



Accounting for COVID-19 support schemes

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Today's presenters



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FRS 102

March 2018

FRS 102
The Financial Reporting Standard
applicable in the UK and Republic
of Ireland

**UK GAAP
incl. small
companies**

FRS 105

March 2018

FRS 105
The Financial Reporting Standard
applicable to the Micro-entities
Regime

**Micro
companies**

Business rate holidays



A business rate relief is not a grant – reduction in P&L charge – T&FV disclosure?

Rent holidays



A rent holiday is not a lease incentive unless the landlord also renews the lease.



Missed rent payments are creditors.



What about a lease modification? Spread like a lease incentive?



Disclosure

Accounting for the Coronavirus Job Retention Scheme (CJRS)



Claim for wages through the Coronavirus Job Retention Scheme

Claim for 80% of your employee's wages plus any employer National Insurance and pension contributions, if you have put them on furlough because of coronavirus (COVID-19).

Published 20 April 2020

Government Grants
FRS 102 Section 24
Accruals or Performance method?

Accounting for the Coronavirus Job Retention Scheme (CJRS)



Recognise salary expense as usual

Coronavirus:
HMRC Portal
Update For
CJRS Claims
Coronavirus Job Retention Scheme

Recognise grant income in P&L as the entity becomes entitled to the income

Accounting for the Coronavirus Job Retention Scheme (CJRS)

Government Grants – Disclose under Section 24

- Accounting policy
- Nature and amount of grants
- Unfulfilled conditions and other contingencies
- An indication of other forms of government assistance from which the entity has directly benefited.

Gov't Grants - Small and micro companies?

FRS 102 Section 1A

- Section 24 of FRS 102 applies for recognition and measurement requirements
- Section 1A - no specific mention of grants but:
 - disclose accounting policy
 - show a true and fair view

FRS 105 Micro companies

- Section 19 of FRS 105 applies – without performance model
- No disclosures

Non-government grants



Not covered by
FRS 102 section 24

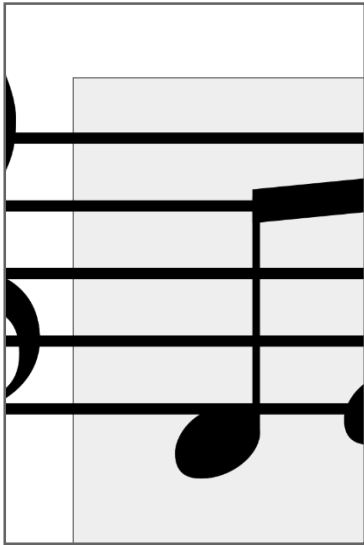


Same accounting
principles?



Grant or loan?

Scenario



‘Music Fund’ provides support for the creative sector, consisting of small grants (first £5K) and interest free loans (between £5K and £10K) to support micro businesses

Considerations

FRS 102

Need to discount loan cash flows using market rate?

Accrual or performance method for grant

FRS 105

Account for loan at face value

Accrual method for grant – same outcome?

Coronavirus Business Interruption Loan Scheme



Available to SMEs

Access to up to £5M of facilities

Provided by commercial lenders – with government guarantee

Business Interruption Payment covers **first 12 months of interest** payments and any lender-levied **fees**

Limited use of personal guarantees

CBILs – Accounting issues

Business interruption payment

Payment straight to bank

If 'BIP' payment constitutes grant, charge interest as normal with matching income entry

Non market rate loan

Need to discount cash flows using market rate?

Difference between carrying value and amount received would be grant

Release to interest income

CBILs - disclosures

Government Grants – Disclose under Section 24

- Accounting policy
- Nature and amount of grants
- Unfulfilled conditions and other contingencies
- An indication of other forms of government assistance from which the entity has directly benefited

Other issues?



Holiday pay relaxation – could be greater provisions?



SSP



VAT deferral - not a financial instrument



Other grants - SBGF & RHLGF



Going concern, PBSE etc...

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

ICAEW KNOW-HOW
FINANCIAL REPORTING FACULTY

**THE FINANCIAL REPORTING IMPLICATIONS
OF CORONAVIRUS UNDER UK GAAP**

GUIDE

9 March 2020

As coronavirus continues to spread and more information comes to light about the nature of the virus and its impact, companies with 2019 and early 2020 year-ends need to consider how it affects their business and how the effects should be reported in the accounts. This guide is primarily aimed at those entities preparing accounts in accordance with FRS 102.

GOING CONCERN

An entity that has close ties with areas severely affected by the COVID-19 virus, or is in other ways adversely affected (for example, the impact on businesses involved in tourism), may need to consider additional disclosures of any material uncertainties which cast significant doubt over its ability to continue as a going concern. In some circumstances it may be necessary to consider whether it is appropriate to prepare the accounts on a going concern basis (FRS 102.3.8-9).

When assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but not limited to, 12 months from the date that the financial statements are authorised for issue.

REFLECTING CONDITIONS WHICH EXISTED AT THE BALANCE SHEET DATE

The general requirement is that the balance sheet reflects the position at the end of the reporting period (FRS 102.4.1).

As at 31 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (or COVID-19) only came to light in early 2020. Therefore for companies with a 31 December 2019 year-end, the emergence of coronavirus is a non-adjusting event.

Companies with 2020 year ends will need to consider the timelines more carefully to assess the conditions which existed at the relevant balance sheet date.

NON-ADJUSTING POST BALANCE SHEET EVENTS

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date, the measurement of assets and liabilities in the accounts should not be adjusted for its potential impact (unless the impact is so far reaching that the entity is no longer considered to be a going concern). Although estimating future cash flows is often relevant when, for example, testing stocks, debtors and other assets for impairment, such estimates should nonetheless be based on what could have reasonably been known at the balance sheet date.

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- Events



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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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