

**ACCOUNTING
FOR
COVID-19
ANNEXURE**

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ACCOUNTING STANDARDS BOARD

Annexure – Questions raised by stakeholders

This Annexure accompanies the document “Accounting Implications of COVID-19” and has been prepared by the Secretariat of the ASB.

This document outlines high-level considerations that entities should consider in dealing with issues related to the accounting implications of COVID-19. It is not a substitute for a complete review of the relevant Standards and the application of their principles to specific transactions or events.

The document may be updated on a periodic basis, if needed.

1. Should the classification of assets be changed at reporting date?

Assets are classified as types of assets, e.g. property, plant and equipment, and investment property, and as classes of assets, e.g. infrastructure and community assets, based on how the assets are used at reporting date. In responding to the need to provide certain services on an emergency basis, the use of assets may have temporarily changed. As an example, a building or structure that would otherwise meet the definition of investment property is being used by the entity as a field hospital or a quarantine facility.

Entities should consider whether the classification of assets as types and classes of assets is appropriate at reporting date. A key consideration may be whether the overall purpose and objective for holding the asset as well as its intended use has changed significantly. As an example, if a structure has a long useful life and is being used for a short period of time to deliver services rather than to generate rental, the overall purpose for holding the asset and its intended may not have changed.

[Added in June 2020]

2. Do temporary changes to use of assets affect whether they are impaired at year end?

The requirements of GRAP 21 or GRAP 26 should be applied to assess whether there is any indication that an impairment loss should be recognised. The following indicators may be important in considering whether there is any indication of impairment where the use of an asset has changed:

- *There are significant long-term changes that have occurred, or are expected to occur, in the way or extent to which an asset is used (GRAP 21) - This indicator implies more than just a temporary change in the use of an asset. The change should be significant, as well as be a clear change affecting the long-term use of the asset.*
- *Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite (GRAP 26) - While there is no specific reference to a time limitation for this indicator in GRAP 26, it is important to note that any change in how the asset is used, or the extent to which it is used, should be significant.*
- *There has been a decision to halt the construction or development of an asset before it is complete or in a usable condition (GRAP 21 and GRAP 26). Entities may need to distinguish temporary delays in the construction and development of assets as a result of the COVID-19 crisis versus a clear decision by the entity to no longer continue with the construction or development of an asset.*

In all instances, judgement will need to be applied to the specific facts and circumstances to assess if there is any indication that an asset is impaired. [Added in June 2020]