



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants



ASEAN Federation of Accountants

ICAEW-IAI-AFA Joint Article

Reporting Under Uncertainties

A brief insight into financial reporting implications of COVID-19 in Australia, Malaysia and Indonesia

As the year progresses, we are learning more about the impact of coronavirus (COVID-19) on different aspects of our life. As businesses continue to take stock of how the pandemic is affecting their operations, accountants are expected to provide business leaders with guidance in dealing with the accompanying financial uncertainties. One issue that businesses with 2019 and early 2020 year-ends in particular need to consider is the implications of COVID-19 to their accounts.

ICAEW (The Institute of Chartered Accountants in England and Wales) , Ikatan Akuntan Indonesia (IAI) and the ASEAN Federation of Accountants (AFA), as part of the three organisations' collaborations for 2020, recently co-hosted a webinar on the financial reporting implications of COVID-19. Bringing together experts from Australia, Malaysia and Indonesia, the webinar looked at the financial reporting issues that accountants in the region are facing and the role of professional accountancy organizations in facilitating online learning in the era of technology.

Key Financial Reporting Issues

ICAEW published a short guide on impact of COVID-19 for businesses with 2019 and early 2020 year-ends <https://www.icaew.com/coronavirus/financial-reporting>. The guide highlights key reporting issues that accountants need to be focusing on in their assessment of businesses' accounts for the year. The same issues were highlighted by the three regional experts in the joint webinar, reflecting the similarity in challenges faced by accountants in different jurisdictions.



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants



ASEAN Federation of Accountants

Going Concern

Businesses may be severely affected by COVID-19. It is important to consider their going concern and provide additional disclosures of any material uncertainties that may affect the businesses' ability to continue with their operation. Accountants need to consider all relevant current and future information available to them about businesses.

COVID-19, an Adjusting Event after the Reporting Period?

Businesses need to carefully consider the timeline of COVID-19 in respect to their reporting period. Substantive information about the outbreak only came to light in early 2020. In most jurisdictions, including countries in the ASEAN region, COVID-19 was only declared as a pandemic later in the first quarter of 2020.

Governing authorities, standard setters or the professional accountancy organizations in some jurisdictions such as Indonesia, issued guidance to assist accountants in making judgments on whether the pandemic is an adjusting event after the reporting period for business with a 31 December 2019 year-end. In general, COVID-19 is considered to be a non-adjusting event.

For 2020, accountants need to consider the emergence of new information about the pandemic and its impact on business and operations. Businesses with early 2020 year-ends need to carefully consider their condition at the end of the reporting period. Those with a 31 March 2020 year-end in particular will be among the first to reflect the impact of COVID-19 on their books. Accountants are expected to use a greater degree of judgment in assessing the impact of COVID-19 and on whether they are adjusting or non-adjusting.

If businesses come to the conclusion that COVID-19 is an adjusting event, they need to conduct full reviews of accounts that are subject to judgment and estimation uncertainty, particularly those that might be adversely affected by COVID-19. Financial instruments, investment property, fixed assets, intangibles and right-of-use assets are some examples of items that need to be carefully scrutinized. Businesses also need to be aware with their receivables and payables, as well as contracts with third parties that may be impacted and need to be reassessed.



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants



ASEAN Federation of Accountants

Most businesses may find that COVID-19 is in fact a non-adjusting event. Under this circumstance, businesses need to continue with preparation of their accounts, based on all information available to them at the end of the reporting period. Assets and liabilities should not be adjusted for their potential impact, unless they are deemed to affect businesses' going concern. Any material non-adjusting event must be disclosed by way of note. Businesses need to consider the impact of COVID-19, specific to circumstances in which they operate.

Common Issues

The three countries represented in the webinar are dealing with similar reporting issues.

For Australia, the economic effects of COVID-19 are due primarily to the actions taken by governments to contain its spread. The full economic impacts are not yet known, with the Australian Government introducing a stimulus package of more than \$210 billion dollars. Financial reporting becomes harder, with expected significant falls and impairment of asset values, a huge increase in estimation uncertainty and a need for more disclosure on how risks are being managed.

In Malaysia, the Malaysian Institute of Accountants (MIA) has introduced several initiatives on financial reporting through continuous communication and support for members. MIA has published articles, circulars and FAQs on auditing to provide members with guidance in preparing their reports.

In Indonesia, the Indonesian Financial Accounting Standards Board of Ikatan Akuntan Indonesia (DSAK IAI), in consultation with relevant governing authorities, also issued similar guidance, providing clarifications on specific parts of the standards such as establishment of fair value under uncertainties and calculation of Expected Credit Losses in a COVID-19 affected business environment.

COVID-19 is also affecting audit in many ways. Audit in general has become more difficult, with an increased risk of fraud and misstatement. Now, accountants need to consider audit differently, recognizing the different business conditions and how greater uncertainty increases the requirement for audit evidence. With increased level of risk and user scrutiny, disclosure also becomes more important.



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants



ASEAN Federation of Accountants

Sharing of COVID-19 Updates and Resources

Professional accountancy organizations are playing an important role in providing members with access to the latest updates and resources related to COVID-19. Collectively, under the leadership of the International Federation of Accounts (IFAC), regional bodies, accountancy organizations and relevant stakeholders are producing substantial amounts of guidance to support accountants in these challenging times.

For ASEAN accountants, AFA has established a dedicated page that provides links to the COVID-19 web pages of the AFA member organizations (<http://www.afa-accountants.org/news-94-COVID-19%20Resources%20for%20ASEAN%20Accountants.html>).

To maintain communication with the members and stakeholders, IAI has gathered the publication regarding COVID-19 on the website https://bit.ly/iai_covid19.

[ICAEW's coronavirus hub](https://www.icaew.com/coronavirus) brings together all resources related to COVID-19 including information on tax, help for business and much more. <https://www.icaew.com/coronavirus>

This article is jointly published by ICAEW, IAI and AFA.

Conny Siahaan – Head of Indonesia, The Institute of Chartered Accountants in England and Wales (ICAEW)

Edward Tanujaya - Director of Member and Partnership Services, Ikatan Akuntan Indonesia (IAI)

Aucky Pratama – Executive Director, ASEAN Federation of Accountants (AFA)