

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL CENTER OF GRADUATE EDUCATION

MASTER DISSERTATION

on the topic

**“THE IMPACT OF SIGNIFICANT CHANGES IN ECONOMIC
CONDITIONS AS A RESULT OF
THE SPREAD OF THE CORONAVIRUS PANDEMIC ON AN ENTITY’S
ACCOUNTING POLICY”**

Dibirova Yassi Azad

BAKU – 2022

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF
AZERBAIJAN
AZERBAIJAN STATE UNIVERSITY OF ECONOMICS
INTERNATIONAL CENTER OF GRADUATE EDUCATION**

**Head of the International Center for
Graduated Education**

Assoc. Prof. Dr. Ahmedov Fariz Saleh

_____ signature

“ _____ ” _____ 2022

MASTER DISSERTATION

On the topic

**“THE IMPACT OF SIGNIFICANT CHANGES IN ECONOMIC
CONDITIONS AS A RESULT OF THE SPREAD OF THE
CORONAVIRUS PANDEMIC ON AN ENTITY’S ACCOUNTING
POLICY”**

Code and name of the specialty: 060402 Accounting and Auditing

Specialization: “Accounting and auditing in the field of production”

Group: 454

Master’s Student:

Dibirova Yassi Azad

_____ signature

Supervisor:

PhD in Econ Eyvazov Agil Aftandil

_____ signature

Program Manager:

Ph.D in Econ. Valiyev Jabrayil Khalil

_____ signature

Head of the Department:

Dr. of Econ.Prof. Kalbiyev Yashar Atakishi

_____ signature

BAKU – 2022

Elm andı

Mən, Dibirova Yassı Azad qızı and içirəm ki, “The impact of significant changes in economic conditions as a result of the spread of the coronavirus pandemic on an entity’s accounting policy” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

**KORONAVİRUS PANDEMİYASININ YAYILMASI NƏTİCƏSİNDƏ İQTİSADI
ŞƏRAİTDƏ ƏHƏMİYYƏTLİ DƏYİŞİKLİKLƏRİN MÜƏSSİSƏNİN UÇOT
SİYASƏTİNƏ TƏSİRİ**

XÜLASƏ

Tədqiqatın aktuallığı: Son zamanlar COVID-19 pandemiyasına qarşı mübarizə günümüzün ən aktual problemlərindən biridir. COVID-19 gündəlik iş rejimlərində və həyat tərzində əhəmiyyətli dəyişikliklərə səbəb olub. Covid-dən sonrakı dövrdə əsas prioritetlərdən biri müəssisə və təsərrüfat subyektlərinin inkişaf strategiyalarının proqnozlaşdırılması və planlaşdırılması, bu planlaşdırma işinin təşkili və idarə olunmasıdır. Bu səbəbdən müəssisələrdə, xüsusən də pandemiya şəraitində maliyyə uçotu siyasətinin düzgün idarə olunması bu müəssisə üçün çox vacib amildir. Burada əsas məqamlardan biri müəssisənin daxili nəzarətdən istifadə edərək pandemiya və post-pandemiya dövründə üzləşdiyi çağırışlara necə cavab verəcəyidir.

Tədqiqatın məqsədi: Dissertasiya işinin əsas məqsədi pandemiya şəraitində müəssisələrin maliyyə və uçot siyasətinin düzgün idarə edilməsinin vacibliyini təhlil etmək və praktiki tövsiyələr hazırlamaqdır.

Tədqiqat metodları: Tədqiqat analitik, sintez, müqayisə və təhlil, müşahidə və elmi ümumiləşdirmə, müqayisəli və sistemli təhlil metodlarından istifadə edilməklə aparılmışdır.

Tədqiqat bazası: Tədqiqat bazasını Dövlət Statistika Komitəsinin statistik və analitik-proqnoz məlumatları, tədqiq olunan müəssisənin normativ xarakterli aktları, strateji hədəflərə dair materiallar və məlumatlar, xarici nəşrlər, konfrans materialları və qlobal statistik göstəricilər, habelə pandemiya dövründə müəssisənin maliyyə sisteminin inkişafına dair internet resursları təşkil edir.

Tədqiqat məhdudiyyətləri: Əsas məhdudiyyətlərdən biri Azərbaycanda və dünyada mövcud pandemiya səbəbindən kitabxanaların fəaliyyət göstərməməsidir. İkincisi, pandemiya yeni olduğu üçün mövcud ədəbiyyatın olmamasıdır.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Elmi innovasiyanı əks etdirən tədqiqatların ən mühüm nəticələri müəssisə və təşkilatın məqsəd və vəzifələrinə nail olmaq üçün lazım olan layihələrin planlaşdırılması, əhəmiyyətli əməliyyat xətlərinin aşkar edilməsi və iş şəraitində əsaslı dəyişikliklərin aşkar edilməsidir.

Nəticələrin istifadə olunma biləcəyi sahələr: Dissertasiyada əldə edilmiş elmi nəticələr, onun daxilindəki nəticələr və təkliflər müəssisə və təşkilatlarda, eləcə də dövlət orqanlarında uçot siyasətinin düzgün qurulması, risklərin düzgün idarə edilməsi, cari aspektlərin müəyyən edilməsi və səmərəliliyin artırılması üçün istifadə olunma bilər.

Açar sözlər: COVID-19 pandemiyası, maliyyə uçot siyasəti, risklərin idarə olunması

THE IMPACT OF SIGNIFICANT CHANGES IN ECONOMIC CONDITIONS AS A RESULT OF THE SPREAD OF THE CORONAVIRUS PANDEMIC ON AN ENTITY'S ACCOUNTING POLICY

SUMMARY

Relevance of the research: Recently, the fight against the COVID-19 pandemic is one of the most pressing issues of today. COVID-19 has caused significant changes in daily routines and lifestyles. One of the main priorities in the post-Covid period is the forecasting and planning of development strategies of enterprises and economic entities, the organization and management of this planning work. For this reason, the proper management of financial accounting policies in enterprises, especially in a pandemic, is a very important factor for this enterprise. One of the key points here is how the enterprise will respond to the challenges it faces during the pandemic and post-pandemic using internal controls.

The purpose of the research: The main purpose of the dissertation is to analyze the importance of proper management of financial and accounting policies of enterprises in a pandemic situation and to develop practical recommendations.

Research methods: The research was conducted using analytical, synthesis, comparison and analysis, observation and scientific generalization, comparative and systematic analysis methods.

Research database: The database consists of statistical and analytical-forecast data of the State Statistics Committee, normative acts of the enterprise under study, materials and information on strategic goals, foreign publications, conference materials and global statistics, as well as Internet resources on the development of the enterprise's financial system during the pandemic.

Research limitations: One of the main limitations is the non-operation of libraries due to the pandemic in Azerbaijan and around the world. The second is the lack of existing literature because the pandemic is new.

Scientific novelty and practical results of research: The most important results of research reflecting scientific innovation are planning of projects necessary to achieve the goals and objectives of the enterprise and organization, detection of significant operational errors and detection of fundamental changes in working conditions.

Areas where the results can be used: The scientific results obtained in the dissertation, the results and proposals within it can be used in enterprises and organizations, as well as government agencies to properly establish accounting policies, risk management, identify current aspects and increase efficiency.

Keywords: *COVID-19 pandemic, financial accounting policy, risk management*

ABBREVIATIONS

WHO

World Health Organization

ADB	Asian Development Bank
GDP	Gross Domestic Product
CIS	Commonwealth of Independent States
UK	United Kingdom
IT	Information Technology
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
OECD	Organisation for Economic Co-operation and Development
SWOT	Strength, Weakness, Opportunity, and Threat analysis
NPA	Non Performing Assets
HR	Human Resources

TABLE OF CONTENTS

INTRODUCTION	9
---------------------------	----------

CHAPTER I.	TODAY'S GLOBAL PANDEMIC AND ITS EFFECTS.....	12
1.1.	The world economy and the effects of COVID-19 pandemic.....	12
1.2.	The impact of COVID-19 pandemic on Azerbaijani economy.....	23
1.3	Characteristics of the economic crisis caused by the COVID-19 Pandemic in all fields.....	29
1.3.1	COVID-19 and its socio-economic influences.....	32
CHAPTER II.	OVERVIEW OF ACCOUNTING ISSUES RELATED TO COVID-19 PANDEMIC	37
2.1.	Effects of the COVID-19 pandemic on accounting policy of the business	37
2.1.1	An impact of the COVID-19 Pandemic on the going concern assumption	49
2.1.2	Risks and uncertainties during COVID-19 in accounting policy.....	57
2.2	COVID-19 Multiplier Effect in Accounting policy of an entity.....	59
2.3	COVID-19 Pandemic SWOT Analysis.....	62
CHAPTER III.	FINDINGS OF THE IMPACT OF THE COVID-19 PANDEMIC ON ENTERPRISES.....	66
3.1.	Measures and applications related to the problems caused by the COVID-19 pandemic in the economy of enterprises.....	66
3.2.	Ways to upgrade the financial accounting of enterprises during the COVID-19 pandemic	69
3.3	Ways to ensure the sustainability of enterprises in the post-Covid period.....	70

CONCLUSIONS AND RECOMMENDATIONS	73
REFERENCES	76
List of tables.....	80
List of graphs	80

INTRODUCTION

Relevance of the research. The COVID-19 pandemic spread rapidly in 2020, with a significant number of people infected, and the measures taken to stop the spread of the virus adversely affected economic activities. Therefore, these effects should be taken into account when preparing financial statements.

Today, the covid-19 pandemic has spread rapidly all over the world, creating extraordinary effects on the global business environment and economies.

The sectors most adversely affected by the Covid-19 pandemic are automotive, clothing, consumer durables, some pharmaceuticals, electronic goods, supply chain, hotels and airline transportation. The pandemic, which has an impact around the world, forces companies to discover new methods to ensure business continuity and survive in this process. This pandemic has forced companies to make some vital operational recommendations to manage the crisis. It is in its turn affected inevitable the financial statements of companies. In order to determine the disclosures required in the financial statements, it should be determined how the operations of the business and the items of the financial statements were affected by the pandemic.

Problem statement and level of study: Considering the invaluable role of internal audit and financial analysis of risks in the study of financial policy, management efficiency and evaluation in enterprises and organizations, both theoretical and methodological problems of scientific work are reflected in a number of scientific works. Bai, M, Akgun, Ali İ., Cavlak, H., Muccari, R., Chow, D., Goodell, J.W. and other authors discuss the invaluable role of the enterprise in the management of financial accounting policy, the organizational procedure of the enterprise and ways to improve aspects. The research is based on scientific works of local and foreign scientists on the subject, the database is based on official statistics, articles in local and foreign media and information from other official sources.

Aims and objectives of the research: The main purpose of the dissertation is to analyze the importance of proper management of financial and accounting policies of enterprises in a pandemic situation and to develop practical recommendations. The following objectives of this study are also important:

- Identifying factors influencing effective financial accounting policies;
- Identification of real and potential factors and risks that may affect the activities of the enterprise during COVID-19;
- Analyze the challenges facing businesses in the post-Jovid period and recommend alternative solutions;

- Recommend ways to achieve good performance effectively.

Subject and object of research: It is the organization, measurement of effectiveness and efficiency of financial accounting policy of enterprises and organizations during the pandemic.

Research methods. Several methods will be used in my research to identify the changes caused by the COVID-19 pandemic in enterprises. The research will be conducted using several methods, the first of which is the analytical method. This method is one of the most widely used methods in research. The methods of analysis in the research are designed to concretely study the impact of the COVID-19 pandemic on the economic development of enterprises.

The second method is the synthesis method. Unlike the previous method, synthesis is used to make the individual elements into a single whole for a more detailed study. For example, before and after the Covid-19 pandemic, an in-depth study of the company's activities and strategic goals, guidelines for the use of the projected budget, allows for a detailed analysis of its impact on economic growth and development. The third methods are comparison and analysis, observation and scientific generalization, comparative and systematic analysis and other methods were used in the research process. The first part of the scientific work - Being an introductory part, describes the purpose, structure, features of its formation, as well as theoretical aspects and style of this scientific work. Here, more attention will be paid to theoretical and methodological approaches, and the methods used in this direction reviewed. The method to be applied in the second part of the scientific work is to study the issue in more detail. Through this method, the "Impact of the enterprise on financial and accounting policies" will be discussed and management processes will be studied. It is important to note that research approaches are based on a methodology approved by the entity's management on accounting policies.

The third part of the research is to analyze the effectiveness of the methodology used in the enterprise and to study its response to the current situation. To put this responsibility into practice, organizations need to identify and provide appropriate solutions and rules for managing existing assets. Good organizational goals can be

a starting point for defining specific and detailed goals within an organization's organizational units. The research also include regulations on state internal financial control, which regulate the function of financial control in the activities of the enterprise and accounting policies. The final part of the scientific work will reflect the results of our research and suggestions for further optimization of these results.

Research database. Statistical and analytical-forecast data of the State Statistics Committee, normative acts of the researched enterprise, materials and information on strategic goals, foreign publications, conference materials and global statistical indicators, as well as internet resources on the development of the financial system of the enterprise during the pandemic materials.

Research limitations. One of the main limitations is the non-functioning of libraries due to the current pandemic in Azerbaijan and around the world. The second one is lack of available literature as the pandemic is new.

Scientific novelty of the research: The most important results of research that reflect scientific innovation are the planning of projects needed to achieve the goals and objectives of the enterprise and organization, the detection of significant operational errors and the detection of fundamental changes in working conditions. It includes an analysis of the current state of the enterprise, planning of enterprise development strategies in the post-jovid period, identification of prospects for the situation that has become an opportunity during a pandemic, and so on.

Scientific and practical significance of the results: The scientific results obtained in the dissertation, the results and suggestions within can be used in enterprises and organizations, as well as in government agencies to properly establish accounting policies, properly manage risks, identify current aspects and increase efficiency.

TODAY'S GLOBAL PANDEMIC AND ITS EFFECTS

1.1 The world economy and the effects of COVID-19 pandemic

In the fight against this and similar crises, the inadequacy of international institutional structures and the fact that the need for rules on this issue has increased. As seen in the COVID-19 pandemic, a global threat cannot be prevented by

individual efforts of countries. WHO, the only international specialist organization that sets rules and standards at the global level in the field of health, announced that approximately forty-five days after the declaration of the pandemic, on 28 March 2020, COVID-19 cases were seen in 200 countries and regions and 21,031 people lost their lives. It is not yet known when COVID-19 can be controlled worldwide. It is expected that this number will reach high figures until the date of control. The need to develop the capacity of states to prepare emergency scenarios based on realistic predictions and to make plans suitable for these scenarios at the state level, including the provision of reserves to be used in order to maintain the economy uninterrupted in extraordinary situations, are among the issues expected to be discussed after COVID-19.

Economy, Changing Balances, Social Structure and COVID-19. Some of the effects of the COVID-19 pandemic at the level of the individual, society and country in the first three months were explained in the example of Azerbaijan. The negative effects of COVID19, especially in the economic field, will become more evident after COVID-19. Although COVID-19 is the first global pandemic of the 21st century, it seems that its economic cost will be heavier and longer-lasting, unlike other pandemics. States will be engaged not only in preventing the spread of the pandemic and treating the sick, but also in taking measures to reduce the economic damage of the pandemic. This heavy burden will increase the pressure on the revenues and expenditures of governments and their financial resources.

Companies that do not have sufficient financial resources due to the cessation/decrease of production during the crisis will shrink, end their economic activities, change hands or try to recover after the crisis with support packages announced by the states. The prolongation of the crisis will have devastating effects on companies; States that do not have a strong economic and health infrastructure will experience social, economic and political turmoil. Success in crisis management and overcoming the crisis with as little damage as possible can only be possible with preparations based on scenarios to be foreseen.

As a result of the cessation of life during the COVID-19 pandemic, the decrease in China's demand as an important oil importer has caused the value of oil, which is an important energy source at the global level, to lose its value. Countries whose economy is dependent on oil exports will be adversely affected by this development if the duration of the COVID-19 outbreak is prolonged. Russia is one of these countries. While it is obvious that Russia and Saudi Arabia will not be able to continue production in their current state due to the low oil prices, a way out of this situation cannot be foreseen in the short term.

It has been seen that COVID-19 has the potential to deeply affect all areas from social life to working life, from education to health, from understanding of the city and environment, from business culture to consumption habits.

After that, in social life, habits will change with the increase of skepticism in relationships, which is normally met due to the problem of surrogacy, and suspicion towards strangers will increase in societies. The experience of COVID-19 may cause the prejudice against immigration, asylum seekers and foreigners to intensify in societies in the coming period, and may lead to an increase in xenophobia after a certain stage. In this situation, administrators may face difficulties in getting their policies based on tolerance towards foreigners accepted by the public. Those with foreign worker status, in particular, may witness the host country's policies towards foreigners becoming more stringent.

During the spread of COVID-19, the authorities around the world especially emphasized that people should not shake hands during greetings and the need to comply with social distance should not stand closer than one meter from each other. In the following process, as seen in the example of Azerbaijan, people, including places of worship, were prevented from gathering together in places where they were together, within the scope of the measures taken. Although these and similar practices are temporary practices, it can be thought that increasing distances in social relations will lead to negative effects.

It was experienced once again with this crisis that the issue of preparation for emergency scenarios is as important for institutions and companies as for states. As

an example, the transition of universities to distance education in Azerbaijan was made possible by the necessity of the spread of COVID19. If this subject had been seen before and the necessary preparations had been made to shoot educational films, to create classrooms-studios that would enable students and teachers to come together in a live broadcast environment, to determine the methods to be applied in the exams, etc., the transition process could have been passed more smoothly.

During the spread of COVID-19, flexible working methods came to the fore in working life in other countries as well as in Azerbaijan, while a reduced number of employees came to work, while those who were suitable to work at home fulfilled their responsibilities from their homes. After COVID-19, it should be expected that flexible working methods and plans will be discussed in the public and private sectors by conducting cost-efficiency analysis and that managers will be forced to change existing practices. COVID-19 has been more effective, especially in cities with a large population. In multi-storey settlements, it has become difficult to maintain social distance, as in the COVID-19 pandemic.

The COVID-19 pandemic has once again reminded humanity of the importance of the environment. A livable environment; requires clean air, water, suitable climatic conditions and food security. Pollution or deterioration of their naturalness can turn into a security problem that can threaten all humanity. The COVID-19 experience of humanity has shown that the responsibility in this regard is too important to be left to the states alone.

After COVID-19, states will have to reconsider their environmental policies, and they will feel more public pressure on this issue. Individuals use their social media to express their views on government policies. As in Azerbaijan, administrators who understand the importance of social media have been using the same method since the spread of COVID-19 to inform the public through social media accounts. In this context, it can be stated that COVID-19 further reduces the distance between individuals and managers. The importance of social solidarity and the value of individuals' internalization of established rules were better understood in the COVID-19 outbreak (Jorda, O.,Singh, S.R., & Taylor, A. M., 2020).

As we know, there is increasing concern about the negative impact of COVID-19 around the world. It is certain that the pandemic that is being experienced today indicates a global chaos. In this period, the difference between individual-national-international analysis levels almost disappeared, and the pass-through increased as much as possible. The pandemic, which suddenly developed and turned into a global crisis, thus created an environment where the classical parameters of power, security and threat of international actors could be questioned, and turned into a new analysis framework for international relations analyses.

During the COVID-19 pandemic, the individual witnessed the authority and protection of the state at the same time. With the measures taken by the governments, people believed that the authority that could protect themselves was not an international organization or a supranational structure, but the nation state of which they were citizens, while people had to stay at home, keep a distance from each other, study with distance education, adapt to new working methods, and shop with determined restrictions. In this process, people living abroad preferred to return to their own countries rather than stay in the countries they were temporarily in. Governments have struggled with all their capacities to prevent the negative effects of the pandemic by announcing support packages against unemployment and impoverishment for their citizens. The state once again assumed its protective role. It is expected that states will maintain the same policies after COVID-19 and will minimize the losses of individuals and companies, and will prioritize accelerating normalization by emphasizing the sense of "us". In this context, it is thought that the COVID-19 pandemic may be the beginning of a period in which the nation-state will rise.

Past pandemics and their effects. The predominant consequence of historically great outbreaks on economies was that the loss of the population increased the price of labor, that is, wages, in terms of peasants or workers. Again, in the Middle Ages, land rents fell and lands were not cultivated, and the market power of the worker increased. Many peasants were able to work the land with low rents or acquired land ownership. However, along with the uprisings, the feudal

rulers continued the old conditions and increased pressure, or the kings aggravated the tax burden, which led to a large number of peasant uprisings in Europe.

One of the devastating economic consequences of the web, in particular, was international trade. Black and sea trade was restricted, and ships were barred from leaving ports. There has been a serious contraction in local and regional trade. Abundance in favor of supply in the balance of production and consumption has reduced the prices of emtia, in some regions the middle class has expanded, it can be better fed, the prices of some foods with some animal foods have fallen.

Britain was a clear example in this regard. Products related to price increases were generally goods and services related to health and death. On the other hand, European merchants have entered new customers and market searches in other parts of the world. In the meantime, the outbreaks have also taught the crowded cities' dependence on churches. Periods that followed a heavy exodus, such as Black Death, also opened the door to important transformations in society, politics and the economy in Europe. These epochs, in which traditional structures such as the feudal system were the subject of controversy, were the harbingers of modern times in which political and administrative institutions also structured their services with new decisions and applications.

This situation is an interesting example of how economic and political structural transformations can take place in the periods following the outbreaks. Examples of historical outbreaks show us that outbreaks have a direct negative impact on the national and global economy, depending on the rate, area, duration and lethality of the outbreak. Although there are economic advantages for some exceptional sections of society, the devastating effects of the outbreaks on demographics, production and trade, as well as the destructive nature of the economy as a whole, are clearly visible.

Undoubtedly, one of the most important issues in world history is epidemic diseases. Considering the epidemics experienced in the past, it is understood that these events are the facts of human history that cannot be ignored. The increase in interactions between people through events such as war, migration and trade leads

to the mutation of microbes and the emergence of epidemics. On the other hand, reasons such as the decrease in people's quality of life, inadequate and improper nutrition, decrease in clean water resources and climate changes pave the way for diseases.

Pandemic was formed by the combination of the word 'pan' meaning “in all” and 'demos' meaning human in Ancient Greek. According to the definition of the World Health Organization (WHO), a pandemic begins when three different conditions come together. These are as follows:

- a. the emergence of a disease that has not been exposed before,
- b. this disease has a contagious feature to other people and the transmitted disease has dangerous consequences,
- c. the disease is easily and continuously transmitted to other people.

Epidemic refers to an increase in the number of cases of the disease above the expected. If this epidemic spreads around the world, it is called a pandemic. Epidemics have the same meaning as epidemic, but are used for a more limited area. In the historical process, diseases such as black plague, cholera, Spanish flu, Hong Kong flu, swine flu, typhoid fever have been recorded as pandemics. The ongoing pandemics today are AIDS/HIV and Covid-19.

The way of life of mankind greatly affects the speed and impact of epidemics. Especially today, it is seen that urbanization has spread to a great extent in other countries around the world. This lifestyle, in which people are stacked on top of each other, also plays an important role in increasing the rate of infectious diseases. Human beings, who have become the target of microbes and viruses, rapidly pollute the environment due to urbanization, water is polluted and environments are prepared where microbes can easily spread. As a result, climates are changing, foodstuffs are decreasing and global famines are becoming inevitable. Considering the epidemics throughout history, the reasons for these developments are generally the damage of people to the functioning of nature, the decrease in clean water resources and the change in settlement patterns.

Europe has faced many epidemics in history and has experienced many changes as a result of these epidemics. It is said that the collapse of the Roman Empire in the Middle Ages was also due to the destruction caused by epidemic diseases. When the reasons behind the epidemic, which was called the black plague in the Middle Ages, are examined, it is observed that it first appeared when the villagers started to have too many children. The population, which was 75 million in 1250, continued to increase continuously. In order to feed the growing population, people in Europe started to plough the cultivated land, to dry the swamps, to open the steep slopes for agriculture and to cut the forests into agricultural areas. The groundwork for the epidemic began to be laid in Europe in the 1300s, because the mercilessly devastated nature gave a negative response to people with climate changes.

There has been a decrease in frosts and crops. The fact that people do not value cleanliness and their careless behavior in Europe has also increased the consequences of the epidemic. In addition to the effects of climate changes and the destruction of nature on the increase of the plague epidemic, one of the most effective conditions was human mobility. In 1330, after the inhabitants changed their settlements to avoid climate changes, the epidemic found the opportunity to spread in Europe and Asia. In 1347, the epidemic spread to France and England.

As it can be understood from here, it can be mentioned that the disease has a twenty-year effect in the Middle Ages, when the means of transportation and communication were not very common and the effect of globalization was not felt. The insufficient level of scientific developments and the inadequacy of health facilities should not be ignored.

However, despite the low level of interaction between people, it cannot be predicted what kind of picture the epidemics will reveal in today's world, where the interaction is very fast. The epidemic, which reached Europe, spread rapidly when the ground found a very suitable environment for microbes to live, killing half of the people it infected. It is called the black death because the bodies of the sick people

turn purple-black in a short time after they die. On the other hand, it is said to be given this name because of its very destructive results.

Economic Consequences of the Black Plague Epidemic. The economic picture that emerged in the destructiveness of the black plague in Europe can be summarized with the ships straying in the Mediterranean, the cities being filled with wild animals, the desertion of most villages, the lack of harvests and the neglect of farm animals.

Most of the time, people could not be found to bury the dead, and they tried to get rid of the bodies by digging mass graves. It is seen that sufficient measures were not taken by a strong authority to prevent the epidemic in Europe, which was under the domination of feudalism. Since the majority of the wealthy people who had a say among the people were merchants, they opposed the bans to be made to prevent mobility. Fear of the decrease or complete disappearance of trade is one of the primary reasons for not taking measures. When the results of the epidemic are evaluated in general, its devastating effects were felt more by the poor people because they were not fed well. Nobles and feudal lords did not take measures that were likely to be effective, since they proved less harmful.

After the severity of the plague epidemic did not decrease and life did not return to normal, new measures to change human habits began to be implemented in Europe. One of the most important of these was the understanding of the importance of hygiene. On the other hand, quarantine practices have started to be implemented. From time to time the church also assisted in such measures. One of the measures taken in commercial life was the quarantine of ships at ports for forty days. This rule began to be applied to all merchant ships and became a ritual. The devastating effect of the epidemic, known as the plague of 1347, in Europe led to an economic recession that lasted until the 18th century. The loss of population of 60 million has created an environment of stagnation that has continued for about 200 years.

Cholera Epidemic (1817). Cholera, which is considered to be the deadliest disease of the 19th century, is considered to be an intestinal infection caused by the bacterium *Vibrio cholerae*. The disease, which appeared around the Indian Ocean

and in Asia in 1817, later spread to the whole world. It was seen in Japan in 1817, in Moscow in 1826, in Berlin, Paris and London in 1831. Cholera, known as a resident disease in India since ancient times, has recurred in many different countries and at many different times and has been named with different names. Therefore, it has been a challenge for those who study the history of this disease.

There are many reasons for the spread of this disease to Europe and other regions which emerged in India,. The increasing population of India and the difficulties in settlements and the trade routes extending to the west are among the first of these reasons. In 1818, it is seen that the British carried this epidemic to port cities and to Europe via trade routes. Later, many countries on the trade routes of the British got their share from this epidemic. A large area stretching from the coasts of Bengal and Nepal to Africa, Ceylon and South East Asia, and Japan has been infected with cholera.

Cholera pandemics, which started in India and spread to Europe and the world, have generally appeared in 1817, 1829, 1852, 1863, 1881 and 1899, although some sources vary. Although it was thought that the effects of the disease decreased between 1834 and 1845, it is said that 11 million people died in Europe due to epidemics until 1912.

When we look at the historical adventure, it is seen that economic successes and demographic power factors do not always have positive aspects. The increase in trade and communication networks, the increase in interaction, and especially in societies where dense population groups live together, diseases called plague, taun and epidemics are also increasing.

Economic Consequences of the Cholera Outbreak. After the cholera epidemic relapsed in various years and caused six major pandemics, the effects of the epidemic on the economy were felt in every country.

In countries where the cholera epidemic was seen, there were decreases in productivity and workforce. On the other hand, it has also been effective on issues such as social inequality and social change. Europe, which felt the devastating effect of the cholera epidemic for many years, started to learn lessons from the dramas they

experienced and realized that it was necessary to focus on issues such as public health and environmental reform. However, they also understood that with the availability of appropriate economic infrastructure and technology, they could put these decisions into practice. This has been seen as a motivating force in scientific and technological advances. On the other hand, the awareness that public efforts to prevent environmental pollution and provide clean water has been increased and that states should act more carefully in this regard.

Spanish Flu (1914). Negative factors such as increasing population, malnutrition, mass mobilizations, hygiene problems, difficulty in accessing health services, poverty and war are among the most important causes of epidemics. Influenza pandemics, which have appeared on the scene of history at irregular intervals, have led to the death of millions of people. The fact that the flu triggers various diseases and turns into a pandemic with 15-20 year intervals, shows that these epidemics are a part of human life.

Economic Consequences of the Spanish Flu. The pandemic in the war environment has pulled many countries back in terms of economic growth. On the other hand, the consequences of the epidemic, which spread to countries with underdeveloped economies, had much more severe consequences. The loss of life in the epidemic that spread to the African continent has reached even more serious dimensions.

Due to reasons such as an epidemic experienced during the war years and the insufficient development of communication and communication tools of the time, the economic consequences of the flu cannot be revealed clearly. In the local newspapers of 1918, decreases of up to 40% in the business of merchant enterprises, reductions in retail market operations by one third, and high profit decreases due to the decrease in orders in large stores were written. There has been a decrease of up to 50% in production. Demands for mattresses, pillows and beds have increased to be used for resting purposes, and there has been an increase in the demands for pharmaceutical companies. In the pandemic, which produced short-term economic

results, there was a decrease in human capital and an increase in national income per capita with the need for workforce after demographic losses.

Hong Kong Flu (1968). The epidemic, which emerged in July 1968, spread from Hong Kong to Europe and America in September. In 1969, it spread to Japan and Africa. A month after it spread to America, a vaccine for the epidemic was found. About 15% of Hong Kong's population has been affected by this epidemic. It re-emerged in 1970 and 1972 after the epidemic.

Hong Kong Flu Economic Consequences. The epidemic, which lasted for about a year and felt the second waves in the following years, caused a 7% decrease in world GDP. The reason for this decline is not due to human deaths, but to the measures taken to prevent human mobility.

Coronavirus, Covid-19 (2019). The coronavirus, which first appeared in Wuhan, China on December 1, 2019, spread to Europe, America and all other parts of the world in 2020, and the epidemic continues today. The symptoms of the virus, which can be transmitted from person to person and persist for various periods on inanimate objects, include symptoms such as high fever, difficulty in breathing, dry cough and sore throat. The number of people infected with the virus, which is especially fatal in the elderly and whose immune system is weak, has exceeded 204,476,243 people worldwide as of August 11, 2021, and the number of people who lost their lives from the virus has exceeded 4 million people. When the Covid-19 pandemic is compared to the epidemics in history, it is seen that it is one of the most serious epidemics of the last century (<https://covid19.who.int/>).

Economic Consequences of the Coronavirus Outbreak. It is inevitable that the coronavirus epidemic will have great effects on the global economy, but the final results cannot be predicted because the process has not ended. Considering the possible estimates, a situation similar to the price increases in China is expected to be experienced worldwide. There were decreases in stock and bond prices. Given the majority of people in quarantine or in hospitals, there is a high level of shocks to supply and demand and these shocks are expected to continue. Sectors such as publicly traded businesses and tourism have suffered significant profit losses. A

decrease of 1% to 5% is expected in the world GDP value. Although the coronavirus epidemic has not yet ended, in 2020, when the effect of the epidemic was felt all over the world, a decrease of 4.0% was experienced in the world economy, twice the contraction in the global financial crisis.

1.2 Azerbaijani economy and the effects of COVID-19

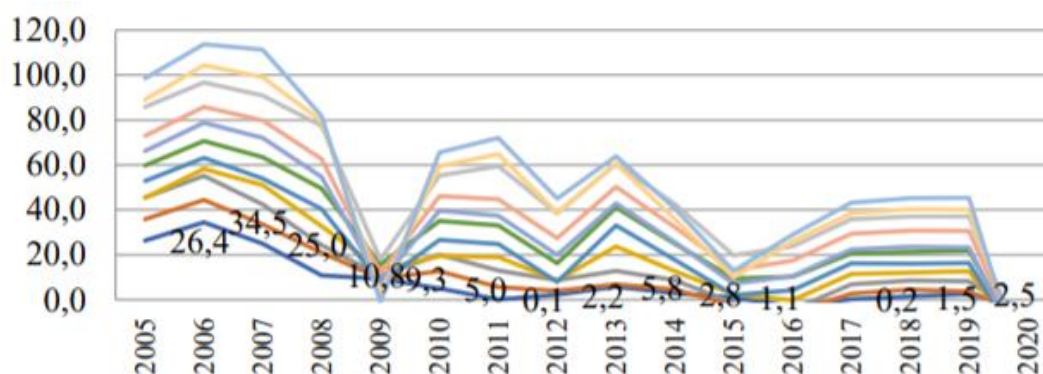
The impact of the pandemic on economic activity. Changes in the global economy have given rise to expectations that 2020 will be a difficult year, and international organizations have reported declining global economic growth. According to the World Bank, global economic growth is expected to increase by 5.2% in 2020 and 4.2% in 2021. The deep recession seen in the global economy over the past decade will lead to an increase in negative trends in the long run. According to a report by the Asian Development Bank (ADB), global Gross Domestic Product (GDP) in Asia will decline by 4.8% by 2020, and the damage caused by the pandemic is expected to reach \$ 891.6 billion. If the pandemic causes short-term economic stagnation and demand shocks, it will cost the global economy \$ 2 trillion and reduce global GDP by 2.3%. In 2021, economic growth in Asia is projected at 6.2%. In general, the process of economic recovery in the region will take a long time, and GDP is projected to return to pre-crisis levels in 2022 at the earliest.

The economies of developed countries, where the service sector has a significant share in the economy compared to the manufacturing sector, have suffered severely. In 2018, in developed countries, an average of 70% of GDP in nominal terms was created in the service sector. The service sector accounted for 80 percent of GDP in the United States, 80 percent in France, 78 percent in the United Kingdom, 74 percent in Italy, 71 percent in Japan, 71 percent in Germany, and 70 percent in Canada and Australia. The decline in transport, tourism and catering due to the pandemic has significantly reduced the share of the service sector in GDP in developed countries (<https://covid19.who.int/>).

The coronavirus crisis has directly and indirectly affected the Commonwealth of Independent States (CIS) and the Azerbaijani economy. Anti-crisis measures have

minimized the negative effects of the pandemic, and isolation measures have saved many lives. In countries other than Belarus, the government has imposed general quarantine. The closure of borders has hampered trade and tourism flows, as well as seasonal activities. At the same time, the decline in world commodity prices has directly affected Azerbaijan and Belarus, and the decline in remittance inflows has exacerbated the negative effects of what is happening in the region. According to statistics, in 2019, low GDP growth in Belarus (1.2%), Russia (1.3%) and Azerbaijan (2.5%), in Turkmenistan (6.3%), Tajikistan (7.5%). %) and Uzbekistan (5.6%). As a result of the state's anti-crisis policy in 2020, economic activity decreased by 4%, although macroeconomic and financial stability was ensured in Azerbaijan.

Graph 1: The impact of the pandemic on the labor market in Georgia and CIS countries



Source: International School of Economics at TSU <https://iset-pi.ge> , retrieved in 10.11.2021

As a diagram we can say that, the coronavirus crisis has directly and indirectly affected the CIS and the Azerbaijani economy. Anti-crisis measures have minimized the negative effects of the pandemic, and isolation measures have saved many lives. In countries other than Belarus, the government has imposed general quarantine. The closure of borders has hampered trade and tourism flows, as well as seasonal activities.

At the same time, the decline in world commodity prices has directly affected Azerbaijan and Belarus, and the decline in remittance inflows has exacerbated the negative effects of what is happening in the region. According to statistics, in 2019, low GDP growth in Belarus (1.2%), Russia (1.3%) and Azerbaijan (2.5%), in Turkmenistan (6.3%), Tajikistan (7.5%). %) and Uzbekistan (5.6%). As a result of the state's anti-crisis policy in 2020, economic activity decreased by 4%, although

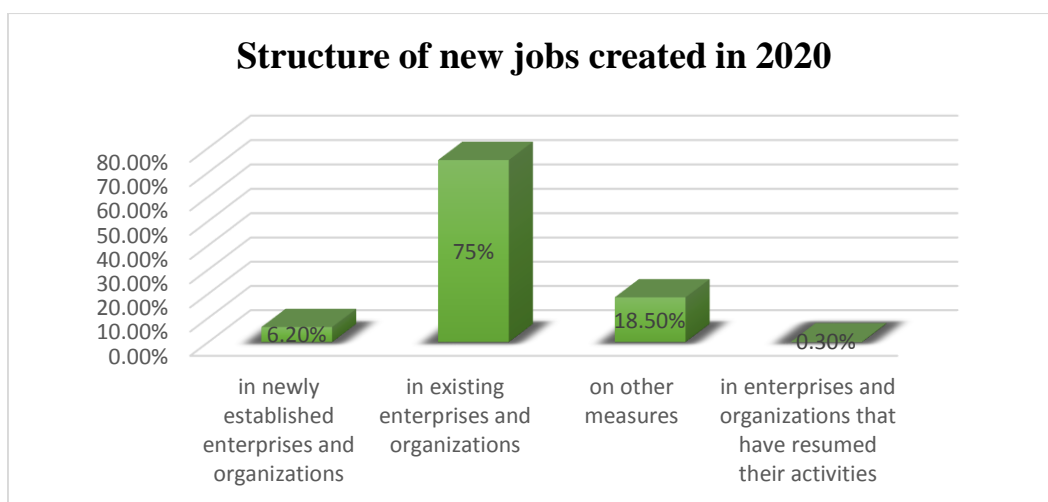
macroeconomic and financial stability was ensured in Azerbaijan.

Restrictive measures in connection with the pandemic have had a significant impact on the state of the labor market and employment. The International Labor Organization estimates that global unemployment could affect 5.3 million to 24.7 million people. The Center for Macroeconomic Analysis and Short-Term Forecasting estimates that 25 million people could lose their jobs, which is quite a large number. According to the International Labor Organization, the coronavirus will increase the number of "working poor" and the statistic will increase by 20.1-35.0 million people. According to the World Economic Forum, more than 4 billion people have been isolated from their homes to compensate for social distance due to the pandemic. The global pandemic has affected economic activity, created financial difficulties in enterprises and limited the activities of enterprises. According to the International Labor Organization, the decline in jobs has become sharp. Although a number of countries have taken measures to maintain jobs, the situation in this area around the world as a whole has not been stable. Thus, due to the COVID19 pandemic in February 2019, the number of jobs in the world decreased by 57%, and in April - by 85%.

The main measures to be taken to reduce or eliminate the social problems caused by the pandemic are described in the report of the International Labor Organization "COVID-19 and working life". In a short period of time, some countries have taken measures to expand social protection, short working hours, paid leave, financial and tax support to enterprises, regardless of the size of the business, and credit and financial support for specific sectors of the economy

In 2020, 129,000 new jobs were created in the country, and 54.9% of jobs fell to the private sector. 6.2% of newly created jobs in the country are in newly established enterprises and organizations, 0.3% in enterprises and organizations that have resumed their activities, 74.8% in existing enterprises and organizations, 18.7% in other measures created.

Graph 2: Structure of new jobs created in 2020



Source: International School of Economics at TSU <https://iset-pi.ge> , retrieved in 10.11.2021

According to the analysis of Figure 2, we can say that in 2020, 129,000 new jobs were created in the country, and 54.9% of jobs fell to the private sector. 6.2% of newly created jobs in the country are in newly established enterprises and organizations, 0.3% in enterprises and organizations that have resumed their activities, 74.8% in existing enterprises and organizations, 18.7% in other measures was created (Figure 2). One of the reasons for the increase in the number of jobs was the conclusion of employment contracts in the private sector through the implementation of administrative measures and the increase in paid public jobs. However, the report of the Statistics Committee of the Republic of Azerbaijan states that in 2020, 20.1 thousand jobs were closed in the country. 20.4% of jobs were closed due to the suspension of enterprises and organizations, and 79.6% due to redundancies in existing enterprises and organizations.

One of the reasons for the increase in the number of jobs was the conclusion of employment contracts in the private sector through the implementation of administrative measures and the increase in paid public jobs. However, the report of the Statistics Committee of the Republic of Azerbaijan states that in 2020, 20.1 thousand jobs were closed in the country. 20.4% of jobs were closed due to the suspension of enterprises and organizations, and 79.6% due to redundancies in existing enterprises and organizations.

The announcement of a quarantine regime in most countries of the world, including our country, due to the pandemic, has changed the course of many

processes, including economic. Traditional perceptions have changed and new requirements for digitalization have emerged. The COVID-19 pandemic clearly demonstrated the importance of technologies and e-services that allow the economy to operate "remotely" and partially compensate for social distance and reduce the socio-economic impact of the crisis. The pandemic also changed the structure of employment, and millions of people worked remotely from home to protect themselves from the virus.

Millions of people worked remotely from home to protect themselves from the virus. Digitalization has expanded in many areas of the labor market, and countries with strong ecosystems have taken advantage of digitalization. Companies, enterprises and organizations that see that digitalization saves financial resources, time, transportation costs and easy job security are expected to continue to work remotely in the post-pandemic period. There will be a high demand for professionals with the ability to work effectively without personal involvement in the workplace and knowledge in the field of information and communication technologies. The digital revolution will affect career change, and people with digital skills will be able to work. The World Economic Forum's analysis of 15 countries predicts that 150 million new jobs will be created in the field of information technology in the next five years. According to the international organization, 84% of employers plan to work remotely. Software development, data analytics, digital marketing and graphic design with digital capabilities will dominate among the 10 most popular jobs. Automation of production technologies, integration of new generation software and hardware, organization of teleconferences are expected to be at the forefront of the business agenda in the post-pandemic period.

The impact of the pandemic on incomes. There is a decrease in the dynamics of income of the population due to the weakening of economic activity and job losses. In 2020, the nominal income of the population in the country decreased by 1.8% compared to the previous year and amounted to 55726.1 million. In January 2021, the corresponding figure was 4011.2 million manat. Revenues remaining at the disposal of the population after mandatory and voluntary payments

amounted to 51169.6 million manat in 2019, 50689.6 million manat in 2020 and 3577.7 million manat in January 2021. According to Keynes's postulate, an increase in household income leads to an increase in consumer spending. According to statistics, in the structure of expenditures, final consumption expenditures prevail over current transfers and property income. However, not all revenues are spent on consumption, and some are spent on savings. This reduces the multiplier effect of costs (Jorda, O., Singh, S.R., & Taylor, A. M., 2020).

Measures to support social welfare to minimize the impact of the pandemic. In connection with the reduction of the negative impact of the pandemic of the President of the Republic of Azerbaijan dated March 19, 2020 No. 1950 "Coronavirus (COVID-19) and the resulting sharp fluctuations in world oil and stock markets on the Azerbaijani economy, macroeconomic stability, employment and entrepreneurship" On April 4, 2020, the Action Plan was approved in accordance with the Order "On a number of measures". The Action Plan envisages three main programs: "Support to Economic Growth and Entrepreneurship", "Support to Employment and Social Welfare" and "Support to Macroeconomic and Financial Stability". Social programs have a special place among the support packages implemented during the pandemic, being large-scale. In order to maintain the jobs of 304,000 employees working in 20 areas affected by the pandemic, the bulk of their salaries are covered by the state and are regularly monitored through an electronic portal. A total of 910,000 employees were employed in the public sector and 719,000 in the private sector. In order to protect jobs, a total of 292.4 thousand, 248.5 thousand individual entrepreneurs and 43.9 other micro-entrepreneurs have been provided with financial support. One of the measures taken to ensure social protection is the provision of one-time benefits in the amount of 190 manat, which is the living wage in the country. Lump sum payments under the special quarantine regime were applied to those who lost their jobs as a result of the pandemic and those who worked informally. Under the tightened quarantine regime, 600,000 low-income people received lump sum payments totaling 450 million manat over six months (<https://www.worldometers.info/coronavirus/>).

The world economy is experiencing a major crisis in the context of the coronavirus pandemic. In countries whose economies depend on services, tourism, transport and catering have collapsed. Waves of recession have had a negative impact on the Azerbaijani economy, including the labor market and declining incomes. However, ensuring the negative effects of the pandemic and social protection has been a priority of state policy. The state has taken preventive measures to close fewer jobs in Azerbaijan. As a result of providing financial support to entrepreneurs affected by the pandemic and the introduction of tax incentives, a small number of jobs were lost by entrepreneurs. In order to maintain jobs, a certain part of the salaries of employees working under an employment contract was paid. Changes in the structure of employment in response to the challenges of the pandemic have made the introduction of digitalization necessary. The need for a skilled workforce in the field of information technology is expected to increase and the trend to work remotely will continue in the post-pandemic period. In order to ensure sustainable development in the social sphere, the state will maintain the priorities of social reforms, increasing the level of official employment and increasing the income of the population.

1.3 Characteristics of the economic crisis caused by the COVID-19

Pandemic in all fields

The situation with the COVID-19 pandemic has led to a global and serious recession. Although the outcome and how the pandemic will change human civilization is not known in advance, the threat has caused economic decline, losses and a number of problems in many parts of the world, following the socio-economic spheres.

The rapid spread of COVID-19 has changed the course and conditions of economic processes in the world, revealed new challenges and realities. The Spanish flu and cholera, two of the worst pandemics in history that have killed between 20 and 50 million people, have not hurt the economy as much as the coronavirus epidemic. On the other hand, according to the forecasts of international

organizations, the global scale and long-term impact of the COVID-19 pandemic distinguishes it from other pandemics. Even before the pandemic, the following factors had a negative impact on economic growth, which in turn deepened the crisis:

- innovation break, change of technological structures (depletion of the potential of old technology and delay in the introduction of new technologies);
- Prolonged trade disputes between the United States and China, two of the world's largest economies;
- imposition of sanctions;
- reshoring (the process of returning the production of goods to the company's original country) - reformatting the international division of labor;
- debt growth in emerging market economies;
- increase of natural environment and ecological problems;
- downward trend in world oil prices.

Thus, the sharp decline in global trade, pandemic job losses, layoffs and uncertainties in financial markets, which have been declining since previous years, have had a negative impact on economic activity.

One of the areas where the effects of the epidemic were felt the most was the labor market. The effects of the economic recession narrowed the employment areas. While many people were unemployed due to quarantine measures, manufacturers have turned to layoffs to cover their costs. The country with the highest increase in unemployment rate was recorded as America. According to the data of the International Labor Organization (ILO), there has been a loss of employment, which is 5 times more than the 2009 crisis, due to the effect of the epidemic worldwide. As the coronavirus pandemic continues, it is estimated that it will take time for the balance in the labor market to return to normal levels (Goodell, J.W., 2020).

Factories and businesses that were closed with quarantine measures due to the coronavirus epidemic cause deterioration in the supply-demand balance all over the world. In the face of the increase in demand, there is an increase in the general level of prices. During the epidemic, high inflation brought high interest rates. The rise in interest rates led to deterioration in production, investment and consumption. In

order to ensure the supply-demand balance, economic uncertainties must be eliminated and the epidemic must be brought under control.

The shrinking demand in the global market with the epidemic caused the export volume to decline. The export volumes of countries around the world shrank, especially in March and April 2020, when the effect of the epidemic was felt the most, with the stagnation in production, there were also decreases in export revenues. It is expected that there will be decreases in production in China and South Korea, which are one of the production centers of technological and electronic products, and this situation will be reflected in the prices. Some automobile companies in China, South Korea and Japan have decided to temporarily stop their production. About 80% of the world's toys are produced in China. These products may also experience price increases or demand withdrawals by consumers. On the other hand, as the demand for cleaning products increases, disruptions may occur in the supply chains. Travel and tourism are among the sectors expected to be most affected by this epidemic. Demand for public centers and luxury goods is also expected to decline. While the demands in the mentioned sectors are decreasing, another sector where the demand is increasing and is expected to increase even more is the health sector. The responsibility of the state is to provide cash aid to its citizens so that the economy is not interrupted, the markets do not lose their functionality and the loans are not frozen. Tax cuts will not be enough to reduce the destructiveness of the pandemic.

In order to get rid of the devastating consequences of the pandemic, cash aid should be provided to businesses and employees. Thus, it will be possible to keep the market alive. It is necessary to restore growth with structural reforms, additional reforms such as a decrease in interest rates that increase competition in the economy can be provided. It is necessary to support the public and private sectors and to revive the shrinking demands. Thus, with the effective use of accounting policy, the country's economy can be kept in balance.

Given the possible long-term consequences of the coronavirus, developed

countries will consider the high risk of cheap production and labor. The efficiency and intensity of e-commerce is expected to increase. If virtual training and business meeting applications are acceptable, many activities can be moved to the virtual environment. In the travel sectors, shrinkage is expected according to people's attitudes.

1.3.1 COVID-19 and its socio-economic influences

In December 2019, a new coronavirus (SARS-CoV-2), which was seen in the center of Wuhan, China, causing an epidemic of acute respiratory syndrome (COVID-19) in humans, emerged. Within three months, the Covid-19 virus had spread to more than 118,000 cases, causing 4,291 deaths in 14 countries. This has led the World Health Organization to declare a global pandemic. The pandemic has resulted in the highest morbidity and mortality rates.

Covid-19 patients, if they are in the advanced age group (elderly), have chronic diseases such as diabetes, hypertension and obesity, these patients require hospitalization. In addition, the fact that patients in this situation catch Covid-19 significantly increases the risk of death. The spread of findings, developments, rumors and information pollution on this subject not only affects global health, but also brings very serious cultural, social and economic consequences. In addition to the public health crisis, the spread of the coronavirus poses a serious social threat, posing many challenges in people's daily lives. For example, the coronavirus; It has caused patients and their families to be taken into the isolation process, the concept of death to be normalized in the society, the deterioration of social relations, people to experience confusion and disappointment, the widening of class differences in the society, and the most difficult thing for people to struggle with many difficulties such as the problem of social security.

However, the Covid-19 pandemic has imposed a new individual, communal and social lifestyle on today's world. Despite the many negative consequences of the Covid-19 virus, effective handling, identification and management of the Covid-19 virus; It will help in controlling and dealing with the virus (Bai M., 2020).

Considering the social tensions that the coronavirus has created on all societies in the world, this emerging crisis needs to be addressed at three levels of analysis (individual, society/country, international organisations). It is also clear that global consensus is needed to deal with the Covid-19 virus in a healthy way. For this reason, international institutions are making every effort to reduce the negative consequences of the Covid-19 virus.

In this direction, countries also adopt different approaches to prevent the epidemic and prevent its spread. For example, while China preferred to enter the full shutdown (quarantine) process, the UK adopted the semi-closure process by starting the employees to work remotely, while Sweden did not take any special approach to control the epidemic.

Therefore, it is unclear which method is the most effective in controlling the epidemic. However, it is difficult for everyone to access the necessary information, and it is very difficult for non-experts to understand the information obtained.

Economic shocks have a profound impact on the way people live and work, the functioning of organizations, and the behavior of industries and societies. Restrictions and quarantines in countries that make up the world's largest economies, the approaching economic crisis and recession; It increases people's fear levels. In order to understand the impact of the turmoil on the economy, it is necessary to focus on the impact of Covid-19 on various aspects of the world economy. Within this framework, it is useful to move forward by focusing on the primary sectors, which include industries involved in the extraction of raw materials, the secondary sectors involved in manufacturing, and the tertiary sectors, which include the finished products and service provision industries.

The economic and psycho-social consequences of the Covid-19 pandemic have become a worldwide and unprecedented situation. It has been observed that as a result of the restrictions made within the scope of the measures to protect from the epidemic and epidemic, customer demands decreased, recessions began in the economy, businesses were gradually getting smaller, employees were dismissed and unemployment and unemployment rates increased, economic growth was blocked,

there were negative effects on economic stability, and there were interruptions in economic activities.

By restricting economic activity through various restrictions and measures such as quarantine, Covid-19 has caused a great macro and micro level impact and structural changes on the global economy. At the macro level, stock prices have decreased, market volatility and uncertainty have increased; The loss of confidence in producers, consumers and investors increased, demand and supply decreased, normal consumption patterns deteriorated, market anomalies occurred, negative effects were experienced on labor markets, global supply chains and consumption behaviors. At the micro level, difficulties have arisen in carrying out their activities and fulfilling their obligations, paying their debts or collecting their receivables, disruptions have been observed in the supply chain and decreases in their income have occurred.

Undoubtedly, the coronavirus is not just a health problem, it has lectured mankind on many topics, many of which will be described in the future. The most obvious of these lessons is that the world may suddenly encounter unpredictable biological events. For this reason, on the one hand, it is necessary to review the diagnostic and laboratory structures, and to establish biological defense and maintenance structures(Goodell, J.W., 2020).

On the other hand, providing general culture and lifestyle education is a basic requirement in such cases. Research shows that solving this problem requires the cooperation and comprehensive assistance of the public and governments in all sectors, and that it will not be possible to overcome this crisis without the support of society and government in various fields.

The correct implementation of the correct policies put forward by the governments by different segments of the population; It will prevent to control the Covid-19 virus and prevent the virus from causing more negative social, psychological and economic consequences. To give a suggestion in terms of children's mental health, children need the love, attention and time of their parents and adults in cases of anxiety, worry and fear caused by the Covid-19 pandemic. For

this reason, parents, families and caregivers should be kept their children close and not separated from them. If parents need to be hospitalized or separated from their parents due to Covid-19, ensuring that children communicate regularly with their families and reassurance can be considered as an important recommendation. It should not be ignored that especially children who have lost their parents need a safe and supportive environment, guidance and help in expressing their feelings such as fear and sadness.

Various suggestions can be listed to manage the stress caused by the pandemic. Among them; people take care of themselves, family members and friends; is extremely important. Indeed, to others; Helping them cope with the stress they have experienced, providing psychosocial support and helping elderly family members are extremely important and will make the society stronger.

In this context, the development of empathetic and supportive counseling packages for those affected by the pandemic, and the creation of online mental health and counseling services in hospitals, community health centers and university psychology departments can create an opportunity to overcome such a crisis.

However, it can be given as a seriously important suggestion that states should integrate the mental health of the people as an important priority area into their emergency response plans during the pandemic process.

Since social norms and attitudes suggest that family life is a "sacredness" in the social sense, and people who experience domestic violence are perceived as a "shameful situation", it may be difficult for them to talk about this issue. For this reason, thinking critically about the idealized representation of home and family and enabling people to talk about it and take action against abusive and controlling family life whenever possible should be considered as an important requirement. In addition, a range of services can be offered to victims of domestic violence, such as shelters, independent advocacy, peer support and mentoring services.

One of the important changes that has occurred as a result of the Covid-19 outbreak has been that many employees in certain professions work from home as a home-office. However, it is also mentioned that there is a professional resistance to

working from home. Considering the reasons for resistance to working from home, there may be reasons such as traditionalism, lack of trust, gender of the occupational group and generational structure. In jobs where individual characteristics overshadow professional characteristics, moving home may require selecting employees who are more suitable to work from home, training these employees on more efficient remote working methods, and greater monitoring of the quality and productivity of those appointed.

Given that most healthcare professionals cannot work remotely, strategies that include early application of viral testing for frontline healthcare personnel should be considered imperative. However, when professional characteristics dwarf individual ones, the transition from home to work will not require much selection, training and monitoring. Recession and financial collapse processes requires resilient and strong leadership in healthcare, business, government and the wider society. There is no doubt that medium-long term planning is needed to rebalance and revitalize the economy after this crisis.

In order for strong and sustainable business models to develop, there is a need for sector-specific planning and a broad socio-economic development plan that includes an ecosystem that encourages entrepreneurship. In the current crisis, it is obvious that society needs communication, trust, calmness and education. However, due to the mutation of the virus, it is difficult to predict in which direction the pandemic will progress in the coming days. Establishing science-based evidence will also take some time, as there is a lack of both data and understanding of the mechanisms of the pandemic (Yadulla H., Cəmilə M., 2021).

Key epidemiological figures such as disease relapse rate and infection-hospitalization and infection-death rates are not yet available, and estimates based on the limited data available contain great uncertainty.

II CHAPTER. OVERVIEW OF ACCOUNTING ISSUES RELATED TO COVID-19 PANDEMIC

2.1 Effects of the COVID-19 pandemic on accounting policy of the business

The world economy is experiencing a major crisis in the context of the coronavirus pandemic. In countries whose economies depend on services, tourism, transport and catering have collapsed. Waves of recession have had a negative impact on the Azerbaijani economy, including the labor market and declining incomes. However, ensuring the negative effects of the pandemic and social protection has been a priority of state policy. The state has taken preventive measures to close fewer jobs in Azerbaijan. As a result of providing financial support to entrepreneurs affected by the pandemic and the introduction of tax incentives, a small number of jobs were lost by entrepreneurs. In order to maintain jobs, a certain part of the salaries of employees working under an employment contract was paid. Changes in the structure of employment in response to the challenges of the pandemic have made the introduction of digitalization necessary. The need for a skilled workforce in the field of information technology is expected to increase and the trend to work remotely will continue in the post-pandemic period. In order to ensure sustainable development in the social sphere, the state will maintain the priorities of social reforms, increasing the level of official employment and increasing the income of the population (Muccari, R., Chow, D. ve Murphy, J. 2020).

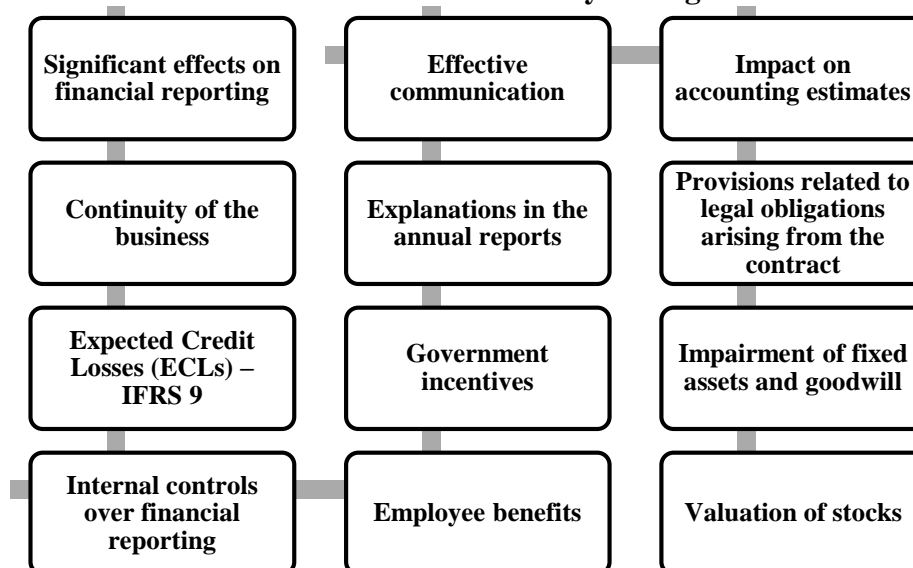
The rapid pace of the coronavirus pandemic continues to plunge the world into an alarming health crisis. Considering that the first quarter reporting periods of companies in Turkey are approaching, it is of great importance to evaluate the effects of the pandemic on accounting and financial reporting. Financial statements, which look like a natural extension of accounting, are the tables that determine the financial situation of the business, its results of operations and whether its financial development is sufficient and are used to make predictions about that business, allowing to control the operations of the business and to make decisions that can guide the future situation of the business.

Some of the main accounting and finance topics that should be considered when evaluating the effects of COVID-19 on companies are business continuity, accounting estimates, fair value determination, revenue recording, leasing standard, internal controls, employee benefits, government incentives and annual reports

appear as statements. Throughout this process we are in, reporting teams should be in contact with those responsible for management in order to accurately assess what the impact of the pandemic might be, while looking forward to reviewing and planning interim financial information in 2020.

Below are some parts of business sustainability management that help to effectively assess an enterprise's performance during a pandemic.

Table 1: Business sustainability management



Source: Jorda, O., Singh, S.R., & Taylor, A. M. (2020). Longer-run economic consequences of pandemics.

Significant effects on financial reporting. It is expected that the effects of the COVID-19 outbreak on financial reporting will vary depending on the extent to which the company's operations have been affected by the outbreak. Some of the main accounting and financial issues that should be taken into account when evaluating the effects of COVID-19 on companies are explained below.

Continuity of the business. The outbreak of the COVID-19 pandemic has caused a significant deterioration in economic conditions for some companies and an increase in economic uncertainties for many others. The company management should evaluate whether the current events and conditions create a concern for the continuity of the company, and if it is possible that some problems related to the continuity of the company may arise, they should evaluate the situation in the preparation of the company's financial statements. In many cases, given the rapidly changing economic and commercial conditions, the budgets and forecasts used by

company management in previous periods may no longer be valid. Company management may need to make a significant revision to its budget and forecasts to support its assessment of the current environment.

Understanding the effects of current events and conditions on company operations and accurately estimating cash flows will be critical. The key to going concern is whether the company will have sufficient liquidity to continue meeting its obligations when it's due. If there are significant terms and conditions that put the sustainability of the company in doubt, company management should disclose these in their financial reports. On the other hand, since these disclosures will contain significant uncertainties and the judgments, comments and estimations of company executives, these should also be included in the disclosures.

In addition, companies that own financial instruments should also disclose quantitative data on the liquidity risk arising from financial instruments. The management of the company should also explain how it plans to manage this risk, taking into account the liquidity risk. Disclosure requirements for companies to make in their financial statements may need to be expanded depending on the impact of COVID-19 on the company (Kang, J., Zanini, M.T, 2020).

- **Impact on accounting estimates.** Many accounting estimates based on future projections may be affected by the outbreak. Examples of specific areas that may be affected:

- **Impairment of fixed assets and goodwill:** Many companies may face the problem of low demand for their products or services or be affected by government restrictions. Some companies may be dependent on supply chains or have manufacturing facilities in Azerbaijan and abroad that have been affected by the outbreak. These circumstances may be an impairment trigger and may require impairment testing. However, due to increased economic uncertainty, it can be difficult for many companies to forecast their future cash flows. In addition, the discount rates that companies will use in their last asset valuations will need to be updated to reflect the risk environment at the reporting date.

In the financial statements of companies, they are required to provide explanations regarding the impairment of their assets. In addition, these disclosures should inform report users about the company management's assumptions about the future and help them understand the uncertainty about the company. Therefore, there is a need for strong explanations that can reveal the assumptions used in estimating the recoverable amount and their sensitivity to uncertainties.

- **Provisions related to legal obligations arising from the contract.** Provision may be required for legal obligations arising from customer contracts. For example, in a manufacturing facility, provision may be required for customer contracts if suppliers are unable to meet their contractual obligations due to reduced production. Delay in fulfilling contractual obligations may also result in penalties. Companies should consider providing meaningful disclosures in their financial statements about the decisions and estimates used in accounting for and measuring provisions (Goodell, J.W., 2020).

- **Valuation of stocks:** The net realizable value of inventories may decrease significantly due to forced plant shutdowns, decrease in demand, and non-performance of sales and purchase agreements. Considering the process, stock valuations need to be reconsidered.

- **Expected Credit Losses (ECLs).** Certain sectors and regions may be particularly severely affected by the economic impacts of COVID-19. Therefore, appropriate consideration of the impact of COVID-19 is required when accounting for expected credit losses. However, companies may find it difficult to include the impact of COVID-19 in the calculation of expected credit losses.

- **Internal controls over financial reporting.** Companies should also consider the impact of internal control on financial reporting, if any. For example, new audits or changes to audits will be required if companies improve IT access to provide a remote workforce.

-**Employee benefits.** Market volatility and changes in compensation policies can affect the way companies estimate and measure employee benefits and perceive share-based compensation expenses. Changes to share-based payment arrangements

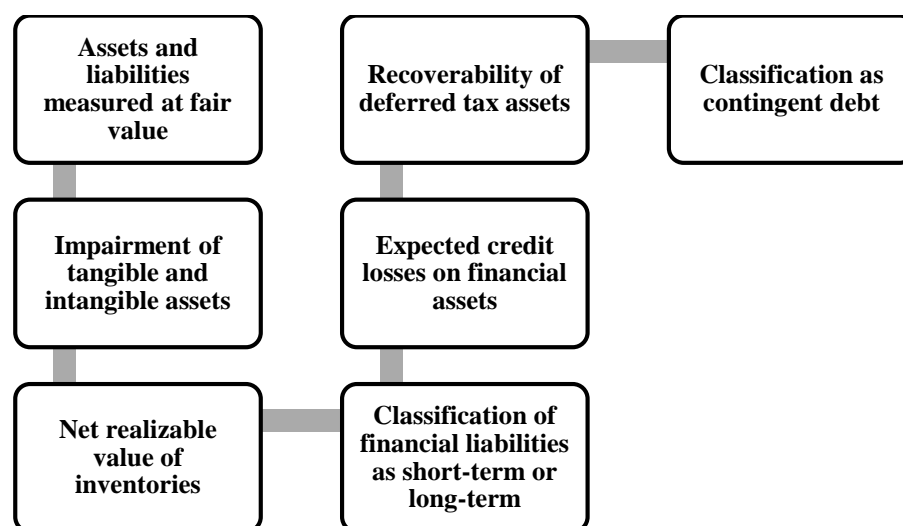
will need to be evaluated as to whether they are beneficial to employees and accounted for accordingly.

- **Government incentives.** Company management should closely monitor possible government incentives. It will need to closely monitor government actions and legislation to identify all assistance given in the face of the COVID-19 pandemic. Companies that have not previously received government incentives may need to develop new accounting policies and procedures in the event of new incentives, and take important decisions to take advantage of newly implemented government programs. In the future, companies may consider developing accounting policies for government grants and expanding disclosures about the impact of these aids on their financial statements (Yadulla H., Cəmilə M., 2021).

- **Explanations in the annual reports.** It may be added to other accompanying information in the financial statements if the expected impacts from the outbreak are considered to be significant. Disclosures should include basic assumptions that define the effects of COVID-19, assumptions about uncertainties, and analyzes of sensitivities to these uncertainties. These analyzes should be correlated with the book values of the assets and liabilities presented in the financial statements. The sectors most likely to be affected by the COVID-19 outbreak are aviation, tourism, hospitality, Information Technology (IT), pharmaceuticals, automotive, construction and consumer goods. In addition, the banking sector will be affected by disruptions in industries, which may result in an increase in Non-Performing Assets (NPA). If the accounting effects of the pandemic arising from the events and conditions occurring in the accounting periods ending after 31 December 2019 are significant, they will need to be included in the financial statements in these reporting periods.

The economic consequences and uncertainties arising directly from the Covid-19 outbreak or from the actions taken by governments and the private sector to respond to the outbreak may have an impact on the financial statement elements, examples of which are below.

Table 2: Financial statement elements during pandemic



Source: Jorda, O.,Singh, S.R., & Taylor, A. M. (2020). Longer-run economic consequences of pandemics.

- **Effective communication.** Companies should maintain close communication with the board of directors, auditors, legal counsel and other service providers as circumstances progress. The focus should be on the potential effects and risks on the financial statements. The impact of COVID-19 on the year-end financial statements and potential impacts on operations should be disclosed to readers. Liquidity and capital adequacy should always be considered. The assessment should be based on both a qualitative and quantitative assessment of the company's business operations, financial condition and economic performance. The sectors most likely to be affected by the COVID-19 outbreak are aviation, tourism, hospitality, Information Technology (IT), pharmaceuticals, automotive, construction and consumer goods (Güredin, E., 2010).

One of the areas affected by the pandemic in the world economy is the banking sector. The problem is that due to the pandemic, the net profit of banks in some countries has fallen sharply. Most banks have reduced the number of employees due to difficulties. Even some banks have been closed for this reason. However, the opposite is observed in Azerbaijan. The point is that in July 2021 alone, compared to the previous month, banks increased their net profit by 57.4 million manat or 15.4 percent. Thus, the net profit of Azerbaijani banks in January-July 2020 amounted to 428.1 million manat. In January-July last year, this figure was 406.2 million manat. Thus, in the first 7 months of 2020, the net profit of the banking sector increased by 21.9 million manat or 5.4 percent compared to the same period last year. At the same

time, in January-July 2020, the total operating income of the banking sector amounted to 1 billion 483 million 100 thousand manat, and the total operating expenses amounted to 939 million 100 thousand manat. Banks have paid 95.3 million manat in profit tax over the past seven months. It should be noted that most of the net profit of the banking sector belongs to 3-5 banks (stat.gov.az, retrieved in 14.01.2022)

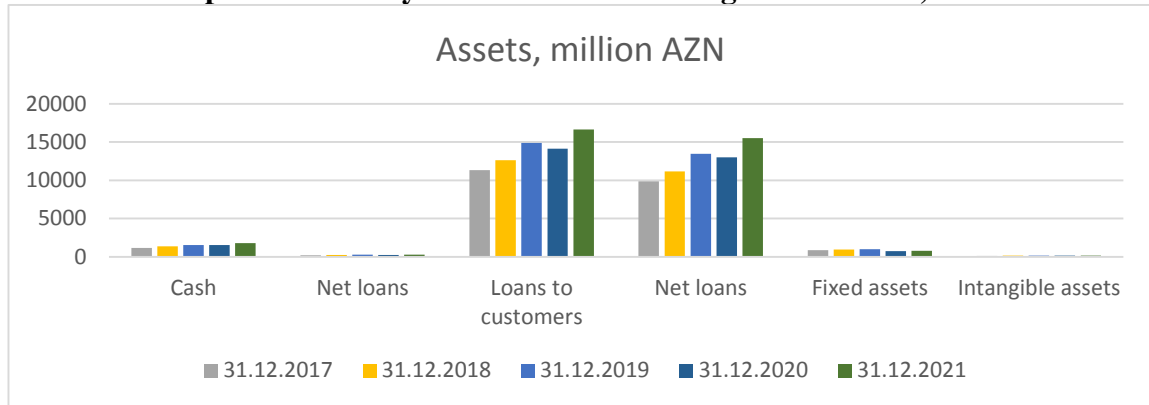
In any case, the increase in banks' net profit in the current difficult period is a positive trend. The increase in banks' net profit is due to certain factors. As we know, the banking sector is an important sector in the economy. During the pandemic, there was a serious need to maintain the liquidity of the banking sector. It should be noted that in the post-pandemic period, the activities of banks will play a significant role. The increase in net profit of banks in Azerbaijan is not accidental. The point is that both the economic and financial services package has played an important role in this regard. The packages provide special measures to support banks. In particular, the government's financing of the annual interest rate of 10 percent of loans in manat on the existing 1 billion manat loan portfolio until March 10, 2020 on the existing non-state guaranteed loan portfolio of entrepreneurs operating in areas affected by the pandemic in the economic package has played an important role. Thus, the assistance had a positive impact on the repayment of business loans. As a result, the banks' net profit increased. Because this means that the interest is already significantly compensated by the state.

It is a matter of applying a subsidy of 100 million manat to a loan portfolio of 1 billion manat. At the same time, an electronic credit portal was launched. Through this portal, entrepreneurs began to obtain soft loans. 50 percent of the interest on these loans was paid by the state in the form of subsidies. The goal was to support payments on business loans. Also, the liquidity of banks should be maintained. All this will create an important basis for maintaining the liquidity of banks, especially in the post-pandemic period, and for the revival of the economy in a shorter time. Because the main goal is to restore economic activity in the real sector in the post-

pandemic period as soon as possible. The role of the banking sector in this process is quite large. Therefore, maintaining stability in the banking sector is also important in terms of faster recovery of economic activity in the post-pandemic period.

All this leads to such an optimistic conclusion that the ability of the banking sector to maintain its liquidity promises a positive outlook for the economy.

Graph 3: Summary balance of the banking sector Assets, million AZN



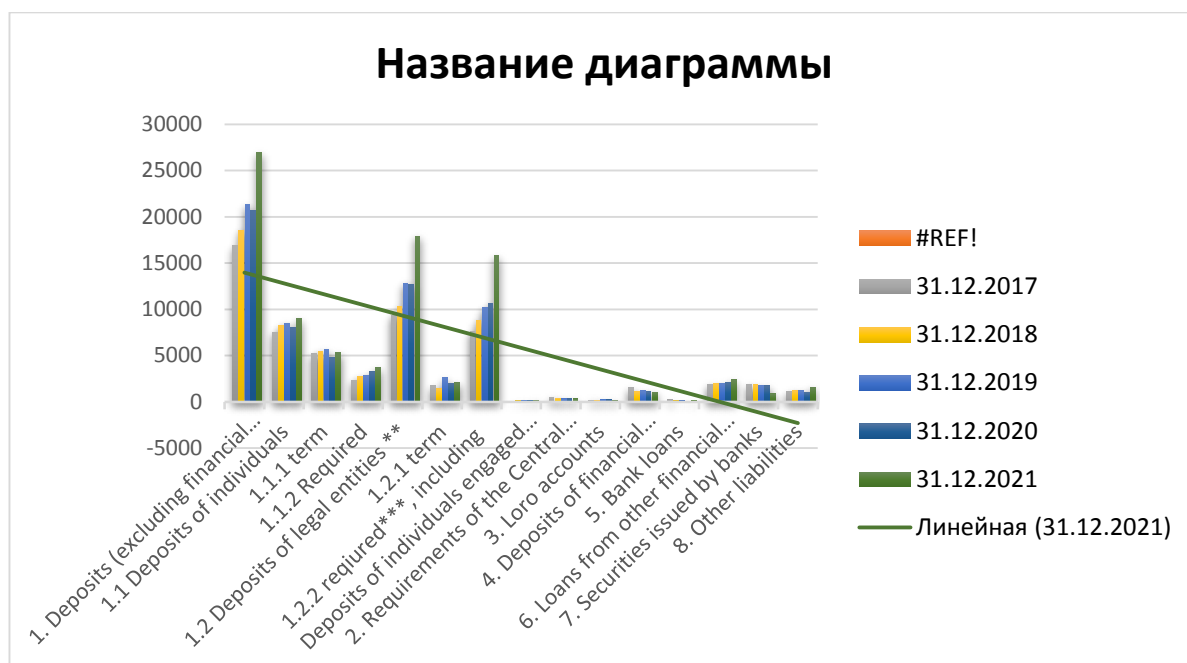
Source: stat.gov.az retrieved in 01.03.2022

<i>Assets, million AZN</i>	<i>31.12.2017</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2020</i>	<i>31.12.2021</i>
<i>Cash</i>	1153	1364	1532	1532	1803
<i>Net loans</i>	209	235	288	245	303
<i>Loans to customers</i>	11338	12628	14901	14157	16659
<i>Net loans</i>	9861	11149	13451	13020	15513
<i>Fixed assets</i>	859	953	987	741	775
<i>Intangible assets</i>	128	146	168	146	155

In this graph, during the period of 2017-2020, it is observed the rising trend on cash, net loans, loans to customers in following indicators. In addition to this trend, fixed assets decrease in the following years and there are fluctuations in the intangible fixed assets of banks. With the cash index of 1364 million AZN, we see a 32% improvement with 1803 AZN on 31.12.2021 compared to 31.12.2018 and it is considered positive.

At the same time, from 31.12.2017 to 31.12.2021, there is a tendency for a 46% increase in credit indices issued to customers. Fixed assets decreased by 10% on 31.12.2017 and 31.12.2021. In 31.12.2018 and 31.12.2019, compared to 31.12.2017, a 14% increase was observed here.

Graph 4: Summary balance of the banking sector Liabilities, million AZN

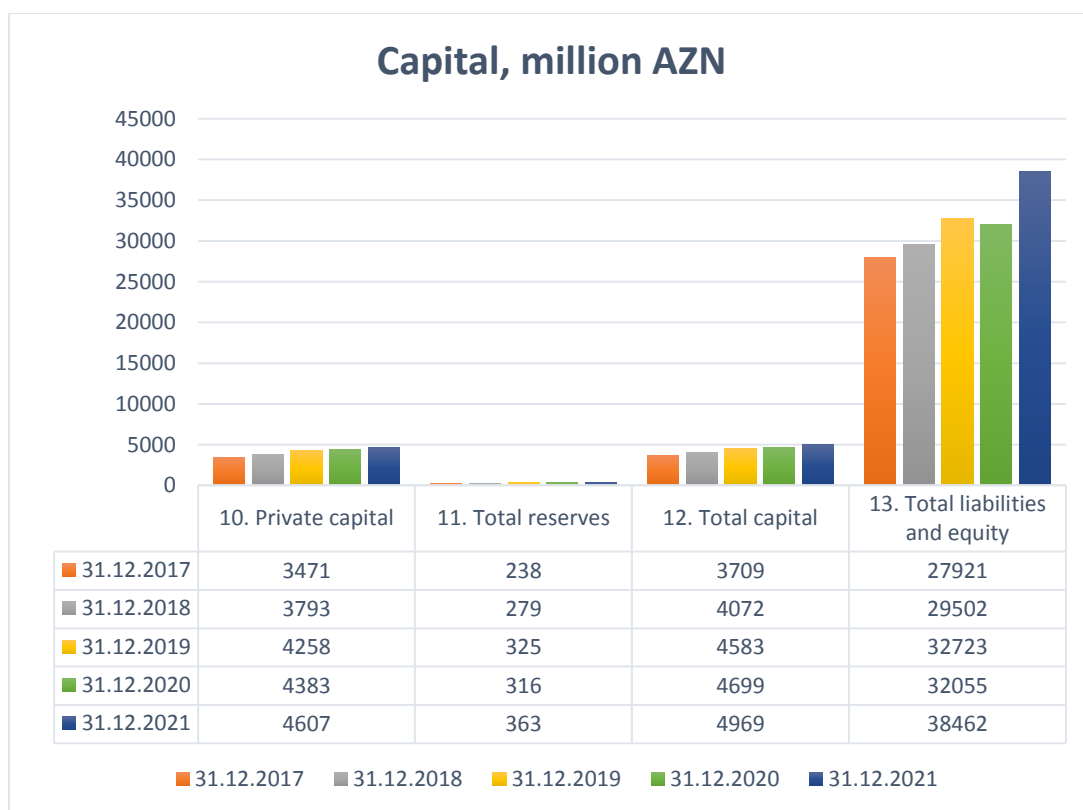


Source: stat.gov.az retrieved in 01.03.2022

LIABILITIES	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
<i>1. Deposits (excluding financial institutions)</i>	16895	18581	21327	20723	26938
<i>1.1 Deposits of individuals</i>	7543	8270	8508	8045	9032
<i>1.1.1 term</i>	5188	5479	5659	4789	5339
<i>1.1.2 Required</i>	2355	2791	2849	3255	3693
<i>1.2 Deposits of legal entities</i>	9352	10312	12819	12678	17906
<i>1.2.1 term</i>	1711	1450	2606	2039	2053
<i>1.2.2 required, including Deposits of individuals engaged in entrepreneurship</i>	7642	8862	10213	10639	15853
<i>2. Requirements of the Central Bank against banks</i>	508	385	326	374	319
<i>3. Loro accounts</i>	184	191	235	232	196
<i>4. Deposits of financial institutions</i>	1516	1126	1206	1078	1071
<i>5. Bank loans</i>	224	88	75	49	130
<i>6. Loans from other financial institutions</i>	1892	2008	1992	2099	2381
<i>7. Securities issued by banks</i>	1855	1830	1748	1730	894
<i>8. Other liabilities</i>	1139	1222	1233	1071	1564
9. Total liabilities			28140	27356	33493

In this graph, 5-year period is shown and analyzed, on base of liabilities. As we seen from the graph, here are an increasing tendension on deposits and loan from other financial institusions. In comparison with 2017, 2018 and 2020, in 2019 and 2021 is observed increasing trend with indicators in deposits and loans 10%.

Graph 5: Summary balance of the banking sector Capital, million AZN



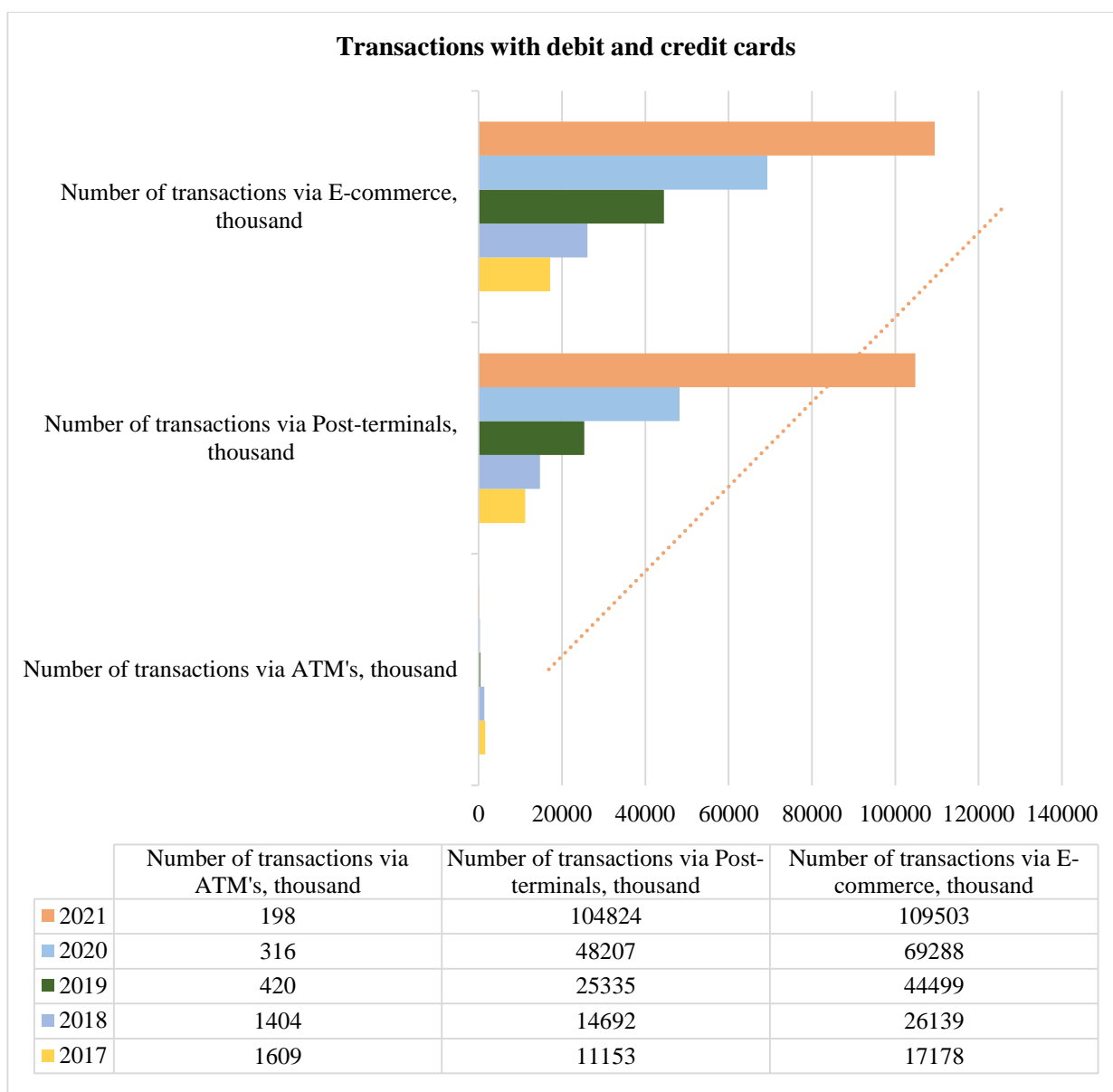
Source: stat.gov.az retrieved in 01.03.2022

<i>CAPITAL</i>	<i>31.12.2017</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2020</i>	<i>31.12.2021</i>
<i>10. Private capital</i>	3471	3793	4258	4383	4607
<i>11. Total reserves</i>	238	279	325	316	363
<i>12. Total capital</i>	3709	4072	4583	4699	4969
<i>13. Total liabilities and equity</i>	27921	29502	32723	32055	38462

During the pandemic, the growth rate remained stable. In this graph, private capital has increased by 33% over the years from 3471 million AZN to 4607 million AZN. In general, during 2017-2021, total capital increased by 34%, total liabilities and capital increased by 37%, from 3709 million AZN to 4969 million AZN and from 27,921 million AZN to 38,462 million AZN.

As we know, banks, in accordance with their strategic plans, regularly create projects for the development of new banking products to increase the income of the institution. This, in turn, has contributed most to the pandemic. During the pandemic, the population preferred non-cash payments, and this trend continues today.

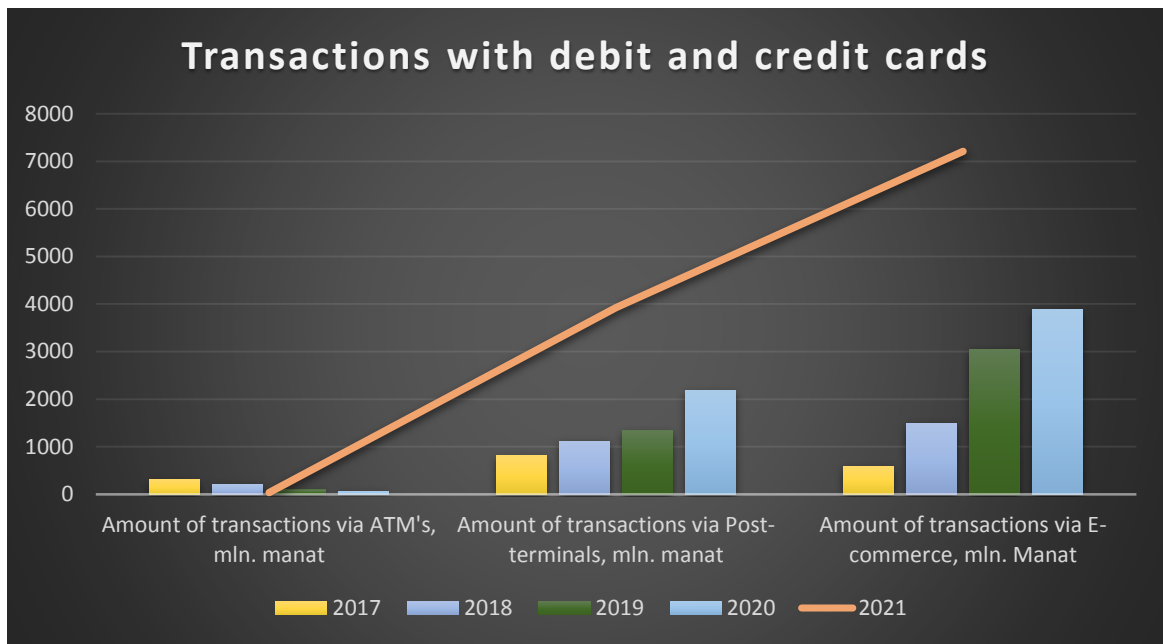
Graph 6: Transactions with debit and credit cards



Source: stat.gov.az retrieved in 05.03.2022

Although, there was a decreasing trend in number of transactions via ATM's, the transactions via POS-terminals and e-commerce increased. In this graph, it is easily seen that, the use of cards in e-commerce increased by 6 times with an increase using debit and credit cards. This means that the positive impact of the pandemic on banks has led to digitalization and the development of digital banking. From 31.12.2017 to 31.12.2021, the number of transactions on POS-terminals increased from 11,153 to 104,824, on e-commerce from 17,178 to 109,503, and cash withdrawals at ATMs decreased from 1,609 to 198. Here the increase was about 6-7 times, and the decrease was about 12 times.

Graph 7: Transactions with debit and credit cards



Source: stat.gov.az retrieved in 05.03.2022

Number of transactions via ATM's, thousand	Number of transactions via Post-terminals, thousand	Number of transactions via E-commerce, thousand
1609	11153	17178
1404	14692	26139
420	25335	44499
316	48207	69288
198	104824	109503

The volume of transactions through POS-terminals and e-commerce increased by 5-6 and 12.7 times, from 2017 to 2021 years, respectively. It is clear from the table that there has been a sharp increase in 5 years. In particular, in 2019 and 2020, during the pandemic, online transactions were more preferred and ATM transactions were relatively minor. The indicators on the amount of transactions through POS-terminals and e-commerce were 807 million AZN and 593 million AZN on 31.12.2017, 3925 million AZN and 7209 million AZN on 31.12.2021. As for the amount of transactions made through ATMs, the index was 314 million AZN on 31.12.2017 and 37 million AZN on 31.12.2021.

2.1.1 An impact of the COVID-19 Pandemic on the going concern assumption.

The implementation of accounting and financial reporting systems is carried out on the basis of generally accepted accounting principles and accounting standards almost all over the world. Basic accounting concepts form the basis of generally accepted accounting principles and accounting standards.

According to the “Conceptual Framework for Financial Reporting”; An entity's financial statements are normally prepared on the assumption that the entity will continue to operate for the foreseeable future. Thus, it is assumed that the entity neither intends nor needs liquidation, and that its volume of activity will not decrease significantly. If there is such an intention and need, the financial statements should be prepared on a different basis and this reason should be explained.

Under the going concern assumption, the entity is considered to continue operating for the foreseeable future. General purpose financial statements are prepared using the going concern assumption, unless management plans to liquidate the business or cease operations, or unless management has a realistic alternative. Special purpose financial statements may or may not be prepared in accordance with a going concern financial reporting framework. Where it is appropriate to use the going concern assumption, assets and liabilities are recorded on the basis that the entity will derive benefits from those assets and meet liabilities in the ordinary course of business (<https://www.iasplus.com/en-ca/publications/cpa-canada/covid-19-and-going-concern-what-ifs-standards-require>).

Business continuity. Management should consider the possible consequences of COVID-19 and the measures taken to control it when assessing the going concern of the business. If the management wants to liquidate the business or cease its business activities, or if there is no other realistic alternative, the business is no longer a going concern.

Management should consider the measures taken by the government or local banks when assessing the going concern of the business. In addition, events after

the reporting period related to going concern are always adjusting events. If there is material doubt about the going concern of an entity due to material uncertainties, it should be disclosed in accordance with IFRS. Audits on business continuity, which is one of the fields of study and the ever-evolving scope of independent audit practices, are carried out within the framework of various principles (Akgün, Ali İ., Şamiloglu, F., Öztop, Ali O., 2018).

At this point, the main purpose is also revealed in the opinions of the auditors about creating added value and business continuity, which is the main task of the audit mechanism. In particular, the independent audit modules that large-scale enterprises are subject to provide opinions not only on financial statements or activities, but also on the sustainability capacities of enterprises. As long as the responsibility of preparing the financial statements rests with the business management, the responsibility of testing these assumptions and making the necessary changes in the financial statements rests with the business management. It is the auditor's responsibility to check the validity of the going concern assumption in the financial statements prepared by the management in accordance with the going concern standard (<https://www.iasplus.com/en-ca/publications/cpa-canada/covid-19-and-going-concern-what-ifrs-standards-require>).

Based on the audit evidence he has obtained, the independent auditor investigates whether there are significant uncertainties regarding the events and conditions that may cast serious doubt on the continuity of the enterprise, and reflects the situation in the audit report and brings it to the attention of financial information users. If such an assessment has been made, the auditor discusses the assessment with management and determines whether management has identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and whether management has plans to address those events or conditions. At this point, the IFRS standard, which is the main regulatory document, conveyed the basic duties of the auditor regarding business continuity as follows (Güredin, E., 2010).

The auditor's responsibilities are to obtain and conclude sufficient appropriate audit evidence about the appropriateness of the going concern basis of management used in preparing the financial statements and, based on the audit evidence obtained, to conclude whether a material uncertainty exists regarding the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not explicitly require management to make a specific assessment of the entity's ability to continue as a going concern (Akgün, Ali İ., Şamiloglu, F., Öztop, Ali O., 2018).

The potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cease to be a going concern. The auditor cannot predict such future events or conditions. Therefore, the absence of reference to a material uncertainty regarding the entity's ability to continue as a going concern in the auditor's report cannot be regarded as a guarantee of the entity's ability to continue as a going concern. The objectives of the auditor in ensuring business continuity are as follows.

Table 3: The objectives of the auditor in ensuring business continuity

Obtaining and reaching a conclusion on the appropriateness of the going concern basis of business used by management in preparing the financial statements	To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern	The basic concepts of accounting are the basic ideas and basic starting points that form the basis of accounting principles and therefore accounting practices
--	---	--

Source: Kang, J., Zanini, M.T. (2020), “Business-to-business Marketing Responses to COVID-19 Crisis: A Business Process Perspective.

Negative externalities caused by the pandemic have exposed businesses to multiple risks. Many of these risks are unexperienced and untested. For this reason, the pandemic has revealed many issues that can disrupt the continuity of businesses and need to be managed. These issues have also had an impact on the accounting,

reporting and auditing of companies or various institutions. The independent audit, which acts with a value-added focus in the ordinary business activities processes and gives an opinion on businesses with a holistic perspective, has assumed greater responsibilities in these difficult times.

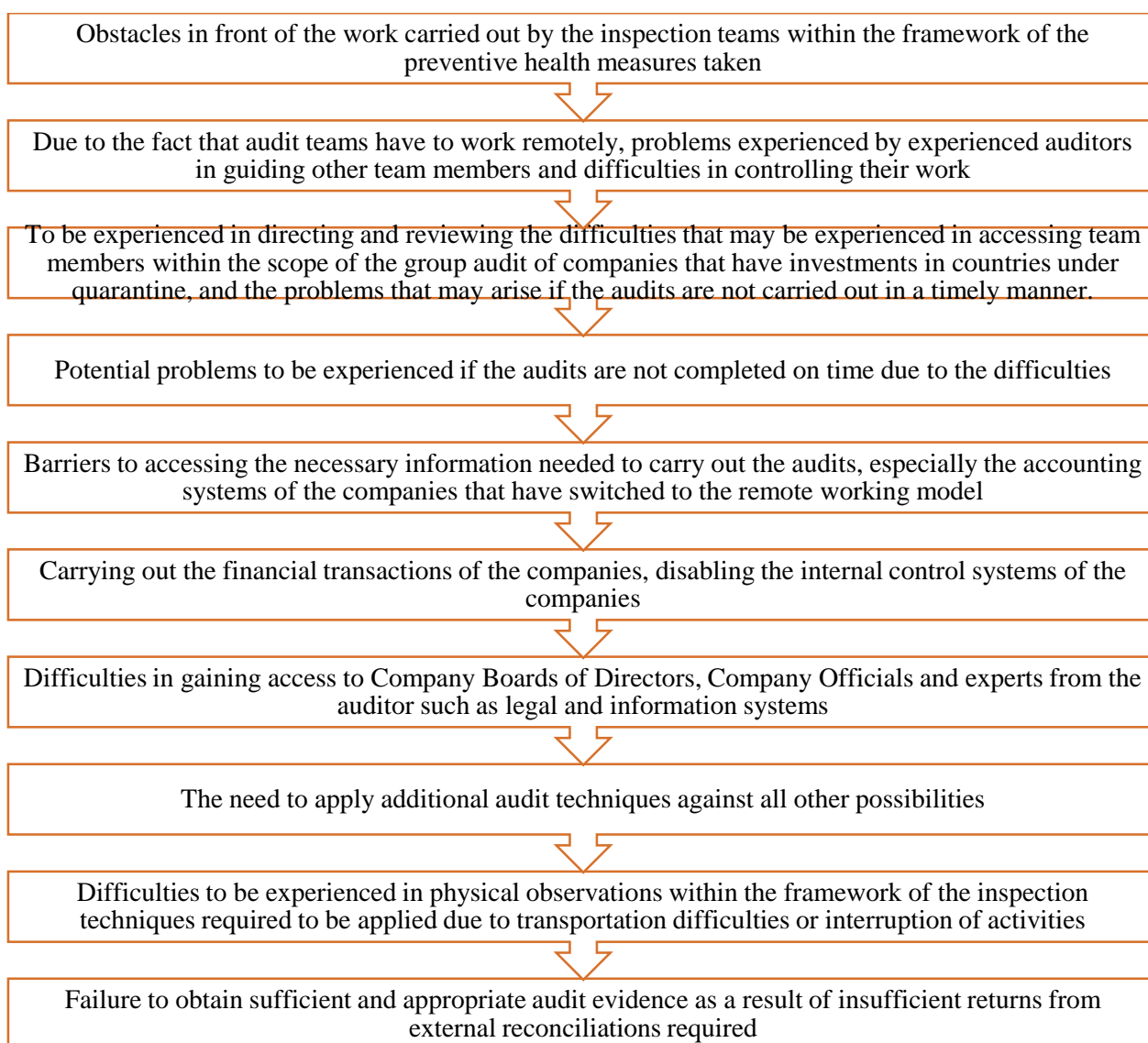
In my research study, various audit suggestions were made to ensure the continuity of the business during the pandemic period. It is currently not possible to give a final date for the end of the pandemic. For this reason, taking into account the future processes, explanations on business continuity and audit processes have been made. The ongoing or restarting audit processes of businesses will be even more important at this point. Business administrations and independent auditors should operate audit mechanisms, taking into account the current evaluations. Because when even the last 6-month reporting period is examined, the range of subjects and events that need to be audited and opinions should be expressed has become very different.

Independent audit or external audit is an audit performed by people and institutions outside the company that do not have any ties to the company. Independent auditing is performed by the independent auditor in accordance with current auditing standards and workplace standards. At this stage, the first thing to be agreed upon is the current situation of the business and whether its continuity is possible. Business management and independent auditors, who are the parties to the subject, have to prove strong clues about business continuity by making their own preliminary studies and preparations. Management's claim to continuity should be audited by auditors and disclosed to the public. Because uncertainty about business continuity or the negative opinion of the auditor will not validate any subsequent audit procedure. Business managements should be able to accurately identify new risks that have arisen or are likely to emerge during the pandemic process, and at this point, they should report its impact on business continuity. The current situation of the company should be revised according to these risks and future forecasts should be updated from this point. In this situation, independent auditors must audit new claims with new audit evidence and procedures

(<https://www2.deloitte.com/ch/en/pages/audit/articles/covid-19-accountingconsiderations.html>).

Unforeseen circumstances during COVID-19. It is recommended that contact the relevant regulatory authority for advice on next steps when the audit activity cannot be performed, for example due to a restriction or the signing auditor's illness. According to the research, in his report titled Financial Statements and Possible Effects on Independent Audit Studies, here is explained the possible difficulties to be experienced in the conduct of independent audits during the pandemic process as follows:

Table 4: Difficulties while conducting of independent audits during COVID-19

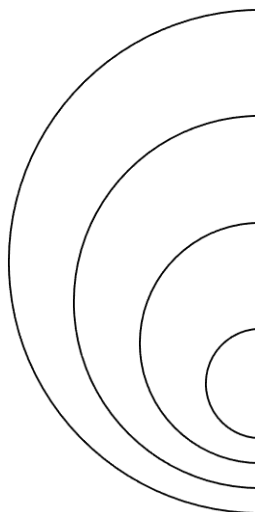


Source: Rajesh, M., Reddy, N.V.R.R., Reddy, T.N. (2012), an empirical study on Financial Services

Time of the coronavirus crisis: Proactive negotiations by the auditor with other companies in which the company operates, auditors are advised to be proactive and engage with company clients about the impact of the pandemic on the company, including its contingency plans, on its operations, areas of activity, reporting times, and the relevant audit schedule. There is a risk of delay as the company may experience mishaps while preparing this information (Güredin, E., 2010).

Some companies and auditors may encounter some implementation difficulties in preparing the accounts and conducting the audit. This will affect how audit firms audit these companies. The evaluations of the same report on business continuity and independent auditing are as follows:

Table 5: Evaluations of business continuity and independent auditing



Updating previously deemed appropriate forecasts and sensitivity to economic developments, taking into account the identified risk factors and different possible outcomes
Reviewing by applying different scenarios to ensure compliance with the commitments in the contracts, especially the loans
Evaluation of the precautionary plans to be taken by the management regarding the actions that may need to be taken in the future after the pandemic
Making more detailed explanations and detailed evaluations about continuity

Source: Rajesh, M., Reddy, N.V.R.R., Reddy, T.N. (2012), an empirical study on Financial Services

Although these measures are considered as substitute solutions at certain stages, it is clear that some time will be needed to solve the structural problems. In extraordinary situations that we live in during the pandemic, in case of doubt about the continuity of the enterprises, the auditors may request additional procedures. At this point, business administrations have to fulfill the relevant demands. Additional procedures quoted in ISA 570 are categorized as below:

- If management has not made an assessment of the entity's ability to continue as a going concern, requesting management to make that assessment;

- Management's plans for future action in relation to the entity's assessment of the going concern;
 - Whether there is a possibility of improvement in the current situation as a result of the implementation of these plans;
 - Evaluating whether management's plans are feasible in the circumstances.
- When the analysis of that estimate is an important element in reviewing the future consequences of events or conditions when the entity prepares a cash flow estimate and assesses management's plans for future action.
 - Evaluation of the reliability of the baseline data produced for the preparation of this forecast,
 - Deciding whether there is sufficient basis for the assumptions underlying this estimate.
- Considering whether any additional information or circumstances have emerged since the date of management's assessment.
- Requesting written explanations from management and, where appropriate, from those charged with governance, regarding their plans for future action and the feasibility of those plans.

The problem of the pandemic has made it necessary to reconsider all economic, political and social issues and to take new actions. In this economic environment, where businesses have difficulty in carrying out their ordinary activities and the assumption of business continuity has been interrupted, the notion of auditing and independent auditing again shows its importance. Positive audit reports to be given for both the businesses and their stakeholders have the capacity to be the lifeline for businesses in these turbulent times. Compliance with Independent Auditing Standards must continue in full, even under changing conditions and time pressure. All activities, ordinary or extraordinary, that need to be revised by business management should also be closely audited by auditors. These processes, which can be an important case for both business managers and auditors, can bring along a period in which new gains will be achieved. The

important thing is to be able to take up-to-date actions and create structural solutions by adhering to generally accepted business policies. These solutions should be created through the business continuity agreement between business management and auditors (Muccari, R., Chow, D. ve Murphy, J., 2020).

Conclusion for going concern. In my research study, the increasing importance of the control phenomenon in terms of business continuity and combating it, which the pandemic period directly affected and increased its effect in certain aspects, was emphasized again. The continuation of business continuity and the importance of independent auditing in this process, which are constantly emphasized in the study, can be summarized as follows:

Table 6: The continuation of business continuity

Suspending the existing independent contract and its principles as the first agenda	Identification of the most emphasized key audit issues in the audit process, taking into account the situations that emerged during the pandemic process
Immediate preparation of the audit report on whether business continuity will be possible based on the relevant audit and accounting standards	Application of appropriate techniques and alternatives to the new normals brought by the pandemic at the stage of collecting the said audit evidence
Auditing the business continuity claims presented both in the previous situation and in the current situation with a holistic audit view by independent auditors	Creating a new audit plan focused on business continuity
Re-forming an independent audit contract in line with the realities of the new economic course	Mutual support of independent auditors and business management to each other
Creating a set of audit evidence in line with the new normal	Updating the strength actions to be developed for risks
Re-evaluation of the risks of material misstatement identified due to error or fraud and comparison with previous audit evidence	Establishing a strong communication network, not just for commercial purposes, between business management and auditors, which are the two main parties of business continuity
Reviewing the financial statements and budgets, which are the estimates and claims of the business management, which are accepted as the main indicator of business continuity	

Source: Muccari, R., Chow, D. ve Murphy, J. (2020). Coronavirus timeline: Tracking the critical moments of COVID-19.

2.1.2 Risks and uncertainties during COVID-19 in accounting policy

Cash flow is the main determinant of a firm's income stream and firm value from its business activities. As the rate of conversion of cash flows accelerates, the risks associated with the cash flows and future cash flows generated through its various components are reduced. Firms can increase their cash flows with various marketing strategies during the Covid-19 process. For example, a firm can increase its cash flows by increasing the sales volumes or prices of its products and serving different customer segments. In addition, a firm can reduce cash flow risk by promoting product innovations, launching corporate social responsibility programs, and increasing customer satisfaction ([OECD, 2020](#)).

With the changes that have emerged with globalization, management accounting has become an important function for businesses, as in accounting disciplines. Thus, Covid-19 has changed the environment in which management accounting is applied, information technologies, highly competitive environment, new management strategies, quality and customer service. Such changes made it necessary to focus on activities and management accounting practices; It has brought with it new cost and management accounting approaches such as quality cost management, calculation of customer costs and approach to performance measurement. Therefore, priority studies that businesses attach importance to in terms of national and international competition in the Covid-19 process focus on quality and quality costs (Kang, J., Zanini, M.T, 2020).

3 Questions businesses should ask themselves:

1. How long and how much funding do we need during the pandemic?
2. How is new financing placed in our existing capital structure?
3. Where can we borrow and under what conditions?

1.1 Cash flow forecasts should be revised. Assumptions should be reviewed and alternative scenarios created to help prospective lenders understand the business' potential financing needs.

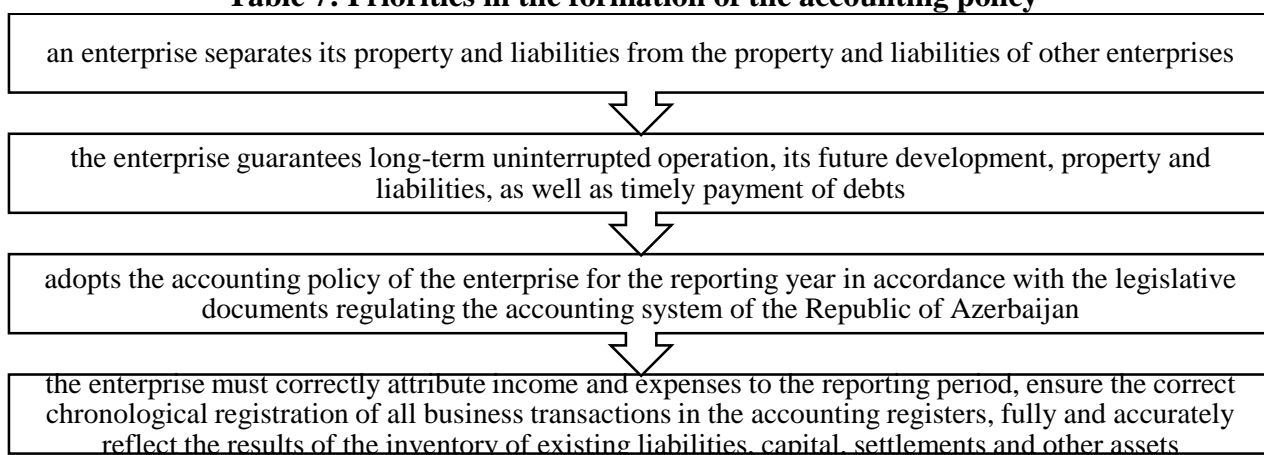
1.2 Quick actions should be taken regarding working capital. Potential lenders will want to make sure businesses are optimizing working capital and that

prompt and concrete measures are in place to deliver a cash flow advantage in advance.

- 1.3 Similarly, prospective lenders want to ensure that immediate actions are identified and measures are in place to preserve cash flow in the short and medium term.
- 2.1 Existing loan agreements should be reviewed and additional borrowing capacity should be analyzed.
- 2.2 Identify potential sources of collateral required for additional borrowing (real estate, inventory, receivables, other unencumbered assets, affiliates, etc.),
- 2.3 In order to create collateral to support new financing, alternative collateral methods such as trade receivables assignment, inventory, participation shares should be tried.
- 3.1 Alternative financing institutions, private loan funds, family offices and special case funds that provide international corporate loans can be evaluated,
- 3.2 For many businesses, existing lending and good terms banks will be the best starting point, and the demand for existing stakeholders must be quickly formulated.

As we know, the accounting policy of the enterprise is prepared by the Chief Accountant and approved by the Head of the enterprise. The following is mainly considered in the formation of the accounting policy:

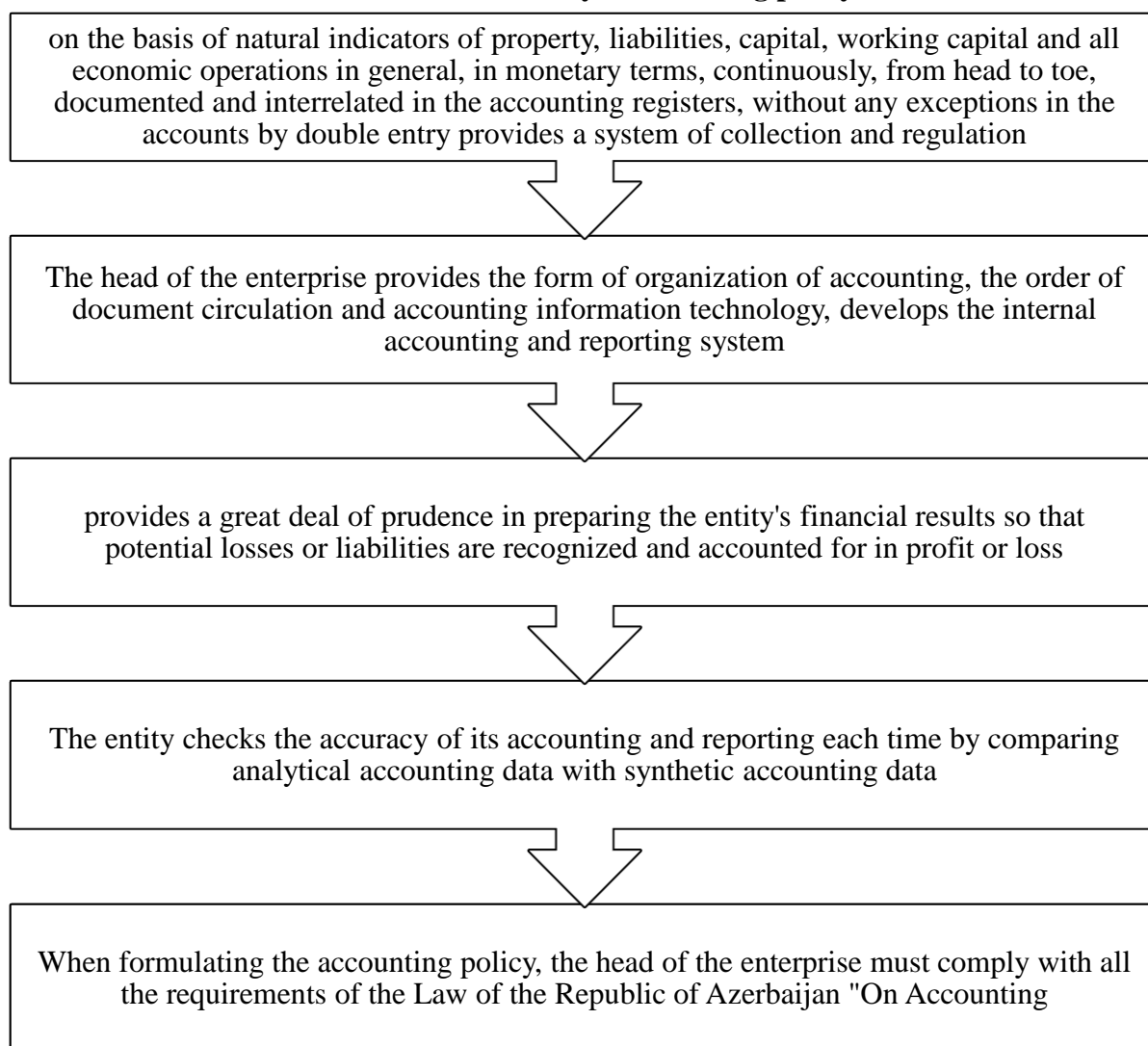
Table 7: Priorities in the formation of the accounting policy



Source: <https://www2.deloitte.com/ch/en/pages/audit/topics/covid-19-impact-on-accounting-and-financial-reporting.html>

The entity's accounting policies generally include the following:

Table 8: The entity's accounting policy



Source: <https://www2.deloitte.com/ch/en/pages/audit/topics/covid-19-impact-on-accounting-and-financial-reporting.html> retrieved from 14.03.2022

The accounting policy must also comply with the requirements of the Accounting Standards adopted by the legislative bodies of the Republic of Azerbaijan. Additions and changes may be made to the accounting policy of the enterprise in accordance with the requirements of the accounting standards adopted by the legislative bodies of the Republic of Azerbaijan at any time.

2.2 COVID-19 Multiplier Effect in Accounting policy of an entity

In the recent past, all studies revealing the effect of digitalization on professions have expressed a common opinion that the accounting and auditing

sector will be among the sectors that will be most affected by the technological revolution and digitalization. It is clear that the digitalization process will not only be limited to engineering and medicine, but will be effective on all professions based on social sciences. While all these facts are being discussed, with the Covid-19 pandemic, which has affected the whole world, the digital transformation, which has been discussed as a hypothetical until today, has almost been put into practice.

Along with the pandemic, the necessity of digitalization to take place rapidly in all stages of business life and the process experienced revealed the fact that we should stop seeing digitalization as a threat and consider it as a method. The need for digitalization in all stages of issuing, recording, reporting, auditing and archiving documents and documents has become mandatory rather than optional. In other words, all scenarios and assumptions met during the pandemic period.

The obligation of digitalization will not only be limited to the process of creating documents and documents, but will continue to be effective in all areas such as our meetings and trainings, business negotiations, issuing and signing contracts. Another issue, whose importance and influence has emerged in this process, and which will be the subject of significant investments in the accounting, audit and consultancy sector in the coming period, is process management (Prasad, H., Shrimal, K., 2015).

Process management, apart from just following the workflow; resource and time planning, tracking, quality control, service cost and pricing issues will be the biggest assistant of the service providers. Of course, digitalization is not the only issue where the pandemic process shows its effects. Today, the fact that operational and logistics services are outsourced in almost every stage of our lives cannot be ignored.

Firms apply to outsourced solutions because they are more economical as well as being able to benefit from them according to their needs. However, developments have shown that purchasing outsourced services, especially in professional self-employment issues that require expertise, will be more preferred because they are much more effective and accessible. In this sense, outsourced service procurement

for corporate activities will come to the fore even more in the coming periods, in addition to accounting, human resources, operational services (invoicing, financial reporting, payment, reconciliation, etc.). As a matter of fact, the importance of outsourced service providers has emerged very clearly in rapid and complex changes in tax and social security laws in extraordinary situations such as the pandemic. Accounting offices and HR consulting firms will almost become the "Accounting / HR Service" of their companies rather than being outsourced offices by the service recipients.

Thus, companies will be able to carry out both their digitalization processes and their accounting, finance, reporting, payroll and human resources needs more effectively by outsourcing. Due to the increase in the need for outsourced service procurement, public authorities have to make new arrangements in the legislation related to professional self-employment activities. The legislation on accounting and financial advisory services, which has become a digitalized and technological profession, also needs to be regulated and harmonized in line with these developments. Current developments also present a great opportunity for updating the occupational law, which is not in harmony with international laws and practices ([OECD, 2020](#)).

In summary, the pandemic has appeared in many areas and has attracted short-term technological investments in digitalization, which are thought to be effective in the medium-term period ahead. The hypothesis that the outsourced accounting and consultancy sector will lose its importance over time has collapsed, and on the contrary, it has revealed that it needs to take a much more role and be effective. The fact that the accounting, HR and consultancy sectors attach importance to human resources and technological investments for all services related to the execution of the operational processes and corporate services of enterprises will turn digitalization from a threat into an opportunity (Kang, J., Zanini, M.T., 2020).

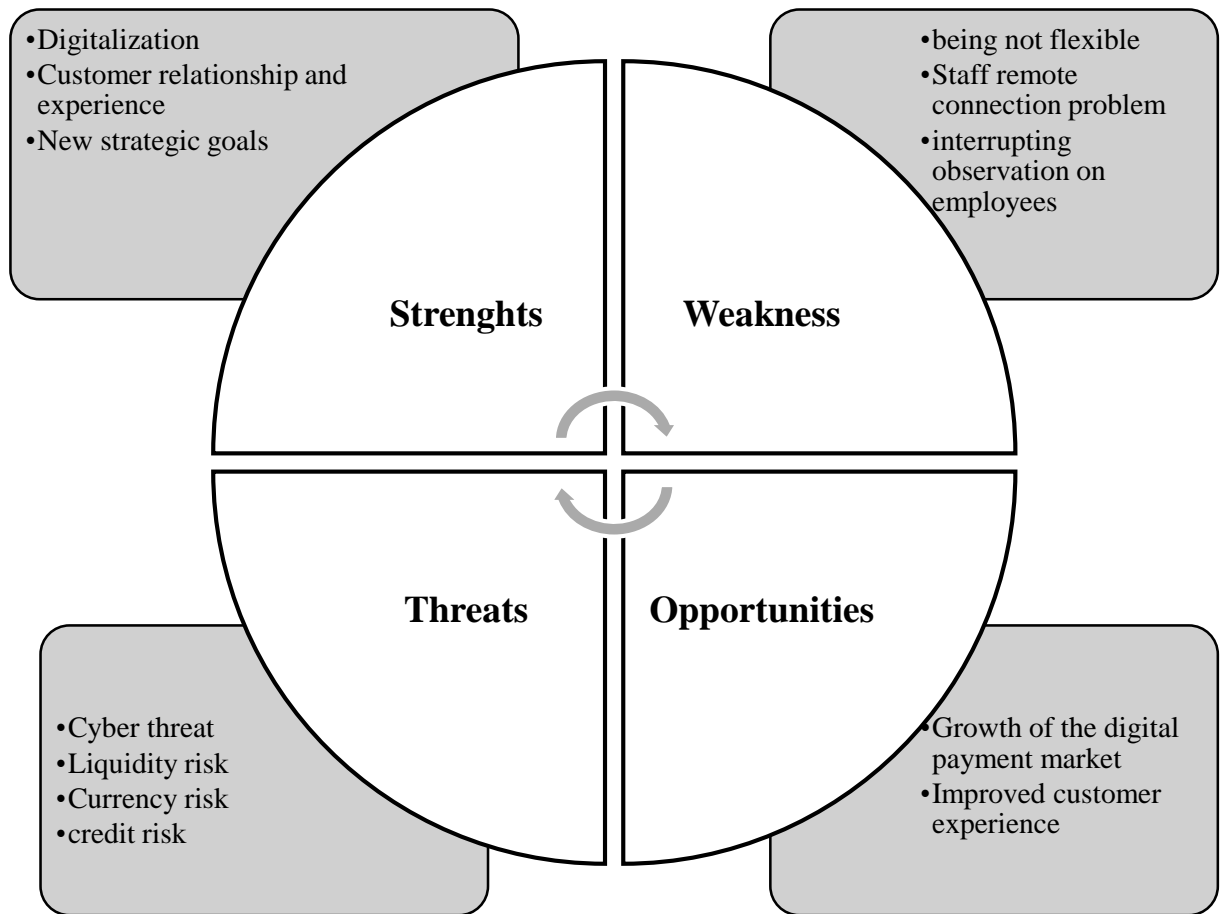
2.3 COVID-19 Pandemic SWOT Analysis

As it is known, the first condition of combating pandemics is the existence of a sense of social trust. The erosion of this feeling makes it easy for the pandemic to spiral out of control with dire consequences. Therefore, the main difference of the COVID-19 struggle at the national level from the global struggle is the need to build a sense of trust across the nation. There may not be an opportunity to make detailed and intricate analyzes to understand extraordinary situations such as pandemics or pandemics, to photograph life and reality with all its nakedness, to facilitate perception, to enable decision-making on the solution of problems, and to predict the future by eliminating uncertainty. At such times, simple analyzes are often a guide to take steps. Because of this point of view, we have found it appropriate to include the SWOT Analysis, which has been developed mostly for institutions and is still in use, in our sixth month report.

With its clarity, simplicity and structure that facilitates decision-making, SWOT Analysis can show us all the steps to take regarding the ongoing COVID-19 struggle across Azerbaijan. As we mentioned in the introduction, we tried to present the analysis in terms of providing the element of trust, which is the most important deficiency of the control struggle at the national level. I also included the most influential elements in the analysis for each topic to speed up decision making.

Strenghts: As we know, the Covid-19 pandemic has had both negative and positive effects not only on private enterprises, but also on banks. The negative impact has led to reduced working hours, fewer customers, and reduced profitability. At the same time, for banks that are not prepared for the remote regime, this process has been delayed a bit and has created some difficulties in terms of cyber security. On the plus side, banks have digitalized and sold their products remotely and made a profit. Changes in banks' accounting policies as a result of the pandemic have been mainly reflected in declining non-interest income, declining loan portfolios, and delays in repaying formalized loans. For this reason, financial institutions have become more agile, taking advantage of the situation, changing their accounting policies, setting new strategic goals and striving for success.

Table 9: COVID-19 Pandemic SWOT Analysis on banks



Source:<https://home.kpmg/xx/en/home/insights/2020/07/banking-in-the-new-reality.html>

retrieved in 02.04.2022

Weakness: The economic and psycho-social consequences of the Covid-19 pandemic have become a worldwide and unprecedented situation. It has been observed that as a result of the restrictions made within the scope of the measures to protect from the pandemic and pandemic, customer demands decreased, recessions began in the economy, businesses were gradually getting smaller, employees were dismissed and unemployment and unemployment rates increased, economic growth was blocked, there were negative effects on economic stability, and there were interruptions in economic activities. By restricting economic activity through various restrictions and measures such as quarantine, Covid-19 has caused a great macro and micro level impact and structural changes on the global economy. At the macro level, stock prices have decreased, market volatility and uncertainty have

increased. The loss of confidence in producers, consumers and investors increased, demand and supply decreased, normal consumption patterns deteriorated, market anomalies occurred, negative effects were experienced on labor markets, global supply chains and consumption behaviors. At the micro level, difficulties have arisen in carrying out their activities and fulfilling their obligations, paying their debts or collecting their receivables, disruptions have been observed in the supply chain and decreases in their income have occurred.

One of the important changes that has occurred as a result of the Covid-19 outbreak has been that many employees in certain professions work from home as a home-office. However, it is also mentioned that there is a professional resistance to working from home.

Opportunities: Growth of the digital payment market. In order to be in a better spot to satisfy increasing demand for faster, more convenient services – banks need to be proactive. In order for strong and sustainable business models to develop, there is a need for sector-specific planning and a broad socio-economic development plan that includes an ecosystem that encourages entrepreneurship. In the current crisis, it is obvious that society needs communication, trust, calmness and education. However, due to the mutation of the virus, it is difficult to predict in which direction the pandemic will progress in the coming days. Establishing science-based evidence will also take some time, as there is a lack of both data and understanding of the mechanisms of the pandemic. In this situation, digitalization is the great chance for banks and entities.

Improved customer experience. In order to create the customer experience, it is important to know the customer well and to be able to personalize the experience offered to him. Banks are very advantageous in this regard, because they can see and analyze many data about customers' expenditures in the context of amount / place / time.

Threats: Low profitability. One of the main ideas of the study is that the banking sector will be under stress due to high credit losses as a result of large-scale bankruptcies between companies and households due to the economic downturn

caused by the Covid-19 crisis. As a result, customer loans and debts to banks may not be paid on time, and banks' projected returns may be much lower than expected.

Income pressure. Banks adjust their liabilities based on their forecasted income. During a pandemic, when there is low profitability, the financial situation of banks worsens and the liabilities to other financial institutions increase.

III CHAPTER. FINDINGS OF THE IMPACT OF THE COVID-19 PANDEMIC ON ENTERPRISES

3.1 Measures and applications related to the problems caused by the COVID-19 pandemic in the economy of enterprises.

As it is understood from our observations, the countries affected by the epidemic experienced a halt in production, a break in their supply chains, a collapse in confidence in the markets and a sharp decrease in consumption. Due to the pandemic, it is seen that many of the businesses are on the road to full and / or partial closure, and there are great losses in trade, especially in the industrial sector. One of the most negative consequences of this epidemic is that many brands and retailers face an extremely difficult process in the short term, especially in safety and health, workforce, supply chain, consumer demand, cash flow, sales and marketing. In the post-pandemic period, it is an inevitable fact that there will be a decrease in investment-oriented tendencies and that the interest in measures to protect capital will increase, and therefore the growth rate in the economy will decrease.

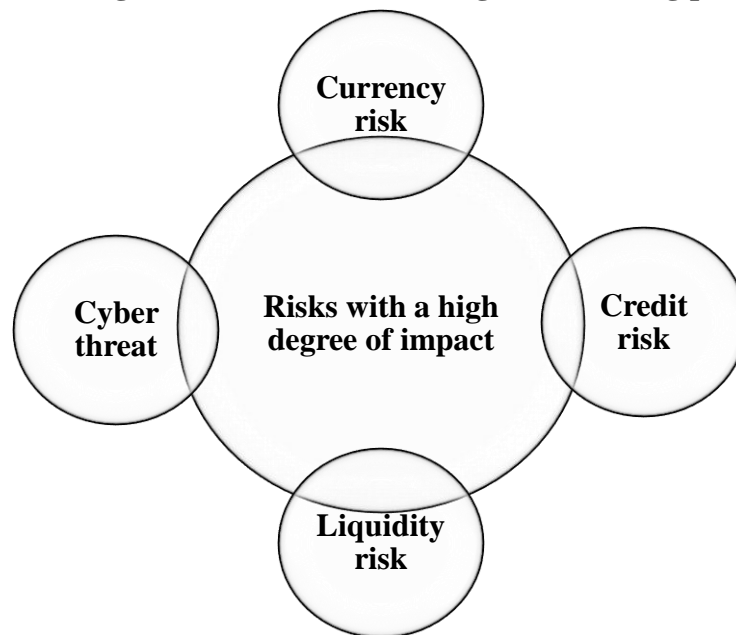
Today's businesses continue their activities in a rapidly changing economic, technological, commercial, ecological and social environment. The fact that these constantly changing environments bring along a series of uncertainties causes the emergence of crises. Crises are factors that occur unexpectedly and need to be responded to quickly, that threaten the purpose and functioning of businesses, and negatively affect prevention and adaptation mechanisms. Minimizing the effects of these factors and creating new opportunities from these crises is possible with the ability of the business and good management of the crisis.

The company sends a series of signals before any risk occurs, which can lead to unpleasant situations as a result of not paying attention to the signals of this risk and not knowing that these signals will lead to a more severe risk. Before a risk can occur, the risk management process must be divided into five stages based on its symptoms. Risk here also means emergencies such as pandemics.

1. Receiving crisis signals,
2. Preparation and protection against a possible crisis,
3. Controlling the crisis after the crisis has arisen,
4. Completion of preparations to return to the normal state,
5. Learning and evaluation by drawing inferences from the crisis.

There are shown 4 high risk elements in banking sector during the pandemic in the chart below:

Graph 8: 4 high risk elements in banking sector during pandemic



Source: <https://www2.deloitte.com/ch/en/pages/audit/articles/internal-controls-covid-19-considerations-for-auditors.html> retrieved from 11.02.2022

Currency risk-Many banks whose foreign currency assets and liabilities do not match may be exposed to significant foreign exchange risk due to the expected rise in foreign exchange rates and defaults in foreign exchange assets.

Credit risk-Increasing defaults can lead to this risk as a result of declining economic activity, low-value compensation, higher borrowing, and lower credit ratings from customers in the more vulnerable sectors.

Liquidity risk-Declining cash inflows from loan repayments, increasing depositors' willingness to withdraw cash to meet their financing needs, or withdrawing money in terms of reliable quality banking services may affect banks' liquidity.

Cyber threat-The introduction of remote operating conditions and digital services is expanding the attacking surface of banks' IT networks with cyber threats trying to exploit vulnerabilities with new methods of attack.

The impact of the pandemic on digital banking. Although some parts of banking are more resilient and flexible than others, the severity of credit losses will determine banks' individual strategies and the need to invest in technology while reducing the costs of the sector as a whole, combined with challenges.

The pandemic crisis has begun to be a test for banks working with applications that enable the transition to digital services, as digital interaction becomes the main choice of customers.

The growing need for digital assets is creating challenges for many banks, while more mature banks can gain an advantage in the sector during this period.

The situation requires banks to reconsider their priorities and try to launch new services to maintain the trust of their customers. Recent events have shown once again that reducing the cost of maintaining branches of banks and using these funds to support investment can create more effective opportunities. Thus, the initial direction is to analyze the wishes of customers and form new types of services accordingly. Liquidity problems have encouraged banks to strengthen their advanced analytical skills to determine which customer they can serve, and then to formulate individual proposals for them.

Risks posed by the pandemic for the banking sector.

One of the key recommendations for banks on strategic and business models is to conduct a comprehensive analysis of their credit customers, assess the sensitivity of each customer category to what is happening, and develop a risk-based risk reduction strategy based on scenarios.

More than half of the 1,415 measures taken to date to combat the pandemic crisis have focused on the banking sector, and almost two-thirds of the work done in this category is prudential measures taken by regulators and managers to maintain credit sustainability.

The main measures followed in the prudential category are:

- temporary suspension of loan repayment (18% of all prudential measures),
- support for loan restructuring (10%),
- weaken the classification or provision of the NPA ratio (7% and 6%, respectively),
- reduction or deferral of existing capital buffers (6%).

This crisis period may also be a good time for banks to reconsider their cultural values. The transition from control-based values to strong values backed by intellectual control could lead European banks to recover more quickly in an unstable future.

3.2 Ways to upgrade the financial accounting of enterprises during the COVID-19 pandemic

The measures that can be taken for businesses that have problems in managing their cash needs and working capital are summarized below:

Liquidity Analysis and Cash Needs: A prerequisite for sound cash flow management is disciplined cash flow forecasting and it provides predictability and focus on liquidity in businesses.

- A solid 8-week cash flow forecasting process should be implemented, supported by alternative scenarios,
- A Cash-oriented approach should be provided instead of Income Statement metrics throughout the enterprise,
- Cash flows should be reviewed in detail during the upcoming period and measures that can save cash in the short/medium term should be determined,
- Cash flow estimates of businesses should be revised and all assumptions should be tested,
- Additional capital opportunities should be explored at an early stage,

- Bank loan agreements should be reviewed, basic conditions and flexibility margins should be determined.

Working Capital and Supply Chain:

- Businesses affected by low demand may experience excess inventory until production is slowed,
- Unaffected parties may prefer early payment discounts,
- In negatively affected businesses, regular communication should be established with critical suppliers to ensure the continuity of production and supply,
- Future orders of businesses should be optimized,
- Regular interaction with customers at the executive level should be established to manage customers' expectations.

3.3 Ways to ensure the sustainability of enterprises in the post-Covid period

Financial Strength. Companies should develop scenarios for risk management that are tailored to their own circumstances. In this context, experts can use analytics to identify and evaluate critical factors that will affect income and expenses. At the same time, financial models should be made according to each scenario and factors that may affect liquidity should be determined. For these, actions regarding the company's budget should be planned. These actions may include optimizing income-expenditure accounts, cost management, withdrawal from certain investments, and mergers and acquisitions. This team should include the CFO, the strategy and business development leader, the finance manager, a representative from the legal department, and one or more financial analysts.

Basically, they must manage two workflows:

1. Developing scenarios within the context of the current epidemiological and economic outlook.
2. Managing financials and working capital according to different scenarios.

The findings of the study show that the impact of Covid-19 on business financials was most experienced in the first quarter of 2020. The main findings that emerged within the framework of the aim, scope and methodology of the research are explained in this section. The findings are presented in line with two separate subheadings as cash flow and financial distress level. While making sectoral evaluations, the sectors in which at least two enterprises are located were taken into account. In this context, since there is only one company in the technology defense sector in BIST 30, the findings of the relevant sector are left out of the explanation.

Economic Sustainability. Sustainable income is very important for the continuity of a for-profit organization. While developing the components mentioned within the scope of environmental and social sustainability, the incomes of banks and businesses should also increase. This is the reason why banks and socially responsible businesses include these features in their integrated marketing communication strategies. International and local incentives and tax advantages provided by sustainable projects also increase the importance of the economic sustainability dimension.

Findings on Cash Flow. Findings regarding cash flow are discussed within the framework of four items. These are the net increase (decrease) in cash and cash equivalents, as well as the three components by which this is achieved: cash flows from operating, investing and financing activities. Cash flow findings are presented over proportional changes. With BIST 30, it can be stated that the negativities experienced by companies in the manufacturing sector in net cash exchange and cash flow from operating activities are caused by disruptions in supply chains and logistics processes, mandatory measures to be taken regarding employee health, shrinkage in demand and order cancellations from foreign markets, interruptions in production. It can be stated that the cash outflow from financing activities decreased after the pandemic, and this is due to the fact that businesses postponed their interest, dividend and loan payments as a result of changes in legal regulations.

The negative outlook in the first quarter after Covid-19 left its place to the recovery process towards the end of 2020. It can be stated that factors such as the gradual softening of restrictions, the pandemic-fighting packages issued by authorized institutions, incentives and supports, and the transformation of business conduct have been effective in this. In this context, the high rate of decrease in the net cash flows of enterprises turned into an increase towards the end of the year. In addition, the rate of decrease in cash inflows from operating activities gradually decreased.

CONCLUSION AND RECOMMENDATIONS

Banks and other enterprises, like every business, are commercial enterprises that want to make a profit. However, the survival of businesses, of course, depends on the sustainability of their profits. Profitability differences that emerged as a result of the decisions taken by the bank managements during the pandemic process have become an important issue that needs to be examined in terms of the sustainability of the banks' existence. For this reason, in this study, the profitability data of the participation banks operating in the Turkish banking sector and the deposit banks with public, private and foreign capital, which are the types of deposit banks, for one year before and during the pandemic period, as well as their return on assets, return on equity and net interest margins were examined.

The fact that the pandemic process is still ongoing and the pandemic measures taken, such as the extension of the transferring period of loans to follow-up accounts, are still continuing, making the post-pandemic process even more uncertain for the banking sector. During the pandemic process, especially the collection of high-interest deposits, the use of low-interest loans and the losses arising from foreign exchange transactions caused the profitability levels of public deposit banks to decrease as much as possible and their position in the sector to weaken. For this reason, the post-pandemic process becomes more important especially for public deposit banks. It would be appropriate for the management of public deposit banks to take measures to strengthen the assets and resource structures of the banks, especially for the post-pandemic period.

The economic crisis due to Covid-19 has now begun to spread as quickly as the disease itself. In order to control the spread of Covid-19, quarantine measures are taken in many countries, this situation deeply affects businesses and employees socially and economically. As a matter of fact, the first assessments of international organizations such as the ILO on the impact of Covid19 on the global working world are that the effects will be wide-ranging and that it will drag millions of people into unemployment, underemployment and working poverty. For this reason, decisive,

coordinated and urgent interventions should be taken to protect businesses, employees at work, stimulate employment and the economy, and support jobs and incomes.

The current global economic crisis, mainly due to Covid-19, is unique in its kind as it consists of at least two types of economic problems, a reduction in production due to disrupted global supply chains, and an unprecedented demand gap as a result of restrictions. Especially for Banks and SMEs, this decreasing demand causes a sudden decrease in cash flows and liquidity shortage. Therefore, these disruptions in trade and global supply chains reduce the financial income of businesses on the one hand, and reduce employment in these sectors on the other hand. The effects of Covid19 on businesses, jobs and revenues will be more severe unless appropriate action is taken. As a matter of fact, the developments experienced are extremely worrying about the impact of Covid-19 on the liquidity positions and survival of banks and businesses. For banks and businesses to survive, it is crucial that liquidity support measures are implemented gradually to support the recovery.

Especially developed countries continue to announce economic packages with different contents and budgets one after another in order to reduce the socio-economic negative impact of Covid-19. In the packages announced, many conveniences such as cash aids, subsidies, ease of access to credits and tax reductions are provided to businesses. On the other hand, in order to protect employment, employees are protected in working life through practices such as remote working, short-time working allowance, unemployment insurance, unemployment benefits. Effective tripartite social dialogue bringing together governments, employers and workers' organizations is crucial to designing effective strategies and policies to manage the consequences of the Covid-19 crisis. However, it should not be forgotten that the effectiveness and impact of the measures taken to reduce the negative effects of the COVID-19 pandemic are closely related to the social-economic development levels of the countries that announced the incentive packages.

Suggestions: The main nuance is that companies have an internal contingency plan, internal regulatory requirements and guidelines, a long-term and short-term strategic plan, and the ability to flexibly adapt to each situation. In this context, I can make the following suggestions:

- a) It would be beneficial to consider alternative options to ensure sustainable financing,
- b) If cash flow projections point to liquidity problems, I recommend considering alternative options such as asset-based financing, revolving credit, working capital financing, alternative financing options, mergers and acquisitions,
- c) Due to the financial need for COVID-19, short-term and long-term strategy planning should be prepared for businesses,
- d) The financing need for COVID-19 may not be standard financing for businesses due to urgency and requires expert experience and guidance,
- e) I recommend hiring experienced teams focused on liquidity and working capital improvements, experienced in the structuring of secured and unsecured loans during the pandemic process.

REFERENCES

In Azerbaijani:

1. “Koronavirus (COVID-19) pandemiyası dövründə xüsusi karantin rejiminin tətbiq olunması ilə əlaqədar işsiz kimi qeydiyyatda olan şəxslərə birdəfəlik ödəmənin verilməsi şərtləri və qaydası”nın təsdiq edilməsi barədə Azərbaycan Respublikasının Nazirlər Kabinetinin 07.04.2021-ci il tarixli qərarı,
2. Məktəblərdə COVID-19 xəstəliyinin profilaktikası və nəzarətinə dair əsas məlumatlar və tədbirlər, UNICEF, 2020
3. Yadulla H., Cəmilə M., 2021, Covid-19 pandemiyasının sosial təsirləri və sosial rifahın dəstəklənməsi istiqamətləri, s. 34-39.

In English:

1. Akgün, Ali İ., Şamiloglu, F., Öztop, Ali O. (2018), “The Impact of Profitability on Market Value Added: Evidence from Turkish Informatics and Technology Firms”, International Journal of Economics and Financial Issues, p. 53-68.
2. Bai, M. (2020). The Socio-Economic Implications of the Coronavirus Pandemic (COVID19): A Review.78, 185–193.
3. Demirbilek Y, Pehlivantürk G, Özgüler Z. Ö, Meşe EALP., (2020), Covid-19 outbreak control, example of ministry of health of turkey, p. 489–94.
4. Dickens BL, Koo JR, Wilder-Smith A, Cook AR. Institutional, not home-based, isolation could contain the COVID-19 outbreak. Lancet. 2020 Mayıs, 2020.
5. Frenette, M., Frank, K., & Deng, Z. (2020). School Closures and the Online Preparedness of Children during the COVID-19 Pandemic. Economic Insights. Issue 2020001 No. 103. Statistics Canada.
6. Goodell, J.W. (2020), COVID-19 and Finance: Agendas For Future Research, Finance Research Letters, 35, 101512.
7. Grant Thornton, (2020), Effects of the COVID-19 Pandemic on Financial Reporting, p. 14-16.

8. Jorda, O.,Singh, S.R., & Taylor, A. M. (2020). Longer-run economic consequences of pandemics, Federal Reserve Bank of San Francisco Working Paper 2020, p. 46-49.
9. Kontoangelos, K., Economou, M., & Papageorgiou, C. (2020). Mental health effects of COVID-19 pandemia: a review of clinical and psychological traits. *Psychiatry investigation*, p. 491-497.
- 10.Kang, J., Zanini, M.T. (2020), “Business-to-business Marketing Responses to COVID-19 Crisis: A Business Process Perspective”, *Marketing Intelligence and Planning*, p. 19-37.
- 11.Muccari, R., Chow, D. ve Murphy, J. (2020). Coronavirus timeline: Tracking the critical moments of COVID-19, p. 29-35.
- 12.Nicola, M., Alsafi, Z., Sohrabi, C., Kerwan, A., Agha, R., (2020), “The Socioeconomic Implications of the Coronavirus Pandemic, p. 115-117.
- 13.Prasad, H., Shrimal, K. (2015), An empirical study on relationship between selected financial measures and market value added of infrastructural companies in India. *Pacific Business Review International*, p. 90-112.
- 14.Qiu, W., Rutherford. S., Mao, A., & Chu, C. (2016/2017). The pandemic and its impacts, p. 24-35.
- 15.Rajesh, M., Reddy, N.V.R.R., Reddy, T.N. (2012), an empirical study on Financial Services, *Financial Services and Management Research*, p. 65-80.
- 16.Yezli S, Khan A., (2020), COVID-19 social distancing in the Kingdom of Saudi Arabia: Bold measures in the face of political, economic, social and religious challenges, p. 79-82.

In Turkish:

1. Özden, K.,ve Özmat, M. (2014). Salgın ve kent: 1347 veba salgınının Avrupa’da sosyal, politik ve ekonomik sonuçları, *İdealKent*, s. 60-87.
2. Cavlak, H. & Yılmaz, C. (2021). Covid-19 Öncesi ve Sonrası İşletmelerin Nakit Akış ve Finansal Sıkıntı Düzeylerinin Görünümü: BIST 30 Endeksinde Bir

Araştırma. Covid 19 Pandemisinin İşletme ve Ekonomi Alanında Etkileri: Seçme Yazılar, s. 191-200.

3. Güredin, E. (2010). Denetim ve güvence hizmetleri, İstanbul: Türkmen Kitabevi, s. 74-94.

Internet Resources

1. <https://www.sciencedirect.com/journal/journal-of-vocational-behavior/special-issue/107QSS6N01W> retrieved from 14.12.2021
2. <https://covid19.who.int/> retrieved from 10.12.2021
3. <https://www.worldometers.info/coronavirus/> retrieved from 09.12.2021
4. <https://onlinelibrary.wiley.com/doi/full/10.1002/soej.12488> retrieved from 09.12.2021
5. Covid-19: Azərbaycan iqtisadiyyatı koronavirus qaydalarına uyğunlaşa bilirmi? <https://www.bbc.com/azeri/azerbaijan-56734222> retrieved from 14.03.2022
6. Internal controls: COVID-19 considerations for auditors <https://www2.deloitte.com/ch/en/pages/audit/articles/internal-controls-covid-19-considerations-for-auditors.html> retrieved from 11.02.2022
7. Working conditions and sustainable work <https://www.eurofound.europa.eu/news/news-articles/covid-19-could-permanently-change-teleworking-in-europe> retrieved from 17.01.2022
8. <https://www.adb.org/news/covid-19-economic-impact-could-reach-8-8-trillion-globally-new-adb-report> retrieved from 09.12.2021
9. <https://iset-pi.ge/en/blog/77-right-or-left-what-are-political-parties-economic-visions> retrieved from 08.12.2021
10. <http://www.ihs.ac.ir/uploads/coronavirus-covid-19%20economy.pdf#page=52> retrieved from 08.12.2021
11. <https://www2.deloitte.com/ch/en/pages/audit/topics/covid-19-impact-on-accounting-and-financial-reporting.html> retrieved from in 12.02.2022
12. <https://www2.deloitte.com/ch/en/pages/audit/articles/covid-19-accounting-considerations.html> retrieved from in 03.02.2022

13. <https://www.iasplus.com/en-ca/publications/cpa-canada/covid-19-and-going-concern-what-ifrs-standards-require> retrieved from 11.02.2022
14. <https://www.swot-analysis-template> retrieved from 10.02.2022
15. <https://www.iasplus.com/en/resources/topics/covid-19> retrieved from 09.02.2022
16. <https://www.mckinsey.com/business-functions/operations/our-insights/how-covid-19-is-reshaping-supply-chains> retrieved from 09.12.2021
17. <https://www.weforum.org/> retrieved from 09.12.2021
18. <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/> 08.12.2021
19. www.stat.gov.az retrieved from 09.12.2021
20. How COVID-19 is impacting workers' calendars, <https://www.getclockwise.com/blog/covid19-workers-calendars> retrieved from 14.02.2022
21. <https://www.mckinsey.com/tr/our-insights/mckinsey-against-corona-virus-for-business-7-suggested-basic-actions> retrieved from 30.01.2022
22. OECD, (2020), [Evaluating the initial impact of COVID-19 containment measures on economic activity,](https://www.austaxpolicy.com/budget-forum-2022-the-budget-fiscal-policy-and-an-outbreak-of-inflation/) retrieved from <https://www.austaxpolicy.com/budget-forum-2022-the-budget-fiscal-policy-and-an-outbreak-of-inflation/> retrieved from 29.03.2022
23. Congressional Research Service (2020). Global economic effects of COVID-19, CRS Report, retrieved from <https://fas.org/sgp/crs/row/R46270.pdf> retrieved from 14.03.2022

TABLES LIST

Table 1: Business sustainability management.....	38
Table 2: Financial statement elements during pandemic.....	42
Table 3: The objectives of the auditor in ensuring business continuity	51
Table 4: Difficulties while conducting of independent audits during COVID-19.....	53
Table 5: Evaluations of business continuity and independent auditing	54
Table 6: The continuation of business continuity.....	56
Table 7: Priorities in the formation of the accounting policy.....	58
Table 8: The entity's accounting policy.....	59
Table 9: COVID-19 Pandemic SWOT Analysis on banks.....	63

GRAPHS LIST

Graph 1: The impact of the pandemic on the labor market in Georgia and CIS countries.....	24
Graph 2: Structure of new jobs created in 2020.....	26
Graph 3: Summary balance of the banking sector Assets, million AZN.....	44
Graph 4: Summary balance of the banking sector Liabilities, million AZN.....	45
Graph 5: Summary balance of the banking sector Capital, million AZN	46
Graph 6: Transactions with debit and credit cards	47
Graph 7: Transactions with debit and credit cards	48
Graph 8: 4 high risk elements in banking sector during pandemic.....	67