

# How businesses should deal with the COVID-19 outbreak

The Coronavirus which hit the Chinese economy unexpectedly in January 2020 has been declared a global health emergency by the World Health Organization (WHO). With the crisis still continuing to spread, it places an increasingly heavy strain on businesses, giving rise to significant business issues and challenges. In the context of Covid-19 outbreak, entities should consider the accounting implications of these developments. This guidance addresses the issues that business should consider during the outbreak and some recommended key actions.



## 1. Finalization reports

The rapidly growing threat from the Covid-19 outbreak has caused huge impact on many firms globally, with flow-on implications for financial reporting of businesses. In event of the reporting period, the effects of Covid-19 subsequences to 31 December 2019 should be indicated as a non-adjusting event due to a limited number of cases of pneumonia had been reported to the WHO. A non-adjusting events is an event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

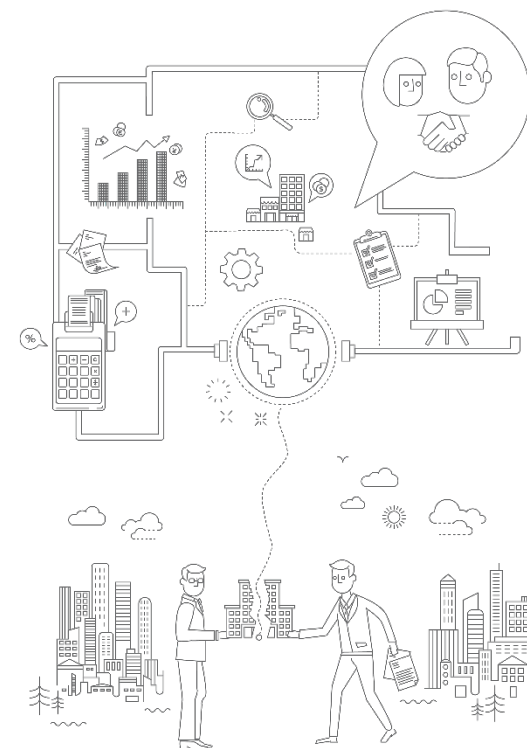
Management should ensure that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date.

The most significantly impacted entities are the ones whose operation in China or with Chinese-based entities. For entities have significant connection with trading companies or manufacturers in China, they will need to consider their disclosures if their businesses face possible disruption.

## 2. Business contract management

Existing contracts which are core to the business should be reviewed with a focus on amendment, renewal and termination rights. There may be situations where your business or your counterparty may find that the disruption to supply chain has, for example, prevented the fulfilment of legal obligations under certain contracts. If so, there may be a need to examine if there are any rights of termination or whether there is an ability to invoke the force majeure provisions. The force majeure clauses in contracts may be drafted in a general manner and, in the event of a dispute, will be interpreted based on the governing law of the contract.

When negotiating new contracts, you may wish to assess how the COVID-19 may impact the parties' obligations and include the relevant language to deal with this with different scenarios in mind. For example, if banks or foreign exchange markets close unexpectedly, this may have an impact on the calculation of "business days" and performance timelines in contracts or finance documents.





### 3. Employee management

Employers have a duty under the law to provide a safe workplace, therefore they have to implement measures to take reasonable care of employees. All staff are to monitor their health condition closely and report to their supervisors if they develop any symptoms, whether or not they have travelled overseas.

All staff who have travelled and returned from China and Korea are to self-quarantine at home and return to office only after 14 days or more from their date of return. The same applies to staff who have family members / housemates living under the same roof.

### 4. Workplace measures

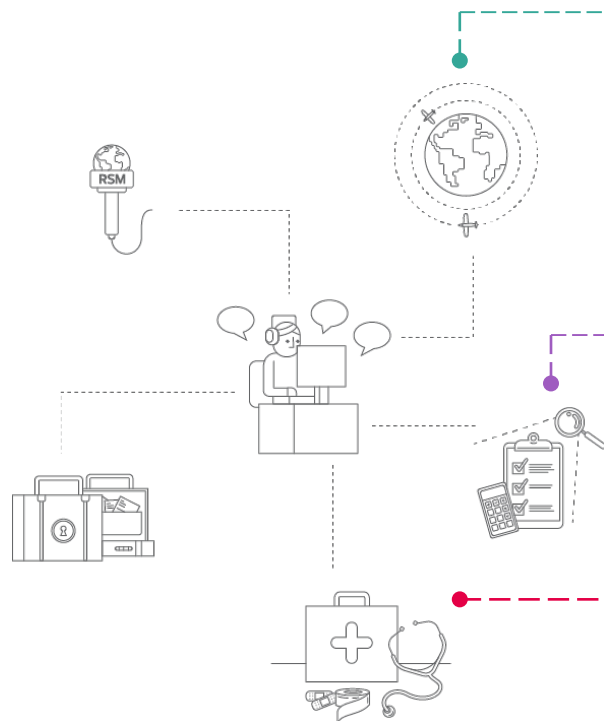
Employers may consider introducing measures to control and log access of visitors / customers to their workplaces and implement temperature screening where necessary.

If necessary, it may cancel or defer of non-essential large-scale events to ensure the safety and health of your employees at work.

### 5. Business travel

Before you send employees on business trips to countries with a high number of reported cases of the COVID-19 infections, you should undertake an assessment of the evolving situation and the potential risks involved. An employee who is directed by an employer to travel to high risk areas and then subsequently contracts the virus may have a cause of action against his employer.

It may be helpful to check the insurance policy and ascertain if the policy covers damages suffered by, or death of, an employee from COVID-19 infection contracted during the business trip.



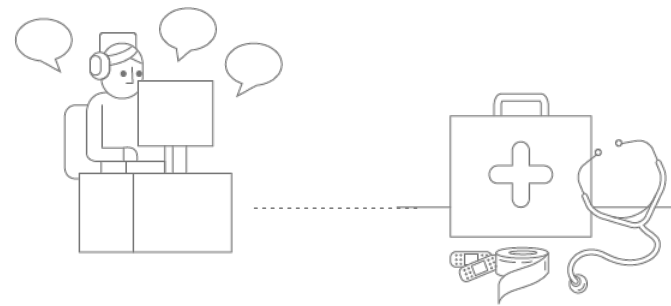


## Business continuity plans (BCPs)

We strongly advise our clients to plan how this outbreak might impact not just on one's well-being but their businesses as well. In the event of a quarantine, you must ensure your business is able to meet your obligations or deliver acceptable levels of service:

- Identify your crisis team, their roles and responsibilities
- Identify and document all critical business systems and functions
- Enable your workforce to work remotely and securely
- Safeguard all confidential data including employee details

With a focus on preparedness and swift action, we can all help prevent the spread of the pandemic and reduce both human and business impact.



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