

Information related to coronavirus

Together with TREUHAND|SUISSE and veb.ch, we have been closely following the development of the spread of coronavirus and the related economic and legal implications since the beginning of the year. In our view, the following key findings can be derived from this (see also <https://www.treuhandswiss.ch/de/publikationen-medien/aktuelle-infos-zum-coronavirus/>, point 1.7):

1. Effects of coronavirus on the OR annual financial statements as at 31 December 2019

- The coronavirus outbreak and its fundamental effects on the economy did not occur until 2020. Therefore, there are basically **no accounting** adjustments due to coronavirus for the annual financial statements as at 31 December 2019.
- **Exception:** Depending on the extent of the impact, the possible effects may also jeopardise the ability of the company to continue as a going concern in accordance with Art. 958a para. 1 of the Swiss Code of Obligations (OR). If there are doubts regarding the company's ability to continue as a going concern, the auditor should include a corresponding addition or a modified audit opinion in the audit report.
- Furthermore, under “**Events after the balance sheet date**”, any significant effects of the coronavirus on the company's activities must be detailed in the notes to the financial statements.
- **Note:** Irrespective of the fact that the above-mentioned situation represents an event after the balance sheet date, the extraordinary situation with presumably strong financial consequences for individual companies makes it entirely conceivable, within the scope of the possibilities offered by the Swiss Code of Obligations, to examine the possibility of making additional depreciations or creating accruals as instruments to ensure the long-term prosperity of the company within the meaning of Art. 960a para. 4 CO and Art. 960e para. 3 item 4 CO.

2. Example texts for the notes

- **The going concern status is not at risk:**

The Emergency Committee of the World Health Organisation (WHO) declared a “Public Health Emergency of International Concern” on 30 January 2020 because of coronavirus. On 28 February 2020, the Federal Council classified the situation in Switzerland as a special situation under the Epidemics Act. In the meantime, further far-reaching measures have been taken by the federal government and the cantons, which also have restrictive and significant consequences for XY AG. Sales volumes and earnings have fallen significantly, which will considerably worsen the business result in 2020. An exact estimate of the financial effects is not possible at this time. We assume that the effects will not impact our ability to continue as a going concern.

Alternative:

The Emergency Committee of the World Health Organisation (WHO) declared a “Public Health Emergency of International Concern” on 30 January 2020 because of coronavirus. On 16 March 2020, the Federal Council classified the situation in Switzerland as an exceptional situation under the Epidemics Act.



An exact estimate of the financial effects on the 2020 business year of XY AG is not possible at this time. We assume that the effects will not impact our ability to continue as a going concern.

Going concern is at risk:

The Emergency Committee of the World Health Organisation (WHO) declared a “Public Health Emergency of International Concern” on 30 January 2020 because of coronavirus. On 16 March 2020, the Federal Council classified the situation in Switzerland as an exceptional situation under the Epidemics Act. In the meantime, further far-reaching measures have been taken by the federal government and the cantons, which also have restrictive and significant consequences for XY AG. Sales volumes and earnings have fallen significantly, which will considerably worsen the business result in 2020. An exact estimate of the financial effects is not possible at this time. However, these effects could be so serious that the ability to continue as a going concern is at risk. The Board of Directors has taken initial measures to ensure the continuation of commercial activity. This includes the assurance of the shareholders that, in the event of liquidity shortages, further funds will be made available or additional bank loans will be taken out in order to ensure the company’s solvency and thus its ability to continue operations.

⇒ **In the latter case, an addition must be made to the audit report.**

3. Example addition texts if the going concern is at risk

Without limiting our audit opinion, we draw attention to the note “Events after the balance sheet date” in the notes to the annual reports, where a material uncertainty in the assessment of the going concern status is shown. An exact estimate of the financial effects of the coronavirus situation on the 2020 business year of XY AG is not possible at this time. If the continuation of the company’s operations were to become impossible, the annual report would have to be prepared on the basis of sale values.

4. Example text for the letter of representation: coronavirus addition

The Board of Directors and the management have assessed the impact of the current COVID-19 situation on the company’s commercial activities. Based on this assessment, any significant effects of these events after the balance sheet date on the company’s liquidity, the valuation of its assets, the completeness of its liabilities and its ability to continue as a going concern have been duly disclosed in the notes to the company’s annual report until at least one year after the acceptance of the annual report as at 31 December 2019. Should our assessment change before the Annual General Meeting of Shareholders is held, we will inform you immediately.