

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.

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

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

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

Unit 3304-3309, 33/F, Heartland 66 Office Tower
688 Jingnan Avenue, Qiaokou District, Wuhan
Hubei, 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

EY | Building a better working world

**EY exists to build a better working world,
helping to create long-term value for clients,
people and society and build trust in the capital
markets.**

**Enabled by data and technology, diverse EY
teams in over 150 countries provide trust
through assurance and help clients grow,
transform and operate.**

**Working across assurance, consulting, law,
strategy, tax and transactions, EY teams ask
better questions to find new answers for the
complex issues facing our world today.**

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2021 Ernst & Young, China. All Rights Reserved.
APAC no. 03012825 ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china



Follow us on WeChat

Scan the QR code and stay up-to-date with the latest EY news.