



# COVID-19'S IMPACT ON ACCOUNTING OPERATIONS

Immediate Actions to Take

While the full impact of the novel Coronavirus has yet to be seen, it is clear that companies of all sizes are contending with an economic and health challenge unlike any the United States has seen in generations.

Millions have submitted new jobless claims, and many economists are forecasting unemployment rates of between 10-15% in Q2 2020 — with Federal Reserve Bank of St. Louis President James Bullard predicting it may hit as high as 30%. We have seen well-established organizations that were previously viewed as “recession-proof” that have had their business models turned upside down.

At the moment, companies generally are falling into three general categories in terms of how they have been affected by the pandemic.

The first and largest cohort of companies are those currently in triage mode — focused on crisis management, workforce reduction issues, navigation of a new virtual work environment, [digestion of new relief legislation](#), business continuity, and, ultimately, survival of the business itself in the face of this global health crisis.

The second group are those companies that have seen a surge in demand due to the pandemic and are scrambling to keep up. These might be in industries that have been deemed “essential” (medical, telecoms, food & agriculture, etc.); companies that are helping others work more effectively (remote work software, delivery, etc.); or companies that support those industries — for example, a manufacturer of plastic bottles used for hand sanitizer.

The third group are those who may not have felt an impact quite yet — who may currently have a backlog of business that is maintaining them at the moment, but who must keep a close eye on their cash flow to ensure they are able to endure in the event they aren't able to replenish their pipeline with new business.

Regardless of which of these groups you fall into, there are certain fundamental — but critical — actions that businesses can take to help weather the storm and position themselves moving forward.

Those measures can be divided into three overarching buckets: communicate clearly, go virtual, and identify opportunities.



## COMMUNICATION IS KEY

The first action to take centers on staying in closer contact with customers, employees, and strategic partners.

On the customer side, tone is especially important during times like these. Put yourself in your customers' shoes, view these events from their perspective, and communicate that we are all in this together. It may be as simple as asking your customers how they are doing and how you can help them in this trying time.

For employees, there is a need to communicate clearly and often, particularly in a virtual world. Whether you are giving updates on remote working or making tough decisions about staffing, you need to be thoughtful in terms of the words and actions you take.

For example, for those companies in triage mode, there is a large difference between a furlough and a layoff from an HR and finance perspective. Employers typically continue to pay certain benefits throughout the furlough, maintain an employment relationship with the employee, and set timelines.

For employees, however, the difference in technicalities is often minor but the messaging can be drastically different. For example, in both situations an employee may file for unemployment and receive government assistance, but being told "you are no longer an employee" versus "we don't currently have any work for you but will bring you back as soon as we do" paints a very different picture.

Strategic partners are also an important constituent during times of crisis. Having a clear line of communication with your vendors promotes business continuity as well as the ability to solve problems before they arise. An important strategic relationship to consider is with your bank or lending partner. Particularly right now, your relationship and communication with your bank can mean making it through this crisis successfully.

For a complete view of the latest COVID-19 resources to assist in communications with customers, employees or partners, visit [BDO's Crisis Response Resource Center](#) ►

## GOING VIRTUAL

In addition to adapting to communicating in a virtual world, the second set of actions to take in the immediate term are around ensuring your key finance and business processes are operational in a virtual environment.

The most important component of this transition is accessibility. By moving your systems to the cloud, you can eliminate the need for on-site access and ensure you can use your data easily, whether for financial accounting purposes or in order to make better-informed business decisions.

By going virtual, you can ensure that you have access to any cash coming in the door. If you are receiving paper checks and are not in the office to deposit those checks in the bank, you are not able to put those funds to work.

In addition, moving payroll and accounts payable away from paper checks towards fully digital capabilities will ensure that employees and vendors can be paid efficiently, and work can continue.

The saying goes that cash flow is the lifeblood of any business. By transitioning your systems to the cloud, you are ensuring the flow continues even when access to your physical office is limited or completely restricted.

## IDENTIFYING OPPORTUNITIES

For most companies, right now is a time to react, adapt and survive. However, now is also a time to document gaps in your contingency planning and to identify opportunities to improve the way your business responds to crises, both for this current pandemic as well as challenges that arise in the future.

By creating a mechanism to track issues that you encounter throughout these next few weeks, you're able to address them (whether now or at a later date), creating efficiencies and solving problems in the short and medium term so that they won't be a concern down the line.

These issues and opportunities, whether around digitalization of finance functions, gaps in insurance coverage, cybersecurity in accessing your network, agility in the supply chain, or workforce logistics, may have been inefficient before a crisis but untenable during one.

Read more on contingency planning and risk response during this crisis, [here](#) ►



## STAYING SAFE

Finally, it is important to acknowledge that all of the above cannot be done without the right people in the right roles, healthy and able to contribute.

In the next installment of this series, we will address in further detail what businesses can do in the event one or more of their employees falls ill, as well as highlight practices that businesses can employ as they become accustomed to a remote work world.

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