

China Accounting Alert

December 2021

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 Shanghai Stock Exchange issues guidelines on the criteria for deduction of operating revenue

In order to further clarify the criteria for deduction of operating revenue in financial delisting indicators and to regulate relevant information disclosure, the Shanghai Stock Exchange has formulated [Self-Regulation Guideline no.2 for Companies Listed on Shanghai Stock Exchange - Financial Delisting Indicators: Deduction of Operating Revenue](#) (Shang Zheng Han [2021] No.1882) and [Information Disclosure guideline No.9 for Companies Listed on the Sci-Tech Innovation Board - Financial Delisting Indicators: Deduction of Operating Revenue](#) (Shang Zheng Han [2021] No.1883). The guidelines became effective on 19 November 2021.

The guidelines clarify the specific deduction items of operating revenue, the matters that require auditors' significant attention to verify and the circumstances under which special verification opinions should be issued by the auditors.

► **The Shenzhen Stock Exchange issues guidelines on the criteria for deduction of operating revenue**

In order to further clarify the criteria for deduction of operating revenue in financial delisting indicators and to regulate relevant information disclosure, the [*Shenzhen Stock Exchange has formulated Shenzhen Stock Exchange Guideline No.12 on Business Matters of Listed Companies - Matters Relating to Deduction of Operating Revenue*](#) (Shen Zheng Shang [2021] No.1158) and [*Shenzhen Stock Exchange Guideline No.13 on Business Matters of Listed Companies on the ChiNext Board - Matters Relating to Deduction of Operating Revenue*](#) (Shen Zheng Shang [2021] No.1159). The guidelines became effective on 19 November 2021.

The guidelines clarify the specific deduction items of operating revenue, the matters that require auditors' significant attention to verify and the circumstances under which special verification opinions should be issued by the auditors.

IASB news and updates

► **IASB Update for November 2021**

The [*November 2021*](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 15 to 19 November 2021 when the board discussed:

Work plan overview

- IASB work plan update

Research and standard-setting

- Dynamic Risk Management
- 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
- Goodwill and Impairment
- Primary Financial Statements
- Second Comprehensive Review of *the IFRS for SMEs Standard*

Strategy and governance

- Third Agenda Consultation

► **IASB Update for December 2021**

The [*December 2021*](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 14 to 16 December 2021 when the board discussed:

Research and standard-setting

- Financial Instruments with Characteristics of Equity
- Rate-regulated Activities
- Primary Financial Statements
- Business Combinations under Common Control
- Second Comprehensive Review of the *IFRS for SMEs Standard*

Maintenance and consistent application

- Maintenance and consistent application
- Lease Liability in a Sale and Leaseback (IFRS 16): Project direction
- Economic Benefits from Use of a Windfarm (IFRS 16): Finalisation of agenda decision

Strategy and governance

- Third Agenda Consultation

► **IFRIC Update for November 2021**

At its November 2021 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

Committee's tentative agenda decisions

- IFRS 15 *Revenue from Contracts with Customers* - Principal versus Agent: Software Resellers

Agenda decisions for Board consideration

- IFRS 16 *Leases* - Economic Benefits from Use of a Windfarm

Other matters

- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* - Negative Low Emission Vehicle Credits
- Work in Progress

The [*November 2021*](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's November 2021 meeting.

EY publications

► Applying IFRS: Accounting for SPACs (Updated November 2021)

Acquisition by a special purpose acquisition company (SPAC) offers private companies a way to go public without having to conduct a traditional initial public offering.

As the volume of SPAC transactions continues to grow, stakeholders, including regulators, continue to expect high quality financial reporting which appropriately addresses relevant accounting and disclosure matters. We have made important changes to [this edition](#) of *Apply IFRS* since the July 2021 edition to address evolving issues.

► Applying IFRS: IBOR Reform (Updated December 2021)

As exposures continue to transition from IBORs, this publication considers the additional accounting considerations in applying the IASB's amendments to IFRS.

This [fourth edition](#) of the *Applying IFRS* provides an overview of the reliefs and further material on the additional disclosures required, and the key considerations for entities, including more worked examples, as they implement the requirements.

The effective date for the Phase 2 Amendments is 1 January 2021, but early adoption is permitted.

► IFRS Developments Issue 198: Non-current Liabilities with Covenants (Proposed amendments to IAS 1)

On 19 November 2021, the IASB issued Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants* (Proposed amendments to IAS 1) which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. Learn more in EY *IFRS Developments* [Issue 198](#).

The comment period for the ED ends on 21 March 2022.

► IFRS Developments Issue 199: Accounting for trees held to generate carbon offsets for use or sale

EY *IFRS Developments* [Issue 199](#) discuss how to determine the appropriate accounting for trees held to generate carbon offsets. Many entities are investing in trees as a means to offset their carbon emissions (a carbon sink) or to generate carbon offsets for sale. Whether the entity manages the trees and harvests any agricultural produce will be important to determine the applicable requirements. We outline relevant factors to consider, and whether a fair value or cost model will apply to the trees.

► IFRS Developments Issue 200: Supplier finance arrangements - IASB proposes additional disclosure requirements

The IASB published an Exposure Draft in which it proposes amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. Learn more in EY *IFRS Developments* [Issue 200](#).

► Good Life Insurance (International) Limited - Selected illustrative disclosures for IFRS 17, IFRS 9 and IFRS 7 (2021)

[Good Life Insurance \(International\) Limited](#) contains illustrative disclosures to meet the requirements of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for groups of insurance contracts accounted for under the general model in IFRS 17. It focuses on the presentation and disclosure requirements arising from IFRS 17 and IFRS 9 that impact a life insurance entity applying the default measurement model in IFRS 17 (the general model); it does not include all of the disclosures required by IFRS 7 *Financial Instruments: Disclosures* that were not altered by IFRS 9.

The disclosures are presented as a series of extracts from a set of full financial statements for Good Life Insurance (International) Limited for the year ending 31 December 2023. This publication includes key new disclosures arising from the amendments to IFRS 17 published by the IASB in June 2020.

► **Good Mining (International) Limited - Illustrative consolidated financial statements (December 2021)**

[Good Mining \(International\) Limited](#) contains the illustrative annual consolidated financial statements of Good Mining (International) Limited and subsidiaries for the year ended 31 December 2021. The consolidated illustrative financial statements are prepared in accordance with IFRS in issue as at 30 September 2021 and effective for annual periods beginning on or after 1 January 2021.

► **Good Bank (International) Limited - Illustrative consolidated financial statements (December 2021)**

[Good Bank \(International\) Limited](#) contains the illustrative consolidated financial statements of Good Bank (International) Limited and its subsidiaries for the year ended 31 December 2021. The consolidated illustrative financial statements are prepared in accordance with IFRSs in issue at 30 September 2021 and effective for annual periods beginning on or after 1 January 2021, unless otherwise stated. Standards issued, but not yet effective, as at 1 January 2021 are not illustrated in these financial statements. This edition includes updated disclosures in respect of the adoption of Phase 2 of IBOR reform and updated commentary and considerations on COVID-19 disclosures.



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