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The *Going Concern* and hardship: the rule of national and international accounting and auditing standards

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Abstract

The ongoing economic and financial crisis, among its various consequences, has led to deep uncertainty and volatility of corporate performance. In this context, the *going concern* assumption takes on a special relevance with regard to ability of enterprises to maintain and consolidate activities over time.

The *going concern* assumption is a fundamental principle for the preparation of financial statements. It is reiterated both nationally, Article 2423-bis of the Italian Civil Code, and internationally. According to this assumption, an entity is viewed as continuing in business for the foreseeable future. A general purpose financial report is prepared on a *going concern* basis, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Assets and liabilities are therefore recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. (IAS 1).# Furthermore, when an entity has a history of profitable operations and ready access to financial resources, a conclusion that the *going concern* basis of accounting is appropriate may be reached without detailed analysis (IAS 1).

Such a clear and easy affirmation seems to have lost its validity, in the light of the deep, endemic hardship characterizing our times, when both liquidity and credit risk could create new problems or make existing ones harder. In this situation, it is necessary to pay more attention compared to the past, to the notion of *going concern* for firms.

In the light of the above, the aim of this article is to underline the relationship between *going concern* and the ongoing crisis, also in relation to international and national accounting and auditing standards.