

Accounting Technical Services
Hot Topic

Reporting on the impact of Covid-19

Key disclosure expectations for 2020/21

mazars

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Key disclosure expectations for 2020/21

The FRC has made it clear what information and disclosures they are expecting companies to provide in their 2020/21 reporting in relation to the impact of Covid-19. The following diagram may be used as a tool to support companies preparing their forthcoming annual reports.

Viability statement*

There should be disclosure of forward-looking information that is specific to the entity and which provides insights into the board's assessment of the business's prospects and the methods and assumptions underlying that assessment.

Judgements, estimates and sensitivity analyses

There should be clear and sufficient disclosures about significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made, that enable users to understand management's exercise of judgement and views about the future.

Enhanced sensitivity analyses, as well as wider ranges of possible scenarios and outcomes, should be provided for areas subject to significant estimation uncertainty, thereby increasing the number disclosures in this area, irrespective of whether the impact of Covid-19 on the business is positive or negative.

Financial risk management

There should be appropriate and sufficient disclosure of information relevant to understanding the company's financial risk management, particularly the potential impact of debt covenants and of drawn and undrawn facilities on liquidity, and the use of factoring and reverse factoring in working capital financing.

Impact of Covid-19

The disclosures should be specific to the company and provide information (in addition to the disclosures required by specific standards) that clearly explains how Covid-19 has impacted the company's reported position and performance and how it may affect future prospects.

Alternative Performance Measures ("APMs")

There should only be 'adjusted for Covid-19' APMs in exceptional circumstances on the basis that the allocation of items, such as impairment charges between Covid-19 and non-Covid-19, are likely to be highly subjective and therefore generally unreliable.

Business model

There should be a clear explanation of any material changes in the business model, along with any such changes being appropriately and consistently reflected in the financial statement disclosures of, for example, operating segments, or the allocation and impairment testing of goodwill.

Cohesiveness of reporting

There should be consistent reporting between the business model, going concern disclosures, the viability statement (where applicable) and the financial statement assumptions and estimates i.e. for the going concern assessment and for impairment testing at group and parent company level.

Going concern disclosures

There should be clear explanations of the basis of any significant judgements taken and key assumptions made, including whether there are any associated material uncertainties, and the matters considered when confirming the preparation of the financial statements on a going concern basis.

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