

Bitesize Briefing

FINANCIAL REPORTING FACULTY



COVID-19 and financial reporting implications

1 APRIL 2020

Today's presenters



Sally Baker
Technical manager
ICAEW



Tessa Park
Technical Partner
Moore Kingston Smith

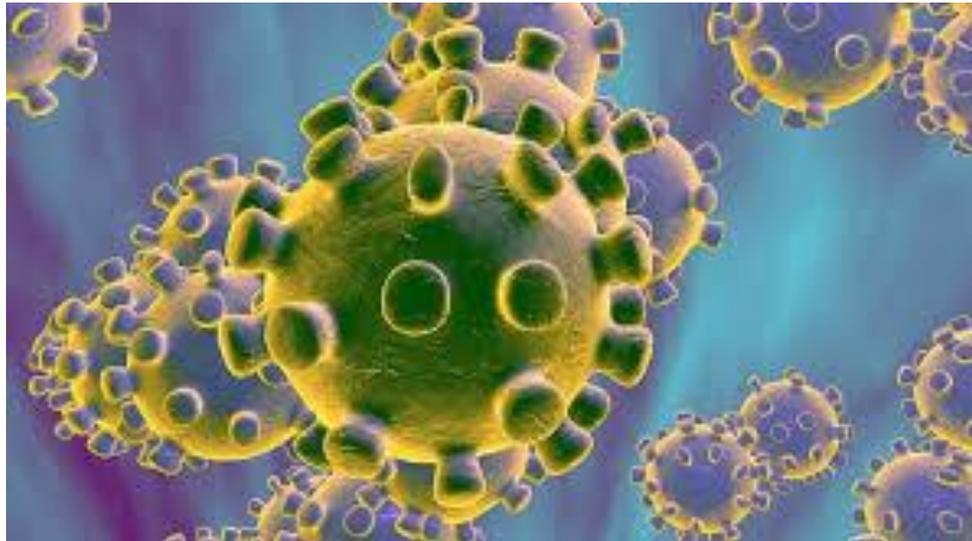
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Coronavirus – impact on financial statements



Coronavirus – impact on financial statements

- Looking at FRS 102, but considerations for FRS 101/ IFRS largely similar.
- Strategic report – risk disclosures.
- Post balance sheet events.
- Going concern.
- Impairment of assets (financial and non-financial).
- Impact potentially depends on:
 - where they do business; and
 - what sector the entity operates in.
- Impact will depend on what the year-end is
 - 31 December – will mainly impact disclosures;
 - 31 March – may well impact measurement.

Coronavirus - post balance sheet events and going concern

- For 31 December 2019 year ends – non-adjusting post balance sheet event
 - tailored disclosure required if impact is material to the accounts;
 - only adjusting if affects going concern basis of preparation.
- For going concern, could potentially affect any year end not yet signed off.
- Take into account all available information.
- Consider period 12 months from date of approval of the financial statements.
- Again, tailored disclosure required (not boilerplate!).

Is the going concern basis still appropriate?

- Going concern basis is generally still appropriate unless management intend to liquidate or cease trading, or have no realistic alternative.
- Will only not be used if (e.g.) COVID-19 essentially forces company out of business.
- Old UK GAAP 'break up basis' no longer applicable; no need to provide for future operating losses etc.
- Current/ non current treatment still driven by state of play at balance sheet date.
- Ceasing to be a going concern is always an adjusting PBSE.
- May need to write down value of assets if ceasing to trade affects recoverable amount (will depend on what it is).
- Consider if contracts have become onerous.
- Disclose that accounts prepared on non-going concern basis and why.

Impairment of assets

- Will very much depend on what the relevant year-end is.
- Effect could be on tangible assets, intangible assets or financial assets.
- For 31 December 2019 year ends:
 - amount recognised will depend on conditions at the balance sheet date;
 - therefore, impact of coronavirus should not be taken into account as outbreak did not exist in UK at 31 December (unless company no longer a going concern);
 - however, if impairment subsequent to balance sheet date, consider impact on disclosures.
- For (e.g.) 31 March 2020 year ends:
 - consideration of impairment should take outbreak into account and make any necessary write downs (property, trade receivables, stock etc);
 - if entity holds listed shares – potential significant impact on balance sheet date values;
 - have any contracts become onerous?

Filing deadlines



Companies House

- Companies may apply for a 3-month extension to their filing deadline.
- Companies must apply, but extension will be automatic and immediate.
- Applications must be submitted before the company's normal filing deadline.
- To apply, the following is needed:
 - Company number;
 - Information on why more time is needed (site COVID-19 or Health reasons);
 - Documents to support the application (optional).
- If already extended deadline or shortened accounting period, may be ineligible.
- If extension not applied for and accounts are filed late, automatic penalty imposed.

<https://www.gov.uk/guidance/apply-for-more-time-to-file-your-companys-accounts>

Changing year-end



Lengthening the accounting period

- Alternative approach to delay when accounts must be filed by.
- Implications must be carefully considered, and restrictions exist.
- Companies can only change their year-end for the current financial year or one immediately before.
- Cannot be changed when accounts are overdue.
- Can lengthen accounting period to a maximum of 18 months.
- Can only be lengthened once every 5 years.
- Companies may shorten their accounting period as many times as liked.

<https://www.gov.uk/file-changes-to-a-company-with-companies-house>

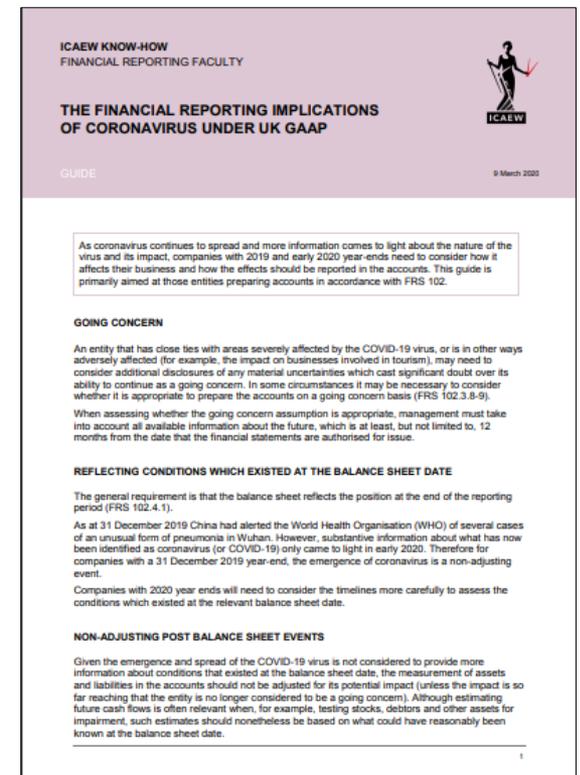
ICAEW resources

Coronavirus hub (icaew.com/insights/coronavirus)

- Help for business
- Financial reporting
- Audit
- Tax

Financial reporting (icaew.com/financialreporting)

- The financial reporting implications of coronavirus
- UK GAAP resources
- IFRS resources
- UK regulation for company accounts resources



Join the faculty

To find out more, please visit [icaew.com/joinfrf](https://www.icaew.com/joinfrf)

Providing support and practical guidance through a broad range of resources

- Factsheets
- By All Accounts
- Standards Tracker
- eIFRS
- Events



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FINANCIAL REPORTING FACULTY

2019 UK GAAP ACCOUNTS
UK GAAP FACTSHEET

Published 11 June 2018
Last updated 5 January 2020

Practical help in a complex world

2019 UK GAAP Accounts
This factsheet considers the changes to UK accounting standards that are mandatory for accounting periods beginning in 2019 and beyond.

Key regulations for this factsheet
This factsheet includes links and references to key regulations. There's a summary of the links, and guidance on how to use them, on page 2.

Section 1
Introduction

Significant changes to UK GAAP
In December 2017 the FRC issued Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications (the 'Triennial review 2017 amendments'). These amendments are generally effective for accounting periods beginning on or after 1 January 2019.

Many of the amendments to FRS 102 are editorial or aim to clarify, rather than change, accounting treatments. However, there are some more significant amendments, for example to areas such as investment property, intangible assets arising on a business combination and certain loans from directors (or their close family members) to small entities. There are also consequential amendments to the other UK accounting standards, including some repeat changes to FRS 105.

The FRC has also issued Amendments to FRS 102 – Multi-employer defined benefit plans and Amendments to FRS 102 – Interest rate benchmark reform which are effective for accounting periods beginning on or after 1 January 2020.

Those entities with accounting periods beginning before 1 January 2019 should refer to the faculty's factsheet 2018 UK GAAP Accounts. The specific (and quite complex) requirements relating to the early adoption of the Triennial review 2017 amendments are covered in that factsheet.

FRS 101 Reduced Disclosure Framework
Preparers of FRS 101 accounts should be aware that IFRS 10 Leases comes into effect in 2019 along with some narrow scope amendments to other IFRSs. More information on the disclosure exemptions, including limited exemptions from the IFRS 10 disclosures, is available in the faculty's factsheet Reduced Disclosure Framework. More information on the changes to IFRS is available in the faculty's factsheet 2019 IFRS Accounts.

Other regulatory changes
This factsheet does not include details of other regulatory changes affecting UK entities. More information on such changes can be found in the faculty's factsheet UK Regulation for Company Accounts.

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Thank you for listening

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Contact the Financial Reporting Faculty

+44 (0)20 7920 8533

 frfac@icaew.com

