

China Accounting Alert

June 2022

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

Mainland news and updates

► MOF issues Provisions regarding the Accounting Treatment for Asset Management Products

To further clarify the accounting treatment for asset management products, the MOF has formulated [Provisions regarding the Accounting Treatment for Asset Management Products](#) (Cai Kuai [2022] No.14). The provisions became effective from 1 July 2022. The main contents include:

- General requirements
- Accounting treatment for major transactions (including applicable standards for investments, classification and measurement of financial assets and the accounting treatment for interest, custodian fees and manager compensation)
- Presentation and disclosure
- Appendixes (including accounts, major accounting treatment and format of financial statements)

For further details about the Notice, please refer to EY WeChat: [MOF issues Provisions regarding the Accounting Treatment for Asset Management Products](#).

- ▶ **The Accounting Regulatory Department of the MOF releases the Second Batch of Q&As on Implementing Accounting Standards for Business Enterprises in 2022**

The Accounting Regulatory Department of the MOF has released the [Second Batch of Q&As on Implementing Accounting Standards for Business Enterprises in 2022](#), which include four Q&As, covering Accounting Standards for Business Enterprises (government grants, consolidated financial statements, cash flow statements) and Accounting Standards for Small Enterprises:

- ▶ Categorization of rental subsidies received by the enterprise into government grants related to assets or related to income
- ▶ Preparation of relevant consolidated financial statements for the disposal of the sole subsidiary by the parent company during the reporting period
- ▶ Presentation of cash flows related to the period-end value-added tax (VAT) credit refund business for enterprises adopting the *Accounting Standards for Business Enterprises*
- ▶ Presentation of cash flows related to the period-end VAT credit refund business for enterprises adopting the *Accounting Standards for Small Enterprises*

- ▶ **The Accounting Regulatory Department of the MOF releases its interpretation on issues related to the application of Period-end VAT Credit Refund Policies to Requirements on the Accounting Treatments for VAT**

Recently, the MOF and the State Administration of Taxation have issued a series of documents and policies to further facilitate the implementation of the period-end VAT credit refund policy and continue to accelerate the implementation progress. On 24 June 2022, the Accounting Regulatory Department of the MOF issued [Interpretation on Issues Related to the Application of Period-end VAT Credit Refund Policies to Requirements on the Accounting Treatments for VAT](#): VAT general taxpayers shall conduct accounting treatments for the period-end VAT credit refund business in accordance with the *Requirements on the Accounting Treatment for VAT* (Cai Kuai [2016] No.22). The amount of refundable period-end VAT credits approved by tax authorities and the refunded/returned credits shall be accounted for through the detailed account of "Taxes payable - VAT credit refund".

IASB news and updates

- ▶ **IASB Update for June 2022**

The [June 2022](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 20 to 22 June 2022 when the board discussed:

Research and standard-setting

- ▶ Post-implementation Review of IFRS 9– Classification and Measurement
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Equity Method
- ▶ Primary Financial Statements
- ▶ Business Combinations under Common Control
- ▶ Second Comprehensive Review of the IFRS for SMEs Accounting Standard
- ▶ Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures

Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)

- ▶ **IFRIC Update for June 2022**

At its June 2022 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

Agenda decisions for Board consideration

- ▶ IFRS 9 *Financial Instruments* - Cash Received via Electronic Transfer as Settlement for a Financial Asset
- ▶ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* - Negative Low Emission Vehicle Credits
- ▶ IAS 32 *Financial Instruments: Presentation* - Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity
- ▶ IFRS 17 *Insurance Contracts* - Transfer of Insurance Coverage under a Group of Annuity Contracts

Other matters

- ▶ IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 29 *Financial Reporting in Hyperinflationary Economies* - Consolidation of a Non-hyperinflationary Subsidiary by a Hyperinflationary Parent
- ▶ Work in Progress

The [June 2022](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's June 2022 meeting.

EY publications

- ▶ **Applying IFRS: Financial instruments with characteristics of equity (FICE)**

[This edition](#) of *Applying IFRS* provides an overview of the key decisions in the IASB's FICE project to date and the further topics to be covered. The FICE project is addressing known practice issues and will improve the information provided about an entity's financial instruments.

- ▶ **Applying IFRS: Accounting for COVID-19 related rent concessions (Updated June 2022)**

[This edition](#) of *Applying IFRS* updated in June 2022, includes additional discussion on the application of IFRS 9 and IFRS 16 by lessors for rent concessions. We encourage preparers and users of financial statements to read this publication carefully and consider the potential effects on their financial statements of any rent concessions granted or received.

- ▶ **IFRS Developments Issue 202: IASB concludes Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12**

On 20 June 2022, the IASB issued the Project Report and Feedback Statement: Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12. EY *IFRS Developments* [Issue 202](#) summarizes the IASB's conclusions on the post-implementation review and the outcomes of the review. The IASB concluded that the standards are working as intended.

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