

An autonomous body under Ministry of Commerce established under the Bangladesh Chartered Accountants Order, 1973
(President's Order No. 2 of 1973).

1/1/ICAB/TD/10

15 April 2020

To: All Members of ICAB

Dear Sir,

**RE: CONSIDERING POTENTIAL IMPACT OF CORONA VIRUS (COVID-19) OUTBREAK
ON FINANCIAL REPORTING AND AUDITING IN BANGLADESH**

You are well aware that the COVID-19 pandemic has already created worldwide challenges at unprecedented level for trade, business and financial markets with consequential adverse impact on overall global economy including Bangladesh. Because of these events, among others, preparation and presentation of financial statements and other related reporting as well as audit of those financial statements would require certain specific considerations.

To assist ICAB members in business/service involved in preparation and presentation of the financial statements in line with IFRS and/or other applicable financial reporting standards/regulations and members in practice engaged in conducting the audit of such financial statements in accordance with ISA, the Technical and Research Committee (TRC) of the Council-ICAB is pleased to issue the attached document '**Annexure A**' addressing the related financial reporting and auditing issues emerging from COVID-19 outbreak.

The potential impacts of COVID-19 outbreak will be varied by industry and entity. Therefore, the attached document should be considered in line with the nature of each individual entity and the risk profile of that industry. However, from Bangladesh perspective we observe that the following business/industry segments will be more impacted than others at least during initial stages:

- Export oriented industries including its backward linkage due to cancellation/deferral of order;
- Travel, tourism and hospitality industries on account of both lower domestic and international demand and restrictions as well;
- Banking sector due to deferral of loan repayment, slower credit growth and stress of borrowers;
- Insurance companies due to lower renewal and returns from investment, and expected higher claims/refunds and incurred but not reported (IBNR) reserves from COVID 19 related matters;
- Construction and manufacturing sectors if government and private sector projects are delayed; and
- Any business/entity with high reliance on foreign remittance from expatriate Bangladeshis.

Since this is rapidly changing environment with great uncertainty on when this Pandemic can be contained, our preliminary assessment is based on the available information as of the date of this letter and subject to significant changes in coming days.

Considering immediate needs of our members, this document is mainly focused on annual reports for the period/year ended on 31 December 2019 and 31 March 2020. For those entities having 31 December 2019 year-end, primary consideration should be going concern assessment due to subsequent impacts of COVID-19 and related disclosure as most of likely COVID-19 impacts would be

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a non-adjusting event at reporting date (Refer IAS 10 for more detail). For those entities with year-end on 31 March 2020 or even 30 June 2020, all COVID-19 impacts are adjusting events, requiring appropriate considerations as per IFRS and/or other applicable standards/regulations.

Although COVID-19 related impacts may have many aspects of financial reporting but key areas would be anything that would require future estimate of earnings/cash flows such as going concern, impairment, valuation, provision etc. In addition, revenue recognition and future recoverability of existing assets would be also key risk areas. Finally, supply chain disruption and impact of COVID-19 on buyer or supplier can also impact an entity. We have tried to cover these possible areas in the attached 'Annexure A'.

From audit perspective, revised and up to date assessment is required for materiality, risk of material misstatement, going concern threat, impairment indicators, Level 2 and 3 inputs for valuation, subsequent events, key audit matters and any scope limitation due to travel restrictions and lock down imposed by the Government. Based on assessment of these matters, modification of audit report and additional representation from management may be required along with use of experts in line with relevant ISAs. Regular communication with management and those charged with governance (i.e. audit committee) shall also be considered. All these matters are discussed in more details in attached 'Annexure A'.

Please note that this document is circulated for valued members of ICAB in short notice while government declared holiday is ongoing and hence if you have any further suggestions do not hesitate to share the same with us which can be incorporated in our next version. It is also worthwhile to inform you that there are many publications available on internet dealing with potential impacts from COVID-19 outbreak on financial reporting and audit, and our honorable members can make best use of those free publications easily accessible through simple Google search. IFAC has also made available contents to IFAC's [Covid-19 Resources](#) page, which are accessible for all to read and download.

We wish each of you a safe time during this crisis moment and pray to the Almighty for the earliest recovery from COVID-19 outbreak.

Thanking you,



Maj Gen Muhammad Imrul Quayes, ndc, psc (retd)

Secretary & CEO-ICAB

Encl: Annexure A