

Accounting considerations in response to COVID-19 — IFRS Videos Series

The Coronavirus Disease 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn.

This series of webcasts discusses certain key IFRS accounting considerations related to conditions that may result from the COVID-19 pandemic.



Complex Accounting Assurance is one of the offerings in A&A

20 August, 2020

Accounting considerations in response to COVID-19 — Leases

COVID-19 has led many lessors to provide relief to lessees by deferring or relieving them of amounts that would otherwise be payable. In some cases this is through negotiation between the parties, but can also be as a consequence of a government encouraging or requiring that the relief be provided. IFRS 16 requires lessees to assess whether changes to lease contracts are lease modifications as this term is defined in the Standard and, if so, the lessee must re-measure the lease liability using a revised discount rate. This video explains the amendments made in response to the current economic climate.

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Accounting considerations in response to COVID 19 — Profit or loss statements

In this webcast, we look at the presentation of COVID-19-related items in the statement of profit or loss. The impact of COVID-19 may give rise to material expense or income items for many entities, for example, restructuring provisions and impairment losses related to non-financial assets. Entities may identify and quantify such discrete items, they should be disclosed separately either in the statement of profit or loss and other comprehensive income or in the notes to the financial statements, with appropriate explanation of those amounts.

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Accounting considerations in response to COVID-19 — Going concern

Financial statements are prepared on a going concern basis unless management intends either to liquidate the entity or to cease trading, or has no realistic alternative but to do so. The effects from COVID-19 are disrupting operations of many businesses.

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Accounting considerations in response to COVID-19 — IAS 34 — Interim financial reporting

An interim financial report prepared applying IAS 34 is meant to provide an update on the latest complete set of annual financial statements with a focus on new activities, events and circumstances. An entity applies the same accounting policies in its interim report as those applied in its annual financial statements except for accounting policy changes.

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Accounting considerations in response to COVID-19 — Expected credit losses on financial assets

COVID-19 can affect the ability of borrowers, whether corporate or individuals, to reimburse amounts owed. Individual and corporate borrowers may have a particular exposure to the economic impacts in their geography and industry sector. The impact of COVID-19 on expected credit losses (or ECL) will be particularly challenging and significant for banks and other lending businesses. However, the effect could also be significant for non-financial corporates. This is because ECL does not only apply to loans but also applies to many investments in interest bearing financial assets.

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Accounting considerations related to COVID-19 — IAS 36 — Impairment of assets

Entities will need to assess whether the impact of COVID-19 has potentially led to the impairment of assets that are covered by IAS 36 'Impairment of Assets'. The financial performance of an entity, including estimates of future cash flows and earnings, may be significantly affected by the direct or indirect impacts of recent and ongoing events relating to the COVID-19 pandemic.

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Accounting considerations related to COVID-19 — Covenants

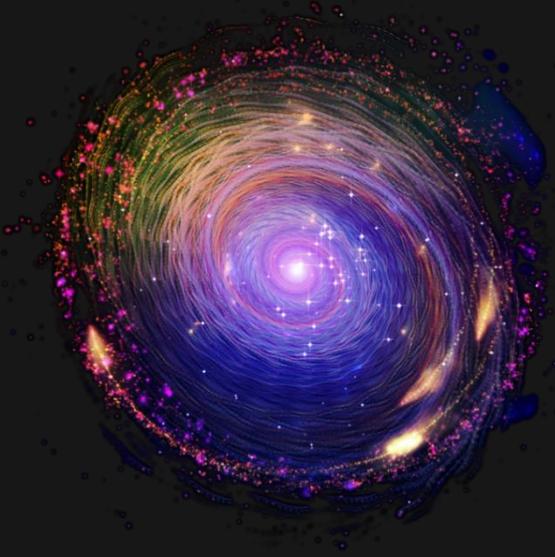
This video looks at matters related to potential or actual breach of covenants. Unstable trading conditions, forced closure of businesses and shortages of cash flows in the affected regions may increase the risk that entities breach financial covenants. Entities should consider how the breach of a loan covenant may affect the timing of repayment of the related loan and other liabilities.

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Accounting considerations related to COVID-19 — IAS 37 and onerous contracts provisions

This video discusses onerous contracts provisions related to COVID-19. At the inception of an executory contract, both parties to the contract expect to receive benefits that are equal to or greater than the costs to be incurred under the contract. Because of the impacts of COVID-19, unavoidable costs of meeting the obligations under the contract may exceed the benefits expected to be received, resulting in an onerous contract. IAS 37 'Provisions, Contingent Liabilities, and Contingent Assets' requires recognition of a provision in respect of an onerous contract.

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Accounting considerations related to COVID-19 — Event after reporting period

This video discusses the effect of COVID-19 on accounting after the reporting period. Since the 31st of December 2019, the events around COVID-19 have developed rapidly. In a global marketplace that is currently extremely volatile and in which major developments are occurring daily, it may be challenging for an entity to determine if an event after the end of the reporting period affects the recognition and measurement of assets and liabilities in the financial statements. When new information is obtained after the end of the reporting period, entities need to carefully assess if that information reveals a condition that existed before the end of the reporting period.

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Accounting considerations related to COVID-19 — Judgements and estimates

This video discusses the effect of COVID-19 on accounting judgements and estimates. There is a high degree of uncertainty about the ultimate trajectory and the path and time needed for a return to a "steady state." Entities will need to do their best to make reasonable estimates, prepare comprehensive documentation supporting the basis for such estimates and provide robust disclosure of the significant judgements exercised, the key assumptions used and, potentially, their sensitivity to change.

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