



China Accounting Alert

EY 安永
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July 2025

China Accounting Alert provides an overview of new accounting standards for business enterprises and regulatory rules in the Chinese mainland, updates on IFRS and EY publications.

Mainland news and updates

- **MOF releases the 2024 Analysis Report on the Implementation of Accounting Standards for Business Enterprises**

In order to further strengthen the implementation of the national accounting system and drive quality improvement of the accounting information of business enterprises, the MOF has organized an analysis of the implementation of the *Accounting Standards for Business Enterprises* (the "Standards") nationwide. On 23 July 2025, the MOF released the [2024 Analysis Report on the Implementation of Accounting Standards for Business Enterprises](#) (hereinafter referred to as the "Analysis Report"), in which typical issues in the implementation are reviewed, with targeted analysis and correct examples provided in accordance with the provisions of the Standards, aiming to help enterprises accurately and correctly understand and implement the Standards and further improve the implementation results.

Enterprises shall use the Analysis Report as a "self-examination manual" to systematically screen out compliance risks in the accounting treatment. Specifically, enterprises shall conduct a comprehensive self-examination against each issue highlighted in the Analysis Report and carefully check the existence of similar accounting errors or deviations. Issues identified in the examination should be corrected in a timely manner to effectively improve the quality of accounting information.

- **MOF issues the *Notice on Financial Treatment Matters Following the Implementation of the Company Law and the Foreign Investment Law***

In order to implement the relevant requirements of the *Company Law of the People's Republic of China* (hereinafter referred to as the "Company Law") and the *Foreign Investment Law of the People's Republic of China* (hereinafter referred to as the "Foreign Investment Law"), and to further clarify issues related to financial treatment, the MOF recently issued the [*Notice of on Financial Treatment Matters Following the Implementation of the Company Law and the Foreign Investment Law*](#) (Cai Zi [2025] No. 101, hereinafter referred to as the "Notice"), which became effective upon release on 9 June 2025.

The Notice mainly consists of three parts:

- I. On the basis that the Company Law allows the use of capital reserve to cover losses, the Notice establishes financial regulations regarding the scope, timing, basis and procedures for such coverage.
- II. On the basis that the Company Law clarifies the legality of equity and debt contributions, the Notice emphasizes the role of asset valuation and internal governance when enterprises accept non-monetary property as capital contributions, and advises enterprises to fully consider various factors that may affect the realization of asset rights and interests.
- III. On the basis of the Foreign Investment Law's stipulation that the organizational form, governance structure and operational rules of foreign-invested enterprises are subject to the provisions of the Company Law and other laws and regulations, the Notice specifies the financial treatment requirements for three types of funds.

- **The Accounting Department of the MOF releases Q&As on the accounting treatment for standard warrants trading**

On 8 July 2025, the Accounting Department of the MOF issued Q&As on the accounting treatment for standard warrant trading, which include:

- [Q: How should an enterprise account for the frequent buying and selling of standard warrants \(i.e., standardized delivery warrants issued by delivery warehouses and registered with futures exchanges\) in futures trading venues with the objective of profiting from their short-term price fluctuations, without involving the physical delivery of the commodities stated on the standard warrants?](#)

- **CSRC releases the *Guideline for the Application of Regulatory Rules – Accounting No. 5***

To continuously improve the accounting regulatory ruling system of the capital market and enhance the quality of accounting information disclosure by market entities, the China Securities Regulatory Commission (CSRC) clarified accounting issues that have been reflected in the market recently and released the [*Guideline for the Application of Regulatory Rules – Accounting No.5*](#) on 18 July 2025, which covers eight specific issues, including income, financial instruments and long-term equity investments.

For further details about Accounting No.5, please refer to EY WeChat: [*CSRC Newly Releases Guideline for the Application of Regulatory Rules – Accounting No.5.*](#)

International Accounting Standards Board (IASB) news and updates

IASB Update [June](#) 2025

Work plan overview

- IASB work plan update

Research and standard setting

- Financial instruments with characteristics of equity
- Amortized cost measurement
- Equity method
- Intangible assets
- Business combinations – Disclosures, goodwill and impairment

Maintenance and consistent application

- Translation to a hyperinflationary presentation currency
- Climate-related and other uncertainties in the financial statements
- Provisions – Targeted improvements

IFRIC Update [June](#) 2025

Agenda decisions for the IASB's consideration

- Determining and accounting for transaction costs (IFRS 9 *Financial Instruments*)
- Embedded prepayment option (IFRS 9 *Financial Instruments*)

[Draft] Updates to Committee agenda decisions for IFRS 18

- Disclosure of revenues and expenses for reportable segments (IFRS 8 *Operating segments*)
- Demand deposits with restrictions on use arising from a contract with a third party (IAS 7 *Statement of Cash Flows*)
- Subsequent expenditure on biological assets (IAS 41 *Agriculture*)
- Disclosure of changes in liabilities arising from financing activities (IAS 7 *Statement of Cash Flows*)
- Physical settlement of contracts to buy or sell a non-financial item (IFRS 9 *Financial Instruments*)
- Income and expenses arising on financial instruments with a negative yield – presentation in the statement of comprehensive income (IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 1 *Presentation of Financial Statements*)
- Presentation of payments on non-income taxes (IAS 1 *Presentation of financial statements* and IAS 12 *Income Taxes*)
- Classification of tonnage taxes (IAS 12 *Income Taxes*)
- Normal operating cycle (IAS 1 *Presentation of Financial Statements*)
- Supply chain financing arrangements – reverse factoring

Agenda decisions for the IASB's consideration

- Assessing indicators of hyperinflationary economies (IAS 29 *Financial Reporting in Hyperinflationary Economies*)

Other matters

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

ISSB Update [June 2025](#)

Research and standard setting

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

EY publications

- **IFRS Developments Issue 238: IFRS accounting impacts of tariffs**

This [publication](#) highlights some of the financial reporting implications of the challenges of evolving tariffs and market volatility.

Entities need to consider the effects of current trade policy and tariffs on their accounting and financial reporting. This includes determining whether the potential risk factors associated with tariff exposure, material risks to financial performance or other factors are significant enough to warrant disclosure.

- **IFRS Developments Issue 239: IFRS Practice Statement 1 *Management Commentary* (Revised)**

In June 2025, the IASB issued IFRS Practice Statement 1 *Management Commentary* (the revised *Practice Statement*).

Management commentary is a form of general purpose financial report that provides information on the entity's financial position and financial performance as reported in its financial statements. It also provides management's insights into factors that could affect the entity's ability to create value and generate future cash flows. It is prepared with the aim of enhancing the users' understanding of an entity's prospects.

The revised *Practice Statement* includes more extensive and comprehensive guidance on management commentary; it can be applied in conjunction with ISSB standards. Learn more about [IFRS Developments Issue 239](#).

- **Applying IFRS: Introduction to IFRS S1 and IFRS S2 Updated June 2025**

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, issued by the ISSB in June 2023, are the first IFRS sustainability disclosure standards. IFRS S1 sets out the general requirements for a complete set of sustainability-related financial disclosures. IFRS S1 is designed to be applied in conjunction with IFRS S2, which is a topic-based standard that specifies disclosures relating to climate.

This June 2025 [edition](#) has been updated to include further guidance for disclosure information required by ISSB standards.

- **IFRS Core Tool: IFRS update of standards and interpretations in issue as at 30 June 2025**

This [edition](#) provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.

- **IFRS Quarterly Tax Developments 30 June 2025**

This [edition](#) covers certain substantively enacted, enacted and effective tax legislation, as well as regulatory developments, legislative proposals and other items, including developments on the Organisation for Economic Co-operation and Development (OECD) global minimum tax rules under Pillar Two, identified through 11 June 2025, except as noted.

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