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Balance sheet

COVID-19 INFECTS FINANCIAL REPORTING

By Douglas E. Schleucher, CPA

The COVID-19 pandemic has disrupted life around the world, but business, in altered fashion, goes on. Companies and organizations will have to report on their operations, financial condition, and cash flows during this crisis. Months into the pandemic, widespread economic uncertainty and volatility still exists. Although fiscal and monetary policy measures were implemented to prop up the economy, the long-term impact of the crisis remains difficult to predict, especially as we enter a second wave. Like everything else, COVID-19 is affecting financial reporting and accounting.

In June of this year, the Office of the Chief Accountant of the U.S. Securities and Exchange Commission (SEC) issued a statement regarding the continued importance of high-quality financial reporting in light of the significant impacts of COVID-19. The statement issued by the SEC chief accountant provides observations regarding various accounting and financial reporting issues raised by the COVID-19 pandemic including:

- Significant estimates and judgements
- Disclosure and reporting of the impact of COVID-19
- Going concern and the ability to continue operations
- Government assistance



The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 by the United States government to provide both tax and nontax assistance. One of the programs established by the CARES Act is the Paycheck Protection Program (PPP). The PPP involves a loan that is designed to be forgiven. It is possible that all, none, or a portion of the loan will be forgiven. The unique features of this loan raise a number of accounting and financial reporting issues. Two of the main issues are how initially to account for the funds received and then how to account for the benefit or income from the subsequent forgiveness of the loan.

There is limited or no official accounting guidance on many of these issues, although the American Institute of Certified Public Accountants did issue a series of Technical Questions and Answers in June of this year related to the pandemic. Numerous unofficial articles have also been published on the subject.

The impact of COVID-19 on financial reporting will continue to evolve, as does the virus itself, hopefully all for the good.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision. You cannot rely upon this information for avoiding tax penalties.