Guest editorial: Corporate disclosure and reporting during the COVID-19 pandemic

Introduction

Following the declaration of the coronavirus (COVID-19) as a pandemic by the World Health Organization, governments worldwide have taken stringent measures to control the spread of the virus. Solutions like social distancing policies have flattened the medical curve but also steepened the recession curve and led the financial system into crisis (Baldwin and Mauro, 2020). Overall, actions taken in response to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty. These events and conditions created a level of uncertainty and risk never experienced before by companies, which resulted in significant financial reporting implications for preparers of financial statements (KPMG, 2021). Accordingly, this special issue attempts to address some of these implications and issues.

In this regard, the study titled “Did the COVID-19 pandemic affect auditors’ client acceptance and continuance decision-making process?” explores the impact of the COVID-19 pandemic on the first stage of external audit, namely, on the auditors’ client acceptance and continuance decisions. The study findings show that the client acceptance decision-making process appears to have been affected in a mostly negative way, and largely than is the case with the client continuance decision-making process. The impact of the COVID-19 pandemic on the client acceptance decision-making process appears to be mainly related to the difficulty arising in auditor–client communication. In addition, as far as the client acceptance decision-making process is concerned, the COVID-19 pandemic appears to have had a negative effect on the audit fees, whereas, when it comes to the client continuance decision-making process, the pandemic has had a positive impact with regard to clientele expansion. Finally, the findings reveal that the COVID-19 pandemic affected Big6 and non-Big6 auditors in different ways.

The study “Board attributes and CSR expenditure before and during COVID-19” investigates the impact of board attributes on the corporate social responsibility (CSR) expenditures of the listed firms before 2019 and during COVID-19 in Nigeria. The study findings show that the frequency of board meetings and foreign directors on the board significantly influence CSR expenditures before and during the pandemic. Board independence had a significant positive association with CSR expenditure before the pandemic but insignificantly positive during the pandemic time. However, board size and gender diversity do not influence CSR expenditure before and during the pandemic.

The study “COVID-19: The impact of the pandemic fear on IPO underpricing” assesses how the information disclosed in prospectuses impacted the initial public offering (IPO) underpricing at a time of high government interference amid the ongoing pandemic. The study findings show that strict government anti-COVID-19 measures contribute to the reduction of the IPO underpricing. Interestingly, the mere fact of such measures taking place is enough to take effect on financial markets, regardless of the

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resulting efficiency of such measures. At the microlevel, the study shows that prospectus sentiments and their significance differ across prospectus sections. Using linear regression and machine learning models, the findings reveal a robust evidence that such sections as “Risk factors,” “Prospectus summary,” “Financial Information” and “Business” play a crucial role in explaining the underpricing. Their effect is nonetheless different, namely, it turns out that the more negative “Risk factors” and “Financial Information” sentiment, the higher the resulting underpricing. Conversely, the more positive “Prospectus summary” and “Business” sentiments appear, the lower the resulting underpricing is.

The study “The impact of the COVID-19 pandemic on corporate tax avoidance: evidence from S&P 500 firms” examines the impact of the pandemic on corporate tax avoidance. The results show that the outbreak of the pandemic affected positively the CUETRs and negatively BTD, indicating a reduction in tax avoidance, in the postpandemic period. Further analyses provide evidence that this effect is the same, regardless of the degree of industry failure probability, but it is more driven by the reduction of deferred tax expenses. These findings suggest that the US publicly listed firms have experienced a serious drop in their income in the postpandemic period, following the markets closure and the quarantine periods that hampered business. Therefore, with lower profits, they are not willing to evade taxes.

The study “Toward understanding the self-efficacy of external auditors during COVID-19: empirical testing of traditional sources and virtual audit proficiency” attempts to build on a social cognitive perspective to assess auditors’ self-efficacy during the pandemic and to anticipate that mastery experience, verbal and social persuasion, vicarious experience, physiological and emotional states and virtual audit are determinants of auditors’ self-efficacy during the pandemic. The study shows that auditors feel confident in their ability to perform audit activities as well during the pandemic as at other times. The study also documents that vicarious experiences, physiological and emotional states and virtual audits play significant roles in self-efficacy. In further analyses, the study observes that auditors who are affiliated with big4 audit firms moderate the positive association between virtual audit and self-efficacy. All these results are verified under several econometrical appraisals and held constant.

The study “An exploratory study that uses textual analysis to examine the financial reporting sentiments during the COVID-19 pandemic” assesses whether Malaysian public listed companies have expressed any specific sentiments when publishing their financial performance during the COVID-19 pandemic. The findings reveal that companies adopted various tones of sentiments when communicating with their stakeholders. Most companies used negative sentiments to voice their concerns about how the COVID-19 pandemic has affected their business operations. Only a few companies reflected positive sentiments, while those that experienced operating losses also expressed uncertainty.

The study “COVID-19-related disclosures by listed firms in Vietnam” tried to measure the COVID-19-related disclosure extent of listed firms in Vietnam and its associated factors. The findings reveal that the extent of COVID-19-related disclosure in Vietnam is relatively low. It also finds that the audit committee, firm size, age and industry are positively associated with the extent of COVID-19-related disclosure.

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