amid the Covid-19 which will also have impact on revenue recognition. Professional accountants and auditors need to correctly address these issues and do careful study and evaluation of facts under this rapidly evolved Covid-19 situation for preparing correct financial statements on which shareholders and stakeholders can rely.

There is no denying that the financial statements shall be prepared on IFRS basis. But due to Corona virus situation physical verification of inventories, assets and cash have become difficult. Vouching is also an important area of financial audit which needs to check the vouchers through physical presence. Bangladesh Securities and Exchange Commission now gives time extension to the companies to hold AGM and also allows holding AGM through video conference. Time extensions are also being allowed by other regulatory bodies and tax authorities for filing annual returns, tax returns etc. But the reality is that an uncertainty has been created in timely preparation of the company's statutory audit reports including quarterly, half yearly and yearly financial statements.

Adequate field level survey is required to do valuation of assets to be mortgaged against loan for which physical presence is also necessary. Determining the allowances for doubtful receivables is also very important to the shareholders and stakeholders to assess their risks. The ability to realize assets and loans as well as discharge liabilities is needed to be reflected in the accounting statements and audit reports. These issues also need physical presence to do the job whole heartedly.

Matters of public procurement have direct relation with public interest and accountants have the responsibilities to protect public interest. Most of countries, now practices, e-tendering and it is time for accountants and auditors to conduct the audit and compliances of public procurements under digital platform and act as gate keepers to detect frauds and combat corruption.

The other side of the Covid-19 shows that e-commerce and f-commerce businesses are expanding due to the changed global scenario of maintaining social distance. Few apps of providing online services like online education and examination, distance learning as well as online based exercise, video games etc. are doing well. It is learnt that e-commerce businesses are hiring more people to expand their businesses to meet the growing demand of their customers as the pandemic has forced the customers to shop online. Amazon, FoodPanda etc. are hiring thousands of new staffs to grab the new business opportunities. Mobile financial services (MFS) are also doing well.

Earnings of few businesses like pharmaceuticals, consumer goods like soaps, antiseptic soaps, sanitizers, surgical face masks, common masks, disinfectants, personal protection equipment (PPE), medical equipment and bicycle etc. have also increased substantially amid the Corona virus. Businesses of basic food and grocery items have increased temporarily due to panic-stricken consumers' mentality to stock more and feel safe. But non-essential items like bakery, fast food, restaurant foods, clothing, cosmetics, jewelry etc. are facing tough time and in spite of the growth of few businesses, the overall economy is really in crisis.

However, the aforesaid business developments indicate that the consequences of the Covid-19 will lead the entire world to work more under digital platform. The Covid-19 situation has increased the importance of the 4<sup>th</sup> industrial revolution and uses of artificial intelligence in the coming days. Professional accountants, auditors and consultants are no exceptions; they should also develop befitting digital platform for providing professional services to cope with the changes happening due to Covid-19.

As per World Health Organization (WHO), Covid-19 may continue for long time. So, in order to adjust with the changes, the whole global accounting, auditing and consultancy practices need a change in attitude of traditional practices and calls to give more emphasis on online services as much as possible. Under the present socio-economic environment and also in post-Corona era, professional accountants, auditors and consultants should rebuild and redesign their service pattern based on digital platform. In any case and in any situation, they should act as the custodians of ethics and integrity. They now require to gather information on financial activities and risk factors through online system as much as possible and include the same in the financial statements and disclosures.

However, it is also a reality that providing professional services under digital platform may improve the situation to some extent but not give full solution because most of the businesses in South Asia are family owned and they maintain some confidentiality in their financial transactions. The owners are reluctant to give full information to the accountants, auditors and

consultants through online considering the matters of cyber security and taxes. But accuracy and transparency of accounting reports are important for investors as well as stakeholders where whole hearted services of professional accountants and auditors are crucial. So, it is time for them to start work on this issue in spite of the threat of cyber security. The world is going to adopt digital platform based services very quickly and under this scenario, professionals now really need to get prepared to start full proof online based professional accounting and auditing practices on one hand and take effective steps to prevent cyber-attack on the other.

In fact, in the digitization process, cyber security will become a major concern for the accountants, auditors and consultants. The professional accounting firms should be very sincere to adopt with the changes of the working environment amid and post-Coronavirus era. They should now work to develop a round-the-clock cyber security operation system to prevent cyber-attacks, on which the clients can rely and agree to provide information through online. Cyber intelligence is equally important for accountants, auditors and consultants to keep their clients under confidence. In this regard, the professional accounting bodies should play due role to help and support their members and practicing firms to develop effective digital platform for providing professional services. The professional accounting bodies should arrange training programs to equip their members for providing professional services under digital platform. The changed situation demands that the professional accountants, auditors and consultants now must know the technology of collecting online information as well providing online services. So, they should now give more emphasis on automation and digitization of their offices and work stations. They should also develop and redesign their websites for attracting clients through giving more comprehensive information on their areas of professional services on which clients may have interest.

However, the professional accountants, auditors and consultants should also be aware of the fact that online remote working may create increased risk of financial fraud and also may impact internal control. As such, they must be more alert in detecting frauds and errors. The International Auditing and Assurance Standard Board (IAASB) has highlighted in its Covid-19 staff alert regarding the possibility of fraud and error and awareness of the auditors to pay more attention to standards. There may also be a tendency of presenting rosier picture of current reality through financial statements and discloser manipulation and the professional accountants and auditors should be very careful on incomplete and misleading information. They should do ethical practices and refrain from accounting engineering that misguides the stakeholders and investors. Their professional ethics demand that they should always guide the shareholders and stakeholders but never misguide. So, they must be more alert while working under digital platform. They should work under professional ethics and integrity balancing between their performance and conformity. They should be completely aware of WorldCom, Enron and Satyam type situations so that bad things reported in their reports earlier are not repeated again amid Covid-19.

Multilateral lending agencies like World Bank, IMF, ADB etc. have declared rescue financial packages. The European Union is also conducting an online survey to prepare a new trade benefit for the poorer nations, including continuation of GSP (generalized system of preference)

facilities. The governments around the world have also have announced a number of stimulus packages for different businesses and individuals affected by Corona virus. Bangladesh government has announced stimulus package of around 12000 billion USD for different economic sectors and individuals. At least seven types of financial stimulus packages are being disbursed by the central bank through the commercial banks to overcome the Covid-19 affected liquidity problem and maintain the normal money flow in the money market. These loans are being provided at a subsidized rate under which, banks get full interest but the government subsidizes a portion of the interest. These are: easy loan at 2% interest rate for 26 months with 6 months' grace period for payment of wages to the workers of export-oriented industries, working capital loan at 4.5% for one year to industry and service sectors and loans at 4% interest rate to Cottage, Micro, Small and Medium enterprises, loans at 4% interest rate to the selective agriculture items and easy micro financing at 9% interest rate to low income professionals, farmers and small business owners. Besides, Limit of export development fund (EDF) has been increased to financing the export-oriented industries for imports of raw materials under back to back LC and interest rate has been lowered to 2%. A number of other financial supports and temporary relief on loan repayments have also been declared. Moreover, the Bangladesh government has announced stimulus fund to help migrant workers, unemployed youths and rural vulnerable population to survive amid Covid-19. The central bank of Bangladesh has also taken other steps like reduction of CRR (Cash Reserve Ratio) and repo rate as well as increase of the ADR (Advance Deposit ratio) threshold to ease the liquidity in the banks. Moreover, the central bank of Bangladesh has also decided to go for Quantitative Easing (QE). QE is a form of unconventional monetary policy in which a central bank purchases securities from the market in any crisis period to increase the money supply in the money market and encourage lending and investments. Disbursement of the said financial aids and stimulus funds are needed to be thoroughly audited to avoid malpractices, frauds and errors where professional accountants and auditors should play important role to protect public money and ensure that money under the stimulus packages are disbursed to the really deserving individuals and organizations. Moreover, provisioning of loans and interest against the said rescue funds will also need to apply both IFRS and professional judgments.

Needless to say that, public fund as well as foreign aids and debts shall be used with honesty and for specific purposes only and as such, proper audits are crucial to ensure proper utilization of public funds and foreign aids. Besides, financing will be a major challenge for repairing the global economy amid and post-Corona era. As a matter of fact, developing countries will need substantial amount of foreign aids and loans for healing the injuries caused due to Corona virus and the international donors and lenders will want to see the transparent uses of the fund they provide. These issues should be addressed by accountants and auditors for providing transparent reports on which international development partners can rely and provide aids and loans.

It is now clear that the global politics, business and economy will be changed in post-Covid-19 era. We may witness a different world in post- Corona virus era. But the Covid-19 may be a game changer for accounting, auditing and consultancy practices. So, they must now act so decisively to face the Covid-19 crisis and take all out efforts to enter into a new working

environment under digital platform amid and in post-Corona virus era. In order to overcome the new challenges created by Covid-19, the professionals and the professional bodies should start a fresh journey of providing online based services as much as possible.

Covid-19 has changed everything; the personal life, family life, social life, professional life, national economy and global economy as whole. Today, it has become a reality that millions of people are losing their jobs amid Covid-19 and it will get further worst in post-Corona virus era with the growth of automation and 4<sup>th</sup> Industrial Revolution. Professional accountants, auditors and consultants have no choice but to cope with the rise of the global technological transformation. Under the changed global reality, technological transfer will be the biggest challenge for accounting and auditing practices. In view of this, member bodies of professional accountancy organizations (PAOs) should play important role to equip their members to perform their duties and conduct audits under digital platform. Here in Bangladesh, ICMAB is now offering online education, training and CPDs in a limited scale. But situation demands to expand those scopes and start online or remote examination as early as possible. In order to meet emergency demands and continue the routine function, the National Council and different committees of ICMAB are holding regular meetings under video conference amid Covid-19. ICMAB has also done pre-budget discussion and several exchange of professional views through webinar. But those are not enough to face the challenges of the present situation. It is time for PAOs to stand beside the members and students to cover the losses caused by Corona virus. PAOs shall also strengthen cooperation among the global as well as regional PAOs to share knowledge and experiences to face the professional challenges amid and post-Corona era.

The Corona virus crisis is a major issue as well as opportunity for accounting, auditing and consulting regime to further develop under digital platform. High quality accounting and auditing practices are treated as a bulwark against the financial and accounting frauds and corruption as well as protection of public interest. So, whatever the situation is, accountants and auditors should act responsibly to prepare true and fair financial statements, give adequate disclosures to the shareholders and stakeholders. They should always keep in mind that both financial and non-financial factors come together in corporate reporting to give a complete picture to the users of the financial statements. The learning from Covid-19 is that they should now work more under digital platform and establish their image as custodians of ethics and integrity. Under the changed global socio-economic and working environment scenario, professional accountants, auditors and consultants need to be proactive, pragmatic and also very alert regarding frauds and misleading information. Situation also demands that PAOs shall strengthen regional as well as global cooperation to develop uniform standards for providing digital platform based professional services.

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