

UK Financial Reporting Season: UK Financial Reporting Council Publishes Advice to Companies and Auditors on COVID-19 Risk Disclosures

March 18, 2020

Updated on [March 20](#)

On 18 February 2020, the UK Financial Reporting Council (FRC) published advice to companies and auditors on COVID-19 risk disclosures. At that time, the FRC said the advice was particularly relevant for companies either operating in, dependent on supply chains in or having close trading associations with China and that, depending on the extent to which the virus spreads outside of China, other companies could also become affected. Given the rapid spread of COVID-19 in the month since the guidance was published, the FRC advice should be read more broadly.

The FRC encourages companies to consider carefully what disclosures they might need to include in their year-end accounts relating to these events.

The extent of the risk and the degree to which it might crystallise depends on companies' specific business circumstances. Examples given by the FRC include extensive operations or manufacturing in China, with consequential staff shortages and production delays. Other entities might not have a presence in the country but might have significant trading links or global supply chains that are dependent on Chinese manufactured goods being exported to the UK or elsewhere.

The FRC advises that companies should consider whether to refer to the possible impact of COVID-19 on their business in their reporting of principal risks and uncertainties. Where mitigating actions can be taken, these should also be reported alongside the description of the risk itself.

The FRC states that as well as possible inclusion within a company's disclosures of principal risks and uncertainties, the carrying value of assets and liabilities might also be affected with a need to perform additional impairment tests and to assess whether leases have become onerous. For December year-end reporters, these events would be likely to represent nonadjusting post-balance sheet events as at 31 December 2019, given that, at that date, few cases had been confirmed and the virus only just identified. However, for companies with later reporting dates, year-end balances might be affected.

The FRC notes that the required disclosures will likely change over time as more information about COVID-19 emerges. As a result, companies will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosure when preparing their year-end reports.

[Coronavirus resource hub](#)

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