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Effects of COVID-19 in the Financial Statements of Selected Companies Listed in Warsaw Stock Exchange

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Abstract:

Purpose: *The objective of this article is to evaluate the quality of the presented content concerning the impact of the COVID-19 pandemic on continuing activities of selected companies listed in Warsaw Stock Exchange.*
Design/Methodology/Approach: *In the first part we applied critical review of subject literature and the monographic method. In the second part, the content analysis method was used, and the basic source material were the financial statements - annual for 2019 and interim for 2020.*
Findings: *Research demonstrates that disclosures of events following the balance sheet date did not allow users of financial statements to assess the risk associated with the impact of COVID-19. Some companies completely ignored the risk related to the pandemic in their financial statements, and in some cases the scope of disclosures is symbolic.*
Practical Implications: *Indicating the gap between the expected and actual scope of disclosures regarding the consequences of the pandemic in financial statements, which are the primary source of information about a listed company that are further authenticated by an auditor.*
Originality/value: *Demonstration of the insufficient level of disclosures regarding the impact of the pandemic on the financial condition and performance of the entities audited, including a lack of numerical analyses of its impact on the entity's ability to continue operations, and the valuation of its assets and liabilities.*

Keywords: *Events after the reporting period, pandemic, quality of financial statements, COVID-19, European Union.*
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1. Introduction

The 2020 COVID-19 pandemic had a strong impact on the economy of almost all countries in the world. In many of them, the wave of state administered aid for entrepreneurs made the economic crisis less profound. Negative consequences will be experienced only by entities operating in industries directly affected by the lockdown (Grima *et al.*, 2020; Khan *et al.*, 2020).

Therefore, one could expect that the alterations in demand, resulting partly from the job market's destabilization, will be notable on a macro scale. This may translate into infecting other sectors of the economy that seem to be immune to the pandemic's effects. However, there are also industries, such as medical and IT, that experienced increases in turnover due to the pandemic. It can be expected that the uncertainty related to the crisis will have an impact on financial statements, which are the key source of information about the financial condition and performance of the entity. The purpose of financial statements is to provide users with information useful in making decisions related primarily to the capital provided to the entity in the future (Conceptual Framework for Financial Reporting, 2018, par.1.1). The value of financial statements is their credibility, as they are a source of documented and verifiable knowledge, allowing users to assess the entity's potential to generate future benefits. Reports that fail to meet certain qualitative features also fail to fulfil that function.

Accounting is prepared for both good times and bad ones. For many years, both in its theoretical dimension and terms of legal solutions, it was applying tools allowing for an adequate demonstration of the risk of business activity. For centuries, the prudence principle has been in force, which involves caution when using estimates in conditions of uncertainty (Conceptual Framework for Financial Reporting, 2018, par.2.16). Its manifestation is, in particular, the verification of the value of assets and liabilities, recognition of provisions, and analysis of threats related to continued operations (Hońko, 2008). This principle also applies when some significant circumstances were only revealed after the balance sheet date.

Therefore, it has not only a retrospective dimension, but also a prospective one. International regulations (e.g., IAS, US GAAP, and EU Directives) and the balance sheet regulations of the respective countries impose a duty to include these circumstances in the previous periods' financial statements. Records of events occurring after the balance sheet date are permanently embedded in the accounting principles and regulations, proving their universal nature.

Events after the reporting period are both favourable and unfavourable, which occur between the balance sheet date and the date when the financial statements are authorized for publication. IAS 10, followed by several national regulations, distinguish between events after the balance sheet date that require adjustment and those that do not require adjustment. What is crucial in this respect is determining which of the events following the date of the financial statement should be reflected therein as events that require adjustments, and in case of those events that do not require such adjustments, what additional information should be disclose

If management concludes that an event is an event that does not require adjustment, but its effects on activity are significant, the entity is obliged to disclose the nature of this event and estimate its financial consequences. For example, an entity may be required to provide qualitative and quantitative disclosures about the effects of post-year market volatility on an equity investment. If a reliable estimate cannot be provided, the entity will be required to disclose this fact (IFRS and COVID-19, 2020). Pandemic is, without any doubt, an event that significantly affects the activities of entities and their expected results. How can stakeholders assess the magnitude of the impact of a pandemic on the entity's operations? Evidently, the financial statements are not the sole reports that an entity produces. However, they are always the most reliable ones. This is so, first, because the basis for their preparation is documented economic operations. Secondly, financial statements are prepared according to strictly defined standards and principles. Formalized rules apply, in particular, to entities of public interest, including companies listed on regulated markets. The authors assume that a stakeholder, seeking reliable information about the pandemic's expected effects on an entity, will refer to the financial statements in their parts concerning events after the balance sheet date.

2. Scope and Methodology

The present article's objective is to evaluate the quality of the presented content on the impact of the COVID-19 pandemic on the company's further operations, as included in the notes to the financial statements entitled "Events after the balance sheet date." We formulated the following research hypothesis: companies disclose information on the COVID-19 pandemic in the notes to their annual financial statements under "Events after the balance sheet date," discussing its impact on the future financial condition and operations results.

In order to conduct the research and verify the research hypothesis, the following research questions were formulated:

1. Do companies provide information on the COVID-19 pandemic as part of their notes on events following the balance sheet date?
2. Do the companies, in relation to the COVID -19 pandemic, indicate its impact on:
   a) their continued operations?
   b) expected impact on revenues, costs, and financial result?
   c) expected effects on the value of assets and liabilities?

d) the requirement to recognise impairment losses?
e) the requirement to change the valuation principles?

The content of the present article was divided into the following parts:

1. Literature review on the impact of the crisis on the quality of disclosures in financial statements.
2. Guidelines from industry organizations and regulators on reporting post-balance sheet date events related to the occurrence of COVID-19.
3. Conclusions from the audit of the scope of disclosures on events after the balance sheet date in the financial statements of selected issuers of securities.

Achieving the objective of the study, that is, verifying the hypothesis and answering research questions required the application of an appropriate research method, i.e., content analysis of the note "Events after the balance sheet date" in the reports for 2019 and the first half of 2020 of Warsaw Stock Exchange-listed companies from selected industries.

3. Literature Review

To maximize the usefulness of the information in the financial statements, as referred to in the introduction, it seemed necessary to strike a balance between relevance and reliability. The solution may be to disclose the risk level of the presented forecast and estimated information, which will allow the investors to make informed decisions (Remlein, 2019, p. 90). According to Samelak (2013), financial reporting is an organized set of selected and synthetic information, with its crucial financial nature. Moreover, as the author notes, it is generated mainly in the accounting system and only partly outside it, and it refers to the past and present financial situation, property, and financial result of the economic entity.

As emphasized by M. Rówińska, the quality of reporting information results to a large extent from the accounting principles, which in their essence are subordinated to the principle of a true and fair view, e.g., the principle of prudent valuation, significance, continuity, and the superiority of economic content over form. Thus, based on all superior accounting principles, it is the special care of accounting for the appropriate quality of information generated by it and presented in the financial statements (Rówińska, 2013).

As Marcinkowska (2008) notes, the company's growth in informational transparency and the quality of its disclosures is accompanied by the decrease in the cost of its organizational financing. At the same time, the high quality of disclosures has a direct impact on the assessment of an entity's credibility and creditworthiness and the possibility of acquiring certain types of debt financing. Therefore, it should be stated that all reports elaborated by issuers of securities should reflect the specificity of the presented situation in a true, fair, and complete manner. This applies, inter alia, to the requirement to provide additional information, which guarantees the investors an assessment of its impact on the issuer's economic and financial situation (Regulation, 2018, par. 3, sections 1-3).

The development options of an entity frequently depend on its image in the eyes of external observers. Therefore, the financial statement is treated as a company's showcase, reflecting its results' external presentation. Many entities strive to make their financial statements look as good as possible and enable the person reading them to acquire the best possible understanding of the business entity presenting them. In this context, one can meet the statement that balance sheet policy is an art of what is possible and art of what is permitted by law (Tokarski, 2009).

According to A. Kozłowska (2018), the basic qualitative attributes of information in financial statements are its usefulness and faithful reflection of reality (faithful and reliable image it provides). In conclusion, the assessment of the fundamental qualitative attribute of financial reporting, which is the usefulness of information, may differ depending on the recipient. Therefore, we should stress that what the stakeholder considers important in the information is determined by the specificity of economic activity in the respective country. Financial crises are invariably seen as a characteristic feature of capitalist economic systems. This is a consequence of a situation where, compared to other phases of the business cycle, there are significantly more bankruptcies, and the market value of most capital companies is falling (O'Connor, 1987).

The beginning of the 21st century's crisis initiated a discussion on the insufficient effectiveness of accounting as an instrument of control. The crisis's effects sparked a discussion on accounting, and mainly its informative and controlling functions (Staszel, 2013). Many critics argued that fair value accounting, often also referred to as mark to market accounting, was a significant contribution to the crisis or exacerbated its consequences. However, this is contradicted by the research by Ch. Laux and Ch. Leuz (2012) indicated that it rather affected the revaluation of banking assets during the crisis. Research on macroeconomic accounting models as tools fostering forecasting of economic crises was also conducted by Bezemer, who pointed to a constructive approach to the applied methods for assessing financial stability (Bezemer, 2010).

It should also be noted that financial crises actually never in the past posed such a threat to the global financial system as they do today. Rapidly developing international financial markets are a derivative of investors' expectations, who seek the maximum and rapid multiplication of their invested funds, while those seeking capital expect access to sources conducive to financing projects.

As emphasized by R. Mala and P. Chand (2012), the financial crisis meant that the global convergence of accounting standards is perceived to reduce their negative impact on the economy. The analysis also proved that the International Accounting Standards Board (IASB) remains under constant pressure from financial institutions, regulators, and other stakeholders, who expect ongoing reviews of regulations regarding the solutions implemented so far. This is to introduce steps to improve reporting requirements in light of the financial crisis.

The business conditions evolving under the influence of the economic crises influenced the modification in the prevailing perception of accounting's functions and objectives. Until recently, accounting was defined as a system supplying information on the economic entity, in most cases of historic nature, to a specific group of stakeholders. Accounting is now expected to be future-oriented, implying prospective information needs, which will guide the ex-ante accounting practice.

Financial reporting is expected to provide a reliable image of the entity in the context of already existing events and indicate the future property and financial situation. As emphasized by a member of the Polish Accounting Standards Committee K. Trzpioła (Trzpioła, 2020), the pandemic's effects should be reflected in the 2019 and 2020 financial statements. Even those units that are not directly or largely affected by the crisis should do so. In this context, it should be noted that auditors auditing financial statements will analyze issues regarding the entity's approach to verification and reflect in their reports all the circumstances arising from the current situation.

Numerous guidelines were issued to audit the 2019 financial statements elaborated under the economic crisis conditions resulting from COVID-19. This applies particularly to the recommendations of IFAC (IFAC 1, 2020) and PIBR (PIBR 1, 2020), containing a list of issues that auditors will analyze, particularly those relating to events after the balance sheet date.

According to the adopted guidelines (PIBR 2, 2020), it is fundamental for the chartered auditor to obtain an understanding of the impact of the situation related to the coronavirus on the audited financial statements and the audit process itself, and in particular, the elaboration of the audit report and the opinion to be issued. The following will be crucial for an audit report of financial statements:

- assessment of the nature of future events (after the balance sheet date),
- assessment of the entity's management regarding the entity's ability to continue its operations,
- completeness and correctness of disclosures in the financial statements,

and also, an evaluation of the disclosures contained in the management report.

4. Guidelines from Industry Organizations and Regulators on Reporting Post-balance Sheet Date Events Related to the Occurrence of COVID-19

In many EU member states (Poland, Germany, and the Czech Republic), the usual deadline for preparing financial statements is three months from the balance sheet date. It is justified by the time-consuming activities related to closing the books of accounts and elaborating the financial statements. When we assume that the financial year corresponds to the calendar year, it can also be assumed that these reports should be ready, and in some countries also submitted to the appropriate authorities, by 31 March 2020. The annual reports of companies listed on the Warsaw Stock Exchange should be published up to 4 months after the respective trading year. In the case of entities whose financial statements are subject to audit by chartered auditors, preparation of their version that will be subject to approval by approving bodies usually takes up to six months from the balance sheet date. It does not take much to convince everyone that 2020 is special in many respects.

Enterprises operating in the European Economic Area realized the first consequences of the COVID-19 pandemic in March 2020, when many of them were not yet issued the 2020 financial statements. Undoubtedly, the temporary lockdown of many sectors of the economy, the transition to remote work, the reduction of the number of people working, difficulties in the health service, and other circumstances directly related to the pandemic further rendered it difficult to prepare financial statements, which are key documents informing about the financial condition and achievements of the entity. These objective difficulties inspired many accounting organizations to lobby for the extension of deadlines to elaborate and approve financial statements. In Poland, The Accountants Association Poland formally advocated this. In many EU-member states, for example, in the United Kingdom, Denmark and Latvia, the governments gave it a go. In Poland, the following deadlines were extended by 3 months:

- for closing books of accounts,
- for completion of the inventory,
- for the elaboration of the annual financial statements.

In March 2020, the European Securities and Markets Authority (ESMA) issued a public statement suggesting national regulators extend the deadlines for submitting financial statements of companies listed on regulated markets by two months. As a result, national supervisory authorities in many of the EU states (e.g., Austria, France, Cyprus, Greece, and the Netherlands) stated that they would not draw negative consequences due to the failure to meet the deadlines for submitting financial statements by public interest institutions (Accountancy Europe, 2020).

Some of the entities did not need to use the extended deadlines. This may have been because legal acts formally authorizing the extension of the deadlines to prepare financial statements were published at the end of March 2020. Nevertheless, numerous entities used the option of publishing financial statements later. Therefore, when finalizing the work related to the preparation of these statements, the entity's management could initially assess the impact of the lockdown and the resulting economic crisis on the entity's operations. These new circumstances may have also affected the image of entities presented in their 2019 financial statements. Of course, this financial statement concerns the previous year.

However, the basis for its elaboration is the going concern principle, i.e., hope that the entity will not cease operations within the foreseeable period. Therefore, this principle is a bracket binding the retrospective and prospective dimensions of the annual financial statements. What arises against this background is the following question: should information concerning the pandemic and its possible risks be included in the 2019 annual financial statements. The accounting principle for post reporting period events, formerly known as post-balance sheet events, is provided in IAS 10.

What is of crucial importance is to divide these events into those providing evidence of the existence of a specific condition at the end of the reporting period (adjusting events after the reporting period), those indicating such condition after the end of the reporting period (non-adjusting events after the reporting period). The occurrence of the first type of events necessitates adjustment of the already elaborated report. The effect of the events of the second type, whenever they are significant, is the necessity disclose, in the additional information section, the nature of these events together with the assessment of their financial effects (IAS 10, par. 21).

The impact of COVID-19 on the recognition of events after the balance sheet date in the financial statements was already the subject of many studies prepared by organizations of accountants and auditors. These organizations agreed that the pandemic and its effects should be treated as non-adjusting events occurring after the end of reporting period in their financial statements with a balance sheet date of 31 December 2020[5]. Organizations from numerous countries, including Belgium, France, Luxembourg, Portugal, Greece, Cyprus, Denmark and Norway, encouraged the disclosure of: the nature of the event with its estimated financial consequences, its impact on the going concern principle (Fedak, 2020) and risk (Accountancy Europe, 2020). In the explanations of the Polish Ministry of Finance of May 2020 it is stated that "the effects of the COVID-19 epidemic, assuming that the balance sheet date was 31 December 2019, are an example of non-adjusting events after the reporting period" (GOV.PL, 2020). The justification for this statement is the occurrence of events affecting the property, financial situation and financial result related to the epidemic after the balance sheet date.

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[5]*This is also confirmed by the opinions of the International Federation of Accountants and the Financial Reporting Council; more (IFAC 2, 2020).*

This procedure is consistent with the previously published statement of The Accountants Association in Poland (SKwP), which states that in elaborating financial statements for 2019, one should consider the effects of a pandemic and - if they have a significant impact on the entity's situation - disclose information in the relevant note on events after the balance sheet publication date (SKwP, 2020). The International Federation of Accountants has similar view on the consequences of COVID-19 in a situation where the balance sheet date falls on 31 December, recommending their presentation of its potential consequences in numerical terms. Nevertheless, whenever it cannot be reliably quantitatively estimated, there still needs to be a qualitative disclosure, including a statement that it is not possible to estimate the effect. Examples of non-adjusting events that would generally be disclosed in the financial statements include breaches of loan covenants, management plans to discontinue an operation or implement a major restructuring, significant declines in the fair value of investments held and abnormally large changes in asset prices, after the reporting period.

Listing all documents issued by the numerous organizations supporting the accountants proves impossible in this place. Their common denominator is to encourage the management of the respective entities to include information on the effects of a pandemic in additional information and explanatory notes. The scope of these disclosures should depend on industry risk, which means that entities operating in risk-affected industries should provide more comprehensive disclosures about the impact of the consequences of the pandemic on their financial situation. There is still the question whether the abundant information elaborated by professional organizations will be properly applied in practice? This question - of course, assuming certain limitations - is answered by the empirical part of the present article.

5. Research of the Scope of Disclosures on Events after the Balance Sheet Date in the Financial Statements of Selected Issuers of Securities

The communication of a company with its investors and other groups of stakeholders requires significant events between the balance sheet date and the date of financial statement, in the latter one. According to the authors, the COVID-19 pandemic is one of those events, the effects of which should be addressed by entities as "events after the balance sheet date." This is particularly so since the 2019 financial statements were elaborated in April and May 2020, when the pandemic was already lasting and spreading, and governments of numerous countries introduced subsequent economic restrictions. Due to the extraordinary situation caused by the COVID-19 pandemic, the authors of the present article formulated a research issue that boils down to assessing disclosures about the impact of the COVID-19 pandemic on the company's financial situation.

The audit subject was the notes to the financial statements added under the title "Events after the balance sheet date." When we consider that in the 2019 statement, not every entity could relate to the pandemic's impact in greater detail, our research covered both the 2019 annual financial statements and the H1 2020 financial statements. In the case of the latter one, we might have expected more detailed and thorough information.

The subjects of our research were companies listed on the Warsaw Stock Exchange. The research sample included reports from 120 companies operating in the following industries:

– medical (15),
– IT (35),
– tourism and transport (7),
– clothing and footwear (15),
– hotels and restaurants (6),
– food (15),
– construction (20),
– chemical (7).

Our selection of the above listed industries was dictated by the diversified - according to the authors - the impact of the pandemic on these companies' financial situation. In our opinion, some companies operating in the medical or IT industry may see a kind of opportunity resulting from the current situation, as there has been an increase in demand for products and services of these companies. Conversely, for companies in the tourism, transportation, hotels and restaurants, construction, clothing, and footwear industries, the pandemic may be perceived as a threat to the continuity of their business activity.

Our research allowed us to conclude that the companies analyse the dynamic changes occurring in their environments on an ongoing basis, adjusting their current operations to minimize the risk of disrupting business continuity. However, it cannot be ruled out that the further spread of the COVID-19 pandemic and its consequences may significantly negatively impact their activities. Due to many uncertainties, the effects of a pandemic cannot be reliably estimated. (a quote from the Polish financial statement: the companies analyse the dynamic changes in their environment on an ongoing basis, adapting their current activities to minimize the risk for their operation continuity. However, it cannot be ruled out that the further spread of the COVID-19 pandemic and its consequences may significantly negatively impact their activities. Due to numerous uncertainties, the effects of the pandemic cannot be reliably estimated.

To mitigate the potentially significant threat posed by COVID-19 to public health, authorities in many countries adopted measures to contain the epidemic, including restricting people's movement across borders and forcing some industries to a lockdown, pending further developments. Due to the high uncertainty, the impact of the pandemic on the results of the companies cannot be estimated. However, there is a high risk that in the long term, the COVID-19 pandemic may deteriorate the financial situation of economic entities, and in extreme cases, even force some of them to declare bankruptcy.

Contrary to the recommendations of accounting organizations and regulators and the authors' expectations, although most companies present information on the impact of the pandemic on their situation and operations, they still fail to provide detailed figures. Moreover, it can be concluded that this is the basic characteristic of the information presented in both annual and semi-annual reports. For this reason, the authors elected to present joint conclusions from the analysis of the content of information on the impact of the pandemic contained in both types of reports.

Out of 120 companies covered by our research, only 9 companies did not disclose information on the COVID-19 pandemic (in 7 cases, it refers to their 2019 report, in 2 cases - their reports for the first half of 2020). This means that 94.2% of the surveyed companies in 2019, and 98.33% in 2020, provided information on the COVID-19 pandemic in the "Events after the balance sheet date" note. The lack of information concerning the pandemic can be interpreted in two ways:

1) the company did not have sufficient information on the pandemic and its possible economic consequences, or
2) the company considered the pandemic to be an insignificant event and legal accounting regulations only require the disclosure of information of significant importance.

Table 1 presents the number of companies covered by our research and disclosing information about the COVID-19 pandemic by industry.

Table 1. *Research sample - entities covered by the research*

Industry	Number of companies included in our research	Number of companies disclosing pandemic information in their 2019 report	Number of companies disclosing information about the pandemic in their H1 2020 report
Medical	15	13	14
IT	35	33	35
Tourism and transportation	7	7	7
Clothing and footwear	15	15	15
Hotels and restaurants	6	6	6
Food	15	13	14
Construction	20	19	20

Chemical	7	7	7
Total	120	113	118

Source: *Own elaboration.*

The subsequent stage of the research consisted of an attempt to answer the second research question related to the disclosure of information on the impact of the COVID-19 pandemic on companies' operations and their assets and financial situation.

The companies limit the information on the impact of a pandemic to general information on their adjustment activities or analytic work undertaken to limit the pandemic's negative consequences. They often emphasize that due to the dynamically changing circumstances and high uncertainty regarding further scenarios, as at the report's date, they cannot provide reliable estimates on the impact of the pandemic on their operations, financial results, and development prospects. What we find in numerous of these financial statements is the reference to the dependence of this impact on their results from:

- the development of the epidemic situation both in Poland and worldwide,
- on the actions implemented by the governments of individual countries, especially the countries where the companies operate, and from which the suppliers of basic raw materials come.

In many companies, the limitation of their activities and the related consequences are only temporary. Unfortunately, contrary to the authors' predictions, only a few companies identify the risks associated with their functioning during a pandemic; these include:

- price level risk,
- the risk of exchange rate volatility,
- risk of limited financial liquidity,
- the risk of absenteeism of employees,
- risk connected with the limitations related to the logistic behind delivery of their products to foreign markets,
- the risk related to the constraints on the demand for products, goods.

Despite their inability to estimate the pandemic's ultimate impact on financial results, the companies generally reported that they saw no fundamental threats to going concerned. 24 companies covered by our research did not make such notes, but none of the companies surveyed indicated a threat to going concerned resulting from the pandemic. Of course, companies often emphasized that in the event of a prolonged pandemic, its negative impact on the global economy, and depending on regulatory actions by the governments of individual countries, the situation may negatively impact their operations, financial results, and prospects. The negative overtones of the information on the impact of the pandemic on the companies' activities were frequently suppressed by the companies, by indicating that their difficult situation opened completely new possibilities for increase in sales and winning market share in Poland and abroad, as well as increasing the efficiency of their internal organization, and creating possibilities for application of digital solutions.

Most of the surveyed companies signalled - though not directly - the negative effects of the pandemic in the context of their operations. 7 of the researched companies indicated a positive impact of the pandemic on their financial results. They were generally the companies from the medical and IT industries. These were also the companies that provided more detailed information on the positive impact of the pandemic. For example, 5 of the surveyed companies from the medical industry, dealing with, inter alia, manufacture of security measures, provide - in the information on events after the balance sheet date - information about the recorded increase in demand for their products, and thus an increase in revenues and margins. These companies also reported that they had sufficient financial resources to continue operations, including the settlement of their current liabilities. 8 IT companies published similar information.

The companies that indicated the pandemic's positive impact on their situation in the 2019 annual report provided even more optimistic data in their financial statements for the first half of 2020 (as part of the note on events after the balance sheet date). One of the companies reports that from the beginning of the epidemiological threat, a very positive impact on the increase in demand for products in the company's portfolio was observed, which directly contributed to a significant increase in sales revenues, as well as a significant increase in cash in hand and bank, compared to previous periods, significant shortening of the receivables inflow cycle (by approx. 15 days compared to the first half of the previous year), as well as shortening the liability repayment cycle (by approx.18 days). According to that company, all this had a positive effect on the company's financial liquidity.

Based on the analysis of the description of events as of the balance sheet date, it can be concluded that companies predicting the potential negative effects of the pandemic (in terms of their results) were not interested in disclosing their concerns, perhaps due to information stakeholders, who could negatively impact the market situation of the company. In turn, companies that noticed the pandemic's positive impact on their results and operations were more willing to share detailed information on this subject. The authors noted a very conservative attitude of companies towards the disclosed information in the context of the pandemic's impact on their operations and results. In particular, it concerns those companies that expect a negative impact of the pandemic and thus published very brief information without quoting any forecasts concerning the magnitude of their losses. Only a small percentage of the analysed companies reveal the pandemic's negative impact on a specific category: revenues, costs, liabilities. Except for 17 companies, the companies generally do not provide any figures in the analysed range.

It is worth emphasizing that no company - in the description of events after the balance sheet date - addressed the impairment of their assets caused by the pandemic. In the annual reports (for 2019) and the analysed reports for the first half of 2020, no company indicated the pandemic as a premise that caused or may cause impairment of their assets. In our opinion, there are indications for impairment of assets in times of pandemic, so when reading the financial statements, it seemed obvious that one should read the information on impairment of assets. Unfortunately, none of the analysed companies addressed the impairment of assets in the note on events following the balance sheet date. Table 2 summarizes the results of the research conducted about the formulated research questions.

Table 2. *Research sample - entities covered by the research*

Research question	Number of companies			
	2019 annual financial statement		H1 2020 statement	
	YES	NO	YES	NO
1) Do companies provide information on the COVID-19 pandemic as part of their notes on events following the balance sheet date?	113	7	118	2
2) Do the companies, in relation to the COVID -19 pandemic, indicate its impact on: a) their continued operations?	89	24	92	26
b) expected impact on revenues, costs and financial result?	36	77	45	73
c) expected effects on the value of assets and liabilities?	5	108	5	113
d) the requirement to recognise impairment losses?	0	113	0	118
e) the requirement to change the valuation principles for assets and liabilities?	0	113	0	118

Source: *Own elaboration.*

Out of 120 2019 financial statements analysed from the point of view of the quality of information (as disclosed in the note "Events after the balance sheet date") on the pandemic's impact on the company's condition, 113 companies provide such information. At the same time - as indicated earlier - this information is provided descriptively, without referring to details. The exception here is the 17 companies (from the medical and IT industry), which provided figures in this respect. It is noteworthy that 24 companies presenting information on the pandemic's impact in their annual report (and 26 companies in the semi-annual report) did not address the issue of going concerned. Most of the companies did not identify or did not indicate the identified categories (balance sheet or result) that were particularly exposed to the pandemic's effects. What came as the authors' greatest surprise was the fact that in the notes on events following the date of the balance sheet, the companies failed to relate to issues of impairment losses or changes in valuation principles.

The short period from the date of the pandemic's appearance to the report elaboration dates suggests that companies may not have experienced the pandemic's negative impact on their operations and financial situation yet. In this context, the audit report of financial statements, in which the auditor expresses an independent opinion, is of particular importance. The authors stress that these audit reports were not part of the present article. The above results justify the authors' statement that the adopted hypothesis was verified negatively because the surveyed entities, despite disclosing information on the COVID-19 pandemic, failed to disclose information on the pandemic's impact on the financial situation of their companies.

Due to the above, the authors treat the conducted research as a pilot study. We assume that the financial 2020 statements will allow us to verify possible changes in the approach to the quality of disclosed content on the pandemic's impact. However, these will no longer be the events after the balance sheet date.

Based on the analysis, the authors formulate the following recommendations for companies regarding the disclosure of events after the balance sheet date:

1) identification of a specific item (category) of the financial statements that is particularly exposed to changes resulting from the pandemic,
2) within the scope of such an identified category at risk of a pandemic, disclosure of the expected (estimated) level of change in the value of this category (expressed as value or percentage),
3) presentation of the types of risk to which companies are particularly exposed in connection with the functioning of the company in times of the pandemic,
4) disclosure of the expected impairment of assets (especially their specific groups).

6. Conclusions

The financial statement is a narrative covering the past, elaborated in such a way that stakeholders can assess the current situation and the risks associated with the achievement of future benefits. Failure to mention risks that the entity is exposed to during the pandemic in its financial statement is a violation of its most basic qualitative characteristics - relevance and faithful representation. Users know that the pandemic will affect the entity's operations and know the management's opinion on this topic. This is certainly information that will affect their future decisions. Moreover, incomplete information about the effects of COVID-19 leads to a lack of completeness and neutrality of financial statements, about a faithful representation of the entity's financial situation and performance. Management should apply prudence in preparing its financial statements, which, as already mentioned, rely on prudence in the use of estimates under conditions of uncertainty. That is exactly the uncertainty we are dealing with during the pandemic.

The conducted research does not lead us to too optimistic conclusions. The quality of disclosures regarding key events of 2020 in the analysed financial statements was low, which makes it difficult or impossible for stakeholders to assess the risk of these companies' operations. Of course, we can justify entities that were forced to swiftly adapt to new realities and had other priorities than providing users with a comprehensive spectrum of information about the effects of risk. However, this justification does not seem to be entirely accurate because this year, companies had an exceptionally long time to prepare their annual financial statements. It is also a pity that these entities have not benefited from extensive guidance on recognizing post-balance sheet events related to COVID - 19 issued by professional organizations and regulators.

The authors are well aware of the limitations of the conducted research. They cannot form the basis for the generalization of conclusions. The research problem may be explored more comprehensively in the future. Possible research directions that this article forms the seeds for are:

-increasing the number of audited financial statements, in particular extending the research to the entire EU,
-examining the relationship between notes on post-balance sheet date events related to COVID-19 in the financial statements and the risk assessment in the management discussion and analysis,
-analysis of the compliance of information in financial statements and non-financial reports with regard to the impact of CODID-19 on the entity's operations.

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