RESPOND
AND RESTORE.
TOGETHER.

Grant Thornton

Navigating accounting implications during COVID-19

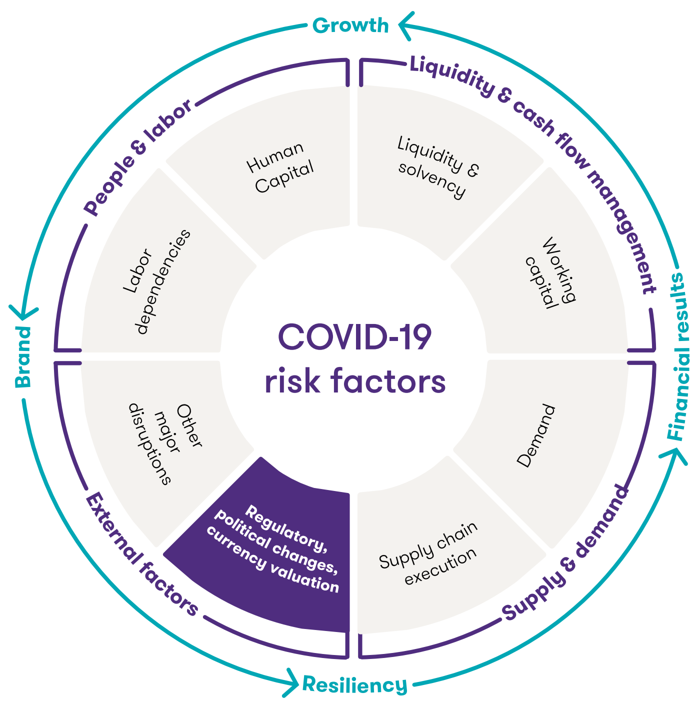
Adjust accounting estimates/financial statements to reflect the current economic uncertainty

With transparency and accuracy in financial reporting being essential for both public and private companies to maintain trust with investors, lenders and other stakeholders, companies should examine:

- **Subsequent events.** Based on ASC 855-10-25-1 companies may need to adjust financial statements or clearly disclose that pandemic-related events don't provide evidence about conditions that existed at the balance sheet date.
- **Asset impairment.** There are many indicators beyond stock price decline that trigger impairment testing/asset impairment disclosure in quarterly reporting. Companies must consider goodwill, long-lived assets and inventory.
- **Fair value measurement and impairment of financial assets.** Entities need to consider the direct/indirect impact of the pandemic on fair value of investments and determine the right impairment models for financial assets. Companies should also examine equity method investments and the current expected credit loss model.
- **Leases.** Depending upon circumstances, companies may need to perform additional procedures according to ASC 310, 326 or 842 if experiencing trigger events such as inability to collect lease payments, disruption in operations (such as store closures) and modification of lease arrangements.
- **Hedge accounting.** If a hedged forecasted transaction is no longer probable of occurring (under ASC 815), reclassification may be necessary.
- **Revenue recognition and variable consideration.** Under ASC 606, entities that enter into contracts with variable consideration may need to update their estimates of variable consideration and provide incremental or revise disclosures.
- **Modification/extinguishment of liabilities.** If receiving accommodations from lenders, entities should evaluate the debt modification for appropriate accounting treatment.
- **Insurance recoveries.** If receiving insurance reimbursement for losses, companies may need to recognize probable insurance recoveries in advance of receipt, except for business interruption insurance on lost revenue.

Make appropriate disclosures

Companies need to consider the implications on disclosures in financial statements, including those related to contingent losses (ASC 450-20-25-2), going concern (ASC 205-40), risks and uncertainties (ASC 275), and MD&A and risk factors.



Resiliency starts with a commitment to identify and mitigate risk factors that can further disrupt your business

Assessing levels of preparedness

The following key questions can help you think through your level of preparedness to address the accounting implications associated with the economic uncertainty:

- Do you have the technical expertise within your organization to address the additional accounting and reporting challenges?
- Do your resources have the capacity to address these challenges given other considerations, such as remote work environment, competing priorities, etc.?

At the ready to help you

Our accounting advisory and audit professionals are on standby to help with a range of accounting questions. They can provide specialty knowledge as well as arms and legs assistance, with as little or as much assistance as you need.

Living our global values of collaboration, leadership, respect, responsibility and agility

Our approach is to provide pragmatic guidance to help companies in the ways that matter most.

You can count on us to:

- Fully seek to understand your circumstances
- Anticipate and prepare for questions posed by auditors
- Bring a calm and deliberate approach to discussing key considerations
- Help you filter out the noise and create actionable plans
- Respond at the speed of your need

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