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 April 2018**

The April 2018 issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held on 24 and 25 April 2018 when the board discussed:

► Primary Financial Statements
► Business Combinations under Common Control
► Goodwill and Impairment
► Dynamic Risk Management
► Disclosure Initiative
► Implementation Issues in IFRS Standards
Mainland news and updates

CSRC issued revised Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 14 - Modified Audit Opinions and Other Matters Involved

Recently, the CSRC has issued revised Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 14 - Modified Audit Opinions and Other Matters Involved, effective upon issuance. Implementing the regulatory principle with a focus on information disclosure, the revisions were made to better meet investors’ needs for information by improving the requirements on disclosure of matters involved in modified audit opinions, taking into considerations the changes in the new and revised Chinese Standards on Auditing (“CSAs”) and current conditions of the capital market. Major amendments are as follows:

1. for a listed company that receives a modified audit opinion due to its clear violation of accounting standards or information disclosure rules, the provision to suspend the trading of its shares is removed.
2. the definition and scope of a modified audit opinion are revised in accordance with the new and revised CSAs.
3. a new requirement is introduced, stipulating that the CPA shall give specific explanations for the modified audit opinion.
4. the provision "in case of any qualified opinion or adverse opinion that has an impact on a listed company's profit, the listed company is required to deduct the affected amount when preparing the profit distribution plan" is removed.

CICPA issued Questions and Answers to Chinese Standards on Auditing No. 14 and No. 15

The CICPA has recently developed and issued Questions and Answers for Chinese Standards on Auditing No. 14 - Key Audit Matters (“Q&A No.14”) and Questions and Answers for Chinese Standards on Auditing No.15 - Other Information (“Q&A No.15”), both effective upon issuance and provide guidelines for CPAs on the application of the new and revised CSAs, which came into effect on 1 January 2018. The Q&As aim at providing clarity and guidance on how to implement standards regarding key audit matters when financial statements of entities are audited for initial public offering (IPO) purposes, and on whether standards in respect of the other information apply to the prospectuses of IPO applicants.

Q&A No.14 mainly includes the following:

1. Standards regarding key audit matters shall apply to the entire track record period of the financial statements of IPO applicants. During the transitional period of Q&A, the standards shall apply to periods beginning 2017 and thereafter for IPO applicants and they are applicable on a voluntary basis for periods prior to 2017.
2. Key audit matters shall be determined respectively for each reporting period, but those applicable for several reporting periods may be combined and disclosed together.
3. The disclosure of key audit matters during each reporting period in the financial report shall be determined based on the situation of each reporting period.
4. For key audit matters relating merely to certain periods, CPAs shall specify the reporting periods related to the key audit matters in the auditor’s report.
5. A template for disclosure of key audit matters in the auditor’s report on financial statements of IPO applicants is provided.

Q&A No.15 mainly includes the following:

1. Standards in respect of the other information do not apply to the prospectuses of IPO applicants.
2. CPAs shall perform work in accordance with the relevant regulations and requirements of the securities regulators.
3. For other securities issuance documents, such as the prospectus for bonds of a company that applies for public issuance of bonds, the above applies.
CSRC issued revised Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 19 - Correction of Financial Information and Related Disclosures

The CSRC has recently issued revised Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 19 - Correction of Financial Information and Related Disclosures, to regulate the information disclosure by companies offering securities to the public so as to protect the legitimate rights and interests of investors. Implementing the regulatory principle with a focus on information disclosure, the revisions were made to deal with issues arising from the implementation of existing rules and changes in the new and revised CSAs, to better meet investors’ needs for information by enhancing the information disclosure requirements in respect of correction of financial information and to improve the quality of information disclosure by market entities. The revisions became effective upon issuance.

Major amendments are as follows:

1. a full audit is no longer compulsory on corrected annual financial statements. Instead, whether a full audit or special assurance is performed depends on the impact of the corrected items.
2. the period for disclosing corrected audited financial statements is reasonably extended.
3. some of the formats and contents of the disclosure are improved and clarified to eliminate differences in interpretation of the regulations in practice.

Shanghai Stock Exchange and Shenzhen Stock Exchange issue guidelines on contents and formats of periodic report on asset-backed securities

Recently, the Shanghai Stock Exchange and Shenzhen Stock Exchange have issued Shanghai Stock Exchange’s Guideline on Contents and Formats of Periodic Reports on Asset-backed Securities and Shenzhen Stock Exchange’s Guideline on Contents and Formats of Periodic Reports on Asset-backed Securities, respectively. The guidelines are effective upon release. The asset-backed securities referred to therein are those asset-backed securities listed and transferred on the Shanghai Stock Exchange or Shenzhen Stock Exchange. Managers and trustees of the special plan of the asset-backed securities should prepare and disclose an annual management report and a trustee report according to the related requirements. The above guidelines are designed to standardize the preparation and disclosure of periodic reports on asset-backed securities and protect the legal rights and interests of related investors.

Shenzhen Stock Exchange issues guidelines on industry information disclosure

Recently, the Shenzhen Stock Exchange has issued Shenzhen Stock Exchange’s Guideline on Industry Information Disclosure No. 10 – Listed Companies Engaging in Civil Blasting Related Business, Shenzhen Stock Exchange’s Guideline on Industry Information Disclosure No. 11 – Listed Companies Engaging in Jewelry Related Business and Shenzhen Stock Exchange’s Guideline on Industry Information Disclosure No. 12 – Listed Companies Engaging in Software and Information Technology Service Business. The guidelines are effective upon release. Focusing on the characteristics of the related industries, the guidelines have added disclosure requirements for information included in the notes to financial statements.

EY publications

Applying IFRS 17: A closer look at the new insurance contracts standard

IFRS 17 is the IASB’s new insurance contracts standard. It represents a complete overhaul of the accounting for insurance contracts. It will increase the transparency of insurers’ financial positions and performance, and it is intended to make their financial statements more comparable with other insurers. This edition of Applying IFRS considers the implementation of the principles in IFRS 17.

IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.
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.