

China Accounting Alert

September 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

- ▶ The Accounting Regulatory Department of the MOF releases application examples of the distinction between Financial Liabilities and Equity Instruments

The Accounting Regulatory Department of the MOF has recently released five [application examples of the Financial Instrument Standards](#) to illustrate and provide further guidance on the distinction between financial liabilities and equity instruments. Application examples include:

- ▶ Investor protection clauses
- ▶ Obligations undertaken by the issuer as a party to the contract
- ▶ Changes in the issuer's obligations caused by supplementary agreements
- ▶ Termination and resumption of a put option
- ▶ Consideration for the capital reduction procedures

IASB news and updates

► IASB Update for September 2022

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

Work plan overview

- IASB work plan update

Research and standard-setting

- Post-implementation Review of IFRS 9 *Financial Instruments*—Classification and Measurement
- Financial Instruments with Characteristics of Equity
- Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*
- Rate-regulated Activities
- Equity Method
- Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9 *Financial Instruments*)
- Goodwill and Impairment
- Extractive Activities
- Primary Financial Statements

Maintenance and consistent application

- Maintenance and consistent application
- Non-current Liabilities with Covenants (IAS 1 *Presentation of Financial Statements*): Sweep issue
- Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9 *Financial Instruments*): Next steps

► IFRIC Update for September 2022

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

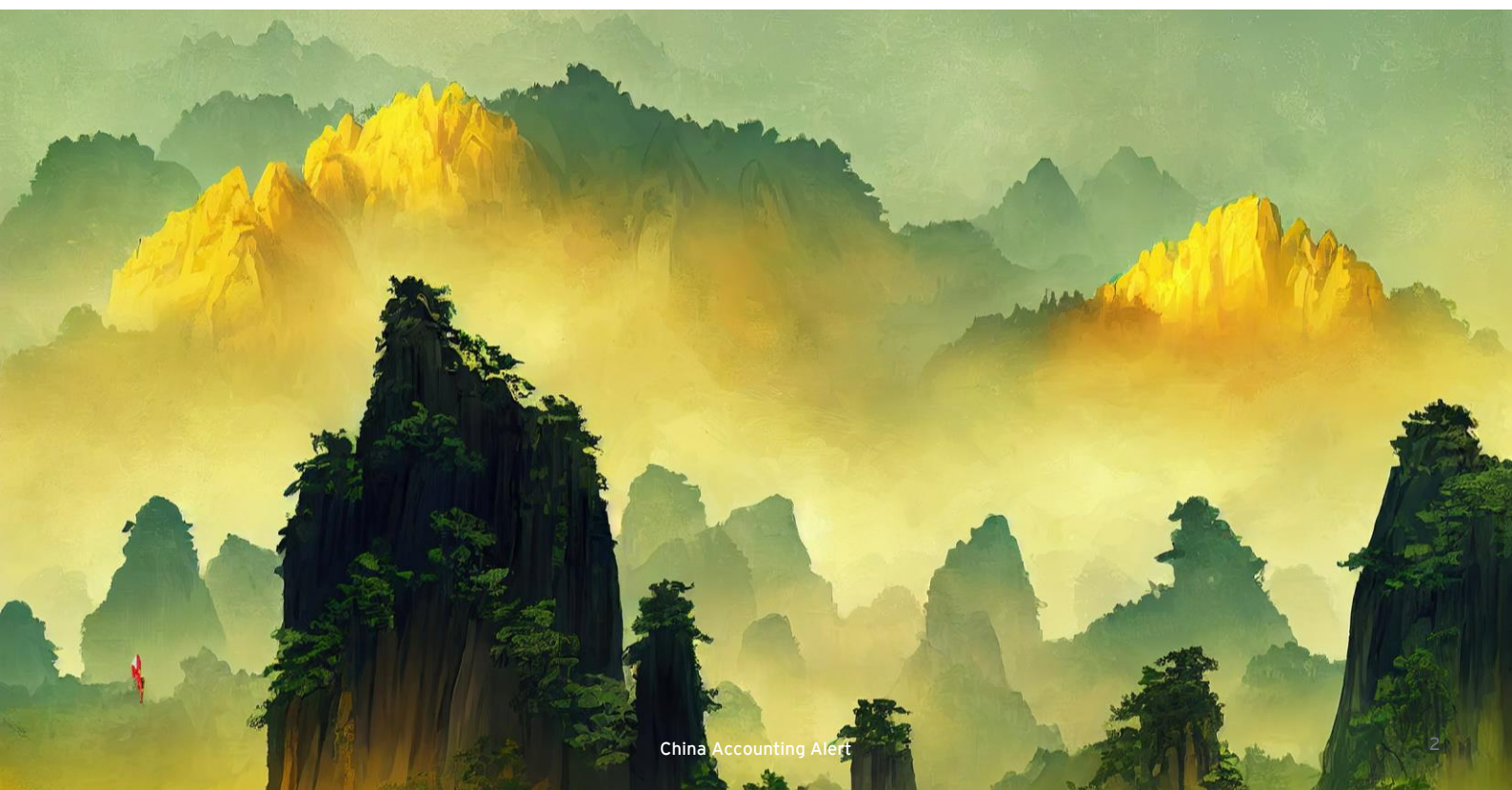
Agenda decisions for the IASB's consideration

- IFRS 17 *Insurance Contracts* and IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Multi-currency Groups of Insurance Contracts
- Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
- IFRS 9 *Financial Instruments* and IFRS 16 *Leases* - Lessor Forgiveness of Lease Payments

Other matters

- IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Lack of Exchangeability (Amendments to IAS 21)
- Matters Reported to the IASB
- Work in Progress

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



EY publications

► Applying IFRS: Disclosure of accounting policy information

The IASB has amended IAS 1 *Presentation of Financial Statements* and PS 2 *Making Materiality Judgements* to add guidance on applying materiality judgment to accounting policy disclosures. [This edition](#) of *Apply IFRS* is intended to facilitate an assessment of potential impacts of the amendments. The amendments are effective for annual periods starting on or after 1 January 2023.

► IFRS Developments Issue 205: IASB proposes to update the IFRS for SMEs Accounting Standard

On 8 September 2022, the IASB issued an Exposure Draft, *Third edition of the IFRS for SMEs Accounting Standard*, proposing amendments to the standard.

The proposed amendments are part of the *Second Comprehensive Review* of the Standard and will align with recent improvements to full IFRS Accounting Standards. Stakeholders are encouraged to provide feedback to the IASB on the proposed amendments. Comments are due by 7 March 2023. Learn more in EY *IFRS Developments* [Issue 205](#).

► IFRS Developments Issue 206: IASB amends IFRS 16 for lease liability measurement in a sale and leaseback transaction

The IASB has amended IFRS 16 *Leases* to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendment does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment applies to annual reporting periods beginning on or after 1 January 2024 and can be applied earlier. Learn more in EY *IFRS Developments* [Issue 206](#).

► International GAAP® Disclosure Checklist for Annual financial statements (IFRS in issue at 31 August 2022)

[The updated checklist](#) is for annual financial statements with a 31 December 2022 year end. It captures the disclosure requirements for IFRS standards and interpretations in issue at 31 August 2022. It is available in PDF/Word and online formats.

► International GAAP® Disclosure Checklist for Interim condensed financial statements (IFRS in issue at 31 August 2022)

[The updated checklist](#) is for interim financial statements with a 30 June 2023 year end. It captures the disclosure requirements for IFRS standards and interpretations in issue at 31 August 2022. It is available in PDF/Word and online formats.

► Insurance Accounting Alert (September 2022)

IFRS Interpretations Committee agreed to finalize an agenda decision on the application of IFRS 17 *Insurance Contracts* and IAS 21 *The Effects of Changes in Foreign Exchange Rates* to a group of insurance contracts with foreign currency cash flows. Learn more in [Insurance Accounting Alert \(September 2022\)](#).

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