

Accounting Implications for (Covid-19) - Measuring the impairment of non - current assets in accordance with IAS (36)

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Abstract

The aim of the study is to measure the impact of (Covid-19) on economic units, and the accompanying fluctuations in global markets, which in turn reflected on the market value of most of them. The study targeted a sample of economic units listed on the Iraq Stock Exchange to measure the extent to which they were affected by the Corona pandemic. The two researchers concluded that the Corona pandemic had varying effects on economic units. This led to economic recovery in some of them, and recession, recession and (impairment in others, which led to a impairment in their market value. This led to the emergence of indicators of impairment in the value of non-current assets. The study recommended the necessity of applying International Accounting Standard No. (36) to arrive at the true value of those assets.

Key world: Accounting Standard (36), (Covid-19), impairment of assets, Fair value, Value in use.

Introduction

The world lives in an exceptional case in light of the spread (Corona epidemic). Which leads wide social, political and economic impacts caused by the pandemic on several levels, with the impact of global supply chains, the movement of international trade, investment, manufacturing activities, high levels of uncertainty, and the weak level of trust between consumers and investors. As this epidemic imposed restrictions on the activities of many economic sectors in light of the measures taken by a number of countries to close borders. This affected the tourism, aviation, trade, manufacturing, and other economic sectors. As a result, the wheel of production was halted and the level of global commercial transactions weakened. This left indications of impairment in the value of non-current assets, which requires re-evaluation of non-current assets in accordance with International Accounting Standard No. (36). which requires re-evaluation in the event that there are indicators predicting impairment in the value of assets

Study methodology and previous studies

1- Study methodology

First: Research problem

As a result of what the whole world exposed to and Iraq in particular concerning the consequences of the spread of "Corona virus", which paralyzed life and almost stopped the production wheel as well. on the economic units in the whole world, including Iraq. and affect a which resulted changes in the Economic and legal environment for units. consequently of the aforementioned, it has become necessary for economic units to resort to the application of accounting standard (36) (impairment of assets value) due to the decrease in the market value of economic units, and thus the problem can be formulated with the following questions:

1. Is there a direct impact of the Corona pandemic on the economic units in the Iraq Stock Exchange?
2. Do the economic units dealing in the Iraq Stock Exchange apply the International Accounting Standard (36), impairment in the value of non-current assets?
3. Is the implementation of the International Accounting Standard No. (36) for the economic units dealing in the Iraq Stock Exchange to be considered an imperative to face this and similar crises?

Second: Research Importance

The research aims to apply International Accounting Standard (36) related to the impairment of non-current assets in one of the companies listed on the Iraq Stock Exchange in light of the outbreak of the Corona pandemic. And the effects of this pandemic on global markets. Which reflected negatively on its economies and the movement of money markets. The importance of research stems from the importance of non-current assets because of their great contribution to

generating cash flows, if this requires studying the impact of external and internal indicators of the impairment in the value of these assets in light of the economic.

Third: research objectives

1. Shedding light on the repercussions of the "Corona pandemic" on economic units and the extent of their vulnerability to the pandemic, by measuring the impairment in the value of their assets.
2. Shed light on Accounting Standard No. (36) Impairment of Non-Current Assets
3. Applying International Accounting Standard No. (36) to the (impairment in the value of non-current assets on the economic unit, the research sample.
4. Shed light on accounting treatments for impairment of non-current assets.

Fourth: Research hypothesis:

1. Hypothesis H0: There is no direct impact of (COVID-19) on the economic units listed on the Iraq Stock Exchange.
2. H1 hypothesis: There is a direct impact of (COVID-19) on the economic unit listed on the Iraq Stock Exchange.

Fifth: Study sample population

The study population consists of a sample of Iraqi economic units dealing in the Iraq Stock Exchange. This sample was chosen to demonstrate the extent to which it was affected by the Corona pandemic, by applying the requirements of International Accounting Standard (IAS) 36 impairment of non-current assets. Considering the Corona pandemic as an indication of the impairment in asset value.

2- Previous studies

1- Omar: 2020 "*The importance of applying the International Accounting Standard (36) in oil and gas companies in Syria*". The study aims to implement the International Accounting Standard 36 in the oil and gas company in Syria. And the shift from relying on book value in measuring non-current assets to fair value or value in use, whichever is higher. The study concluded that relying on the application of International Accounting Standard 36 will achieve fairness in measuring non-current assets. The study emphasized that the company recognizes the losses resulting from the impairment in assets when the recoverable value is less than the book value of the assets.

2- LAL JOSHI: 2020:"(Covid-19) *Issues and Challenges of Financial and Epidemiological Reporting*" The study aims to discuss some of the challenges and implications of preparing financial reports that arise due to the occurrence of COVID19. The study concluded that the effects of the spread of the coronavirus are a non-modifiable event for the year 2019. The effects of events are reported and modified in the first quarter of 2020 only within the framework of Interim reports. Moreover, it discusses the potential impacts and challenges of the impairment of non-financial assets, impairment of goodwill, and fair value measurement, in addition to issues related to the viability of the economic unit. The study recommended that meaningful and timely disclosures should be made about the potential impacts of COVID19 on the financial position. And operating performance. So is the company's liquidity under uncertain circumstances. This is to maintain the quality of financial information.

3- Ernst young: 2017 "*Impairment or disposal of long- leved assets*" The study aims to shed light on International Accounting Standard No. (36) the impairment in the value of non-current assets and the statement of International Financial Accounting Standards No. (144) to measure the (impairment of tangible and intangible assets. The study concluded on the importance of testing for impairment in accordance with the requirements of International Accounting Standard No. (36) The study recommended that the value of non-current assets should be reviewed permanently and whenever the need arises.

The theoretical side of the research:

First- Coronavirus Pandemic:

(Covid 19) is an infectious respiratory disease caused by newly discovered viruses. The virus belongs to the previously unknown family of coronaviruses. With the outbreak of the epidemic in Wuhan, China, in December 2019, it turned into a pandemic that swept the entire world. (Ahmad, Rafiq 2020, p. 3). Corona is a large family of viruses that cause disease to humans and animals alike. It is well-known that a number of corona viruses have caused people to have respiratory infections that range from simple colds to the most common and severe, such as fever, fatigue, dry cough, pains and aches, headache, nasal congestion, pain in the mouth, diarrhea, and sensory loss. Smell taste or one of them. Symptoms are often mild, and then gradually start to rise. Some of them reach more severe symptoms, such as "Middle East Respiratory Syndrome and Severe Acute Respiratory Syndrome (SARS)". There are some people who do not feel

sick, as about eighty percent of patients recover without the need for special treatment. (2020: World Health Organization) The designation (COVID-19) came from the following division:

1. CO is short for Corona (CORONA).
2. VI: referring to the term VIRUS.
3. D: Short for DISEASE.
4. 19 Indicates the year 2019, which is the year of the emergence of the virus. - (Al-Bayan: 2020)

Second - Measuring the Coronavirus (COVID-19)

Studying the expected economic impact and the consequences (socio-economic and government response) resulting from it requires placing the reports on COVID-19 in their chronological context. Without these reports, it will not be easy to understand the scale of the pandemic. Whereas, reliable reports show how the epidemic has spread, and whether or not the precautionary measures were successful. (BRODEUR et. Al: 2020) There is a set of indicators that clarify a mechanism for measuring the spread of the pandemic and include the following:

1. The total number of tests.
2. The number of confirmed (COVID-19) cases.
3. The number of deaths due to (COVID-19.)

These numbers are provided by health authorities around the world. These numbers are used for research and educational purposes. These data are standardized by the Center for Science and Systems Engineering at Johns Hopkins University, a research university and its center in Baltimore, Maryland, in the United States. The Science Center is consolidating numbers with visual map views of (COVID-19) cases in its database (DONG.et.al:2020) These data are supported by the World Health Organization and the CDC in the European Union and the United States. This rate remains variable over time due to its sensitivity to the site and the characteristics of the population, and recent studies show that there are some errors in monitoring cases of (Corona). (SILVERMAN.et.al:2020)

Third - The impact of the (Covid-19) on the labor market:

As a result of the tremendous economic turmoil around the world, the (Covid-19) crisis had a devastating impact on the workforce around the world, which is estimated at approximately 3.3 billion people, and this effect was represented in a sharp and unexpected decrease in economic activity, which led to a (impairment in Number of jobs or working hours (ILO MONITOR:2020.P4) Therefore, the pandemic will have far-reaching impacts on labor market outcomes. In addition to pressing concerns about the health of workers and their families, the Corona pandemic has affected the world of work through three main dimensions:

1. The amount of jobs (unemployment and underemployment).
2. Quality of work (such as wages and access to social protection).
3. Impact on some groups due to labor market outcomes: (International Labor Organization: 2020. P3).

Therefore, the repercussions of the Corona pandemic will affect the labor market. It will lead to layoffs of low-paid temporary workers. And also reduce working hours. This leads to a decrease in per capita income, and on the contrary, the level of influence of skilled workers in fixed jobs in the public and private sectors will be relatively less in the short and medium term, due to the presence of other alternatives for continuing, such as working from home, using the modern methods available, which were put into effect simultaneously. With the announcement of most of the countries to quarantine. In this context, the organization indicated that the economic repercussions of the pandemic may cause the loss of up to 25 million jobs, and it put forward three assumptions for this.

1. The first hypothesis indicates that the number of unemployed will reach 24.8 million (not optimistic).
2. The second hypothesis indicates that the number of unemployed will reach 13 million. (Moderate)
3. The third hypothesis indicates that the number of unemployed will reach 5.3 million. (The optimistic one) (Talha: 2020, p. 14)

Fourth - Sectors benefiting from the (Covid-19).

1- The field of pharmaceutical and Para pharmaceutical industries:

The corona pandemic showed intense competition among drug manufacturers around the world as a result of the profits achieved from market activity in this field due to the emergence of the epidemic, which led to an increase in demand for some medicines to confront the Corona virus, most notably vaccines and vitamins. The pharmaceutical market witnessed a great recovery in light of the Corona pandemic in The field of medicines used to combat the virus within the scope of the treatment protocol recommended by health authorities, such as vitamins D-C and hydrochloroquine, in addition to antibiotics. As for the semi-pharmaceutical industries, they have formed basic

commodities to hedge against the virus, such as sterile materials, disinfectants, masks, medical gloves, protective clothing and materials. Detergent. (Wehbe: 2020, p. 54)

2- Communications and E-Commerce Sector:

As a result of the conditions imposed by the Corona pandemic (COVID 19), communications and e-commerce have turned into the only outlet for doing business in retail markets around the world due to the tendency of states and governments to launch the slogan “Stay in home” in the context of confronting and containing the repercussions of the Corona virus. As it was estimated that e-commerce traffic would grow by 25 percent annually in the countries of the Arab region, to exceed \$ 28 billion in 2021, and then to \$ 28.5 billion by 2022, making e-commerce passing through a pivotal period in the region to constitute an important opportunity (For consumers and investors). As a result of the continued stay of consumers indoors for long periods of time, which leads to the expectation of an increase in the number of visitors to the Amazon website by more than 1000 percent, and an increase in requests by more than 500 percent. (independent.2020). As a result of the continuation of the Corona pandemic, electronic platforms have appeared carrying the idea of telemedicine to organize into e-commerce ideas. The idea of telemedicine is not new to medicine, but the current crisis could have a great impact on the prospects for expanding the provision of health services via the Internet, as a crisis led to The Coronavirus (COVID-19) pandemic has led to an increase in the use of medical services in China, Europe and North America. Therefore, some judicial authorities have revised laws and regulations to mainly facilitate these services. (World Trade Organization.2020. p.9) As for electronic entertainment and as a result of restrictions imposed on the movement of people, the demand for electronic communication applications and entertainment services via the Internet has increased widely due to the procedures The ban imposed by some countries (Abd al-Latif: 2020, p. 6) This has demonstrated the Coronavirus (COVID-19) pandemic, the real need and the critical importance of the telecommunications sector. Which will be the most effective way to sustain communication between companies, governments and societies than any other event in human history, due to the economic and social disruption caused by the pandemic (IFC: 2020.p2)

Fifth - Sectors affected by the (Covid-19):

1- Air transport sector:

Corona pandemic has had a significant impact on the air transport services sector. In May 2020 the International Civil Aviation Organization (ICAO) estimated that global air traffic will decrease by up to 65 percent from what was initially expected. The International Air Transport Association (IATA) announced that Air transportation revenues have decreased by 44 percent compared to 2019. (IATA: 2020) which leads to a decrease in airline revenues, as Europe and Asia Pacific will be the most affected in terms of international capacity and the low level of revenues, followed by North America. Moreover, about 35 percent of the value of global trade is transported by air, which had a major impact on the air cargo capacity. The figures available from the International Air Transport Association (IATA) reveal that international air cargo capacity has shrunk by 43.7 percent. In March 2020 compared to the previous year. (World Trade Organization: 2020. p.7) As for the other sectors related to the transport sector that have been completely damaged and paralyzed, such as product showrooms in airports, duty-free shops and shops operating in those sectors, which include hundreds of workers and provide most of the services to travelers (Haider: 2020. 18) This has imposed the Corona pandemic unprecedented challenges for all transport companies around the world in the short and long term as a result of the sharp (impairment in transport revenues, due to the inability of companies to transport travelers easily between cities, countries and continents, which led to a wide range of challenges. From salary cuts and layoffs, to large companies being forced to close due to their inability to maintain the required liquidity during a prolonged disruption of the operational process. Therefore, investment companies will have to devote efforts exerted to understand passenger transport routes, implement projects and programs that have been postponed, or work to re-evaluate them according to global data. (Circo. 2020)

2- Tourism sector:

The tourism sector and the entertainment industry (such as cinemas and theaters) are among the sectors most affected by the spread of the new Corona virus. As the Corona pandemic had a negative impact on both sides (supply and demand). The World Tourism Organization has had an effective role in limiting the spread of the virus by directing the closure of cinemas and theaters. Initial estimates indicate a sharp impairment in international tourism due to the travel ban and the suspension of many flights. This caused losses estimated at 30 to 50 billion US dollars in tourism revenues (Abdul Latif: 2020, p. 4) The international tourism sector is considered one of the most prominent economic activities and an important source of foreign exchange earnings, securing economic growth and creating job opportunities in many countries. About 10 percent of global GDP is produced in this sector. It provides one out of every four jobs created around the world. In 2019 international tourism accounted for about 8 percent of international GDP and helped create jobs for more than 45 million people. (Organization of Islamic Cooperation: 2020, p.13) In addition, there are other areas that have been affected by the pandemic, such as hotels and various entertainment sectors, and companies producing films and series, and the services that follow these production sectors. Theaters, cinemas, halls where events are held, music production companies, museums, opera houses and many tourist attractions in major capitals around the world have also been

closed. (Haider: 2020. p. 18) As for the religious tourism sector, Saudi Arabia was one of the most prominent victims of Corona, as it decided to cancel millions of visas for performing Umrah and Hajj and visiting the Prophet's Mosque (Fernandez: 2020, p. 2) As for Iraq, it has many components that contribute In making it one of the most important revenue-generating sectors, and the spiritual elements come at the forefront of these components, which are reflected in a set of characteristics that are distinctive of what Iraq has in terms of monuments, sites and shrines for religious tourism. Which means that Iraq possesses the self and inevitable elements in the hearts of visitors and expatriates to religious tourism sites in Iraq. The most important of these characteristics are:

1. The religious tourist is a desire that exists for the tourist that stems from the depths of the soul and not just for the desire for entertainment and enjoyment.
2. Religious visits are related to the urgent needs of the visitors, such as the desire for psychological and physical recovery or to fulfill visions, dreams, and vows, all of which are Islamic ties that stimulate the visit.
3. Religious tourism is not linked to considerations of the tourist seasons. Not under the condition of ideal attractions. Therefore, the religious tourist does not prevent him from the difficulties of dissolution and travel, and does not distinguish between him and the holy visits, any of the safety and service requirements required, as he strives to reach the shrines of the righteous and be blessed with them. (Hassan: 2018, p.10)

Sixth- concept of international accounting standards

An accounting standard is a common set of principles and procedures that define the foundations of accounting policies and practices that improve the transparency of financial reporting in all countries of the world. It works to determine when and how economic events are recognized, measured and presented. (Tasnim Makri: 2019) Before the issuance of the International Accounting Standard (36) and as a result of economic fluctuations and instability in the markets, then business companies were reducing the value of non-current assets when they had permanent and continuous evidence of the (impairment in the production capacity of the assets, and their inability to cover their value Carrying during its remaining life. Treating the impairment value in this way makes the asset measurement process inconsistent and unequal among business firms. This led the accounting thought to support the idea of establishing an international accounting standard linked to the impairment in the value of assets. (Al-Marayat: 2014. p. 3) Therefore, the International Accounting Standards Board (IASC) in 1997 submitted a draft accounting standard to address the impairment in the value of non-current assets. So International Standard No. (36) was issued for that purpose in 1998 and became effective on financial statements covering periods beginning after January 1, 1999. (Makhloufi: 2015. p. 115). The standard addresses the problems of impairment of tangible and intangible assets. The standard aims to impairment the procedures that business companies apply to ensure that their assets are not recorded at a value in excess of their recoverable value. And provide the necessary and relevant disclosures regarding impairment of assets. (IAASA: 2017.p4)

Seventh - Non-current assets

They are assets kept by the economic unit for use and use of its services and not for the purpose of selling or exchange. And it has the ability to provide economic benefits for a period exceeding one accounting period. (Gold Coast: 2019.P9) and examples thereof (furniture, cars, land and buildings). This group of assets is known by accountants as (tangible) assets. In addition to that, there is a second group of assets that the accounting convention has included in the group of non-current assets due to the long period of utilization from them, and the lack of intention to trade them. They are known as intangible assets, and examples of them are (fame of the shop, patent and trademark) (Al-Sabbagh and others: 2018. p. 243). Non-current assets represent great importance for economic units, especially industrial ones, or those that depend in their normal activity on non-current assets that represent an infrastructure. Relatively large. Because the business and activities performed by these economic units cannot be performed and implemented without a strong infrastructure represented by non-current assets, especially tangible ones. (Al-Jajawi and Al-Masoudi: 2018. p. 310)

Eighth - International Accounting Standard (36) Impairment of Assets:

The draft standard was emanated by the Accounting Standards Board (I A S C) in 1997. It became effective in 1998. (Makhloufi: 2016. p. 114) The standard aims for companies not to register their assets for more than the recoverable amount of assets.(IAASA:2017.p4) Before issuing the standard, economic units used to reduce the value of non-current assets when they possess permanent and continuous evidence of the impairment in the productive capacity of the asset and its inability to cover its book value during its remaining life. The treatment of the value of impairment in this way makes the measurement process in assets contradictory and unequal between economic units, which prompted the accounting thought to support the idea of establishing an international accounting standard related to the impairment of the value of assets (Al_Marayat: 2014, p. 3). At the time, the treatment of impaired assets has been dealt with in a marginal manner in a number of individual international accounting standards, for example, International Accounting Standard No. 16, property, plant and equipment. (masb23:2001 p2) International Accounting Standard No. (36) agrees with the American Financial Accounting Statement No. (144) that impairment of the value of non-current assets must be proven as an expense in the income statement, in addition to the necessity of the presence of some indicators indicating

the possibility of impairment in the values of Assets are similar to the indicators stipulated in the American Financial Accounting Statement No. (144) and the recognition of the impairment loss in the value of the assets, as International Accounting Standard No. (36) stipulated that the management make an assessment on the date of preparing the balance sheet to see if there is any evidence that the asset What has depreciated its value (Al-Richani: 2007, p.9)

Ninth - concept Impairment of asset :

Impairment means the decrease in the potential service of the asset as a result of an irregular event, disaster, or exceptional circumstance. This leads to a impairment in its recoverable value from its book value. (Gold Coast: 2019.P9) impairment in value occurs when the book value of non-current assets exceeds its recoverable value. If the total expected cash flows from the asset is less than its book value, then this It indicates that the asset has impairment its value, and therefore the book value must be reduced to the recoverable value measured at the present value of future cash flows and considering that as a diminution of a loss that appears in the income statement, (Powers, et.al: 2011. P438), economic units usually use their assets to contribute In generating future cash flows or benefits provided that they equal or exceed the cost of obtaining those assets, (Hussein: 2013. pg. 6)

Tenth - The impact of the (coved-19) on the impairment of assets:

International Financial Reporting Standards require that economic units test for impairment of assets when there are indications of impairment in value. In addition, an annual test for goodwill and intangible assets of indefinite life is required. There may be a need to recalculate value in use as a result of changes in projected cash flows and interest rates. K. The measures implemented to contain the effects of the crisis must also be taken into consideration. (The Arab Society of Certified Accountants: 2020) As a result of the developments resulting from the outbreak of the Corona pandemic, represented by the impairment in stock prices, the decrease in demand for many goods and services, the closure of productive factories, and the closure of commercial stores. This makes it an indication of a depreciating asset value. Hence, a test to measure this decrease is required.(Al-Masoodi et. al:2020p4) and a test for impairment of non-current assets must be performed when there are indicators of impairment, then economic units must assess whether there are any impairment losses in the value of non-current assets or not. Asset impairment assessment is not required unless these indicators are present. (Mustafa: 2021. p.12) The following are some indications of the impairment in value resulting from the effects of the Corona pandemic:

1. Changes in the scope or manner in which the asset is used.
2. Significant negative changes in the business environment or organization that may affect the asset's value.
3. impairment in value in use.
4. Decrease or cessation of demand for services provided by the asset.
5. The existence of doubts about the ability of the economic unit to continue practicing its activity. (The Arab Society of Certified Accountants: 2020)

Eleven - Fair value:

It is the amount received from selling an asset or paid to transfer a liability in an organized transaction between market participants on the measurement date. (Agyeman: 2016p13) has specified IFRS 13) (fair value measurement) in the case of fair value assessment, inputs and assumptions must reflect all information that will be available to market participants at the date of the report. It is difficult to arrive at fair value, due to lack of dealings between market participants. (P5 2020 Grant Thornton)

Twelve - Value in use:

As a result of the effects of the Coronavirus when measuring the present value of an estimate of the recoverable amount of the asset or cash-generating unit, projections of future cash flows based on reasonable and supportive assumptions may be the best estimate from management of the range of economic conditions that will exist over the remaining useful life of the asset to reflect the expected effects of the Corona pandemic. (Oicu-Iosco: 2020. p2)The assumptions used should reflect the potential impacts of the Corona pandemic in order to better reflect the set of potential outcomes and related risks. (CPA:2020.p3) The value in use measurement includes several estimates affected by the outbreak of the Corona pandemic, which are also reflected in the value in use calculation, which include the following:

1. Future cash flows and timing are uncertain.
2. Volatility in market interest rates due to the prevailing situation.
3. The time value of money is uncertain. (CA.2020.p9)

Thirteen - Recoverable amount:

The recoverable amount is defined as “fair value less costs to sell or value in use, whichever is higher”. Fair value less selling costs means what the asset can be sold for after deducting the costs of disposal. (Kieso: 2019.P641) “The highest value of the asset among the fair value less disposal costs or value in use”.(Grant Thornton: 2014: P1)

Fourteen - Challenges estimating recoverable value:

Estimating future cash flows may appear to be a major challenge for many economic units as a result of the increase in economic uncertainty resulting from the outbreak of the Corona pandemic, and the most important of these challenges can be identified:

1. Challenges when estimating value in use: The cash flow projections must be based on reasonable assumptions that represent the best estimates by management of the framework of economic conditions that will be present over the remaining useful life of the asset or the cash-generating unit.
2. Challenges when estimating fair value: The estimates and assumptions used in estimating fair value are from the viewpoint of market participants. (CA: 2020.p10)

The practical side of the research :(suggested model)

The researcher intended to use the direct method in treating cash flows in building a proposed model for measuring the inflows and outflows of cash flows, in order to reach future cash flows. The proposed model does not differ much from the traditional model in many stages, but it differs by the method of extracting actual cash flows, which is the basis for estimating future cash flows through the use of a constant growth rate. Previous studies deliberately used the cash inflows from the company’s activities completely to estimate future cash flows without regard to the requirements of the standard by excluding receivables and payables. The international accounting standard (36) has set the first and second paragraphs of Article thirty-six in order to avoid double counting according to.

1. " Cash inflows from assets generate cash inflows from continuous use that do not depend to a large extent on cash inflows from the asset that is under review, for example (financial assets, for example, receivables".
2. "The external cash flows related to liabilities that have been recognized in the amount of liabilities (for (example, payables, retirement or provisions)."

The following figure shows (the proposed model) according to the requirements of International Accounting Standard (36)

THE DETAILS		ADDITION	REDUCTION	TOTAL
Revenues				*****
Operational activities	Increase debtors		✓	
	Increase the inventory		✓	
	Increase creditors	✓		
	Total			*****
Total inflows				*****
Cost of production			✓	
Investment activities	Sale of fixed assets	✓		
	Purchase of fixed assets		✓	
Total outflows				*****
Net cash flow from operating and investing activities				*****

Source :prepared by the researcher

Baghdad Company for Packaging Materials, and Asia Cell Communications Company, were selected as a research sample to measure the impairment of their assets due to the (coved- 19) and in accordance with the requirements of International Accounting Standard (36)

1- Asia Cell Communications Company

Steps to implement the International Accounting Standard (36)

First - the book value of the cash-generating unit, which consists of the historical value and the reduction in the accumulated depreciation of the total assets of Asia cell Communications for the year 2019:

(Table No. (1) represents the book value of the cash generating unit for Asia Cell Communications Company)

T - 1	Asset type	historical cost	depreciation complex	book value
	Goodwill	50812000	0	50812000
	Lands	22744000	0	22744000
	Buildings	77665000	27829000	49836000
	Machinery and equipment	3085797000	2432636000	653161000
	Means of transport	4917000	2261000	2656000
	Furniture	143671000	130485000	13186000
	Total	3,385,606,000	2,593,211,000	792,395,000

Source prepared by the researcher

Second - Determining future cash flows:

The International Accounting Standard (36) requires extracting the expected future cash flows resulting from the use of assets (cash generating unit) in the production operations of the economic unit. Cash flow projections should be based on the latest financial forecast. So that it covers a period not exceeding five years. The constant annual growth rate of inflows and outflows has been used as a measure of extracting future cash flows.

(Table No. (2) represents the actual cash flows and growth rate of Asia cell Communications Company)

T - 2	Year	Actual Inflows	Growth Rate	Out flows	Growth Rate	The Net
	2015	1748925000		853394000		895531000
	2016	1246097000		500351000		745746000
	2017	1541144000	%123	426264000	%85	1114880000
	2018	1408433000	%91	320837000	%75	1087596000
	2019	1014260000	%72	481288000	%150	532972000
	Total	6,958,859,000	%95	2,582,134,000	%103	4376725000

Source prepared by the researcher

The following table shows future cash flow projections by multiplying the average growth rate * cash inflows and outflows for the year 2019 as a base year for future cash flows.

(Table No. (3) represents the expected cash flows of Asia cell for the years from 2020

T - 3	N	Year	Projected inflows	Projected outflows	The Net
	1	2015	963547000	495726640	467820360
	2	2016	915370000	510598439	404771561
	3	2017	869601000	525916392	343684608
	4	2018	826121000	541693884	284427116
	5	2019	784815000	557944700	226870300
	Total		4359454000	2631880055	1727573945

Source prepared by the researcher

Third - Calculating the present value of the net cash flows of the cash-generating unit:

A discount rate of (10%) was used, which is the rate used by the Central Bank of Iraq in its transactions, and the present value tables were used according to the law of future irregular annual payments to extract the present value of the future net cash flows of the cash generating unit.

(Table No. (4) the present value of the future net cash flows of the cash-generating unit)

T - 4	Year	Net cash flow	discount rate	present value
1		467820360	0.909	425248707
2		404771561	0.826	334341309
3		343684608	0.751	258107141
4		284427116	0.683	194263720
5		226870300	0.620	140659586
Total		1,727,573,945		1,352,620,463

Source prepared by the researcher

It can be seen from Table No. (4) that the present value of the net cash flows of the cash-generating unit of Asiaccell Communications amounted to (1,352,620,463), which embodies the recoverable value of the cash-generating unit using the (value-in-use) approach, which is compared with the total book value of the cash-generating unit that was made Extracting it from Table No. (1), which amounted to (792,395,000). Thus it becomes clear when compared that the company has not been subjected to impairment in the value of its non-current assets according to the following equation:

Recoverable Value - Book Value of Assets = (Impairment of Assets)

$$1,352,620,463 - 792.395.000 = 560,225,463$$

Through the application of the requirements of International Accounting Standard (36), impairment of assets, it was found that the assets of the company were not exposed to impairment. As the recoverable value is greater than the book value.

2- Baghdad Company for Packaging Materials

First - Extracting the book value of the cash-generating unit

Table No. (5) represents the book value of the cash generating unit for Baghdad Packaging Materials Company

T - 5	N	Asset type	historical cost	depreciation complex	book value
1		Lands	11659	-----	11659
2		Buildings	173574222	13034708	160539514
3		Machinery and equipment	465742543	38606110	427136433
4		Means of transport	28166958	9122409	19044549
5		tools and templates	1528719	253718	1275001
6		Furniture	17388354	7012000	10376354
		Total	686,412,455	68.028,945	618,383,510

Source prepared by the researcher

Second - Determining future cash flows:

The International Accounting Standard (36) requires extracting the expected future cash flows resulting from the use of assets (cash generating unit) in the production operations of the economic unit. Cash flow projections should be based on the latest financial forecast. So that it covers a period not exceeding five years. The constant annual growth rate of inflows and outflows has been used as a measure of extracting future cash flows.

Table No. (6) represents the actual cash flows and growth rate of Baghdad Company for Packaging Materials Industry.

T - 6	Year	Actual Inflows	Growth Rate	Out flows	Growth Rate	The Net
	2015	49075813		203254584		(154178771)
	2016	132543445		170985294		(38441849)
	2017	109872448	%82	136474561	%80	(26602113)
	2018	82570518	%75	114145750	%84	(31575232)
	2019	130134726	%157	129167732	%113	966994
	Total	504196950	%104	754027921	%92	(294,085,821)

The following table shows future cash flow projections by multiplying the average growth rate * cash inflows and outflows for the year 2019 as a base year for future cash flows.

Table No. (7) represents the expected cash flows of the Baghdad Company for Packaging Materials Industry for the years from 2020 to 2024.

T - 7	N	Year	Projected inflows	Projected outflows	The Net
1		2015	135340115	118834313	16505802
2		2016	140753720	109327568	31426152
3		2017	146383868	100581363	45802505
4		2018	152239223	92534845	59704378
5		2019	158328792	85132066	73196726
		المجموع	733,045,718	506,410,155	226,635,563

Source: Prepared by the researcher

Third - Calculating the present value of the net cash flows of the cash-generating unit:

Table No. (8) represents the present value of the net cash flows.

T - 8	Year	Net cash flow	discount rate	present value
1		16505802	0.909	15003774
2		31426152	0.826	31426151
3		45802505	0.751	34397681
4		59704378	0.683	40778090
5		73196726	0.620	45381970
		Total		166,987,667

Source: Prepared by the researcher

It can be seen from Table No. (8) that the present value of the net cash flows of the cash-generating unit of the Baghdad Packaging Material Company amounted to (166,987,667), which embodies the recoverable value of the cash-generating unit using the (value-in-use) approach, which is compared with the total book value of the cash-generating unit for the year 2019. Which have been extracted from Table No. (5), which amounted to (618,383,510). Thus it becomes clear when compared that the company was subjected to a impairment in the value of its non-current assets according to the following equation

$$\text{Recoverable value} - \text{Book value of assets} = (\text{impairment of assets})$$

$$166,987,667 - 618,383,510 = (351,395,843)$$

Fourthly. Calculating the percentage of each component of the assets to the grand total:

Recognition of the impairment loss: at this stage, the percentage of the value of each component of non-current assets is calculated to the total value (book value) of the total assets that make up the cash-generating unit of the Baghdad Company for Packaging Materials Industry, in preparation for calculating the percentage of loss of each component of the assets as a result of the impairment in The value of the cash-generating unit.

Table No. (9) represents the ratio of each type of assets to the total cash generating unit.

T - 9	N	Asset Type	The amount of the loss	The ratio	Share every kind of loss
1		The lands	351,395,843	-----	0
2		Buildings	351,395,843	26 %	91362919
3		Machinery and equipment	351,395,843	69 %	242463132
4		Means of transport	351,395,843	3 %	10541875

5	Tools and templates	351,395,843	0.2 %	702792
6	Office templates	351,395,843	1.8 %	6325125
	Total	351,395,843	100%	351395843

Source: Prepared by the researcher

Fifth - distribution of the loss of the cash-generating unit:

The loss of the cash-generating unit, estimated at (351,395,843) is distributed over each type of asset according to the percentages specified in Table No. (9)

Table No. (10) illustrates the mechanism for distributing the loss of the value of the cash-generating unit to the types of assets

T - 10	N	Asset Type	Book Value	Book value of total assets	The ratio of the asset to the total assets
1		The lands	11659	618,383,510	-----
2		Buildings	160539514	618,383,510	26 %
3		Machinery and equipment	427136433	618,383,510	69 %
4		Means of transport	19044549	618,383,510	3 %
5		Tools and templates	1275001	618,383,510	0.2 %
6		Office templates	10376354	618,383,510	1.8 %
		Total	618,383,510	618,383,510	100 %

Source: Prepared by the researcher

Sixth: Reducing the impairment loss from the assets' book value:

In the sixth step, the book value of the assets is reduced (historical value minus accumulated depreciation + amount of impairment). In order to obtain the revised book value (the market value), which the economic unit must adopt in its records.

Table No. (11) represents the revised book value of each non-current asset of the cash-generating unit and the provision for impairment of the company.

T - 11	Asset Type	The book value before impairment	Impairment losses	Adjusted Book Value
	The lands	11659	0	11659
	Buildings	160539514	91362919	69176595
	Machinery and equipment	427136433	242463132	184673301
	Means of transport	19044549	10541875	8502674
	Tools and templates	1275001	702792	572209
	Office templates	10376354	6325125	4051229
	Total	618,383,510	351395843	266987667

Source: Prepared by the researcher

It is evident from Table No. (11) that the total revised book value amounted to (266987667), which represents the recoverable value of the assets that make up the cash-generating unit of the Baghdad Company for Packaging Materials Industry, which is the amount that must be subject to depreciation in future periods and on a regular basis in accordance with the requirements of International Accounting Standard No (36) .

Analyzing the results of applying the International Accounting Standard (36)

It is noticed that the book value of the cash-generating unit is estimated at (618,383,510). impairment test was conducted according to the requirements of criterion (36). It was found that the value of the cash-generating unit impairment by (351395843) due to the Corona pandemic to become the modified book value (266987667), and The loss for impairment should be recognized in the income statement and the next entry recorded:

351395843 / Loss assets impairment

351395843 / provision for impairment of assets

Through analyzing the methodology of the first semester and the second semester, then analyzing the applied study on the National Company for Agricultural Production on December 31, 2019, the research reached the following results:

1. The Corona pandemic is an indication of the impairment in the value of non-current assets due to the changes caused by the epidemic in the legal, economic and market environment of economic units.
2. By applying the requirements of criterion (36), it was found that there is a impairment in the value of the cash-generating unit of the research sample unit, through a decrease in the recoverable value of the book value of the cash-generating unit.
3. There are some obstacles and challenges facing economic units in applying the standard, including the absence of an active market for fixed assets.
4. International Accounting Standard (36) has an important role in the fairness of measuring and presenting financial statements.
5. This standard is applied in the event that the recoverable amount of non-current assets impairment from their book value. It is not applied if the recoverable amount exceeds the carrying amount of non-current assets.

Recommendations:

1. The necessity to use the proposed model in measuring the impairment of assets because it gives more reliable results and that the results are similar because the proposed model conforms to the requirements of the standard.
2. The necessity of conducting a periodic test for non-current assets in order to determine the internal and external indicators of the impairment in the value of non-current assets
3. The necessity to apply the requirements of International Accounting Standard (36) in the event that indicators of impairment of assets value appear.
4. The necessity for economic units to adhere to the implementation of the International Accounting Standard (36) in the event of pandemics, disasters and financial crises, as they are general events that require a re-evaluation of assets.
5. The necessity to use value in use in the absence of an active market to assess the fair value of the assets
6. The necessity of resorting to the economic units listed in the Iraq Stock Exchange to apply international accounting standards in order to keep pace with the development and expansion of international accounting work.
7. It is important for the Iraqi Stock Exchange to contribute to the formation of special committees to study an appropriate method and mechanism for applying the International Accounting Standard (36).
8. Disclosure of the events and circumstances that led to the sharp impairment in the value of fixed assets, and the accounting treatment relied on in the revaluation of the depreciating asset.

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