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

**IASB news and updates**

- **IASB Update for June 2018**

  The *June 2018* issue of the IASB Update contains the IASB staff summary of the IASB meeting held on 20 and 21 June 2018 when the board discussed:

  - Disclosure Initiative (Principles of Disclosure, Targeted Standards-level Review of Disclosures, Definition of Material)
  - Dynamic Risk Management
  - Research programme: Update
  - Interbank offered rate (IBOR) reform: research project proposal
  - Primary Financial Statements
  - Insurance Contracts
  - Implementation
  - Islamic Finance Consultative Group Update
  - Business Combinations under Common Control
IFRIC Update for June 2018

At its June 2018 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

► IAS 12 Income Taxes · Deferred tax – tax base of assets and liabilities
► IAS 37 Provisions, Contingent Liabilities and Contingent Assets · Costs considered in assessing whether a contract is onerous
► IAS 21 The Effects of Changes in Exchange Rates · Determination of the exchange rate when there is a long-term lack of exchangeability
► IAS 23 Borrowing Costs · Expenditures on a qualifying asset
► IAS 23 Borrowing Costs · Borrowing costs on land
► IAS 7 Statement of Cash Flows · Classification of short-term loans and credit facilities
► IAS 16 Property, Plant and Equipment · Proceeds before intended use

The June 2018 issue of the IFRIC Update summarizes what you need to know about these and other issues discussed at the IFRIC’s June 2018 meeting.

Mainland news and updates

► MOF issues revised “presentation of financial statements of general business enterprises” for 2018

Following the revision of the presentation of financial statements of general business enterprises at the end of 2017 according to the two Accounting Standards for Business Enterprises which came into effect in that year, the MOF has recently revised and further improved the presentation of financial statements of general business enterprises. This revision includes two sets of presentation of financial statements, which will respectively apply to non-financial enterprises that have not applied the new financial instruments standards and the new revenue standard and non-financial enterprises that have applied the new financial instruments standards or the new revenue standard. Financial enterprises applying Accounting Standards for Business Enterprises should make revisions in accordance with the revised presentation of financial statements of general business enterprises based on the nature and requirements of their operating activities. Notice on Issuing the Revised Presentation of Financial Statements of General Business Enterprises (Cai Kuai [2017] No.30) issued by the MOF in December 2017 is repealed simultaneously.

Non-financial enterprises that have not applied the new financial instruments standards and new revenue standard are required to:

► For the statement of financial position, merge existing line items:
  ► Merge the line items “Notes receivable” and “Accounts receivable” into the newly added line item “Notes receivable and accounts receivable”
  ► Merge the line items “Interest receivable” and “Dividends receivable” into the line item “Other receivables”
  ► Merge the line item “Disposal of fixed assets” into the line item “Fixed assets”
  ► Merge the line item “Construction materials” into the line item “Construction in progress”
  ► Merge the line items “Notes payable” and “Accounts payable” into the newly added line item “Notes payable and accounts payable”
  ► Merge the line items “Interest payable” and “Dividends payable” into the line item “Other payables”
  ► Merge the line item “Special payables” into the line item “Long-term payables”

► For the statement of profit or loss, split line items:
  ► Split the line item “Research and development expenses” from the line item “General and administrative expenses”
  ► Present the line items “Interest expenses” and “Interest income” under the line item “Financial expenses”

► For the statement of changes in equity, meet the requirements by adding line items when transferring within owners’ equity “changes arising from remeasuring the net liabilities or net assets of a defined benefit plan” under the Application Guidance on Accounting Standard for Business Enterprises No. 9 · Employee Benefits:
  ► Add the line item “Changes in the defined benefit plan transferred to retained earnings”

For non-financial enterprises that have applied the new financial instruments standards or the new revenue standard, in addition to the above changes, upon the application of the new standards, they are also required to:

► For the statement of financial position:
  ► Add the line items “Financial assets held for trading”, “Debt investments”, “Other debt investments”, “Other equity instrument investments”, “Other non-current financial assets” and “Financial liabilities held for trading”
  ► Add the line items “Contract assets” and “Contract liabilities”
Present specific accounts according to the related requirements of the new revenue standard under existing line items as follows:

- Present the line item “Cost to obtain contracts” under the line item “Other current assets” or the line item “Other non-current assets” depending on its liquidity
- Present the line item “Cost to fulfill contracts” under the line item “Inventories” or the line item “Other non-current assets” depending on its liquidity
- Present the line item “Cost of return receivables” under the line item “Other current assets” or the line item “Other non-current assets” depending on its liquidity
- Present the line item “Provisions - return payables” under the line item “Other current liabilities” or the line item “Provisions” depending on their liquidity

For the statement of profit or loss:

- Add the line items “Credit impairment losses”, “Gains on net exposure hedges”, “Changes in fair value of other equity instrument investments”, “Changes in fair value of enterprises’ own credit risk”, “Changes in fair value of other debt investments”, “Amounts of financial assets reclassified to other comprehensive income”, “Provision for credit impairment of other debt investments” and “Reserves of cash flow hedges”
- Remove the line items “Gains and losses on changes in fair value of available-for-sale financial assets”, “Gains and losses on held-to-maturity investments reclassified as available-for-sale financial assets” and “Effective portion of gains and losses on cash flow hedges” which are required by the old financial instruments standards, from other comprehensive income

For the statement of changes in equity:

- Add the line item “other comprehensive income transferred to retained earnings” which is required by the new financial instruments standards

The MOF has also provided instructions and presentation guidance on the revised line items in the revised presentation of financial statements of general business enterprises.

**EY publications**

- **Applying IFRS: Presentation and disclosure requirements of IFRS 15 (updated July 2018)**

  This edition of Applying IFRS summarizes the presentation and disclosure requirements of IFRS 15 Revenue from Contracts with Customers, both at transition and on an ongoing basis. It illustrates possible formats for disclosing information required by IFRS 15 using examples from early-adopters.

The presentation and disclosure requirements in IFRS 15 will affect all entities, even those considering there will be little change to the timing and amount of revenue they will recognize under the standard. This aspect of IFRS 15 may present a significant challenge on transition and on an ongoing basis.

**IFRS Developments Issue 135: Financial instruments with characteristics of equity**

On 28 June 2018, the IASB issued for comment a Discussion Paper, Financial Instruments with Characteristics of Equity (FICE). The IASB is seeking to improve the requirements for classifying financial instruments with characteristics of equity or liabilities, without significantly altering most existing classification outcomes of IAS 32 Financial Instruments: Presentation. But the proposals contained in the discussion paper would change the way that some instruments are classified. It also introduces some different ways of presenting gains and losses on certain liabilities and seeks to enhance the information provided through disclosure. IFRS Developments Issue 135 looks at the areas of focus in the FICE project.

The discussion paper is open for comment until 7 January 2019.

**IFRS Update of standards and interpretations in issue as at 30 June 2018**

This edition of IFRS Update is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRIC as at 30 June 2018 that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarizes key features of selected IASB projects and recent IFRIC agenda decisions.

**Good Investment Fund Limited (Liability) 2018**

Good Investment Fund Limited (Liability) 2018 is a set of illustrative consolidated financial statements for the year ending 31 December 2018. The illustrative financial statements are prepared in accordance with IFRS in issue as at 31 August 2017 and effective for annual periods beginning on or after 1 January 2018.

**Insurance Accounting Alert: June 2018**

At its June meeting, the IASB discussed and agreed to several proposed narrow-scope amendments to IFRS 17 Insurance Contracts in its next Annual Improvements Cycle. This edition of Insurance Accounting Alert considers how these minor changes are intended to ensure the wording of the standard is consistent with the decisions that the IASB made in the development of the standard.


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