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 2019

The April 2019 issue of the IASB Update contains the IASB staff summary of the IASB meeting held from 9 to 11 April 2019 when the board discussed:

- Amendments to IFRS 17 Insurance Contracts
- Business Combinations under Common Control
- Accounting Policies and Accounting Estimates (Amendments to IAS 8)
- Implementation matters
- Disclosure Initiative—Accounting Policies
- Research programme update
- Management Commentary
- Primary Financial Statements
- Goodwill and Impairment
- Dynamic Risk Management
Mainland news and updates

- **MOF issues the revised presentation of financial statements for general business enterprises for 2019**

Regarding the phased implementation of *Accounting Standard for Business Enterprises No.21 - Leases* (Cai Kuai [2018] No.35, the “new lease standard”) starting 1 January 2019, and the implementation issues related to Accounting Standards for Business Enterprises (“ASBEs”), the Ministry of Finance (the “MOF”) has issued *Notice on Issuing the Revised Presentation of Financial Statements for General Business Enterprises for 2019* (the “Notice”). The Notice is applicable to 2019 interim financial statements, and financial statements for the year of 2019 and subsequent periods of non-financial enterprises applying ASBEs.

### For non-financial enterprises

| Non-financial enterprises that have not implemented the new financial instrument standards (1), the new revenue standard (2) and the new lease standard | Format 1 (3) |
| Non-financial enterprises that have implemented the new financial instrument standards, the new revenue standard and the new lease standard | Format 2 (3) |
| Non-financial enterprises that have implemented the new financial instrument standards, but have not implemented the new revenue standard and the new lease standard | Format 1 and Format 2 combined with adjustments |
| Non-financial enterprises that have implemented the new financial instrument standards and the new revenue standard, but have not implemented the new lease standard | Format 1 and Format 2 combined with adjustments |

**Notes:**

3. “Format 1” and “Format 2” correspond to Appendix 1 and Appendix 2 of the Notice, respectively.

Financial enterprises applying ASBEs should prepare financial statements in accordance with *Notice of the Ministry of Finance on Issuing the Revised Presentation of Financial Statements for Financial Institutions for 2018* (Cai Kuai [2018] No.36), and adjust the related items, other than those specific to financial enterprises, based on the presentation of financial statements required by the Notice. *Notice of the Ministry of Finance on Issuing the Revised Presentation of Financial Statements for General Business Enterprises for 2018* (Cai Kuai [2018] No.15) issued by the MOF on 15 June 2018 is repealed simultaneously.

For further details about the major changes in the presentation of financial statements, please refer to EY WeChat: *A Farewell to Annual Financial Statements, and Welcome to Interim Financial Statements! The Updated Presentation of Financial Statements for 2019!*

- **MOF revises Accounting Standard for Business Enterprises No.7 - Exchange of Non-Monetary Assets**

In order to regulate the accounting for the exchange of non-monetary assets and improve the quality of accounting information, the MOF has revised *Accounting Standard for Business Enterprises No.7 - Exchange of Non-Monetary Assets* (the “revised standard”), which is applicable to all enterprises applying ASBEs.

The revised standard generally maintains the original measurement principle, further clarifies the scope of the standard, standardizes the timing of recognition and derecognition of assets received and assets surrendered, refines the specific accounting treatment of the exchange of non-monetary assets under different measurement bases, and fully considers consistency among different standards.

- For the exchange of non-monetary assets between 1 January 2019 and the effective date, adjustments should be made in accordance with the revised standard.
- For the exchange of non-monetary assets prior to 1 January 2019, retrospective application is not required by the revised standard.

The revised standard will become effective starting 10 June 2019.

For further details about the main content of the revised standard, please refer to EY WeChat: *Results of Internal Coordination of Accounting Standards for Business Enterprises: Issuance of Revised Accounting Standard for Business Enterprises No.7 - Exchange of Non-Monetary Assets.*
The Accounting Regulatory Department of the MOF releases its interpretation on issues related to the application of the Requirements on the Accounting Treatments for VAT to Announcement on Related Policies of Deepening the VAT Reform

Recently, the MOF, State Taxation Administration and General Administration of Customs have issued Announcement on Related Policies of Deepening the VAT Reform (Announcement No.39 of the MOF, State Taxation Administration and General Administration of Customs, 2019) (“Announcement No.39”), which stipulates that “from 1 April 2019 to 31 December 2021, taxpayers in the production and living service industry are allowed to add 10% based on the input VAT deductible in the current period to deduct the tax amount payable” (the “Provision”). The Accounting Regulatory Department of the MOF has released Interpretation on Issues related to the application of the Requirements on the Accounting Treatments for VAT to Announcement No.39. The interpretation on issues related to the application of the Requirements on the Accounting Treatments for VAT (Cai Kuai [2016] No.22) to the Provision is as follows:

For taxpayers in the production and living service industry, when acquiring assets or receiving services, VAT-related businesses should be accounted for in accordance with the Requirements on the Accounting Treatments for VAT; when paying VAT, the amount payable should be debited to “Taxes payable - Unpaid VAT” and other accounts; the amount paid should be credited to "Cash in banks", and the additional deduction should be credited to “Other income”.

EY publications

► IFRS Developments Issue 147: Curing of a credit impaired financial asset

The IFRS Interpretations Committee (IFRIC) published a final agenda decision confirming that reversals of impairment losses related to previously unrecognized interest on credit-impaired financial assets must be presented as reversals of impairment. Further details about the final agenda decision are found in IFRS Developments Issue 147.

► IFRS Developments Issue 148: IBOR reform: the IASB’s proposals, part 3

On 3 May 2019, the IASB published Exposure Draft, Interest Rate Benchmark Reform - Proposed Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, providing relief to allow hedge accounting to continue despite the uncertainties resulting from the transition from IBOR to risk-free rates. In IFRS Developments Issue 148, we summarize the IASB’s proposals and share EY views. Comments on the Exposure Draft are due by 17 June 2019.