




Article

Unpacking the IFRS Implications of COVID-19 for Travel and Leisure Companies Listed on the JSE

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Abstract: Purpose: The main purpose of this article is to study the IFRS implications of COVID-19 for selected travel and leisure companies listed on the JSE. The article investigates how these selected companies disclose financial information regarding the going concern, or in other words; the sustainability of the company, revenue of the company, how the companies made estimations, and more, to account for the impact of the coronavirus pandemic on their financial information. Design/methodology/approach: content analysis was used to analyse the financial statements of ten travel and leisure companies listed on the JSE. This analysis indicated what additional disclosures these companies have in the light of COVID-19. Findings: even though there is no specific IFRS standard providing guidance on the impact of COVID-19, the findings reveal that the companies took utmost care in disclosing information and the impact of COVID-19 in the financial statements. Companies cautiously considered the impact of the coronavirus on their financial results and provided the users of these financial statements with transparent financial information, regarding going concern and sustainability of the company, revenue, estimations, and more. Originality/value: a new economic crisis, different from any other economic crises, emerged as a result of COVID-19 and the IFRS implications such as, the effect on sustainability and going concern, impact on revenue of companies, financial estimations during the coronavirus pandemic, the effect of COVID-19 on the financial subsequent events and other financial statement disclosures is still unclear. This study is deemed of vital importance as the users of financial statements require all the necessary information about how COVID-19 has affected these companies, and whether or not these companies will be sustainable in the foreseeable future, as to enable the financial statement users to make informed financial decisions.

Keywords: COVID-19 impact; financial statements disclosure; going concern; IFRS; sustainability; travel and leisure companies



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1. Introduction

At the end of 2019, the novel coronavirus, COVID-19, was detected in Wuhan, a city in China [1]. As a result of the rapid rate at which the virus spread across the world, the World Health Organisation (WHO) made the assessment on 11 March 2020 to categorise this virus as a global pandemic [2]. To decelerate the spread of this highly infectious disease, the WHO advised governments to implement several stringent preventive measures [3]. Governments across the world adhered to the advice of the WHO and, as a result, most countries introduced and implemented partial or full lockdown protocols [4].

Globally, great uncertainty about this virus was observed. Uncertainties about the rate of infection; the development of a vaccine; whether or not a second wave of COVID-19 will be experienced; the impact of the new virus on the global economy; how the virus and lockdowns will affect consumer spending; how individual and corporate travel will be affected; the impact of the pandemic on businesses [5].

As a result of COVID-19, the International Monetary Fund (IMF) declared that the world economy may be faced with its worst recession since the 2008 global financial crisis

and the Great Depression of 1929 [6]. Oxfam International also cautioned that, due to the coronavirus pandemic, 500 million people around the world may be plunged into poverty [7]. Evidence of this could be seen worldwide; for example, in South Africa, large companies such as Sasol Ltd., Anglo American Platinum Ltd. and Old Mutual Ltd. experienced a negative growth in trade and income for the first six months of the 2020 financial year. In Australia, it was also estimated that the Big Four banks may be faced with bad debts of around 14 billion dollars [6].

COVID-19 has had a major impact on global financial markets and the economy as a whole [8]. Globally, 50 million jobs are at risk as vulnerable industries, such as hospitality, travel, and tourism were affected. Furthermore, Taylor [9] commented that many countries in full lockdown experienced a standstill in their economic activities. Events like the COVID-19 pandemic typically affects the travel and tourism industry, as this industry is subject to many different external and internal factors, which include, among others, recessions, fluctuation in exchange rates, unprofitability, and a decline in income [10]. Many have even warned that a pandemic like COVID-19 poses a serious threat to tourism [11].

The modern travel and leisure industry has also been affected since the initial outbreak of the virus in December 2019. Globally, travel has come to a grinding halt, as several travel restrictions and lockdowns were implemented in every country worldwide. This has led to reduced customer spending on travel, tourism, and leisure. Approximately 65% of the tourism industry started experiencing cash-flow problems and could not fulfil their financial obligations [11].

As corporations approach their financial year-end, there is an urgent need to evaluate the effects of the COVID-19 pandemic on financial statements [12]. This is attributable to the fact that financial statements are the primary source of information used by the stakeholders of these corporations and that COVID-19 has not only already affected these stakeholders, but also the financial performance of many companies worldwide. Carmeli and Schaubroeck [13] posit that, in response to the pandemic, companies should prepare a strategic and contingency plan to deal with the circumstances of the situation. Companies should have an action plan, which may include accumulating accounting reserves, ensuring the liquidity of the company as far as possible, and adapting to a new work environment. In this light, it is important to note that the full effect of the coronavirus on the financial statements is still uncertain. The COVID-19 pandemic has seriously impacted many sectors of the economy, with the travel and leisure industry being no exception.

From an accounting point of view, the main objective of financial reporting is to provide relevant information for economic decision-making. In the wake of the current pandemic, there is an increased demand by the key stakeholders that companies should disclose information about their ability to sustain their current operations. According to Fagerström [14], sustainability accounting includes assumptions about business continuity, activities that affect the sustainability of an organisation's activities, and the reporting period of the production life-cycle. Sustainability accounting also involves the reporting of environmental and social challenges as well as the responsibility to provide an account of the actions of the organisation [15]. Moreover, Jung [16] found that a firm's corporate sustainability performance is positively associated with its financial performance. Within the context of sustainability accounting, financial performance is not necessarily measured in terms of historical profits. Instead, as advocated by Kaczmarek [17], financial performance should be measured in terms of the going concern principle or the ability to continue operations in the foreseeable future, assessed from the perspective of the threat of business failure. In summary, the going concern principle is essentially the same as sustainability within the context of financial decision-making [18].

Based on the aforementioned discussion, the focus of this article is to explore the reporting implications of COVID-19 on the sustainability of South African travel and leisure companies. The remainder of this article is structured as follows: The literature review is presented in Section 2. Section 3 describes the methodology, followed by the results and discussion in Section 4. The article is concluded in Section 5.

2. Literature Review

Mishra [19] states that a crisis is an event that gives systems little time to respond, causing the crisis to be a threat to its existence, especially when the resources of the systems are insufficient to cope with the circumstances of the crisis. Marcus and Goodman [20] add that a crisis can have a turning point effect on a company, most often creating a negative outcome for the business. A company can be faced with many different crises in the course of its lifespan. These include natural disasters, takeovers, strikes, conflicts with stakeholders, insolvency, and many more.

Strong leadership is essential during a crisis, since the management of a corporation may be faced with the situation of improving the company's organisational responses, by focusing on the future [21]. The management of a company plays a major role in the success or failure of the company during a crisis situation. A crisis can be viewed by management in one of two ways; firstly, the state of affairs can be seen as an opportunity, using it to the advantage of the company, or alternatively as a threat, which can lead to mistakes in judgement and unforeseen risks for the company [22].

Several crises, similar to the current pandemic, have been witnessed in the recent past. The world was faced with the severe acute respiratory syndrome virus (SARS-CoV) during 2003 [23]. In 2009, the H1N1 influenza virus, known as swine flu [24], was prevalent, and Africa encountered the Ebola virus in 2014 [25]. Each influenced the economy in different ways; the SARS-CoV virus had a substantial effect on the short-term economic growth of some countries, and a decrease in tourism exports also took place during this crisis [26]. Furthermore, the influenza virus had a direct effect on the economy and triggered an increase in healthcare expenditure [27]. Furthermore, the Ebola virus had a negative effect on the tourism and hospitality industry of Africa, with companies experiencing up to 50% cancellations in bookings during this period [28].

In the same manner as the foregoing crises, the COVID-19 pandemic continues impacting economic activities throughout the world. The measures taken by governments to curb the rapid rate at which the virus spreads, have triggered a ripple effect on the economy and, in turn, caused implications for financial reporting [29]. These measures and economic turbulences have a direct impact on company stakeholders, the financial performance of firms, and may even lead to companies finding themselves in financial distress. Albitar states that, as the stakeholders of a company rely on the financial reports to make informed financial decisions, it is important to evaluate the impact of COVID-19 on these financial reports. To this end, accounting standard setters, accounting firms, and members of the International Federation of Accountants (IFAC) released various guidelines and articles, wherein expert advice is given to assist in understanding how the coronavirus would impact financial reporting [30].

Kothari and Lester [31] suggest that losses should be recognised in a timely fashion to improve the transparency of financial statements. It is critical for organisations to learn from past crises and to compile appropriate risk responses for the future [32]. Furthermore, accounting standard setters highlighted the importance of performing the financial reporting of a company in as much detail as possible during times of crises.

During March 2020, the Securities and Exchange Commission's (SEC) Division of Corporation Finance published a report stating that the coronavirus should be viewed as a material risk, because COVID-19 has already had an impact on the global economy and the estimated future effect is still unknown [33]. This report also states that COVID-19 had thus far led to a significant financial crisis and will in fact have a noteworthy impact on operating results, financial conditions and going concern. According to Arnold and Gould [34], the COVID-19 pandemic and its consequences on the world economy are the reason why stakeholders would require high quality financial information pertaining to the pandemic.

Alao and Gbolagade [8] posit that, for economies that are in upheaval similar to the COVID-19 pandemic, companies should disclose the following to their stakeholders:

- The cash-to-cash sequence of the company, as well as their liquidity;

- The financial effect on variable costs;
- The implementation of a capital investment plan.

Due to COVID-19, companies would have to disclose additional information in accordance with the International Financial Reporting Standards (IFRS). For example, the global accounting firm Ernst & Young [35] indicated that, according to IAS 1 Presentation of financial statements, companies would have to perform a going concern assessment, up until the date on which the financial statements are issued. If the company can no longer function as a going concern, they will have to adjust their financial statements to best reflect the financial position of the company [36]. Deller, from the Association of Chartered Certified Accountants (ACCA), stated that, from the start of 2020, COVID-19 can be seen as an adjusting event and that affected companies across the world will have to consider the impact of COVID-19 on IAS 10—Events After the Reporting Period. Companies would have to consider whether COVID-19 will be seen as an adjusting or non-adjusting event, and even if the company concludes on a material non-adjusting event, the company would be required to disclose additional information about this event [37]. The International Accounting Standards Board (IASB) even made an amendment to IFRS 16 Leases in May 2020 [38]. This new amendment will help the lessee, in a lease agreement, to account for any reductions in rent due to COVID-19. Organisations should furthermore consider performing an impairment test for all their assets as COVID-19 is seen as a trigger event for IAS 36 Impairments.

Ernst & Young [39] also provided companies with a resilience checklist to consider when preparing their financial information during COVID-19. Firstly, companies should consider options to generate more cash, save as much money as possible, and reassure stakeholders by communicating effectively. Secondly, they recommended that companies should adjust their risk assessment plan, think about selling assets, and attempt to reduce expenditure. Tokar and Kumar [40] provided accountants, auditors, and investors a brief overview of how IFRS should be applied in light of COVID-19. The authors stated the importance of taking due care in making estimates during the coronavirus pandemic, because when a company is faced with the uncertainty of what the future might bring, estimates are more difficult to make than under normal circumstances. The IASB also stated that, due to the global pandemic, corporations are required to evaluate the economic conditions within their companies and should disclose all the necessary information about the effects of COVID-19.

The JSE released two important announcements to all its listed companies with a year-end in the period of 31 December 2019 to 31 July 2020. It stated that, as a result of the coronavirus and the national lockdown across South Africa, the Financial Sector Conduct Authority (FSCA) gave JSE-listed companies an extension period to fulfil all their reporting responsibilities for the current financial year. Companies with a year-end in the given period were granted a two-month extension, and companies with an interim reporting period, between 31 March 2020 and 31 July 2020, were granted a one-month extension. The JSE also cautioned listed companies to consider the impact of COVID-19 on their going concern measurement and stated that companies should deliberate if any additional disclosure may be required [41]. The head of risk management of Nigeria's Securities and Exchange Commission stated that the COVID-19 crisis can be a redirecting opportunity for the African economy and that resurfacing with a better economy will be the crowning achievement for Africa [42].

3. Methodology

3.1. Research Approach

Milne and Adler [43] articulate that content analysis is the most frequently used research method when assessing the disclosure of organisations. Similarly, document analysis involves the scanning, reading, examining, and interpreting documents. According to Bowen [44], the advantages of a document analysis include efficiency and availability. Most documents used are in the public domain; the method is cost-efficient; documents

contain exact details (such as names and references); they are consistent. The greatest advantage of analysing the content of documents is the fact that it is non-reactive and unobtrusive, meaning that research can be conducted without disturbing the data by any means. The researcher furthermore determines the data on which the most emphasis is needed [45].

Following on the aforementioned motivation, a qualitative content and document analysis was considered appropriate. In this article, the disclosures in the financial statements by travel and leisure companies are analysed, assessing the nature of the disclosure of each company in as much detail as possible. This process involved scanning through an enormous amount of financial data, reading the full financial documents, examining the financial information, and understanding the information provided by these companies. This approach was used in a systematic and objective way to describe and measure the unique information of each company. In doing this, a pronounced understanding and comprehension of the financial information was obtained.

3.2. Data Collection and Procedure

Prior to the commencement of this study, the most relevant documents for the study were selected by reviewing the advantages of different methods and by utilising the factors identified. The accuracy, credibility, authenticity, and representativeness of the documents were considered. Furthermore, the completeness, purposes, and source of the documents were reflected on. Lastly, it was ascertained whether the documents would contribute to the objectives of the study. It was finally determined that the published financial statements of the selected companies would be the most appropriate documents for the purpose of the study. Where applicable, the annual financial statements, integrated annual reports, or interim financial statements of the selected companies were used. These documents were deemed appropriate because these financial statements, and reports of the selected companies, comply with both IFRS and JSE requirements. Moreover, information in the financial statements are firstly prepared by professional accountants, secondly reviewed by the company's audit committee, and lastly audited or at least reviewed by independent auditors, thereby confirming the trustworthiness and authenticity of the financial statements [46].

Based on the literature review in the previous section of this article, and the data extracted from the documents, it was deemed appropriate that the analysis should be focused on the areas in the financial statements that are most affected by COVID-19. These included financial results affected by estimations for the future, subsequent events that may have surfaced after the end of the company's reporting period, the going concern of the companies, the revenue for the current period versus the previous period, and additional information specifically disclosed in terms of the pandemic.

The qualitative data extracted from the selected documents were coded into pre-established categories so that a pattern for presenting and reporting of data can be determined [47]. When analysing the financial statements of companies, not only words, sentences, paragraphs, and amounts should be collected, but it should also be interpreted in financial terms. In this regard, form-oriented designs are used to analyse and codify large amounts of data, attempting to identify disclosure forms and tendencies between companies, as well as to identify the elements of disclosure [48]. Basit [49] states that, by using coding as part of the analysis, a theoretical scheme is created that helps the researcher to analyse the data.

For the purpose of this study, a coding scheme was used to analyse the different words, sentences, and amounts disclosed in the financial statements of the selected travel and leisure companies. This was necessary, as analysing the data in financial terms is the second step in codifying the qualitative data within the financial statements into categories; whereas, the first step in the coding process was to gain an initial understanding of the coding structure by studying similar articles. First and foremost, the guidelines discussed in the previous paragraph were used to classify the items in the financial statements

of the different travel and leisure companies. The guiding principles on applying IFRS during the coronavirus outbreak were further applied to identify accounting requirements and standards that should be considered when preparing financial statements, and when addressing the accounting implications of the coronavirus. The categories used in this article were therefore codified as follows: Category 1: Going Concern; Category 2: Events after the Reporting Period; Category 3: Fair Value Measurement and Impairment; Category 4: Revenue Recognition; Category 5: Other financial statement disclosure.

After the different categories were established, a detailed analysis was performed on the disclosure in the financial statements of each company. Based on the coded categories, literature review, and knowledge obtained by examining the financial statements, a comparison between the different companies and the coded categories was performed. The analysis was therefore conducted on this comparison and the information found in the financial statements of the companies. The coding categories were focused on the areas in the financial statements most affected by COVID-19 and the additional disclosure made by the companies in light of the pandemic.

Additionally, the literature review and the JSE announcement, made on 8 July 2020, were utilised to categorise the information in these financial statements into the aforementioned categories. The criteria used in the coding scheme included a variety of different criteria, ranging from estimations and assessments to additional disclosure pertaining to COVID-19. These categories (presented as questions in the analysis) were used to determine the IFRS implications of COVID-19 on selected travel and leisure companies listed on the JSE. Furthermore, it was used to establish what additional disclosure these companies made as a result of the outbreak of the coronavirus.

3.3. Sampling

The objectives of this article are firstly to examine the IFRS implications of COVID-19 for a selection of JSE-listed travel and leisure companies that qualified for the extension period granted by the FSCA and, secondly, to identify the additional disclosure prepared by these companies in light of the coronavirus. On 29 May 2020, as stated in the JSE notices, the FSCA acknowledged the impact of COVID-19 and granted JSE-listed companies with a financial year-end in a specified time period, a two-month extension to fulfil all their reporting obligations, including the publishing of financial statements. The FSCA furthermore granted JSE-listed companies with interim reporting periods in the same timeframe as a one-month extension to their interim reporting deadlines.

A list of all the travel and leisure companies listed on the JSE was obtained from IRESS [50]. To be included in this study, the travel and leisure companies selected had to meet the requirements for the FSCA extension. Six of the companies included in this article had a financial year-end between 31 December 2019 and 31 July 2020; the remaining four travel and leisure companies had interim reporting timeframes in the same period. The reporting periods of the companies range from 31 December 2019 until 30 June 2020. For the majority of the travel and leisure companies, the annual financial statements were used with the exception of four companies, where the interim financial statements were used.

The selected companies represent the entirety of the travel and leisure companies in South Africa that comply with the listing requirements of the JSE.

To draw a comparison between the selected companies, more information, including the background about the company, total assets, interesting facts, address, contact details, and auditors of each company is presented in Appendix A.

4. Results and Discussion

A document content analysis was performed to examine the IFRS implications of COVID-19 on the selected travel and leisure companies listed on the JSE. As discussed in the methodology, the content analysis is presented under five different coded categories (presented in Appendix B). In this section of the article, the focus is firstly on the assessment of going concern, after which events after the reporting period are analysed. Fair value

measurement, impairments, and revenue recognition by the travel and leisure companies were also examined. Lastly, other financial statement disclosures presented by the companies pertaining to the COVID-19 pandemic are considered.

4.1. Going Concern

The Conceptual Framework for Financial Reporting in IFRS states that a company is assumed to be a going concern when the company has neither the need nor intention to liquidate or stop trading in the foreseeable future. The financial statements are therefore prepared on the assumption that the company will continue operating at least for the foreseeable future.

Before the financial statements of a company are prepared, IAS 1 Presentation of financial statements requires the management of the company to assess the ability of the company to be a going concern and whether or not the financial statements should be prepared on this assumption. When making this assessment, IAS 1 furthermore states that management should take into account all available information related to, at least, the next 12 months. This includes any COVID-19-related uncertainties. Additional disclosure is required should the company establish any material uncertainties that cause any form of reasonable doubt that the company will be operating as a going concern in the foreseeable future. Given the indeterminate impact of the coronavirus pandemic, even if the company prepares the financial statements on the going concern assumption, additional disclosure is required to provide a clear understanding to the users of the financial statements about the material uncertainties related to the coronavirus outbreak.

From the content analysis, it is evident that the travel and leisure companies took great care when considering the impact of COVID-19 on going concern and whether or not the companies will be sustainable in the foreseeable future. All the companies decided to prepare their financial statements on the going concern assumption, despite the unpredictability of the pandemic. Most of the management of these companies provided the users of the financial statements with information relating to the assessment about the ability of the company to operate as a going concern in the next 12 months. Some companies, to assist with this assessment, made cash-flow forecasts in terms of the knowledge available and expectations of the ongoing developments related to the COVID-19 pandemic. Other companies stated that they had made the assessment to prepare the financial statements under the going concern assumption, believing that they will be able to operate in the future even if the national lockdown restrictions were not lifted entirely.

Various companies disclosed additional information about material uncertainties faced by the company due to COVID-19. Companies disclosed information about the uncertainties relating to the impact of the national lockdown, additional restrictions given by the government, and the liquidity of these companies. Most companies provided the users of the financial statements with information on plans in place to ensure the liquidity of the company. Different companies have different strategies in place. A number of companies are planning to ensure liquidity by offering rights to shareholders and obtaining funds from lenders, whereas other companies are focused on cost leadership as a strategy to reduce corporate and shared function costs. Lastly, some companies indicated plans including right sizing of work force, restricting payments to key business creditors and applying for relief measures given by the South African government.

The results of this category are shown in Figure 1.

4.2. Events after the Reporting Period

According to IAS 10, events after the reporting periods are events that take place in an organisation between the financial year-end date and the date on which financial statements are authorised for issue. Two types of subsequent events exist, namely adjusting and non-adjusting events. Depending on the company's financial reporting date, COVID-19 can be seen as either an adjusting or non-adjusting event and may affect the disclosure, recognition, and measurement thereof [51]. Arnold and Gould [33] suggested that for

companies with reporting periods on or before 31 December 2019, the coronavirus outbreak should be disclosed as an event that arose after the reporting period. As for companies with financial year-ends after December 2019, the virus outbreak would be classified as a current event, which suggests that these companies would have to determine to what extent new developments after the financial year-end date would be recognised in the current reporting period.

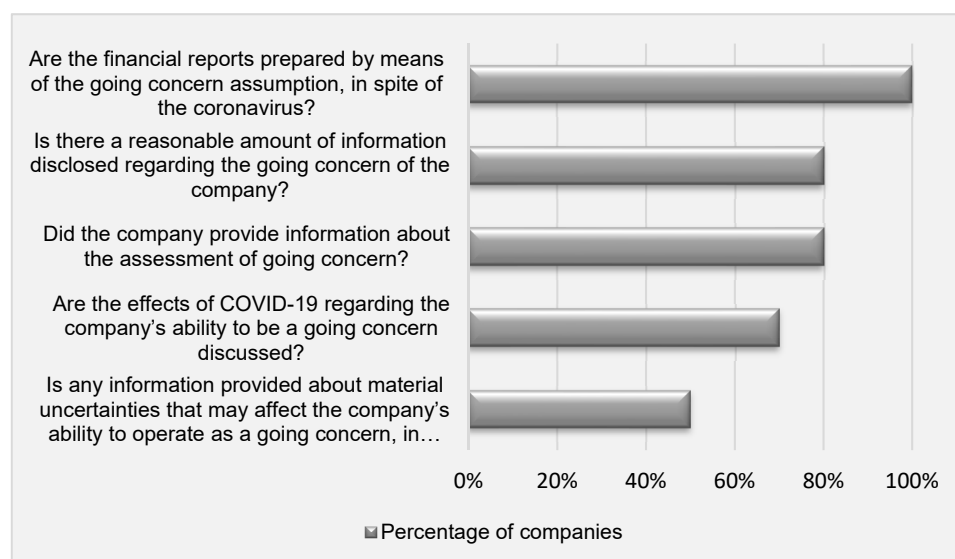


Figure 1. Going concern (category 1). Source: Compiled by authors from the collected data. Each company represents 10% of the sample in the figures presented.

Ernst & Young [36] commented that companies would be required to disclose information on the nature of all material non-adjusting events that arose after the year-end date. Companies would have to provide estimations on the financial effects of these non-adjusting events. For example, they would have to disclose information on how the pandemic had affected their company's processes and operations. If the company could not provide the users of the financial statements with these estimations, the company is obligated to disclose this fact.

The results for events after the reporting period presented that all the travel and leisure companies disclosed information about subsequent events, either stating that there were none, or discussing the particulars of the events that had taken place. Moreover, 80% of the companies in the sample addressed the impact of COVID-19 on these subsequent events. Several companies provided information about measures announced by the South African government after their year-end date and how these measures would affect their financial statements. These companies also disclosed, for example, information about the reopening of organisations after the lockdown alert levels were adjusted by the government. Certain companies provided information on the responses that were implemented after these measures had been announced. The responses disclosed included capital expenditure, rent relief, reductions in salaries, and retrenchment of a percentage of the workforce.

The results lastly revealed that, even though the coronavirus had affected the economy, only one of the companies considered COVID-19 to be an adjusting event for the 2020 financial year. This company stated that, following the declaration of the national state of disaster in South Africa, and the related implication of COVID-19, all the assets and liabilities of the company had been adjusted to account for the effect of the coronavirus.

The results of this category are shown in Figure 2.

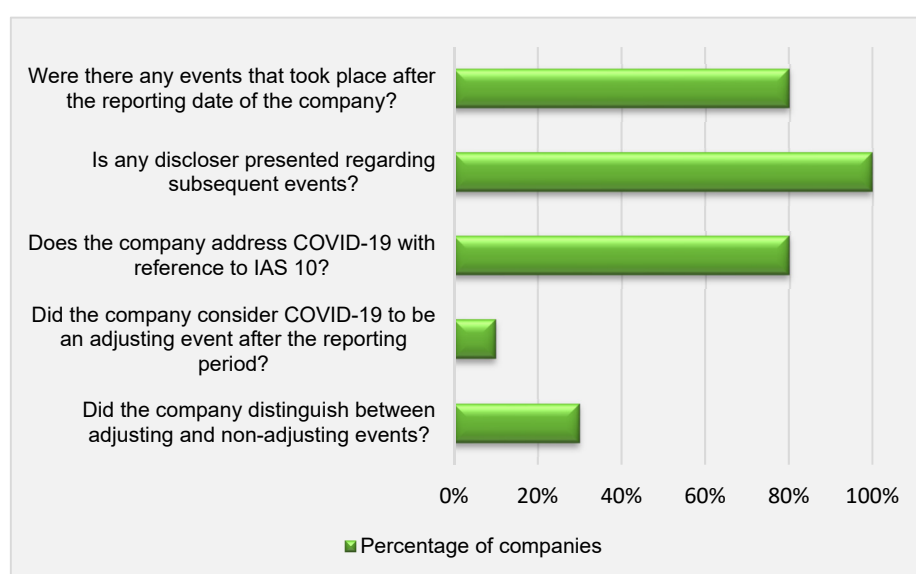


Figure 2. Events after the reporting period (category 2). Source: Compiled by authors from the collected data.

4.3. Fair Value Measurement and Impairment

IFRS 13 Fair value measurement specifies that fair value measurement is an estimated exit price, based on assumptions and risks that different market participants would make under existing market conditions [34]. IFRS 13 additionally states that, when the assessment for fair value measurements are made, the company would have to consider what conditions were known to the market participants. Fair value measurements during the coronavirus pandemic would consequently depend on whether or not the severity of the outbreak was known to the market participants at the time of the valuation. Companies would have to provide disclosure to help the users of the financial statements understand the techniques and inputs, used for fair value measurements.

Similarly, for impairment assessments, companies should disclose detailed information to the users of the financial statements about the assumptions and the impact of changes in these assumptions. When measuring the recoverable amount under IAS 36, companies would have to use projections based on practical and supported assumptions that take the best estimates of management for the remaining useful life of the asset in the current economic conditions into consideration [52]. Any projections and valuations made by the company for impairments as of 31 December 2019, would have to be reviewed to ensure that the effects of COVID-19 are accounted for.

The document content analysis brought to light, in relation to fair value measurement and impairments, the following information for the travel and leisure companies. Firstly, 60% of the companies disclosed information about fair value measurement and the techniques used for these measurements. A number of these companies showed how they had categorised fair value measurement into different levels; some companies had two levels, whereas other companies had three. However, only 20% of the travel and leisure companies disclosed any information about the impact of COVID-19 on fair value measurement. These companies stipulated that the pandemic has had a noteworthy impact on the South African economy and the travel and leisure industry. This has, in turn, had a significant impact on the fair values of these companies. The companies ensured the users of the financial statements that when fair values for the 2020 year had been determined, this impact was taken into account.

Secondly, 90% of the companies provided the users of the financial statements with information about the impairment of elements in the financial statements, and 60% of the companies disclosed information regarding the impact of COVID-19 on the impairment of assets. Some companies specified in their financial statements that COVID-19 is viewed as a

trigger for impairments. These companies acknowledged that they had assessed the impact of the virus outbreak on the recoverable amount of different elements in their financial statements. Different companies also disclosed information on what the exact financial impact was on impairments as a result of the national lockdown. Lastly, a few of the travel and leisure companies provided the users with information on how the recoverable amount had been determined and how the effect of the coronavirus was accounted for when calculating the recoverable amount used in the 2020 financial year.

The results of this category are shown in Figure 3.

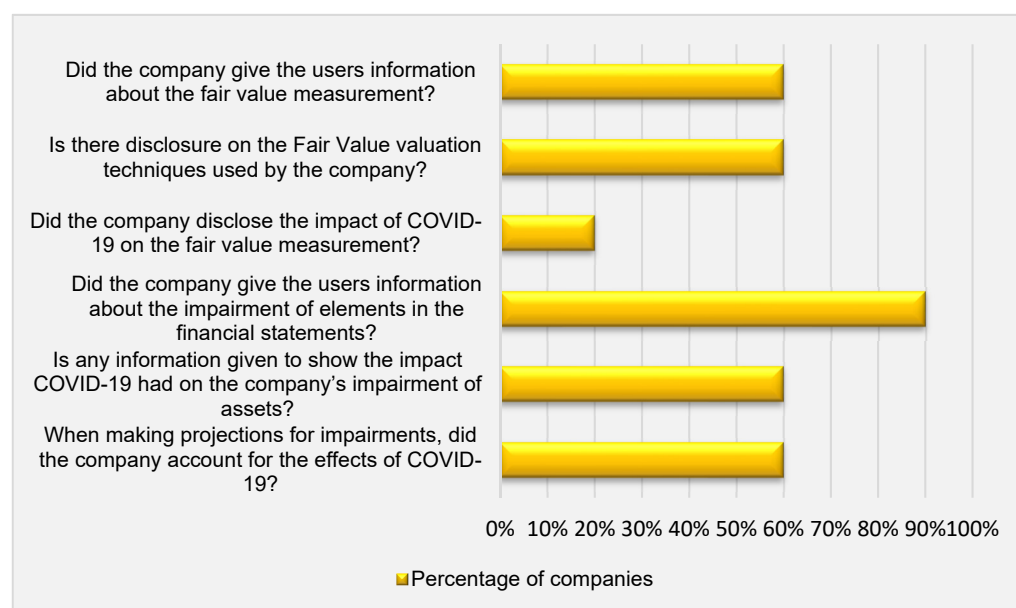


Figure 3. Fair value measurement and impairment (category 3). Source: Compiled by authors from the collected data.

4.4. Revenue Recognition

IFRS 15 Revenue from contracts with customers establishes the requirements that a company would have to apply when reporting financial information regarding the nature, timing, amount and uncertainties of cash-flow, and revenue received from customers. The ability of a company and their customers to act in accordance with all the terms stated within their contract, may be called into question due to the COVID-19 outbreak. Companies and customers may even seek to modify the contract in response to the impact of this virus. Arnold and Gould [30] stated that COVID-19 could affect assumptions made by a company when measuring the revenue from goods or services, especially for contracts that extend over various reporting periods. O'Donovan [53] specified that companies would be required to disclose conclusions made in their financial statements as well as any changes to these conclusions and judgements that may significantly affect the timing, nature, or amount of the revenue accounted.

By examining the financial statements of the travel and leisure companies, it is apparent that revenue is of utmost important for the survival of these companies. All the companies disclosed information about revenue in some way, and the majority of the companies showed evidence that COVID-19 had affected their revenue for the 2020 financial year. Some of these companies even showed a decline in revenue due to the impact of COVID-19, ranging from 6 to 57%.

Most of the travel and leisure companies furthermore provided the users of the financial statements with details of the effect of the coronavirus outbreak and lockdown on revenue, showing the financial impact at different stages throughout the different alert levels implemented by the South African government. They showed disclosure on several components of the revenue generating activities and different contracts for the 2020

financial year. Some of the companies disclosed information on how COVID-19 affected these existing contracts with customers and the plans in place to keep these contracts intact.

Lastly, the majority of the companies disclosed what the future plans were to ensure revenue for the companies. Each company has its own unique plan of action. Some of the plans disclosed by the companies include marketing funds, recruiting experienced revenue managers, cost cutting, assessment of short-term liquidity, and the disposal of non-core assets.

The results of this category are shown in Figure 4.

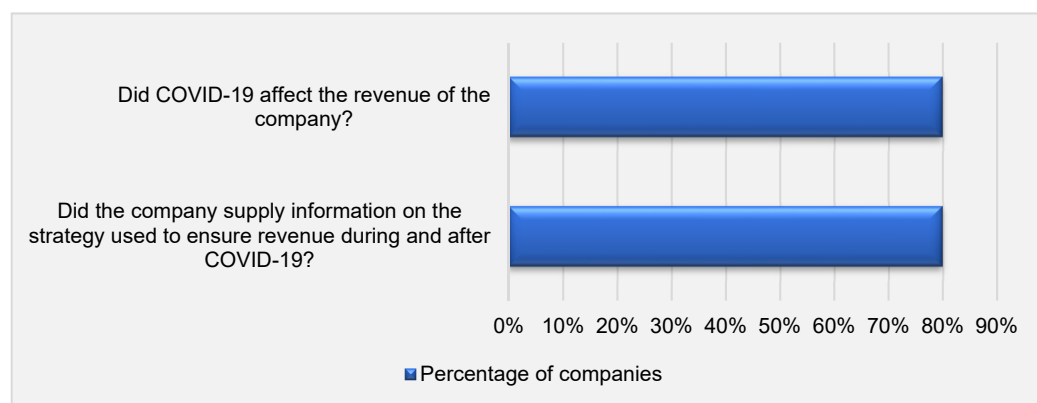


Figure 4. Revenue recognition (category 4). Source: Compiled by authors from the collected data.

4.5. Other Financial Statement Disclosures

Companies are required to disclose financial information about assumptions regarding the future and any other major estimations of uncertainties present at the end of the financial year. This includes any uncertainties about substantial risks that may result in material adjustments to the carrying amount of assets and liabilities [34]. Disclosure about these assumptions and estimations should be presented in a way that allows the users of the financial statements to fully understand the discernment that management had to make regarding the future, other important valuation uncertainties and how it will affect the future of the company. Companies are also required to consider if any additional information should be disclosed in the financial statements, explaining the impact the virus had on any provisions, contingent assets, and contingent liabilities.

From the content analysis, it is evident that the travel and leisure companies reflected on the additional disclosure required in light of the COVID-19 outbreak. Most of the companies disclosed additional information about the impact of the coronavirus outbreak and national lockdown in the financial statements. Some of these companies provided information on how the travel and leisure industry was affected, providing statistics on the decline of the number of tourists visiting South Africa. As the effects of the coronavirus are uncertain, currently and for the future, some companies also supplied information on the disclosure of expected credit losses due to these uncertainties. These companies not only showed how devastating COVID-19 had been on hotels, travel, and tourism but also provided information looking beyond 2020, planning for the road to recovery in the future.

In addition, 20% of the companies disclosed information about how the COVID-19 outbreak affected deferred taxation in the financial year. These companies stated that, due to uncertainties around the full effect of the coronavirus, it is not practical or possible to quantify the exact extent of the financial impact on deferred taxation. Fifty percent of the travel and leisure companies also disclosed additional knowledge with reference to the outcome of COVID-19 on IFRS 16 Leases. Furthermore, 70% of the companies disclosed information on how estimations were determined pertaining to the COVID-19 virus. Each company had their own strategy in place for making much needed and excellent estimations relating to the pandemic—they decided on what was best for that specific company when focusing on company policies.

The results of this category are shown in Figure 5.

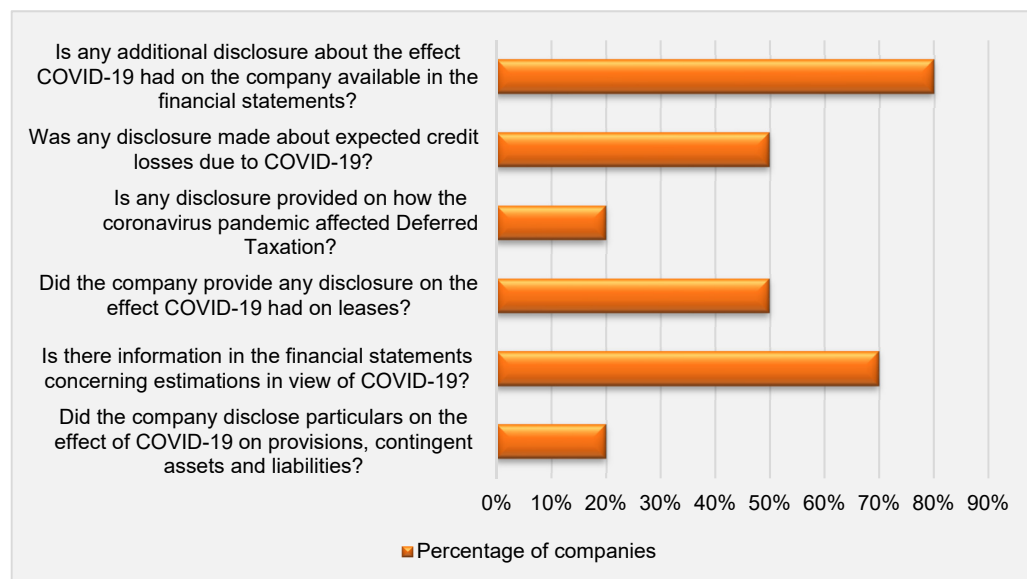


Figure 5. Other financial statement disclosure (category 5). Source: Compiled by authors from the collected data.

5. Conclusions

The COVID-19 pandemic has unquestionably caused disruptions not only in South Africa but all across the globe. The measures that were implemented to stop the spread of this virus, had a tremendous impact on the global economy, which led to predictions that the coronavirus pandemic may have had the biggest negative growth impact on the world economy since the Great Depression. Globally, companies were affected by the pandemic; in South Africa, companies showed a negative growth in trade and income during the 2020 financial year.

Despite the uncertainty about the pandemic, all the travel and leisure companies prepared their financial statements on the going concern principle, and most of the companies provided the users of the financial statements with an assessment of the ability to be sustainable and operational in the foreseeable future. The findings suggest that the travel and leisure companies do not have immediate plans to cease operations despite the negative impact of the pandemic. Even with a decline in revenue, the travel and leisure companies disclosed their responses to the reopening of the economy and planned capital expenditure. This shows that, even though the travel and leisure companies experienced a significant decrease in international visitors, they managed to find alternative business opportunities and remained confident in their ability to operate in the foreseeable future. Some of the companies provided information on the plans they have in place to be sustainable in the future. These plans include changing the current business models to adapt to the changes in the behaviour of consumers, researching and focusing on innovative growth opportunities, cost cutting such as trimming overheads to match the revenue base, obtaining new business contracts, obtaining more equity to sustain the company, securing a line of credit, and improving the current products and services offered by the company, so that, when the sector opens, the company would be ready in full force.

The companies furthermore provided users of financial reports with background information on the COVID-19 pandemic and the national lockdown in South Africa. They also provided information on how they ensured the safety of their employees and all the measures that were put in place to make sure all relevant parties were safe and healthy. The companies presented additional disclosure on the long-term sustainability and the plans they have put into action. In summary, it can be concluded from the findings that the selected travel and leisure companies applied caution in preparing their financial statements

as required by the IASB and the JSE. These travel and leisure companies exercised due care when preparing the 2020 financial information, providing the users of the financial statements not only with the normal standard of reporting but also going the extra mile in showing the effects of the COVID-19 pandemic on their financial results and the plans to be sustainable in the future, looking beyond 2020, and providing the users of the financial information with significant information to make informed financial decisions.

As with most research studies, there are some limitations to this research. Firstly, the study only took into account the travel and leisure companies listed on the JSE. This is only a small percentage of all the companies that are currently listed on the Johannesburg Stock Exchange. Furthermore, for these travel and leisure companies, the study could only place the focus on reports available to the public for a specific financial year, 31 December 2019 until 31 July 2020. Secondly, COVID-19 and the South African lockdown was a current event at the time this study was done. The study did, therefore, not examine the effects of the novel coronavirus in full. The study could only account for the current impact of the coronavirus on International Financial Reporting Standards (IFRS) and on certain companies. Future effects, as well as the lasting impact of the COVID-19 outbreak, on South African travel and leisure companies listed on the JSE could not be studied.

Future research could incorporate alternative industries and jurisdictions, as well as an extended period of time. In addition, future research could provide a comparison between the current results and the disclosure in the post-COVID-19 period.

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Appendix A

Table A1. Company demographics.

Company Name	About the Company	Address & Contact Details	Auditor	Total Assets	Interesting Facts
Arden Capital Limited	The Arden Capital company is a Mauritian diversified investment holding company and is listed on the JSE. This company invests in assets that are consumer-facing and cash-generative. Their aims include building a portfolio that will deliver capital growth, with the focus on Zimbabwe.	c/o Adanson Management Services Limited Suite 1, Perrieri Office Suites, C2-302, Level 3, Office Block C, La Croisette, Grand Baie, 30517, Republic of Mauritius. Tel: +230 269 4166 Fax: +230 468 1267 Email: investorrelations@arden-capital.com Webpage: https://www.arden-capital.com/ (accessed on: 22 May 2021).	Independent Statutory Auditors: Deloitte Business Registration Number: P10019073, 7th–8th Floor, Standard Chartered Tower, 19–21 Bank Street, Cybercity, Ebene, Réduit 72201, Mauritius JSE Accredited Independent Auditors: Deloitte 5 Magwa Crescent, Waterfall City, 2090, Johannesburg, Gauteng, South Africa	On 30 June 2020 the company had a total of US\$124,700,632 assets. The year before on 30 June 2019 the company had a total of US\$122,998,117 assets.	Arden Capital Limited is formerly known as Brainwork Limited. The Arden Capital group structure includes Arden Capital (Private) Limited 100%; African Sun Limited 57.67%; Dawn properties Limited 66.81%; FML 100%. The board of Arden Capital Limited endorses the King IV principles as part of the company's corporate governance and has four separate committees to assist with the corporate governance of the company.
City Lodge Hotel Group Limited	The City Lodge Hotel Group has a variety of hotels not only in South Africa but across the African continent. The hotels that form part of this group are dedicated to providing their guests with comfort at the level that suits each individual guest's needs. The company's vision is to be recognised as the preferred hotel group in sub-Saharan Africa. With values that include, caring for guests and the communities in which the company situated.	The Lodge" Bryanston Gate Office Park, Corner Homestead Avenue and Main Road, Bryanston. P.O. Box 97, Cramerview, 2060. Telephone: +27 11 557 2600 Fax: +27 11 557 2601 Email: info@clhg.com Reservations: 0800 11 37 90 Webpage: https://clhg.com/ (accessed on: 22 May 2021).	KPMG Crescent 85 Empire Road Parktown Johannesburg 2193	For the year ended 30 June 2020 the City Lodge Hotel Group had total assets to the amount of R3,858,404,000. As for in the 2019 financial year the company had assets to the value of R3,025,728,000.	For the year ending 30 June 2020 the City Lodge Hotel Group Limited had a revenue of R1,16bn. The dividend declared by the City Lodge Hotel Group Limited amounted to 153,0c per share for the 2020 financial year.
Comair Limited	Comair is an aviation and travel group founded in 1946 and has been operating in Southern Africa for over six decades. The company also has an internationally recognised safety record. Since 1996, the company has serviced local and regional routes under the British Airways livery. This forms part of the licence agreement the company has with British Airways. In 2001 Comair launched Kulula. This was the first low-cost airline for South Africa. Interestingly, the word "kulula" means easily in the Zulu Language.	Head Office Telephone Number: +27 (0) 11 921 0111 Physical Address: 1 Marignane Drive Bonaero Park South Africa 1619 Email: cr@comair.co.za Webpage: https://www.comair.co.za/ (accessed on: 22 May 2021).	BDO South Africa Incorporated Wanderers Office Park 52 Corlett Drive Illovo, 2196	On 31 December 2019 Comair had a total of R8,698,226,000 assets. For the unaudited 6-month period on 31 December 2018 the company had total assets amounting to R6,616,108,000.	The Comair Limited brand includes two airline brands namely British Airways and Kulula.com. Across the two brands Comair Limited operates 26 Boeing 737 aircrafts. The company's fleet furthermore comprises of 23x next-generation Boeing 737–800s, 3x Boeing 737–400, 10x next-generation Boeing 737–800s, 3x Boeing 737–400s, and lastly 13x next-generation Boeing 737–800s
Famous Brands Limited	Famous Brands Limited is Africa's leading branded food service franchisor. Famous Brands dates back to the year 1960. During this time a family started a business with a limited supply chain and comprised of one brand, known as Steers. The company operates franchised, master license and company-owned restaurants. The three core pillars of the company include: Brands, Manufacturing and Logistics. Famous Brands portfolio consists of 24 restaurant brands including, Steers, Wimpy, Mugg & Bean, Debonairs Pizza and House of Coffees, to name a few. In South Africa, the rest of Africa, the Middle East and the United Kingdom, the company has a total of 2 898 restaurants.	Head Office Tel: +27 11 315 3000 Webpage: https://famousbrands.co.za/ (accessed on: 29 February 2020). Address: 478 James Crescent, Midrand, Gauteng Postal Address: P.O. Box 2884, Halfway House, 1685	Deloitte & Touche Deloitte 5 Magwa Crescent Waterfall City Waterfall Docex 10 Johannesburg	This company had a total of R6,173,171,000 assets as at 29 February 2020. At the end of the 2019 financial year the company had a total of R4,959,933,000 assets.	Famous Brands has the vision to be the leading innovative food service and branding franchised business in South Africa as well as in other selected markets. The company's core values include: Growth; Quality; Humility; Speed; Agility; Innovation; Integrity. The company was listed on the JSE in the year 1994.

Table A1. Cont.

Company Name	About the Company	Address & Contact Details	Auditor	Total Assets	Interesting Facts
Hosken Passenger Logistics and Rail Limited	<p>Hosken Passenger Logistics and Rail Limited (HPL & R) is a company focused on investments in the mobility and logistics sector. Currently the company has a portfolio in the commuter bus and luxury coach segments. The company has over 157 years of expertise.</p> <p>HPL & R) has a number of investments. The company has a 100% investment in Golden Arrow Bus Services; 100% investment in Sibanye Bus Services; 33.33% investment in N2 Express; 76% investment in the company Eljosa Travel & Tours; lastly, the company has a 100% investment in Table Bay Rapid Transit.</p>	<p>103 Bofors Circle Epping Industria 7460 P.O. Box 115 Cape Town 8000 Tel 021 507 8800 Fax 021 534 8818 Email info@hplr.co.za</p> <p>Webpage: https://www.hplr.co.za/ (accessed on: 22 May 2021).</p>	<p>BDO South Africa Incorporated. 6th Floor, 123 Hertzog Boulevard, Foreshore, Cape Town, 8001 (P.O. Box 3883, Cape Town, 8000)</p>	<p>As at 31 March 2020 the company had total assets to the value of R2,363,634,000.</p> <p>Furthermore, as at 31 March 2019 the company's total assets amounted to R2,220,330,000.</p>	<p>For the 2020 financial year Golden Arrow's fleet consumed 2.53 km/L of fuel. The Sibanye Bus Services employed 2534 staff members and travelled a total of 65 million km. Table Bay Rapid Transit travelled a total of 4.1 million km and employ 237 staff members. Lastly for the 2020 financial year ended on 31 March 2020 the Eljosa Travel & Tours company travelled a total of 2.8 million km.</p>
LUXE Holdings Limited	<p>The company has a dream to be the preferred premium watch and jewellery retailer in South Africa. They strive to deliver a memorable shopping experience to all customers and have a work environment that inspires the employees of the company to always give their best to the company and its customers.</p> <p>LUXE Holdings states that the company's purpose is to put the customer at the centre of everything they do by delivering an affordable and premium luxury experience.</p>	<p>P.O. Box 784429 Sandton, 2146 Tel: +27(0) 11 669 5600 Email: info@luxeholdings.co.za Webpage: https://www.luxeholdings.co.za/ (accessed on: 22 May 2021).</p>	<p>BDO South Africa Incorporated Wanderers Office Park 52 Corlett Drive Illovo, 2196</p>	<p>For the year ended 29 February 2020 LUXE Holdings had assets to the total of R468,160,000.</p> <p>As for the year before, on 29 February 2019 LUXE Holdings had a total of R258,514,000 assets.</p>	<p>LUXE Holdings offers a diversified portfolio that is focused on first time jewellery buyers.</p> <p>Arthur Kaplan, NWJ Jewellery and World's Finest Watches are some of the brand included in the LUXE Holdings Limited company.</p> <p>The company includes the values of leadership, quality, diversity, passion, accountability, integrity, collaboration, innovation and service excellence as part of their vision for a better company.</p>
Spur Corporation Limited	<p>The Spur Corporation is primarily a franchisor. The company supports and manage franchised restaurant operations utilising their skills, support structures, experiences and more.</p>	<p>Registered office: 14 Edison Way, Century Gate Business Park, Century City, 7441 Telephone: 021-555-5100 E-mail: spur@spur.co.za Webpage: https://www.spurcorporation.com/ (accessed on: 22 May 2021).</p>	<p>KPMG Incorporated Registered Auditor The Halyard 4 Christiaan Barnard Street Cape Town City Centre 8000</p>	<p>For the six months ended 31 December 2019 the company had total assets amounting to R869,707,000.</p> <p>In the 2018 financial year for the same period the company had assets of R1, 023,357,000 in total.</p>	<p>Spur Corporation Limited brands include: John Dory's RocoMamas Casa Bella Spur Steak Ranches Panarottis The Hussar Grill And more</p> <p>The company open its first international Namibia Spur franchise in 1991. After this the company opened more international locations in Botswana, Mauritius and Zambia in the year 1995. It was only in 1996 that the first franchise locations were opened in both Swaziland and Australia. In the year 1997 Zimbabwe got their own franchise location, but it was only in 2016 that Spur opened its first location in New Zealand.</p>
Sun International Limited	<p>Sun International brand is known for gaming, hospitality and entertainment and is seen as a premium brand. The company has world class five star hotels, modern casinos and some of the world's prime resorts.</p>	<p>Head Office Tel: +27 11 780 7000 Email: crobook@suninternational.com Webpage: https://www.suninternational.com/ (accessed on: 22 May 2021). Address: 6 Sandown Valley Crescent, Sandton Gauteng, South Africa</p>	<p>PricewaterhouseCoopers Incorporated 4 Lisbon Lane Waterfall City Jukeskei View 2090 South Africa</p>	<p>As at 30 June 2020 Sun International had a total of R22,991,000 assets.</p> <p>At 30 June 2019 the company had a total of R24,635,000 assets.</p>	<p>Sun International has a verity of graduate programs, internships and bursaries available to passionate people trying to make it in the gaming, hospitality and entertainment industry.</p>
Tsogo Sun Hotels Limited	<p>Tsogo Sun Hotels is a prominent company in the southern African hospitality industry.</p> <p>The company has a standing heritage of 50 years for markets in South Africa, Africa, Seychelles and the Middle East. The company has over one hundred hotels across these different countries.</p>	<p>Palazzo Towers East, Montecasino Boulevard, Fourways, 2055 Private Bag X200, Bryanston, 2021 South Africa Tel: +27 11 461 9744 Webpage: https://www.tsogosun.com/ (accessed on: 22 May 2021).</p>	<p>PricewaterhouseCoopers Incorporated 4 Lisbon Lane, Jukeskei View, 2090 Private Bag X36, Sunninghill, 2157</p>	<p>For the year ending 31 March 2020 the company assets amounted to a total of R15,382,000.</p> <p>For the year ending 31 March 2019 the company assets amounted to a total of R14,586,000.</p>	<p>This company has a Citizenship program called Caring Across Communities.</p> <p>Through this program Tsogo Sun Hotels helps uplift and develop South African communities in need. The main focus of this program are on three areas, specifically community development, the natural environment and entrepreneurial developments.</p>

Table A1. Cont.

Company Name	About the Company	Address & Contact Details	Auditor	Total Assets	Interesting Facts
Tsogo Sun Gaming Limited	The company has 13 Tsogo Sun Gaming casinos and 23 Galaxy Bingo sites in South Africa. Moreover, Tsogo Sun Gaming offer more than just authentic casino life and action. The company strives to have activities for the whole family. The company offers live shows, fun-filled events, local and international theatre productions, movies, wonderful dining and ten-pin bowling. The company has theme parks as well as bird parks that the whole family can enjoy.	Palazzo Towers East, Montecasino Boulevard, Fourways, 2055 Private Bag X200, Bryanston, 2021 South Africa Tel: +27 11 510 7700 Webpage: https://www.tsogosungaming.com/ (accessed on: 22 May 2021).	PricewaterhouseCoopers Incorporated 4 Lisbon Lane, Jukskei View, 2090 Private Bag X36, Sunninghill, 2157	The company had a total of R19,003,000 in assets as at 31 March 2020. In the 2019 financial year the company had a total of R35,077,000 assets.	Names included in the group are as follows: Montecasino; Suncoast; Gold Reef City; Silverstar; Golden Horse; The Ridge; Emnotweni; Blackrock; Goldfields; Mykonos; The Caledon; Garden Route; Hemingways. For the 2020 financial year Tsogo Sun Gaming had an Income of R11.7 billion, which is a 1% increase from the previous year. The company however showed an adjusted earnings amount of R1.4 billion and an adjusted HEPS of 134.5 cents, both 14% lower than in the 2019 financial year.

Appendix B

Table A2. Company analysis.

	Arden Capital Limited	City Lodge Hotel Group Limited	Comair Limited	Famous Brands Limited	Hosken Passenger Logistics and Rail Limited	LUXE Holdings Limited	Spur Corporation Limited	Sun International Limited	Tsogo Sun Hotels Limited	Tsogo Sun Gaming Limited
Going concern (category 1)										
Is there a reasonable amount of information disclosed regarding the going concern of the company?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company provide information about the assessment of going concern?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Are the effects of COVID-19 regarding the company's ability to be a going concern discussed?	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
Are the financial reports prepared by means of the going concern assumption, in spite of the coronavirus?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Does the company provide information concerning any material uncertainties that may affect the company's ability to operate as a going concern, in light of COVID-19?	No	No	No	Yes	Yes	Yes	No	No	Yes	Yes
Events after the reporting period (category 2)										
Is any discloser presented regarding subsequent events?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Did the company distinguish between adjusting and non-adjusting events?	No	No	No	Yes	No	No	No	No	Yes	Yes
Does the company address COVID-19 with reference to IAS 10?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company consider COVID-19 to be an adjusting event after the reporting period?	No	No	No	No	No	No	No	No	No	Yes
Were there any events that took place after the reporting date, for the company?	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes

Table A2. Cont.

	Arden Capital Limited	City Lodge Hotel Group Limited	Comair Limited	Famous Brands Limited	Hosken Passenger Logistics and Rail Limited	LUXE Holdings Limited	Spur Corporation Limited	Sun International Limited	Tsogo Sun Hotels Limited	Tsogo Sun Gaming Limited
Fair value measurement and impairment (category 3)										
Did the company give the users information about the Fair Value measurement?	Yes	Yes	No	Yes	No	No	Yes	No	Yes	Yes
Is there disclosure on the Fair Value valuation techniques used by the company?	Yes	Yes	No	Yes	No	No	Yes	No	Yes	Yes
Did the company disclose the impact of COVID-19 on the Fair Value Measurement?	No	No	No	No	No	No	No	No	Yes	Yes
Did the company give the users information about the impairment of elements in the financial statements?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Is any information given to show the impact COVID-19 had on the company's impairment of assets?	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes
When making projections for impairments, did the company account for the effects of COVID-19?	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes
Revenue recognition (category 4)										
Did the company supply information on the strategy used to ensure revenue during and after COVID-19?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did COVID-19 affect the revenue of the company?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Other financial statement disclosure (category 5)										
Is any additional disclosure about the effect COVID-19 had on the company available in the financial statements?	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company provide any disclosure on the effect COVID-19 had on leases?	Yes	Yes	No	Yes	No	Yes	No	No	Yes	No
Is any disclosure provided on how the coronavirus pandemic affected Deferred Taxation?	No	Yes	No	Yes	No	No	No	No	No	No
Was any disclosure made about Expected Credit Losses (ECL) as a result of the coronavirus?	Yes	Yes	No	Yes	No	Yes	No	No	Yes	No
Is there information in the financial statements concerning estimations in view of COVID-19?	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Did the company disclose particulars on the effect of COVID-19 on provisions, contingent assets and liabilities?	No	No	No	Yes	No	No	No	No	Yes	No
Cash-flow	+	—	+	+	+	+	+	+	+	+

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