

The Impact of Coronavirus on Financial Reporting and Preparers of the Annual Financial Statements

April 2020

All preparers of Annual Financial Statements should consider the impact of the Coronavirus (COVID-19) on interim and annual financial statements.

The following should be considered by preparers of Financial Statements

- Perform risk assessment procedures and assess the impact of COVID-19 on the entity and the financial report
- Assessment whether the impact of COVID-19 is material to the entity?
- Whether it has a financial impact on the entity?

Examples of direct financial impact:

- Asset impairment / changes in assumptions for impairment testing
- Changes in the useful life of assets
- Change in FV of assets or NRV of inventory
- Changes in ECL for loans and other financial assets
- Increased costs and/or reduced demand for products and services affecting impairment calculations and / or requiring recognition of provisions
- Potential provisions and contingent liabilities arising from fines and penalties
- Uncertainty that cast significant doubt on the ability to continue as going concern (unknown duration of the impact)

Indirect financial impact:

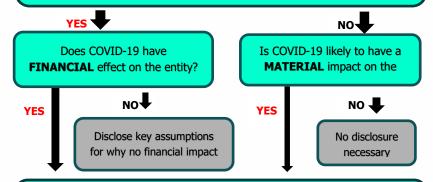
- Customers, suppliers, financiers or investments in other entities leading to impairments, increased costs or reduced revenues
- Whether sufficient and appropriate **disclosures** is included in the financial statements?
- Consideration of events after the reporting date (subsequent events) and where these events or conditions should be accounted for as an adjusting or non-adjusting event
- Assessment whether the entity is considered to be a going concern in the foreseeable future by considering the impact of COVID-19 and relevant future information on the entity and its operations for at least, but not limited to, twelve months after reporting date.

It is important that TCWG, CEO's, CFO' and preparers of the Annual Financial Statements discuss and assess the impact of COVID-19 at an early stage of the financial reporting process.

Considerations regarding the impact on the Annual Financial Statements

Investor Expectations

Could investors reasonably expect that COVID-19 has a significant impact on the entity and would it **QUALITATIVELY** influence investors' decisions, regardless quantitative impact on the financial statements?



Ensure amounts reflect conditions at reporting date and ensure relevant disclosures provided e.g. assumptions regarding future and other major sources of estimation uncertainty, sensitivity analyses, continent liability, etc.

Subsequent events

Is the COVID-19 considered to be an event or condition that existed at reporting date?

YES

NO

NO

Adjust the AFS and make the relevant disclosures in the AFS

Only disclosure required

Consider whether going concern basis remains appropriate