



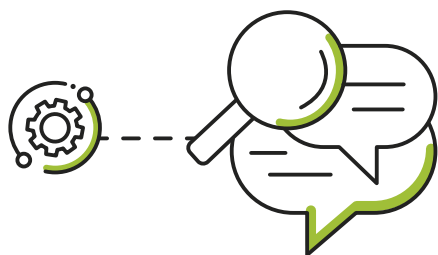
## Accounting implications of COVID-19: Measurement and Disclosures





**Ensuring appropriate disclosure, measurement and compliance with the accounting standards and developing tactical and pragmatic ways to help clients with their reporting requirements.**

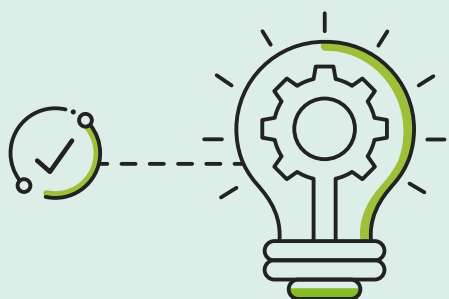
## Context



In the context of the current pandemic, more and more Romanian companies find themselves in the situation where their activity is highly reduced, therefore affecting their financial stability. The diminished income is also reflected in the reduced possibility of companies to continue their payments and timely honor their financial obligations.

In such cases, where both demand and financial possibilities of the companies are scarce, the provisions of the Romanian legislation allow several options to be implemented, each carrying their own advantages and disadvantages. In any scenarios, companies need to assess the impact on their financial performance.

## Solution



### What is it?

From a financial reporting perspective, companies may face significant challenges for the upcoming reporting periods. In order to address these reporting implications, Deloitte experts considered the most likely accounting impacts and effects related to the COVID-19 outbreak and have developed tactical and pragmatic ways to help companies with their reporting requirements.

### Why is it valuable?

Deloitte provides expertise and support management to ensure appropriate disclosure, measurement and compliance with the accounting standards.

In order to fully comply with the accounting standards, it is essential to reassess some of the 'business as usual' financial statements assumptions, measurements and disclosures under the current conditions.

# The most likely (but not exhaustive) accounting issues that should be considered are:

- ✓ **Preparing budgets and forecasts** necessary to estimate the recoverable amount of a non-financial asset, subject to the requirements of IAS 36 Impairment of Assets;
- ✓ **Calculation of inventory cost and net realisable value;**
- ✓ Preparation of **forecast cash flow estimates** taking into account a wide range of possible outcomes resulting from a high degree of uncertainty and the time needed for a return to stability;
- ✓ Determining if an **event after the end of the reporting period** is adjusting or non-adjusting in a marketplace that is extremely volatile and in which major developments occur daily;
- ✓ Going concern disclosures based on each entity's situation, performance forecast, available borrowing facilities and compliance with relevant loan covenants;
- ✓ **IFRS 16 Leases** – impairment of Right of Use (ROU) can occur. Furthermore, lessees may receive rent abatements or other economic incentives from the lessor or from the government. Careful consideration is needed to determine if the incentive is a lease modification or a government grant.
- ✓ **IFRS 15 Revenue** from contracts with customers – assessment of contract enforceability and the effect of “force majeure”; price concessions whether should be accounted as a termination of the old contract, a catch up adjustment or a combination;
- ✓ Reconsideration of the **timing of the revenue recognition**, other critical estimates and disclosures;
- ✓ **Reassessing / recalculating the allowance for expected credit losses** (ECL) under IFRS 9 for trade receivables, contract assets, lease receivables, issued loan commitments and issued financial guarantee contracts;
- ✓ Onerous **contracts provisions and disclosures;**
- ✓ **Accounting and disclosure of government assistance** in case the Company applied for such schemes;
- ✓ **Measurement of the defined benefit obligation and fair value of plan assets** under IAS 19 Employee Benefits;
- ✓ **Presentation of the profit and loss** considering the nature and magnitude of revenues/expenses;
- ✓ **Classification of liabilities** in relation to breach of covenants.

**dLease** ensures a standardized lease data collection, the calculation of IFRS 16 effects, the compilation of note disclosures and the provision a detailed or summary report.

## How can Deloitte help?



**We provide specialised and customised support to ensure appropriate disclosure, measurement and compliance with the accounting standards for the year and for the following reporting periods in relation to the conditions that result from the COVID 19 pandemic.**

**We provide access to innovative platforms and tools to help in dealing with complexities in accounting.**

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