



# COVID-19: CFO in Action

3 April 2020

KPMG in Thailand

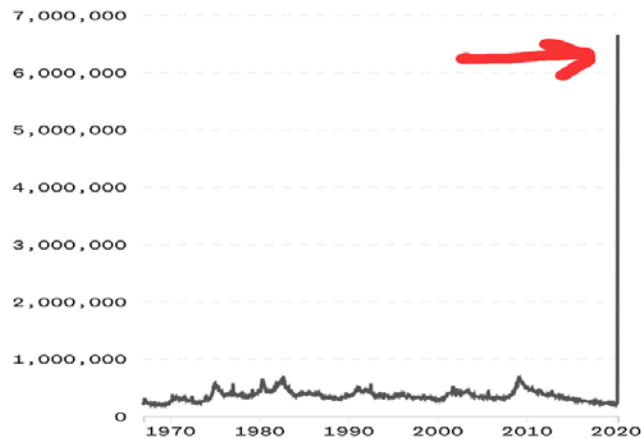


# COVID 19 - Overview

## Total Confirmed

Country	1 March 2020	Today
China	79,826	82,456
South Korea	3,736	10,062
Italy	1,128	115,242
Iran	978	50,468
Japan (incl. Diamond Princess)	946	2,617
USA	71	245,540
Thailand	42	1,978
<b>Global confirmed</b>	<b>87,589</b>	<b>1,016,128</b>

Source: Johns Hopkins



Source: U.S. Employment and Training Administration via Federal Reserve Bank of St. Louis  
Graphic: Nigel Chiwaya / NBC News

## Thailand Key Economic Figures

### GDP

FY 2020 **-3% to -5%**  
FY 2021 **+3% to +4%**

### EXPORT

FY 2020 **-3.4% to -6.8%**

### Biggest % Drops

Transport services  
Recreational activities  
Accommodation

### Most Impacted Sectors (Absolute terms)

Trade  
Agriculture  
Manufacturing goods  
(chemicals, electronics, refined oil)

Source: World Bank. East Asia and Pacific Economic Update

# CFO Challenges - Establishment of Cash Steering Committee



## Member of Cash Steering Committee

The members of Cash Steering Committee should comprise **senior management** from each critical business function.

## Daily monitor of Cash Flow Forecast

A robust short-term **daily/weekly Cash Flow Forecast** should be developed and **monitored** on a daily basis

## Sensitizing your cashflow stress testing scenarios

Undertake cash flow **stress testing**, applying base case and worst case scenarios.

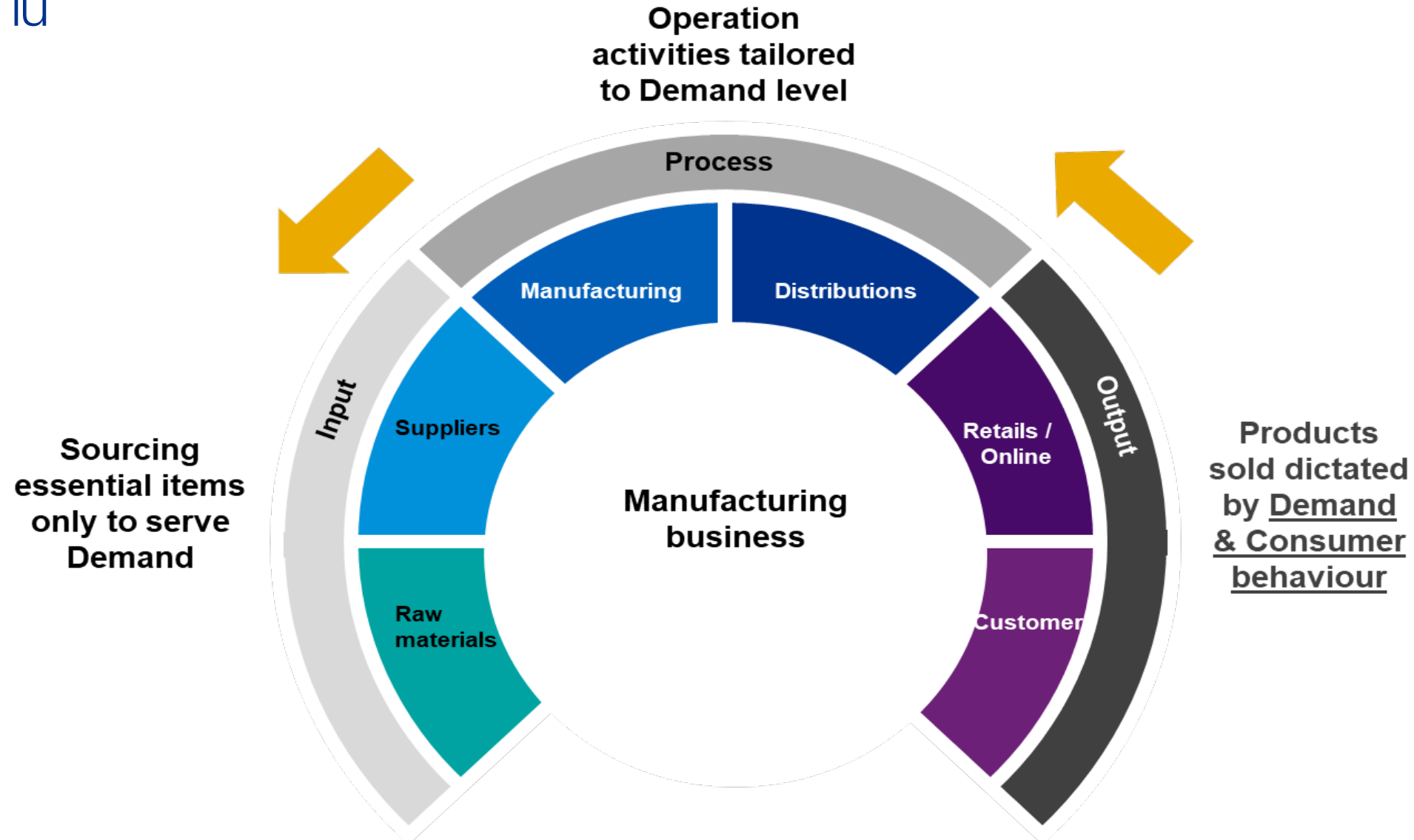
## Authorize every cash payment

All spending to be approved in **centralized** unit

## Seeking for funding, if required

**Engage early** with lenders and investors to discuss any potential funding requirements

# CFO Challenges - Consider how key business value chains will be impacted by demand



# CFO Challenges - Know where Quick-wins are and build simple cash forecast

## Quick-win in preserving cash

### Customer

- Engage discussion early
- Accelerate billing for completed work
- Follow up on overdues
- Explore discount incentives

### Suppliers

- Engage discussion early
- Negotiate extended payment terms
- For critical Suppliers – ask for discounts if settle early.
- Related parties

### Inventory

- Revise production and procurement plan
- Identify / sell-off obsolete / short shelf-life stock

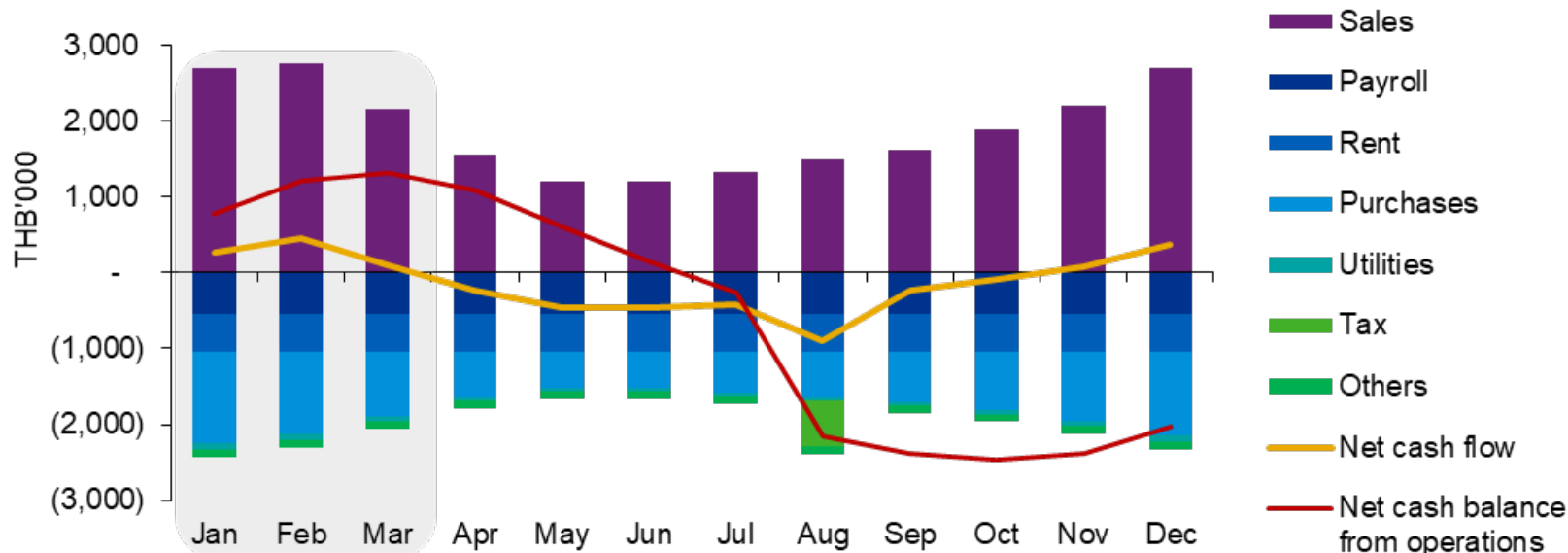
### Expense review

- Cut-back on non-critical expense (e.g. Marketing, PR, R&D)
- Request rental deferral
- Postpone non-critical investments / projects

**Engage banks/lenders early** if additional funding is required, to support day-to-day operation:

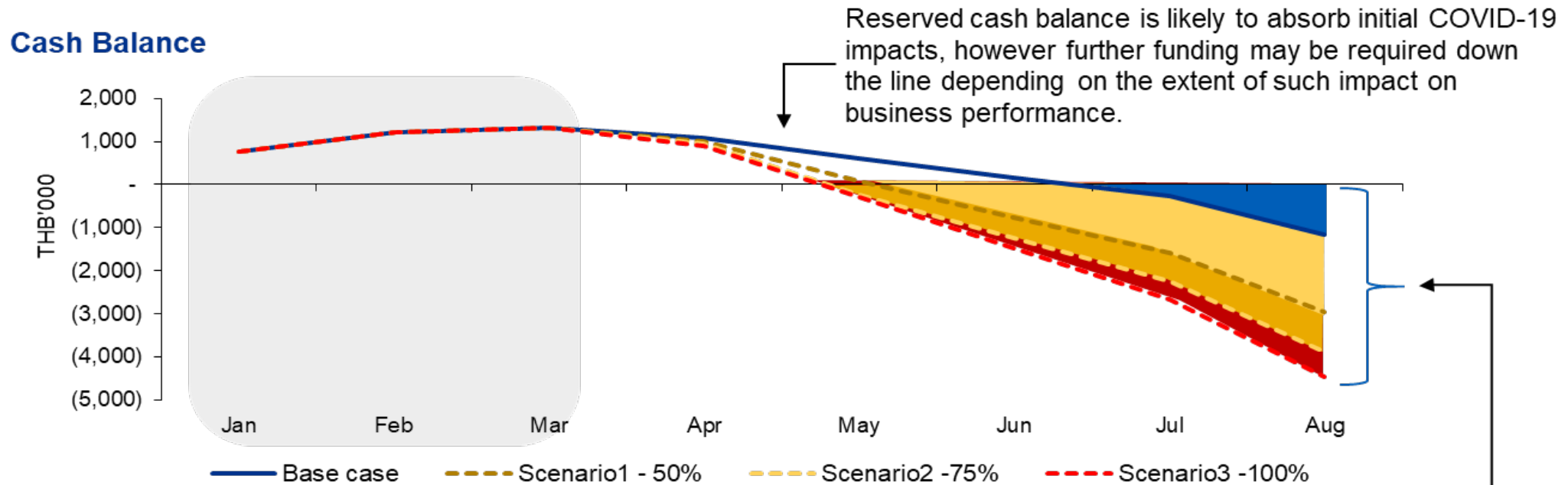
- Factoring receivables
- Overdraft facility
- Long term Loan facility

## Cash Flow Forecast - Base case



- Key forecast inputs will be based on Management **realistic** judgement and factor in possible areas of cost saving.
- Monitor cash being trapped in receivables and inventory and **unlock** them early.
- Vital to perform **stress test** on your assumptions and have different scenarios

# CFO Challenges - Stress testing



Key assumptions on stress testing				
	Base case	Scenario 1	Scenario 2	Scenario 3
Sales volume	Estimates	50% Reduction	75% Reduction	100% Reduction
Sales price	Same level	10% Reduction	15% Reduction	-
Collection of credit sales	30 days	45 days	60 days	75 days
Supplier payment	30 days	30 days	30 days	30 days
New machinery	Postponed	Postponed	Postponed	Postponed

Running stress testing help management to identify potential funding requirement in advance.

# COVID-19 Accounting Hot Topics

Revenue

(IFRS 15)

Expected credit  
loss (ECL)  
assessment

(IFRS 9)

Assets  
impairment  
(including ROU asset)

(IAS 36)

Fair value  
measurement

Other accounting  
estimates

Going concern

Disclosures

# COVID-19 reminders

See a full list of COVID-19 related reminders on our [COVID-19 | Financial reporting Resource centre](#) page.



Insights Industries Services

## COVID-19 | Financial reporting

### What is the impact on revenue-cycle accounting?

- Are customer contracts still enforceable?
- Are revenue estimates up to date – e.g. variable consideration, measure of progress?



Global IFRS Institute | KPMG quick guide on COVID-19

The World Health Organisation has declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments are taking stringent steps to contain and/or delay the spread of the virus.

Actions taken in response to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

In addition, oil prices have declined dramatically after OPEC and Russia were unable to agree on production cuts at their March 2020 meeting.

These events and conditions create a level of uncertainty and risk that companies may not have encountered before, and may result in significant financial reporting implications for preparers of financial statements. This resource centre focuses on the potential financial reporting impacts for 2020 period ends.

The FAQs below can help you better understand the potentially significant accounting and disclosure implications for your company, and the actions management can take now.

This resource centre will be continually updated as other significant accounting and reporting issues arise, so we encourage you to bookmark this page and check back frequently for updates.

### Are assets being carried at appropriate amounts?

- Have non-financial assets become impaired – e.g. PPE, intangible assets and goodwill?
- Are fair values appropriately determined?

### What are the key financial instruments impacts?

- How have economic forecasts used to measure expected credit losses been updated?
- How has the credit risk of borrowers and other debtors been reassessed?
- Are fair values appropriately determined?
- Hedge accounting

### What are the relevant going concern considerations?

- Do events or conditions cast significant doubt on the company's ability to continue as a going concern?

### What is the impact on revenue-cycle accounting?

- Are government grants recognised in the right period and appropriately measured?

### Are all liabilities fully recorded and properly presented?

- Has COVID-19 resulted in an unavoidable liability or a loss-making contract?

### What is the impact on employee benefits?

- Have there been changes to employee benefits and employer obligations?







## Contact us



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