

Uncertainty, Risks, and Challenges in the Accounting Profession during the COVID-19 Pandemic

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Abstract

Nowadays, the economic situation is dominated by the consequences of the pandemic, which have influenced the entire strategy and generated new approaches that have often meant the rethinking of the entire business in order to avoid bankruptcy. At other times, the entrepreneurs and employees have had to adapt, to constantly find solutions to deal with crisis situations. This paper is part of the current situation we are living in, by analyzing the extent to which the pandemic has influenced the activity of professional accountants under conditions of risk and uncertainty. Professional accountants have adapted to the changes caused by the pandemic, their activity being significantly affected, in the sense that they were forced to make changes in their work routine, facing difficulties in adapting to the new work requirements, as during this period the risk and uncertainty have been dominating the activity of both the clients and the professional accountants.

Key words: accounting profession, COVID-19 pandemic, uncertainty, challenges

J.E.L. classification: J21, F61, M41

1. Introduction

The importance of the accounting profession is even more pronounced during periods of emergency / alert, when the country's economy is exposed to risks, a context in which the state has an important contribution, by adopting support measures for companies. The pandemic is not over, the financial-accounting departments and independent professionals are still facing difficulties in managing this crisis and finding life-saving solutions for many companies, thus we can consider the next period as extremely challenging. The COVID-19 pandemic has generated unexpected challenges for the companies - financial, operational and personnel difficulties - regardless of their size and field of activity, with an impact on the course of action. In this context, the role and skills of professional accountants must evolve in response to the requirements of the external environment, given that they provide strategic advice to help companies ensure the continuity of their activity.

The coronavirus crisis poses a threat to the national economy and to the living standards of the citizens. During this health crisis, it is absolutely necessary to support not only the critical sectors of the economy, but also our assets, technology and infrastructure, the labor market being a priority.

The economic impact of the crisis varies from one sector to another and from one company to another. It depends on a number of factors, such as the possibility of becoming acquainted with the lack of continuity in the supply chain, the existence of stocks or dependence on time-bound production processes.

Inevitably, crises involve making difficult decisions, but the optimal conditions for decision-making are not enough. Countless small business owners, CEOs, government leaders and others have faced this reality in 2020. For many of them, professional accountants have been present as reliable consultants in uncertain and unforeseen times. As in the case of each trade, following COVID-19, accounting will undergo a series of changes. The capabilities of managing these changes will be sounder from now on.

Nowadays, the accounting profession has the ability to adapt to any situation - for the benefit of the businesses, government and society. Furthermore, this is an ideal time for the profession to protect existing talent and attract new one.

The changes caused by the restrictions imposed by the pandemic have forced us to reconsider the role of professional accountants: future-oriented skills can usher in a new world in which professional accountants play the role of strategic leaders.

COVID-19 will change accounting, and we will get used to digital processes we once considered impossible. We will prove our ability to manage change more accurately than ever before and the way in which we anticipate the future will be influenced by an experience many of us did not imagine they could have.

2. Theoretical background

The way in which economic activities are organized is forever changed and reality has changed the way professional accountants cooperate with the stakeholders. They are the holders of the information which influences the long-term strategy and, as companies change in order to remain relevant, professional accountants need to be at the heart of these processes.

The guiding principles for achieving this, as well as the international standards on financial reporting, are audit and assurance, ethics, public sector and it is hoped that sustainable development will soon be added. A long-term plan based on sustainable development makes it easier to maintain an organization's place in the future. Even regulators have difficulty adapting to the way accounting has changed, especially in the year 2020.

The accounting profession needs to focus more on efficiency and risk monitoring, but without neglecting the formal side, in terms of independence, confidentiality and professional transparency. The role of the accountants has evolved with the evolution of accounting, from the technique of recording trade to means of control, evidence and social stake. Over time, the delegation of responsibilities related to the production of information provided by accounting has created the preconditions for the emergence of an independent accounting profession, which is becoming increasingly important, being aimed at legitimizing the information provided by the companies (Bunget, 2005).

Promoting a direction for the future by working with regulators on the latest approach to financial reporting and auditing in a digital world is an issue that accounting firms should consider. This will be beneficial for the future of the accounting profession, as a common perspective is reached regarding information on sustainability, focusing on environmental, social and governance (ESG) issues. For the future of the profession, it is important for the sustainable development and transparency on ESG to be integrated into ways of reporting and ensuring high quality at the global level.

The vision has important implications for the employed professional accountants and, in general, for the accounting profession. It requires a change in professional skills and competences, mentalities and behaviors needed to influence decisions on a larger scale and to work in multidisciplinary teams. Key priorities for the profession include involving the employed accountants and their employers; improving the accounting education; promoting the profession and professional accountants (IFAC, 2019).

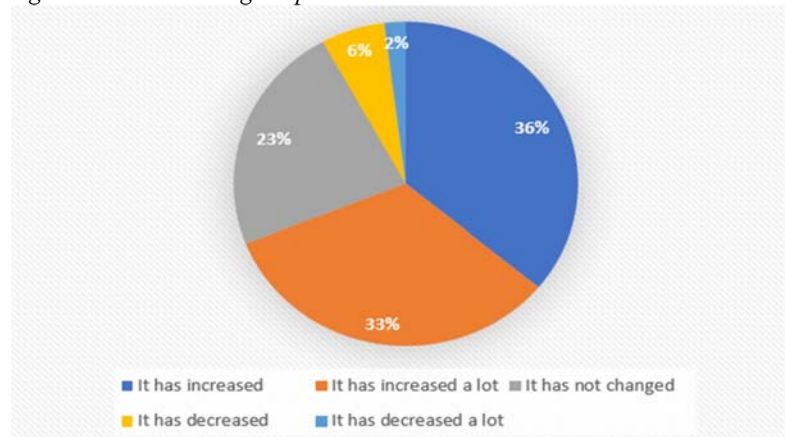
3. Research methodology

The paper presents a qualitative and a quantitative research on information collected from the international statistics and from a questionnaire made by Karbon Magazine on the effects of pandemic in accountants work. The examination of the impact of Covid-19 pandemic shows how many changes, risks and uncertainty was brought in accounting profession.

4. Challenges of the accounting profession during the pandemic

With the onset of the pandemic caused by the coronavirus, accountants encountered difficulties in terms of the allocated working time, given that its volume increased significantly. About 70% of the 1,000 accountants who took part in a questionnaire conducted by Karbon Magazine answered that the workload has increased, and 23% believe that there have been no changes in this regard.

Figure no. 1 Change in workload during the pandemic



Source: Authors' processing

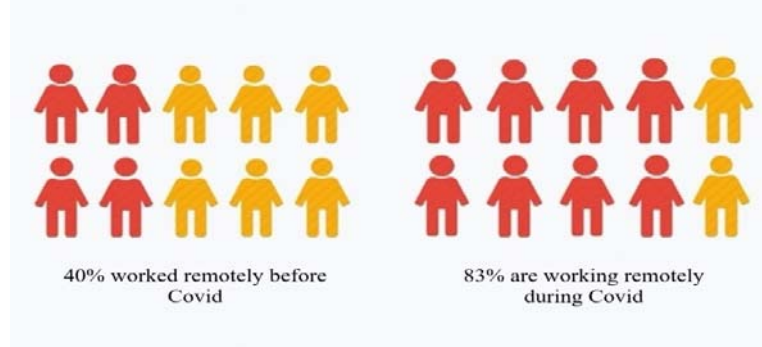
5. How easy was the adaptation?

Professional accountants are already dynamic thinkers with a penchant for proactive planning: they are reliable consultants in difficult times. Many debates have focused on accountants' importance in terms of developing professional skills and deepening new techniques for analyzing and interpreting data in different situations.

Professionals need to develop their storytelling skills, be able to show effectively how all the pieces fit together and how the financial function strengthens development. Although the basics of this aspect can be taught in the classroom, this skill will be largely trained in the workplace.

According to a study conducted by Karbon Magazine, it is observed that the number of accountants working remotely during COVID-19 is more than double than that of those working remotely before the virus appeared.

Figure no. 2 Statistics of professionals working remotely before and during the pandemic



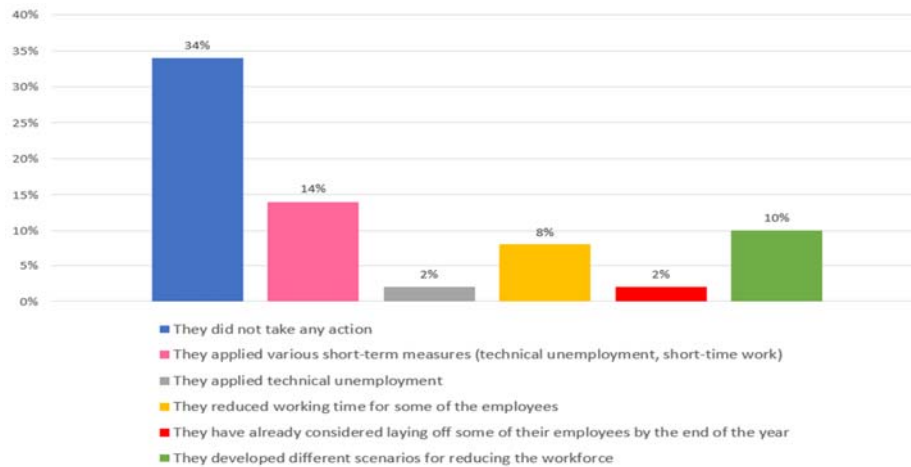
Source: Authors' processing

A CEO of a professional accounting organization confirmed the need for agile, future-oriented skills, stating that crisis must be used as an opportunity for a change and adaptation of traditional work from the office.

Following the same study conducted by Karbon Magazine, one can notice that, statistically, the measures applied by the companies affected by the health crisis varied according to object of activity and size and they had different effects. Thus:

- 6% of the companies found that there are many opportunities during this period, which has led to the growth of each business, whether it meant an increase in sales or the identification of new products launched by them or those to be launched on the market;
- For 24% of the participating companies, the crisis does not have any impact, positive or negative, as they are waiting to manage performance budgeting until the end of the current year;
- For the remaining 70%, the COVID-19 crisis has so far led to a decrease in turnover; however, their reactions to the current situation vary.

Figure no. 3 The measures applied by the companies affected by the new coronavirus



Source: Authors' processing

The periods of economic and financial crisis have shown that the reduction in losses and the economic recovery following the crisis crucially depended on the scale and quality of state interventions in the real economy. The paradigm of investing in public infrastructure and austerity have proven to be pro-cyclical rather than effective for the states which have opted for such an approach. Moreover, states with strong financial markets, through virtually unlimited access to financial resources and the lowest costs, have been able, through the favorable interest rate differential, to ensure better dynamics and profitability for domestic companies.

6. Conclusions

2020 and 2021 was years in which the world took on new dimensions in the context of the health crisis that brought additional risks and uncertainty in all areas of activity. This process will certainly continue for many years, the keywords being digitalization, innovation, and flexibility in all areas of activity.

The economic impact felt is materialized in a general economic slowdown which includes, but is not limited to, the easy disappearance of some issues and the deterioration of the financial market, worsening credit, liquidity concerns, continued increase in government intervention, rising unemployment, general decline in discretionary consumer spending, rising stock levels, declining production due to deteriorating demand, layoffs, and other restructuring activities. A negative impact

on a company's financial results and an even wider economic slowdown can be caused by the continuation of these circumstances.

Although for a year and a half humanity has been waiting for a return to the normalcy before the pandemic, the foreshadowing reality shows that we will probably never return to normalcy. This pandemic crisis will in fact be a step forward towards a digitized, flexible, and innovative profession. This crisis caused by COVID-19, but also the economic decline have almost irreparably affected many SMEs. As long as governments still provide various forms of financial support to economic sectors, they can be saved and accountants can be a great help to these struggling companies. The advice that can be offered, the certainty that the company is managed sustainably by identifying and solving insolvency risks are just some of the contributions that professional accountants can have to saving these companies in the current context.

Therefore, the year 2022 promises to be challenging, and the business environment must take all necessary measures to limit the effects of the disruptive factors and to benefit from all the facilities at its disposal.

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