

# China Accounting Alert

August 2024

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

## Mainland news and updates

- ▶ Circular of the Ministry of Finance (MOF) on Issuing the *Standards for Accounting Informatization*

In order to implement the relevant requirements set forth in the *Accounting Law of the People's Republic of China* and standardize and align accounting with the digital economy, the MOF has revised the *Standards for Accounting Informatization of Enterprises* (Cai Kuai [2013] No.20) and issued the [Standards for Accounting Informatization](#) (Cai Kuai [2024] No. 11, hereinafter referred to as the "Standards"). The Standards include six chapters with 50 articles. Major changes from the previous version are listed below:

- ▶ Expansion of the scope of application to all types of entities in respect of accounting informatization
- ▶ Comprehensive standardization of the development of accounting informatization in entities
- ▶ Clarification of the requirements for the processing of accounting data and the legal effect of electronic accounting materials
- ▶ Enhancement of the security of accounting informatization

The Standards will become effective from 1 January 2025. The *Standards for Computerized Accounting* (Cai Kuai Zi [1996] No. 17) and the *Standards for Accounting Informatization of Enterprises* (Cai Kuai [2013] No. 20) will be repealed simultaneously.

► **Circular of the MOF on Issuing the *Standards for Basic Functions and Services of Accounting Software***

In order to implement the relevant requirements set forth in the *Accounting Law of the People's Republic of China* and standardize and align accounting with the digital economy, the MOF has revised the *Standards for Basic Functions of Accounting Software* (Cai Kuai Zi [1994] No.27) and issued the [\*Standards for Basic Functions and Services of Accounting Software\*](#) [2024] No. 12, hereinafter referred to as the "Software Standards"). The Software Standards include eight chapters with 47 articles. Major changes from the previous version are listed below:

- Clarification of the definitions of relevant terms of accounting informatization
- Improvement of the adaptability of accounting software and services in the new environment
- Enhancement of accounting software and services to better safeguard accounting data
- Further emphasis on the importance of accounting software services

The Software Standards will become effective on 1 January 2025. The *Standards for Basic Functions of Accounting Software* (Cai Kuai Zi [1994] No. 27) will be repealed simultaneously. Accounting software that has been put into use before the implementation of the Software Standards but does not meet the relevant requirements thereof shall be updated to meet the requirements within three years from the effective date of the Software Standards.

► **China Securities Regulatory Commission (CSRC) issues *Accounting Regulatory Report on 2023 Annual Financial Reports of Listed Companies***

The CSRC has arranged special personnel for reviewing the 2023 annual financial reports of listed companies on a sampling basis and has issued the [\*Accounting Regulatory Report on 2023 Annual Financial Reports of Listed Companies\*](#). In general, *Accounting Standards for Business Enterprises* and rules on financial information disclosures are adequately implemented by listed companies, while there are still some accounting errors or issues in financial information disclosure regarding revenue, long-term equity investments and business combinations, financial instruments, impairment of assets, income tax and non-recurring profit or loss.

► **China Securities Regulatory Commission (CSRC) issues *2023 Audit Analysis Report of Listed Companies and Public Companies***

In order to help different market participants to have a better understanding on the audit conditions of listed companies and public companies (hereinafter referred to as "securities audit") , and provide guidance for audit firms to regulate their practice conducts, the Accounting Department of the CSRC performed an analysis on the securities audit of China in 2023, and released the [\*2023 Audit Analysis Report of Listed Companies and Public Companies\*](#). The report mainly includes the basic information of audit firms engaged in securities services, the audit conditions of listed companies and public companies, audit report analysis and audit practice issues.

► ***Q&As on Handling Criminal Cases of Financial Fraud by the Supreme People's Procuratorate (SPP)***

In order to intensify the combat against financial fraud such as fraudulent issuance and illegal information disclosure in accordance with the law, the Economic Crime Procuratorial Department of the SPP issued the [Q&As on Handling Criminal Cases of Financial Fraud](#) (hereinafter referred to as the “Q&As”) on 16 August 2024 to clarify the key issues regarding fact-finding and the application of law to the financial fraud cases. The Q&As include four parts with 15 articles, providing explicit comments on the general requirements for handling financial fraud cases, the requirements on constituents of the crime of fraudulent issuance of securities and the application of the standards for case filing and prosecution, the requirements on constituents of the crime of illegal disclosure and non-disclosure of important information and the application of the standards for case filing and prosecution, as well as the fact-finding of crimes committed by intermediaries and their personnel, including:

Article 7 clarifies that the violation of the *Accounting Standards for Business Enterprises - Basic Standard, Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, Accounting Standards for Business Enterprises No.14 - Revenue* and other standards, or recognition of revenue, costs or any amounts that should be included in profit or loss in an incorrect period are identified as financial fraud and constitute a crime, the criminal liability shall be investigated according to laws. Any real transaction involved in the case can be considered as a circumstance for sentencing.



## International Accounting Standards Board (IASB) news and updates

### ► IASB Update July 2024

The [July](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 22 to 24 July 2024. The board discussed:

#### Research and standard setting

- Dynamic risk management
- Financial instruments with characteristics of equity
- Post-implementation Review of IFRS 15 *Revenue from contracts with customers*
- Rate-regulated activities
- Second comprehensive review of the IFRS for SMEs *accounting standard*

#### Maintenance and consistent application

- Consistent application activities
- Disclosure of revenues and expenses for reportable segments
- IFRIC Update June 2024

### ► International Sustainability Standards Board (ISSB) Update July 2024

The [July](#) issue of the *ISSB Update* highlights preliminary decisions of the ISSB meeting held from 24 to 25 July 2024 when the board discussed:

#### Strategy and governance

- ISSB work plan

#### 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*

## EY publications

### ► IFRS Developments Issue 229: IASB issues narrow scope amendments to IFRS accounting standards

The IASB's narrow scope amendments are part of its periodic maintenance of the IFRS accounting standards. The amendments include clarifications, simplifications, corrections, or changes to improve consistency in IFRS 1 *Frist-time adoption of international financial reporting standards*; IFRS 7 *Financial instruments: Disclosures and its accompanying Guidance on implementing IFRS 7*; IFRS 9 *Financial instruments*; IFRS 10 *Consolidated Statements*; and IAS 7 *Statement of Cash Flows*.

The amendments apply to annual reporting periods beginning on or after 1 January 2026. Early applications are permitted. Learn more about *IFRS Developments Issue 229*.

### ► IFRS Developments Issue 230: IASB proposes examples of climate-related and other uncertainties

The IASB has proposed examples to improve financial information on climate-related and other uncertainties in the financial statements.

The exposure draft, *Climate-related and Other Uncertainties in the Financial Statements*, includes eight proposed examples, which would amend the Illustrative Examples to six IFRS accounting Standards. Learn more about *IFRS Developments Issue 230*.

## 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, Shenhhe 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 Jinghan 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

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