

# IFRS-2020 - Covid-19

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# Covid-19 og implikasjoner for regnskapsrapporteringen



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# Estimatusikkerhet I



- Det kanskje mest aktuelle opplysningskravet i 2020 – IAS 1.125

An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature, and
  - (b) their carrying amount as at the end of the reporting period
- Forutsetter skjønnsutøvelse, gitt volatilitet, kompleksitet og subjektivitet i forutsetninger – derfor sær viktig med gode opplysninger
  - Andre standarder utdyper “paraplybestemmelsen”
    - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
    - IFRS 13 *Fair Value Measurement*
    - IAS 36 *Impairment of Assets*
  - Kritiske faktorer – Covid-19 (“recovery when?”), klima (IASB-uttalelse November 2020), geopolitiske forhold, og teknologisk utvikling

# Estimatusikkerhet II



- Dette sier standarden – hva med praksis?

IAS 1.129 An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:

- (a) the nature of the assumption or other estimation uncertainty;
- (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
- (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
- (d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

# Praksis Q2 2020 – A.P. Møller – Mærsk & Volvo AB



- Covid-19 «recovery» – Mærsk ambivalent (Directors' report, IFRS kvartalsregnskap), mens Volvo ikke har noen formening.....

## Uncertainty due to the COVID-19 pandemic

The impact and span of the COVID-19 pandemic is difficult to predict, and business recovery is dependent on the time it takes to contain the spread and reopen the economies globally as well as on the effectiveness of the fiscal stimuli from governments. The long-term effects will also depend on effective medicines and vaccines being developed.

When assessing the recoverable amounts of assets, the uncertainty has significantly increased due to the unclarity as to the development of the COVID-19 pandemic and business recovery. It is management's assessment that for the transport and logistics businesses assumptions applied in the 2019 financial statement are still considered the most appropriate despite the increased estimation uncertainty due to COVID-19. In other parts of the business, impairment losses have been recognised reflecting the current market environment.

A.P. Møller - Maersk has reassessed the expected credit losses by applying updated probabilities of default. The bad debt provision was increased by USD 53m in Q1.

As an employer, A.P. Møller - Maersk participates in defined benefit pension plans. Due to developments in discount and inflation rates at 30 June 2020 in the UK financial market, an increase in net pension assets by USD 72m was recognised in 2020.

"The COVID-19 pandemic impacted the global demand significantly in the second quarter, and our business volumes as expected were sharply down across Ocean, Logistics & Services and Terminals. As a consequence, our revenue declined by 6.5% compared to the same quarter last year. Throughout the quarter our focus remained on three things: protecting our employees from the virus, serving our customers by keeping our global network of ships sailing, and our ports, warehouses and inland transportation networks operating, and helping the societies we are part of fight the virus.

## Risk and uncertainties for the reporting period

Short-term risks, when applicable, are also described in the respective segment section of this report. The outbreak of the COVID-19 pandemic throughout the world has led to major disruptions in the economies of many countries, including the Group's key markets and such economic disruption is expected to continue in the coming months. As communicated by the Group, this has resulted in, and is expected to continue to give rise to, supply disruptions and a weaker demand for the Group's products and services and a material negative impact on the financial performance of the Group. The duration and expected development of the

COVID-19 pandemic is unknown, and no predictions can be made in relation to the length of present, and further measures that different countries and others may take in response to the crisis. However, any prolongation or worsening of the virus outbreak may lead to e.g. the following

- the extension of containment measures and restrictions on freedom of movement in the Group's key markets,
- key suppliers experiencing severe financial difficulties,
- shortages of necessary material and parts from suppliers directly or indirectly affected by the virus outbreak that may in turn lead to delayed re-start of production or extended production downtimes,
- a larger number of customers directly or indirectly affected by the virus outbreak having difficulties, or being prevented from, making payments to the Group when due,
- further price pressure on new and used vehicles, which may give rise to further reserve requirements with respect to vehicles in stock and residual value commitments,
- impairments of goodwill and other intangible assets,
- further disruption of financial markets and/or
- a prolonged global economic downturn leading to a more severe reduction in demand for Group products.

Given the evolving nature of the crisis, the above list is not exhaustive, but each of these events, or any combination of them, could amplify the negative impact of the crisis on the Group's financial performance and have material adverse effect on the Group's business, financial development and shareholder value.



# Klassifisering av gjeld I

- Gjeld er kortsiktig dersom det ikke foreligger en ubetinget rett til å utsette betaling minst 12 mnd etter balansedagen (IAS 1.69)
- I praksis ofte vanlig med kvartalsvis måling av lånebetingelser
- Dersom brudd på betingelsene, med den konsekvens at banken kan kreve tilbakebetaling, skal lånet klassifiseres som kortsiktig
  - Gjelder ikke om en har fått ettergitt bruddet («waiver») før balansedagen
  - Dersom ettergivelse, må den gjelde i minst 12 mnd etter balansedagen for at lånet skal være å anse som langsiktig (IAS 1.75)
- Opplysningskrav (IFRS 7.31)

- EY Applying IFRS – Disclosure of Covid-19 impact (November 2020)

## How we see it

Entities may experience cash flow challenges as a result of disruptions caused by Covid-19. Such entities need to take steps to maintain their liquidity, obtain additional financing, amend the terms of existing debt agreements or obtain waivers if they no longer satisfy debt covenants. Entities need to ensure that sufficient information is provided to the users of financial statements about cash and cash equivalents, liquidity, and their ability to comply with covenants.

# Klassifisering av gjeld II



- Selv om ikke brudd, opplysninger om lånebetingelser er ofte vesentlig informasjon – i Practice Statment 2 *Making Materiality Judgements* forutsettes det at kun dersom sannsynligheten for brudd er «remote» er informasjon om lånebetingelser uvesentlig

BC39 In respect of the first concern, the Board concluded that, in addition to the materiality factors described in the materiality process, materiality judgements are specifically influenced by the consequences of a breach occurring and the likelihood of that breach occurring. In particular, the Board clarified that, regardless of the significance of the consequences of a breach occurring, information about the covenant is not material if the likelihood of the breach occurring is remote. In providing this clarification, the Board applied the disclosure threshold set in [paragraph 28 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets](#) regarding the disclosure of contingent liabilities.

[Refer: paragraphs 82 and 83]



# Klassifisering av gjeld i praksis



- ClearView gir konkret informasjon om hvilke lånebetingelser som gjelder til enhver tid, og opplyser også om særlige Covid-19-relaterte forhold, som at en lettelse ble gitt for 2020 (balansedag 30/6-20), uten at den viste seg å være nødvendig.

## Extract 55: ClearView Wealth Limited

Australia

### 6.4 Borrowings continued

As at the reporting date, the Company had a \$60 million facility agreement with the National Australia Bank that has been fully drawn down as at the balance date. The facility is repayable on 1 April 2024. The facility was renewed for a further three year period in April 2020.

As part of the renewal of the facility, the margins paid on the facility were renegotiated. From the date of renewal, interest on the loan accrues at BBSY plus a margin of 0.95% per annum (FY19: 0.80%), and is payable monthly. Furthermore, a line fee of 0.80% per annum (FY19: 0.65%) is payable on the facility on a quarterly basis.

The covenants of the facility agreement state that the Group's debt must not exceed 35% of the Group's total debt and equity and the Group's EBITDA (excluding policyholder net profit and removing any effects from the adoption of AASB 16) must not be less than 3x interest expense. In the recent renewal, a Review Event was also added based on the capital base of the life company, ClearView Life. This has been set as a minimum PCA ratio of 1.5x (excluding Pillar 2 and reinsurance concentration risk charges for a period of two years from the date of the facility renewal). The covenants are calculated on six monthly basis under the terms of the facility agreement. As part of the COVID-19 response, a waiver was sought such that these covenants are calculated on an annual basis for FY20. Notwithstanding this waiver, based on the results to 30 June 2020, ClearView has been operating within its covenants under the terms of the Facility Agreement (as calculated on a six monthly basis). The Group has therefore not identified any breaches at 30 June 2020 nor at the time at which these financial statements were authorised for issue.



# Nedskrivning varige driftsmidler og immaterielle eiendeler



- Scenarioanalyser som regel velegnet
- Inkorporering av usikkerhet i nevner ofte vel «grovkornet» tilnærming
- Er noen estimater bedre enn andre?
- Se hen til eksterne kilder for fremtidsprognoser, særlig ift lange forutsetninger
- Praktiske utfordringer – selskaper har en særs utfordrende situasjon der fokus er på operasjonelle og finansielle forhold
- Goodwillnedskrivninger «permanente» (IFRIC 10)
  - Uansett IAS 34-rapportering eller ikke?

- EY Applying IFRS – Disclosure of Covid-19 impact (November 2020)

It is important for entities to provide detailed disclosures of the assumptions made, the supporting evidence and the impact of a change in the key assumptions (i.e., a sensitivity analysis).

# Nedskrivning i praksis



- Pandemien gir endrede forutsetninger
- Opplysningene til BP p.l.c. Group, Q2 2020, redegjør for sammenhengen mellom Covid-19 og lavere forventninger til fremtidig prising, sammenligner med 2019, og gir sensitivitetsinformasjon

## Considerations in respect of COVID 19 (coronavirus) and the current economic environment

BP's significant accounting judgements and estimates were disclosed in *BP Annual Report and Form 20-F 2019*. These have been subsequently reviewed at the end of each quarter to determine if any changes were required to those judgements and estimates as a result of current market conditions. The valuation of certain assets and liabilities is subject to a greater level of uncertainty than when reported in *BP Annual Report and Form 20-F 2019*, including those set out below.

### Impairment testing assumptions

With the COVID-19 pandemic having continued during the second quarter of 2020, BP now sees the prospect of an enduring impact on the global economy, with the potential for weaker demand for energy for a sustained period. BP's management also has a growing expectation that the aftermath of the pandemic will accelerate the pace of transition to a lower carbon economy and energy system, as countries seek to 'build back better' so that their economies will be more resilient in the future. As a result of all the above, BP has revised its price assumptions used in value-in-use impairment testing, lowering them and extending the period covered to 2050. A summary of the group's revised price assumptions, in real 2020 terms, is provided below:

	Second half 2020	2021	2025	2030	2040	2050
Brent oil (\$/bbl)	40	50	50	60	60	50
Henry Hub gas (\$/mmBtu)	2.00	3.00	3.00	3.00	3.00	2.75

As disclosed in *BP Annual Report and Form 20-F 2019* - Note 1, the majority of BP's reserves and resources that support the carrying amount of the group's oil and gas properties are expected to be produced over the next ten years. The revised assumptions for Brent oil and Henry Hub gas for the next 10 years are lower by approximately 30% and 16% respectively than the average prices used to estimate cash flows over this period as disclosed in *BP Annual Report and Form 20-F 2019* - Note 1. The revised impairment testing price assumptions are lower, on average, by approximately 27% and 31% respectively for the period from 2020 to 2050, than the prices referenced in *BP Annual Report and Form 20-F 2019* - Note 1.

The group identified oil and gas properties with carrying amounts totalling \$43 billion where the headroom, after the impairment tests performed in the second quarter, was less than or equal to 20% of the carrying value. A change in price or other assumptions within the next financial year may result in a recoverable amount of one or more of these assets above or below the current carrying amount.

# Fortsatt drift I



- Normalsituasjonen
  - An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so (IAS 1.25)
- Økt aktualitet i 2020
  - When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties (IAS 1.25)
- Unntakstilfellene
  - When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern (IAS 1.25)
- Vurderingshorisont
  - In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period (IAS 1.26)
- Selskaps- og situasjonsbestemt
  - The degree of consideration depends on the facts in each case. (...), management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate (IAS 1.26)
- All informasjon frem til avleggelse reflekteres
  - An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so (IAS 10.14)

# Fortsatt drift II



- EY Applying IFRS – Disclosure of Covid-19 impact (November 2020)

## How we see it

The degree of consideration of the impact of Covid-19 , the conclusion reached, and the required level of disclosure will depend on the facts and circumstances in each case, because not all entities will be affected in the same manner and to the same extent. Significant judgement may be required given the nature of the pandemic and the uncertainties involved. Continual updates to the assessments up to the date of issuance of the financial statements are required.

- IASB-uttalelse januar 2021

# Fortsatt drift i praksis



- Glencore plc (Sveits) oppga i Q1 2020 at fortsatt drift var usikker, men forutsatte fortsatt drift i regnskapet
- Usikkerheten først og fremst knyttet til hvilke utslag på lengre sikt pandemien vil få
- På kort sikt, gitt likviditet og finansiering, var fortsatt drift realistisk

## 3.1 Going concern

Looking ahead, following the outbreak of the COVID-19 pandemic, the Group sees increased uncertainties and further market volatility. It is still difficult to say how effective governmental measures will be in preventing the further spread of the virus. In the event of a prolonged pandemic there may be an effect on the financial performance of the company. The Group has taken measures to ensure that its employees and partners continue to be safe while interacting together. Measures have been taken to minimise the impact of the pandemic and to continue operations in the Group's businesses.

Business continues to function well and largely uninterrupted. Parts of it are already returning to some kind of normality. The Group continues to provide access to vital materials for modern life. The Group is showing that this can be done responsibly and efficiently in challenging circumstances. **#IFRS7, #Liquidity**

The Group has sufficient cash and headroom in its credit facilities. Given the evolving nature of COVID-19, uncertainties will remain and the Group is unable to reasonably estimate the future impact. However, the financial situation of the Group is currently healthy and it does not believe that the impact of the COVID-19 pandemic will have a material adverse effect on our financial condition or liquidity. Therefore, based on the Group's current cash balance and expected yearly cash outflow, the Group expects that it will be able to meet its financial obligations and therefore continues to adopt a going concern assumption as the basis for preparing its interim condensed consolidated financial statements. **#IAS1, #Going concern**

# Justering av APMer?

Nyhet

ESMA offentliggjør nytt spørsmål og svar om alternative resultatmål i lys av situasjonen rundt COVID-19

**Question 18: Application of the APM Guidelines in the context of COVID-19**

**Paragraphs 8, 17-19, 33, 34, 41 and 43 of the APM Guidelines.**

Date last updated: **April 2020**

**Question:** How should an issuer present the impact of COVID-19 for the purpose of the APM Guidelines?

**Answer:** ESMA acknowledges that, due to the impacts of the COVID-19 pandemic on their operations, issuers may decide to disclose new, or to adjust, alternative performance measures in ad-hoc disclosures published in accordance with Article 17 of MAR, in management reports or additional periodic financial information published in accordance with articles 3(1a), 4 and 5 of the Transparency Directive or in prospectuses published in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

- EY Applying IFRS – Disclosure of Covid-19 impact (November 2020)

## How we see it

Entities must carefully consider the requirements in IAS 1 if they are considering introducing Covid-19 related APMs (e.g., the minimum line item requirements, the use of additional line items when such presentation is relevant to the understanding of an entity's financial position and performance). Depending on the specific facts and circumstances, disaggregating the minimum required line items into additional line items may be acceptable, as long as they aggregate into a single subtotal-line, that would have otherwise been presented had Covid-19 not occurred.

In the current environment, the comparability of Covid-19 related APMs among entities will be a major challenge without a generally accepted way to objectively define and structure them. Depending on their specific facts and circumstances, entities may find it less controversial to provide a separate disclosure explaining the impact of Covid-19, rather than introducing a new APM or adjusting their APMs.



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