

BOOK CLOSING AND REPORTING UNDER IND AS- COVID-19 IMPACT

30 MARCH 2020

ACCOUNTING STANDARDS BOARD



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ASB, ICAI

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KEY TOPICS IN NEWS



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- SEBI gives India Inc more time for Q4 filings – deadline is now 30 June
- Applicability of Companies Auditor's Report Order (CARO) deferred by a year to FY 2020-2021
- No additional fees shall be charged for late filing during a moratorium period from 01 April to 30 September 2020
- Additional six months given to newly incorporated companies for filing declaration for commencement of business which is presently six months

EMERGING AREAS OF CONCERN



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- Health and safety, workforce
- Demand (revenue, contract fulfilment)
- Supply chain (just-in-time inventory model, impairment)
- Legal obligations (Force Majeure, contract terminations)
- Working capital (cash flow management, debt covenant)
- Cyber security (working from home, shut down of security monitoring centres)
- Social responsibility – non financial reporting matters

SEVERELY IMPACTED SECTORS



ASB, ICAI

Airlines

Hospitality

Entertainment

Ports & Airports

Travel and Tourism

Financial Services

Automobiles

Oil & Gas

NEED TO ISSUE ADVISORY BY THE ICAI



ASB, ICAI

- Need felt to advise the preparers of financial statements to ensure that the potential impact of COVID-19 is suitably considered in preparing and reporting their financial statements for the year ended March 31, 2020.
- Accounting Standards Board & Auditing and Assurance Standards Board of ICAI has come out with **ICAI ACCOUNTING & AUDITING ADVISORY- IMPACT OF CORONAVIRUS ON FINANCIAL REPORTING AND THE AUDITORS CONSIDERATION.**
- This Webcast will focus on impact of COVID – 19 on financial reporting of:
 - ❖ Entities to whom Ind AS is applicable and
 - ❖ Entities to whom AS is applicable, including Non-corporate entities to whom AS issued by ICAI is applicable.

IND AS OR AS AREAS TO BE CONSIDERED



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1. Inventory Measurement
2. Impairment of Non-Financial Assets
3. Provisions, Contingent Liabilities and Contingent Assets
4. Going Concern Assessment
5. Property, Plant and Equipment
6. Presentation of Financial Statements
7. Borrowing Costs
8. Financial Instruments
 - Impairment Losses
 - Fair Value Measurement
 - Hedge Accounting
9. Leases
10. Revenue
11. Modifications or Termination of Contracts or Arrangements
12. Income Taxes
13. Consolidated Financial Statements

INVENTORY MEASUREMENT



ASB, ICAI

Ind AS 2, Inventories, and AS 2, Valuation of Inventories

- It might be necessary to write down inventories to net realisable value due to reduced movement in inventory, decline in selling prices, or inventory obsolescence due to lower than expected sales.
- The management may consider written down of inventories to NRV item by item.
- Under Ind AS 2 and AS 2 allocation of fixed production overheads to the costs of conversion is based on the normal production capacity.
- The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant.
- Unallocated overheads are recognised as an expense in the period in which they are incurred.

INVENTORY MEASUREMENT



ASB, ICAI

Ind AS 2, Inventories, and AS 2, Valuation of Inventories

- Unlikely to review normal production capacity for allocating fixed production overheads for the year 2019-2020, because of adverse impact on the utilisation of the production capacity due to the impact of coronavirus
- Entities to assess the significance of any write-downs and need to make disclosure in accordance with Ind AS 2/AS 2 as well as paragraph 98 (a) of Ind AS 1 or paragraph 14(a) of AS 5

IMPAIRMENT OF NON-FINANCIAL ASSETS



ASB, ICAI

Ind AS 36, *Impairment of Assets*, and AS 28, *Impairment of Assets*

- Ind AS 36 and AS 28 require an entity to assess, at the end of each reporting period, whether there is any indication that non-financial assets may be impaired. The impairment test only has to be carried out if there are such indications.
- If any such indication exists, the entity shall estimate the recoverable amount of the asset.
- Due to COVID 19, there might be temporary ceasing of operations or an immediate decline in demand or prices resulting in lowering of revenues and profitability and reduced economic activity.
- Management may consider these factors as indicators requiring impairment testing

IMPAIRMENT OF NON-FINANCIAL ASSETS



ASB, ICAI

Ind AS 36, *Impairment of Assets*, and AS 28, *Impairment of Assets*

- For indefinite useful life intangible asset or an intangible asset not yet available for use and goodwill, Ind AS 36 requires an annual impairment testing.
- There could be an indicator that impairment testing of goodwill and indefinite useful life intangible assets are tested as of reporting date even if the entity follows other annual testing cycle as per Ind AS 36.
- An entity needs to estimate the recoverable amount of the asset for impairment testing.
- Where the recoverable amount is estimated based on value in use, the considerations on accounting estimates apply.

IMPAIRMENT OF NON-FINANCIAL ASSETS



ASB, ICAI

Ind AS 36, *Impairment of Assets*, and AS 28, *Impairment of Assets*

Critical Factors to Consider

The management needs to consider whether:

- contraction in economic activity due to COVID 19 is considered to be an impairment indicator at the reporting date for impairment assessment;
- assumptions used for impairment testing and determining recoverable amounts before the outbreak of COVID 19 require any change;
- the assumptions used to determine discount rate to measure the recoverable amount require any adjustments;
- the forecasts or budgets for future cash flows prepared by management to be updated to reflect the impact of COVID 19;
- market assumptions used to determine fair value for recoverable amounts need reconsideration;
- reasonable assumptions are taken in estimating the value-in-use and fair value less costs of disposal and ensuring that the impairment loss is estimated reliably.

IMPAIRMENT OF NON-FINANCIAL ASSETS



ASB, ICAI

Ind AS 36, *Impairment of Assets*, and AS 28, *Impairment of Assets*

Goodwill impairment

- Standard requires testing of goodwill for impairment at a level that reflects the way an entity manages its operations and with which the goodwill is naturally associated
- Due to COVID-19, there might be significant changes with an adverse effect in operations of a CGU to which goodwill is allocated and therefore requiring additional focus and attention while testing of impairment of goodwill as at March 31, 2020.
- Considering facts and circumstances, entities to provide detailed disclosures on the assumptions and sensitivities considered for effects of the COVID-19.

PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS



ASB, ICAI

Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

Onerous contracts

- As a result of COVID -19, some contracts may become onerous for reasons such as increase in cost of material/labour, etc.
- Ind AS 37 requires assets dedicated to a contract to be tested for impairment before a liability for an onerous contract is recognised.
- Additionally, there could be losses from imposition of penalty due to delay in supply of goods, which may need to be considered under the guidance of Ind AS 115.
- Management to disclose that it has assessed whether executory contracts are onerous due to the adverse impact of COVID -19.
- If the management is unable to assess whether some of the executory contracts are onerous due to inadequacy of information, the same should be disclosed.

PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS



Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

- Due to COVID-19 there is need of exercising judgement in making provisions for losses and claims
- Ind AS 37 does not permit provisions for future operating costs or future business recovery costs. However, Ind AS 37 requires that an entity should disclose the nature of the obligation and the expected timing of the outflow of economic benefits.

Insurance claims

- Entities may have insurance policies that cover loss of profits due to business disruptions due to events like COVID-19.
- Entities claims on insurance companies can be recognised in accordance with Ind AS 37 only if the recovery is virtually certain

Restructuring costs

- The Standard provides that a provision for restructuring costs is recognised only when the general recognition criteria for provisions are met and there is detailed formal plan for the restructuring with evidence that the entity has started to implement a restructuring plan.

PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS



AS 29, Provisions, Contingent Liabilities and Contingent Assets

- As a result of COVID -19, some contracts may become onerous for reasons such as the imposition of penalty due to delay in supply of goods or increase in cost of material, labour, etc.
- Management should consider whether any of its contracts have become onerous.
- Management should disclose that it has assessed whether executory contracts are onerous due to adverse impact of COVID -19.
- If, the management is unable to assess whether some of the executory contracts have become onerous due to the inadequacy of information, the same should be disclosed.

GOING CONCERN ASSESSMENT



ASB, ICAI

Ind AS 1, Presentation of Financial Statements & Ind AS 10, Events after the Reporting Period

- Management of the entity should assess the impact of COVID-19 and the measures taken on its ability to continue as a going concern.
- The impact of COVID-19 after the reporting date to be considered on Going Concern
- If, management after the reporting date either intends to liquidate or to cease trading, or has no realistic alternative but to do so, the financial statements should not be prepared on going concern basis.
- Necessary disclosures as per Ind AS 1 shall also be made, such as material uncertainties that might cast significant doubt upon an entity's ability to continue as a going concern.

GOING CONCERN ASSESSMENT



ASB, ICAI

AS 1 Disclosure of Accounting Policies & AS 4 Contingencies and Events Occurring After the Balance Sheet Date (revised 2016)

- Management of the entity should assess the impact of COVID-19 and the measures taken on its ability to continue as a going concern.
- The impact of COVID-19 after the balance sheet date to be considered in assessing whether going concern assumption is appropriate or not.
- Events occurring after the balance sheet date may indicate that the enterprise ceases to be a going concern.
- Management to evaluate whether it is proper to use the fundamental accounting assumption of going concern in the preparation of the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS



ASB, ICAI

Ind AS 110, Consolidated Financial Statements

- Ind AS 110 prescribes that the financial statements of parent and subsidiaries used in the preparation of the consolidated financial statements are usually drawn upto the same date.
- In any case, the difference between the reporting dates should not be more than three months.

CONSOLIDATED FINANCIAL STATEMENTS



ASB, ICAI

AS 21, Consolidated Financial Statements (revised 2016)

- AS 21 prescribes that the financial statements of parent and subsidiaries used in preparation of the consolidated financial statements are usually drawn upto the same date.
- In any case, difference between the reporting dates should not be more than six months.

PROPERTY, PLANT & EQUIPMENT



ASB, ICAI

- Ind AS 16 and AS 10 require that useful life and residual life of PPE needs revision on annual basis.
- Due to COVID-19, PPE can remain under-utilised or not utilised for a period of time.
- The Standards require depreciation charge even if the PPE remains idle.
- COVID-19 impact may have affected the expected useful life and residual life of PPE. The management may review the residual value and the useful life of an asset
- If expectations differ from previous estimates, to account for the change(s) as an accounting estimate

PRESENTATION OF FINANCIAL STATEMENTS



ASB, ICAI

Ind AS 1 Presentation of Financial Statements

- i) **Breach of loan covenants (including classification of liabilities into current and non-current)**
- Due to COVID-19 there may be instances of breach of loan covenants which may trigger the liability becoming due for payment and liability becoming current.
 - As per paragraph 74 of Ind AS 1, such a liability shall not be classified as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

PRESENTATION OF FINANCIAL STATEMENTS



Ind AS 1 Presentation of Financial Statements

ii) Sources of estimation uncertainty under Ind AS 1

- Paragraph 125 of Ind AS 1, *Presentation of Financial Statements*, requires an entity to disclose information about the assumptions it makes about the future, and other major sources of estimation of 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.
- COVID-19 may have created many uncertainties about the likely future scenarios which may affect the estimations of amounts recognised in the balance sheet
- Entities shall be guided by the prescriptions in paragraphs 125 to 133 of Ind AS 1

PRESENTATION OF FINANCIAL STATEMENTS



Ind AS 1 Presentation of Financial Statements

iii) Comparative information

- Ind AS 1 requires presentation of minimum comparative information
- Framework for the preparation and presentation of financial statements under Ind AS considers comparability as an important qualitative characteristic of financial statements
- Framework requires that users must be able to compare the financial statements of an entity through time in order to identify trends in its financial position and performance and also compare it with financial statements of other entities
- COVID-19 may have affected the financial performance and financial position of entities. Therefore, preparers may consider making adequate disclosures and explanatory notes

BORROWING COSTS



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Ind AS 23, Borrowing Costs, and AS 16 Borrowing Costs

- Ind AS 23 and AS 16 require that the capitalisation of interest is suspended when development of an asset is suspended.
- The management may consider this aspect while evaluating the impact of COVID-19.

POST BALANCESHEET EVENTS



ASB, ICAI

Ind AS 10, Events After the Reporting Period, and AS 4, Contingencies and Events Occurring After Balance Sheet Date

- Entities must disclose significant recognition and measurement uncertainties created by the outbreak of the COVID -19 in measuring various assets and liabilities
- Entities to disclose how they have dealt with the impact of COVID -19

FINANCIAL INSTRUMENTS - EXPECTED CREDIT LOSS (ECL)



Ind AS 109, *Financial Instruments*

Financial Instruments - Impairment loss recognition and measurement is based on Expected Credit Loss (ECL) model

- Recognition of 12 months ECL versus Lifetime ECL - based on segregation of credit exposures into 3 buckets:
 - ✓ this segregation of credit exposures into 3 buckets is not required certain financial assets, such as, trade receivables ,where simplified approach is applicable.
- Measurement of ECL - Adverse impact on the business of borrowers or debtors may impact the following credit risk parameters:
 - ✓ Risk of default (probability of default) i.e. the likelihood of default by the borrower may have increased significantly due to reduced economic activity;
 - ✓ Estimated amount of the loss itself in the event of default (loss given default) - value of collaterals and business cash flows may be affected adversely affecting the expected amount of loss;
 - ✓ In this period of substantial business dislocation, borrowers may tend to fully utilise undrawn limits and loan commitments, which in turn would impact another credit risk parameter i.e. exposure at default.

FINANCIAL INSTRUMENTS - EXPECTED CREDIT LOSS (ECL)



ASB, ICAI

Ind AS 109, *Financial Instruments*

Critical Factors to be considered by the preparers

- Measurement of ECL
 - ✓ Entities expected to consider current as well as forecasted macro-economic conditions and more than one scenario.
 - ✓ Entities may need to develop one or more scenarios considering the potential impact of COVID-19.
- Impact of any Prudential Regulatory actions to sustain the economy such as loan repayment holidays, reduction in interest rates etc., to be considered
- Appendix A Ind AS 109 - Evidence that a financial asset is credit-impaired includes observable data about various events, for example,
 - ✓ the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

FINANCIAL INSTRUMENTS - EXPECTED CREDIT LOSS (ECL)



ASB, ICAI

Ind AS 109, *Financial Instruments*

Critical Factors to be considered by the preparers

- Disclosures - Ind AS 107, *Financial Instruments: Disclosures*,
 - ✓ Entities may need to disclose the impact of COVID-19 on various credit related aspects such as methods, assumptions and information used in estimating ECL, policies and procedures for valuing collaterals etc.
 - ✓ If the entity is unable to assess the impact of COVID-19 in estimating the impairment loss due to the inadequacy of information, the same should be disclosed appropriately.
- **NBFCs and ARCs** - should carefully consider the recent guidance provided by RBI on implementation of Ind AS (RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 - Implementation of Indian Accounting Standards).

FINANCIAL INSTRUMENTS - IMPAIRMENT LOSSES



Entities to whom AS is applicable

- Financial assets
 - ✓ entities shall consider the requirements of AS 4, Contingencies and Events Occurring After the Balance Sheet Date.
 - ✓ AS 13, Accounting for Investments - entities may have to carefully consider the requirements of making provisions for decline in the value of investments, which is other than temporary.

Banks and Insurance Entities - Preparers need to consider

- impact of COVID-19 on classification of Loans and Advances into Standard, Sub-standard, Doubtful and Loss categories
 - the Prudential Regulatory requirements of RBI and The Insurance Regulatory and Development Authority of India (IRDAI).
-

FAIR VALUE MEASUREMENT



Ind AS 113, *Fair Value Measurement*

Critical Factors to be considered by the preparers

- Ind AS 113 - Different ways in which fair value is determined i.e. it can be based on observable market price (quoted price in an active market – Level 1) or application of valuation techniques (Level 2 and Level 3) as of the reporting date.
- Following features require adequate management consideration and professional judgment to determine whether the quoted prices are based on transactions in an orderly market:
 - ✓ Significant volatility or indications of the significant decline in market prices of financial instruments like equity, bonds and derivatives.
 - ✓ Significant decrease in volume or level of activity.
- Valuation techniques on various assumptions including discount rates, credit-spread/counter-party credit risk etc.

FAIR VALUE MEASUREMENT



ASB, ICAI

AS 13 Accounting for Investments

Critical Factors to be considered by the preparers

- Determination of fair value for valuation of investments classified as Current Investments.
- Following features require adequate management consideration and professional judgment to determine whether the quoted prices are based on transactions in an orderly market:
 - ✓ Significant volatility or indications of the significant decline in market prices of financial instruments like equity, bonds and derivatives.
 - ✓ Significant decrease in volume or level of activity.
- Valuation techniques on various assumptions including discount rates, credit-spread/counter-party credit risk etc.

HEDGE ACCOUNTING



ASB, ICAI

Ind AS 109, *Financial Instruments*

Critical Factors to be considered by the preparers

- If entities have adopted cash-flow hedge accounting for certain forecasted transactions, - should assess whether the transaction still qualifies as a highly probable forecast transaction considering their business environment.
- Entities will need to assess any hedge ineffectiveness and record the impact of that in profit and loss.
- Estimate the fair value of derivatives, including paying special attention to underlying assumptions of derivatives, e.g., forward curve of interest rate, foreign currency, commodity etc.

Entities to whom AS is applicable - ICAI Guidance Note on Accounting for Derivative Contracts (Issued 2015)

For recognition and measurement of derivatives within the scope of Guidance Note:

- Entities may need to consider the impact on key inputs/assumptions such as foreign currency rate, interest rate, etc. used in their valuation techniques, including the potential impact on hedge accounting.

LEASES



ASB, ICAI

Ind AS 116, Leases

- Due to COVID-19, there can be changes in the terms of lease arrangements or lessor may give some concession to the lessee with respect to lease payments, rent free holidays etc.
- Such revised terms or concessions may lead to the application of accounting relating to the modification of leases.
- Variable lease payments may be significantly impacted, especially those linked to revenues from the use of underlying asset.

LEASES



ASB, ICAI

Ind AS 116, Leases

- Discount rate used to determine the present value of new lease liabilities may need to incorporate any risk associated with COVID-19.
- Compensation by the Government to the lessor for providing concession to the lessee, to be considered to determine whether to account for as lease modification as per Ind AS 116 or whether to be accounted as government grants under Ind AS 20.
- Entities will need to determine whether as a result of COVID -19, any lease arrangement has become onerous.

LEASES



AS 19, Leases & AS 29, Provisions, Contingent Liabilities and Contingent Assets

- Any change in the terms of lease arrangements or concession given by lessor to be considered while accounting for leases.
- Discount rate used to determine present value of minimum lease payments of new leases may need to incorporate any risk associated with COVID-19.
- Compensation by the Government to the lessor for providing concession to the lessee, to be accounted for appropriately as per AS 19 and to determine whether any assistance from government are government grants under AS 12.
- Entities will need to determine whether as a result of COVID -19, any lease arrangement has become onerous. The same should be accounted for as per AS 29.



Ind AS 115, Revenue from Contracts with Customers

- Due to COVID-19, there could be likely increase in sales returns, decrease in volume discounts, higher price discounts etc.
- Under Ind AS 115, these factors need to be considered in estimating the amount of revenue to recognised, i.e., measurement of variable consideration.
- Ind AS 115 requires disclosure of information that allows users to understand the nature, amount, timing and uncertainty of cash flows arising from revenue.
- Entities to consider disclosure about the impact of COVID-19 on entities revenue.

REVENUE



ASB, ICAI

AS 9, Revenue Recognition

- Entities may have postponed recognition of revenue due to significant uncertainty of collection in view of the impact of COVID-19.
- AS 9 requires entities to disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

MODIFICATIONS OR TERMINATION OF CONTRACTS OR ARRANGEMENTS



ASB, ICAI

Certain contracts within the scope of other Ind ASs or ASs or Guidance notes highlighted below may need to be modified or terminated

Entities to Whom Ind AS is applicable	Entities to Whom AS is applicable
Ind AS 19, <i>Employee Benefits</i>	AS 15 Employee benefits (revised 2005)
Ind AS 102, <i>Share-based Payments</i>	Guidance Note on Accounting for Employee Share Based Payments
Ind AS 109, <i>Financial Instruments and Ind AS 32, Financial Instruments - Presentation</i>	Guidance Note on Accounting for Derivative Contracts (Issued 2015)
Ind AS 104, <i>Insurance Contracts</i> For insurance companies this is routine; events like earthquake, huge floods, war situations, etc.	--
Ind AS 115, <i>Revenue from Contracts with Customers</i>	AS 7 Construction Contracts (revised 2002) AS 9 Revenue Recognition) Guidance Note on Accounting for Real Estate Transactions (revised 2012)

INCOME TAXES



ASB, ICAI

Ind AS 12, *Income Taxes*

- The COVID-19 could affect future profits and/or may also reduce the amount of deferred tax liabilities and/or create additional deductible temporary differences due to various factors (e.g., asset impairment).
- Entities with deferred tax assets should reassess forecasted profits and the recoverability of deferred tax assets in accordance with Ind AS 12 considering the additional uncertainty arising from the COVID-19 and the steps being taken by the management to control it.
- Management might also consider whether the impact of the COVID-19 affects its plans to distribute profits from subsidiaries and whether it needs to reconsider the recognition of any deferred tax liability in connection with undistributed profits.
- Management should disclose any significant judgements and estimates made in assessing the recoverability of deferred tax assets, in accordance with Ind AS 1.

INCOME TAXES



ASB, ICAI

AS 22, Accounting for Taxes on Income

- COVID-19 could affect future profits and/or may also reduce the amount of deferred tax liabilities and/or create additional timing differences due to various factors.
- Entities with deferred tax assets should reassess forecast profits and the recoverability of deferred tax assets in accordance with AS 22 considering the additional uncertainty arising from the COVID-19 and the steps being taken by the management to control it.

INTERIM FINANCIAL STATEMENTS



ASB, ICAI

Ind AS 34, *Interim Financial Reporting* and AS 25, *Interim Financial Reporting*

- Recognition and measurement guidance applicable to annual financial statements equally applies to interim financial statements.
- No recognition or measurement exceptions for interim reporting.
- Management might have to consider whether the impact of the COVID-19 is a discrete event for the purposes of calculating the expected effective tax rate.
- Additional disclosure should be given to reflect the financial impact of the COVID-19 and the measures taken to contain it.
- Disclosure should be entity specific and should reflect each entity's circumstances.
- Where significant, the disclosures required by paragraph 15B of Ind AS 34/ paragraph 16 of Ind AS 25 should be included.

IMPACT ON INTERNAL CONTROLS FRAMEWORK



- Entities may need to implement new internal controls or modify existing ones
- Entities will need to consider operating effectiveness of controls
- Entities should assess any breakdown in review-type controls or the inability of individuals to perform control duties because of absences
- Entities should also consider how a lack of information may affect management's ability to effectively operate controls
- Entities will need to ensure that they have properly designed and implemented controls related to the selection and application of GAAP for the accounting and disclosure issues arising from COVID-19
- If an existing control cannot be performed, management may need to identify alternative appropriately designed controls to compensate for the lack of information.

BUSINESS AND OPERATIONAL CONSIDERATIONS IN PREPARATION FOR A REMOTE CLOSE

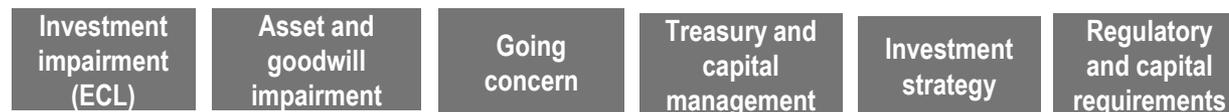


ASB, ICAI

Current business environment may introduce **significant risk** to period-end close and financial reporting processes

- 1 Close may **take longer** with a remote workforce
- 2 Abrupt changes to the macroeconomic environment will create **incremental requirements**
- 3 The SEBI and other regulators have and may further **revise regulatory guidelines and deadlines**

Business disruption will drive complexity in technical accounting, regulatory reporting and other operational considerations

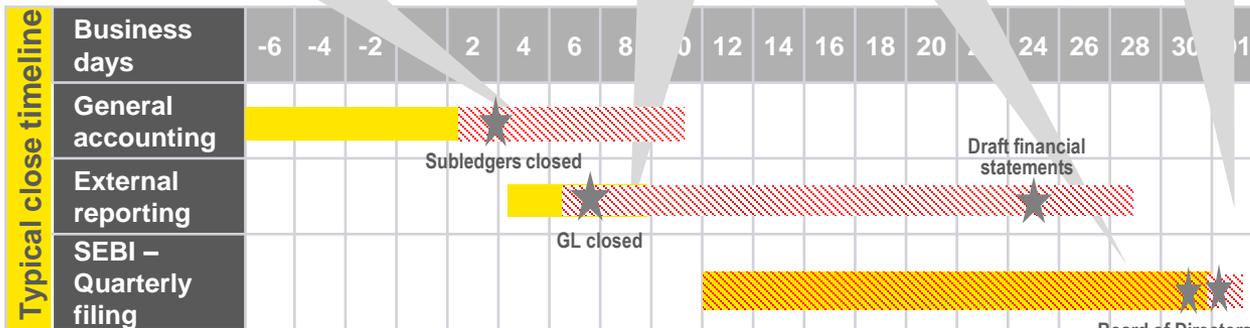


Expect delays in processing time due to capacity constraints and access to financial systems

Allow for time to address incremental requirements (e.g. estimates, accruals)

Expect a reduced timeline for executive and Board review

45 days filing extension for quarterly results filing



Legend: Current close calendar Expected adjustments this cycle ★ Key date/event

Finance leaders should answer these questions to assess their situation holistically

- ▶ How will your **business forecast change** for the remainder of the fiscal year?
- ▶ Should you reformulate the **business model**, analyze **liquidity** or review your **capital allocation** strategy?
- ▶ How will you address incremental **SEBI reporting** needs, changes to regulatory requirements, revisions to earnings guidance and impacts on disclosures?
- ▶ Do you have people/process **redundancy** in Finance around the world to compensate for illness/absence (and avoid single-point process failure)?
- ▶ How will you make judgmental **estimates** with reasonable accuracy in the current environment? Who is going to **make the decision** and how is it **communicated**?
- ▶ Where do you rely on **manual controls** and which are at increased risk in a remote workforce environment?
- ▶ Where are your **manual processes**? How critical are they?
- ▶ What systems are not available via **remote access** or have highly limited access controls?
- ▶ What **collaboration tools** are available and do your people know how to use them?
- ▶ What **systems support** resources will be available during the Close process?
- ▶ How will **review and audit committee** meetings work in this environment?

Strategic
Tactical

LEADING PRACTICES IN COMPLETING A REMOTE CLOSE



ASB, ICAI

Potential period-end close modifications

- ▶ Set up a **virtual command center** to manage communications between relevant stakeholders, including a **dedicated or semi-dedicated systems support resource** to enable rapid response to connectivity issues.
- ▶ **Ensure VPN capacity, system access** and align with InfoSec to enable remote access.
- ▶ **Re-sequence your close calendar** to take into account likely delays in normal close activities. Some activities include closing accounts prior to period-end, performing workday assessments to identify potential bottlenecks, implementing a plan for **mock close** cycle to test remote readiness, and anticipating review logistics and data requirements.
- ▶ Consider opportunities to **shorten close activities**. Some examples include shifting non-key accounts into non-quarter end months, using estimates for accruals, simplifying allocation methodology and approach, implementing new materiality thresholds for non-key account reconciliations, increasing approval limits for close adjustments.
- ▶ **Risk rank accounts** likely to require additional analysis given the current economic environment and resource appropriately.
- ▶ **Continued ability of remote centers to support the close** through backup and sustainability planning for offshore support centers.
- ▶ Standardize templates and enforce procedures to ensure consistency and **streamline review cycles**
- ▶ Re-think ways of working to be **remote-friendly** (collaboration tools, set hours, check-in expectations, etc.)
- ▶ Pursue additional **automation opportunities**. Some examples include automating interfaces, allocations, implementing workflow tools (e.g. BlackLine).

Prepare for your first remote close by implementing a rigorous governance and tracking process



Prepare to manage the close



Consider your meeting cadence



Rigorously execute



Set guidelines for working remotely

Leverage leading practices for virtual ways of working to drive efficiency in period-end close process



Team interaction

- ▶ Teams are made of people – spend more time on personal connections than normal
- ▶ Maintain daily contact, matching office hours and standing meetings as if onsite
- ▶ Hold 1-1 touchpoints with key business partners (start with daily)
- ▶ Align on cadence (roles and responsibilities)
- ▶ Let others know you have seen a request and will address



Meetings/
working sessions /
workshops

- ▶ Teams are made of people – spend more time on personal connections than normal
- ▶ Maintain daily contact
- ▶ Match office hours/standing meetings as if onsite
- ▶ Hold 1-1 touchpoints with key business partners
- ▶ Align on cadence
- ▶ Let others know you have seen a request and will address
- ▶ Build flexibility into required meetings



E-mail

- ▶ Verify full contact information in signature, including cell phone
- ▶ Intentional Subjects: e.g., Request: Send me xyz...
- ▶ Structured, short notes with short paragraphs and bullets
- ▶ Be purposeful in who is included in 'to' and who is a 'cc' for awareness only



Video conferencing

- ▶ Sign on with full name, group, and role
- ▶ Video - Use video chat (dress as you would at office)
- ▶ Sound - Make sure your mic is functioning at appropriate sound level, stay on mute when not speaking, and minimize background noise
- ▶ Share – Content, notes / actions, whiteboard
- ▶ Leverage more for 1-1 discussions



MS Teams,
Sharepoint,
Slack,
Google, etc.

- ▶ Formulate a flexibility schedule and close expectations to accommodate unavoidable personal circumstances (e.g., employees working while taking care of dependents)
- ▶ Dive into collaboration features that lend to virtualization
- ▶ Take advantage of landing pages, topic threads



Questions?



ASB, ICAI

Thank You

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