



Addressing the impact of COVID-19 Accounting operations

As we look at the market and the current economic state, it is clear finance functions need to quickly adapt to the associated direct and indirect impacts of COVID-19. This is specifically relevant from a financial reporting perspective. Challenges are mounting relating to immediate reporting requirements as finance teams plan for the next 30 days, the following 90, and the upcoming appropriate regulatory filing deadlines and year-ends for those organizations with off-calendar fiscals.

Weather the storm and emerge stronger

For the near future, the focus will shift from strategic and business partnering activities, to a focus on tactical and somewhat 'survival' activities in order to manage operational shutdowns, regressing economies, and a host of other unknown and rapidly evolving issues. With annual audits either completed or nearing completion, attention will be focused on addressing immediate business needs and reporting and, equally preparing to operate and report through the next reporting and filing cycle.



Financial accounting and reporting impact

The impact of COVID-19 has created a myriad of technical accounting and continuous disclosure challenges and requirements. Careful consideration will need to be made as to how recent events not only affects the current accounting positions and continuous disclosure requirements but how COVID-19 is ultimately going to affect the next reporting cycle, which will be likely be the first full quarter to reflect COVID-19 impact for most if not all. Common accounting issues which will need to be considered include going concern assessment and disclosures, the valuation and impairment of assets (including goodwill, receivables, inventory, capital assets, financial assets), revenue recognition, debt covenant violations and impact on debt classification.

Key priorities

- Assessing key accounting areas impacted early is crucial to understanding the financial reporting impact on an organization
- Identify the capabilities and expertise needed to implement the accounting and operational changes required and any gaps which may exist within a given team to be able to execute.



Finance function capacity

Finance teams will face capacity constraints due to disruptions caused by a remote workforce, personal situations (directly or indirectly), managing the increase in demands, and will likely have challenges in areas pertaining to:

- The execution of daily transactional processing and month-end close
- The construction of the upcoming Financial Statements, MD&A, and management reports while ensuring a timely and accurate output
- Managing and anticipating future accounting effort and expertise required to support stakeholder needs and expectations – owners, bankers, shareholders, and other impacted stakeholders

Key priorities

- Contingency planning for business continuity including leveraging surge remote resourcing and an augmented staff model to support capacity
- Ensuring teams have sufficient capacity to appropriately address ongoing needs

Cash flow reporting

Short term and long term financing requirements and impact assessments will require financial and non-financial information to inform critical decision making including cash flow requirements. One of the most important areas that will have a significant impact on the capability and capacity of finance is cash flow reporting, and the many iterations that follow. Organizations will likely face strain on their ability to produce accurate and timely cash flow reporting. Key stakeholders, such as lenders / banks, owners, boards, etc., will likely require this information with increased frequency, and in an easily consumable and accessible format.

Key priorities

- Cash flow dashboards to be used as a simple, concise and effective communication tools for use with stakeholders
- Expert review of model mechanics, inputs and assumptions for consistency with current and anticipated business operations.

Stakeholder communications

There will be a requirement to communicate performance to all impacted stakeholders at a frequency likely not experienced before. Compiling the data and composing a clear, concise message will be a challenge and an enhancement to the traditional approach to investor relations and stakeholder communications will be required in this new economic environment. With the upcoming reporting deadlines rapidly approaching, a thoughtful communication strategy pertaining to the following is critical:

- Provide transparent impact assessment of Q1 activities
- The outlook for upcoming quarters and beyond
- How the organization is responding to COVID-19
- How the organization is responding to the overall economic environment.

Key priorities

- Drafting communication and reporting plans relating to the impact of COVID-19 for all impacted stakeholders - Boards, Investors, Employees, owners, lenders and other communications including the MD&A and other performance related documents
- Striving to maintain and update the plan in real time
- Ensuring sufficient preparation time and for accurate and timely distribution.

Accounting and finance teams should have a tactical, real-time financial reporting plan, to address business, market and stakeholder needs related to the organizations COVID-19 response. Accounting treatments and team capability, finance team capacity, cash flow generation and reporting and communications will likely be the primary focus for the next 100+ days as organizations and finance teams look to weather the storm and, ultimately, emerge stronger.

Contact:

For more information on how to respond, recover and thrive:

- Connect to Deloitte leaders www.deloitte.com/COVID-19-leaders
- Visit www.deloitte.com/COVID-19

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