

financial reporting

implications of covid-19.

eva stamou
marianti kalahani



randstad in numbers

#1 HR services provider globally.



€20.7b
2020 revenue



38
countries



568,800
no. of candidates
working (on a daily
basis)



34,680
employees



about randstad hellas

#1 hr services provider in greece.



up to 5.000
employees.

87 FTE
with industry know-how &
experience.

ISO certified
quality management system
for HR & consulting services.

2 decades
market leader.

2 offices
in Greece.
Athens & Thessaloniki.

700+
clients serviced in 2020.

finance & accounting specialty.

#1 finance & accounting recruitment team in
Greece
for junior to senior level positions

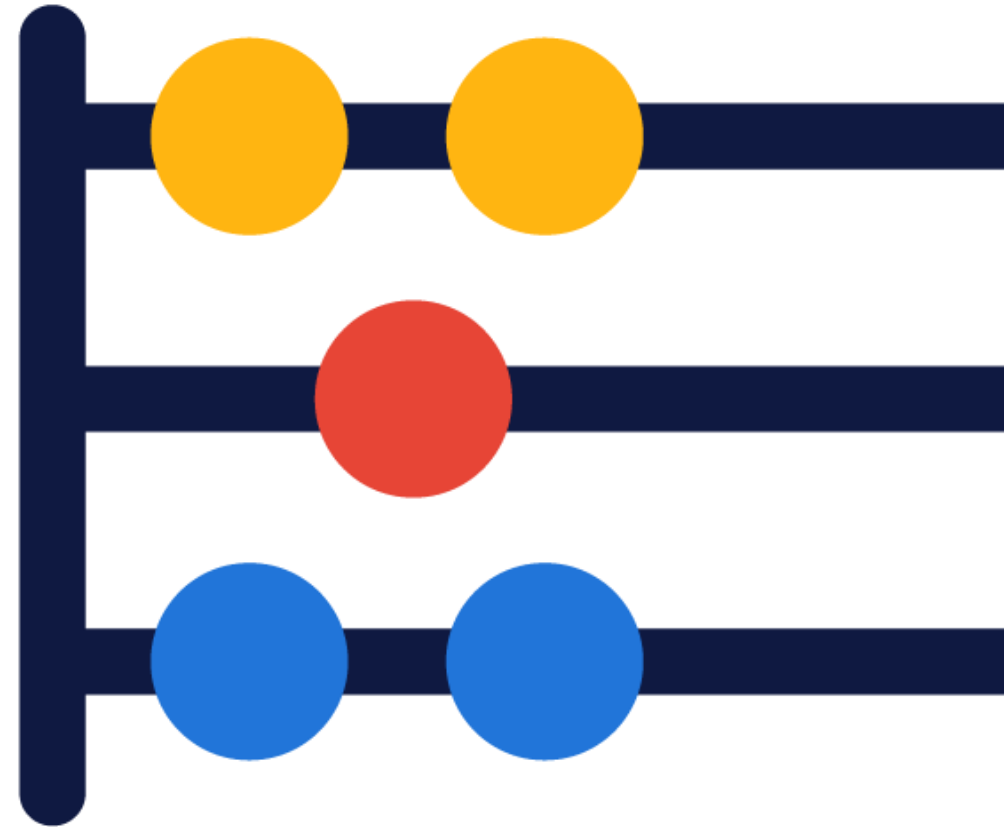
- accountant
- financial analyst
- investment analyst
- risk analyst
- banking professionals
- insurance professionals
- npl officer



finance & accounting specialty.

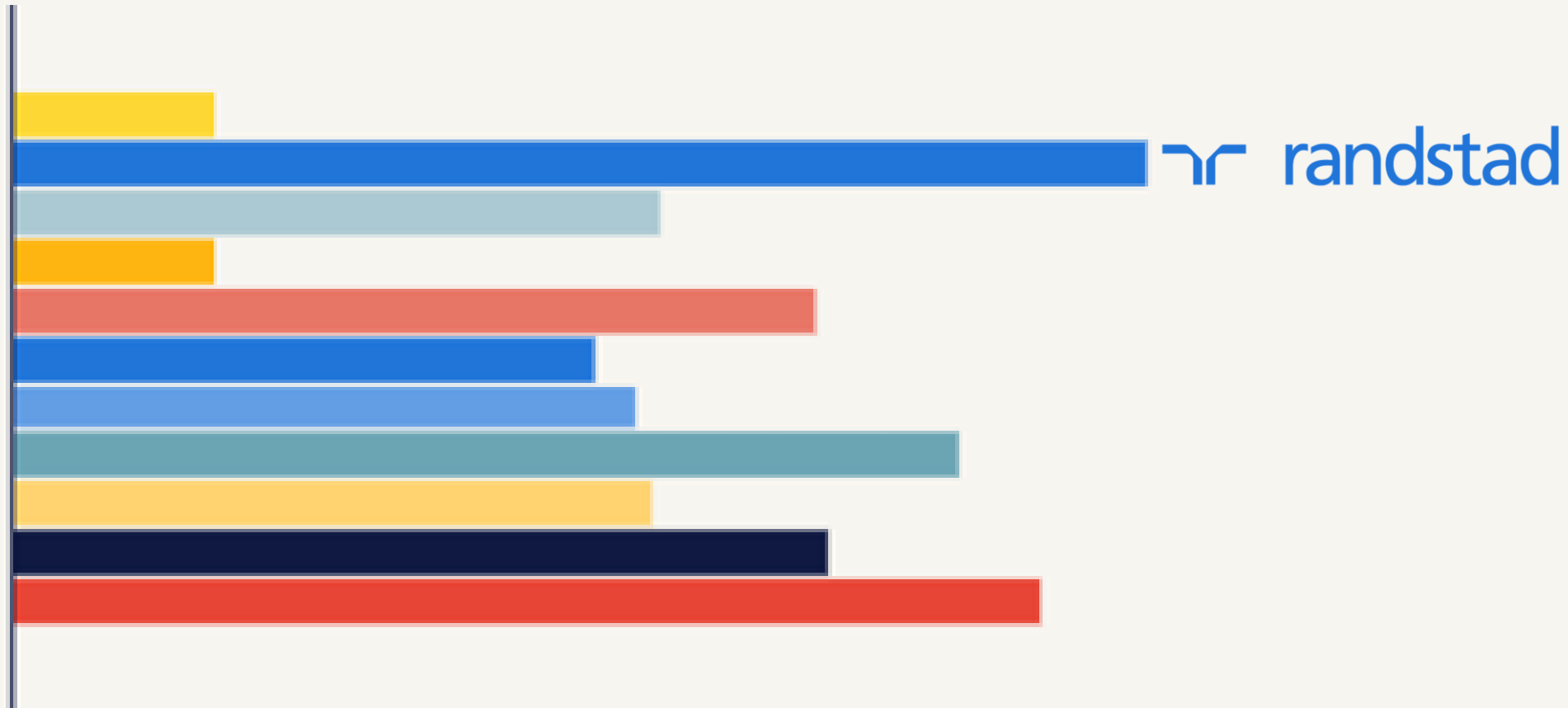
[#executive search](#) for C-level professionals
across all industries

- CFO
- finance manager
- relationship manager
- market access leader



finance & accounting specialty.

market share



our team.

eva stamou,
team leader,
finance & accounting specialty



marianti kalahani,
senior consultant,
finance & accounting specialty



katerina sarantopoulou,
consultant,
finance & accounting specialty





FINANCIAL REPORTING

Implications of COVID-19

STELIOS NTOTSIAS

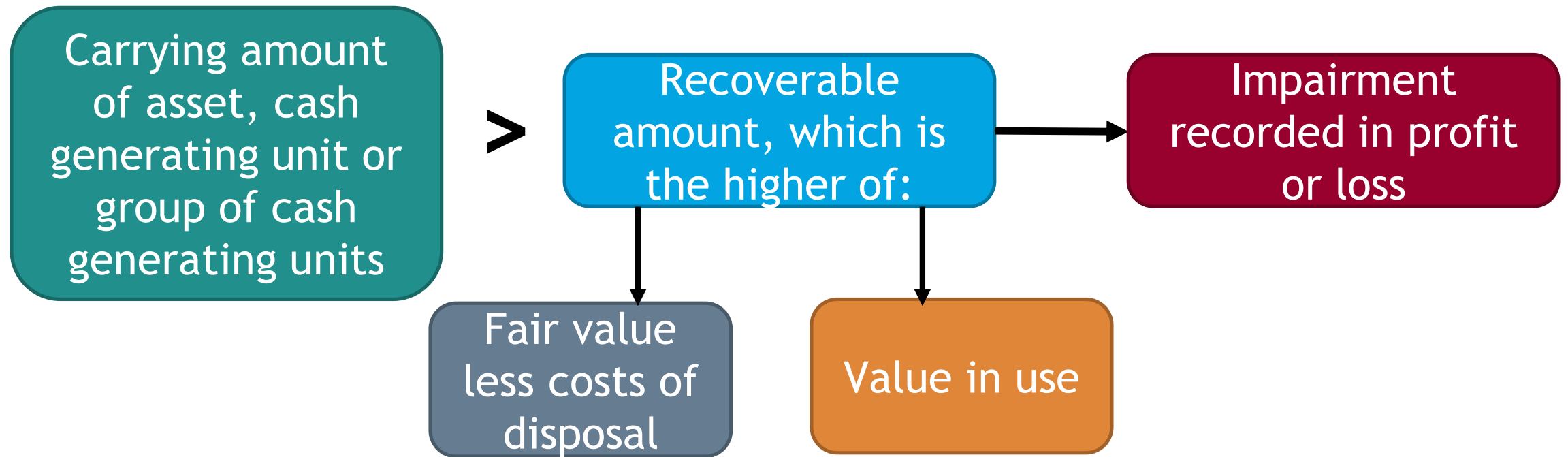
TECHNICAL DIRECTOR, BDO GREECE



IAS 36
IMPAIRMENT OF ASSETS

IMPAIRMENT OF ASSETS (IAS 36)

- ▶ Impairment loss is immediately recognised when the recoverable amount is less than the asset's carrying amount (IAS 36.59):



IMPAIRMENT OF ASSETS (IAS 36)

- ▶ Indicators of impairment may exist due to ceasing of operations or immediate decline in demand for:

Property,
plant and
equipment

ROU assets

Certain
intangibles

- ▶ Value in use calculations may need to be adjusted:
 - Revised cash flows and/or adjusted discount rate.
 - Value in use calculation may need to consider more than a single series of cash flows if uncertainty is high.
 - Long-term effects of the outbreak are very challenging to assess; a decline for a period of time with a return to 'normal' levels of production over time.
 - Given the disruption to operations, the cash flow forecasts may need to incorporate severe 'down side' forecasts.

IAS 36 IMPAIRMENT OF ASSETS

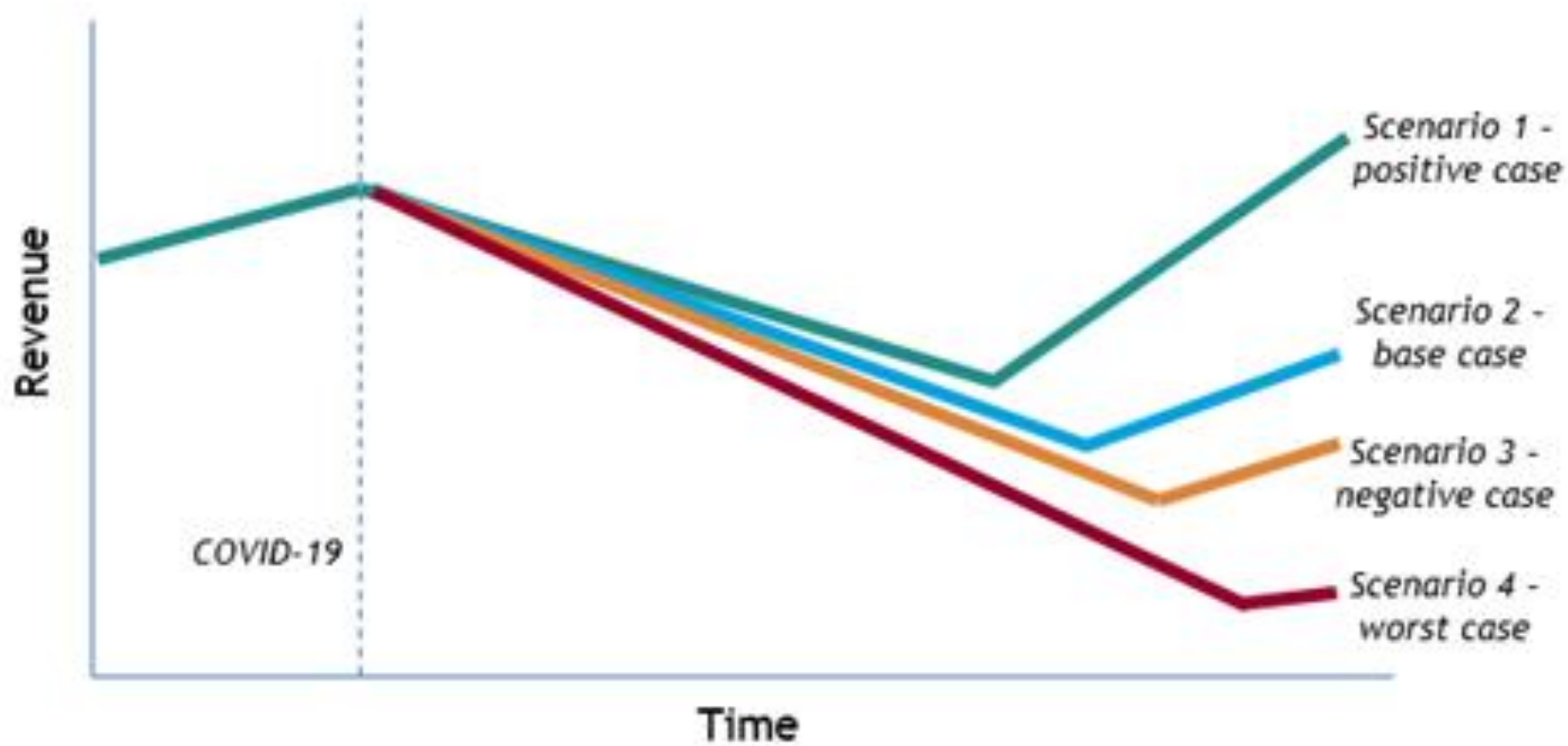
Scenarios considered

Scenario	Common Approach In Practice
'Normal' economic environment	A single set of cash flows is included in the DCF model; the discount rate reflects the level of uncertainty. The higher the uncertainty, the higher the discount rate.
COVID-19 uncertainty	A single set of cash flows may not be capable of accurately reflecting the uncertainty due to COVID-19.

Many entities will need to consider multiple probability weighted scenarios due to COVID-19.

IAS 36 IMPAIRMENT OF ASSETS

scenarios considered



Scenarios would be probability weighted in the VIU calculation. Disclosure is key.

IAS 36 IMPAIRMENT OF ASSETS

Scenarios considered - multiple cash flows

Scenario	Probability Weighting	Key Assumptions	Discount Rate Used
1 - positive case	5%	Operations of stores are halted for 4 weeks, online shopping option is popular with consumers and result in a net reduction in revenue of 20% for the year.	7%
2 - base case	60%	Operations at stores are halted for 8 weeks, online shopping options only compensate for a portion of lost revenue and result in a net reduction in revenue of 40% for the year.	7%
3 - negative case	30%	Operations at stores are halted for 12 weeks, online shopping options only compensate for a portion of lost revenue, resulting in a net reduction in revenue of 50% for the year.	7%
4 - worst case	5%	Operations at stores are halted for 20 weeks, online shopping options are not popular with consumers and operational and supply chain disruptions require online division to significantly reduce operations, resulting in a net reduction in revenue of 65% for the year.	7%

IAS 36 IMPAIRMENT OF ASSETS

Single cash flow

Scenario	Probability Weighting	Key Assumptions	Discount Rate Used
1 - base case	100% (only one scenario estimated)	Operations at stores are halted for 8 weeks, online shopping options only compensate for a portion of lost revenue and result in a net reduction in revenue of 40% for the year.	15%

Discount rate is significantly higher than the rate used in the multiple probability weighted scenarios. This is because a single cash flow scenario does not incorporate all of the same risks (e.g. that results may be worse than this best estimate).

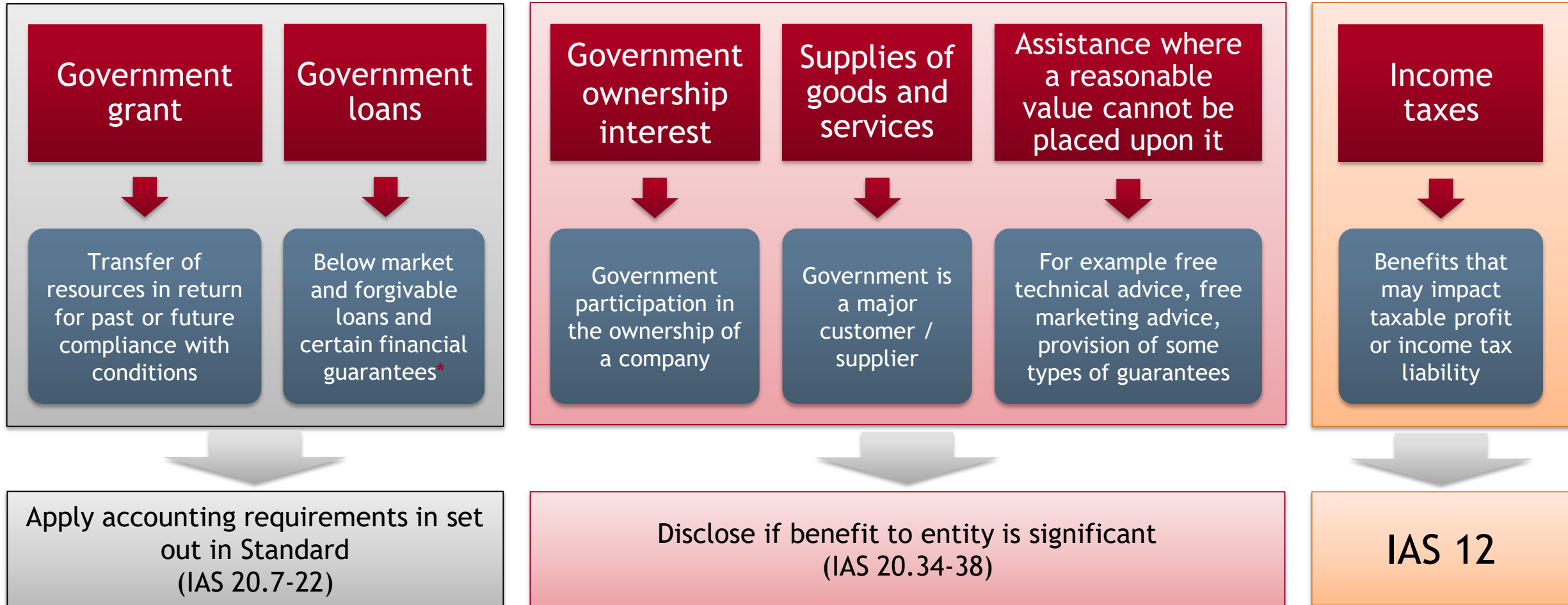
Conceptually, a single cash flow estimate or multiple probability weighted scenarios should produce a substantially similar value in use.



IAS 20

*ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF
GOVERNMENT ASSISTANCE*

TYPES OF GOVERNMENT ASSISTANCE



* Certain financial guarantees by analogy to IAS 20.10A

RECOGNITION OF GOVERNMENT GRANTS

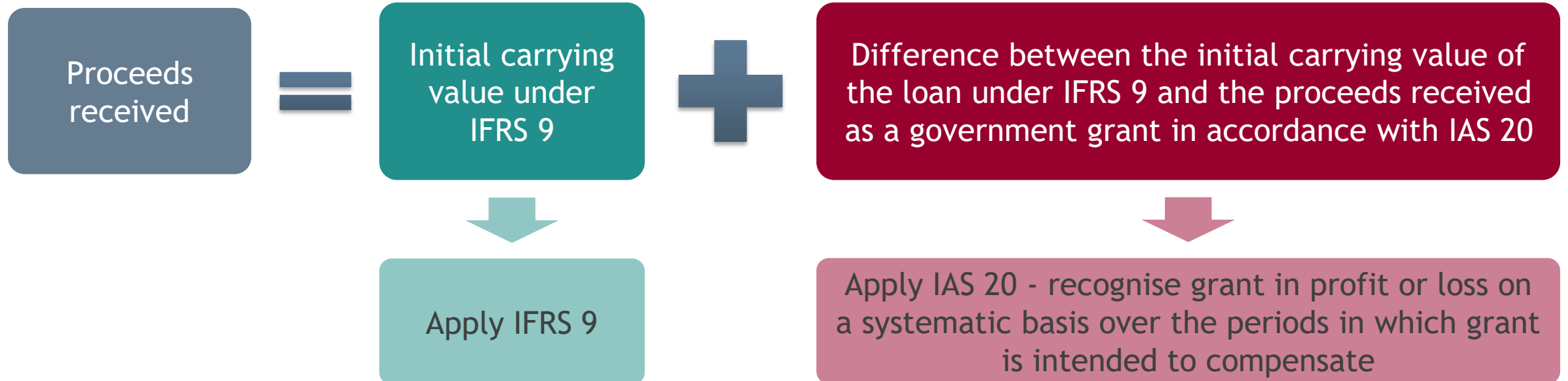
Recognition in profit or loss

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate
[IFRS 20.12]

ACCOUNTING FOR GOVERNMENT GRANTS

Government loan with below-market rate of interest

Apply IFRS 9 and determine the initial carrying value of the loan.





ΕΠΙΣΤΡΕΠΤΑ ΠΡΟΚΑΤΑΒΟΛΗ
ΣΛΟΤ

ΣΛΟΤ 957/2020 - ΔΠΧΑ / ΕΛΠ

Λογιστικός χειρισμός επιστρεπτέας προκαταβολής

- ▶ Η εταιρεία θα πρέπει να αποτιμήσει την υποχρέωση από το κρατικό δάνειο στο ποσό που θα προκύψει από την **προεξόφληση των μελλοντικών καταβολών** με το **επιτόκιο που θα δανειζόταν στην αγορά** ένα παρόμοιο ποσό.
- ▶ Η διαφορά μεταξύ του ονομαστικού ποσού του δανείου και του αποτελέσματος της προεξόφλησης είναι το μέρος της επιστρεπτέας προκαταβολής που αρχικά λογίζεται ως **κρατική επιχορήγηση και καταχωρίζεται ως αναβαλλόμενο έσοδο** (έσοδο επομένων χρήσεων).
- ▶ Σε κάθε ημερομηνία αναφοράς θα καταχωρίζεται, για την υποχρέωση τόκος έξοδο, ενώ η απόσβεση του αναβαλλόμενου εσόδου θα καταχωρίζεται στα έσοδα.

ΣΛΟΤ 957/2020 - ΔΠΧΑ

1/7/2020		Χρέωση	Πίστωση
Ταμείο		100.000,00	
	Δάνειο Κρατικό		86.770,65
	Έσοδο επομένων χρήσεων		13.229,35
31/7/2020			
Τόκος έξοδο		361,54	
	Δάνειο Κρατικό		361,54
31/7/2020			
Έσοδο επομένων χρήσεων		320,00	
	Έσοδο από επιχορήγηση		320,00
31/1/2022			
Τόκος έξοδο		389,64	
Δάνειο Κρατικό		2.153,30	
	Ταμείο		2.542,94
31/1/2022			
Έσοδο επομένων χρήσεων		344,87	
	Έσοδο από επιχορήγηση		344,87



IFRS 16

Accounting for rent concessions

AMENDMENTS TO IFRS 16

Lessees

- ▶ Practical expedient added to IFRS 16. If applied, the lessee does not need to assess whether a concession is a 'lease modification'. Concessions may take many forms (e.g. deferrals of rent, rent forgiveness, etc.).
- ▶ Apply IFRS 16 as if the change is not a lease modification.
- ▶ Optional - apply/do not apply to contracts with similar characteristics
- ▶ Amendment issued 28 May 2020, effective immediately, including F/S not yet authorised for issue (e.g. a 31 March 2020 F/S not yet completed).

Lessors

- ▶ No amendments made to lessor requirements.



RENT CONCESSIONS

Lessee requirements - original guidance

	Practical expedient not applied - lease modification accounting (IFRS 16.39-43)	Practical expedient is applied - variable lease payment accounting (IFRS 16.38(b))
Effect on lease liability	Reduced to reflect the revised consideration	Reduced to reflect the revised consideration
Effect on discount rate	The total revised, remaining consideration is remeasured using an updated discount rate as at the effective date of the lease modification	No change in discount rate
Effect on right-of-use asset	The offsetting adjustment is recorded against the carrying value of the right-of-use asset	No effect
Effect on profit or loss	None as at the time of modification; will result in modified finance expense and depreciation in subsequent periods	The offsetting adjustment is recorded in profit or loss. Depending on the facts and circumstances, this can be immediate or over the period of the rent concession

Therefore, if the PE in IFRS 16 is not elected or available, a change in the consideration for the lease will result in a revised discount rate and the adjustment recorded against the ROU asset.

EXAMPLE - UNCONDITIONAL FORGIVENESS OF RENT

Facts

- ▶ Lessee A enters into a lease for a retail location in a shopping centre with lessor B on 1 January 2019 for a lease term of 3 years. Lease payments are CU 100 per month, paid in advance.
- ▶ Lessee A makes all lease payments on time from 1 January 2019 - 30 June 2020.
- ▶ On 1 July 2020, the lease liability is CU 1,738 (PV of 18 remaining payments).
- ▶ On 1 July 2020, Lessee A and Lessor B agree that July - December 2020 rent will be reduced by 15%. The reduction is not conditional on any future events.

EXAMPLE - UNCONDITIONAL FORGIVENESS (CONT)

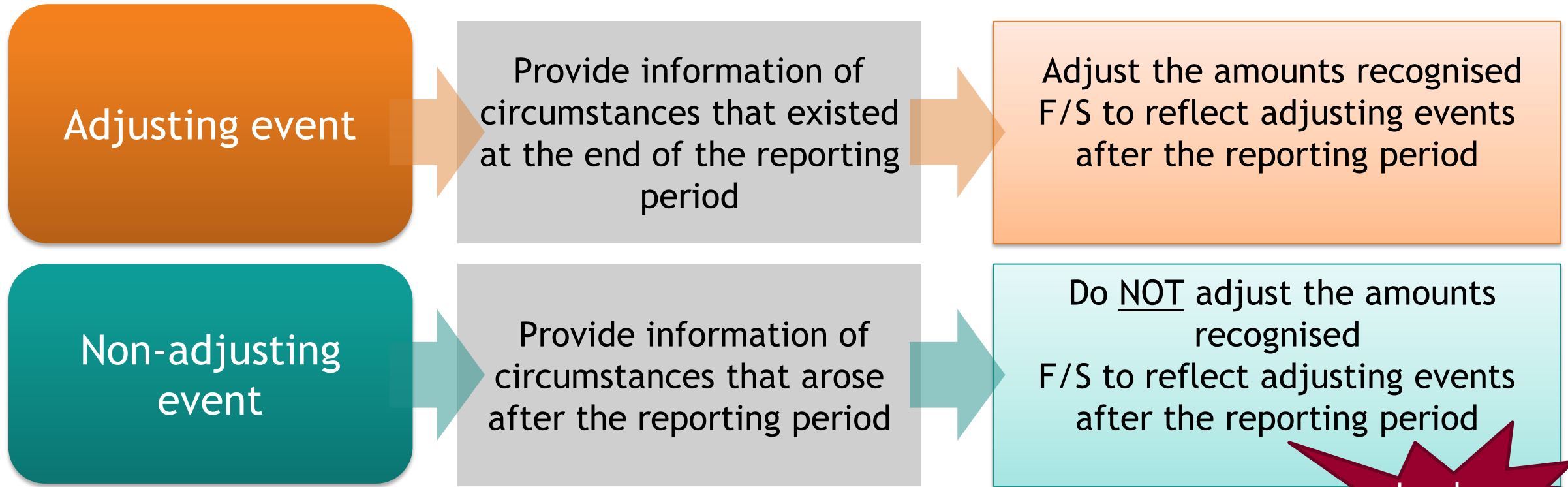
Steps required to apply PE	Analysis
Step 1: can the PE be applied?	All criteria satisfied.
Step 2: when is the effect of the PE recorded?	Lease liability is remeasured on 1 July 2020 because this is when the rent concession is effective (i.e. when future payments unconditionally change).
Step 3: how is the effect of the PE determined?	PV of 'old' liability CU 1,738
	PV of 'new' liability <u>CU 1,649¹</u>
	Difference CU 89
Step 4: recognise the effect in P&L	On 1 July 2020: DR lease liability CU 89 CR profit or loss CU 89
¹ Present value of CU85 payments in July-December 2020, and CU100 payments from January 2021-December 2021, made in advance, discounted at 5% per annum.	



IAS 10 EVENTS AFTER THE REPORTING PERIOD

IAS 10

Introduction



As the COVID situation continues to evolve rapidly, each event needs to be considered separately based on the entity's specific facts and circumstances.

Involves Judgement

IAS 10

Scenario 1

- Vacancy rates have decreased
- Strong interest from investors in China

Year End
31/12/2020

25/2/2021

Expected F/S
issue date:
15/3/2021

Investment properties
Fair value: CU100m

Investment properties:
External valuation: CU110m

IAS 10

- IAS 10.22(g) notes that ‘abnormally large changes after the reporting period in asset prices or foreign exchange rates’ as an example of a non-adjusting event.

Clear and detailed disclosures and explanations are key and very important!

Nature of the event



An estimate of its financial effect, or
A statement that such an estimate cannot be
made

IAS 10

Scenario 2

- Sales campaign launched
- Winter stock discounted by 60-80% off its original selling price

Year End
31/12/2020

Expected F/S
issue date:
15/3/2021

Winter fashion inventory:
Carrying amount at cost: CU3m
Selling price= CU4.2m (40% mark-up)



IAS 10

- ▶ IAS 10.9(b)(ii) notes that the sale of inventories after the reporting period may give evidence about their net realisable value (NRV) at the end of the reporting period
- ▶ Co is selling its winter stock after reporting date for amounts less than the carrying costs of the stock at 31 December 2020
- ▶ Likely an indicator that the NRV of its winter stock is likely to be below its cost at 31 December 2020

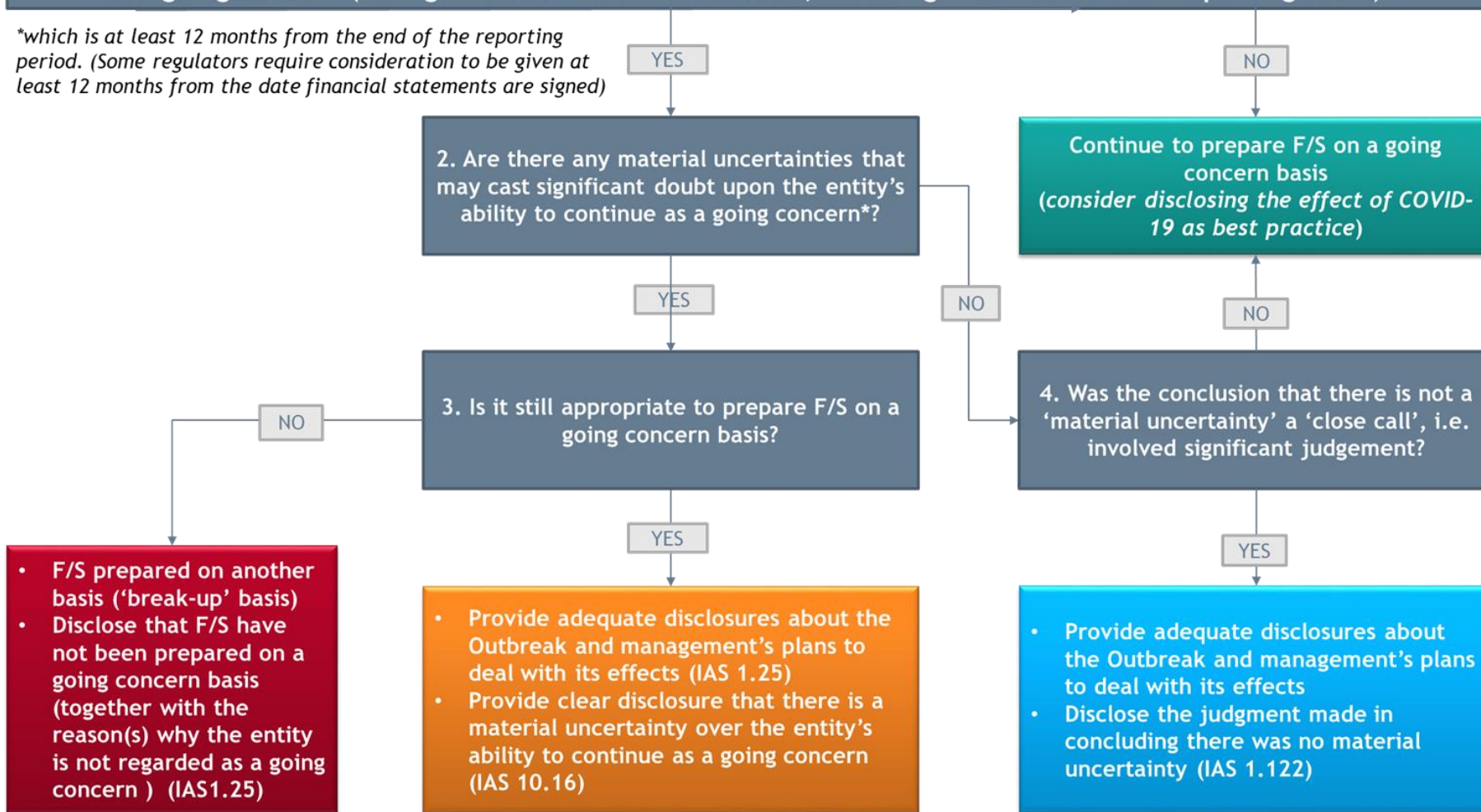


IAS 1 GOING CONCERN AND RELATED DISCLOSURES

GOING CONCERN AND RELATED DISCLOSURES

1. Have there been any indicators, events or conditions that may cast significant doubt on the ability to continue as a going concern (taking into account all information, including information after reporting date*)?

**which is at least 12 months from the end of the reporting period. (Some regulators require consideration to be given at least 12 months from the date financial statements are signed)*





IAS 1

Going concern

Possible indicators leading to assessing the appropriateness of the going concern assumption :

- ▶ Temporary shut-down of operations
- ▶ Reduced demand for goods or services or other income streams caused by restrictions and shutdowns imposed by governments, or reduction in discretionary spending by customers, leading to a reduction in expected profitability
- ▶ Supply chain disruptions or unavailability of staff to continue operations
- ▶ Inability to repay borrowings, creditors, lease payments or other debts which become due
- ▶ Breach of loan covenants
- ▶ Likelihood of financial guarantees being called upon
- ▶ Failures of other companies with similar structure and comparable operations in the same industry
- ▶ Financial difficulty or failure of debtors
- ▶ Negative equity as a result of asset impairments and/or reduced trading volume



IAS 1

Going concern

Scenario 1

- Blake Company is a distributor of fitness and gym equipment. Sales have decreased significantly due to COVID-19 causing the closure of gyms.
- Blake has a bank loan that comes due 7 months from year-end.
- Management is shifting the business towards home fitness equipment to take advantage of increased demand.
- Demand for home gym equipment will not make up for decreased sales if sales do not return to pre-COVID-19 levels by 31 December 2021.
- Management has offered early retirement packages to 20% of warehouse employees. 75% of those employees need to accept in order for expenses to be reduced sufficiently to meet upcoming bank covenants.

IAS 1

Going concern

Example disclosure

- *Management has assessed the entity's ability to continue as a going concern. Blake is dependent on the support of its lender and increases in turnover in order to continue as a going concern.*

Disclosure is insufficient; the specific material uncertainties related to events or conditions that cast doubt on going concern are not being disclosed.

IAS 1

Improved Disclosure

Management has assessed the entity's ability to continue as a going concern. Blake is dependent on the support of its lender and increases in turnover in order to continue as a going concern.

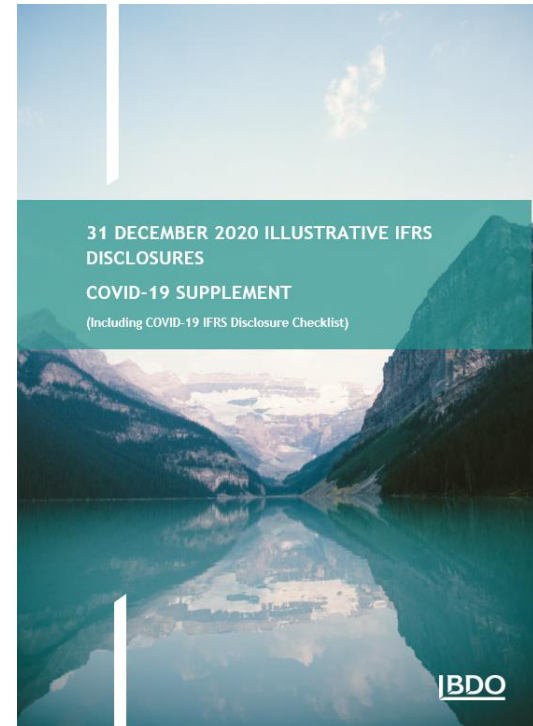
Management is negotiating to extend the terms of its bank loan, which is required in order to continue has a going concern, as the Company does not have sufficient access to cash to repay its bank loan which is due in in July 2021 (see maturity analysis of financial liabilities in note XX).

Management expects that if levels of turnover don't return to pre-COVID-19 levels by 31 December 2021 it will not be able to continue as a going concern. In the interim period, management is increasing sales of home gym equipment directly to consumers.

As a requirement of negotiations with its lender, Blake has offered 20% of its warehouse employees (consisting of YY% of total payroll) early retirement packages (see note ZZ on restructuring). Management requires 75% of those employees to accept the offer in order to reduce cash flows to a sufficient level to satisfy conditions with its lender.

OTHER IFRS RESOURCES

- ▶ Global IFRS Microsite: <https://www.bdo.global/en-gb/microsites/ifrs/ifrs-reporting>
- ▶ IFRS news, illustrative financial statements, detailed publications, summarised publications and online training all available.



q&a.

