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

**IASB news and updates**

- **IASB Update for June 2017**
  
  The June 2017 issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 21 to 22 June 2017 when the board discussed:

  - Conceptual Framework
  - Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)
  - Primary Financial Statements
  - Rate-regulated Activities
  - IFRS Implementation Issues
  - Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)
  - Dynamic Risk Management (Education Session)
  - Definition of a Business
IFRIC Update for June 2017
At its June 2017 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

► IFRS 9 Financial Instruments – Modification or exchange of financial liabilities that do not result in derecognition
► IAS 23 Borrowing Costs – Borrowing costs on completed qualifying assets
► IFRS 3 Business Combinations – Acquisition of a group of assets that does not constitute a business
► IAS 28 Investments in Associates and Joint Ventures – Acquisition of an associate or joint venture from an entity under common control
► IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Costs considered in assessing whether a contract is onerous
► IAS 38 Intangible Assets – Goods acquired for promotional activities

The June 2017 issue of the IFRIC Update summarizes what you need to know about these and other issues discussed at the IFRS Interpretations Committee’s June 2017 meeting.

Mainland news and updates

► MOF released new revenue recognition standard
On 19 July 2017, the MOF released revised Accounting Standard for Business Enterprises No. 14 – Revenue, which replaces existing Accounting Standard for Business Enterprises No. 14 – Revenue and Accounting Standard for Business Enterprises No. 15 – Construction Contracts. The new standard has achieved convergence with the IASB’s IFRS 15 Revenue from Contracts with Customers issued in 2014 and Clarifications to IFRS 15 Revenue from Contracts with Customers issued in 2016. The revisions of the standard include a five-step model for revenue recognition, the guidelines on certain issues or transactions such as contract cost and warranties, as well as more specific disclosure requirements.

The standard will be effective on 1 January 2018 for enterprises listed both domestically and overseas at the same time, and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards for Business Enterprises; on 1 January 2020 for other domestically listed enterprises; and on 1 January 2021 for non-public enterprises that apply Accounting Standards for Business Enterprises. Early application is permitted.

► MOF released Interpretations No.9 to 12 on Accounting Standards for Business Enterprises
In June 2017, the MOF released Interpretations No.9, No.10, No.11 and No.12 on Accounting Standards for Business Enterprises. The following issues have been addressed:

1. Accounting treatment for net investment losses under the equity method
2. Depreciation method based on revenue generated by an activity that includes the use of a fixed asset
3. Amortization method based on revenue generated by an activity that includes the use of an intangible asset
4. Are the provider of key management personnel services and the recipient related parties?

Interpretations No.9 to 12 will become effective from 1 January 2018 with different transition requirements.

► MOF released Circular on the Transitional Measures for the Implementation of New Accounting Standards relating to Financial Instruments by Insurers
The MOF recently released the Circular on the Transitional Measures for the Implementation of New Accounting Standards relating to Financial Instruments by Insurers to provide guidance for insurers on the implementation of the standards issued by the MOF, including Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement, Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 – Hedging and Accounting Standard for Business Enterprises No. 37 – Presentation and Disclosures of Financial Instruments (collectively, the “new accounting standards relating to financial instruments”), thereby ensuring a smooth transition from the old standards to the new ones. The Circular specifies the timeline for the implementation of the new accounting standards relating to financial instruments by insurers, as well as the conditions on the temporary postponement of implementation of these standards and the related supplementary disclosure requirements.
EY publications

► IFRS Developments Issue 128: Revenue earned before an asset is ready for its intended use

The IASB has proposed amendments to IAS 16 Property, Plant and Equipment to prohibit revenue generated before an asset is available for its intended use from being deducted from the cost of the related property, plant and equipment. Instead, such revenue will need to be recognized in profit or loss. EY IFRS Developments Issue 128 tells you what you need to know about the proposed amendments. The closing date for comments is 19 October 2017.

► Applying IFRS: Leases standard for consumer products and retail

IFRS 16 Leases requires lessees to recognize assets and liabilities for most leases. This could have implications for consumer product entities and retailers' finances and operations and may require new processes and controls or adjustments to existing systems to identify and account for leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. This edition of Applying IFRS summarizes the changes to accounting practices.

► Applying IFRS: Presentation and disclosure requirements of IFRS 15

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 that feel there will be little change to the timing and amount of revenue they will recognize under it. This aspect of IFRS 15 may present a significant challenge on transition and on an ongoing basis.
China Accounting Alert is our monthly executive update for Mainland China and Hong Kong on recent developments in local and international financial reporting, and related hot topics and emerging issues. China Accounting Alert is designed to help keep you one step ahead by providing easy access to the information you need, all in one place. It is not intended to be a substitute for reading the financial reporting standards or other appropriate authoritative guidance, to which reference should be made for a full understanding of the relevant subject matters.