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China Accounting Alert

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

Mainland news and updates

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

Recently, the Accounting Regulatory Department of the MOF has released [The Fifth Batch of 2021 Q&As on Implementing Accounting Standards for Business Enterprises](#). The six Q&As cover Accounting Standards for Business Enterprises regarding long-term equity investments, fixed assets, revenue, business combinations and the first-time adoption of standards and Accounting Standards for Small Enterprises as follows:

- ▶ Investors' equity method in accounting for associates or joint ventures which only adjust the opening balance of the 2021 financial statements upon the implementation of the new standards
- ▶ The accounting treatment of fixed assets' daily maintenance expenses which do not meet the criteria for being capitalized as subsequent expenditure of fixed assets
- ▶ Presentation of transportation costs as costs to fulfill contracts
- ▶ The retrospective period of financial statements of newly established companies in business combinations under common control
- ▶ The accounting treatment for the transition to Accounting Standards for Business Enterprises upon first-time adoption
- ▶ The accounting treatment of the handling fee for deducting individual income tax by enterprises implementing *Accounting Standards for Small Enterprises*

For further details about these implementation Q&As, please refer to EY WeChat: [Interpretation of Q&As on Implementing Accounting Standards for Business Enterprises Recently Released by the Ministry of Finance](#)

► **The CSRC issues the main rules of the Beijing Stock Exchange**

According to the overall plan to drive the reform of the National Equities Exchange and Quotations (the “NEEQ”) and to establish the Beijing Stock Exchange, NEEQ-listed companies on the Selection Tier have been transferred to the Beijing Stock Exchange. In order to have a smooth transition, the CSRC has recently issued 3 regulations on the listing, refinancing and ongoing supervision as well as 11 related normative documents of the Beijing Stock Exchange; has revised 2 regulations on the supervision of non-listed public companies, and has developed 2 standards on the contents and formats on issuance of convertible bonds to specific investors by NEEQ-listed companies. The above regulations and normative documents became effective on 15 November 2021.

The documents related to financial reporting mainly include:

- [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.46 - Prospectuses of Companies to be Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.26)
- [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.53 - Annual Reports of Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.33)
- [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.54 - Interim Reports of Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.34)

The standards for the format of periodic reports of the Beijing Stock Exchange generally follow the disclosure rules on companies listed on the Selection Tier, while retaining certain more specific arrangements compared to the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The specific arrangements cover the following three main aspects:

1. Reducing the preparation requirements for special reports. Considering that internal control and delisting risk-related contents have been fully reflected in the corresponding sections of the annual report, the preparation of internal control evaluation reports, internal control auditor’s reports and delisting special reports is not mandatory;
2. Integration and compression. The disclosures of illegal guarantees and significant guarantees are streamlined and consolidated in the section of significant events; and
3. Refining certain important contents which affect investment decisions. Detailed disclosure requirements are set out regarding research and development, insolvency reason analysis and recovery strategies.

Other documents are summarized below for reference:

- [Administrative Measures of the Beijing Stock Exchange for Registration of Public Offerings to Unspecified Qualified Investors \(Pilot\)](#) (CSRC Order [No.187])
- [Administrative Measures of the Beijing Stock Exchange for the Issuance Registration System of Listed Companies \(Pilot\)](#) (CSRC Order [No.188])
- [Measures of the Beijing Stock Exchange for Ongoing Supervision of Listed Companies \(Pilot\)](#) (CSRC Order [No.189])
- [Decisions on Revising the Administrative Measures for Supervision of Non-listed Public Companies](#) (CSRC Order [No.190])
- [Decisions on Revising the Administrative Measures for Information Disclosure by Non-listed Public Companies](#) (CSRC Order [No.191])
- [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.47 - Application Documents for Public Offerings to Unspecified Qualified Investors and Listing on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.27).

- ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.48 - Prospectuses of Public Offerings to Unspecified Qualified Investors by Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.28)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.49 - Prospectuses and Reports of Offerings to Specific Investors by Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.29)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.50 - Prospectuses and Reports of the Issue of Convertible Corporate Bonds to Specific Investors by Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.30)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.51 - Prospectuses and Reports of the Issue of Preferred Shares to Specific Investors by Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.31)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.52 - Application Documents for Securities Offerings by Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.32)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.55 - Reports on Changes in Equity, Reports on Acquisition of Listed Companies, Reports on Tender Offer and Reports on the Board of Directors of the Acquired Company of Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.35)
 - ▶ [Standard on Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No.56 - Major Asset Restructuring of Companies Listed on the Beijing Stock Exchange](#) (CSRC Announcement [2021] No.36)
 - ▶ [Standard on the Contents and Formats of Information Disclosure by Non-listed Public Companies No.18 - Prospectuses and Reports of the Issue of Convertible Corporate Bonds to Specific Investors](#) (CSRC Announcement [2021] No.37)
 - ▶ [Standard on the Contents and Formats of Information Disclosure by Non-listed Public Companies No.19 - Application Documents for the Issue of Convertible Corporate Bonds to Specific Investors](#) (CSRC Announcement [2021] No.38)
- In addition, according to [Decision on Repeal of Certain Guidelines on Securities and Futures](#) (CSRC Announcement [2021] No.39), 6 normative documents including Standard on the Contents and Formats of Information Disclosure by Non-listed Public Companies No.13 - Annual Reports of NEEQ-listed Companies on the Selection Tier (CSRC Announcement [2020] No.47) have been repealed on 15 November 2021.
- ▶ **The Beijing Stock Exchange issues main business rules**
- The Beijing Stock Exchange issued [4 Basic Business Rules for Listing and Review](#) and [6 Supporting Detailed Rules and Guidelines](#) on 30 October 2021 and issued [2 Basic Business Rules for Transaction and Membership Management](#) and [31 Detailed Rules and Guidelines](#) on 2 November 2021. The business rules became effective on 15 November 2021.
- The above business rules cover issuance and listing, financing and acquisitions, company supervision, securities transactions, membership management, etc. The relevant rules generally continue the institutional arrangements of the NEEQ System on the Selection Tier, and have been adjusted and optimized in accordance with higher-level laws related to the piloting of the registration-based IPO system, supervision of listed companies and exchange responsibilities.

The documents related to financial reporting mainly include:

- ▶ [Rules of the Beijing Stock Exchange for Listing of Stocks \(Pilot\)](#) (Bei Zheng Announcement [2021] No.13)
- ▶ [The Beijing Stock Exchange Guideline No.2 on Ongoing Supervision of Listed Companies - Quarterly Reports](#) (Bei Zheng Announcement [2021] No.35)
- ▶ [The Beijing Stock Exchange Guideline No.6 on Business Matters of Listed Companies - Related Matters of Periodic Reports](#) (Bei Zheng Announcement [2021] No.45)
- ▶ [The Beijing Stock Exchange Guideline No.1 on the Application of Rules for Public Offerings and Listings to Unspecified Qualified Investors](#) (Bei Zheng Announcement [2021] No.60)

▶ **Adjustments of 29 business rules by NEEQ**

In view of the opening of the Beijing Stock Exchange and NEEQ-listed companies on the Selection Tier have been transferred to the Beijing Stock Exchange, the NEEQ has made adaptive adjustments to [29 business rules](#) covering listing of stocks, ongoing supervision, transaction supervision and comprehensive market management, which deleted the provisions related to the Selection Tier. The revised rules became effective on 15 November 2021.

The documents related to financial reporting mainly include:

- ▶ [Rules on Information Disclosure for NEEQ-Listed Companies](#) (NEEQ System Announcement [2021] No.1007)
- ▶ [Guideline No.2 on Ongoing Information Disclosure for NEEQ-Listed Companies - Related Matters of Periodic Reports](#) (NEEQ System Announcement [2021] No.1028)

At the same time, 13 business rules including *Rules of the NEEQ for the Public Offerings to Unspecified Qualified Investors and Listing on the Selection Tier (Pilot)* (NEEQ System Announcement [2020] No.63), and *Q&A No.4 on Information Disclosure and Accounting of NEEQ-Listed Companies - Performance Forecasts, Performance Preview and Regular Rotation of Signing Certified Public Accountants* (NEEQ System Announcement [2020] No.103) have been repealed.

IASB news and updates

▶ **IASB Update for October 2021**

The [October 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 25 to 28 October 2021 when the board discussed:

Research and standard-setting

- ▶ Pension Benefits that Depend on Asset Returns
- ▶ Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*
- ▶ Rate-regulated Activities
- ▶ Equity Method
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Second Comprehensive Review of the *IFRS for SMEs Standard*

Maintenance and consistent application

- ▶ Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)
- ▶ Maintenance and consistent application
- ▶ Non-refundable Value Added Tax on Lease Payments (IFRS 16): Finalization of agenda decision
- ▶ Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32): Finalization of agenda decision
- ▶ Supplier Finance Arrangements: Sweep issue
- ▶ IFRIC Update

Taxonomy

- ▶ IFRS Taxonomy Update - Initial Application of IFRS 17 and IFRS 9 - Comparative Information

► **IFRIC: Addendum to IFRIC Update - September 2021**

"Items Not Added to the IFRIC Agenda" (i.e., agenda decisions) details the IFRS Interpretations Committee's rationale in determining why certain standards do not need clarification or amendment with respect to certain issues. At its September 2021 meeting, the IFRS Interpretations Committee decided not to add the following items to its agenda. In accordance with the IFRS Foundation's Due Process Handbook, the IASB considered the agenda decisions at its October 2021 meeting. As the IASB did not object to the agenda decisions, they were published in October 2021 in an [addendum](#) to the IFRIC Update of September 2021.

- IFRS 16 *Leases* - Item 6: Non-refundable Value Added Tax on Lease Payments
- IAS 32 *Financial Instruments: Presentation* - Item 21: Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition

As a reminder, IFRIC agenda decisions are considered persuasive in addressing matters of interpretation of IFRS. Changes in accounting as a result of IFRIC agenda decisions are treated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

EY publications

► **Applying IFRS: A closer look at IFRS 15, the revenue recognition standard (Updated October 2021)**

[This edition](#) of *Applying IFRS* includes important changes to address evolving application issues arising from IFRS 15 *Revenue from Contracts with Customers*. It is intended for use by entities that have adopted IFRS 15.

The revenue standard provides a comprehensive source of revenue requirements for all entities in all industries. EY updated publication analyzes the revenue recognition standard, expanding EY discussion of certain topics, including recent developments from the IASB and IFRS Interpretations Committee.

► **IFRS Developments Issue 196: IFRS Foundation establishes the International Sustainability Standards Board**

On 3 November 2021, at COP26, the IFRS Foundation Trustees announced the establishment of the International Sustainability Standards Board (ISSB). The newly created ISSB will have offices in the Americas, EMEA and Asia.

The first draft set of standards it plans to issue will focus on climate and general requirements for sustainability disclosures; these are expected to be released for comment in the first quarter of 2022. IFRS Sustainability Disclosure Standards will form a comprehensive global baseline, allowing local jurisdictions to supplement additional requirements as they see fit. Learn more in EY *IFRS Developments Issue 196*.

► **IFRS Developments Issue 197: Hyperinflationary economies**

EY *IFRS Developments Issue 197* sets out a summary of the inflation data of countries that are considered to be hyperinflationary for IFRS purposes as at 31 December 2021, as well as economies that are not currently hyperinflationary for IFRS purposes but should be monitored.

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