



BUSINESS INSIGHT

AMERICAN CHAMBER OF COMMERCE IN THE KYRGYZ REPUBLIC



ISSUE #43
MAY - JUNE 2020



SOCIAL MEDIA



AmCham Kyrgyz Republic



AmCham-Kyrgyz Republic



AmCham Kyrgyzstan



AmChamKG



Amchamkg

BUSINESS INSIGHT

AMERICAN CHAMBER OF COMMERCE IN THE KYRGYZ REPUBLIC

AmCham News

- 03 ▶ A meeting of Council on Business Development and Investments under the Government of the Kyrgyz Republic, chaired by Asrandiev E. Sh., Deputy Prime Minister of the Kyrgyz Republic
- 04 ▶ A meeting of regional AmCham Executive Directors with partners organized by CIPE
▶ “Anti-crisis communications” online training with Gulnura Toralieva
- 05 ▶ A webinar with the Managing Director of the International Monetary Fund, Kristalina Georgieva
▶ Meeting with Mirbek Asangariyev as part of the “AmCham Mentors Club” project
- 06 ▶ #AmChamKnowledgeShare Contest Results
▶ Online training from “Green Light” company: “Digital Access Architecture in the Corporate Network”
- 07 ▶ «The Art of Investing» online training from “Freedom Finance” company

AmCham Member News

- 08 ▶ KICB: How to do a business in term of pandemic?
▶ The fourth Beeline Open Digithon 2020
- 09 ▶ Summer cup of the “Bank of Asia – FinOlimp 2020” Olympiad
▶ Centerra Gold Inc. and Kumtor Gold Company operating results of the first quarter of 2020
- 10 ▶ UCA: Roses lift spirits of Covid-19 front line workers
▶ Remote identification for services of FINCA Bank

▶ Hyatt Regency Bishkek: swimming pool, summer terraces, lounge and laundry services are now open
- 11 ▶ Modern trends in additional professional education: international online conference - Crown Agents

▶ #SmartTeacher: Green Light held a series of webinars for teachers of Kyrgyzstan on working with online services
▶ Kompanion Bank: Money transfers from Europe without commission
- 12 ▶ Market Capitalization of Freedom Holding Corp exceeded 1 billion USD
▶ DSKA Engineering Co.: Taking advantage of the crisis
- 13 ▶ Bai Tushum Bank: “We will turn 20 in 2020!”
▶ KPMG in Kazakhstan and Central Asia: new chess tournament season opening
- 14 ▶ Grant Thornton. COVID-19: Accounting considerations for CFOs
- 15

A Meeting of Council on Business Development and Investments under the Government of the Kyrgyz Republic, chaired by Asrandiev E. Sh., Deputy Prime Minister of the Kyrgyz Republic



A meeting of the Business Development and Investment Council under the Government of the Kyrgyz Republic, chaired by Mr. Asrandiev, Deputy Prime Minister of the Kyrgyz Republic, was held on June 3, 2020.

Zarina Chekirbaeva, AmCham Executive Director, voiced the following proposals from the members of the American Chamber of Commerce to be included in the third package of anti-crisis measures:

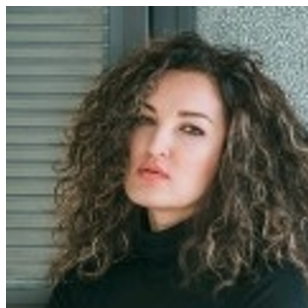
- To stimulate additional (internal) investments into the country's economy through the financial resources of the Anti-Crisis Fund for concessional lending to business entities;
- To provide tax incentives for newly created enterprises;
- To suspend the payment of taxes for businesses which are on contract tax payment terms for a certain period of time;
- To introduce a temporary ban (moratorium) on the adoption of regulatory legal acts that exacerbate the situation of legal entities. Namely, two legal acts from the State Committee for Information Technology and Telecommunications of the Kyrgyz Republic and the draft Law of the Kyrgyz Republic "On the Introduction of Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Code of the Kyrgyz Republic on Violations, the laws of the Kyrgyz Republic "On Competition" and "On Natural Monopolies in the Kyrgyz Republic";
- To amend the Labor Code of the Kyrgyz Republic pertaining to the regulation of remote working mode. The AmCham had previously forwarded proposals to the Government Office, as well as to the Ministry of Economy of the Kyrgyz Republic);
- To provide for the calculation of utilities (power/water, etc.) for the period of the difficult economic situation for companies falling within the scope of Decision of the Government No. 153 issued on March 17, 2020 at the rate used for private entities;
- To provide low-interest loans or loans with a 0% interest rate for a period of 6 to 12 months to restore the tourism and food services sectors;
- TO SUPPORT ACTING FOREIGN INVESTORS who are subjected to pressure from law-enforcement and fiscal authorities through unreasonable inspections. Ms. Chekirbaeva noted that over the past year, there has been observed a tendency, when large taxpayers are faced with pressure and artificially created obstacles in business activities. As an example, she cited the Sky Mobile LLC company, one of the leaders in the market of mobile communication services, against which systematic illegal actions by tax and law-enforcement agencies have been carried out. Following an audit in March 2020, the tax service presented a bill for more than 1 billion 765 million som as tax liabilities! However, despite written and oral arguments and evidence of the unreasonableness of tax assessments, the Company was not heard by the representatives of the tax authority. Ms. Chekirbaeva expressed concern that in the pursuit of short-term benefits for replenishing the budget, no one is thinking about attracting and developing investments within the country and expressed hope that the Government would this issue related to foreign investors under its control.

Details by [link](#).

A Meeting of regional AmCham Executive Directors with partners organized by the Center of International Private Enterprise (CIPE)



Zarina Chekirbaeva



Tatyana Bystrushkina



Caroline Elkin



Sharaf Davlatov



Eric Hontz



Sanzar Kakar

On June 4, a discussion with more than 50 participants was held on the economic effects of COVID-19 and the constructive role of the business community in the continuous response and long-term recovery of the countries of Central Asia and Afghanistan.

This meeting was organized by the Center for International Private Enterprise (CIPE) and the offices of the American Chambers of Commerce in Kyrgyzstan, Afghanistan, Tajikistan and Uzbekistan.

The speakers at the meeting were **Zarina Chekirbaeva** - Executive Director of AmCham Kyrgyzstan, **Tatyana Bystrushkina** - Executive Director of AmCham Uzbekistan, **Sharaf Davlatov** - Executive Director of AmCham Tajikistan, **Caroline Elker** - Program Manager for Europe and Eurasia at the Center for International Private Enterprise (hereinafter CIPE), **Eric Hontz** - Deputy Regional CIPE Director for Europe and Eurasia; and **Sanjar Kakar** - Chairman of the AmCham Afghanistan.

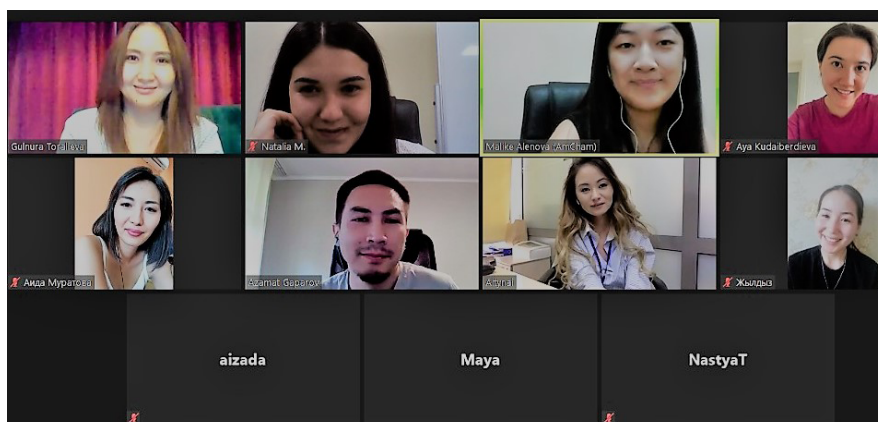
Online training on “Anti-crisis communications” with Gulnura Toralieva

On June 4, 2020, AmCham members participated in a training on “Anti-crisis communications” with a media expert Gulnura Toralieva.

Participants learned about the types of communication crises, how directors and PR managers should properly conduct themselves in crisis situations, and how to organize work with the media.

Participants shared their experience in crisis management and worked through the vital steps using various situation models.

AmCham would like to thank Gulnura Toralieva and the participants for an interesting and useful training!



A Webinar with the Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva

U.S. CHAMBER OF COMMERCE

U.S. CHAMBER OF COMMERCE International Affairs

From Great Lockdown to Great Transformation

JUNE 9, 2020 FROM 10:30–11:30AM EST, A CONVERSATION WITH

U.S. Chamber CEO
Thomas J. Donohue

IMF Managing Director
Kristalina Georgieva

U.S. Chamber EVP & Head
of International Affairs
Myron Brilliant

On June 9th, a webinar entitled “From Great Lockdown to Great Transformation” took place.

The virtual event included remarks from the U.S. Chamber CEO Tom Donohue, U.S. Chamber Executive Vice President and Head of International Affairs Myron Brilliant and IMF Managing Director Kristalina Georgieva.

Topics of discussion included the proposed debt service suspension initiative and concessional financing, domestic resource mobilization, pathways to address a sustainable recovery by way of international trade, companies adopting “micro-measures” to reopen post-pandemic, digital transformation, and job creation.

Meeting with Mirbek Asangariyev as part of the “AmCham Mentors Club” project



On June 5, 2020, the first offline meeting after the quarantine was held in the framework of the “AmCham Mentors Club” project. The meeting was held at the Hotel Bridges Bishkek, where all the required precautions were met.

The speaker was Mirbek Asangariyev - a Mentor of the project, Founder of the “Bridges” Hotel, the Association of Social Entrepreneurs of Kyrgyzstan, and other incredible projects.



Mirbek shared with mentees his thoughts about the importance of finding one’s own “Ikigai” - a sense of personal purpose in life. The participants also learned about the projects implemented by Mirbek in the field of social entrepreneurship, the history and peculiarities of the “Bridges” Hotel, and about other inspiring insights from the entrepreneur’s life.

AmCham would like to express its sincere gratitude to Mr. Mirbek Asangariyev for the offered hospitality and an interesting, useful meeting, as well as to the mentees for participation!

#AmChamKnowledgeShare Business Book Review Contest Results

During the quarantine, AmCham held a competition for reviews of business books on AmCham's social networks pages. According to the evaluation of reviews by an independent commission, the winner of the competition was a Green Light ITS staff member, Ms. Zhyldyz Omursakova.

Her review of Paul Kalanithi's book, "When Breath Becomes Air," scored the highest number of points. Members of the commission especially noted the clarity and literacy of the expression of thoughts, the sincerity of the review, as well as the ability to inspire others to read the book.

On June 1, 2020, AmCham staff members presented the winner of the contest with a prize - an Amazon Kindle e-reader.

AmCham staff hopes the device will be useful and enjoyable for her.

AmCham also sincerely thanks all the participants for their wonderful reviews! Through your work, you have inspired many people to read books.



Online training from Green Light: “Digital Access Architecture in the Corporate Network”

On June 25, 2020 AmCham jointly with Green Light company organized an online training on a topic “Digital Access Architecture in the Corporate Network”

The speaker was Daniil Kirillov - an IT expert with extensive international experience in various IT spheres. Daniil talked about approaches to build a modern level of access to the corporate network using switches family Cisco Catalyst 9000 and Cisco DNA architecture.

We thank Daniil, Green Light and participants for such useful and interesting training!



Modern Enterprise Network Access Architecture


«The art of investing» Online Training from “Freedom Finance”

On June 30, 2020, an online master class for beginner investors on the topic «The art of investing» was held. The event was organized in partnership with international investment company Freedom Finance.


During the master class participants learned about effective ways to invest funds, were introduced the stock market, profitability of IPO transactions and many other things.

We thank Freedom Finance Kyrgyzstan for such useful and interesting training!

ПЛОЩАДКА (БИРЖА) ГДЕ ПОКУПАЮТ И ПРОДАЮТ ЦЕННЫЕ БУМАГИ




Бизнес **ПРОДАВЕЦ** привлекает ресурсы продавая ценные бумаги.



ПЕРЕРАСПРЕДЕЛЕНИЕ КАПИТАЛА.

Люди **ПОКУПАТЕЛИ** ценные бумаги для своего кап



©Freedom Finance

AV POD

INTERNET ACQUIRING FROM KICB



KICB: How to do business amidst a pandemic?

Development of an epidemic seriously affects the operation of business.

Under such conditions, it is important to be flexible and improve your product to meet changing market conditions.

If you don't already have your own online store, it's time to open one!

KICB BANK would like to recommend organizing online payments for merchandise through **internet acquiring**, which allows for the abandoning of cash use and increasing the geography of sales, and the majority of customers can pay for merchandise online at any time of the day!

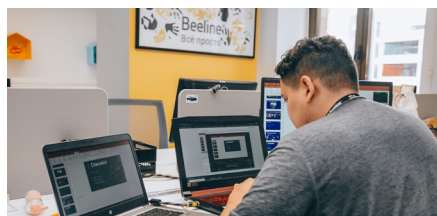
3 easy steps to connect internet acquiring:

- Create a payment page on a website
- Complete an application at any **KICB office**
- Sign the contract!

The Bank actively develops remote service technologies that allow customers to make transactions quickly and conveniently without the need to visit the offices. Thus, the majority of operations can already be performed 24 hours a day by means of internet banking, e-wallet "ELSOM", a wide range of bank cards, a network of terminals and ATMs!

Numbers the 24-hour Call Center: 0312620101, 0553620101

The Fourth Beeline Open Digithon 2020



Sky Mobile (TM "Beeline") aims to provide the citizens of Kyrgyzstan with uninterrupted and high-quality communication regardless of the challenges they face and continue to improve the quality of communication by launching new 4G LTE base stations. The company has expanded its coverage area and network capacity by installing 27 additional 4G LTE base stations during the quarantine. A

total of 85 new 4G LTE stations were launched across the country since early 2020.

The Fourth Beeline Open Digithon 2020 digital marathon for students and aspiring startups started on June 6. Applications were accepted until March 6, and the event was postponed due to the COVID-19 pandemic and the emergency situation within the

country. In total, more than 50 applications were submitted and 30 teams were allowed to participate in the finals. During two weeks, the finalists will be developing ideas for supporting business and society. The teams will be assisted by the best businessmen and developers from Russia, Armenia, Kazakhstan and Kyrgyzstan. Beeline will allocate 70,000 som for the implementation of the winning team's project.

Summer Cup of the “Bank of Asia – FinOlimp 2020” Olympiad

The Summer Cup of the “Bank of Asia – FinOlimp 2020” First National Olympiad in Finance and Economics will be held at the end of June.

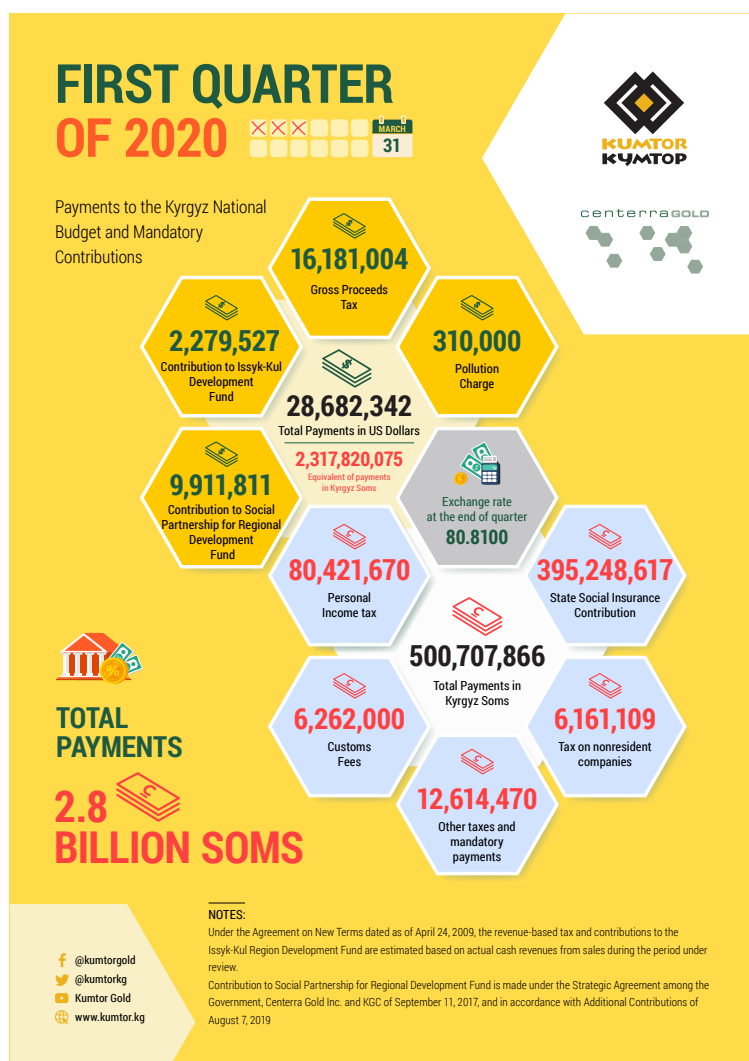


Students and young professionals up to 23 years of age from all over Kyrgyzstan will be able to take part in it. All rounds and the finals will be held online on Google forms and CISCO platforms, and will include tests on the general understanding of Economics and Finance and solving cases on banking topics that.

The aims of this project are to contribute to the career guidance of the young generation, identify talented youths, and provide assistance in employment. The tasks of the Summer Cup will allow to reveal the critical thinking skills, ability to work in teams, as well as to work with online platforms and show analytical abilities.

The “Bank of Asia” CJSC is happy to support educational projects as they represent the top priority of the company’s corporate social responsibility. The Bank representatives are confident that the organization of the Summer Cup will serve as an excellent contribution to the formation of all-rounded youth of a new generation, who will be tasked with solving society’s main and social problems.

Centerra Gold Inc. and Kumtor Gold Company operating results of the first quarter of 2020



Centerra Gold Inc. (Centerra) and Kumtor Gold Company (KGC) have summed up their operating results for the first quarter of 2020. In the first three months of 2020, KGC produced 4737.28 kg of gold and contributed more than 2.82 billion som in taxes and mandatory payments.

Gold sales in the first quarter of 2020 were 160,090 ounces, or 4,979.36 kilograms. Total revenues from gold sales in the first quarter of 2020 were US\$248.9 million.

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia. It has been in production since 1997 and has produced over 12.8 million ounces of gold as of March 31, 2020.

Additional information on Centerra and the full text of the news release on the First Quarter 2020 is available on SEDAR at www.sedar.com and the corporate websites at www.centerragold.com and www.kumtor.kg.

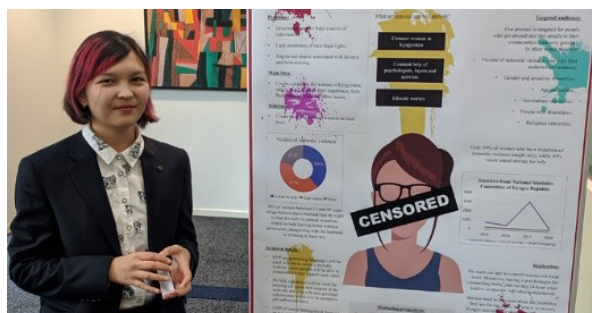
UCA: Roses Lift Spirits of Covid-19 Front Line Workers

Kalyikul Ysryaliev has great admiration for front-line health workers, who put their lives on the line every day. He expressed a desire to shower them with roses from his greenhouse, where he grows some of the most sought-after roses in Kyrgyzstan. With the help of the local authorities, rose bouquets were presented to health workers, as well as police officers in Naryn. As a graduate of the University of Central Asia's School of Professional and Continuing Education Entrepreneurship Programme, he built his first greenhouse in 2013, with financial assistance from UCA and KICB.



UCA Students Develop App to Combat Domestic Violence

As part of the Digital Transformation in Central Asia conference hackathon event in 2019, undergraduate students at the University of Central Asia developed an innovative tech project designed to connect women and provide resources for people subjected to abuse or domestic violence. Read more: <https://ucentralasia.org/Resources/Item/2728/EN>



Remote identification for FINCA Bank services

On May 18, FINCA Bank became the first institution on the banking market to launch remote identification for the first three services of the Bank:

- The national payment card “FINCA Elcart”
- Mobile wallet “FINCA Elsom”
- Internet banking

Remote identification is a procedure by means of which the Bank performs identification of the client, i.e. identifies the person remotely, at a long distance. This mechanism enables clients to receive financial services remotely, without visiting the bank's office.

Let's look what it means using the example of our services:

- **FINCA Elcart:** While previously a client had to visit the Bank with a passport and file an application in order to receive a bank card, now one can fill out the application and undergo registration online on the Bank's website.
- **FINCA Elsom:** While previously you could download the mobile application and, without the registration of the e-wallet, just use a limited range of services, while the registration was done in the Bank's offices only, now one can undergo registration directly at the website, and the capabilities of your mobile wallet will be unlimited.
- **Internet banking:** While previously you could get connected to the Internet banking service only at the Bank's offices, now one can fill out the application on the Bank's website and the service will be connected without visiting the Bank's office.

And there is much more to come! This list of services will be continuously expanded, providing more and more opportunities for quick and convenient access to financial services for our clients.

Be among the first people to use the opportunities of remote banking services
on official website: www.FINCABANK.kg

Hyatt Regency Bishkek: swimming pool, summer terraces, lounge and laundry services are now open

абонемент в бассейн / pool fee

БУДНИЕ ДНИ / WEEKDAYS	*	1200
ВЫХОДНЫЕ / WEEKEND		1500
ПАКЕТ "БУДНИ" / WEEKDAYS PACKAGE	**	5000
1 МЕСЯЦ / 1 MONTH		20000

* включает вход для 2 детей бесплатно (до 14 лет)
includes free entrance for 2 kids under 14 yo

** 5 посещений в будни в месяц
5 weekday visit within a month



Hyatt Regency Bishkek
0312661234

HYATT REGENCY BISHKEK

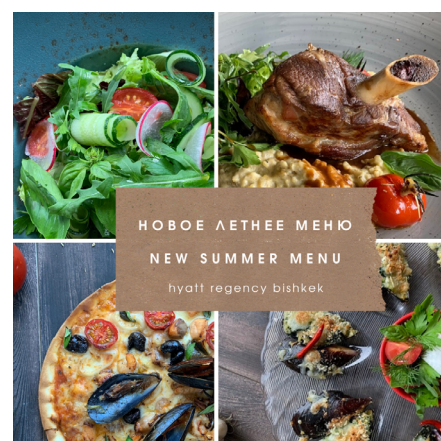
POOL NOW OPEN

WEEKDAYS *	1200
WEEKEND	1500
WEEKDAY PACKAGE	5000
1 MONTH	20000

* includes free entrance for 2 kids under 14 yo



FOR INQUIRIES CALL
0312661234



Hyatt swimming pool, summer terraces, lounge and laundry services are now open! Free pool entrance for 2 kids per each adult. Weekday and monthly pool memberships available. Please check our online menus and order safely in our restaurants <https://bit.ly/hrbm2020>

Each of you are welcome at Hyatt Regency Bishkek. 191 Abdrakhmanov street, telephone: +996312661234, @hyattregencybishkek

Modern trends in additional professional education: international online conference - Crown Agents

An international online conference "Modern trends in additional professional education: from understanding to implementation" was organized by the Training Center of the Ministry of Finance of KR, High School of Economics (HSE) and Crown Agents, with support of the TMC of the State Financial Intelligence Service under the Government of KR on May 26, 2020.

What are the challenges of additional education and what are the opportunities? How can universities, schools, and departmental educational centers help each other?

The conference platform gathered 256 participants from 7 countries in lockdown and became truly international. The conference was attended by managers of training centers of the ministries and departments of KR, as well as more than 170 doctors, candidates of science from more than 20 universities, 70 directors of secondary and special educational institutions in Kyrgyzstan, Georgia, Kazakhstan and Uzbekistan.



It was exciting to share experience and discuss:

- Challenges and opportunities for additional professional education in the context of the COVID-19 pandemic;
- Strengthening of human resources and educational capacity;
- Experience in implementing additional education at HSE-Perm and Crown Agents Training

Center <https://www.crownagents.com/training/>

Crown Agents hopes that this conference will result in close cooperation between universities and specialized training centers in Kyrgyzstan, as well as colleagues in other countries.

#SmartTeacher: Green Light held a series of webinars for teachers of Kyrgyzstan on working with online services

For the second year in a row, Kyrgyzstan has embarked on digitalization. With the announcement of the pandemic, the issue of digitalization has become more critical. Organizations moved to online, and educational institutions started mastering distance learning technologies.

The transition to distance education was a major challenge for both students and teachers. Teachers experienced great stress in conducting and preparing online lessons because of a lack of knowledge and skills in using digital tools.

Green Light, together with the Kyrgyz academy of education (KAE) and the Kyrgyz informatics teachers association (KAI) conducted a large-scale survey to identify problems in the use of digital platforms among Kyrgyz teachers. More than 2090 teachers from all over the country participated in the survey.

Based on the results of this survey, Green Light, together with KAO and KIA, launched a series of webinars on Cisco WebEx platform for teachers of Kyrgyzstan on the topic of teaching using distance technologies. The organizers conducted

5 webinars, which were attended by more than 500 teachers from all over the country.

Due to these webinars, the teachers received knowledge that they can immediately apply in their teaching practice.

Kompanion Bank: Money transfers from Europe without commission

Kompanion Bank opens new opportunities for money transfers from Europe to Kyrgyzstan using KoronaPay (6+) mobile app from Zolotaya Korona. The tariff for such transfers is 0%.

Now Kompanion Bank clients can receive money transfers from European countries at the **Bank's offices across Kyrgyzstan** (cash) or credit money transfers to their **Visa or Elcard cards (issued by Kompanion Bank)** without leaving their home. Senders in Europe can save on transfer fees.

Transfers from a card of any European bank can be sent using KoronaPay (6+) app from Zolotaya Korona. For now, free Zolotaya Korona online transfers can be sent from 31 countries, including all EU countries, as well as the UK, Iceland, Norway and Liechtenstein.

To send money without a fee, a sender in Europe must download the free KoronaPay app from **AppStore** or **Google Play** to his or her phone with a European number. Then, a sender should select a country of the receiver, enter a transfer amount, full names of the sender and the receiver, as well as the details of his/her card. After

confirmation of payment, the app will generate a unique transfer number. Sender should communicate this number to the receiver in Kyrgyzstan.

Kompanion Bank increases deposit interest rates up to 13% per annum in KGS

Kompanion Bank keeps providing new capital accrual possibilities for clients by increasing interest rates up to 13% per annum in KGS with interest capitalization.

Now, by depositing funds in Kompanion Bank, the clients can receive the highest interest rates and choose the most suitable deposit options.

- “Time Deposit” will be great for those aiming to get maximum revenue from a deposit and receive interest monthly

by preset dates.

- “Savings Deposit” is a product for clients aiming to save money for a major purchase and accumulate savings. Deposit can be replenished monthly.
- “Retirement Deposit” is a product for clients who reached the retirement age, aiming to considerably increase their savings at the highest interest rates.

Interest capitalization is an increase in deposit by the amount of accrued interest. The accrued interest is added to the deposit amount every three months on the dates that coincide with the date of contract signing.

For convenience, you may leave an online application for opening a deposit on the bank's website: www.kompanion.kg



Market Capitalization of Freedom Holding Corp exceeded 1 billion USD



To receive detailed information and assistance from managers, please dial:
7555 (free for all mobile operators)

Market Capitalization of International Group Freedom Holding Corp. has exceeded 1 billion USD!

Since the beginning of the year, the Holding's shares have increased by 18%. Since the start of the road to its placement on the NASDAQ in 2017, shares have grown by almost six times.

Moreover, **Freedom Holding Corp. Subsidiary was granted with a License by the AIFC**

Freedom Finance Global PLC was granted with a license by the Astana Financial Services Authority that will allow it to begin conducting an array of market-related services to its clients, including retail brokerage services using the access to the Astana International Exchange and international securities markets.

Freedom Holding Corp. is a holding company that provides financial services. In Kyrgyzstan the "Freedom Finance" office is located at: office #904, 103 Ibraimova St., Victory Business Center, Bishkek.

DSKA Engineering Co. Taking advantage of the crisis



The current situation in the country has revealed the weaknesses of our country's manufacturing sector. Therefore, our entrepreneurs need to seize this moment, identify the most unoccupied business areas, and enter the market with their own solutions. The Government of the Kyrgyz Republic is already taking measures to protect domestic entrepreneurs, attract investment, and improve the business climate. It remains for us to grasp the opportunity and direct our efforts to create enterprises not only for profit but also to finally become useful.

The company is gradually improving the construction quality of buildings important

for the country: manufacturing plants, workshops, factories, logistics centers, agricultural facilities and more. As of today, we are building 25 218 sq. m. of industrial and retail real estate throughout the country.

With our technology, we enable businesses to expand, improve their performance, build in double-quick time, and cheaper by at least 20%. Together with our entrepreneurs, we introduce the experience of our foreign colleagues into the manufacturing sector of our country, thus contributing to the development of the country's economy.



DSKA Engineering Co. offers special conditions for mutually beneficial cooperation for partners and AmCham members.

Consult an expert for detailed information:

+996 550 634444

+996 312 634444

В 2020 НАМ 20! WE WILL TURN 20 IN 2020!

BTB 24 Mobile banking
Мобильный банкинг BTB 24 – ваш собственный финансовый планировщик
BTB 24 Mobile Banking – your own financial planner

Ваш бизнес + наши возможности = вместе к успеху
Your business + our opportunities = together to success

INET BANK

VISA NFC – бесконтактные оплаты всегда и везде!
VISA NFC – contactless payments anytime and anywhere!

VISA Virtual – совершай покупки по всему миру в одно касание!
VISA Virtual – make purchases around the world at a touch!

BTB Express
BTB Express – денежные переводы с любых карт Российских банков на счет в КР, без комиссии!
BTB Express - money transfers from any cards of Russian banks to an account in the KR, without commission!

НАМ ВСЕГО 20, И УЖЕ 20 – МЫ ДОСТИГЛИ МНОГОГО, ВМЕСТЕ! БУДЬТЕ С НАМИ В 2020!
WE ARE ONLY 20, AND ALREADY 20 – TOGETHER WE HAVE ACHIEVED A LOT! STAY WITH US IN 2020!

(312/554/701/770)
905 805

BAI TUSHUM BANK
NBKR lic. #050

777 905 805
@BaiTushumBank
@bankbaitushum
www.baitushum.kg

Международный командный онлайн-чемпионат KPMG по шахматам

11 июля 2020 г.
Регистрация открыта!



KPMG in Kazakhstan and Central Asia opens a new chess tournament season in Kazakhstan, Uzbekistan and Kyrgyzstan, in a new online format. On 11 July 2020, the best corporate teams will come together for the first time on chess.com platform to compete for the cup in KPMG International Online Chess Tournament.

Team registration for the Championship is open! See the web-site for details by clicking <https://bit.ly/3eMUYIb>

COVID-19: Accounting considerations for CFOs

As a result of COVID-19 entities are generally expecting to experience significant declines in revenue and decreases in progress of delivery of performance obligations for long-term contracts. These declines in revenue may arise from decreases in volume and changes in variable consideration. This article highlights key aspects of IFRS 15 'Revenue from Contracts with Customers', that are expected to be particularly relevant during the COVID-19 pandemic.

It is likely that, as a result of changes in the economic environment, customers will seek to modify contracts; it is also possible that the ability of customers to pay for goods may be called into question prior to delivery occurring.

The entity may choose to transact in this situation notwithstanding the uncertainty. Both trade receivables and contract assets may also be subject to additional credit risk. Finally, onerous contracts may arise as contracts become loss-making through either a decrease in variable consideration or an increase in contract costs.

1. Applying the '5 step model'

IFRS 15 is based on a core principle that requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers and at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Applying this principle involves following the '5-step model'.

In the current economic climate, entities may more often enter into contracts with customers with a high risk of non-payment. If collecting the consideration is not probable at contract inception, the normal IFRS 15 guidance does not apply. Instead, the supplier recognises revenue only if/when it collects the consideration and has no remaining obligations to perform. In effect, the entity should cash account for transactions of this nature.

Generally, once a contract meets the conditions to apply the normal IFRS 15 model, any deterioration in the customer's ability to pay is

accounted for under the expected credit loss model set out in IFRS 9 'Financial Instruments'. However, if the customer's ability to pay deteriorates significantly while the contract is still in progress the entity should reassess whether collection is probable.

2. Variable consideration

Variable consideration is any consideration which is not fixed in the contract. Variable consideration changes can potentially impact the assumptions used in measuring revenue from goods or services which have already been delivered, especially where contracts contain:

For contracts with variable consideration, IFRS 15 requires these factors to be reassessed and if necessary, adjusted at each reporting date for both the best estimate and the (so-called) constraint. The impact of the above will therefore be required to be included in revenue at each reporting date. A significant reversal of revenue is possible

- Penalties including liquidated damages
- Rights of return
- Performance bonuses (esp. time-based bonuses)
- Volume-based variable pricing
- Price concessions (see note below)
- Unpriced change orders.

as each of the above is remeasured which may, for a contract, result in negative revenue in the current reporting period. Management's assumptions concerning variable consideration (based on facts and circumstances at the reporting date) will need to be reviewed in the context of COVID-19.

A price concession granted to a customer could be within the scope either of the variable consideration guidance or the contract modification guidance depending on the facts and circumstances.

Example

EnginCo, an entity with a 31 December year-end, commenced a contract with CustomerCo in May 2018 involving the production of eight tractors. CustomerCo agreed to pay EnginCo CU1,000 upon delivery of each tractor, with a bonus of CU2,000 if all tractors are delivered by 30 June 2020. At 31 December 2019, six tractors had been delivered, with the seventh nearing completion and the eighth on schedule for delivery 31 May 2020. On 31 March 2020, EnginCo ceased construction due to social distancing rules with seven tractors delivered. Assume no contractual ability to terminate under force majeure. Assume also that point-in-time revenue recognition is appropriate.

As of 31 December 2019, EnginCo recognised the following revenue:

Delivery of 6 tractors (CU1,000 x 6):	CU6,000
Share of bonus (CU2,000 x 6/8):	CU1,500
Total revenue recognised:	CU7,500

It was appropriate to recognise the share of performance bonus at 31 December 2019 – at that date, it was ‘highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated is subsequently resolved’ (IFRS 15.56). Note that the hurdle is ‘highly probable’ not ‘certain’ – it may have been reasonable, at 31 December 2019, to not anticipate a pandemic.

For the half-year ended 30 June 2020, it is apparent that the performance bonus will not be received. As of 31 March 2020, the aggregate amount of revenue to be recognised is:

Delivery of 7 tractors (CU1,000 x 7):	CU7,000
Share of performance bonus:	CUnil
Total revenue recognized:	CU7,000

3. Contract modifications

The COVID-19 pandemic may result in entities having to renegotiate customer contracts. Depending on the type of modification, ‘contract modification’ accounting may apply. Where a customer encounters financial difficulty or reduced demand, it may request a contract modification (alternatively referred to as a ‘change order,’ ‘variation’ or ‘amendment’) to alter the scope of the contract. If the scope of the contract decreases, or the scope increases but pricing does not change by the stand-alone selling price of that increase, contract modification accounting is applied (IFRS 15.20).

If contract modification accounting is applied, the entity should apply the most appropriate of the following methods:

- Treating completion-to-date as a terminated contract, with unrecognised revenue and undelivered performance obligations being allocated to a ‘new’ contract (IFRS 15.21(a))
- If a performance obligation is partially satisfied, reassess revenue as if the modified contract was effective from the initial date of the contract and adjust revenue up or down, as appropriate, as of the date of the modified contract (IFRS 15.21(b)), or
- If appropriate, a combination of the two approaches (IFRS 15.21(c)).

4. Recoverability

Revenue where significant uncertainty of receipt of payment exists IFRS 15 also requires an entity to recognise revenue from contracts only where the customer is expected to meet its obligations under the contract. Though management would continue to supply to the customer, revenue should only be recognised when it is probable that the customer will be able to pay the transaction price (IFRS 15.9(e)). In such an instance, the entity should defer recognition of any revenue until collection becomes probable. The costs to fulfil the contract cannot be deferred and should be recognised as incurred, as they are not ‘expected to be recovered’ (IFRS 15.95(c)).

Contract assets

Change in expected contract profitability and/or the customer’s ability to pay could affect the recoverability of assets recognised in accordance with IFRS 15. Contract assets (sometimes referred to as unbilled revenue or similar) are subject to the IFRS 9 expected credit loss model.

Assets recognised for the incremental costs of obtaining a contract or costs to fulfil a contract are subject to a specific impairment test set out in IFRS 15. In

summary, these assets are impaired if they exceed the future profits expected on the contract (ie unrecognised revenue less future costs).

5. Onerous contracts

Contracts that were previously expected to be profitable may become loss-making due to a decrease in variable consideration (see above) and/or an increase in contract costs. Contracts in the scope of IFRS 15 are subject to the onerous contract requirements of IAS 37.

An onerous contract is defined by IAS 37 as one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (IAS 37.10). The accounting for onerous contracts includes creating a provision based on the unavoidable costs of meeting the entity’s obligation under the contract (IAS 37.66).

Entities must consider whether any of their contracts may have become onerous due to the downturn in the global economy as a result of COVID-19 or an increase in costs to fulfil a contract that may arise from the effect of COVID-19 on working practices. In addition, an entity should review contracts to determine if there are any special terms that may relieve either party to the contract of its obligations under it (Force Majeure).

Recently, the IASB published a clarification to IAS 37 that states that the onerous contract assessment should be based on the directly attributable costs of fulfilling the contract (ie not only the incremental costs).

How Grant Thornton can help

Preparers of financial statements will need to be agile and responsive as the situation unfolds. Having access to experts, insights and accurate information as quickly as possible is critical – but your resources may be stretched at this time. We can support you as you navigate through accounting for the impacts of COVID-19 on your business.

Now more than ever the need for reporting entities and their auditor or accounting advisor to work closely together is essential, so if you would like to discuss any of the points raised, please speak to your usual Grant Thornton contact or send an email to info@kg.gt.com

MEMBERS OF THE AMERICAN CHAMBER OF COMMERCE IN THE KYRGYZ REPUBLIC



Contact us:
+996 (312) 62 33 89, 62 33 95
pa@amcham.kg
www.amcham.kg

Address:
191 Abdrakhmanov Str.,
Hyatt Regency Bishkek, office #123
Bishkek, Kyrgyz Republic, 720011

