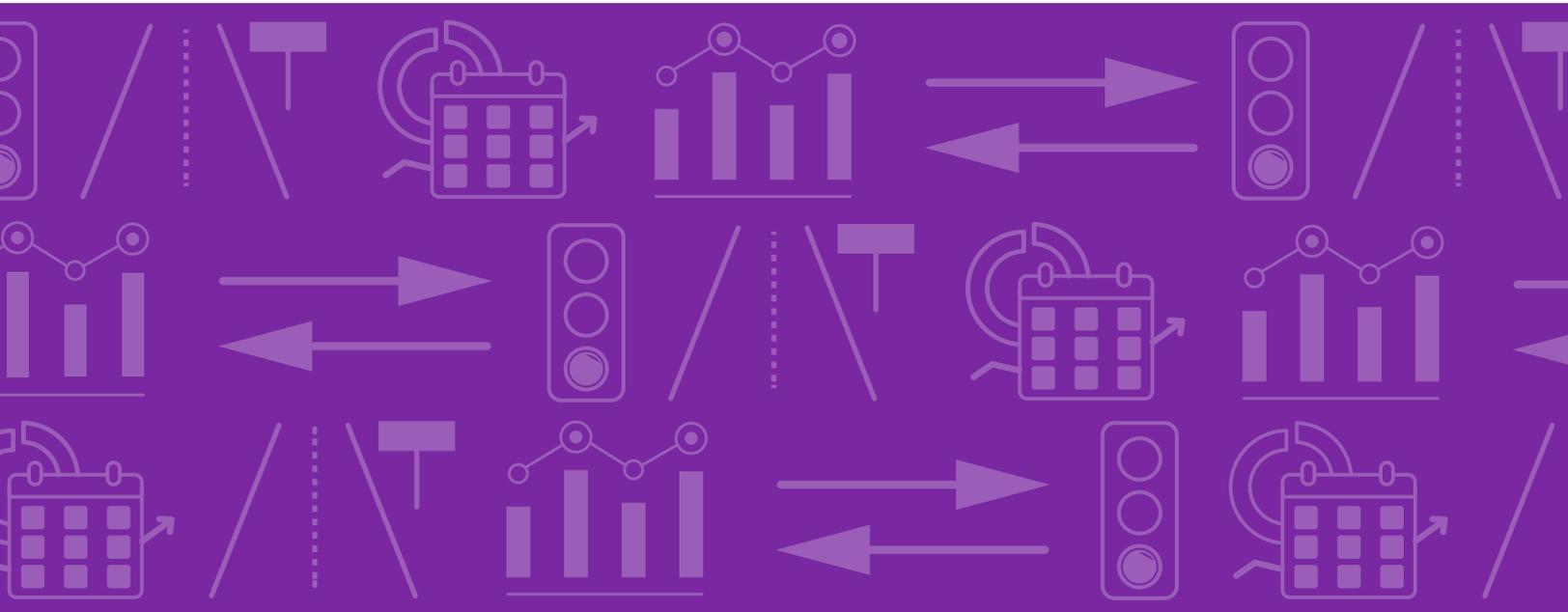


COVID-19

Intervention Assessment Tool



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ZHAW

Zurich University of Applied Sciences (ZHAW) was founded in 1874 in Winterthur/Switzerland and nowadays includes eight disciplinary schools. The ZHAW School of Management & Law is the largest business school in Switzerland and one of only four which are internationally accredited by AACSB. Public Financial Management has been part of its curriculum for more than 50 years and became a key area of research in 1996.

IPSASB

The International Public Sector Accounting Standards Board (IPSASB) works to strengthen public financial management globally through developing and maintaining accrual-based International Public Sector Accounting Standards (IPSAS) and other high-quality financial reporting guidance for use by governments and other public sector entities. It also raises awareness of IPSAS and the benefits of accrual adoption. The Board receives support from the Asian Development Bank, the Chartered Professional Accountants of Canada, the New Zealand External Reporting Board, and the governments of Canada and New Zealand. The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).

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COVID-19 Intervention Assessment Tool

Overview

The COVID-19 pandemic and the government interventions to mitigate its effects have both immediate and ongoing financial impacts. The nature and scale of these interventions vary widely across jurisdictions, as will their longer-term impacts.

The design of these interventions, how they are delivered, and how they are funded, will impact the financial position of governments and the sustainability of public finances. Interventions do not have to be in the form of increased government expenditure. Governments can instead use their balance sheets in the design of interventions to help mitigate financial risks and the impact on their financial position. To do this, governments should carefully consider the nature of their interventions, and the options available to ensure that the intervention achieves the policy objective while also limiting the risk and impact on their financial position. For example, a government may support a business impacted by the pandemic by providing it with a:

- Grant (cash to help the business' liquidity position); or
- Loan (cash to help the business' liquidity, requiring future repayment).

Governments with accrual accounting information are better placed to understand their true financial position and how they can use their balance sheets to make informed policy decisions on the best way to intervene.

To help governments understand the impact of general types of interventions at different points in time for decision-making purposes, IFAC and ZHAW, with IPSASB as a Knowledge Partner, created this COVID-19 Intervention Assessment Tool. The Tool provides an immediate way of evaluating the financial impacts of current and planned policy initiatives, and can be used independently of where a jurisdiction is on the path to full accrual. To help government entities assess the accrual impact of their interventions, they are encouraged to follow the five-step assessment process in this tool.

For governments planning to implement accrual accounting, or those already on the pathway to accrual, this tool should be read with the [COVID-19 Interventions: Impact Assessment and the Pathway to Accrual document](#). Additional information can be accessed on the [IFAC website](#).

Step

1

Assess the Immediate Cash Impact of Government Interventions

When governments determine a need to provide support, they should consider their available cash resources to make the intervention. Depending on its current cash position, a government may be able to make the intervention, or it may need to undertake an additional transaction(s) to finance the intervention (e.g., through debt issuances, loans, asset sales, or monetary policy).

Example

Government A decided that its national airline requires immediate financial assistance of CU100 million. Government A only has CU40 million cash available, it therefore borrows to raise the additional cash needed for the financial assistance.

The table below illustrates the cash accounting impact on Government A when the transaction occurs.

Step 1 – Assess the Immediate Cash Impact of Government Interventions

Transaction	Balance Sheet (in millions)					Performance Statement (in millions)	
	assets		liabilities		net equity	revenue	expenses
	cash	non-cash	debt	non-debt			
<i>Borrowings</i>	CU60	N/A in cash basis accounting	CU60	N/A in cash basis accounting	N/A in cash basis accounting		

Step

2

Assess the Immediate Accrual Impact of Government Interventions

Governments should consider the immediate financial impact of the transaction from both an accrual and cash accounting perspective. This helps governments to understand both the financial and cash flow impact of the intervention.

- Step 1 highlights the cash impact and is important in assessing the government financing needs.
- Step 2 is important in assessing the accrual impact of the government intervention by applying IPSAS requirements to the specific transaction. The [COVID-19 Impact Assessments](#) set out different types of transactions and their impact on the financial position at different points in time. In addition, the IPSASB Staff Q&A, [COVID-19: Relevant Accounting Guidance](#), provides insights and guidance on relevant transactions.

Example

Government A intervenes by supporting its national airline. Government A has determined the airline requires immediate financial assistance in the amount of CU100 million to continue to operate. Government A considers 2 alternatives:

- Transferring funds of CU100 million (grant); or
- Loaning funds of CU100 million, at a 5% interest rate.

The table below illustrates the accrual impact on Government A's financial position when the transaction occurs. Step 1 deals with the government obtaining the funds to provide CU100 million. The example from this point forward only deals with the accounting for the intervention itself (the transfer or loan of CU100 million).

Step 2 – Assess the Immediate Accrual Impact of Government Interventions

Transaction	Initial recognition					Performance Statement (in millions)	
	Balance Sheet (in millions)					revenue	expenses
	assets		liabilities		net equity		
	cash	non-cash	debt	non-debt			
Transfers	(CU100)				=		CU100
Loans	(CU100)	CU100			=		

Step

3

Estimate the Ongoing Accrual Impact of Government Interventions: At the End of the Next Financial Reporting Period and for Future Reporting Periods

It is important to consider the ongoing financial impact of the interventions on the governments' overall financial health. This helps governments decide whether to provide further interventions related to COVID-19 or other future negative financial events. To do so, governments should consider the economic impact of the transaction, which is more than the timing of the related cash flows. Comparing the accrual impact to the related cash flows over time illustrates the economic impact of the intervention and the long-term financial impact.

Example

Government A intervenes by supporting its national airline. Government A has determined the airline requires immediate financial assistance in the amount of CU100 million to continue to operate. Government A considers impact on accrual accounting of the 2 alternatives:

- Transferring funds of CU100 million (grant); or
- Loaning funds of CU100 million, at a 5% interest rate.

The table below illustrates the accrual impact on Government A's financial position at the end of the reporting period.

Step 3 – Estimate the Ongoing Accrual Impact of Government Interventions: At the End of the Next Financial Reporting Period and for Future Reporting Periods

Transaction	End of reporting period						
	Balance Sheet (in millions)					Performance Statement (in millions)	
	assets		liabilities		net equity	revenue	expenses
	cash	non-cash	debt	non-debt			
<i>Transfers</i>					(CU100)		(CU100)
<i>Loans</i>	CU5				CU5	CU5	

Step

4

Improve Information for Decision-Making: Contrasting Accrual with Cash

With a comprehensive understanding of the ongoing impact of their interventions on their financial position, governments can enhance their decision-making and take informed decisions in regards to managing their interventions (e.g., through debt issuances, loans, asset sales, or monetary policy).

- The efficient and effective management of an intervention requires the full understanding of the financial impact of the transaction. Managing on a cash flow basis may limit the identification of options available to make the intervention. Further, it also leads to the government reacting to financing needs rather than anticipating future financing needs based on its accrual balance sheet.

Example

Government A intervenes by supporting its national airline. Government A has determined the airline requires immediate financial assistance in the amount of CU100 million to continue to operate. Government A contrasts accruals with cash accounting for the 2 alternatives:

- Transferring funds of CU100 million (grant); or
- Loaning funds of CU100 million, at a 5% interest rate.

Step 4 – Improve Information for Decision-Making: Contrasting Accrual with Cash

Transfers (initial recognition)

When Government A grants funds to the airline, the impact of accrual accounting is minimal. This is because the transaction is complete when the funds are transferred.

Transaction	Initial recognition						
	Balance Sheet (in millions)					Performance Statement (in millions)	
	assets		liabilities		net equity	revenue	expenses
	cash	non-cash	debt	non-debt			
<i>Transfers (accrual)</i>	(CU100)						CU100
<i>Transfers (cash)</i>	(CU100)						CU100

Loan (initial recognition)

When Government A loans funds to the airline, accrual accounting helps decision makers to see the full picture of the transaction as it captures the disposition of the cash and the recognition of the receivable for the loan the airline has to repay in the future. This information will enhance Government A's future decision-making process.

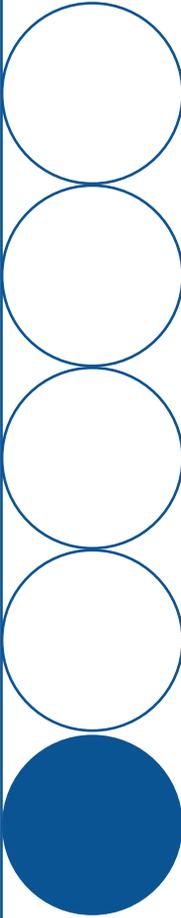
Transaction	Initial recognition							
	Balance Sheet (in millions)					Performance Statement (in millions)		
	assets		liabilities			net equity	revenue	expenses
	cash	non-cash	debt	non-debt				
<i>Loans (accrual)</i>	(CU100)	CU100			=			
<i>Loans (cash)</i>	(CU100)						CU100	

Step

5

Institutionalize Accrual: Develop a Plan to Realize the Benefits of Accrual IPSAS

When the cash and accrual impact of COVID-19 interventions have been captured immediately (steps 1 and 2), their ongoing and longer-term impacts have been considered (step 3), and they are efficiently and effectively managed (step 4), governments should develop a plan to realize the full benefits of accrual accounting. As set out in the COVID-19 Interventions: Impact Assessment and the Pathway to Accrual document, there are many pathways to accrual. Governments should consider their readiness to adopt and implement IPSAS. Each government's plan will be unique to its needs. It is important to consider realistic timeframes and develop an implementation plan that works for all parties involved, including users of the information.



COVID-19 Intervention Impact Assessments

The following tables set out the IPSAS and cash impact of various types of COVID-19 interventions and illustrates their financial impact when the transaction occurs and in future periods. The purpose of these tables is to help governments understand the impact of such transactions on their financial position. Understanding the full financial picture provided by IPSAS reporting, compared with cash basis reporting, provides governments the information needed to inform better policy decisions, to manage the ongoing impact of interventions and to manage future interventions.

Step 1 – Assess the Immediate Cash Impact of Government Interventions

The following table illustrates the cash basis IPSAS impact of various COVID-19 intervention transactions.

		Initial cash outflow							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Social Benefit payments</i>	Compensation for loss of income / payment out of part-time compensation scheme	↓	N/A in cash basis accounting	(↑)	N/A in cash basis accounting	N/A in cash basis accounting		↑	Note for all transactions: Additional information on cash balances and restrictions on cash in- and outflows.
<i>Acquisition of PPE</i>	Acquisition of lab equipment	↓		(↑)			↑		
<i>Guarantees</i>	The legal basis for guarantees is established								
<i>Financial guarantees</i>	Recording of a financial guarantee including a premium/fee for the provision of the guarantee	↑					↑		
<i>Tax deferrals</i>	Prolongation of payment date	=							
<i>Loans</i>	Issuance of (government-backed) loans	↓		(↑)			↑		

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 1 – Assess the Immediate Cash Impact of Government Interventions

The following table illustrates the cash basis IPSAS impact of various COVID-19 intervention transactions.

Transaction	Transaction details	Initial cash outflow							Disclosure
		Balance Sheet					Performance Statement		
		assets		liabilities		net equity	revenue	expenses	
cash	non-cash	debt ¹	non-debt						
<i>Equity injections</i>	Acquisition of company shares as compensation for equity injection	↓	N/A in cash basis accounting	(↑)	N/A in cash basis accounting	N/A in cash basis accounting		↑	Note for all transactions: Additional information on cash balances and restrictions on cash in- and outflows.
<i>Transfers</i>	Financial transfers to sub-national entities as form of budget support or performance obligation	↓		(↑)				↑	
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”								

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 2 – Assess the Immediate Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement initial recognition impact of various COVID-19 intervention transactions.

Transaction	Transaction details	Initial recognition							Disclosure
		Balance Sheet					Performance Statement		
		assets		liabilities		net equity	revenue	expenses	
cash	non-cash	debt ¹	non-debt						
<i>Social Benefit payments</i>	Compensation for loss of income / payment out of part-time compensation scheme	↓		(↑)				↑	Characteristics of social benefit schemes, external factors, changes to the scheme
<i>Acquisition of PPE</i>	Acquisition of lab equipment	↓	↑	(↑)		=			Include in asset register: type, quantity, price, date of purchase; start depreciation
<i>Guarantees</i>	Recording of contingent liabilities (guarantees have a likelihood of less than 50% of being called)				(=)	(↓)			Details on how and when guarantees are called; Details and evaluation of contingent liabilities
<i>Financial guarantees</i>	Recording of a financial guarantee granted for a fee payable by the beneficiary	↑			↑				Details on guarantee conditions and depreciation
<i>Tax deferrals</i>	Prolongation of payment date	=	=			=			Note: beneficiaries, conditions, etc.
<i>Loans</i>	Issuance of (government-backed) loans	↓	↑	(↑)		=			Note: conditions, amount(s); Account for provisions & contingent liabilities

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 2 – Assess the Immediate Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement initial recognition impact of various COVID-19 intervention transactions.

		Initial recognition							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Equity injections</i>	Acquisition of company shares as compensation for equity injection	↓	↑	(↑)		=			Note: amounts, control/consolidation, date
<i>Transfers</i>	Financial transfers to sub-national entities as form of budget support or performance obligation	↓		(↑)		=			Note: performance obligation of receiving entity (if applicable)
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”								

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement impact at the end of the reporting period of various COVID-19 intervention transactions.

		End of reporting period							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Social Benefit payments</i>	Recording of total amount paid out through compensation for loss of income / part-time compensation scheme (ongoing)					↓			Deficit
<i>Acquisition of PPE</i>	Depreciation charges applied to PPE		↓			↓		↑	Asset table, depreciation
<i>Guarantees</i>	Provision for guarantees with a likelihood of more than 50% of being called				↑	↓		↑	Explanatory notes on the evaluation of likelihood estimation
<i>Financial guarantees</i>	Amortization of (unused) financial guarantee				↓	↑	↑		Estimation of expected credit loss
<i>Tax deferrals</i>	Deferred taxes are being paid	↑	↓			=			Details on payment of deferred taxes (beneficiaries, compliance with conditions, etc.)

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement impact at the end of the reporting period of various COVID-19 intervention transactions.

		End of reporting period							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Loans</i>	Interest payments for loans are due	↑				↑	↑		Interest revenues
<i>Equity injections</i>	Revaluation of shares		(↓)/(↑)			(↓)/(↑)			Note: value changes of investments
<i>Transfers</i>	Recording of total amount of transfers					(↓)			Record if receiving entities are part of the consolidation scope
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”								

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement impact for future reporting periods of various COVID-19 intervention transactions.

		Following reporting periods							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Social Benefit payments</i>	Compensation for loss of income / payment out of part-time compensation scheme (if ongoing)	(↓)		(↑)		(↓)		(↑)	Ongoing social benefit payments / deficit
<i>Acquisition of PPE</i>	Depreciation charges (and impairment losses) applied to PPE		↓			=		↑	Changes in asset table including depreciation expenses in asset register
<i>Guarantees</i>	Certain guarantees are being called and provisions released	↓		(↑)	↓	=			Details on called guarantees and sufficiency of provisions for remaining guarantees
<i>Financial guarantees</i>	Remaining financial guarantee being called, exceeding the financial liability	↓			↓	↓		↑	
<i>Tax deferrals</i>	Impairment losses on tax receivables		↓			=		↑	Details on risk evaluation of impairment losses

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Accrual Impact of Government Interventions

The following table illustrates the IPSAS financial statement impact for future reporting periods of various COVID-19 intervention transactions.

		Following reporting periods							
Transaction	Transaction details	Balance Sheet					Performance Statement		Disclosure
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt ¹	non-debt				
<i>Loans</i>	Payback of loans (and impairment losses)	↑	↓			(↓)		(↑)	Payback of loans, impairment losses
<i>Equity injections</i>	Shares are being sold	↑	↓			↓/↑	↑		Details on transactions
<i>Transfers</i>	Financial transfers to sub-national entities as form of budget support or performance obligation (if ongoing)	(↓)		(↑)		=			
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”								

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Cash Impact of Government Interventions

The following table illustrates the IPSAS cash basis impact at the end of the reporting period of various COVID-19 intervention transactions.

		End of reporting period							Disclosure		
Transaction	Transaction details	Balance Sheet				Performance Statement					
		assets		liabilities		net equity	revenue	expenses			
		cash	non-cash	debt ¹	non-debt						
<i>Social Benefit payments</i>	“no relevant transaction”		N/A in cash basis accounting		N/A in cash basis accounting	N/A in cash basis accounting			Note for all transactions: Differences resulting from foreign currency		
<i>Acquisition of PPE</i>	Recording of total acquisition cost										
<i>Guarantees</i>	“no relevant transaction”										
<i>Financial guarantees</i>	Financial guarantee not being called as part of its term expires → “no relevant transaction”										
<i>Tax deferrals</i>	Deferred taxes are being paid	↑								↑	
<i>Loans</i>	Interest payments for loans are due	↑								↑	
<i>Equity injections</i>	“no relevant transaction”										
<i>Transfers</i>	Recording of total amount of transfers										
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”										

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 3 – Assess the Ongoing Cash Impact of Government Interventions

The following table illustrates the IPSAS cash basis impact for future reporting periods of various COVID-19 intervention transactions.

		Following reporting periods							Disclosure		
Transaction	Transaction details	Balance Sheet				Performance Statement					
		assets		liabilities		net equity	surplus	deficit			
		cash	non-cash	debt ¹	non-debt						
<i>Social Benefit payments</i>	Compensation for loss of income / payment out of part-time compensation scheme (if ongoing)	(↓)	N/A in cash basis accounting	(↑)	N/A in cash basis accounting	N/A in cash basis accounting		(↑)	Note for all transactions: any error that occurred in previous periods and, if any corrections have been applied, include the amount of such correction; any changes applied to any comparative information		
<i>Acquisition of PPE</i>	“no relevant transaction”										
<i>Guarantees</i>	Certain guarantees are being called	↓		(↑)							↑
<i>Financial guarantees</i>	Remaining financial guarantee being called	↓		(↑)							↑
<i>Tax deferrals</i>	Deferred taxes are being paid (if ongoing)	↑								↑	
<i>Loans</i>	Payback of loans	↑								↑	
<i>Equity injections</i>	Shares are being sold	↑								↑	
<i>Transfers</i>	Financial transfers to sub-national entities as form of budget support or performance obligation (if ongoing)	↓		(↑)							↑
<i>“Any other transactions relevant for your jurisdiction”</i>	“transaction details”										

¹ Debt increases only if cash is insufficient for the transaction; see Step 4.

Step 4 – Improve Information for Decision-Making: Accrual

The following table illustrates the IPSAS impact of various COVID-19 intervention transactions.

		Lack of cash							Disclosure
Transaction	Transaction details	Balance Sheet					Performance Statement		
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt	non-debt				
<i>Issue government bonds</i>	<i>Issue government bonds</i>	↑		↑		=			Financial instruments: Risks, maturity
<i>Loans</i>	<i>Loans</i>	↑		↑		=			Note: conditions, amount(s)
<i>Sale of assets</i>	<i>Sale of assets</i>	↑	↓			=	↑		Update of asset register and details on sale
<i>Quantitative Easing</i>	<i>Quantitative Easing</i>	↑		(↑)	(↑)	(=)			If the central bank is consolidated, QE creates a non-debt liability, if there is no consolidation of the central bank, the general debt increases
<i>“Any other transactions relevant for your jurisdiction”</i>	<i>“transaction details”</i>								

Step 4 – Improve Information for Decision-Making: Cash

The following table illustrates the cash impact of various COVID-19 intervention transactions.

		Lack of cash							Disclosure
Transaction	Transaction details	Balance Sheet					Performance Statement		
		assets		liabilities		net equity	revenue	expenses	
		cash	non-cash	debt	non-debt				
<i>Issue government bonds</i>	<i>Issue government bonds</i>	↑	N/A in cash basis accounting	↑	N/A in cash basis accounting	Note: Cash balances that are not available, or subject to restrictions of use; borrowing facilities that may be available for future transactions			
<i>Loans</i>	<i>Loans</i>	↑		↑					
<i>Sale of assets</i>	<i>Sale of assets</i>	↑							
<i>Quantitative Easing</i>	<i>Quantitative Easing</i>	↑	(↑)	N/A	N/A	N/A	N/A		
<i>“Any other transactions relevant for your jurisdiction”</i>	<i>“transaction details”</i>								

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