



COVID-19: Impact to financial statements & TFAC accounting relief

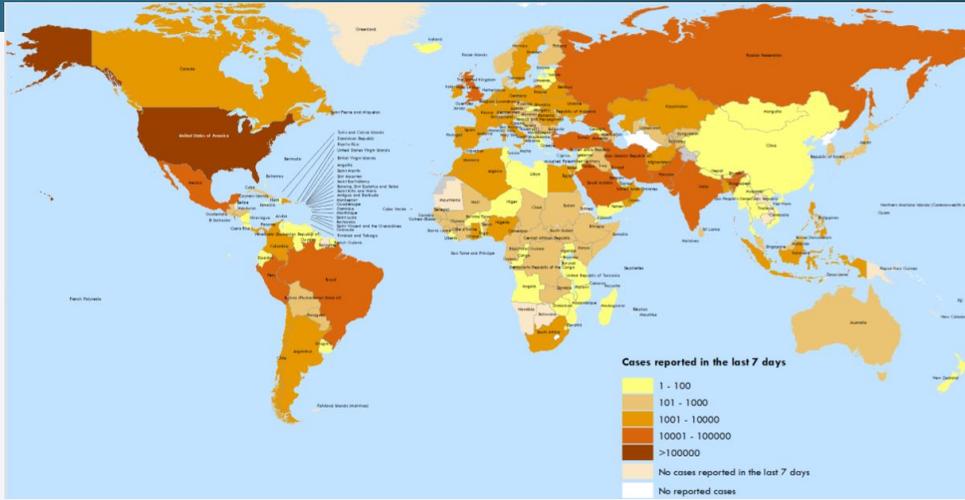
15 May 2020

KPMG in Thailand



COVID-19 Overview

Number of confirmed COVID-19 cases reported in the last seven days by country



Source: WHO Situation Report, 11 May 2020

Real GDP

Continent	2020	2021
Asia	-0.1	7.7
South East Asia	-0.7	7.4
Europe	-6.7	4.4
North America	-6.0	4.5
South America	-5.0	3.4
Middle East	-4.0	3.7
Australia	-6.7	6.1

Source: IMF World Economic Outlook, April 2020

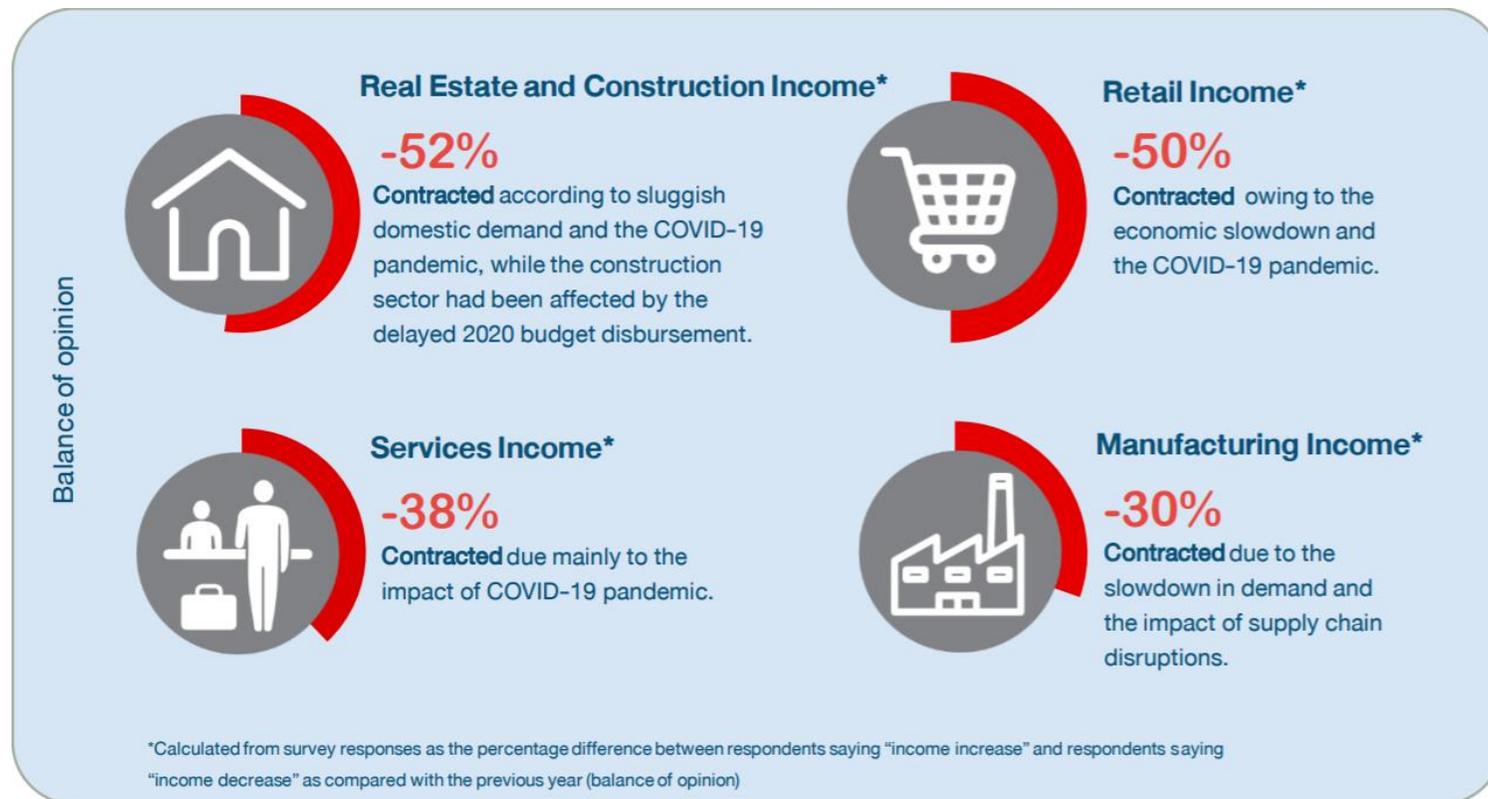
Impacts of COVID-19 by sector

Continent	Sector														
	Aviation & tourism	Entertainment & recreation	Construction	Real estate	Manufacturing	Energy	Financial services	Retail (non-food/pharma)	E-commerce	Logistic & shipping	Hi-tech	Food production & retail	Delivery services	Health, medical & pharma	Online technology
Asia	Declining	Declining	Declining	Stable	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing
South East Asia	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Growing	Growing	Growing	Growing
Europe	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing
North America	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing
South America	Declining	Declining	Stable	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing
Middle East	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing
Australia	Declining	Declining	Stable	Declining	Declining	Declining	Declining	Declining	Declining	Declining	Stable	Growing	Growing	Growing	Growing

Source: KPMG publication "COVID-19 pulse check", April 2020

Summary of business conditions in Thailand

Businesses viewed that the Thai economy contracted in all business sectors, and half of them expected the economic condition will deteriorate in the next 12 months



Source: BOT Business Outlook Report, Quarter 1/2020

Summary of business conditions in Thailand

Rent Concessions
(Lessee)

Impairment
(Non-Financial Assets)

Balance of opinion



*Calculated from survey responses as the percentage difference between respondents saying "income increase" and respondents saying "income decrease" as compared with the previous year (balance of opinion)

Provisions

Expected Credit Losses
(ECLs)

Source: BOT Business Outlook Report, Quarter 1/2020

Rent Concessions - Lessee

Applicable for those who received written evidence

TFRS 16

- Find new discount rate at the effective date of lease modification
- Remeasure lease liability
- Adjust right-of-use (ROU) asset

TFAC accounting relief

(Financial statements for the period ending 1 Jan – 31 Dec 2020)

- Remain discount rate
- Recognize actual lease deduction
- Reverse interest expense of lease liability
- Reverse depreciation of right-of-use (ROU) asset
- The differences go to profit or loss



Impairment of non-financial assets

Applicable for those who neither had an indicator nor an impairment loss

TAS 36

Indicator - base

- Impairment indicators

Annual-base*

- Best estimate
 - Severe impact
 - Forecast when to recover
- Sensitivity analysis

TFAC accounting relief

(Financial statements for the period ending 1 Jan – 31 Dec 2020)

- Excluding COVID-19 situation as impairment indicators

- Excluding COVID-19 situation from cashflow projection and financial assumptions

(*Goodwill, Indefinite intangible asset, Indefinite intangible not yet available for used)



Expected Credit Losses (ECLs) – Simplified approach*

TFRS 9

- Incorporate COVID-19 into the measurement of ECLs with forward-looking information

TFAC accounting relief

(Financial statements for the period ending 1 Jan – 31 Dec 2020)

- Excluding forward looking information in average loss rate
- Using historical credit loss
- Management judgment



*Simplified approach applicable for trade receivables, lease receivables and contract assets

TAS 37

- Recognition of provision for
 - loss-making sale or purchase contracts
 - Penalty from struggling in fulfilling legal or contractual obligation

TFAC accounting relief

(Financial statements for the period ending 1 Jan – 31 Dec 2020)

- Excluding COVID-19 situation when considering whether there is a present obligation arising from past events



Accounting Journey



Negotiate



Modified contract



Collect credit loss information



Consider economic impact



Update ECL model



Revisit existing contract



Monitor project plan



Revise project plan



Reassess project cost to be complete



Financial statements



Update business plan



Revise projected cashflow



Consider recoverable amount

Moving forward...

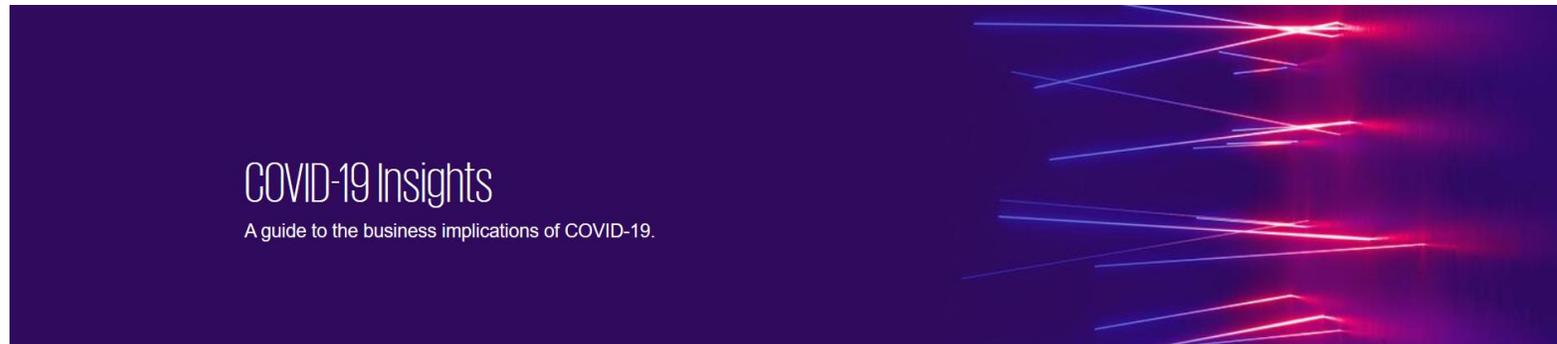


Picture source: <https://www.cavie-acci.org/en/developing-a-business-model-that-works/>

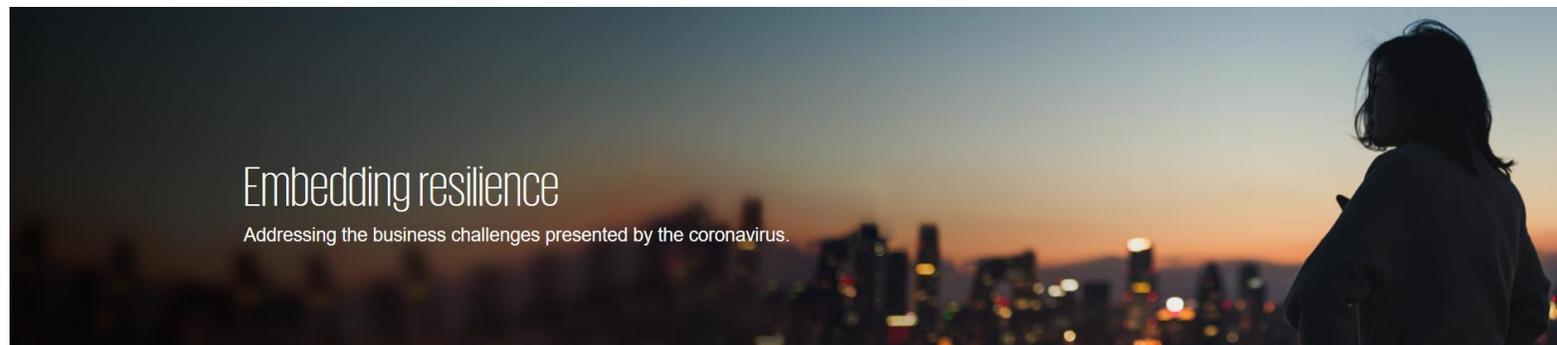
COVID-19 Information

- For more information on COVID-19, please visit our resource centers as below links

<https://home.kpmg/th/en/home/insights/2020/03/covid-19.html>



<https://home.kpmg/xx/en/home/insights/2020/03/the-business-implications-of-coronavirus.html>





Contact us



Wilai Buranakittisopon

Audit Partner

T: +662 677 2116

E: wilai@kpmg.co.th



Thanit Osathalert

Audit Partner

T: +662 677 2290

E: thanit@kpmg.co.th



Yuvanuch Thepsongvaj

Audit Partner

T: +662 677 2332

E: yuvanuch@kpmg.co.th



Surayos Chuephanich

Advisory Partner

T: +662 677 2752

E: surayos@kpmg.co.th



home.kpmg/th



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