

Cyclone Ditwah

ACCOUNTING

Considerations (simplified)



1 Losses on Property, Plant & Equipment

Companies are required to write-off destroyed assets and provide for impairment for damaged assets. These items have to be identified immediately when the event is identified (*Standard reference: LKAS 37, LKAS 16*).

2 Damages on Inventory

All inventory should be measured at the lower of cost and net realisable value (NRV). Any such impairment/write-off identified has to be recorded immediately in the financial statements (*Standard reference: LKAS 02*).

3 Provisions on Future Losses

Companies are not allowed to provide for future losses as there is no present obligation as per the conditions required to be met for provisioning (*Standard reference: LKAS 37*).

4 Recording Insurance Income

Insurance income can only be recognised when it is virtually certain that the claims will be received. In instances where the company has not come into an agreement with insurance companies by the end of the financial year, the company is required to identify any losses immediately and the insurance income in the subsequent period (*Standard reference: LKAS 37*).

5 Capitalisation of Reconstruction Costs

Restoration costs incurred to repair the assets to bring them to the previous condition need to be expensed. If the investment enhances the assets beyond original performance, such investments can be capitalized. As such, major replacements of components that derive future economic benefits beyond one year can be capitalised (*Standard reference: LKAS 16*).

6 Impact on Property Valuations (PPE/IP)

Market values of properties (both PPE and IP) in certain areas would have dropped following the recent floods (eg: properties in a mountain range or on a riverbank). As such, this will require immediate revaluation of the properties (regardless of the current revaluation cycle of PPE). It is required to consider the renewed market and policy conditions in evaluating fair value as there could be a significant impact on the current market demand and supply in affected areas.

7 Financial Disclosure Requirements

Given the significance of the impact of the floods to the company, the company can opt to disclose the financial implications that are relevant to the decision-making of the stakeholders in the notes to the financial statements. However, no modification to the face of the financial statements are required for this purpose.

8 SLFRS S2 Implications

Disclosures are required on the climate-related risks and opportunities on the entity's business model and strategy. Cyclone Ditwah can be identified as an acute physical climate risk under which, the company is required to disclose the effects of climate-related risks and opportunities on its financial performance, financial position and cash flows for the reporting period and anticipated effects over the short, medium and long term.

Accordingly, the companies can disclose the current year impacts of the floods in the financial statements and notes. The standard also requires companies to disclose the value of assets exposed to climate-related risks and the amounts allocated to mitigate such risks.

Additionally, companies are required to disclose the risk management approach of the management to mitigate such risks within the organisation.

Still have areas to clear out?
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