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China Accounting Alert

July 2021

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

Mainland news and updates

- CSRC revises the standards for the format of annual and interim reports of listed companies
In order to further standardize the preparation of periodic reports and information disclosure of listed companies, the CSRC released [Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 - Contents and Formats of Annual Reports \(Revised in 2021\)](#) (CSRC announcement [2021] No.15) and [Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.3 - Contents and Formats of Interim Reports \(Revised in 2021\)](#) (CSRC announcement [2021] No.16). The revisions became effective upon issuance on 28 June 2021.

The revisions do not affect the original report structure, but include the following changes:

- ▶ Add requirements for directors, supervisors and senior executives on regularly reporting review procedures and issuing statements of dissent;
- ▶ Require companies listed on the ChiNext Board and the Sci-Tech Innovation Board to disclose the information reflecting their industrial competitiveness in the annual reports. For companies not profitable when they were listed on the ChiNext Board and the Sci-Tech Innovation Board, they should disclose the reasons, impacts and risks of not being profitable in the annual report before making profits. For companies with differentiated voting rights arrangements, they should disclose the implementation and changes of such arrangements during the reporting period, as well as the particulars of the top 10 shareholders in terms of voting rights in the annual reports;
- ▶ Require companies that issue enterprise bonds, corporate bonds and debt financing instruments of non-financial companies in the interbank bond market to disclose bond information in a designated chapter in the periodic report. Adjust the information of bonds to be disclosed;
- ▶ Require companies to disclose the deduction of operating income in the annual reports and the special audit opinions of the auditor on the deduction, if they record negative net profit before and after the reduction of non-operating income;
- ▶ Require companies to include special information disclosure in their periodic reports for occupation of funds, guarantees, subsidiary management and control, voting right entrustment and related party transactions with financial companies;
- ▶ Encourage companies to disclose in their periodic reports the measures taken to reduce carbon emissions and the effects, as well as the work done to consolidate and expand the achievements of poverty alleviation and the progress made in rural revitalization;
- ▶ Appropriately simplify the information disclosure in the periodic reports, replace the chapter of "Management Discussion and Analysis" in the executive summary of the periodic reports with the analysis of key matters noted during the reporting period.

IASB news and updates

▶ IASB Update for June 2021

The [June 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 22 to 23 June 2021 when the board discussed:

- ▶ Board work plan update
- ▶ Equity Method: Identifying the principles in IAS 28 *Investments in Associates and Joint Ventures*
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Initial Application of IFRS 17 and IFRS 9 - Comparative Information
- ▶ Maintenance and consistent application

▶ IFRIC Update for June 2021

At its June 2021 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

Committee's tentative agenda decisions

- ▶ IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance - TLTRO III Transactions*
- ▶ IFRS 16 *Leases* - Economic Benefits from Use of a Windfarm

Agenda decisions for Board consideration

- ▶ IAS 2 *Inventories* - Costs Necessary to Sell Inventories
- ▶ IAS 10 *Events after the Reporting Period* - Preparation of Financial Statements when an Entity is No Longer a Going Concern

Other matters

- ▶ Work in Progress

The [June 2021](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's June 2021 meeting.

EY publications

- ▶ **Applying IFRS: Accounting for cloud computing costs (Updated July 2021).**

IFRS standards do not contain explicit guidance about a customer's accounting for cloud computing arrangements, so judgement will be required to account for them. This technical guidance discusses how an entity might account for a cloud computing arrangement and is intended to help companies consider the requirements in various IFRS standards.

[This edition](#) of *Applying IFRS* has been updated for the March 2021 IFRS Interpretations Committee agenda decision on costs of configuring or customizing a supplier's application software in a software as a service arrangement that is accounted for as a service.

- ▶ **Applying IFRS: Accounting for SPACs**

Acquisition by a special purpose acquisition company (SPAC) offers private companies a way to go public without having to conduct a traditional initial public offering.

As the volume of SPAC transactions continues to grow, stakeholders, including regulators, continue to expect high quality financial reporting which appropriately addresses relevant accounting and disclosure matters. Learn more in [this edition](#) of *Applying IFRS*.



- ▶ **Applying IFRS 17: A closer look at the new Insurance Contracts standard (Updated June 2021)**

[This edition](#) of *Applying IFRS 17* provides insights on how to apply the new insurance contracts standard IFRS 17 *Insurance Contracts*.

IFRS 17 represents a complete overhaul of the accounting for insurance contracts. It will increase the transparency of insurers' financial positions and performance, and the comparability of their financial statements with other insurers. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

This publication replaces the previous edition published in May 2018 and has been updated to include the following:

- ▶ Amendments to IFRS 17 *Insurance Contracts* published by the IASB in June 2020
- ▶ Most recent questions discussed at TRG meetings and illustrations from IASB staff papers
- ▶ EY views on the emerging industry discussions on technical matters

- ▶ **IFRS Developments Issue 193: Costs necessary to sell inventories**

The IFRS Interpretations Committee has clarified what costs are necessary to sell inventories when determining net realizable value.

Entities will need to use judgement, considering the specific facts and circumstances (including the nature of inventories), to determine which of their costs are necessary to sell their inventories under IAS 2 *Inventories*. However, entities will not be able to limit the costs they include to those that are only incremental if doing so would exclude non-incremental costs that must be incurred to sell inventories. Learn more in [EY IFRS Developments Issue 193](#).

- ▶ **IFRS Update of standards and interpretations in issue as at 30 June 2021**

[This edition](#) of *IFRS Update* is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRIC as at 30 June 2021, that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarizes key features of selected IASB projects and recent IFRIC agenda decisions.

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