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FLOOD RELIEF

PwC: Intangible assets not immune to flood effects

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The country's worst floods in five decades affected not only tangible assets but also intangible ones, especially of the conglomerates or multinationals with subsidiaries in flooded areas, according to Chanchai Chaiprasit, a partner of PriceWaterhouseCoopers (PwC).

The direct effects such as damage to machinery and fixed assets have incurred extraordinary expenses that will be realised on balance sheets.

Companies which underwent consolidation or mergers and booked goodwill or other intangible assets such as government concessions as assets might find the value of such items has depreciated, Mr Chanchai said at a seminar held yesterday in Bangkok.

Generally, flood-affected companies with regular accounting year ending in December will face time mismatching problems as the floods took place late in the year. The companies are required to write off damages as expenses in this accounting year but they will be able to book that loss a year later after they claim for the damage from insurance company. "Investors will see these discrepancies on financial statements for two accounting years. The loss or declining net profit from extraordinary expenses and declining asset value will be shown in 2011 and the odd revenue from insurance claims will appear next year," said Mr Chanchai.

He said four audit firms and professional accounting councils are discussing the possibility of booking flood- affected items as extraordinary items and not on the normal profit and loss statement.

The operating result and profit from normal operations (excluding flood effects) will be shown above the damages from floods. This will help investors and companies gauge the real performance of a company.