

# China Accounting Alert

June 2021

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

## IASB news and updates

### ▶ IASB Update for May 2021

The [May 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 24 to 27 May 2021 when the board discussed:

- ▶ Dynamic Risk Management
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Second Comprehensive Review of the IFRS for SMEs Standard
- ▶ Disclosure Initiative - Subsidiaries that are SMEs
- ▶ IFRS 17 *Insurance Contracts*
- ▶ Maintenance and consistent application

## Mainland news and updates

### ▶ MOF adjusts the scope of Provisions on Accounting Treatment for COVID-19-related Rent Concessions

MOF has recently released [Circular on the Adjustment of the Scope of Provisions on Accounting Treatment for COVID-19-related Rent Concessions](#) (Cai Kuai, [2021] No.9), extending the period of rent concessions applicable to the simplified approach of *Provisions on Accounting Treatment for COVID-19-related Rent Concessions* (Cai Kuai, [2020] No.10) from before 30 June 2021 to before 30 June 2022, and specifying the transitional provisions and related disclosure requirements.

The Circular became effective upon release on 26 May 2021. From 1 January 2021 to the implementation date of the Circular, if accounting treatment of enterprises for COVID-19-related rent concessions does not meet the requirements of the provisions of the Circular, adjustments should be made accordingly.

For further details about the above Circular, please refer to EY WeChat: [New Requirements, Application Examples and Q&As on Lease Standards by the Ministry of Finance](#).

### ▶ The Accounting Regulatory Department of the MOF releases application examples of Accounting Treatment for COVID-19-related Rent Concessions and the third batch of Q&As on Implementing Accounting Standards for Business Enterprises

Recently, the Accounting Regulatory Department of the MOF reissues [Application Examples on Accounting Treatment for COVID-19-related Rent Concessions](#) in accordance with *Circular on the Adjustment of the Scope of Provisions on Accounting Treatment for COVID-19-related Rent Concessions* (Cai Kuai, [2021] No.9), on which the major change related to "Scenario 5 applicable to *Accounting Standard for Business Enterprises No.21 - Leases* (Cai Kuai [2018] No.35)".

Furthermore, the Accounting Regulatory Department of the MOF issues [the Third Batch of Q&As on Implementing Accounting Standards for Business Enterprises](#) regarding the determination of lease terms and the application of simplified accounting treatment for COVID-19-related rent concessions.

For further details about the above application examples and Q&As, please refer to EY WeChat: [New Requirements, Application Examples and Q&As on Lease Standards by the Ministry of Finance](#).

### ▶ CSRC amends and repeals certain guidelines on securities and futures

To facilitate the implementation of the Civil Code and other regulations, the CSRC has reassessed relevant system documents on securities and futures, and issues [Decision on Amendment and Repeal of Certain Guidelines on Securities and Futures](#) (CSRC Announcement [2021] No.13). The Decision became effective upon release on 11 June 2021.

The amendments include mainly the change of "Contract Law" to "Civil Code" in certain terms of two normative documents including *Understanding and Application of Article 39 of the Administrative Measures for the Issuance of Securities by Listed Companies Regarding "Provision of External Guarantees in Violation of the Regulations and Such Guarantees Have not Been Released" - Opinions on the Application of Securities and Futures Laws No.5*, as well as repeals of four system documents including *Rules for the Information Disclosure and Compilation of Companies Publicly Offering Securities No.17 - Special Provisions on the Content and Format of Prospectuses of Foreign-funded Joint Stock Limited Companies* (CSRC Notice [2002] No.17), and *Guidelines for the Disclosure of Information Related to Profitability in Prospectuses of Companies of Initial Public Offerings* (CSRC Announcement [2013] No.46).

### ▶ SSE issues Guidelines on ongoing information disclosure of STAR attributes and related matters

In order to enhance STAR-listed companies' positioning in science and technology innovation and their ability to make innovations, the SSE has promulgated [Guideline on the Application of Self-regulatory Rules for Listed Companies on the Sci-Tech Innovation Board No.3 - Ongoing Information Disclosure of STAR Attributes and Related Matters](#) (Shang Zheng Fa [2021] No.43). The Guideline became effective upon release on 11 June 2021. The Guideline has provided comprehensive guidance on regulations for STAR-listed companies on STAR attributes regarding ongoing information disclosure matters and requirements, and has clarified disclosure exemptions and voluntary disclosure arrangements.

► **SSE issues Guideline on the ongoing business of publicly offered infrastructure REITs**

In order to standardize the ongoing business of publicly offered infrastructure securities investment funds (REITs), the SSE has issued [Circular on Issuing the Business Guideline for Publicly Offered Infrastructure Securities Investment Funds \(REITs\) by the Shanghai Stock Exchange No. 2 - Ongoing Business](#) (Shang Zheng Han [2021] No.1033), in which detailed requirements for periodic and provisional reporting information disclosure of publicly offered infrastructure securities investment funds (REITs) are provided in Section II Article 6.

► **NEEQ releases guidelines on information disclosure for financing guarantee companies**

In order to meet the diverse information disclosure requirements, standardize the ongoing information disclosure of NEEQ-listed companies in the financing guarantee industry and improve the pertinence and effectiveness of industry information disclosure, the National Equities Exchange and Quotations has promulgated [Guideline on Information Disclosure for NEEQ-Listed Companies - Financing Guarantee Companies](#) (NEEQ System Announcement [2021] No.651), setting out specific requirements for information disclosure relating to industry operations in annual reports, interim reports and provisional reports of NEEQ-listed companies engaged in financing guarantee business. The Guidelines became effective upon release on 28 May 2021.



## EY publications

► **IFRS Developments Issue 191: IASB clarifies deferred tax accounting for leases and decommissioning obligations**

On 7 May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*.

The amendments narrow the scope of the initial recognition exception under IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. EY *IFRS Developments* [Issue 191](#) summarizes the amendments.

► **IFRS Developments Issue 192: IASB proposes a new framework for management commentary**

On 27 May 2021, the IASB issued IFRS Practice Statement Exposure Draft ED/2021/6 Management Commentary, which sets out proposals for a revised IFRS Practice Statement 1 Management Commentary.

The proposals consist of an overarching objective of management commentary supported by more granular disclosure objectives for six content areas. Learn more in EY *IFRS Developments* [Issue 192](#).

► **EY insights on 2020 expected credit losses - A benchmark across European banks**

EY has performed a review of the [2020 IFRS 9 expected credit loss \(ECL\) disclosures](#) published by 18 banking institutions headquartered in Europe.

The purpose of this analysis is to provide a broad view of how the data gathered compare across banks, to present EY observations on the comparisons and to test different ideas to analyze the data and identify possible drivers of the trends.

## Contact us

### Beijing

16/F, 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

### 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 01B, 29/F, Tower A  
Internet Financial Tower  
3 Guoxing Avenue, Haikou  
Hainan, 570100  
Tel: +86 898 3660 8880  
Fax: +86 898 3638 9398

### Hangzhou

Unit 1002-4, 10/F, Tower B, UDC Building  
8 Xinye Road, Qianjiang CBD, Hangzhou  
Zhejiang, 310016  
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

### 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

### Shenyang

Unit 1708, 17/F, Tower A  
Chamber of Commerce Headquarters Mansion  
51-1 Qingnian Street, Shenhe District, Shenyang  
Liaoning, 110014  
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

31/F, China Minsheng Bank Building  
396 Xinhua Road, Wuhan  
Hubei, 430022  
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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