Mutual loan moratorium with recalculation of amortised cost

During 2020, various measures followed one another, including Decree Law No. 18/2020, Article 56, the so-called 'Italy Cure', and the 2021 Budget Law.
Among the various initiatives, mortgage moratoria have been widely adopted, through which the payment of the principal, or in some cases the entire instalment, has been suspended with reference to loans in place or received during the 2020 financial year; this impact entails differences if the debts should be valued or not at amortised cost.
MORATORIUM WITHOUT AMORTISED COST
In the Balance Sheet, the nominal value of the debt remains crystallised for the period of the suspension.
In the income statement, interest expense continues to accrue and be paid. At the end of the financial year, any accrued and unpaid interest expense must be charged. Or, if the suspension relates to the entire instalment, the interest accrued during the moratorium until 31 December 2020 is accrued in the 2020 financial year and should be recognised in the accounts: interest payable on loans to be paid.
MORATORIUM WITH AMORTISED COST
The hypothesis in question must be treated with reference to the case of the non-substantial modification of the contractual agreement as provided for by OIC 19 paragraph 61.
It is possible to outline the procedure as follows:
- the present value of future cash flows post moratorium is determined through the original TIE;
- then the difference between the value of the post-mortgage flows and the previous book value of the debt is recognised in the income statement, as financial income or charges;
- the book value of the redefined debt is adjusted to the new transaction costs incurred to benefit from the moratorium;
- finally, the new TIE is determined, which will take into account the new transaction costs and which will allow these costs to be amortised over the residual duration of the debt after the moratorium.
If a loan agreement with a moratorium has a hedging derivative associated with it, it is necessary to verify the persistence of the hedging relationship; in this case the provisions of OIC 32 must be applied.
Finally, adequate information must be provided in the Notes to the Financial Statements, while the Report on Operations must illustrate the effects of the crystallisation of debts on the net financial position and the relationship between the same and the reference indicators.

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