

## **Financial Reporting in Times of Economic Crisis: Minimizing Risk in Accounting Judgments and Estimates**

As a result of the COVID-19 pandemic, U.S. public companies face significantly increased challenges, and legal risks, relating to their accounting and financial reporting. This is especially so in the realm of judgment and estimates, which are used in a wide variety of important accounting areas – e.g., valuation of assets, recognition of revenue and losses, and setting of reserves for losses and expenses – but which are notoriously difficult to make in the face of great uncertainty.

Sagar Teotia, Chief Accountant of the U.S. Securities and Exchange Commission, has acknowledged the difficulties in navigating complex accounting issues during the current economic crisis, but has also made clear that "[during] these challenging times, investors and other stakeholders need high-quality financial information more than ever." Steven Peikin, Co-Director of the SEC's Division of Enforcement, recently stated the issue more pointedly: "Previous economic downturns proved that stresses on the financial conditions of issuers may raise the risk to investors from financial statement and issuer disclosure frauds."

[Click here to read the full article published on the \*NYU Compliance & Enforcement Blog\*.](#)

### **Authors**



#### **David B. Massey**

Partner

[DMassey@perkinscoie.com](mailto:DMassey@perkinscoie.com) [212.261.6827](tel:212.261.6827)



#### **Arthur S. Greenspan**

Partner

[AGreenspan@perkinscoie.com](mailto:AGreenspan@perkinscoie.com) [212.261.6820](tel:212.261.6820)