

Snapshot

CorpFin issues additional COVID-19 guidance

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SNAPSHOT 2020-17

The SEC's Division of Corporation Finance (CorpFin) issued CF Disclosure Guidance: Topic 9A, [Coronavirus \(COVID-19\) – Disclosure Considerations Regarding Operations, Liquidity, and Capital Resources](#). The guidance includes additional disclosure considerations related to business and market disruptions caused by COVID-19 and supplements CF Disclosure Guidance: Topic 9, [Coronavirus \(COVID-19\)](#). Refer to [Snapshot 2020-12](#) for a discussion on Topic 9.

The guidance also includes a non-exhaustive list of questions for companies to consider with respect to the present and estimated future impact of COVID-19 on operations and financial condition, including liquidity and capital resources.

Operations, liquidity, and capital resources

In the guidance, CorpFin reminds companies of their disclosure obligations and provides examples of certain operational adjustments that could be material to investment or voting decisions and therefore may require disclosure. Example adjustments include (1) operational adjustments, such as a transition to telework, changes to supply chain and distribution, and suspending or modifying certain operations to comply with health and safety guidelines, and (2) financing activities, including obtaining and utilizing credit facilities, accessing public and private markets, implementing supplier finance programs, and negotiating new or modified customer payment terms. Companies are advised to provide robust and transparent disclosure regarding short- and long-term liquidity and funding risks and are encouraged to consider whether such disclosures should be included

in Management's Discussion and Analysis (MD&A) in addition to earnings releases.

Further, registrants that obtained financial assistance through the Coronavirus Aid, Relief, and Economic Security (CARES) Act need to consider the impact of such assistance on their financial condition, results of operations, liquidity, and capital resources, as well as on critical accounting estimates and assumptions.

Going concern assessment

The guidance reminds companies to assess whether conditions and events have occurred that may raise substantial doubt about the company's ability to continue as going concern. Where such doubt exists or where management's plans alleviate such doubt, companies should provide appropriate disclosures in the financial statements and consider whether disclosure is required in MD&A.

Grant Thornton insight

While the concepts in CorpFin's Disclosure Guidance: Topics 9 and 9A are included in previously existing SEC requirements and interpretative guidance, the SEC staff is providing specific reminders about the importance of disclosures that allow investors to evaluate the impact of COVID-19 through the eyes of management and the Board of Directors.

Management should carefully consider each aspect of the disclosure guidance relative to its own evolving facts and circumstances.

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