



# China Accounting Alert

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

## Mainland news and updates

### ► Amendment to the Accounting Law is completed

The Accounting Law serves as the foundational legal framework for accounting practices. On 28 June, [the Standing Committee of the 14th National People's Congress voted on its 10th meeting to adopt a decision on the amendment to the Accounting Law](#), which comes into force on 1 July 2024.

This amendment to the Accounting Law will not change the existing basic rules, and focuses on solving salient issues in accounting practices, further strengthening financial and accounting supervision, and increasing the penalties for accounting violations, thereby effectively improving the quality of accounting information, and better safeguarding the public interests.

### ► The Accounting Regulatory Department of the MOF releases *Application Examples of the Share-based Payment Standard*

On 20 June 2024, the Accounting Department of the Ministry of Finance (MOF) released [the Application Examples of the Share-based Payment Standard - Increase in Fair Value of Equity Instruments Granted Due to the Modification of Share-based Payment](#).

- ▶ **Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) issue notices on revisions to some of the *Guidelines for Self-Regulation of Listed Companies***

In order to enhance the relevance and effectiveness of information disclosure and to protect the legitimate rights and interests of investors, the SSE and SZSE revised the following Guidelines for Self-Regulation of Listed Companies, which became effective upon release on 24 May 2024. The main revisions are as follows:

- ▶ [Shanghai Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies - Formats of Announcements \(Revised in May 2024\)](#) (Shang Zheng Han [2024] No.1475) with revisions in respect of delisting and risk alerts, cash dividends and shareholding reduction.
- ▶ [Shanghai Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies - Business Matters \(Revised in May 2024\)](#) (Shang Zheng Han [2024] No.1476) with revisions in respect of No.VII - Financial Indicators for Delisting: Operating Income Deduction and No.XIII - Information Disclosure for Companies at Delisting Risk.
- ▶ [Shanghai Stock Exchange Guidelines for Self-Regulation of Listed Companies on STAR Market \(Revised in May 2024\)](#) (Shang Zheng Han [2024] No.1477) with revisions in respect of delisting and risk alerts, cash dividends and shareholding reduction.
- ▶ [Shenzhen Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies - Business Matters \(Revised in 2024\)](#) (Shen Zheng Shang [2024] No.397) and [Shenzhen Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies on ChiNext Market - Business Matters \(Revised in 2024\)](#) (Shen Zheng Shang [2024] No.398) with revisions in respect of “disclosure of periodic reports”, “operating income deduction” and “information disclosure for companies with delisting risk”.

- ▶ [Shenzhen Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies - Formats of Announcements \(revised in 2024\)](#) (Shen Zheng Han [2024] No.399) and [Shenzhen Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies on ChiNext Market - Formats of Announcements \(Revised in 2024\)](#) (Shen Zheng Han [2024] No.400) with revisions in respect of formats of announcements such as “changes in shares”, “periodic reports” and “delisting”.

*Shanghai Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies - Formats of Announcements (Second Revision in December 2023)* (Shang Zheng Han [2023] No.3871), *Shanghai Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies - Business Matters (Revised in December 2023)* (Shang Zheng Han [2023] No.3870) and *Shanghai Stock Exchange Guidelines for Self-Regulation of Listed Companies on STAR Market (Second Revision in December 2023)* (Shang Zheng Han [2023] No.3872) issued by the SSE, and *Shenzhen Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies - Business Matters (Revised in December 2023)* (Shen Zheng Shang [2023] No.1203), *Shenzhen Stock Exchange Guideline No.1 for Self-Regulation of Listed Companies on ChiNext Market - Business Matters (Revised in December 2023)* (Shen Zheng Shang [2023] No.1204), *Shenzhen Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies - Formats of Announcements (Revised in December 2023)* (Shen Zheng Shang [2023] No.1143) and *Shenzhen Stock Exchange Guideline No.2 for Self-Regulation of Listed Companies on ChiNext Market - Formats of Announcements (Revised in December 2023)* (Shen Zheng Shang [2023] No.1144) issued by the SZSE were repealed simultaneously.

► The Asset Management Association of China (AMAC) issues a notice on the *Operation Manual for the Accounting of Securities Investment Funds*

In order to facilitate the fund industry's implementation of the new financial instrument standards and the *Provisions on Accounting Treatment for Asset Management Products*, and to provide practitioners with examples and suggestions on specific accounting treatments in different business scenarios, the AMAC established a special research group on the accounting treatment for the fund industry,

aiming to summarize the best accounting practices for the fund industry. Based on their work, the research group developed the [Operation Manual for the Accounting of Securities Investment Funds](#) (hereinafter referred to as the "Manual"). Please note that the best industry practices in the Manual are for reference only. For specific accounting treatments, fund managers, fund custodians and fund service institutions shall make appropriate judgments in light of the actual situation of the business, and conscientiously perform their duties of fund valuation and accounting.



## IASB news and updates

### ► **IASB Update May 2024**

The [May](#) issue of the *IASB Update* highlights preliminary decisions of the IASB meeting held from 20 to 22 May 2024. The board discussed the following:

#### Research and standard-setting

- Financial Instruments with Characteristics of Equity
- Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*
- Post-implementation review of IFRS 9 *Financial Instruments* – Impairment
- Second comprehensive review of the IFRS for small and medium enterprises' accounting standard

#### Maintenance and consistent application

- Rate-regulated Activities

#### Taxonomy

- Proposed IFRS Accounting Taxonomy Update – Contracts for Renewable Electricity (oral update)

### ► **IFRIC Update June 2024**

During its June 2024 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

#### Committee's tentative agenda decisions

- Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 *Operating Segments*)

#### Agenda decisions for the IASB's consideration

- Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7 *Statement of Cash Flows*)

#### Other matters

- Intangible assets
- Business combinations – Disclosures, goodwill and impairment
- Work in progress

The [June 2024](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's June 2024 meeting.

### ► **International Sustainability Standards Board (ISSB) Update May 2024**

The [May](#) issue of the *ISSB Update* highlights preliminary decisions of the ISSB meeting held on 16 May 2024 when the board discussed:

#### Strategy and governance

- ISSB Consultation on agenda priorities

#### Research and standard-setting

- Maintenance of the Sustainability Accounting Standards Board's (SASB) standards

#### Applying standards

- Supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

### ► **International Sustainability Standards Board (ISSB) Update June 2024**

The [June](#) issue of the *ISSB Update* highlights preliminary decisions of the ISSB meeting held on 12 June 2024 when the board discussed:

#### Research and standard-setting

- Maintenance of the SASB standards

## EY publications

### ► *IFRS Developments* Issue 227: Proposed amendments to IFRS 9 and IFRS 7 - Renewable Energy Contracts

The IASB published the Exposure Draft, Contracts for Renewable Electricity, Proposed amendments to IFRS 9 and IFRS 7. The proposed amendments are to the own-use requirements, and hedge accounting requirements, together with related disclosures. This is a narrow scope amendment, and only if contracts for renewable energy meet the specified scoping characteristics will they be in the scope of the amendments. This [edition](#) outlines the proposed amendments, together with a summary of the rationale behind the proposals, and considerations for entities when evaluating the amendments during the comment period.

### ► *IFRS Developments* Issue 228: Amendments to classification and measurement of financial instruments

This [edition](#) summarizes the amendments to IFRS 9 and IFRS 7 for the classification and measurement of financial instruments. The amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only.

### ► *Applying IFRS: International Tax Reform - Pillar Two disclosures in practice*

This [edition](#) discusses the disclosure requirements for Pillar Two income taxes introduced by amendments to IAS 12 *Income Taxes*. It provides illustrations from published annual and interim financial statements of entities that have disclosed information regarding Pillar Two income taxes and may assist entities in developing disclosures for the Pillar Two income taxes that meet the requirements of the Amendments to IAS 12. It discusses the standard's disclosure requirements in the context of both annual and interim reporting.



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