This edition of China Accounting Alert provides news and updates about IFRS, financial reporting in Mainland China and EY publications.

IASB news and updates

- IASB Update for November 2018

  The November 2018 issue of the IASB Update contains the IASB staff summary of the IASB meeting held on 14 and 15 November 2018 when the board discussed:

  - IFRS 17 Insurance Contracts
  - Primary Financial Statements
  - IFRS Implementation Issues
  - Management Commentary
  - Classification of liabilities as current or non-current (Amendments to IAS 1)
  - Updating a reference to the Conceptual Framework (Amendments to IFRS 3)
  - Rate-regulated Activities
Mainland news and updates

Accounting Department of the MOF releases Application Examples on New Revenue Standard

To facilitate the enterprises to obtain a better understanding of the application of the new revenue standard, five application examples were released on the MOF Accounting Department website under “Implementation of Accounting Standards-Revenue Standard Application”.

1. Onerous contracts
2. Contract liabilities (pre-paid cards subject to different VAT rates)
3. Contract liabilities (pre-paid gift cards from e-commercial platforms)
4. Costs to fulfill a contract (contract costs borne by service industries such as the hotel industry)
5. Transportation services

The examples above include related facts and circumstances, specific accounting treatments and relevant accounting standards to provide reference on how to apply the standard.

MOF releases revised Accounting Standard for Business Enterprises No. 21 – Leases

Recently, the MOF revised Accounting Standard for Business Enterprises No. 21 – Leases (the “new lease standard”). Under the new lease standard, except for certain exemptions, lessees are required to recognize right-of-use assets and lease liabilities for all the leases in their financial statements without distinguishing between operating and finance leases, while the lessor accounting is substantially unchanged from the current treatment.

The new lease standard also provides guidelines on the treatment of transactions such as sub-leases and sale and leaseback. Other revisions include:

1. Improve the subsequent measurement of lessees, and add accounting treatments for re-evaluation of options and lease modification.
2. Refine the definition of a lease, add guidance on lease identification, lease disaggregation and lease contract combination, etc.
3. Enlarge the scope of disclosure to be made by lessors, so as to provide more useful information for the users of financial statements.

There are two transition approaches for the new lease standard. Enterprises may 1) apply the new lease standard retrospectively, or 2) recognize the cumulative effect of the initial application of the new lease standard as an adjustment to the opening balance of retained earnings and other related items in the financial statements for the year of adoption, without restating the comparative figures. A number of simplified measures are available under the second approach. The table below shows the effective dates of the new lease standard for various types of enterprises:

<table>
<thead>
<tr>
<th>Type of enterprises</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises listed on both domestic and overseas markets at the same time</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>Enterprises listed on overseas markets (preparing financial statements in accordance with IFRSs or ASBEs)</td>
<td>1 January 2019</td>
</tr>
<tr>
<td>Other enterprises (applying ASBEs)</td>
<td>1 January 2021</td>
</tr>
</tbody>
</table>

Early adoption is permitted for enterprises whose parents or subsidiaries are listed on overseas markets with their financial statements prepared in accordance with IFRSs or ASBEs, but the date of adoption should not be earlier than the date when the new financial instrument standards and the new revenue standard are applied simultaneously.
EY publications

► Applying IFRS: Presentation and disclosure requirements of IFRS 16 Leases
With the forthcoming implementation of IFRS 16 Leases, entities may wish to plan for the new presentation and disclosure requirements. This edition of Applying IFRS provides a summary of the new requirements for lessees in IFRS 16, both at transition and on an ongoing basis. It illustrates possible formats entities could use to disclose information required by IFRS 16 using real-life examples from entities that have early adopted IFRS 16.

► Good Bank (International) Limited - Illustrative disclosures under IFRS 7R (December 2018)
Good Bank (International) Limited provides a practical working model of the new hedge accounting disclosures for entities opting to continue to apply hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement when adopting IFRS 9 Financial Instruments.

It is presented as a series of extracts from the full consolidated financial statements of Good Bank (International) Limited and its subsidiaries for the year ending 31 December 2018.

► Insurance Accounting Alert: IASB agrees to defer IFRS 17 to 2022
At its November meeting, the IASB tentatively decided to defer the effective date of IFRS 17 Insurance Contracts to reporting periods beginning on or after 1 January 2022. This is a deferral of 1 year compared to the current date of 1 January 2021.

The Board also decided to propose an amendment to IFRS 4 Insurance Contracts to allow insurers qualifying for deferral of IFRS 9 Financial Instruments an additional year of deferral. This would mean that qualifying insurers could apply both standards for the first time to reporting periods beginning on or after 1 January 2022. This edition of Insurance Accounting Alert tells you what you need to know about the amendments.
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