

Practical steps for pandemic preparedness

Audit & Assurance

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How can we help?

Impact of COVID-19

Impairment & fair value

- Impairment may be caused by decreased demand, increased costs, cancellation of orders, concession etc.
- FV may change as observable market data cannot be ignored and estimates as to performance shortfall for Q1,Q2 and beyond are necessary
- ECL estimation to consider reasonable 1 year and lifetime effect incorporating new assumptions as well as revisit simplified approach to trade receivables.

Reactive Actions

- Changes might implicate prospective discontinue of hedge accounting.
- Impairment of ROU and modification of lease could occur
- Unavoidable costs of meeting the obligations under signed contract may exceed the benefits that would result onerous contracts.

Impairment: Non-financial assets

- Assess the reasonableness of forecasts: Completeness and accuracy of inputs and consistency of assumption to current situation
- Analyse if the intrinsic value measured by DCF weighted more than the market approach in the current condition
- Determine appropriate discount rate
- Using forward multiples Vs. depressed current multiple
- Assessing average historical prices be used to smooth the impact of market volatility
- Factoring Govt. subsidies, or other forms of financing and stimulus

Hedge accounting

- Assist with the drafting of critical accounting positions impacted and external reporting disclosures on accounting implications arising from modifications in forecasted transaction.
- Advisory from out specialists on resetting risk exposure, strategies and existing derivatives.

Fair value

- Assess the extent of documentation support in case you want move from Level 1 observation
- Assist in developing scenario analysis necessary to assess and incorporate probability of the crisis extending beyond 3/6/12 months or beyond
- Perform market research to determine appropriate multiples
- Assess if decline trigger potential goodwill impairment for the portfolio company.
- Analyse difference between investment manager's outlook for the business Vs. company management's assessment of the situation

Lease rent concessions

- Assistance with identifications of ROU assets and quantification of effect to be reflected.
- Application of internally developed IFRS 16 tool delivering lease accounting calculation based on lease characteristics, aggregating required disclosures and building interactive visual reports with drilling option and real time adjustments.

Expected Credit Loss (ECL)

- Using internally developed MS Excel tool, we are ready to assess ECL that reflects:
 - ✓ Unbiased and probability weighted amount determined by evaluating a range of possible outcomes;
 - ✓ The time value of money; and
 - ✓ Reasonable and supportable inform, without undue cost and effort, about past events, current conditions and forecasts of future economic conditions
- Perform review of calculations and advise on optimization related to trade receivables, cash and cash equivalents and related party receivables.

Onerous contracts

- Identification of onerous contracts and advisory on related accounting and reporting implications
- Assist in historical loss data analysis (which could include quantifying the impact of business interruptions such as, cash flow losses due to the deterioration of customer credit, decline of revenue etc.

How can we help?

Impact of COVID-19

Performance measures & KPIs

- Liquidity risk management would require identification of alternative source of funding such as later payment to suppliers, agreements with banks, debt restructuring.
- Disruption in production and reduced sales can have implications on working capital and potential breach of loan covenants
- Having various trade conditions impact (payment postpone, factoring, modified delivery terms), contracts would require a reassessment contracts.

Liquidity

- Develop dynamic cash forecasting and calculations of available weeks of cash, then estimate financial covenant compliance
- Prepare liquidity scenario planning and stress tests
- Assist with the drafting of critical accounting positions and the external reporting disclosures on restructured liabilities
- Assist with drafting note disclosures regarding potential COVID-19 related impacts on liquidity, revenue and operations
 - Subsequent events
 - Risk factors
 - Liquidity and maturity

Working capital

- Assist in analysis of current contractual obligations and covenants
- Perform estimation calculations for the potential impact of covenants breach
- Reflection of accounting adjustments required due to breach of covenant in statement of financial position and related disclosures
- Experienced debt advisors to help with managing funding and credit ratings impacts
- Surge treasury resources to help with increase demands, and potential impacts to workforce capacity

Contracts

- Assist with the drafting of critical accounting positions impacted by COVID-19 and the external reporting disclosures on accounting implications arising from contract modifications (customers customer, compensation arrangements with employees etc.)
- Valuate accounting implications related to revision in accounting estimates

How can we help?

Impact of COVID-19: Our risk-based phased approach, focusing on topics that matter

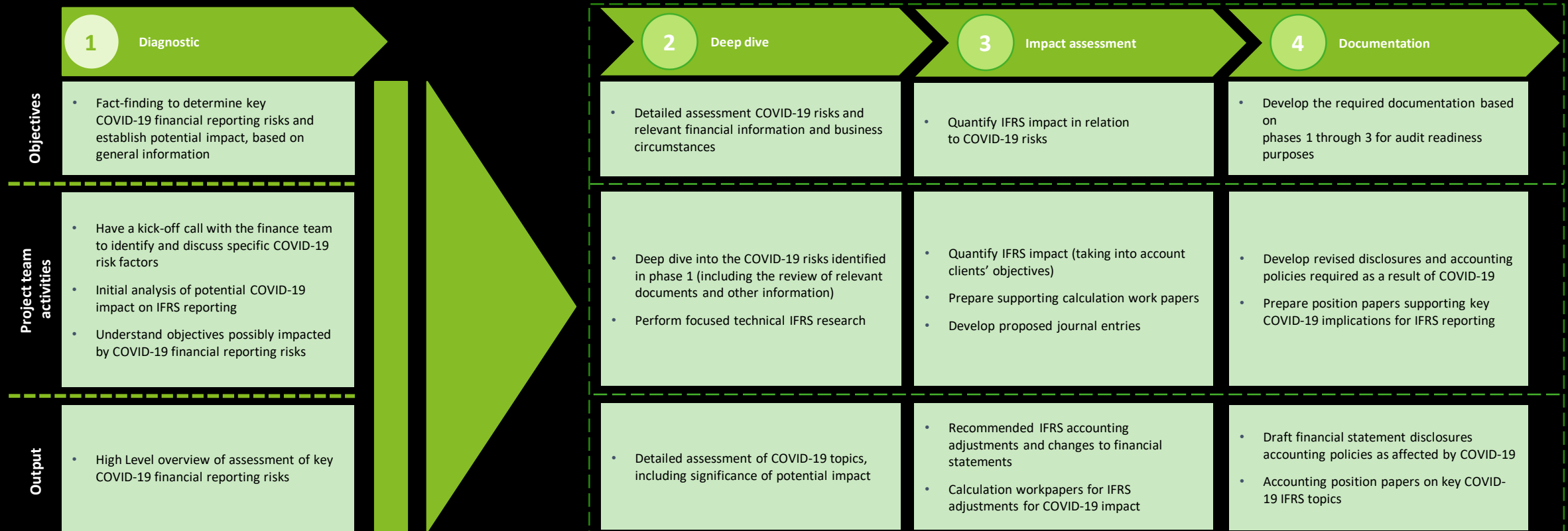


Our approach to help you with managing COVID-19 financial reporting impact

Our risk-based **phased approach** is designed to ensure that key COVID-19 financial reporting risks are properly addressed.

The approach is divided in **four phases**: diagnostic, deep dive, impact assessment and documentation.

The **key COVID-19 risk** on which the approach focuses are driven by the **diagnostic phase** therefore the next steps will be based on the findings in phase 1. Only focusing on topics that matter.



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