The major emergency created by COVID-19 outbreak is undoubtedly an economic as well as a health emergency.

Although it is true that each case is different from the other, since the adoption of the first restriction measures, many businesses have experienced a significant economic impact on their economic activity, and, due to the continuation of lockdown and new scenarios unfolding, also a serious uncertainty on future developments.

For this reason, the legislator of Law decree, decreto-legge, 8 April 2020, n. 23 (Liquidity decree) has decided to introduce some “temporary” provisions dealing with the going concern of financial statements prepared in compliance with the provisions of the Italian Civil Code and National accounting standards, intervening, indeed, in a discussion already in place between the involved parties, on the adoption of technical provisions for the preparation of financial statements 2019. Moreover, it is worth considering that the pandemic and its related effects have spread exactly between period end and the date of approval of the financial statements, thus representing a subsequent event occurred after period end (art. 2427, co. 1, n. 22-quater, c.c.).

In the light of the above, the Fondazione Nazionale dei Commercialisti, in collaboration with the Società Italiana dei Docenti di Ragioneria e di Economia Aziendale (SIDREA), has published a first scientific contribution aimed at analyzing, in view of the current legal frame work, the enforceability of the going concern assumption as well as of some specific rules of the national accounting standards.

In general terms, the aim of the legislator is to “sterilize” the effects of the pandemic, maintaining the going concern assumption for those businesses that, had the health emergency not occurred, might have been able to continue as going concern and therefore to apply non “distorted” criteria.

The document has in itself “conscious” and declared limits since, for the time being, providing precise directions does not seem possible. The legislator in fact will have the possibility to intervene on the liquidity decree when it is converted into law and/or the Italian accountancy body (OIC, Organismo Italiano di Contabilità) may still consider to provide specific clarifications. It is worth highlighting that, the provisions of the decree, despite their clear scope, have raised questions as to their application, with different possible interpretations, for example concerning the date to be considered in order to establish the existence of going concern “before Covid-19”.

Moreover, the analysis provided cannot lead to an “ultimate” solution. The considerable variety of the existing records requires indeed the definition of “macro-circumstances”, leaving inevitably to the single businesses the responsibility to recognize the one they fall into and, as a consequence, to identify the best approach to be adopted for the preparation of the financial statements.

The document is therefore intended to detect any emerging critical issue and provide inputs on the appropriate methods to deal with the presentation of the company’s “health” in the light of the emergency.

In this perspective, the document makes a useful distinction between the businesses that, as of today, continue to operate under the going concern assumption (though possibly presenting uncertainties) and the businesses that do not meet such requirement, distinguishing the businesses that are experiencing a period of absence of going concern - hopefully temporary because related to Covid-19 - to which the liquidity decree is applicable, from those businesses that, irrespective of the pandemic, would have undergone, in any case, a situation of significant uncertainties.

The document deals also with other topics of great interest for the financial statements due to be shortly approved, as well as for the 2020 financial statements.

With reference to the information to be provided as of 31 December 2019, it is worth highlighting that the impairment test should be structured based on the assumptions that could be developed at period end, for example the definition of the cash-flows applied for measuring the value in use.

Last but not least, the current complicated situation necessarily requires exhaustive disclosures both on going concern and the analysis of how a company, in financial difficulties, is willing to respond to the emergency. For this reason, disclosures are of paramount importance, and the same goes for the illustration of the expected developments in the management and the analysis of risks, both included in the management report, if any. Evidently, the information combined together should be able to illustrate the current situation as well as the (likely) future scenarios the business will be faced with.

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