

China Accounting Alert

March 2021

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

IASB news and updates

► Supplementary IASB Update for March 2021 – covid-19-related rent concessions

The board held a [supplementary meeting](#) on 10 March 2021 to:

- consider feedback on the February 2021 Exposure Draft *Covid-19-Related Rent Concessions beyond 30 June 2021*, which proposed an amendment to IFRS 16 *Leases*; and
- redeliberate the project proposal in the light of that feedback.

► IASB Update for February 2021

The [February 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 16 to 17 February 2021 when the board discussed:

- Financial Instruments with Characteristics of Equity
- Management Commentary
- Third Agenda Consultation
- Disclosure Initiative - Subsidiaries that are SMEs
- Second Comprehensive Review of the IFRS for SMEs Standard
- Extractive Activities

Mainland news and updates

- ▶ The Accounting Regulatory Department of the MOF releases the First Volume of Q&As on Implementing Accounting Standards for Business Enterprises in 2021

Recently, the Accounting Regulatory Department of the MOF releases the [First Volume of Q&As on Implementing Accounting Standards for Business Enterprises in 2021](#), which include 20 Q&As, covering:

Financial instruments (11 Q&As)	<ul style="list-style-type: none"> ▶ Areas of focus in the expected credit loss method under the covid-19 pandemic ▶ Assessment on management of financial assets' business model ▶ The classification of financial assets arising from the recognition of contingent consideration in business combinations not under common control ▶ Whether business enterprises which engaged in financial guarantee contract business should apply insurance standard (CAS 25 and CAS 26 etc) or financial instrument standard (CAS 22) ▶ Accounting treatment for equity instruments originally classified as available-for-sale financial assets that are designated to be measured at fair value through other comprehensive income on the implementation date of new financial instrument standard ▶ Accounting treatment and tax treatment for business enterprises' payments of interest on perpetual bonds ▶ Whether investments are accounted for under the long-term equity investment standard (CAS 2) or financial instruments standard (CAS 22) ▶ Whether a subsequent full recovery of the provisions for the losses on financial assets is a post-balance sheet date adjustment event ▶ The effects of the Loan Prime Rate ("LPR") reform on the characteristics of contractual cash flows ▶ Whether the structured entities with fixed or determinable lives meet the going-concern assumption ▶ The unification of accounting policies related to new financial instruments standards (CAS 22, CAS 23, CAS 24 and CAS 37) of parents and their insurance company subsidiaries
Leases (4 Q&As)	<ul style="list-style-type: none"> ▶ The accounting treatment by lessors in circumstances where lessees fall behind on rent payments during the covid-19 pandemic ▶ The accounting treatment by lessees in circumstances where changes in lease contracts shorten lease terms to less than one year ▶ Judgment on variable lease payments ▶ Determination of lease terms
Share-based payment (1 Q&A)	<ul style="list-style-type: none"> ▶ The accounting treatment for subsidiaries' stock incentive schemes with no settlement obligations
Debt restructuring (3 Q&As)	<ul style="list-style-type: none"> ▶ The timing of recognition of gains or losses on debt restructuring ▶ Judgment on the conversion of debts into equity instruments ▶ Whether the debtors' repayment of debts with inventories are regarded as inventory sales
Foreign currency translation (1 Q&A)	<ul style="list-style-type: none"> ▶ Whether foreign currency advances and prepayments are monetary items or non-monetary items

► **NEEQ releases Guideline No. 1 and Guideline No. 2 on Sustained Information Disclosure for NEEQ-listed Companies**

In order to further improve the system of information disclosure rules, and standardize the information disclosure of business matters and periodic reporting disclosure, the National Equities Exchange and Quotations (NEEQ) has formulated [Guideline No. 1 for Sustainable Information Disclosure of NEEQ-listed Companies - Information Disclosure of Business Matters](#) (NEEQ System Announcement [2021] No. 232) and [Guideline No. 2 for Sustainable Information Disclosure of NEEQ-listed Companies - Matters Relating to Periodic Reporting Disclosure](#) (NEEQ System Announcement [2021] No. 233). The above guidelines became effective upon release on 5 March 2021.

The Guidelines for Sustainable Information Disclosure of NEEQ-Listed Companies (for Trial Implementation) released on 31 December 2014, *Q&A 2 on Information Disclosure and Accounting of NEEQ-Listed Companies - Accounting for Share Issuance Cost* released on 26 January 2016 and *Q&A 5 on Information Disclosure and Accounting of NEEQ-Listed Companies - Information Disclosure on Pledge and Freezing of Interests* released on 18 May 2018 have been repealed simultaneously.

Q&A 3 on Information Disclosure and Accounting of NEEQ-Listed Companies released on 27 March 2017 and the contents related to performance forecasts and performance preview in *Q&A 4 on Information Disclosure and Accounting of NEEQ-Listed Companies - Performance Forecast, Performance Preview and Regular Rotation of Signing Certified Public Accountants* released on 21 February 2020 have been repealed simultaneously.

► **Asset Management Association of China issues supporting guidelines on the Publicly Offered Infrastructure REITs**

In order to standardize the due diligence, operations and other work related to the publicly offered infrastructure Real Estate Investment Trusts ("REITs"), Asset Management Association of China has formulated [Guidelines on Due Diligence for Publicly Offered Infrastructure REITs \(for Trial Implementation\) and Operational Guidelines on Publicly Offered Infrastructure REITs \(for Trial Implementation\)](#). The above supporting guidelines became effective upon release on 8 February 2021, which standardized the financial statements of infrastructure trusts, the financial statements of infrastructure projects (including proforma financial statements), and calculation reports on amounts available for distribution.

EY publications

► **Applying IFRS: IFRS accounting considerations of the Coronavirus pandemic (Updated February 2021)**

EY has made important changes since the November 2020 edition to address evolving issues and expand our discussion of certain topics. In [this edition](#) of *Applying IFRS*, updated in February 2021, the Board's proposal has been added in the section on leases to further amend IFRS 16 *Leases* to extend relief on rent concessions related to the coronavirus pandemic.

► **Applying IFRS: Impairment for lessees that plan to reduce the use of real estate**

[This edition](#) of *Applying IFRS* has made important changes since the July 2020 edition to address evolving issues and expand our discussion of certain topics. EY has been added the IASB's proposal to update the condition to apply the relief to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021.

► **IFRS Developments Issue 186: The IASB defines accounting estimates**

The IASB has issued amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors*, in which it introduces a new definition of 'accounting estimates'. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Learn more in *EY IFRS Developments* [Issue 186](#).

► **IFRS Developments Issue 187: The Disclosure Initiative - IASB amends the accounting policy requirements**

The IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. *EY IFRS Developments* [Issue 187](#) summarizes the amendments.

China Accounting Alert is the 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.

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