

KCO BLOGS 2020

This blog is written by **Mr. Ijaz Ahmed**. Please read this blog and provide your valued comments

Impact of COVID-19 on the Financial Statements & Entity Operation Performance

No one imagines the enormity of COVID-19 impact on personal, professional and business lives but nowadays we are facing bankruptcy, downsizing, shutting down and salaries deductions.

One biggest challenge that entity will face now is reporting financial result of operation conducted during pandemic-induced lockdowns. Accounting standard requires that entity shall show the financial impact of any circumstances or event which might or may affect the operation as a whole or even materially. If the entities do it, their books of account will give a night mare senior to its users.

If we take the example of IAS 36, which require entities to test all their non-current assets for impairment if there are any indicators of impairment. In simple terms, the term indicators refer internal or external event which might effect that economic benefits generating from that assets, then it is obvious that building will not be generating the same rent, Transport vehicles (every type include, Planes and Ship) will not provide the same economic benefits before the pandemic machines will not give you the same numbers of economic benefits before the pandemic.

This decrease in economic benefit should be reported as losses or, to be more specific, impairment loss.

IFRS 15 Revenue from customer may lead the drastic reduction in revenue recognition for certain business. Therefore, the Companies need to reassess whether the contract existence and enforceability criteria continue to be met for existing contract.

Therefore, the Securities and Exchange Commission of Pakistan (SECP) issued a circular regarding disclosure requirement of companies due to COVID 19. In which SECP asked for certain additional disclosure in respect of COVID-19 impact.

We here by first discuss that if the management believes that there are no material implications of COVID-19 that require specific disclosure.

Disclosure requirement

A statement would be given in the notes of financial statement after legal status and operation note that the management believes that COVID 19 does not affect the company operation materially.

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ISB : Plot no 2 Mezzanine Floor Khumrial Plaza I & T Centre Street no 22, G-8/4, Islamabad

ISB: (DHA): Plot No 16, Second Floor, Sector A, Iqbal, Boulevard,
Defence Housing Authority, Phase II, Islamabad.

PES: Flat No. 203, Second Floor, Creative House, Phase 3 Chowk Main Jamrud Road, Peshawar

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Pandemic Implications on Financial Position

This blog is written by Mr. Awais Mumtaz.

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<https://khilji.net.pk/wp-content/uploads/2020/09/AWM-BLOG-14092020.pdf>

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