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Exploring Covid-19 disclosure patterns: A comparative analysis of the financial statements of a sample of top-, mid-, and small-tier companies listed on the Johannesburg Stock Exchange, Nigerian Exchange and the London Stock Exchange in the 2020 and 2021 financial years

A research report submitted by

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Declaration

I, Motanyane Tevin Makara (Student number 1141192), declare that this research paper is my own, unaided work. It is being submitted for the Degree of Master of Commerce at the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.



8th Day of November 2023 in Johannesburg

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Abstract

This study is an exploration of the impact of Covid-19 on the accounting standard disclosures of a sample of companies from the Johannesburg Stock Exchange (JSE), Nigerian Exchange (NGX) and London Stock Exchange (LSE). The study is a comparison of the impact of Covid-19 between developing nations and a developed nation. It explores how the impact of Covid-19 was disclosed in the financial statements of the sample companies from the top-, mid-, and small-tiers of the stock exchanges. Stakeholder theory and Legitimacy theory are applied to better understand the study due to their emphasis on transparency and accountability to shareholders. A content analysis was carried out using financial statements of 90 companies from the LSE, 79 companies from the JSE and 37 companies from the NGX. Covid-19 disclosures were not as prevalent as expected in the financial statements. The study finds that the JSE and LSE had a higher number of Covid-19 disclosures than the NGX in both years. The number of disclosures between the market tiers varies by stock exchange however. The most impact disclosed in all the stock exchanges revolved around IFRS 16 *Leases*, IAS 1 *Presentation of Financial Statements with focus on going concern,* and IAS 36 *Impairment of Assets.* Covid-19 had the consequence of halting business activity globally. This meant assets were unused, affecting impairment and leasing activities. Going concern also became a major issue for businesses worldwide. The study is guided by the legitimacy and stakeholder theories to contribute to the literature on the impact of major events on the disclosure practices of entities taking into the need for stakeholders to have adequate information provided

Keywords: Covid-19, stock exchange, impact, IFRS, IAS, accounting standards, disclosures

Chapter 1 – Introduction

1.1 Context of the study

> "The COVID-19 pandemic has undoubtedly caused organizational changes, forced a redefinition of business strategies, and, acted as a catalyst for digital transformation in many sectors of the economy,'' (Gabryelczyk, 2020, p. 303).

The Covid-19 outbreak was first detected in the Chinese city of Wuhan in November 2019 (Al-Qudah & Houcine, 2020; da Silva, D., Schutte, D., & Surujlal, J., 2021). As a result of a rapid increase in the number of cases of Covid-19 globally, the World Health Organization (WHO) officially declared it as a pandemic in March 2020 (Al-Qudah & Houcine, 2020; da Silva et al., 2021; Fabeil, N. F., Pazim, K. H., & Langgat, J., 2020; Neuburger & Egger, 2021; Takyi & Bentum-Ennin, 2021; World Health Organization, 2020). In response, many of the countries enforced lockdowns which effectively resulted in economic activity becoming stagnant (da Silva et al., 2021; Ernst & Young, 2020b; Savova, 2021) as businesses closed down for lengthy periods (Belghitar, Y., Moro, A., & Radić, N., 2021). All types of organisations, whether for profit or non-profit, were impacted by Covid-19 (Leoni, G., Lai, A., Stacchezzin, R., Steccolini, I., Brammer, S., Linnenluecke, M., & Demirag, I., 2021). In 2020, world trade declined by 10 to 15 percent as a direct result of the pandemic (Nurcahyono, N., Sukesti, F., & Alwiyah, A., 2021). Investors and financial economists became alarmed by the possible impact that Covid-19 may have on the financial and stock markets, alike the 2008 financial crisis (Takyi & Bentum-Ennin, 2021). Before the COVID-19 pandemic, the Great Influenza Pandemic of 1918 was the last global crisis that caused economies to go into hibernation, affecting businesses (Botes, V., Davey, H., Esposo, D., & Smit, B. R., 2022).

The objective of general purpose financial reporting is to provide "financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity" (International Accounting Standards Board, 2021, p. 17). Financial statements are the primary source of information for stakeholders in corporations (da Silva et al., 2021), which emphasises their importance thereof. They provide guidance for the appropriate

preparation and presentation of financial outcomes for an entity (Almayyahia, A. R. A., Mustafa Abdullah Mohammedb, Alnoorc, A., Abbasd, S., & Khattake, Z. Z., 2021). A requirement of preparing financial statements in accordance with International Accounting Standard (IAS) 1 is that management should assess if the company will continue as a going concern, with particular attention on the ability of the company to meet its obligations for at least the next 12 months after the reporting date (IASB, 2018). The economic repercussions of the Covid-19 pandemic have implications on financial reporting (Moscariello & Pizzo, 2022). Covid-19 has prompted an increased demand for management to disclose quality information on a company's ability to carry on operating as a going concern (Al-Masoodi, H. A., Al-Kawaz, S. M., & Abbas, A. A., 2020; da Silva et al., 2021). Entities are urged to provide transparent communication regarding the impact of Covid-19 on business performance (García-Sánchez, Raimo, N., Marrone, A., & Vitolla, F., 2020; Muqattash, R., Kolsi, M. C., & Al-Hiyari, A., 2022).

Covid-19 presented a challenge for entities when preparing their financial statements in line with the International Financial Reporting Standards (IFRS) (Ernst & Young, 2020b; Jabbar, A. K., Almayyahi, A. R. A., Ali, I. M., & Alnoor, A., 2020). Companies were uncertain of how to account for the impact of Covid-19 on certain issues such as impairments on financial, non-financial and right-of-use assets as well as goodwill to name a few (Deloitte, 2020). The result was an international response in which accounting standard setters, professional accounting bodies and accounting firms assisted with additional guidance and resources to guide in dealing with the potential impacts of Covid-19 (Rainsbury, E., Bandara, S., & Perera, A., 2022). Ernst & Young (EY), KPMG, Deloitte and PwC, collectively referred to as the Big 4, released proposed guidelines for entities to prepare financial statements. These included guidance on the required disclosures in line with IFRS requirements to ensure quality of the financial statements is maintained. This study provides an exploratory comparative analysis of the disclosures in the financial statements of listed companies from three different countries to determine the impact of Covid-19.

The primary focus of this study is on companies listed on South Africa's (SA) Johannesburg Stock Exchange (JSE), the Nigerian Exchange (NGX) and the United Kingdom's (UK) London Stock exchange (LSE). Studies have demonstrated that the level of financial and non-financial information disclosure is positively influenced by stock

market development (Borgi & Mnif, 2022). Further research reveals that Covid-19 has a had a significant negative impact on the performance of stock markets in the major affected countries (Liu, H., Manzoor, A., Wang, C., Zhang, L., & Manzoor, Z., 2020). These include the UK, which is considered a financial hub globally and has one of Europe's largest economies (Elmarzouky, M., Albitar, K., Karim, A. E., & Moussa, A. S., 2021a), as well as SA and Nigeria which are the leading stock exchanges in terms of market capitalisation in Africa (Statista, 2022). SA and Nigeria are also two of the richest countries in Africa in terms of overall Gross Domestic Product (GDP) (Benson, 2021; World Population Review, 2022). The disruptive emergence of Covid-19 had devastating effects on the above-mentioned countries, with SA experiencing the highest infection rates in Africa in 2020 (Akinola, G. W., Anderu, K. S., & Mbonigaba, J., 2021) and a noticeable 13% decline in the Nigerian stock market in 2021 (Takyi & Bentum-Ennin, 2021). Results also indicate that at -11%, the UK recorded the largest decline in GDP for several decades as a result of the pandemic (Rakha, A., Hettiarachchi, H., Rady, D., Gaber, M. M., Rakha, E., & Abdelsamea, M. M., 2021).

South Africa, Nigeria and the United Kingdom also share a number of similarities which make them appropriate selections for comparison in this study. Key amongst these is that all the selected countries prepare financial statements in accordance with IFRS. In addition, they are linked by history, with all of them being member states of the Commonwealth, an association of countries sharing goals such as development, democracy and peace (The Commonwealth, 2022). Nigeria and SA have a further similarity of both being former British colonies and being classified as developing countries, while the UK is regarded as a developed country (World Data, 2022). According to the Organisation for Economic Co-operation and Development (OECD, 2020), Covid-19 was expected to affect developing countries more than developed countries. This is supported by Mogaji, E., Adekunle, I., Aririguzoh, S., & Oginni, A. (2022), who found that while developed countries established policies to deal with major shocks, developing countries had less effective responses to Covid-19. It has also been noted that quality reporting in countries that are less developed, for example, Nigeria and South Africa, is challenging to accomplish compared to the more developed countries like the UK (Mohammed & Lode, 2015). Furthermore, for developing countries particularly in Africa, enforcing IFRS is said to be considerably challenging (Borgi & Mnif, 2022). This creates

an opportunity for a comparison of disclosure practices to be carried out between the two developing countries and a developed nation.

1.2 Problem statement

The main objective of financial statements is to provide relevant information for decision making (da Silva et al., 2021; IASB, 2023). The Covid-19 pandemic has increased the need for adequate disclosure of information that allows for a complete view of the impact of external influences on organisational performance (da Silva et al., 2021; García-Sánchez et al., 2020). Mere financial information limits one's ability to completely comprehend the full impact of Covid-19 on businesses, which necessitated transparency in communicating its effects (García-Sánchez et al., 2020). Under the Covid-19 pandemic conditions, businesses experienced trouble with disclosing their financial performance (Almayyahia et al., 2021). This has created an uncertain environment for companies and stakeholders, which has resulted in a need for more Covid-19 related disclosures to be made to reduce this uncertainty (Elmarzouky et al., 2021a; Rinaldi, 2022).

1.3 Purpose of the study

The importance of accounting continues to grow in everyday life, which makes it imperative to understand the role and relevance of accounting research with regard to Covid-19 (Rinaldi, 2022). The impact of the Covid-19 pandemic has been reflected in the financial statements of listed companies, according to the principles of international accounting standards, disclosing effects of the pandemic, and how substantial they are (Al-Masoodi et al., 2020). The purpose of this study is to explore how the effect of Covid-19 on accounting standards was portrayed in the financial statements and disclosures of a sample of top-, mid-, and small-tier companies listed on the JSE, NGX and LSE by analysing Covid-19 disclosure patterns for the 2020 and 2021 financial years following the emergence of the Covid-19 pandemic. The aim is to analyse and assess the similarities and differences in the disclosure patterns of listed companies in the different financial jurisdictions. Prior studies have shown that compliance with IFRS required disclosures was challenging in various African countries, with Nigeria being one of them (Borgi & Mnif, 2022) which presented an opportunity to study how this applies to the impact of Covid-19.

1.4 Significance of the study

This study contributes to the literature on the relationship between Covid-19 and performance disclosures (Elmarzouky et al., 2021a). This study also contributes to the growing literature on accounting in times of uncertainty during major global occurrences such as the financial crisis and the pandemic, to list a few. Covid-19 has afforded researchers an opportunity to also study the disclosure patterns of companies compared to one another, in light of a pandemic which has affected the whole world. The effects of Covid-19 have also generated great interest due to its devastating impact which many regarded as the most extraordinary event ever witnessed since the stock markets were created (Bostan, I., Bunget, O.-C., Dumitrescu, A.-C., Burca, V., Domil, A., Mates, D., & Bogdan, O., 2021). This study also builds on previous literature on the state of accounting after major events, such as was experienced with the global financial crisis of 2008. The research adds to literature exploring the impact of unexpected global events on the performance of stock markets (Liu et al., 2020).

The emergence of Covid-19 created an uncertainty which necessitated guidance on how the impact should be dealt with in the financial statements. Findings from this study will reveal the affected IFRS disclosures in comparison to those listed by accounting and auditing companies. This study will provide a comparison of the impact of Covid-19 in the disclosures of listed companies. It will focus on how the impact differs between the three countries selected as part of this study (SA, Nigeria and the UK) as well as between the different sizes of companies as determined by market capitalisation. The analysis of these disclosures in the sample of companies selected will give an indication of how the impact of Covid-19 on the financial statement disclosures has evolved over the years 2020 and 2021 (Carnegie, G., Guthrie, J., & Martin-Sardesai, A., 2021) in different countries. It is likely that the impact is changing as economic activity returns to a form of normality.

1.5 Research questions

This study will be guided by two research questions:

(i) Which IFRS/IAS disclosures (e.g., Property, plant and equipment) have been impacted by Covid-19 in the financial statements of a sample of top-, mid-, and small-tier companies listed on the JSE, NGX, and LSE in 2020 and 2021?

(ii) Considering the impact of Covid-19 that was disclosed in the financial statements, what were the similarities and differences between the stock exchanges and market tiers?

1.6 Assumptions, limitations and delimitations

The study is conducted on companies' whose audited financial statements were available from April 2020, over two financial years, to the financial period ending March 2022. The sample will consist of companies which have authorised full year financial statements from two financial periods within this time period. Findings from the study are based on the selected sample of companies and therefore cannot be generalised to all companies on the respective stock exchanges.

The actual sample size of the study is limited by the number of companies in each tier of each exchange. The classification of companies as top-, mid- or bottom-tier is dependent on the consistent threshold applied to each exchange based on market capitalisation. In particular, this is applicable to the top-tier of the JSE (19 companies) and the top- and mid-tiers of the NGX (3 and 4 companies respectively) which yielded less companies than the expected sample size. This study is also limited particularly to Covid-19 disclosures. It only makes reference to those disclosures where Covid-19 was mentioned in the financial statements of the sample companies. The sample is limited to the stock exchanges in the countries chosen. Generalisability of the findings will thus be affected.

This study is directed by the ranking of companies on the stock exchange based on market capitalisation, with strict focus on the disclosures relating to the impact of Covid-19 in the financial statements of the sampled top-, mid-, and small-tier companies listed on the JSE, NGX, and LSE. While the researcher acknowledges that Covid-19 disclosures exist in other parts of the financial reports of companies, they will not be taken into consideration as the study is geared towards IFRS financial statement disclosures only.

1.7 Abbreviated terms

CGU	Cash Generating Unit

ECL	Expected Credit Losses
FV	Fair Value
FY	Financial Year
GDP	Gross Domestic Product
GAAP	Generally Accepted Accounting Standards
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
JSE	Johannesburg Stock Exchange
LSE	London Stock exchange
MCap	Market Capitalisation
NRV	Net Realisable Value
NGX	Nigerian Exchange
OECD	Organisation for Economic Co-operation and Development
PPE	Property, plant and equipment
SA	South Africa
USD	United States Dollar
UK	United Kingdom
WHO	World Health Organization

Chapter 2 – Literature Review

This chapter presents the literature review forming the basis for this study. Section 2.1 provides an overview of IFRS and the implementation and benefits of accounting disclosures, Section 2.2 presents the impact of Covid-19 on the said accounting disclosures. Section 2.3 reviews the theoretical framework utilised in the study.

2.1 Overview of accounting disclosures

The adoption of IFRS globally has resulted in what has been described as the most significant transformation in regulations in the accounting profession in recent times (Odia & Ogiedu, 2013). The importance of the global adoption of IFRS was heightened by the increase in globalisation and international trade (Odia & Ogiedu, 2013; Ofoegbu &

Odoemelam, 2018). IFRS are designed to make financial accounts understandable, reliable, relevant, and comparable across international borders (Augustine, O., Esther, O. M., & Olayinka, E.-A., 2011), the implementation of which will generally improve the quality of financial information (Gierusz, M., Honko, S., Strojek-Filus, M., & Swietla, K., 2022). Inaccurate, misleading, or incomplete information are some of the consequences of poor quality of financial reporting (Ajibade, A. T., Okutu, N., Akande, F., Kwarbai, J. D., Olayinka, I. M., & Olotu, A., 2022).

Amongst many others, the benefits of IFRS adoption include increased clarity and transparency of financial statements and easier comparability across borders (Almayyahia et al., 2021; Imhanzenobe, 2022; Odia & Ogiedu, 2013), crucial for this study. The need for transparency in information communication in the financial markets was heightened after the onset of financial crises such as the 2008 financial crisis Kassamany, T., Harb, E., Louhichi, W., & Nasr, M., 2021). Companies that have adopted IFRSs and IASs in preparing their financial statements are required to disclose all the financial information regarding their business to investors for the information to be useful (Putsai, U. M. & M. Mkhize, M., 2021; Wadesango, 2021). Such disclosures have been found beneficial to reporting entities for several reasons, including the reduction of information asymmetry between management and stakeholders of a company (Augustine et al., 2011; Bostan et al., 2021; Helliar, 2013), which occurs when management has more information than investors (Probohudono, A. N., Tower, G., & Rusmin, R., 2013). Information asymmetries that would normally cause friction while trying to raise outside investment are reduced through quality disclosures (Odoemelam, N., Okafor, R. G., & Ofoegbu, N. G., 2019).

In crisis situations such as during the Covid-19 pandemic, shareholders have been known to have a higher need for financial disclosures (Donatella, P., Haraldsson, M., & Tagesson, T. o. , 2021). IFRSs are said to meet the needs of stakeholders due to their information-oriented nature, therefore firms should maximise IFRS related disclosures to reassure investors (Iatridis, 2012). The more a company complies with IFRS disclosure guidelines, the more attractive it becomes to existing and potential investors, thereby possibly improving financial performance (Augustine et al., 2021; Ofoegbu & Odoemelam, 2018). Information is highly valuable to investors for its ability to transparency about the affairs of a company (Pirveli, 2022). In SA, the transition from the Generally Accepted Accounting Standards (GAAP) into IFRS was over the period between 1993 to 2004 (Schutte & Buys,

2011). Nigeria adopted IFRS more recently, in 2012 (Odoemelam et al., 2019; Ofoegbu & Odoemelam, 2018; Tawiah & Boolaky, 2019). In Europe, all member states of the European Union (EU) were mandated to adopt IFRS from January 2005, which was when the UK adopted IFRS (Masoud, 2017).

Earlier research has shown that some of the most important elements influencing disclosures by companies include the size of the company (Ofoegbu & Odoemelam, 2018), country, listing status and, to a lesser extent the industry in which the company operates (Meek, G. K., Robert, C. B., & Gray, S. J., 1995; Roberts, R., Jang, D., & Mubako, G., 2022; Tahat, Y., Mardini, G. H., & Power, D. M., 2017). A direct correlation exists between firm size and disclosure practices (Tahat et al., 2017). As well as having greater resources, larger companies tend to have more information to disclose than smaller firms (Roberts et al., 2022; Tahat et al., 2017). Stock exchanges also tend to have an influence on corporate disclosures and accounting standards of companies as stock exchange participants also tend to demand a higher quality of financial and non-financial information (Borgi & Mnif, 2022). Recent studies have also shown that with regard to Covid-19, the industry in which the company operates has an influence on the amount of disclosures in the financial statements (Roberts et al., 2022), such as has been shown by the UK (Elmarzouky et al., 2021a). The COVID-19 pandemic has severely affected the economic situation in many countries, which is worth considering not just globally, but industry-specific (Gierusz et al., 2022). This could be due to the fact that not all industries were affected equally by Covid-19 (Roberts et al., 2022). The operations and profitability of industries like telecommunications and Information Technology (IT) were not as greatly affected by the Covid-19 pandemic as tourism and hospitality (Majumdar & Singh, 2021). It is notable that unlike other industries, the pharmaceutical industry gained value from the pandemic as the demand for medication to treat and prevent contamination increased (Crucean & Hategan, 2021). The economic impact of the pandemic will be different from company to company and industry to industry (Asalos, N., Zota, B., & Stefanica, L. I., 2021).

2.2 Impact of Covid-19 on disclosures

The pandemic's effects have dominated the economy, influencing entire business strategies and generating new approaches that frequently necessitated rethinking the

business as a whole in order to avoid bankruptcy (Asalos et al., 2021). Accounting standards, which have been designed to work in normal business conditions, may not be sufficient in the unusual circumstances like during the Covid-19 pandemic characterised by uncertainty in future outcomes (Leoni et al., 2022a; Raimo, N., Marrone, A., & Vitolla, F., 2020). The International Accounting Standards Board (IASB) already faces challenges when developing IFRS guidelines, the latest being Covid-19 (Jabbar et al., 2020). IFRSs are regarded as principles to follow in preparing and presenting a standardised sets of financial statements for both private and public companies (Wadesango, 2021).

As a result of the impact of Covid-19, a necessity arose for changes to be made to IFRS requirements to adjust to the pandemic (Almayyahia et al., 2021). KPMG (2020a) issued a publication advising large companies that the increased economic uncertainty and risk arising as a result of the Covid-19 pandemic would have major implications on financial reporting, highlighted by Botes et al. (2022) in his study. The pandemic has arguably changed the prospects of a majority of the businesses across the world (Rogerson, 2021). Regulators are said to also be experiencing difficulty with adapting to the way accounting has changed, with 2020 being the primary year of concern (Asalos et al., 2021). New guidelines were published, advising on the application of IFRS under the uncertainty of Covid-19, particularly for the purposes of the going concern assessment under IAS 1 (Deloitte, 2020; Ernst & Young, 2020a; Jabbar et al., 2020; Mitevska, M., Gjorgieva-Trajkovska, O., & Svrtinov, V. G., 2021; Savova, 2021).

Going concern is the ability of an entity to continue its business activities for at least the next 12 months post the end of the financial reporting period (IASB, 2018; Savova, 2021). The large accounting companies constantly highlighted the threats to the going concern of entities (Botes et al., 2022). Covid-19 has been reported as having led to a significant financial crises, ultimately impacting financial performance for businesses and their going concern (da Silva et al., 2021). Going concern is one of the key concepts on which the accounting regulatory framework is based (Mitevska et al., 2021; Savova, 2021). While it is notable that disclosures regarding the going concern will be dependent on individual circumstances, it is advised that the significant judgements made by management in reaching the conclusion regarding going concern, should be disclosed (Deloitte, 2020; Ernst & Young, 2020a; Jabin, 2021). IAS 1 also deals with dividend and capital management measures carried out by entities. Entities are required to disclose the amount

of dividends recognised to be distributed to shareholders as well as any changes arising in their capital management measures (Ernst & Young, 2020a).

Many other standards have been impacted by Covid-19, but some have been identified as requiring the most attention. The major accounting firms identified these standards to be impacted the impairment of financial and non-financial assets, financial instruments (e.g. expected credit losses (ECL)), events after the reporting period, fair value of assets and liabilities, net realisable value of inventories, revenue recognition, income tax, government assistance, provisions and onerous contracts (Botes et al., 2022; Crucean & Hategan, 2021; Deloitte, 2020; Mitevska et al., 2021). These are outlined below.

- The effects of partial business closures, which have been a characteristic of the Covid-19 pandemic, must become an important consideration for reporting entities in their impairment assessments (Deloitte, 2020; PwC, 2020). The pandemic has demonstrated that impairment of assets such as inventory can be impacted by the nature of the business, possibly leading to liquidity and ultimately going concern issues (Botes et al., 2022). Goodwill has also been known to be particularly susceptible to negative economic conditions (Gierusz et al., 2022), which is another asset whose value is expected to be affected by the pandemic. The accounting of financial instruments can be significantly impacted by economic uncertainty, fluctuating asset prices, currency exchange rates, and falling long-term interest rates, arising as a result of the Covid-19 pandemic (Botes et al., 2022; KPMG, 2020b). Regarding expected credit losses, Covid-19 has created a need for models to be re-evaluated for financial assets such as debtors considering possible defaulting in payments (Al-Masoodi et al., 2020; Jabbar et al., 2020).

- One of the most important aspects of preparing financial statements, which accurately portray an accounting entity's economic activity, is measuring accounting elements (Majercakova & Skoda, 2015). The current environment under Covid-19 conditions has created fair value measurement uncertainty (Mitevska et al., 2021), which has led to fluctuations in the fair value of investments, and could result in decreases in the values of those investments (Al-Masoodi et al., 2020).

- The net realisable value (NRV) of inventory is subject to change due to a stagnation of sales as a result of the stoppage on economic activity (Al-Masoodi et al., 2020).

- It is expected that revenues may decline as a result of business disclosure due to Covid-19 (PwC, 2020). This may also be due to changes in estimates and judgements used to determine revenue from contracts with customers as a result of the impact of Covid-19 on business activity (Deloitte, 2020; Jabbar et al., 2020; Mitevska et al., 2021).

- Governments and jurisdictional authorities encouraged or even mandated lessees to receive rent concessions during the economic downturn that followed the COVID-19 outbreak. Rent concessions in the form of a one-time reduction in rent or a postponement of rent payments are likely to fall under the definition of a lease modification, necessitating the application of costly and intricate accounting procedures to a potentially large number of contracts by some businesses (Moscariello & Pizzo, 2022). An amendment to IFRS 16, Leases, the Covid-19-Related Rent Concession, was introduced. This amendment permits lessees to not assess whether rent concessions as a result of Covid-19 are lease modifications, was introduced (Leoni et al., 2022b).

- Governments across the world may have to assist businesses with grants and subsidies, exposing some business to standards that they may have not necessarily been exposed to previously. Governments faced the prospect of having to assist with income relief and support to those affected by temporary workplace closures during lockdowns (Ataguba, 2020). Governments and central banks also implemented extensive fiscal and liquidity support measures to assist against the economic impact of the Covid-19 pandemic on businesses (Makin & Layton, 2021).

It was expected that in future periods entities would face difficulties preparing financial statements (Crucean & Hategan, 2021), therefore, in light of these and other impacts, Ernst & Young (2020a) drafted guidelines applicable to disclosures pertaining to other accounting standards as well, taking into account the existence of Covid-19. These guidelines emphasised transparency and integrity as a necessity particularly during the pandemic (Botes et al., 2022). These are presented below:

Table 1: Guidance on disclosure of impact of Covid-19 (Ernst & Young, 2020a)

Accounting standard	Disclosure guidance
IAS 1 Presentation of Financial statement – Going Concern	"The degree of consideration of the impact of Covid-19, the conclusion reached, and the required level of disclosure will depend on the facts and circumstances in each case, because not all entities will be affected in the same manner and to the same extent. Significant judgement may be required given the nature of the pandemic and the uncertainties involved. Continual updates to the assessments up to the date of issuance of the financial statements are required," (Ernst & Young, 2020a, p. 7).
IAS 1 Presentation of Financial statement – Alternative performance measures (APMs) and disclosures	"Entities must carefully consider the requirements in IAS 1 if they are considering introducing Covid-19 related APMs (e.g., the minimum line item requirements, the use of additional line items when such presentation is relevant to the understanding of an entity's financial position and performance) … In the current environment, the comparability of Covid-19 related APMs among entities will be a major challenge without a generally accepted way to objectively define and structure them. Depending on their specific facts and circumstances, entities may find it less controversial to provide a separate disclosure explaining the impact of Covid-19, rather than introducing a new APM or adjusting their APMs," (Ernst & Young, 2020a, p. 7).
IAS 1 Presentation of Financial statement – Dividends and capital management	"IAS 1 requires entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. In response to Covid-19, entities may change their capital management policies, for example, by modifying their dividend policy. In the case where dividends were

	suspended, entities may disclose the fact with the reason and the future plan," (Ernst & Young, 2020a, p. 7).
IAS 2 Inventories	"Incremental Covid-19 costs' should be directly attributable to Covid-19 and should be both: a) incremental to costs incurred prior to the pandemic that are not expected to recur once the crisis has subsided and operations return to normal; and b) clearly separable from normal operations," (Ernst & Young, 2020a, p. 50). "Entities should carefully consider the challenge of not being able to reflect the full effect of the pandemic when contemplating to introduce measures such as 'Unabsorbed coronavirus costs' and 'Incremental coronavirus costs', as well as the risk of including costs not impacted by the pandemic,"(Ernst & Young, 2020a, p. 52).
IAS 10 Events After the Reporting Period	"Entities need to ensure that effective processes are in place to identify and disclose material events after the reporting period which could reasonably be expected to influence decisions that the primary users make on the basis of the financial statements," (Ernst & Young, 2020a, p. 55).
IAS 12 Income taxes	"Entities need to carefully assess any new tax legislation to determine whether the tax relief or rebates received from the government fall within the scope of IAS 12, IAS 20, or IAS 19. Entities must also consider if they need to derecognise deferred tax assets as a result of the deterioration of the economic outlook in their forecasts of taxable profits and reversals of taxable temporary differences," (Ernst & Young, 2020a, p. 29).
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	"Whether IAS 20 should be applied depends on the facts and circumstances of the specific measures implemented by the government. Entities need to analyse all facts and circumstances carefully to

	determine the appropriate accounting treatment, and provide users of financial statements with an understanding of both the economic and the accounting impacts through transparent disclosures," (Ernst & Young, 2020a, p. 25).
IAS 36 Impairment of Assets	"Covid-19 has significantly increased the uncertainties that entities face when assessing to what extent assets or CGUs are impaired. It is, therefore, important that management use reasonable and supportable assumptions and provide detailed disclosure of the assumptions and sensitivities," (Ernst & Young, 2020a, p. 23).
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	"Determining whether or not it is virtually certain that an entity is entitled to a reimbursement requires a careful assessment of the facts and circumstances. Once it is established that it is virtually certain that this is the case, any uncertainty as to the amount receivable should be reflected in the measurement of the claim," (Ernst & Young, 2020a, p. 38). "In assessing the unavoidable costs of meeting the obligations under a contract at the reporting date, entities, especially those with non-standardised contract terms, need to carefully identify and quantify any compensation or penalties arising from failure to fulfil it. Disclosure of the key assumptions and judgements is important to inform users as to how onerous contracts were determined," (Ernst & Young, 2020a, p. 40).
IFRS 4 Insurance contracts	"It is important that insurance entities provide explanations of the uncertainties caused by the evolving nature of Covid-19. The impact on insurance entities is expected to be much broader than the effect on the accounting for insurance liabilities, which means that disclosures in respect of other requirements may also be impacted," (Ernst & Young, 2020a, p. 33).

IFRS 7 Financial Instruments: Disclosures	"Entities need to ensure that sufficient information is provided to the users of financial statements about cash and cash equivalents, liquidity, and their ability to comply with covenants," (Ernst & Young, 2020a, p. 59).
IFRS 9 Financial Instruments	"Given the level of uncertainty and the sensitivity of judgements and estimates, it is important to disclose the key assumptions used and judgements made in estimating ECLs and in hedge accounting, as well as the impact of any relief measures provided to customers," (Ernst & Young, 2020a, p. 18).
IFRS 13 Fair Value Measurement	"It is key to provide sufficient disclosures to allow users to make an assessment of the process undertaken and the impact of variations of the inputs from those used. Disclosures should include valuation techniques used, details of the assumptions applied and sensitivity analyses," (Ernst & Young, 2020a, p. 42).
IFRS 15 Revenue from Contracts with Customers	"The aim of disaggregating periods is to indicate to users the months that were mostly affected by the coronavirus outbreak. It also aims to provide additional information to allow users of financial statements to compare IFRS-based historical information. If disaggregation of periods is disclosed, the premise is that the entity has access to reliable information on such a disaggregated level, without having to make subjective assumptions that would make the disclosure unreliable and potentially misleading," (Ernst & Young, 2020a, p. 45).
IFRS 16 Leases introduces a Covid-19-related rent concession	"As well as providing specific disclosures required by the amendment to IFRS 16, entities should consider to what extent additional disclosures are necessary to meet the disclosure objectives of IFRS 16 to provide adequate disclosure that gives a basis for financial statement users to assess the effect that leases have on the financial

	position, financial performance and cash flows of the entity," (Ernst & Young, 2020a, p. 37).

2.3 Theoretical framework

Prior research conducted advocates for building of a complete theoretical framework involving multiple theories (An et al. (2011). The researchers suggested that relationships exist between the said theories. In this work, the researcher has determined it appropriate that the study should follow a theoretical framework based on the legitimacy theory and stakeholder theory, and the relationship that exists between the two theories. The researcher based this on their similarity due to their focus on accountability to internal and external stakeholders. Several researchers have also relied on these theories to inform and understand managers' incentives to engage in both mandatory and voluntary disclosures (Alnabsha et al., 2018). Many businesses understand the value of stakeholder management and, as a result, provide increasingly thorough disclosures to fulfil stakeholder needs (Gelb & Strawer, 2001).

2.3.1 Legitimacy theory

Legitimacy theory has been widely employed within social and environmental accounting research (Bebbington, J., Larrinaga-Gonza´lez, C., & Moneva-Abadı´a, J. M., 2008). Previously legitimacy theory has been applied numerous times when content analysis is used in data collection and analysis (Pellegrino & Lodhia, 2012) and explaining disclosure practices (Mobus, 2005). Legitimacy theory attempts to link an organisation with the society around it (Kusano & Sanada, 2019). The concept of legitimacy in legitimacy theory is frequently used to demonstrate the idea of a social contract between an entity and the expectations of society on that entity (Deegan, 2019). According to the legitimacy theory, the existence and survival of a company depends on stakeholders' perceptions of the company regarding its compliance with social values, norms, and expectations (Deegan, 2019; García-Sánchez et al., 2020). The idea of legitimacy implies that a social contract that exists between businesses and society might be dissolved, and if it does, the company in issue will no longer exist (Bebbington et al., 2008). Compliance with IFRS is considered as one of the societal expectations that an entity is to comply with, particularly for the three

countries chosen for this study (Putsai, U. M., & Mkhize, M., 2021). Complying with IFRS mandatory disclosures produces transparent and comparable financial statements (Tsalavoutas & Dionysiou, 2014). This can be used as a tool for enhancing accountability due to the fact that it emphasises and requires the dissemination of information required by stakeholders (Iatridis, 2012).

This links to the legitimacy theory in that the theory requires that companies disclose information that is expected by society (An et al., 2011), which, in the current climate and for the purposes of this study, would be the disclosures of the impact of Covid-19. A benefit of implementing more mandatory and voluntary disclosure policies is that it may help the firm achieve sustainable growth by improving its reputation in the larger society (Alnabsha, A., Abdou, H. A., Ntim, C. G., & Elamer, A. A., 2018). Previous literature has shown that when a corporation cares about society, it develops an enduring social identity that fosters brand loyalty and long-term revenues, which was a crucial factor for these companies managing to survive the pandemic (Hassan, A., Elamer, A. A., Lodh, S., Roberts, L., & Nandy, M., 2021).

2.3.2 Stakeholder theory

The stakeholder theory, just like legitimacy theory, also requires that management disclose relevant information regarding the performance and position of the company as a form of accountability (An, Y., Davey, H., & Eggleton, I. R. C., 2011). The need to investigate how IFRS adoption and Covid-19 disclosures effectively affect the preparation of faithfully represented financial statements in order to meet the expectations of various users/stakeholders of the companies' financial reports influenced the selection of this theory (Ajibade et al., 2022). The theory's objective is for attention to be paid to the interests and well-being of those who can either benefit or impede the achievement of the organisation's goals (Phillips, R., Freeman, R. E., & Wicks, A. C., 2003). Preparing Covid-19 disclosures is based on the accountability of management towards internal and external stakeholders which can be used as a strategic approach to gain support of key stakeholders, such as creditors in negotiating repayment extensions (Alnabsha et al., 2018). One of the major purposes of IFRS is to improve accountability (IASB, 2023; Masoud, 2017; Putsai, U. M., & Mkhize, M., 2021). A stakeholder perspective demands for a thorough disclosure of Covid-19 and how it has affected enterprises to appease

investors (Elmarzouky, M., Albitar, K., Karim, A. E., & Moussa, A. S., 2021b). Findings from this study highlight the risks brought about by the Covid-19 pandemic for the benefit of investors (Liu et al., 2020).

Mandatory disclosures express important information to investors which affects their investing decisions (Tsalavoutas & Dionysiou, 2014). Companies that disclose and manage risks assist stakeholders in making financial decisions (Kassamany et al., 2021). Effective communication through disclosures also ensures that stakeholders understand the decisions and measures undertaken by management as a result of the pandemic (de Villiers & Molinari, 2021). García-Sánchez et al. (2020) suggest transparency and the disclosure of financial and non-financial information has elements that can help an organisation maintain legitimacy over time. This ultimately assists in a business' ability to operate under the going concern principle, which may have been impacted by the Covid-19 pandemic.

Chapter 3 – Research Methodology

This chapter presents the research methodology that was adopted for this study. Section 3.1 provides an overview of the research approach, followed by a detailed account of the population and sampling method used in the study, in section 3.2. The research instrument of the study is introduced in section 3.3. Section 3.4 presents a detailed outline of the data collection and analysis plan. The validation and reliability tests are presented in section 3.5.

3.1 Research approach

The study is an exploratory comparative study in which qualitative content analysis is employed. Leedy and Ormrod (2015) describe content analysis as a "detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes, or biases," (p. 275). This method is the most common method used in analysing data in a qualitative research approach (Ehsan et al., 2018; Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K., & Kyngäs, H., 2014). Villiers, C. d., Dumay, J., & Maroun, W. (2019) assert that qualitative research plays an essential role in accounting research, although it is sometimes misunderstood. It is the most frequently

used when assessing disclosures of organisations (da Silva et al., 2021). The advantage of qualitative research is the wealth of information in the data that is gathered, which, as Elo et al. (2014) adds, needs to be analysed in a valid and reliable way.

A study by Hsieh and Shannon (2005) introduces three approaches to content analysis; conventional, directed, and summative content analysis. The author defines conventional content analysis as an approach usually associated with a study whose aim is to describe a phenomenon that has limited existing research literature available. Directed content analysis differs from conventional content analysis in that it is driven by a more organised process that uses prior research and existing theory to validate or extend a theoretical framework or theory. A summative content analysis approach on the other hand attempts to uncover the underlying meaning of words or content in a research instrument. The table below was extracted from the same study, summarising the key aspects of these methods of content analysis.

Table 2: Major Coding Differences Among Three Approaches to Content Analysis (Hsieh & Shannon, 2005)

Type of Content Analysis	Study Starts With	Timing of Defining Codes or Keywords	Source of Codes or Keywords
Conventional content analysis	Observation	Codes are defined during data analysis	Codes are derived from data
Directed content analysis	Theory	Codes are defined before and during data analysis	Codes are derived from theory or relevant research findings
Summative content analysis	Keywords	Keywords are identified before and during data analysis	Keywords are derived from interest of researchers or review of literature

While each approach has its merits, for this study the researcher follows the summative content analysis approach. In this study, the content of the financial statements of the

sample population is analysed to determine the impact of Covid-19 from the disclosures across different countries and company sizes. This method follows an archival analysis method where the researcher examines the contents of sources over a certain period of time (Villiers et al., 2019)**.** Content analysis is appropriate for this study on account of its ability to compare trends in reporting (Pellegrino & Lodhia, 2012).

3.2 Population and Sampling

3.2.1 Population

Population is a group of people bound together by similar characteristics of interest to a researcher (Creswell, 2009). The population for this study comprises companies listed on the JSE, NGX and LSE, with financial statements presented during the two years between 2020 and 2021.The countries in question (SA, Nigeria and UK) share some similarities which render them a suitable source for companies to carry out this study. As aforementioned in section 2.1, these countries are all part of the Commonwealth and have the biggest economies in their respective regions. Most importantly, the companies listed on these exchanges are also all required to prepare financial statements in accordance with IFRS.

3.2.2 Sample and sampling technique

The study employed a non-statistical sampling method to select the sample for this study. In particular, the researcher used purposive sampling, which is the selection of the population based on the researcher's own judgement as to the most appropriate population for the study (Robinson, 2014). Purposive sampling is the most used method of sampling in content analysis (Elo et al., 2014), making it the most appropriate for this study. The sample comprised of 30 listed companies from each of the top-, mid-, and small-tiers of the three stock exchanges; the JSE, NGX and LSE. However, the JSE has only 19 companies in the top tier, therefore all companies in this tier were included as part of the sample. The NGX is relatively smaller than the other exchanges, with 3 and 4 companies in the top- and mid-tiers respectively, therefore all companies in those tiers were also included as part of the sample. The sample for the study thus comprised a total

of 206 companies per year from the three tiers of market capitalisation for the exchanges listed. The analysis made use of 412 records of financial statements over the two years. The inclusion of a fairly large number of financial statements allowed for a more thorough exploratory comparison of the differences in disclosures across different sizes of companies and exchanges. Thus, the sample size chosen was enough to ensure the credibility of this study (Elo et al., 2014). Table 3 shows the number of companies in each exchange, divided into the three tiers per market capitalisation.

Table 3: Number of companies in each exchange (Equity RT, 2022)

Exchange	**Top-tier companies (MCap> $5bn)**	**Mid-tier companies ($5bn>MCap>$1bn)**	**Small-tier companies (MCap< $1bn)**	**Total companies**
JSE	19	41	222	282
NGX	3	4	143	151
LSE	111	225	1354	1690

The database of companies as per market capitalisations in each exchange was extracted from the Equity RT website. Within this database, the financial statements were in local currency terms, however, the market capitalisations were extracted in United States Dollar (USD) ($) terms to standardise the sample. The top 30 companies from each stock exchange were selected as the sample for this study, with the JSE and NGX having fewer as per the explanation above.

3.3 Instrumentation

This study necessitated a document analysis to be carried out. The credibility of using document analysis for this study is improved by the choice of the appropriate data collection method (Elo et al., 2014). For this study, the instrumentation used is a Microsoft Excel spreadsheet titled Data Capturing**.** The study is also aided by a Covid-19 disclosure checklist which was developed from various sources that included a pilot study conducted by the researcher using three companies from the top tier of each exchange, the literature review presented in chapter 2 above, and prior research by da Silva et al. (2021). The Covid-19 checklist was developed using a fraction of the total sample, therefore was not

exhaustive. It was subject to modification as data collection and analysis continued, until the final checklist was presented from the final data collected.

The Microsoft Excel file comprises two worksheets with seven columns each, with each financial year (2020-21 and 2021-22) on a separate worksheet. For each of the companies in the population, the following data was collected and recorded in the worksheet;

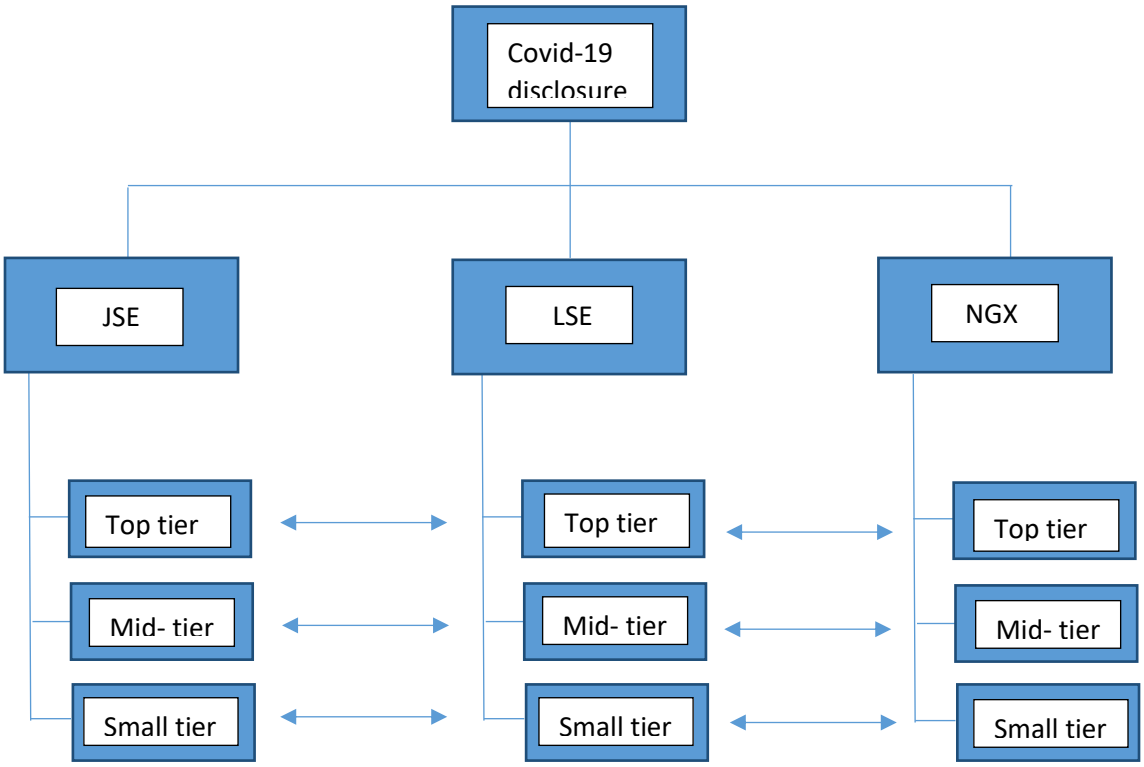
- name;
- stock exchange of the companies included in the sample as easy identifiers;
- industry;
- disclosure location;
- accounting standard affected, and;
- the nature of the disclosure, which is a summary of the theme of the disclosure with the disclosure wording included.

A document analysis was conducted on the financial statements of the sample chosen with particular focus on references to the Covid-19 pandemic in financial disclosures. The financial statements were downloaded from the websites of the individual companies in the sample. The downloaded PDF files were stored in a clearly marked folder according to company name and the year of the financial statements in the particular folder. The files were backed up to the researcher's Google drive.

3.4 Data collection and analysis plan

A detailed analysis plan in research makes it easier to evaluate how the findings were attained (Elo et al., 2014). As such, a detailed analysis plan is presented here. Data analysis was initially carried out on a per exchange, per year basis, with the analysis proceeding according to the market tier (top-, mid-, or small-tier) of the companies in the sample. The diagram below is designed by the researcher to depict the structure of the study.

Figure 1: The structure of the study



(i) The financial statements of the sample population as described in section 3.2.2 were downloaded and stored in the appropriate folder as stated in section 3.3 above. These statements were stored according to the stock exchange (hence the country) as well as market tier, separated into the two different years.

Figure 2: Content analysis steps (Kleinheksel, A. J., Rockich-Winston, N., Tawfik, H., & Wyatt, T. R., 2020)

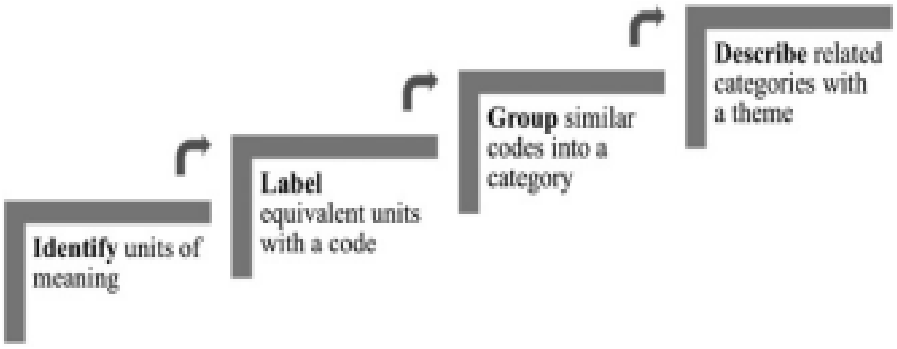


Figure 2 above was extracted from a study by Kleinheksel et al. (2020) and is a diagrammatic representation of the steps followed in conducting content analysis in this study.

(ii) Identify Units of Meaning

The selection of an appropriate unit of analysis is important for content analysis to be successful (Ehsan et al., 2018). A thorough examination of the Covid-19 disclosure wordings followed, to determine how the impact of Covid-19 was disclosed as well as the IFRS/IAS affected. This was important for the researcher to familiarise himself with the data (Kleinheksel et al., 2020) in order to identify possible disclosures that may refer to multiple IFRS/ IAS, which would have required that they be separated accordingly. This was also important to determine the nature of the Covid-19 disclosure which would determine how the data was coded and categorised. The IFRS/ IAS referred to in section 2.2 are not exhaustive, therefore this process allowed the researcher to identify other disclosures that had not been mentioned in the literature review. Where a particular standard was not clearly identified by the disclosures, the researcher used prior knowledge and learning material to determine the standard applicable to that disclosure.

(iii) Label equivalent units with a code

When a study involves phenomena already in existence in prior literature, the existing information may be used as codes (Kleinheksel et al., 2020). Using findings from the pilot study and section 2.2 above, the researcher has determined that the appropriate codes for this study will be the different IFRS/IAS that are affected by Covid-19 (e.g. IFRS 15 - Leases). A Covid-19 disclosure checklist was used to collect data on the individual company's IFRS/IAS disclosures affected by Covid-19. The checklist was used for each tier of each exchange. The principal motivation of this research is to identify the existence or non-existence of disclosures related to Covid-19 and their impact thereof (Ehsan et al., 2018). A dichotomous score has been commonly used by past researchers when measuring the variety of disclosures (Augustine et al., 2011).

A dichotomous score, also known as a binary score, only has two variables, an example being 0 and 1 for the purposes of this study (Duquia, R. P., Bastos, J. L., Bonamigo, R.

R., González-Chica, D. A., & Martínez-Mesa, J., 2014). In the event that a disclosure exists on the impact of Covid-19 on a specific standard, it was allocated a “1”. If there is no disclosure, it was allocated a “0”. This was done for the whole population in the sample, with a total number of companies per response at the end. This phase of the data collection assists in obtaining results for the first research question by identifying which disclosures have been impacted by Covid-19. Simultaneously, information on the disclosure was extracted from the financial statements and used to populate the Data collection file spreadsheet.

(iv) Group similar codes with a category

Following this, sub-codes were identified and categorised according to the overall nature of the impact of Covid-19 on the IFRS/IAS disclosure. This eases the process of identifying themes by focusing on what has been reported as the exact effect of the pandemic (Leedy & Ormrod, 2015). This is particularly important for observations of, for instance, opposing disclosures on a standard such as going concern from different companies. The use of coding as part of the analysis assists the researcher in analysing the data by creating a theoretical pattern (da Silva et al., 2021).

(v) Describe related categories with a theme

Themes were identified from the categories chosen above. Identifying the right themes is another critical component of content analysis (Ehsan, S., Nazir, M. S., Nurunnabi, M., Khan, Q. R., Tahir, S., & Ahmed, I., 2018). The themes show the disclosure patterns of the companies involved in the sample which were used for the exploratory comparative analysis between the stock exchanges and market tiers as the main focus. Themes were grouped together to present a pattern of disclosures, revealing the overall effect on each disclosure of each market tier, representative of each stock exchange.

(vi) Descriptive Analysis

Descriptive statistics are used to illustrate the comparison of disclosure patterns between tiers and exchanges. For this purpose, tables and graphs are used. The creation and use of tables and graphs is an essential tool in the analysis and production/publication of

findings since it enables the researcher to organise the gathered data in a concise and clear manner (Duquia et al., 2014). Tables and graphs are good visual aids for certain types of information such as relationships and sequences (Durbin Jr, 2004).

In the study, tables are used to present the distribution of disclosures for each sample and presented in bar graphs as a percentage of the total sample. This is done for each tier in each stock exchange. The next phase is a comparative analysis of the disclosure patterns of each tier, which is carried out by comparing the overall themes identified between each market tier in the same exchange as well as between the different exchanges. The findings are represented in bar graphs showing the comparison of the extent of impact of Covid-19 on the IFRS disclosures between the three exchanges.

3.5 Validity and reliability

Validity and reliability are important components in any research project (Brink, 1993). They are essential in determining extent to which the quality of the study has been enhanced by the researcher (Heale & Twycross, 2015). As such, the following apply for this study.

3.5.1 Validity

Validity represents a concept's degree of measurement accuracy (Heale & Twycross, 2015). In qualitative research, validity is a tool for guaranteeing the accuracy and truthfulness of the research findings (Brink, 1993; Elo et al., 2014; Kihn & Ihantola, 2015). The two main types of validity are content validity and construct validity. Content validity is useful in indicating the extent to which a research instrument adequately covers the topic being studied (Heale & Twycross, 2015). The disclosure checklist was adapted from disclosures used in a prior research study, which gives the researcher a reasonable conclusion that content validity is existent in the instrument used for this study. Prior research conducted by da Silva et al. (2021) was also influential in coding in the data analysis as a measure to improve validity. Construct validity refers to the ability of the research instrument to measure a concept that is not easily measurable (Heale & Twycross, 2015). The fact that in using the checklist, a 1 and a 0 are used to indicate the

existence or otherwise of Covid-19 disclosures is an indication that the research instrument has construct validity.

To ensure validity of the data extraction sheet, during data collection, the exact wording of the Covid-19 disclosures was extracted and posted in the Data capture file to preserve the authenticity of the collected data. The researcher documented all the steps taken in the data collection and analysis process to allow other researchers to formulate valid judgements (Brink, 1993; Kihn & Ihantola, 2015) and make data analysis as transparent as possible (Villiers et al., 2019). Brink (1993) has shown that with qualitative research there is potential for the researcher's subjectivity to cloud the interpretation of data. Therefore, clearly documenting the data collection procedure ensures that doubts about the researcher's subjectivity in the interpretation of the disclosures is minimised, as the wording can be checked for cross-reference.

3.5.2 Reliability

Reliability refers to the ability of a research method to consistently present the same results over a number of repeated trials (Brink, 1993; Kihn & Ihantola, 2015). In content analysis, the researcher must demonstrate the reliability of the selected instrument to allow for replication and valid interpretations to be drawn from the analysis (Milne & Adler, 1999). To ensure reliability of the data, the researcher extracted the data for this study from Equity RT, which is a reliable database for financial data. The database has reliable information about the financial performance and position of the sample companies, hence is an adequate tool in ensuring reliability. The researcher also used audited financial statements, which are readily available online to the public, maximising the ability of the study to yield the same results if repeated by other researchers. Reliability is important in eliminating error and bias when conducting research (Kihn & Ihantola, 2015).

Chapter 4 – Research findings and discussion

The objective of this section is to discuss the research findings, exploring the Covid-19 disclosures using a comparative analysis. The sudden emergence of the Covid-19 pandemic impacted the wider business environment, resulting in the need for businesses to disclose how they have been affected. Section 4.1 identifies and reviews how Covid-19 disclosures have impacted the accounting standards relating to companies listed on the JSE, the NGX and the LSE in the 2020-21 financial year (2020-21) and 2021-22 financial year (2021-22). Section 4.2 illustrates the variance in the disclosures between listed companies in the three stock exchanges, comparing the accounting standards disclosed between the three stock exchanges.

4.1 Reviewing Covid-19 disclosures in the JSE, NGX and LSE

The graphs that follow in the next sections present the accounting standards that were impacted by Covid-19 in the financial statements of the sample of companies from each stock exchange. As stated above, the stakeholder perspective demands that there should be adequate disclosures of Covid-19 and how it has affected businesses (Elmarzouky et al., 2021b). This enhances the reputation of the companies to existing and potential investors. The findings presented below are based on these principles. The charts are used as visual aids in presenting the findings.

4.1.1 Johannesburg Stock Exchange (JSE)

2020-21

Figure 3: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the JSE in 2020-21[1]

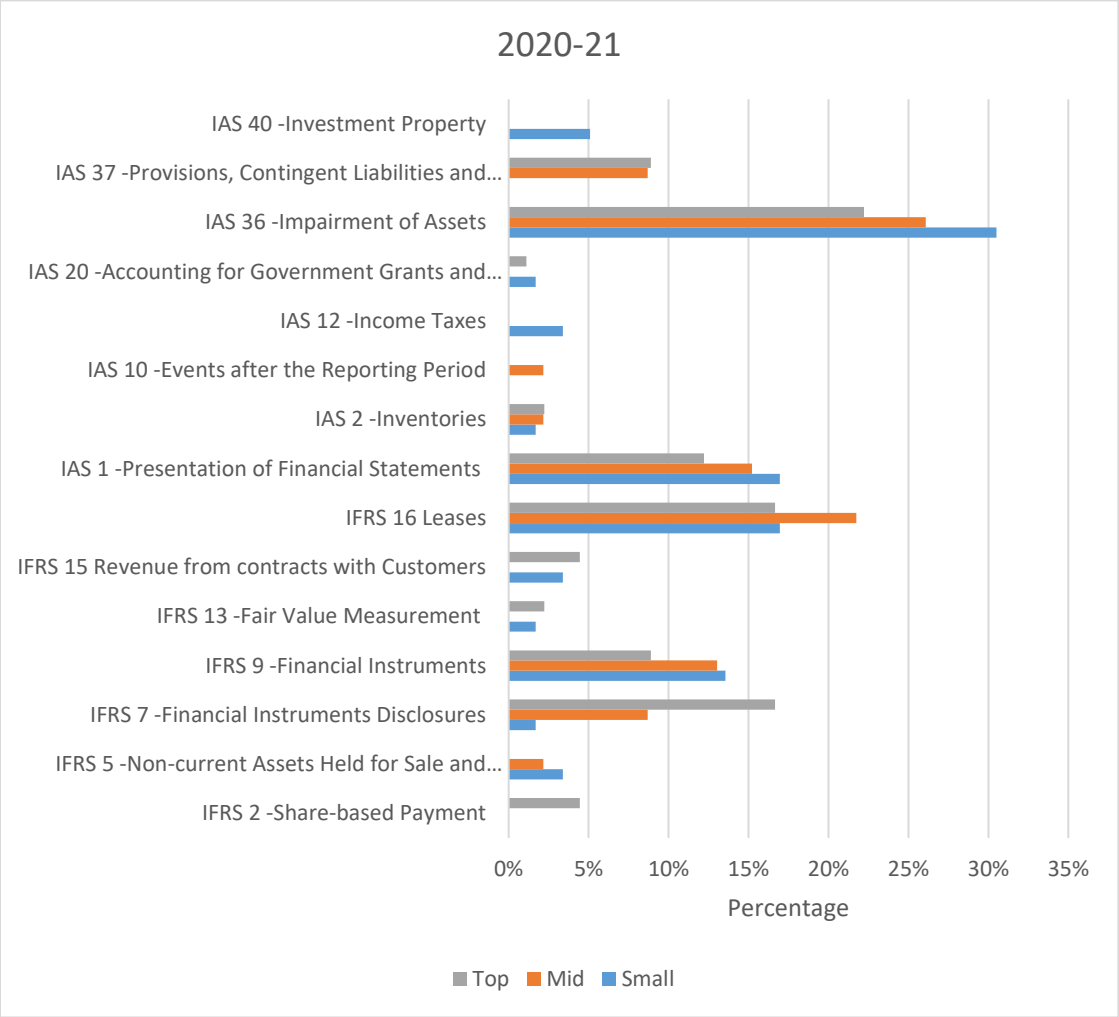


Figure 3 above portrays the accounting standard disclosures that were affected by the Covid-19 pandemic in the small, mid-, and top tiers of the JSE in the 2020-21 financial year. The figure shows that most disclosures relate to IAS 36 *Impairment of Assets,* IFRS 16 *Leases* and IAS 1 *Presentation of Financial Statements*. The accounting standards least affected are IAS 12 *Income Taxes,* IFRS 15 *Revenue from contracts with customers* and IAS 10 *Events after the Reporting Period*.

[1] Charts show the trends in the percentage distribution of the disclosures which allows for easier comparability of the findings.

IAS 36 *Impairment of Assets* has the most disclosures from all tiers of the JSE. The lack of economic activity predominantly during lockdowns resulted in fair value losses on assets due to assets being idle. This became a key impairment indicator particularly for physical assets, over and above the annual requirement to carry out an impairment test. Covid-19 also resulted in an increase in uncertainty in the assessment of impairment, requiring the use of supportable and reasonable assumptions to reflect the impact (Ernst & Young, 2020a). Entities within all tiers became cautious in the valuation of assets by using lower growth and discount rates to reflect the pessimistic forecast in light of the uncertain environment under the Covid-19 pandemic. As a result, impairments were recognised on different asset classes including goodwill and CGUs, financial assets, and some of the investments in associates and joint ventures. Right of use (ROU) assets were also impaired.

The disclosures on IFRS 16 *Leases* all relate to the Covid-19 related rent concessions amendment. The aim of this amendment was to assist lessees with accounting for rent concessions obtained as a result of Covid-19. As stated, it allows lessees an exemption from determining whether a lease modification exists as a result of the Covid-19 related rent concessions (Leoni et al., 2022a). The concession was made available to all lessees. Based on Ernst & Young (2020a), the amendment to IFRS 16 should be disclosed adequately. This entails disclosing the adoption or non-adoption of the amendment as well as the impact that the adoption may have on the financial statements thereof. The findings of this study conform to the above expectation, as the data shows disclosure of such adoption and the impact it has had on the financial statements. Some of the companies found that there was no material impact on the financial statements having adopted the rent concession while for most companies the lease concession was recognised in variable forms including a deferral of lease payments. However, the amendment was not taken up by all companies in the sample as some companies either elected not to adopt it, or were restricted by the fact that no rent concessions were afforded to them. Some governments had mandated that rent concessions be offered to mitigate the impact of the pandemic on businesses (Moscariello & Pizzo, 2022).

IAS 1 *Presentation of financial statements* requires entities to disclose the significant judgements taken into consideration in determining the ability of a business to continue

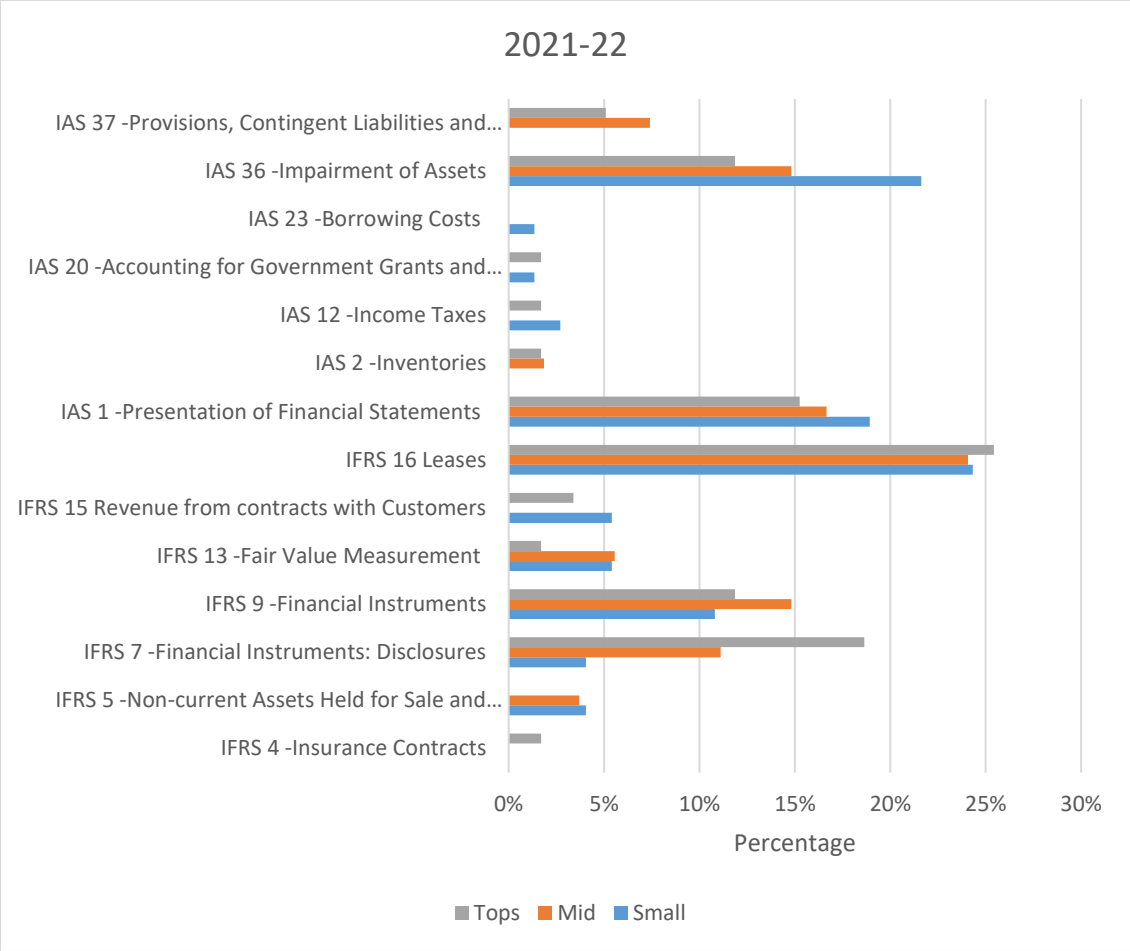
operating on a going concern basis (Ernst & Young, 2020a). Not all companies disclosed the impact of Covid-19 relating to the going concern principle. However, all the companies that did disclose revealed that they would be able to continue as a going concern. The assessment took into consideration the effect of Covid-19 on cash and cash equivalents, liquidity of the company and the ability to comply with existing and potential debt covenants (Ernst & Young, 2020a). This was evident in all the market tiers in both 2020 and 2021. Entities also carried out stress test scenarios, testing for the sensitivity to fluctuations in the market conditions from the worst case to the best-case scenarios during the Covid-19 pandemic.

IAS 2 *Inventories*, IAS 12 *Income taxes* and IFRS 15 *Revenue from contracts with customers* are the standards with the least disclosures. The literature shows that the fair value of inventories was projected to change as a result of a stagnation in sales when the Covid-19 pandemic occurred (Al-Masoodi et al., 2020). The expectation was for disclosures to reflect this information. This was the case within the JSE as the companies affected from the sample disclosed abnormal production costs which were recognised, affecting the value of the inventories. Disclosures from the JSE showed a need for write-down to net realisable value for the inventory as a result of the loss in value. IAS 12 *Income taxes* was also one of the standards that had the least disclosures within the JSE.

IFRS 15 *Revenue from contracts with customers* is another standard that had low disclosures. The lockdowns were expected to have a significant impact on companies particularly not in the sectors that were considered essential during lockdowns. The disclosures show that while revenue was negatively impacted during lockdown periods, some of the companies recovered as lockdowns were lifted. The guidance provided by EY (Ernst & Young, 2020a) regarding revenue from contracts with customers focused on the disaggregation of periods when disclosing Covid-19 related information. The disaggregation is meant to indicate to users of the financial statements which months were mostly affected by the pandemic. Disclosures relating to this were present in the financial statements, however, none of them disclosed a disaggregation of periods for revenue recognition.

2021-22

Figure 4: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the JSE in 2021-22



Covid-19 related disclosures slightly decreased in 2021-22 as compared to 2020-21. The data shows that as in 2020-21, the most disclosures in the top, mid- and small market tiers within the JSE relate to IFRS 16 *Leases,* IAS 36 *Impairment of Assets* and IAS 1 *Presentation of Financial Statements* once again. However, other disclosures worth noting within the JSE include IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and around IFRS 5 *Non-current assets held for sale and discontinued operations.* The least disclosures obtained relate to IFRS 4 *Insurance Contracts,* IAS 23 *Borrowing Costs* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance.*

The most prominent IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* related disclosures in the JSE over the two years was the increase in the provision for doubtful debts, accounting for 33% and 75% of the disclosures regarding provisions in 2020-21 and 2021-22, respectively. This was to be expected as the risk of creditors defaulting on the repayment of their loans was increased particularly by the lack of economic activity caused by the lockdowns. Other provisions that were raised included a restructuring provision due to the need to change business processes as well as a provision for inventory write-off, each accounting for 17% of the total provisions disclosed. The pandemic has created an environment influencing strategic changes to business operations and the need for new approaches (Asalos et al., 2021), hence provisions for restructuring were recognised. Notably, a contingent asset was also recognised in the JSE for unpaid royalties as a result of the pandemic.

The findings from this study coincide with the expected results as per the literature. Nonetheless, some of the disclosures pertain to accounting standards not initially included in the predictions for both 2020-21 and 2021-22. The disclosures around IFRS 5 *Non-current assets held for sale and discontinued operations* show that the impact of Covid-19 on the wider economic environment resulted in the discontinuation of operating segments within some of the companies in the JSE. This is primarily as a result of the suppressed economy and unfavourable forecasted future profitability there-on. Some entities reclassified some of their non-current assets to assets held for sale to raise funds. The pandemic also delayed the disposal of some assets that had already been up for sale.

IFRS 4 *Insurance Contracts,* IAS 23 *Borrowing Costs* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* were the least affected standards in the JSE. In an effort to assist in maintaining the solvency of clients, insurance companies offered holidays on premium payments, which was disclosed under IFRS 4 *Insurance Contracts*. The insurance companies also came to a realisation that under the pandemic, increased uncertainty existed particularly in the insurance sector over the two years. As a result, some insurers resorted to not increasing premiums for their clients while the economic impact of the pandemic continued. The pandemic also resulted in entities suspending the capitalisation of borrowing costs when lockdowns occurred and the

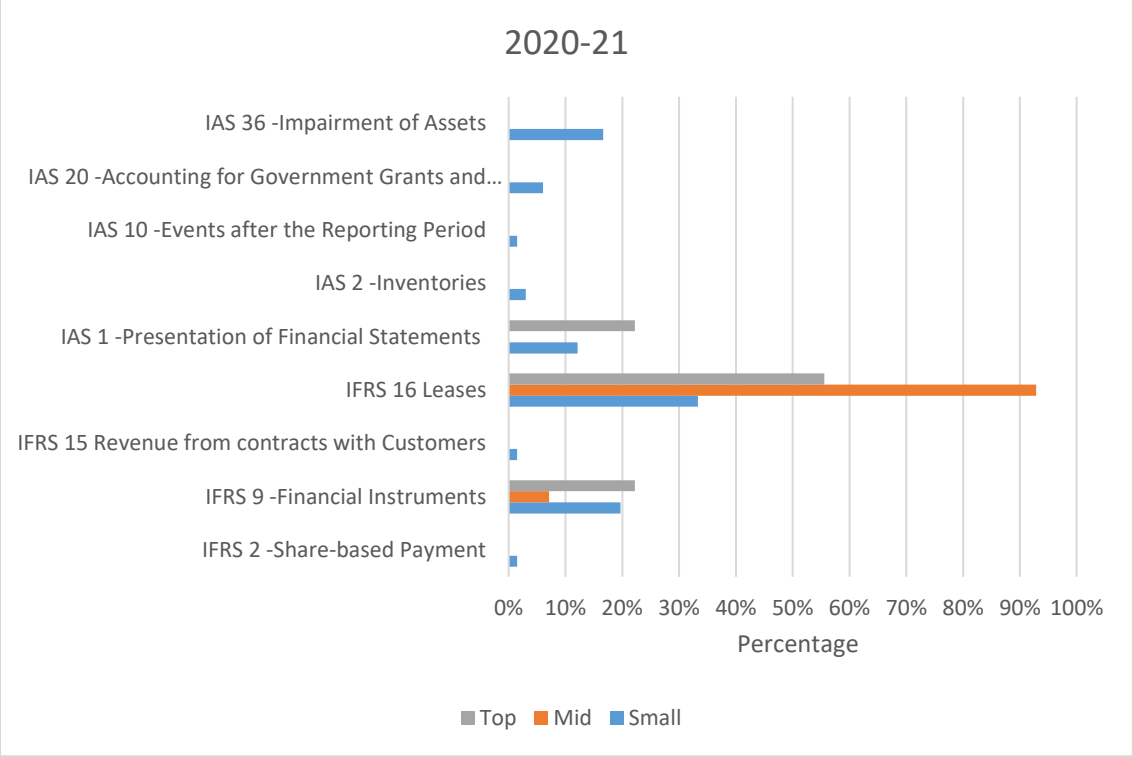
construction of qualifying assets came to a halt. This is in relation to IAS 23 *Borrowing Costs.*

The majority of disclosures relating to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* were made by financial institutions. Government assistance was provided through these institutions in the form of government guaranteed loan schemes offered to institutional borrowers. This was to allow entities to borrow funds from these banks that would be used in the fight against the impact of the pandemic on their liquidity and solvency.

4.1.2 Nigerian Exchange (NGX)

2020-21

Figure 5: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the NGX in 2020-21



The results obtained from the NGX support the theory that the size and development of a stock exchange influences the disclosure practices of the companies within its jurisdiction. The Nigerian Exchange has the least number of companies in the sample for this study, therefore it was expected that the least number of disclosures would be obtainable. Evidence from figure 5 above and figure 6 below is confirmatory of expectations, showing a relatively smaller number of affected standards, centred in the small tier. The disclosures most affected in 2020-21 are those relating to IFRS 16 *Leases* and IAS 1 *Presentation of financial statements*, while the least disclosures relate to IFRS 2 *Share-based Payment*s, IAS 10 *Events after the reporting period* and IFRS 15 *Revenue from contracts with customers*. The comparatively larger sample of companies in the smallest tier compared to the bigger tiers has resulted in most of the disclosures emanating from this tier. This has also influenced the variety of disclosures largely due to the differing industries the companies operate in.

During 2020-21, the Covid-19 related rent concession amendment within IFRS 16 *Leases* was extended for periods beyond 30 June 2021 when it was originally intended to end. This allowed the companies that had already adopted the amendment to continue applying the practical expedient for the next financial periods, which was dully taken up. The IFRS 16 *Leases* disclosures in 2020-21 depicted by the graph illustrate the above. Additional disclosures were identified from entities which had not adopted the practical expedient previously, narrating their inability to do so from 2020-21.

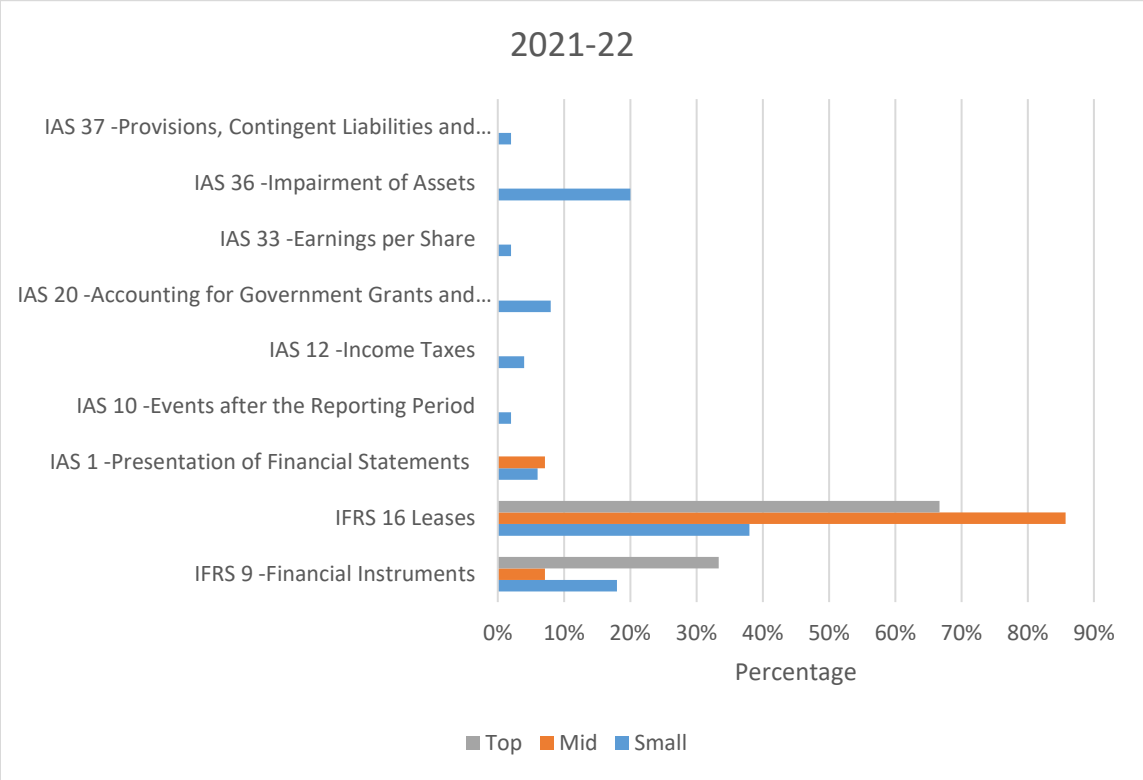
The data shows that most disclosures were with regard to the companies' ability to continue operating on a going concern basis as per IAS 1 *Presentation of financial statements*. A small percentage of the already small sample population disclosed on this aspect of IAS 1, noting that the financial statements were indeed prepared on a going concern basis in both the top and small market tiers of the NGX. However, the significant judgements in reaching the going concern conclusion, especially taking into consideration the impact of Covid-19, were not disclosed, as per guidelines by Deloitte (Deloitte, 2020; Ernst & Young, 2020a; Jabin, 2021). Covid-19 was an ongoing event during 2020-21, therefore its impact was fittingly taken into consideration in the going concern assessment. No disclosure was made in the mid-tier.

Covid-19 also had an impact on the liquidity positions of entities. Based on the requirements of IFRS 9 *Financial Instruments*, the attempt to preserve liquidity through the application and granting of an extension in the maturity of a loan was disclosed. This was done post the year-end, but prior to the financial statements being issued, which deemed it a material event after year-end and was therefore disclosed under IAS 10 *Events after the reporting period*. This study found that only a limited number of entities disclosed Covid-19 related material events after the financial period affecting the financial statements, in line with the recommendations from EY (Ernst & Young, 2020a). This was primarily due to Covid-19 being considered as an ongoing event which was still impacting the listed companies within the NGX.

IFRS 15 *Revenue from contracts with customers* was also impacted by the pandemic. However, the data also shows that Covid-19 related impacts on IFRS 15 were disclosed at a significantly low level, contrary to expectations. The expectation was that the pandemic would result in a decline in the revenues of most entities due to the impact of Covid-19 on business activity (Deloitte, 2020; Jabbar et al., 2020; Mitevska et al., 2021). The disclosures show that revenues decreased dramatically when entities went into lockdown.

2021-22

Figure 6: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the NGX in 2021-22



The disclosure pattern in 2021-22 follows a similar pattern to that of 2020-21. According to figure 6 above, the most disclosures in the NGX were observed from the small tier as compared to the bigger tiers. IFRS 16 *Leases* was the most affected accounting standard in the chosen sample, followed by IFRS 9 *Financial instruments* and IAS 1 *Presentation of Financial Statements*. The least disclosures relate to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* IAS 10 *Events after the Reporting Period* and IAS 33 *Earnings per share.*

The impact of Covid-19 on IFRS 9 *Financial instruments* was also highly disclosed in 2020-21 when the pandemic was undoubtedly at its peak. In line with the suggestions from Ernst & Young, (2020a), the most notable disclosures showed an analysis of the significant increase in credit risk (SICR) due to the increased risk of default by debtors with regard to settling their accounts. The pandemic also resulted in impairments being recognised on trade receivables, while some companies were allowed changes in debt covenants and

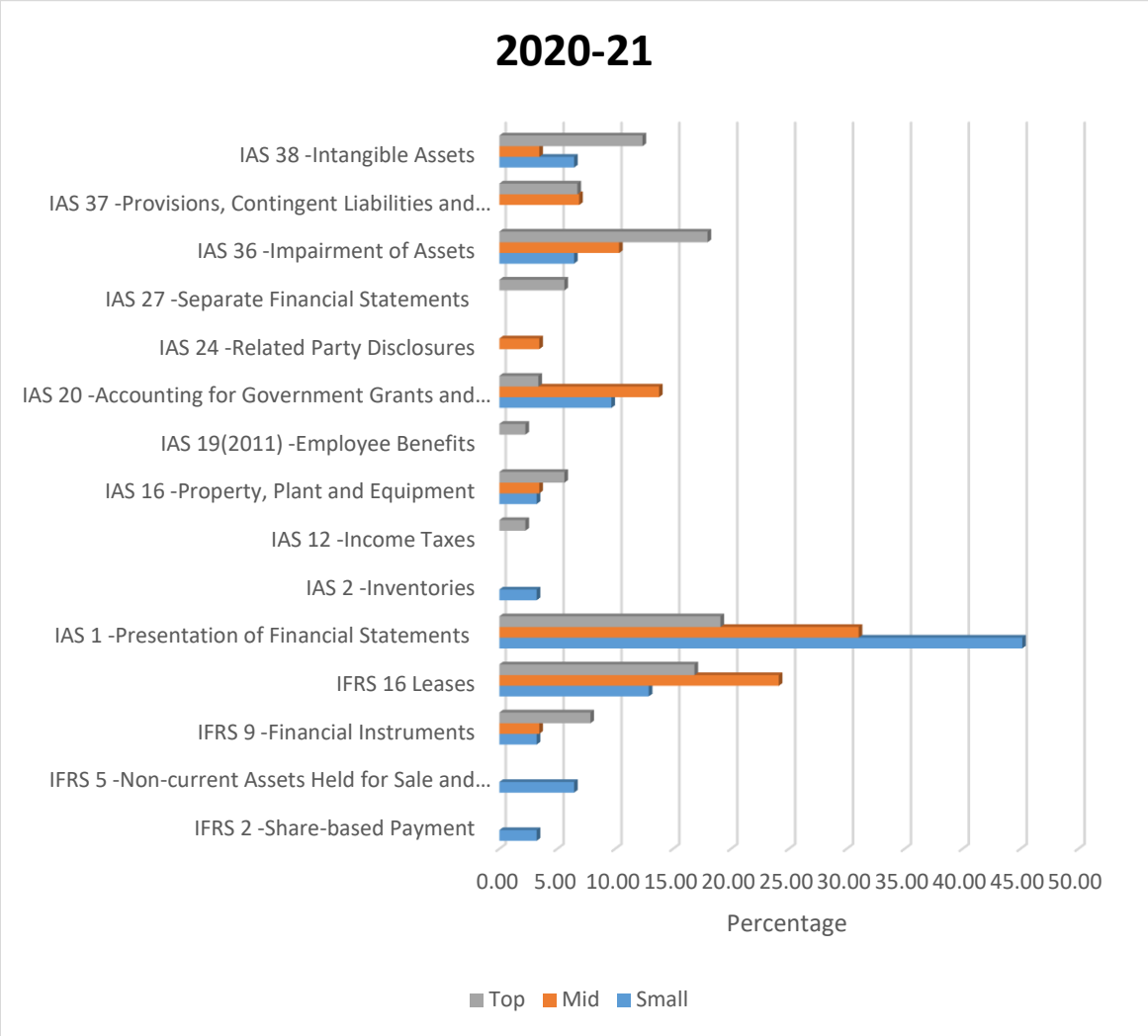
payment schemes to accommodate the impact of the pandemic. This allowed companies to maintain their liquidity positions to continue operating on a going concern basis.

Very few companies disclosed any information regarding IAS 1 *Presentation of Financial Statements.* The disclosures identified were on going concern in both years. It is noticeable that none disclosed an inability to continue operating on a going concern basis, as is the case with other stock exchanges. Most of the disclosures in IAS 20 *Accounting for Government Grants and government Assistance* show a decrease in interest rates that was granted by the Central Bank of Nigeria to assist banks' customers.

4.1.3 London Stock Exchange (LSE)

2020-21

Figure 7: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the LSE in 2020-21



Within the LSE, the most affected disclosures pertain to IAS 1 *Presentation of Financial Statements*, IFRS 16 *Leases*, IAS 36 *Impairment of Assets* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Figure 7 also shows that among the accounting standards discussed in the literature review, the least disclosures were obtained from IAS 12 *Income Taxes* and IAS 2 *Inventories*. Entities are encouraged to disclose the impact that Covid-19 may have on the recognition of deferred tax assets (Ernst & Young, 2020a). The disclosures from the top tier of the LSE have shown this. Deferred tax assets were recognised as a result of losses incurred by subsidiaries.

The most notable standard once again is IAS 1 *Presentation of Financial Statements*, with particular focus on the going concern principle. In 2020-21, the companies in the LSE found it exceedingly important to disclose the impact of the pandemic on business continuity forecasts, as required by the disclosure (Deloitte, 2020; Ernst & Young, 2020a; Jabin, 2021). This is supported by the emphasis placed on the disclosures of IAS 1 *Presentation of Financial Statements*, evidenced by the large quantity of Covid-19 related disclosures. Although the pandemic created uncertainty in the economic environment, none of the companies in the study disclosed a significant risk to their ability to continue as a going concern within the following 12-month period.

The impact of the pandemic on the wider economy led to a need for many companies to obtain government assistance to survive. The UK government provided assistance through grants for various purposes, such as covering retrenchment costs including severance pay-outs as companies had to lay off staff. All of the IAS 24 *Related party disclosure*s, found in the top and mid tiers, relate to transactions that had to be carried out between entities and their related parties as a direct consequence of measures put in place in response to the pandemic. Countries with high-quality governments are more likely to strongly enforce IAS 24 *Related party disclosures* (Borgi & Mnif, 2022). Only the LSE and JSE had such disclosures.

2021-22

Figure 8: Distribution of Covid-19 disclosures within the top, mid and small-tiers of the LSE in 2021-22

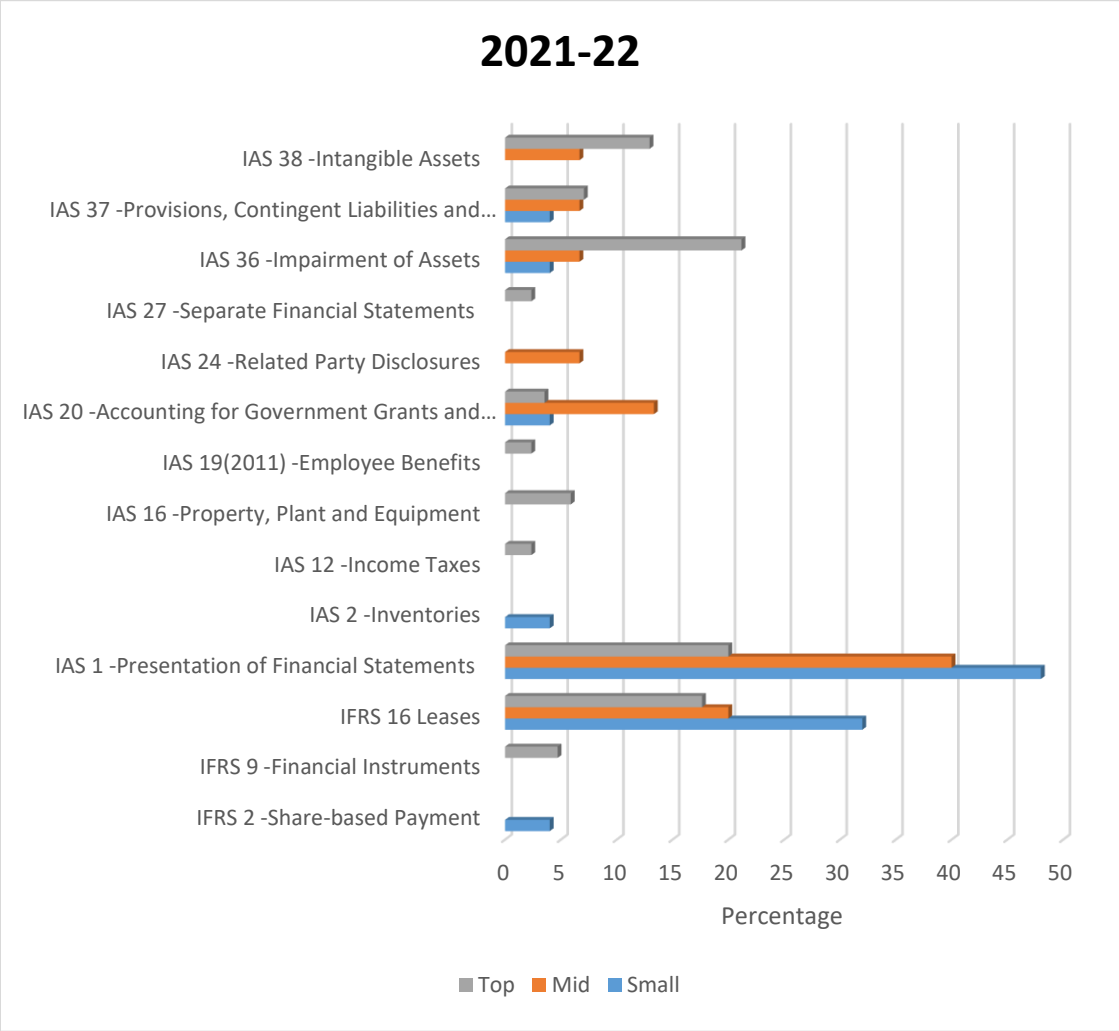


Figure 8 above shows a continuing trend from the JSE and NGX - the presence of less accounting standards affected by Covid-19 in 2021-22 as compared to 2020-21 within the LSE. IAS 1 *Presentation of Financial Statements,* IAS 36 *Impairment of Assets* and IFRS 16 *Leases* continue to have the most disclosures in both years. The ability of businesses to continue operating as a going concern when faced with uncertain environments such as the one presented by the pandemic remains paramount, as represented by the many disclosures on IAS 1 *Presentation of Financial Statements*. In reaching the going concern principle, entities carried out stress tests, testing for the worst- and best-case scenarios within the uncertain environment as a result of Covid-19. All the entities involved found it reasonable to continue to operate on a going concern basis regardless of the prevailing

uncertainty. The impact of Covid-19 on dividends has also been disclosed in IAS 1 *Presentation of Financial Statements* within the LSE. Dividends were either cancelled, deferred, or not declared entirely to maintain liquidity by 25% of the sample in this study. There was a slight decline in the quantity of disclosures relating to IAS 36 *Impairment of Assets* specifically due to Covid-19 as governmental policy changes led to the lockdowns in the UK allowing for an increase in economic activity. This was particularly the case for machine intensive industries where assets remained idle.

The least disclosures relate to IAS 27 *Separate Financial Statements*, IAS 19 *Employee Benefits*, and IAS 12 *Income Taxes* once again. The disclosures in IAS 27 *Separate Financial Statements* also revolve around the issuing of dividends. The positive outlook on the economic environment allowed for subsidiaries to issue dividends again to the parent companies, after they were suspended in 2020-21 due to the uncertainty brought on by the pandemic. The pandemic also created uncertainty in the valuations of employee benefits, shown by half the disclosures on IAS 19 *Employee Benefits*. As such, assumptions were made and included in the assumptions when valuing employee benefits taking into account the estimation uncertainty. The other half of the disclosures showed that the impact was negligible. The disclosures relating to IAS 12 *Income Taxes* once again make reference to the recognition of deferred tax assets.

4.2 Comparing the stock exchanges

4.2.1 Top-tier

Figure 9: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the top tier in 2020-21

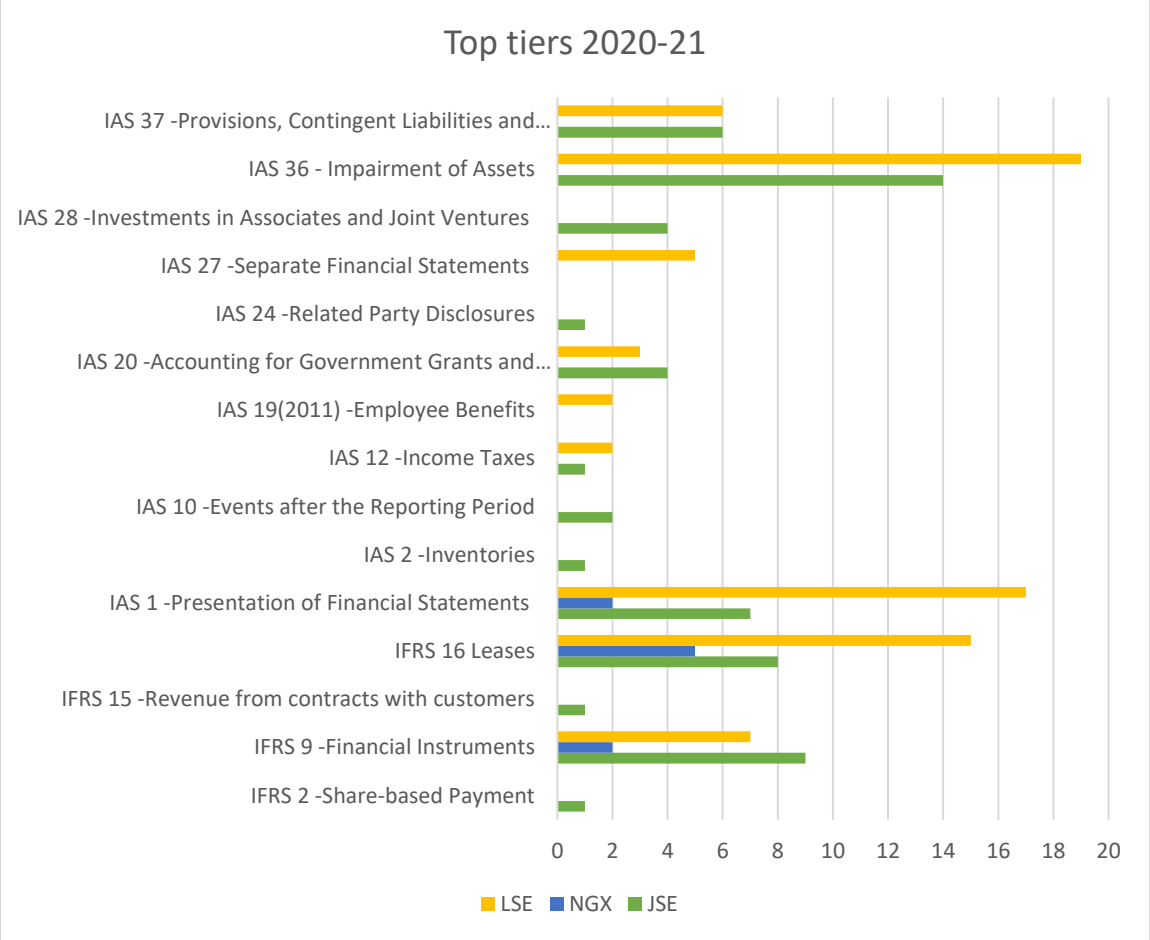
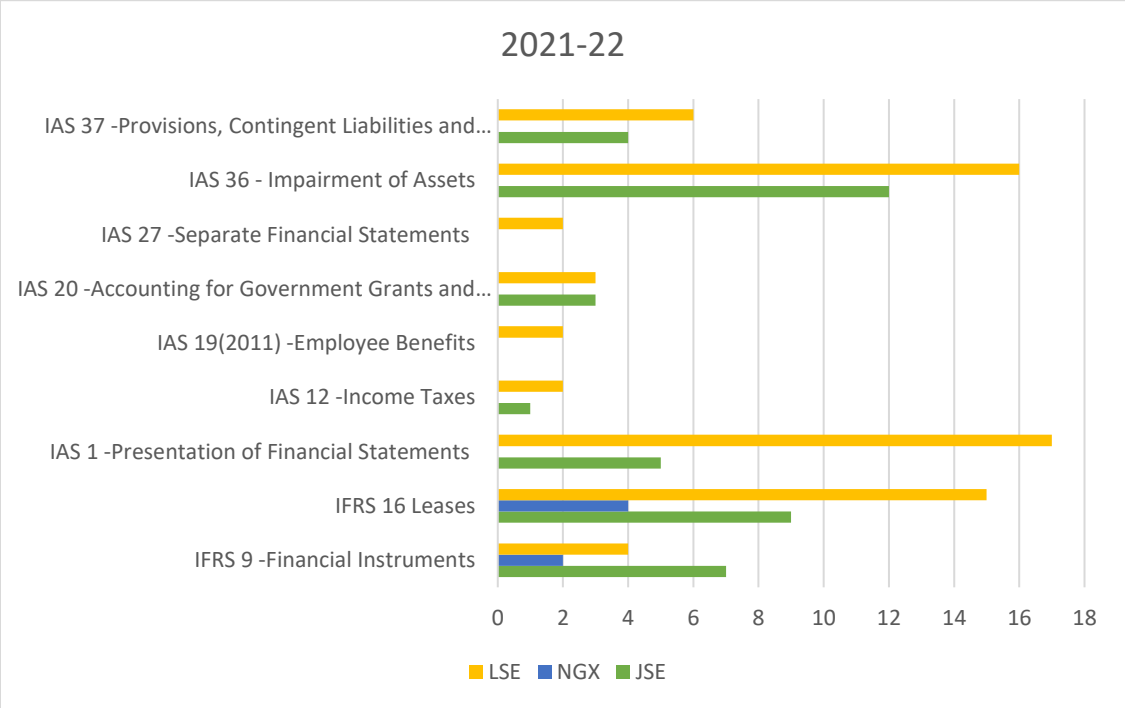


Figure 9 above figure 10 below show that the variance in Covid-19 disclosure quantities obtained from the NGX are considerably fewer than for the JSE and LSE in the top tier. While this was not expected, it is accepted that this is primarily due to the significantly lower number of companies in this sample. The accounting standards affected by Covid-19 are also less in 2021-22 than they are in 2020-21 as can be seen from the two figures.

Figure 10: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the top tier in 2021-22



4.2.1.1 Similarities

The lack of adequate disclosures in the upper tiers of the NGX means that the comparison of similarities and differences is largely between the JSE and LSE only. Similarities have been identified in the Covid-19 disclosures relating to IAS 12 *Income taxes* in the JSE and LSE, all noting the recognition of a deferred tax asset as a result of the pandemic for both years under review. IFRS 9 *Financial instruments* also showed similarities. The JSE had more disclosures than the LSE and NGX on financial instruments in this tier. Within all three stock exchanges, an increase in the ECL was disclosed, with all indicating that this stemmed from the increased credit risk associated with the high probability of defaults. However, the study also found that only companies in the LSE and JSE went into further detail in disclosing the management of debt covenants to maintain liquidity and manage credit risk. The study also shows that Covid-19 had no impact on the financial instruments of some of the companies. This is primarily due to these companies continuing to operate normally during the pandemic because of the industries they are classified under. The findings from this tier may be skewed by the varying population in each sample of the three stock exchanges under review.

Some of the disclosures relate to accounting standards not initially included in the literature. The standards include IAS 16 *Property, Plant and Equipment,* IAS 28 *Investments in Associates and Joint Ventures*, IAS 38 *Intangible Asset*s, and IAS 40 *Investment Property*. The analysis carried out revealed that the disclosures relating to these standards are entirely related to the effects of the pandemic on the fair values of these assets, triggering impairment testing on the said assets and recognition of an impairment loss where necessary. The disclosures relating to these standards are thus deemed appropriate to be included in the scope of the expected results. The disclosures relating to IFRS 2 *Share-based Payment* and IAS 19 *Employee Benefits* are fair value related disclosures meaning that they also fall under the scope of expected results as they relate to IFRS 13 *Fair Value Measurement*. The disclosures are distributed within the JSE and LSE, with companies in the NGX not disclosing any impairment related information.

4.2.1.2 Differences

The most noticeable differences between the stock exchanges are in the standards that were disclosed as well as the particular aspects in each standard. The study shows that the disclosures regarding IAS 27 *Separate Financial Statements* were obtained from the top tier of the LSE, where a portion of the sample stated that despite the uncertainty brought about by the pandemic, dividends were still received from subsidiaries. This was not the case with the JSE and NGX, as dividends were withheld to maintain the liquidity of the reporting entities. The impact of Covid-19 on IAS 19 *Employee Benefits* was also only disclosed in LSE. Half of the disclosures relating to this standard showed that Covid-19 was material in causing estimation uncertainty in the valuation of employee benefit while the other half disclosed it as immaterial. Other standards that were only disclosed in the LSE include IAS 10 *Events after the reporting period* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The former notes the extension of a loan maturity after the reporting period while the latter relays the government assistance provided to entities. On the other hand, from the top tier of the JSE, few companies disclosed pandemic related information regarding IFRS 2 *Share-based payments*. The pandemic led to a decrease in the fair value of share-based payment schemes, which was duly disclosed. This leads to the conclusion that IFRS 2 *Share-based payments* was not greatly impacted by Covid-19.

4.2.2 Mid-tier

Figures 11 and 12 below are a comparison of the disclosures between the middle-tiers of the stock exchanges. The figures show that the JSE had more Covid-19 related disclosures in 2020-21 than in 2021-22, while the LSE had a marginal change in the overall quantity of disclosures. The NGX continues to lag behind in terms of disclosures, but shows a decreasing trend from 2020-21 to 2021-22, much like with the JSE.

Figure 11: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the mid-tier in 2020-21

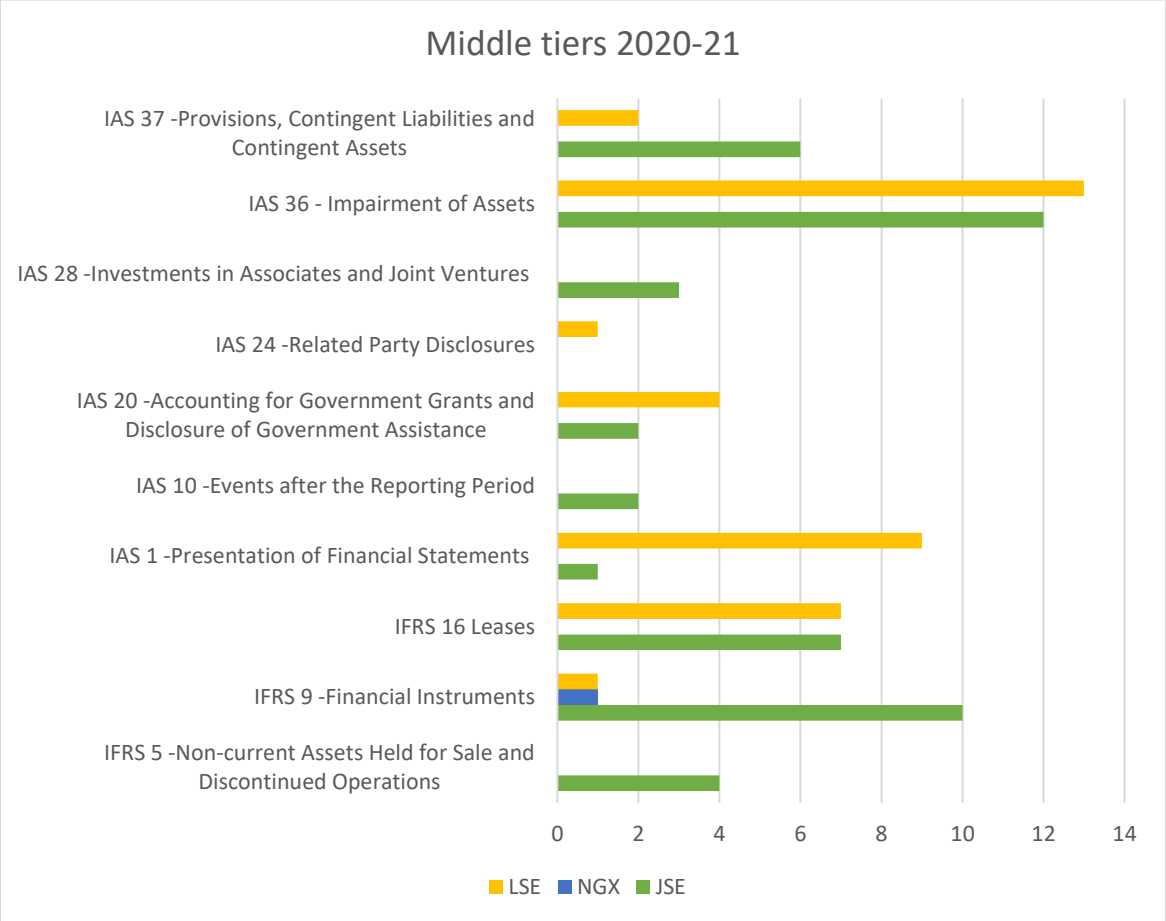
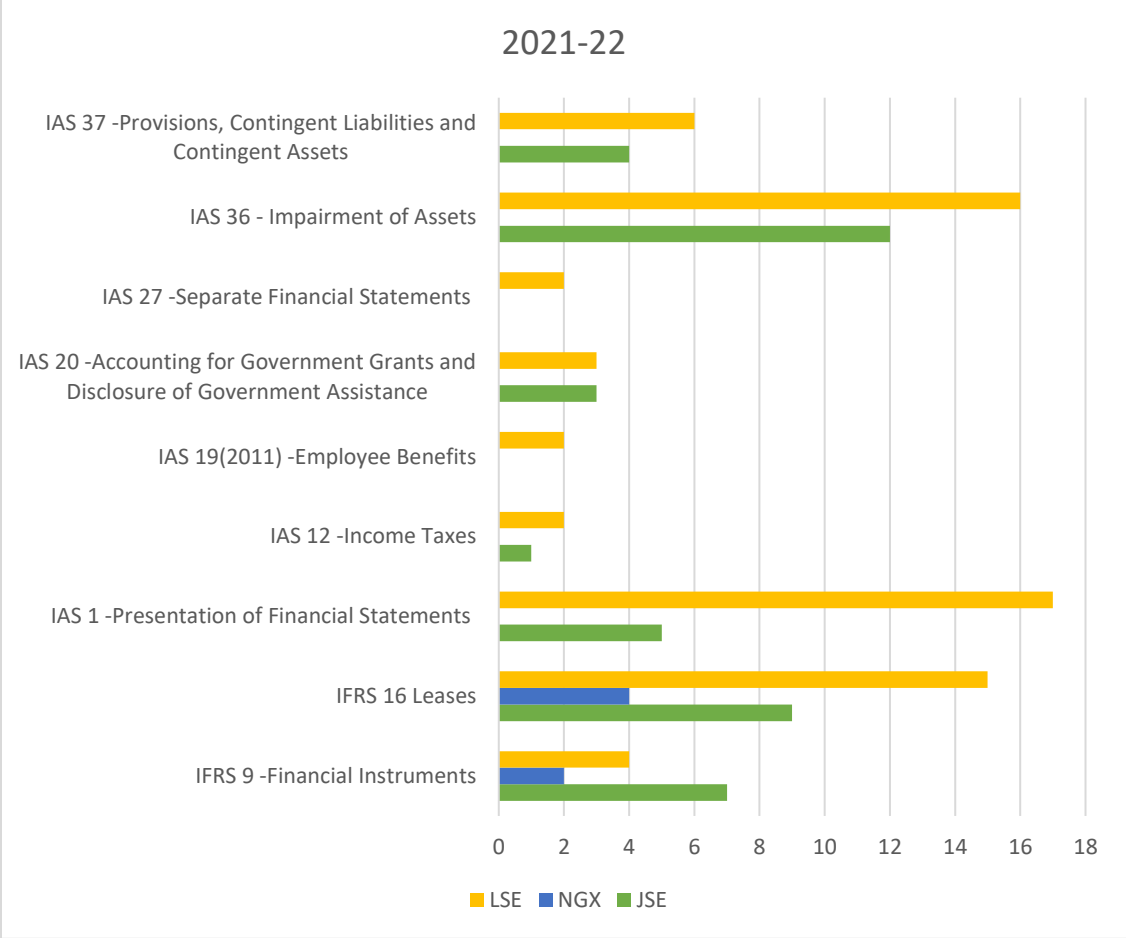


Figure 12: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the mid-tier in 2021-22



4.2.2.1 <u>Similarities</u>

The mid-tier is the least represented in terms of financial instrument disclosures. Within the JSE the disclosures are split between the increase in ECL and impairment of trade receivables while the LSE most noticeably notes no impact on credit risk. Within the NGX, disclosures include loans taken to manage liquidity as well as a reduction in interest rates as a result of the pandemic. All the companies that disclosed the impact of Covid-19 on intangible assets in the JSE in 2020-21 identified the pandemic as an impairment indicator for goodwill, with no impairment loss being recognised. In 2021-22, the companies disclosed an impairment loss in goodwill and other intangible assets as a result of the pandemic. The disclosure from the LSE suggested Covid-19 was not an impairment indicator while NGX had no disclosures relating to this standard. There are no disclosures from the NGX pertaining to IAS 16 *Property, Plant and Equipment*.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* disclosures in the middle tier are less than in the top tier for both the LSE and JSE, with none being accounted for by NGX. As with the top tier, disclosures noting the increase in the provision for ECL are the most prominent for both stock exchanges. These are the only provisions that were disclosed for 2021-22, and half of all disclosures regarding provisions in 2020-21 in the LSE. The disclosures around IFRS 16 *Leases* revolve around the adoption of the Covid-19 related rent concession and the impact this has had on the financial statements of the companies for all three stock exchanges. Some of the companies adopted the rent concession amendment, while most did not because they either did not receive any rental concessions or elected not to adopt.

4.2.2.2 Differences

The major differences within the middle tier were found in the disclosures involving IFRS 5 *Reclassification of non-current assets to assets held for sale*, IAS 10 *Events after the Reporting Period and* IAS 24 *Related Party Disclosures.* Reclassification of non-current assets to assets held for sale was disclosed by half of the affected companies in 2021-22 in the JSE, while some disposals were delayed as a result of the pandemic. Much like the top tier, disclosures regarding government grants in the middle tier are from the LSE, with all showing government assistance was received. The only disclosure regarding IAS 10 *Events after the Reporting Period* was of a dividend declaration made after the reporting period, disclosed in the JSE. No other disclosures were made from other stock exchanges. IAS 24 *Related Party Disclosures* also exist in the middle tiers of these exchanges as with the top tiers. The disclosures narrate the existence of transactions that had to be carried out between entities and their related parties as a direct consequence of measures put in place in response to the pandemic. Only the LSE had such disclosures, with none of them coming from the small tier. Borgi & Mnif(2022) found evidence that countries with high-quality governments are more likely to strongly enforce IAS 24 *Related party disclosures*. All the disclosures show that Covid-19 caused an impairment loss on the value of the investment in associates, particularly in the JSE as the LSE and NGX have no such disclosures. Disclosures pertaining to IAS 40 *Investment Assets* are only identified from the companies on the JSE for both years. In both years, Covid-19 was taken into

consideration in assessing the impairment of investment assets, and in both years an impairment loss was recognised.

4.2.3 Small tiers

Figure 13: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the small tier in 2020-21

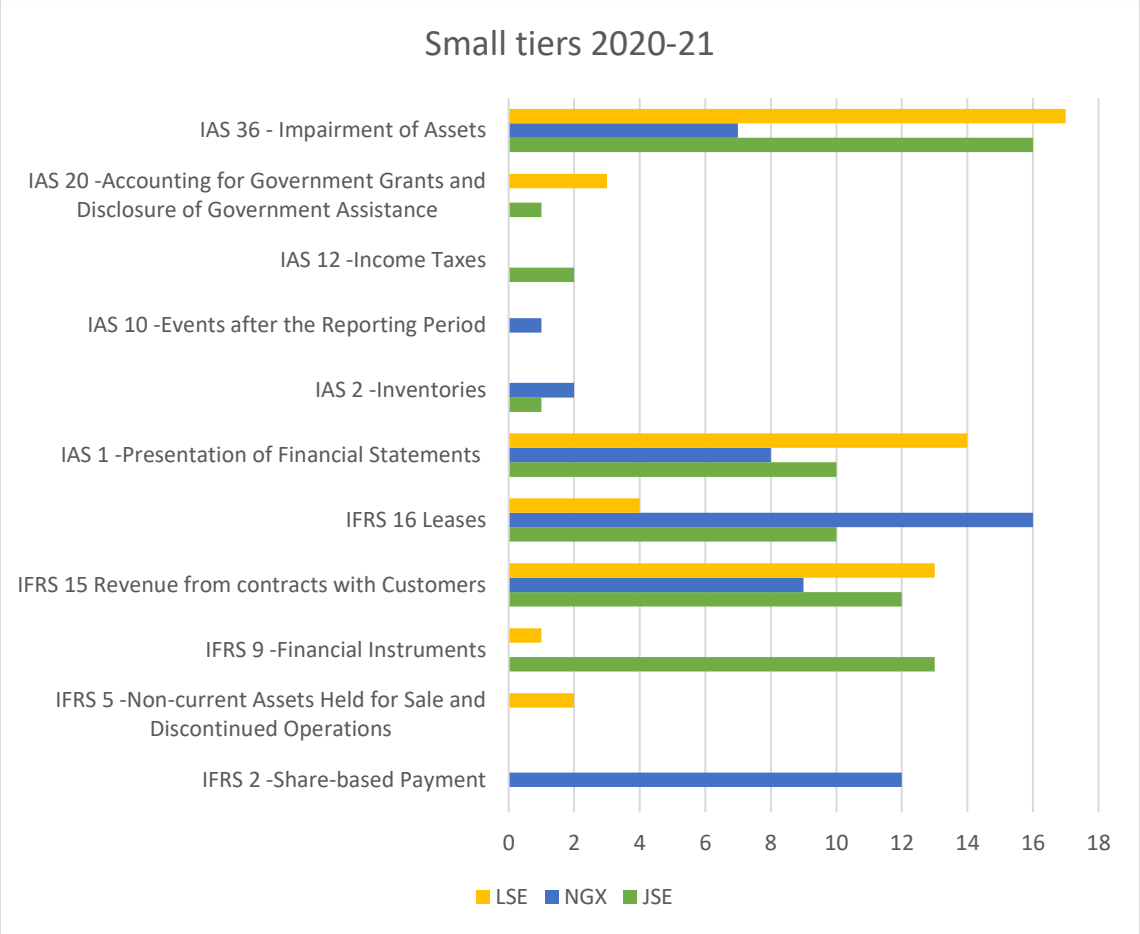
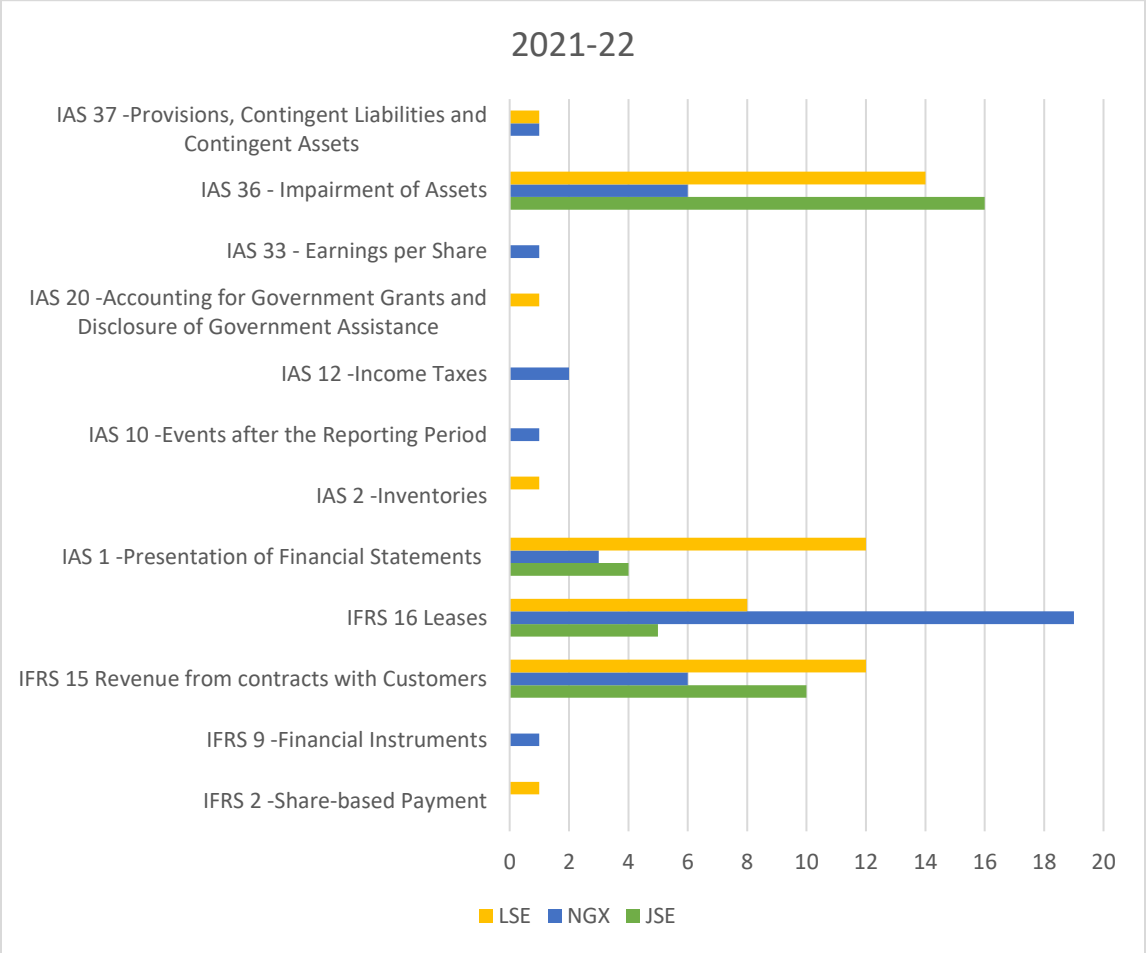


Figure 14: Comparison of Covid-19 related disclosures between NGX, JSE and LSE in the small tier in 2021-22



Figures 13 and 14 above show that most disclosures were identified in the JSE in 2020-21 and the LSE in 2021-22. Each stock exchange had 30 companies in the sample. The results show that for most standards, less than half of the companies in the sample disclosed an impact of Covid-19 for any particular accounting standard. The effects of Covid-19 on revenue were identified as both favourable and unfavourable. Several small-tier businesses discovered that there were plenty of opportunities during the lockdown, which resulted in a rise in the business's income. The industries that the companies are working in were mostly responsible for this.

4.2.3.1 Similarities

The small and mid-tiers of the JSE and LSE are the only tiers that disclosed the impact of the pandemic on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The pandemic resulted in the discontinuation of some business segments as well as the disposal of subsidiaries. These were deliberately carried out by companies in order to increase their chances of surviving through the pandemic. The disposal of less profitable business segments would allow for these companies to better utilise their resources on those segments that have a better chance of surviving

Covid-19's impact on IFRS 16 *Revenue from Contracts with Custom*ers was disclosed as both positive and negative. A positive from the small tier was experienced by some of the companies which found that there were many opportunities during the period of lockdown, which led to an increase in the revenue of the business involved. This was driven mostly by the industries in which entities are operating in which is best illustrated by companies in the telecommunications sector, such as MTN in SA and Nigeria. They realised lower revenue levels from sales of cellular devices, but this was countered by increased revenue from internet services as more and more people were confined to their homes. For a large fraction of companies, the crisis did not have any impact, positive or negative on the revenue as they were able to pick up when business activity resumed after lockdowns. Most of the companies did, however, disclose that the COVID-19 crisis had led to a decrease in revenue. This was to be expected primarily due to the halting of sales in the sample countries, and partly due to the potential negative impact on the valuation of inventories.

IFRS 9 *Financial instrument* disclosures showed an increase in ECL for companies in the small tier also. While the NGX had few disclosures on the impact on the ECL, the majority of the disclosures showing an immaterial impact on liquidity and credit risk as well as a decrease in interest rates were obtained from that stock exchange. These disclosures also include a loan taken to manage liquidity within the JSE, the only disclosure of its kind observed from the study. As with the middle tier, only the JSE had companies that disclosed the effects of the pandemic relating to these IAS 40 *Investment assets*. In 2020-21, the disclosures in this standard are equally divided between impairment indicators and impairment loss of investment assets, fair value loss on investment assets which was not enough to trigger an impairment loss, no impact on FV, and significant judgements used in reaching conclusions for the above. In 2021-22, half the disclosures note an FV loss on investment assets, with the other half noting a valuation uncertainty as a result of the uncertain environment presented by the pandemic.

4.2.3.2 Differences

As with the top tier, Covid-19 related disclosures on IAS 12 *Income taxes* from the JSE and NGX all disclose deferred tax assets as a result of the pandemic, in 2020-21 for the former and 2021-22 for the latter. The LSE had no such disclosures. The smaller entities arguably faced higher liquidity problems than the companies in the bigger market tiers. Entities either borrowed more funds or applied for extensions on the maturity of loans. This was disclosed in the small tier, with no other disclosures identified from other stock exchanges.

IAS 36 *Impairments of Assets* were recognised on the assets of the entities. A number of the disclosures in the NGX related to PPE, identifying Covid-19 as an impairment indicator with half recognising an impairment loss. This was different from the JSE where all the disclosures relate to an impairment loss on PPE and the LSE which had no disclosures at all. Within the small tier, some of the disclosures note Covid-19 as an impairment indicator on goodwill with only a fraction recognising an impairment loss. An even smaller fraction of the companies disclosed an impairment reversal on cash generating units during the pandemic. The LSE disclosed no impairment indicators while the NGX disclosed the pandemic as an impairment indicator on both goodwill and CGUs. A write down to net realisable value on inventories was also present in disclosures in the NGX but was unavailable in all the other stock exchanges.

All of the disclosures in the small tier of the stock exchanges show that affected companies received assistance through government grants in the LSE and JSE. The NGX has no such disclosures. Provisions were also recognised for future expenditure, which includes for restructurings necessitated by the need to adapt to a changing environment under the uncertainty of the pandemic. Other provisions include provisions for expected credit losses and provision for impairment of trade receivables. Few disclosures were made regarding inventories. Two contradictory disclosures were identified, with disclosures in JSE claiming no need for a re-estimate of the net realisable value (NRV) of inventory while the NGX noted Covid-19 as an impairment indicator. Inventory is subject to a decrease in value due to a decrease and stagnation of sales. As a result, the value of the stock may decrease compared to the cost of its purchase, called the net recoverable value of the stock following IAS 2 (IAS 2) (Al-Masoodi et al., 2020).

Chapter 5 - Conclusion

This chapter presents the conclusions drawn from the data collection and analysis in this study. The chapter is organised into two sections as follows. Section 5.1 discusses key findings from the study. Section 5.2 presents recommendations for the study's targeted audience as well as possible areas for future research based on the findings from this study.

The aim of this study was to analyse the impact of Covid-19 on accounting standards. The study assesses and compares the disclosures of a sample of listed companies in three stock exchanges; the Nigerian Stock Exchange, Johannesburg Stock Exchange and London Stock Exchange. Following the guidelines prepared by Ernst & Young (2020a)**,** predicting what the impact of Covid-19 would be on the accounting standards, the study was guided by two research focus points:

- Identifying which accounting standards have been affected by Covid-19,
- The similarities and differences in the impact of Covid-19 on the accounting standards as disclosed in the financial statements.

As such, a content analysis was carried out. In the study, the financial statements of the sample of listed companies were analysed to identify disclosures that refer to the impact of Covid-19 in the three different market tiers of the three stock exchanges. These were then scrutinised for similarities and differences to identify the impact that was disclosed.

5.1 Key findings

The pandemic undoubtedly had an impact on the global economy, affecting most businesses in one way or another. Accounting information became important particularly for its ability to expose risks during periods of emergency such as during the peak of the pandemic (Asalos et al., 2021). Whilst some entities in most sectors had to shut down for extended periods during lockdowns, others were fortunate to be able to continue operating due to the industries in which they operate. As previously stated, the motivation behind

this study stems from the guidelines published by EY (Ernst & Young (2020a) on the accounting and disclosure of the impact of the pandemic. The report highlighted accounting standards predicted to be affected by Covid-19.

The results of this study suggest that the impact of Covid-19 as disclosed in the financial statement is the same regardless of stock exchange or the size of the company as represented by market tiers. The general impact on the accounting standards is also similar in all the stock exchanges, regardless of the market tier. This is particularly noticed with disclosures on standards such as IFRS 16 *Leases* which consistently had the most Covid-19 disclosures in all the stock exchanges over the two years. The high prevalence of IFRS 16 *Leases* disclosures could be attributed to policy changes on the application of lease accounting during the pandemic, which was not carried out with other accounting standards. The resulting lockdowns and most businesses having to halt operations for varying periods also did not result in any of the companies in the sample disclosing a major risk to their ability to continue operating on a going concern principle under IAS 1 *Presentation of Financial Statements* in both years. Covid-19 was also identified as being an impairment indicator in most of the disclosures. The lack of economic activity caused by the pandemic resulted in fair value and impairment losses on the tangible and intangible assets of companies. This resulted in IAS *36 Impairment of Assets* also having a large number of disclosures amongst within all stock exchanges.

The study also found that there were other accounting standard disclosures that were impacted by Covid-19, in addition to the ones discussed in the literature review. These include;

- IFRS 2 - Share-based Payment,
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations,
- IAS 16 - Property plant and equipment
- IAS 19 (2011) - Employee Benefits,
- IAS 24 - Related Party Disclosures,
- IAS 27 - Separate Financial Statements,
- IAS 28 - Investments in Associates and Joint Ventures,
- IAS 38 - Intangible assets and
- IAS 40 - Investment Property.

The literature review in this study made no particular reference to accounting standards such as IAS 16 *Property Plant and Equipment*, IAS 28 *Investments in Associates and Joint Ventures*, IAS 38 *Intangible Assets*, and IAS 40 *Investment Assets*. However, the disclosures relating to these standards are primarily related to impairment testing and recognition under IAS 36 *Impairment of Assets*, falling within the scope of the expected results.

5.2 Recommendations

The researcher acknowledges that the study is not without limitations. As such, this section attempts to address the limitations from the study by providing the following recommendations. The study could be carried out as a descriptive exploratory study rather than an exploratory descriptive study, which would allow for better integration of the academic theories with the literature and the results. This would also allow a statistical approach to better determine the significance of the findings in order to make accurate conclusions. It is also worth noting that most some information was obtainable from the management commentaries as opposed to the notes to the financial statements that this study focused on.

This study was primarily focused on disclosures from companies in different countries, from vastly different industries, resulting in the generalisability of the findings to be significantly impaired. To avert this, future studies should look at specifically comparing disclosures from the same industries regardless of whether they are across countries. More conclusive results may also be realised in a study of this nature if the years under scrutiny are more than two years as is in this study. The generalisability of the findings may also be improved by selecting stock exchanges with the same size of population comprised in the sample. This will also promote comparability of the results as the disclosures will most likely be prevalent in all tiers of the stock exchanges. A same size population would also allow for the quantity of disclosures and accounting standards affected to be approximately equal. In order to also produce a more robust study where each standard is given much attention, a smaller selection of standards should be used. This allows for a more focused study looking at fewer accounting standards, allowing for each to be studied in detail according to its own individual disclosure requirements.

5.3 Concluding remarks

The legitimacy and stakeholder theories were employed in this study to explain the need for companies to engage in adequate accounting disclosure practices for the benefit of stakeholders. As such, the expectation was for the impact of Covid-19 to be disclosed by majority of entities in the study. This is due to the fact that Covid-19 had a worldwide impact on business activity. The overall level of disclosures of the impact of Covid-19 was low across all market tiers in the sampled companies from the JSE, LSE and NGX combined which was unexpected due to the impact on the wider economic environment. It is also notable that the quantity of disclosures decreased in 2021-22 as compared to 2020-21 in all the stock exchanges. Changes in government policy interventions as well as the decline in Covid-19 infections led to business activity increasing in 2021-22. 2021-22 also saw a decline in lockdowns globally. Therefore, it can be concluded that the guidance provided on how the impact of Covid-19 should be disclosed was either not strictly adhered to by some of the companies in the study or the impact of Covid-19 was not as significantly felt by entities as expected.

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Appendix 1 Approval of Research Title

UNIVERSITY OF THE WITWATERSRAND JOHANNESBURG

Private Bag 3 Wits, 2050
Fax:
Tel:

Reference: Mr Tshepo Mohlakoane
E-mail: Tshepo.mohlakoane@wits.ac.za

06 January 2023
Person No: 1141192
PAG

Mr MT Makara
165 Upper Thamae
P.O. BOX 7561
0100
Lesotho

Dear Mr Motanyane Makara

Master of Commerce: Approval of Title

We have pleasure in advising that your proposal entitled *Exploring Covid-19 disclosure patterns: A comparative analysis of the financial statements of a sample of top-, mid-, and small-tier companies listed on the Johannesburg Stock Exchange, Nigerian Exchange and the London Stock Exchange in the 2020 and 2021 financial years.* has been approved. Please note that any amendments to this title have to be endorsed by the Faculty's higher degrees committee and formally approved.

Yours sincerely

Mrs Marike Bosman
Faculty Registrar
Faculty of Commerce, Law and Management

Appendix 2 Ethics Waiver Letter

UNIVERSITY OF THE WITWATERSRAND JOHANNESBURG

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)

Registration number: REC-101114-044

SCHOOL OF ACCOUNTANCY ETHICS COMMITTEE

Ethics clearance / waiver number: **WSOA-2022-07-06W**

DATE: **25 July 2022**

Re: **Motanyane Makara (1141192)**

To whom it may concern,

Motanyane Makara (1141192) is currently registered as a MCom (in the field of Accountancy) student at the School of Accountancy, University of the Witwatersrand, Johannesburg. This letter is to confirm that, at the time of writing, **Motanyane Makara** does not need ethical clearance for his study entitled **'Exploring Covid-19 disclosure patterns: A comparative analysis of the financial statements of a sample of top-, mid-, and small-tier companies listed on the Johannesburg Stock Exchange, Nigerian Exchange and the London Stock Exchange in the 2020 and 2021 financial years'**. This decision has been reached based upon a description of the project supplied by **Motanyane Makara** to the School of Accountancy Ethics Committee, constituted as a subcommittee of the University Human Research Ethics Committee (Non-Medical), which has been evaluated by the subcommittee chair. This decision has then been ratified by the University Human Research Ethics Committee (Non-Medical). If, however, **Motanyane Makara** changes the methods of data collection and analysis for this project, this decision may no longer be valid. If such changes take place, this should be communicated to the School of Accountancy Ethics Committee.

Please feel free to contact me should you require any further information.

Thank you.

Yours sincerely,

Prof Wayne Van Zijl

MCom Lecturer & Ethics Committee Member

Appendix 3 Covid-19 disclosures per stock exchange

Johannesburg Stock Exchange

2020

IFRS	Small	Mid	Top
IFRS 2 -Share-based Payment			1
IFRS 5 -Non-current Assets Held for Sale and Discontinued Operations		4	
IFRS 9 -Financial Instruments	13	10	9
IFRS 15 -Revenue from contracts with customers	8	7	7
IFRS 16 Leases	10	7	8
IAS 1 -Presentation of Financial Statements	10	1	7
IAS 2 -Inventories	1	0	1
IAS 10 -Events after the Reporting Period	0	2	2
IAS 12 -Income Taxes	2	0	1
IAS 16 -Property, Plant and Equipment	2	1	
IAS 20 -Accounting for Government Grants and Disclosure of Government Assistance	1	0	0
IAS 24 -Related Party Disclosures	0	0	1
IAS 28 -Investments in Associates and Joint Ventures	0	3	4
IAS 36 -Impairment of Assets	13	20	11
IAS 37 -Provisions, Contingent Liabilities and Contingent Assets	0	6	6
IAS 38 -Intangible Assets	12	2	10
IAS 40 -Investment Property	5	0	0

2021

IFRS	Small	Mid	Top
IFRS 5 -Non-current Assets Held for Sale and Discontinued Operations		2	7
IFRS 9 -Financial Instruments	4	9	5
IFRS 15 -Revenue from contracts with customers	7	11	8
IFRS 16 Leases	9	7	8
IAS 1 -Presentation of Financial Statements	4	4	5
IAS 12 -Income Taxes			1
IAS 16 -Property, Plant and Equipment	1		1
IAS 28 -Investments in Associates and Joint Ventures		1	
IAS 37 -Provisions, Contingent Liabilities and Contingent Assets		4	4
IAS 36 -Impairment of Assets	2	9	8
IAS 38 -Intangible Assets	1	5	7
IAS 40 -Investment Property	2	1	

London Stock Exchange

2020

IFRS	Small	Mid	Top
IFRS 2 -Share-based Payment	1	0	0
IFRS 5 -Non-current Assets Held for Sale and Discontinued Operations	2	0	0
IFRS 9 -Financial Instruments	1	1	7
IFRS 16 Leases	4	7	15
IAS 1 -Presentation of Financial Statements	14	9	17
IAS 2 -Inventories	1	0	0
IAS 12 -Income Taxes	0	0	2
IAS 16 -Property, Plant and Equipment	1	1	5
IAS 19(2011) -Employee Benefits	0	0	2
IAS 20 -Accounting for Government Grants and Disclosure of Government Assistance	3	4	3
IAS 24 -Related Party Disclosures	0	1	0
IAS 27 -Separate Financial Statements	0	0	5
IAS 36 -Impairment of Assets	2	3	16
IAS 37 -Provisions, Contingent Liabilities and Contingent Assets	0	2	6
IAS 38 -Intangible Assets	2	1	11

2021

IFRS	Small	Mid	Top
IFRS 2 -Share-based Payment	1		
IFRS 7 -Financial Instruments Disclosures			4
IFRS 16 Leases	8	3	15
IAS 1 -Presentation of Financial Statements	12	6	17
IAS 2 -Inventories	1		
IAS 12 -Income Taxes			2
IAS 16 -Property, Plant and Equipment			5
IAS 19(2011) -Employee Benefits			2
IAS 20 -Accounting for Government Grants and Disclosure of Government Assistance	1	2	3
IAS 24 -Related Party Disclosures		1	
IAS 27 -Separate Financial Statements			2
IAS 36 -Impairment of Assets	1	1	18
IAS 37 -Provisions, Contingent Liabilities and Contingent Assets	1	1	6
IAS 38 -Intangible Assets		1	11

Nigerian Stock Exchange

2020

Accounting Standard	Small	Mid	Large
IFRS 2 -Share-based Payment	12		
IFRS 9 -Financial Instruments		1	2
IFRS 15 Revenue from contracts with Customers	1		
IFRS 16 Leases	16	13	5
IAS 1 -Presentation of Financial Statements	8		2
IAS 2 -Inventories	2		
IAS 10 -Events after the Reporting Period	1		
IAS 16 -Property, Plant and Equipment	3		
IAS 36 -Impairment of Assets	11		
IAS 38 -Intangible Assets	4		
IAS 40 -Investment Property	2		

2021

IFRS	Small	Mid	Large
IFRS 9 -Financial Instruments	1	1	2
IFRS 16 Leases	19	12	4
IAS 1 -Presentation of Financial Statements	3	1	
IAS 10 -Events after the Reporting Period	1		
IAS 12 -Income Taxes	2		
IAS 33 -Earnings per Share	1		
IAS 36 -Impairment of Assets	1		
IAS 37 -Provisions, Contingent Liabilities and Contingent Assets	1		