



Alerte de votre conseiller - IFRS

Publication du bulletin *COVID-19 – Going concern considerations*

Août 2020

Sommaire

L'équipe IFRS de Grant Thornton International a publié le bulletin *COVID-19 – Going concern considerations* (disponible en anglais seulement).

Aperçu

On s'attend à ce que les répercussions de la COVID-19 aient une incidence importante sur l'hypothèse de continuité d'exploitation d'un grand nombre d'entités. En effet, il se pourrait que certaines entités qui étaient auparavant en situation de continuité d'exploitation ne le soient plus. Plusieurs devront exercer une grande part de jugement et prendre en considération l'incidence d'incertitudes significatives au moment d'évaluer leur capacité à poursuivre leur exploitation.

En conséquence, il est fort probable que les répercussions de la COVID-19 incitent encore davantage les entités à présenter dans leurs états financiers des informations destinées aux utilisateurs qui sont pertinentes et utiles, notamment en ce qui a trait à leur capacité à poursuivre leur exploitation; ces informations concernent ce qui suit :

- Les jugements significatifs et les estimations importantes qui ont été formulés lors de l'évaluation par la direction de la capacité de l'entité à poursuivre son exploitation;
- Toute incertitude significative existante;
- Les plans d'action de la direction vis-à-vis des incertitudes significatives existantes.

En outre, conformément aux dispositions de la Norme canadienne d'audit (NCA) 570, *Continuité de l'exploitation*¹, les auditeurs seront tenus d'évaluer le caractère adéquat des informations fournies par la direction au sujet de la capacité de l'entité à poursuivre son exploitation.

La publication du bulletin *COVID-19 – Going concern considerations* traite des moyens d'améliorer l'information communiquée au sujet de la capacité des entités à poursuivre leur exploitation.

¹ La NCA 570 comprend les mêmes exigences que la Norme internationale d'audit (ISA) 570 *Continuité de l'exploitation* discutée dans la publication.



Ressource

Le bulletin *COVID-19 – Going concern considerations* est joint à la présente *Alerte de votre conseiller - IFRS*.

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À propos de Raymond Chabot Grant Thornton

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COVID-19: Going concern considerations

Improving disclosure surrounding going concern

The impact of COVID-19 is expected to have a significant impact on the going concern assumption for a large number of entities. Some entities which were previously a going concern may no longer be. Many entities will need to apply significant judgement and will be required to consider the impact of material uncertainties in assessing the entity's ability to continue as a going concern.

Therefore, it is likely the impact of COVID-19 will put added pressure on entities to disclose in their financial statements information for users that is relevant and useful. In respect of the entity's ability to continue as a going concern:

- significant judgements and estimates made in management's assessment
- any material uncertainties in existence
- management's plans to address the material uncertainties that exist.



Financial reporting requirements

IAS 1 contains guidance related to the going concern assumption and outlines when financial statements are prepared on the assumption the entity will continue as a going concern. IAS 1 explicitly states that at each reporting date, management is required to assess the entity's ability to continue as a going concern and consider all available information about the entity's future. Management should consider a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing and the ability to continue providing services. If management concludes that the entity may be liquidated (either by choice or because it has no realistic alternative but to do so), the going concern assumption would not be appropriate and the financial statements may have to be prepared on another basis, such as a liquidation basis. If there is material uncertainty about the entity's ability to continue as a going concern, the entity should include going concern disclosure in the notes to its financial statements.

Significant judgements and sources of estimation uncertainty

In addition to the above required disclosures for going concern, disclosures for significant judgement and sources of estimation and uncertainty are also relevant.

Significant judgments

IAS 1 requires that when significant judgement has been involved in concluding whether or not there are material uncertainties that cast significant doubt upon an entity's ability to continue as a going concern, these judgements should be disclosed. This includes judgements where entities conclude:

- that there are significant uncertainties that cast doubt over the entities ability to continue as a going concern, but the entity has ultimately determined that financial statements should be prepared on a going concern basis
- there are no material uncertainties related to events or conditions that cast significant doubt over the entities ability to continue as a going concern.

Sources of estimation uncertainty

IAS 1 also requires disclosure of sources of estimation uncertainties. This involves disclosing information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period. In respect of the going concern assessment this is disclosing those amounts that could potentially result in a material adjustment to the carrying values of assets and liabilities within the next financial period. Entities should disclose, in relation to those assets and liabilities, details of their nature and their carrying amount at the end of the reporting period.

Period of assessment

IAS 1 explicitly states that at each reporting date, management is required to assess the entity's ability to continue as a going concern and consider all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. As a result, all events that occur during an entity's subsequent events period should be considered when evaluating whether there is significant doubt about the entity's ability to continue as a going concern. In other words, even if events during the subsequent events period are not considered adjusting subsequent events, they should still be incorporated into the going concern assessment. Furthermore, events or conditions that cast significant doubt on an entity's ability to continue as a going concern should be disclosed if there are material uncertainties or if a significant amount of judgment is involved in reaching the conclusion about whether the going concern assumption is appropriate. IFRIC agenda decisions from July 2010 and July 2014 should be taken into consideration here.

Practical insight – Period of assessment

We recommend caution when considering the relevant period of assessment for going concern. There has been modification to the auditing standards at a local level for some jurisdictions. These include Australia, New Zealand and the UK. They stipulate the auditor must ensure that management has considered a period of no less than 12 months from the date of approval of the financial statements.

Auditing disclosure requirements for going concern

When applying IFRS, an auditor is required to consider the adequacy of disclosures in relation to management's assessment of going concern.

Auditing standard ISA 570 'Going Concern' sets out specific disclosure expectations where there are events or conditions that may cast doubt on the entity's ability to continue as a going concern including:

- the principal events or conditions that may cast doubt on the entities ability to continue as a going concern
- management's plan for dealing with such events or conditions
- that there is a material uncertainty related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (if applicable)
- where there is a material uncertainty identified, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Conflict between accounting and auditing standards

Although preparers are not required to comply with auditing standards, in order for an auditor to meet the requirements of ISA 570 they are required to assess whether the disclosures in the financial statements in relation to going concern are adequate based on the requirements and guidance in the auditing standards.

Whilst the auditing standards are specific in required disclosures where there are events or conditions that may cast doubt on the entity's ability to continue as a going concern, the accounting standards are not specific. There is therefore judgement involved in how an auditor concludes that the disclosures in relation to going concern are adequate, particularly when the assessment involves significant judgement or material uncertainties. We therefore recommend engaging with the auditor soon after commencement of the audit.

Best practice

A key component of assessing going concern is to report all the material uncertainties that exist at the date of approval of the financial statements in a clear and concise way. We recommend building going concern disclosures which provide information about events and conditions that cast doubt over the entities ability to continue as a going concern, even if the entity has concluded the going concern basis is still appropriate. This includes disclosing judgements and assumptions made as part of whether the going concern assumption is appropriate.

How Grant Thornton can help

Preparers of financial statements will need to be agile and responsive as the situation unfolds. Having access to experts, insights and accurate information as quickly as possible is critical – but your resources may be stretched at this time. We can support you as you navigate through accounting for the impacts of COVID-19 on your business.

Now more than ever the need for businesses, their auditor and any other accounting advisors to work closely together is essential. In this article is general information, not specific advice. However, if you would like to discuss any of the points raised, please speak to your usual Grant Thornton contact or visit www.grantthornton.global/locations to find your local member firm.

