

China Accounting Alert

June 2023

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 Ministry of Finance (MOF) releases Q&As on implementing accounting standards for financial instruments

On 25 June 2023, the Accounting Regulatory Department of the MOF released [four Q&As on implementing](#) the accounting standards for financial instruments as follows:

- ▶ How should an enterprise determine that a hedging relationship meeting the criteria under the *Accounting Standard for Business Enterprises No. 24 – Hedging* also complies with the requirements on hedge effectiveness?
- ▶ What accounting treatment may an enterprise adopt, if not in accordance with the *Accounting Standard for Business Enterprises No. 24 – Hedging*, in order to eliminate or significantly reduce accounting mismatches when the enterprise hedges the fair value change risk arising from a contract or combination of contracts for the daily sale or purchase of non-financial instruments (which can be netted in cash or other financial instruments or settled by exchanging financial instruments)?
- ▶ How should commercial banks determine whether the expenses incurred in a primary business activity fall within the accounting scope of the transaction costs of financial instruments, “fee and commission expenses” or “business and administrative expenses”?

- ▶ How should an enterprise determine that an investment in equity instruments is “non-transactional” and thus qualifies as a financial asset measured at fair value through other comprehensive income?

For further details about the Q&As, please refer to EY WeChat: [Q&As on Implementing Four New Accounting Standard for Financial Instruments Issued by the MOF](#).

▶ **The China Securities Regulatory Commission (CSRC) issues *Guiding Opinions on Deepening the Reform of Bond Registration System***

In order to deepen the reform of the bond registration system and improve the functions of the capital market, the CSRC has issued [Guiding Opinions on Deepening the Reform of Bond Registration System](#) (CSRC Announcement [2023] No. 46) which became effective upon release on 20 June 2023.

The *Guiding Opinions on Deepening the Reform of Bond Registration System*, in accordance with the relevant provisions of the *Securities Law*, the *Regulations on the Administration of Corporate Bonds*, the *Measures for the Administration of Corporate Bond Issuance and Trading*, and other laws and regulations, aims to constantly improve the market-oriented, law-based and diversified mechanism for resolving bond default risks and to constantly optimize the ecology for the development of the bond market, by strengthening the information disclosure requirements focusing on solvency, urging issuers to make overall planning for financing, preventing excessive financing with high leverage, implementing supervision over issuers by category, making financing easier for high-quality enterprises, enhancing the due diligence system of intermediaries based on the quality of issuers and debt repayment risks, upgrading the effectiveness of due diligence, and smoothening the procedures for the clearance of defaulted bonds.

▶ **The Beijing Stock Exchange (BSE) office issues *Notice on the Better Preparation of Disclosure of 2023 Interim Reports of Listed Companies***

In order to better prepare for the disclosure of 2023 interim reports of listed companies, the BSE office has issued [Notice on the Better Preparation of Disclosure of 2023 Interim Reports of Listed Companies](#) (Bei Zheng Ban Fa [2023] No.31).

▶ **The National Equities Exchange and Quotations (NEEQ) office releases *Notice on the Better Preparation of Disclosure of 2023 Interim Reports of NEEQ-listed Companies***

The NEEQ office has issued [Notice on the Better Preparation of Disclosure of 2023 Interim Reports of NEEQ-listed Companies](#) (Gu Zhuan Ban Fa [2023] No.43) for NEEQ-listed companies to better prepare for the disclosure of 2023 interim reports, and designed interim report templates for NEEQ-listed companies in financial sectors including commercial banks, securities companies, insurance companies, futures companies, private equity management institutions, micro-credit companies and financing guarantee companies. The abovementioned NEEQ-listed companies shall prepare their reports in accordance with the corresponding templates.

IASB news and updates

► IFRIC Update for June 2023

At its June 2023 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

IFRIC's tentative agenda decisions

- Merger between a parent and its subsidiary in separate financial statements (IAS 27 *Separate Financial Statements*)

Other matters

- Application of the "own use" exception in the light of current market and geopolitical questions (IFRS 9 *Financial Instruments*)
- Climate-related risks in the financial statements
- Consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent (IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 29 *Financial Reporting in Hyperinflationary Economies*)
- Business combinations under common control
- Work in progress

The [June 2023](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's June 2023 meeting.

ISSB news and updates

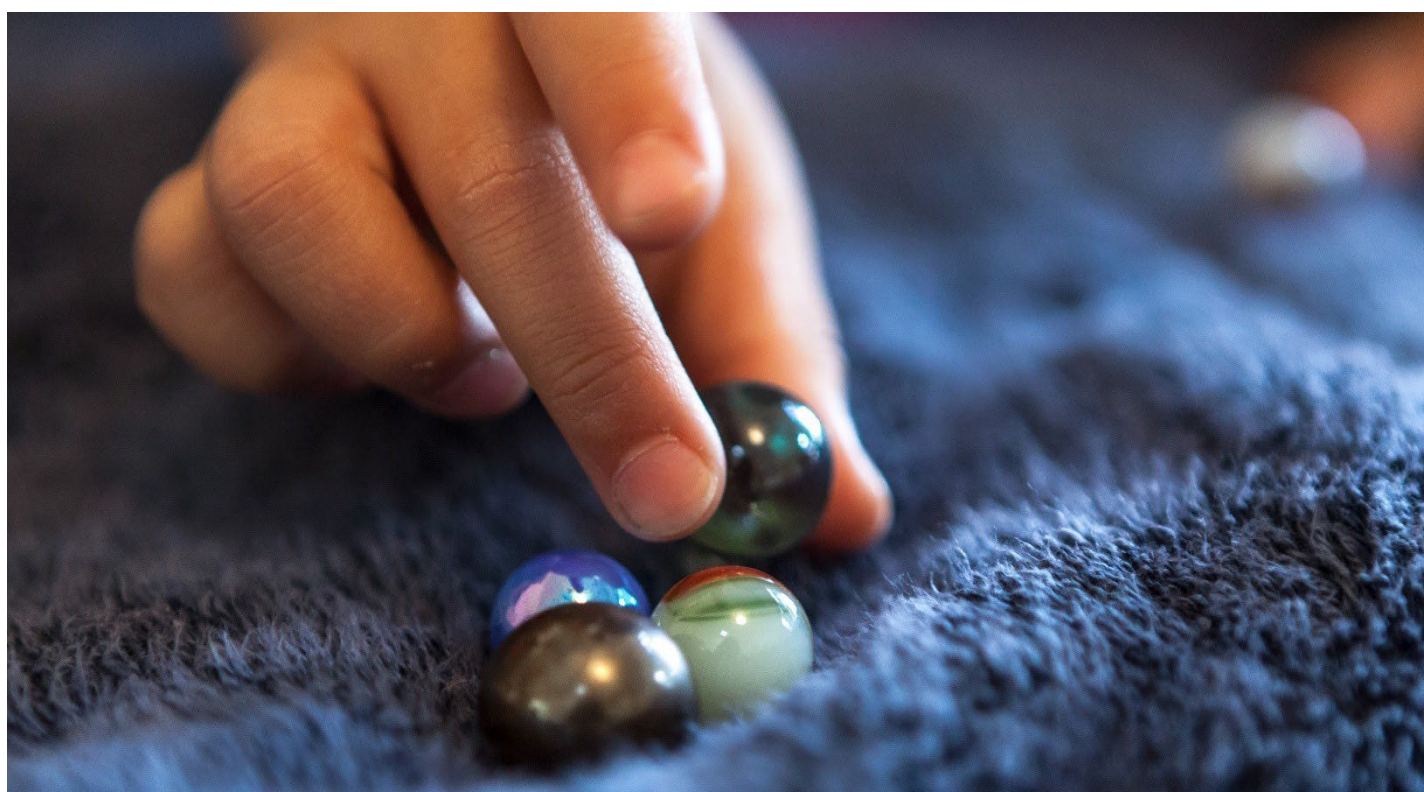
► ISSB issues inaugural global sustainability disclosure standards

On 26 June 2023, the International Sustainability Standards Board (ISSB) has issued [its inaugural standards](#) – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* – ushering in a new era of sustainability-related disclosures in capital markets worldwide. For further details about the standards, please refer to EY WeChat: [Big news! IFRS Sustainability Disclosure Standards issued on Today](#) and [Analysis and Prospect of Two International Financial Reporting Sustainability Disclosure Standards](#).

EY publications

► IFRS Sustainability Developments Issue 5: ISSB issues inaugural IFRS Sustainability Disclosure Standards

On 26 June 2023, a new era in international corporate reporting has begun, with the ISSB issuing its first two IFRS Sustainability Disclosure Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Learn more in EY *IFRS Sustainability Developments* [Issue 5](#).



Contact us

Beijing

Level 16, Ernst & Young Tower, Oriental Plaza
1 East Changan Avenue, Dongcheng District
Beijing, 100738
Tel: +86 10 5815 3000
Fax: +86 10 8518 8298

Shanghai

50/F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai, 200120
Tel: +86 21 2228 8888
Fax: +86 21 2228 0000

Hong Kong

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432

Shenzhen

21/F, China Resources Building
5001 Shennan Dong Road, Shenzhen
Guangdong, 518001
Tel: +86 755 2502 8288
Fax: +86 755 2502 6188

Guangzhou

18/F, Ernst & Young Tower
13 Zhujiang East Road, Tianhe District
Guangzhou, Guangdong, 510623
Tel: +86 20 2881 2888
Fax: +86 20 2881 2618

Macau

21/F, 39 Avenida de Almeida Ribeiro, Macao
Tel: +853 8506 1888
Fax: +853 2832 2500

Anhui

Unit 2509-2510, 25/F, Tower A
China Resources Building
111 Qianshan Road, Shushan District, Hefei
Anhui, 230031
Tel: +86 551 6521 0666
Fax: +86 551 6521 0703

Changsha

Unit 2501, 25F, Block C
Kailin Commercial Center
53 Binjiang Road, Yuelu District, Changsha
Hunan, 410006
Tel: +86 731 8973 7800
Fax: +86 731 8973 7838

Chengdu

17/F, The Office Tower
Chengdu Shangri-La Centre
Block B, 9 Binjiang Dong Road, Chengdu
Sichuan, 610021
Tel: +86 28 8462 7000
Fax: +86 28 8676 2090

Chongqing

Unit 1-2, 2-1, 56/F, World Financial Centre
188 Minzu Road, Yuzhong District
Chongqing, 400010
Tel: +86 23 6273 6199
Fax: +86 23 6033 8832

Dalian

28/F, Eton International Tower
280 Changjiang Road
Zhongshan District, Dalian
Liaoning, 116000
Tel: +86 411 8252 8888
Fax: +86 411 8250 6030

Haikou

Unit 2901B, 29/F, Tower A
Internet Financial Tower
3 Guoxing Avenue, Haikou
Hainan, 570100
Tel: +86 898 3660 8880
Fax: +86 898 3638 9398

Hangzhou

16/F, Building 1
China Life Building, 300 Xinye Road
Shangcheng District, Hangzhou
Zhejiang, 310000
Tel: +86 571 8736 5000
Fax: +86 571 8717 5332

Jinan

Unit 1906, 19/F, South Building
China Life Tower, 11001 Jingshi Road
Lixia District, Jinan, Shandong 250014
Tel: +86 531 5580 7088
Fax: +531 5580 8338

Kunming

Unit 2708, 27F, Spring City 66 Office Tower
23 Dongfeng East Road
Panlong District, Kunming
Yunnan, 650051
Tel: +86 871 6363 6306
Fax: +86 871 6363 9022

Nanjing

Room 2201-06 & 16, 22/F, Nanjing Two IFC 111
Hexi Street, Jianye District, Nanjing
Jiangsu, 210019
Tel: +86 25 5768 8666
Fax: +86 25 5268 7716

Ningbo

Unit 26-1 & 26-8, 26/F
No.51 Building Ning Zhu Square
San Yan Qiao Street, Yinzhou District, Ningbo
Zhejiang, 315040
Tel: +86 574 2880 2181
Fax: +86 574 2880 2182

Qianhai

Unit 1801, T1
Kerry Centre Qianhai, Qianhai Avenue,
Qianhai Shenzhen-Hong Kong Cooperation Zone,
Nanshan District, Shenzhen
Guangdong, 518066
Tel: +86 755 2502 8288
Fax: +86 755 2502 6188

Qingdao

Unit 3401, Block B
China Resources Building
6 Shandong Road, Shinan District, Qingdao
Shandong, 266071
Tel: +86 532 8904 6000
Fax: +86 532 8579 5873

Shanxi

Unit 5010, 50/F, Building A
China Overseas International Center
No. 8, Section 1, Jinci Road
Xiayuan Street, Wanbailin District
Taiyuan, Shanxi, China 030024
Tel: +86 351 6089 998
Fax: +86 351 6087 778

Shenyang

Unit 3302-3304, 33/F
Tower B, Enterprise Square
125 Qingnian Street, Shenhe District
Shenyang, China 110016
Tel: +86 24 3128 3366
Fax: +86 24 3195 8778

Suzhou

Suite A, 28/F, Suzhou Modern Media Plaza
265 Suzhou Avenue
East Suzhou Industrial Park
Jiangsu, 215028
Tel: +86 512 6763 3200
Fax: +86 512 6763 9292

Tianjin

Unit 1705-08, 17/F, Metropolitan Tower
183 Nanjing Road, Heping District
Tianjin, 300051
Tel: +86 22 5819 3535
Fax: +86 22 8319 5128

Wuhan

Unit 3304-3309, Heartland 66 office Tower
688 Jingnan Avenue, Qiaokou District
Wuhan, China 430030
Tel: +86 27 8261 2688
Fax: +86 27 8261 8700

Xiamen

Room 1603, Century Wealth Center
158 Taitung Road
Siming District, Xiamen
Fujian, 361008
Tel: +86 592 3293 000
Fax: +86 592 3276 111

Xi'an

Suite 1207-1209, Building C, Urban Portal
1 Jinye Road, High-tech Zone, Xi'an
Shaanxi, 710065
Tel: +86 29 8783 7388
Fax: +86 29 8783 7333

Zhengzhou

11/F, Block 8, North Zone
Kineer Business Center
51 Jinshui East Road, Zhengzhou
Henan, 450046
Tel: +86 371 6187 2288
Fax: +86 371 6163 0088

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

Follow us on WeChat

Scan the QR code and stay up-to-date with the latest EY news.



EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2023 Ernst & Young, China.
All Rights Reserved.

APAC no. 03017694
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

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.