China Accounting Alert

May 2026

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

- **The Accounting Regulatory Department of the MOF releases implementation Q&As and application examples for financial and insurance related accounting standards**

  On 7 May 2026, to further provide guidance on the implementation of financial and insurance related accounting standards and the *Accounting Standard for Business Enterprises Interpretation No.19* (hereinafter referred to as "Interpretation No. 19"), the Accounting Regulatory Department of the MOF issued 5 sets of implementation Q&As and 1 application example. The details are as follows:

  - one set of implementation Q&As on Interpretation No. 19, clarifying how to assess whether the contractual cash flows of financial assets containing clauses of contingent features are consistent with the basic lending arrangement.
    Q: For financial assets containing clauses of contingent features that cause changes in the timing or amount of contractual cash flows, how should an enterprise apply the provisions on the assessment of contractual cash flow characteristics under the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and the *Accounting Standard for Business Enterprises Interpretation No. 19* to assess whether its contractual cash flows are consistent with the basic lending arrangement, i.e., whether they meet the characteristics that the contractual cash flows generated on specified dates are solely payments of principal and interest (SPPI) on the principal amount outstanding?

- one set of implementation Q&As on financial instrument standards, clarifying the accounting treatment for non-performing loans repurchased by enterprises under the clean-out repurchase business of non-performing loan asset-backed securities.
  Q: Bank A entrusts a trust company to establish a securitization trust plan, transfers non-performing loans to the trust plan as the underlying assets for issuing non-performing loan asset-backed securities, and derecognizes the non-performing loans in accordance with the provisions of relevant accounting standards. According to the trust contract, when the trust plan approaches maturity or the scale of the remaining underlying assets falls below the set threshold, triggering the clean-out repurchase clause, Bank A has the right to repurchase all remaining underlying assets held by the trust plan at the fair value of the non-performing loans at that time. Under this arrangement, how should Bank A account for the non-performing loans obtained by exercising the clean-out repurchase option?

- three sets of Q&As on the implementation of the new insurance contract standard, clarifying the judgment requirements for whether relevant contracts under the new universal life insurance rules are insurance contracts with direct participation features, that changes in the method for determining the discount rate used in the measurement of insurance contract liabilities are changes in accounting estimates, and the impairment accounting treatment of receivables arising from insurance contracts to which the new insurance contract standard applies, etc.
  Q: For receivables such as premiums receivable, policy loans, and recoverable claims and expenses arising from insurance contracts to which the *Accounting Standard for Business Enterprises No. 25 – Insurance Contracts* (Cai Kuai [2020] No. 20, hereinafter referred to as the "New Insurance Contract Standard") applies, should an enterprise perform impairment accounting treatment in accordance with the expected credit loss method in the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*?
  Q: When an insurance company changes the method for determining the discount rate used in the measurement of insurance contract liabilities, such as changing the "top-down approach" to the "bottom-up approach", in the absence of prior period errors, should it perform accounting treatment as a change in accounting estimate or a change in accounting policy?
  Q: Are universal life insurance products, for which special reserves are accrued in accordance with the *Notice on Strengthening the Supervision of Universal Life Insurance* (Jin Gui [2025] No. 14), insurance contracts with direct participation features?

- one application example on Interpretation No. 19, providing a specific example on the disclosure of investments in equity instruments designated as measured at fair value through other comprehensive income on a "category" basis.
  Application example for presentation of financial instruments – Disclosures for investments in equity instruments designated as measured at fair value through other comprehensive income

For further details, please refer to EY WeChat: *The Accounting Regulatory Department of the MOF releases implementation Q&As and application examples for financial and insurance related accounting standards.*

International Accounting Standards Board (IASB) news and updates

IASB Update April 2026	
Research and standard setting	▪ Financial instruments with characteristics of equity ▪ Post-implementation review of IFRS 16 *Leases* ▪ Amortised cost measurement ▪ Equity method ▪ Business combinations – disclosures, goodwill and impairment ▪ Statement of cash flows and related matters
Maintenance and consistent application	▪ Consistent application activities ▪ Classification of a foreign exchange difference from an intragroup monetary liability (or asset) (IFRS 18 *Presentation and disclosure in financial statements*) ▪ Economic benefits from use of a battery under an offtake arrangement (IFRS 16 *Leases*) ▪ Fair presentation and compliance with IFRS accounting standards (IAS 1 *Presentation of financial statements*) ▪ Assessment of a specified main business activity for the purposes of the separate financial statements of a parent (IFRS 18 *Presentation and disclosure in financial statements*) ▪ Scope of the requirement to disclose expenses by nature (IFRS 18 *Presentation and disclosure in financial statements*) ▪ Classification of gains and losses on a derivative managing a foreign currency exposure (IFRS 18 *Presentation and disclosure in financial statements*) ▪ IFRIC Update March 2026

ISSB Update April 2026	
Research and standard setting	▪ Nature-related disclosures
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 248*:* IFRS 18 – Agenda decisions**

  On 22 April 2026, the IASB ratified four new agenda decisions related to IFRS 18 *Presentation and disclosure in financial statements.* The IASB have also ratified updates to a number of existing agenda decisions, replacing references to IAS 1 *Presentation of financial statements* with references to the new or amended requirements in IFRS 18 and corresponding minor edits. Learn more *about IFRS Developments* Issue 248.

- ***Applying IFRS:* A closer look at IFRS 18 (Updated April 2026)**

  This *publication* discusses the new requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027. It introduces several new requirements that are expected to impact the presentation and disclosure of most, if not all, entities.

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 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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The *China Accounting Alert* is a monthly executive update for the Chinese mainland and Hong Kong on recent developments in local and international financial reporting, and related hot topics and emerging issues. The *China Accounting Alert* is designed to 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.