



COVID-Era Normalization Adjustments Checklist

The following nonoperating and nonrecurring adjustments can be considered for business valuations performed during the COVID-19 era.

BALANCE SHEET

- Excess cash from PPP loan
- Declining PP&E values
- Extended days outstanding for AR and AP
- Decline in intangible asset values
- PPP loan debt/forgiveness
- [SBA Debt Relief](#)
- Possible capital infusions (debt and equity)

REVENUE

- Lost sales due to customer disruptions
- Lost sales due to supply chain interruptions
- Lost sales due to production shutdowns or slowdowns to accommodate direct labor employee health and safety
- Increased customer orders due to coronavirus relief efforts: PPE, testing, vaccine development, etc.
- Forgiven PPP loan income
- Grant income: government, Google, Facebook, GoFundMe, etc.

COGS

- Expedite fees and abnormal shipping costs
- Temporary price increases
- Hazard pay paid to retain essential workers
- Increased spend with subcontractors to overcome loss of internal capacity
- Extra overtime wages due to exceptional customer order volatility
- Inventory write offs related to reduced customer demand

SG&A

- Cost of personal protective gear
- Increased cost for employee screening and security
- Costs to reconfigure the work environment
- Extra IT hardware, software, installation, and training costs to set-up employees for remote work
- Extra cleaning/sanitizing labor and supplies
- Bad debt expense, and effect on future revenue
- Cancellation fees and refunds for unused events, travel, sponsorships, etc.
- Reduced travel and entertainment costs
- Insurance rate increases, rebates, and settlements
- Costs due to change in business model (web, ecommerce, hands free POS)
- Costs to find and qualify new vendors
- Rent concessions
- Extra CPA services related to CARES Act transactions and financial reporting
- Other pandemic-related professional fees: HR, legal, financial, etc.
- Severance costs
- Suspended 401(k) matching
- Reduced management salaries
- Unearned bonuses paid to commissioned salespeople to use PPP funds
- Write down of intangible/goodwill value (impairment analysis)

For more information on a particular adjustment or to discuss a business valuation need or M&A strategy, contact one of Exit Strategies' [experienced professionals](#).