

An aerial photograph of a coastal area. On the left, there's a rocky coastline with waves crashing against the shore. To the right, a paved road curves through a dense green forest. A red car is visible on the road. The overall scene is lush and scenic.

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Zi [1996] No. 17) and the *Standards for Accounting Informatization of Enterprises* (Cai Kuai [2013] No. 20) will be repealed simultaneously.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 *First-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](#).

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