

Accounting implications of COVID-19: Talkbook

The COVID-19 outbreak as well as state and private countermeasures can have various accounting implications. In order to find out how your company is affected you may find it useful to think about the following questions:

Budgets and forecasts

- Are budgets and forecasts up to date (i.e. updated to consider the impact of COVID-19)?

Going concern

- Does the going concern assessment cover a period of at least twelve months from the reporting date? Does it factor in a plausible worst case scenario?
- Do events or conditions cast significant doubt on the company's ability to continue as a going concern? For example, will there be insufficient liquidity and/or a breach of covenants?

Intangible assets (including goodwill)

- Are all recognition criteria for internally generated intangible assets still met? For example, are adequate funds available to complete the development?
- Are there "inefficiencies" (due to the current situation) in developing internally generated intangible assets?
- Is there any indication that an intangible asset (including goodwill) could be impaired?

Property, plant & equipment (PPE)

- Are there "inefficiencies" (due to the current situation) in constructing PPE?
- Is there any indication that PPE could be impaired?

Associates & joint ventures

- Is there any indication that the carrying amount could be impaired?

Leasing (lessee)

- Are there any rent concessions and/or changes to existing lease agreements?
- Have expectations around lease renewal, termination or purchase options changed?
- Is there any indication that right-of-use assets could be impaired?

Investment properties / lessors

- Is the fair value¹ model applied? If so, have there been updates to the valuations?
- Is the cost model applied? If so, is there any indication that a leased out asset could be impaired?
- Are there any rent concessions granted to the lessee?

Financial assets & hedging

- Have expected credit loss assumptions (e.g. provision matrices) been updated to reflect changes to current and future economic conditions?
- Are fair values determined based on the information as at the (interim) reporting date?
- Is cash flow hedging applied? If so, are there any forecast transactions (e.g. sales or purchases) that are no longer highly probable?

Inventories

- Is production at below normal capacity?
- Has demand for goods and products declined?
- Have costs increased?
- Have estimated selling prices decreased?

¹ In order to increase consistency and understandability we use the term 'fair value' when referring to 'fair value' (IFRS), 'actual value' (Swiss GAAP FER) and 'quoted price' / 'market price' (Swiss CO).

Tax assets & liabilities

- Are there any incurred tax losses?
- Are there any changes to budgets and/or tax planning opportunities which might lead to a reassessment of existing deferred tax assets?
- Are there changes to tax laws?
- Are additional dividends from subsidiaries planned?
- Are there any uncertainties over income tax?

Provisions

- Could penalties be incurred (e.g. due to delayed delivery or non-performance under delivery contracts)?
- Are there any onerous contracts?
- Are there any planned restructurings? If so, does a detailed formal restructuring plan exist and were valid expectations raised that the plan will be carried out?

Financial liabilities

- Are there any covenant breaches?
- Have lenders waived the application of covenants?
- Are there any adjustments to existing loan agreements?
- Are there any (new) loans that could include a government grant?

Pension obligations

- Have actuarial valuations been updated for the interim period?

Employee stock options and bonus agreements

- Is it necessary to adjust expectations regarding satisfaction of service and non-market performance conditions?
- Have valuations for cash-settled share-based payments been updated for the (interim) period?

Revenue

- Are there any contracts that may no longer be enforceable (e.g. due to force majeure clauses)?
- Are there any contracts where it is no longer probable that consideration will be collected?
- Are there any changes in the scope and/or price of contracts?
- Are existing estimates of variable consideration (e.g. rebates, refunds, price concessions, performance bonuses, penalties) still appropriate?
- Are there any changes to stand-alone selling prices?
- Is revenue recognized over time and based on input measures?² If so, are they still appropriate and have expectations been updated if necessary?

Other income

- Is there any insurance against losses triggered by the COVID-19 outbreak?

Personnel expenses

- Was short-time work compensation received?

Profit & loss items related to COVID-19

- Is it allowed to separately present the impact of COVID-19 on profit or loss (e.g. as an 'extraordinary' item)?

Notes

- Have the usual disclosures been updated to reflect the current situation?

Subsequent events

- Is there a process in place to identify subsequent events and to differentiate between adjusting and non-adjusting events?

This list of questions is updated regularly. You will find the latest version on our website [kpmg.ch/accounting-implications](https://www.kpmg.ch/accounting-implications). If you would like to discuss any of these questions, please get in touch with your regular contact at KPMG Switzerland or one of the contacts below.

² Under Swiss GAAP FER this applies in particular to long-term contracts.

Contacts

KPMG AG

Räffelstrasse 28
PO Box
CH-8036 Zürich

[kpmg.ch](https://www.kpmg.ch)

Daniel Haas

Partner, Head of Accounting
Advisory Services Corporates
+41 58 249 33 82
dhaas@kpmg.com

Silvan Loser

Partner, Head of DPP
Swiss Accounting
+41 58 249 25 51
silvanloser@kpmg.com

Frank Richter

Director, Head of
DPP IFRS
+41 58 249 30 73
frankrichter1@kpmg.com