

Corporate sector asked to disclose Covid-19 impact on financial statements

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has directed the corporate sector to disclose the impact of the Covid-19 on financial statements of the companies for assessment of the pandemic on the company's financial position and the financial performance for the year/period.

In this connection, the SECP has issued circular number 26 of 2020 here on Tuesday on the disclosure of impact of the Covid-19 pandemic on financial statements of companies.

The SECP has issued circular to the chief executive officer, Pakistan Stock Exchange, Karachi; president, Institute of Chartered Accountants of Pakistan, Karachi, and president, Institute of Cost and Management Accountants of Pakistan, Karachi.

The specific disclosure for the impacts of the Covid-19 shall be required in the first set of annual or interim financial statements issued after this circular in which the entity provides the disclosures on the impacts of the Covid-19 on the carrying amounts of assets and liabilities or items of income and expenses as required under the relevant accounting and reporting standards.

According to the SECP, the outbreak of the Covid-19 pandemic and the lockdown situation in the country have impacted companies to varying degrees, having implications on the companies' operations, financial position, profitability, liquidity and in certain cases going concern.

Nonetheless, it is important for companies to ensure that all available information about the impact of Covid-19 on the company and its operations are communicated in a timely and cogent manner to its investors and stakeholders.

Recognizing the informational needs of the investors, potential investors, lenders and other stakeholders it is imperative that the financial statements should include a specific disclosure on the impacts of Covid-19 on company's financial position and financial performance for the year/period.

In view of the above, the SECP in exercise of powers conferred under section S 10 of the Companies Act, 2017 hereby requires companies to make following specific disclosure under a separate note titled 'Impact of Covid-19 on the financial statements':

- (i) The financial impact of Covid-19 on the carrying amounts of assets and liabilities or items of income and expenses, as required under the relevant accounting and reporting standards.

This note would be in addition to the information required to be disclosed in the financial statements under the relevant accounting and reporting standards as applicable in Pakistan.

In cases, where there is going concern uncertainty due to Covid-19, the specific disclosure shall also provide information about management actions and plans to mitigate/handle the adverse financial implications and operational changes.

In cases, where management has evaluated and concluded that there are no material implications of Covid-19 that require specific disclosure in the financial statements, this fact should be disclosed.

The specific disclosure in the financial statements on impacts of Covid-19 would be subject to the materiality considerations in the context of IAS-1, 'Presentation of Financial Statements'. This circular shall come into force with immediate effect, the SECP added.