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CHARTERED ACCOUNTANT 15/Apr/2020

IMPACT OF COVID-19 ON R.O.C COMPLIANCE, REPORTING UNDER FINANCIAL STATEMENT AND AUDITOR's PROSPECTIVE.

A. R.O.C COMPLIANCE: -

1. CAR COVID-19 FORM: -

- Every Company/LLP shall require to file "Company Affirmation of readiness" towards COVID-19 from 23rd march. All Co./LLP are expected and strongly advised to put in place an immediate plan to implement the "work from home" policy in their head office and to strictly follow the government guidelines.

B. FINANCIAL REPORTING: -

1. IND AS 2 and AS 2: -

- Due to outbreak of COVID-19 there is reduced movement in inventory, decline in selling prices, or inventory obsolescence so management may consider written down of inventories to net realizable value.
- Allocation of fixed production overheads to the costs of conversion is based on the normal production capacity and Unallocated overheads are recognized as an expense.

2. IND AS 36 and AS 28: -

- Due to the outbreak of COVID-19 is considered to be an impairment Indicator at the reporting date.
- Assumptions used to determine discount rate to measure the recoverable amount require any adjustments.
- Budgets for future cash flows prepared by management should be updated.
- There might be significant changes with an adverse effect in operations of a cash generating unit so focus on testing impairment of goodwill.

3. **IND AS 109: -**
   - Substantial business dislocation, borrowers may tend to fully utilize undrawn limits and loan commitments, which in turn would impact likelihood of default.
   - If the entity is unable to assess the impact, the same should be disclosed appropriately.

4. **IND AS 116/AS 19: -**
   - Due to COVID-19, there may be changes in lease payments, rent free holidays, Variable lease payments, Discount rate and may be lease arrangement has become onerous.

5. **IND AS 115/AS 9: -**
   - There could be likely increase in sales returns, decrease in volume discounts so entity should understand the nature, amount, timing and uncertainty of cash flows requires disclosure.

6. **IND AS 37/AS 29: -**
   - Management should consider whether any of its contracts have become onerous.
   - If the management is unable to assess, the same should be disclosed.
   - Entities claims on insurance companies can be recognized only if the recovery is virtually certain.
   - Provision to be recognized only where an entity has a present obligation, probable that an outflow of resources and a reliable estimate can be made.

7. **IND AS 1 & 10/AS 1 & 4: -**
   - Necessary disclosures shall be made if there are material uncertainties that might cast doubt upon going concern assumption. Management of the entity should assess the impact & taken measures.

8. **IND AS 12/AS 22: -**
   - Reassess Deferred tax assets due to effect in forecasted profits and/or may also reduce the amount of deferred tax liabilities and/or create additional deductible temporary differences

9. **<u>IND AS 23/AS 16: -</u>**

❖ Capitalization of interest is suspended when development of an asset is suspended.

10. **<u>IND AS 10/AS 4: -</u>**

❖ Entities must disclose significant recognition and measurement uncertainties in measuring various assets and liabilities. They should also disclose how they have dealt with.

C. AUDITOR PROSPECTIVE: -

1. **<u>Auditor should consider following SAs</u>: -** SA 315, SA 320, SA 540, SA 501, SA 600, SA 560, SA 570, SA 500, SA 580, SA 700, SA 705, SA 701, SA 720, SA 505, SA 240 others may be applicable as per situation.

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