



Building a better
working world

China Accounting Alert

September/October 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

- ▶ **MOF releases announcement on the equivalence of accounting standards between China and Switzerland**

Recently, the MOF releases [Announcement No.31 2021](#) and clarifies that International Financial Reporting Standards adopted by companies listed and based in Switzerland are considered equivalent to China Accounting Standards for Business Enterprises since the release date of the announcement on 7 September 2021.

- ▶ **CSRC publishes Accounting Regulatory Report on 2020 Annual Financial Reports of Listed Companies**

The CSRC has reviewed the 2020 annual financial reports of 869 listed companies on a sampling basis and has recently published the [Accounting Regulatory Report on 2020 Annual Financial Reports of Listed Companies](#). The issues regarding the implementation of accounting standards by listed companies and requirements on financial information disclosures mainly include, but not limited to, the following:

- ▶ Inappropriate revenue recognition and measurement
- ▶ Improper classification of financial assets
- ▶ Imprudent decisions on impairment estimates
- ▶ Unreasonable judgment on the scope of consolidation of financial statements
- ▶ Inappropriate offsetting of provisions and contingent assets
- ▶ Inappropriate recognition of gains and losses on debt restructuring

▶ **CSRC publishes 2020 Annual Analysis Report on Securities Audit**

In order to facilitate the understanding of the securities audit market for different parties, the CSRC has recently published [2020 Annual Analysis Report on Securities Audit](#). The main content of the report includes the basic information of accounting firms engaged in securities services, the market conditions of audit of annual reports of listed companies, changes of auditors, audit opinions, key audit matters, and the practice issues of securities audit.

▶ **The Shanghai Stock Exchange (SSE) issues Formats of Quarterly Reports**

In order to standardize the information disclosure of quarterly reports, the SSE has issued [Circular on the Issuing of Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements](#) (Shang Zheng Han [2021] No.1632), which revised *Memorandum on Routine Information Disclosure by Listed Companies - No.1 Guidelines for Formats of Provisional Announcements*, added a new appendix No.101 *Quarterly Report of Listed Companies* and formed *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements* ("Guideline No.1"). Guideline No.1 became effective upon release on 28 September 2021. *Memorandum on Routine Information Disclosure by Listed Companies - No.1 Guidelines for Formats of Provisional Announcements* has been repealed simultaneously.

In order to standardize the information disclosure of quarterly reports, the SSE has issued [Circular on the Revising to the Guideline No.3 on Information Disclosure by Listed Companies on the Sci-Tech Innovation Board - Routine Information Disclosure](#) (Shang Zheng Han [2021] No.1633), which revised *Guideline No.3 on Information Disclosure by Listed Companies on the Sci-Tech Innovation Board - Routine Information Disclosure* ("Guideline No.3") and added a new appendix No.28 *Quarterly Reports of Listed Companies on the Sci-Tech Innovation Board* to Guideline No.3. Guideline No. 3 became effective upon release on 28 September 2021.

▶ **The Shenzhen Stock Exchange (SZSE) issues Formats of Quarterly Reports**

In order to help listed companies better prepare the disclosure of quarterly reports, the SZSE has issued [Circular on the Issuing of Shenzhen Stock Exchange Guideline No.11 on Business Matters of Listed Companies - Formats of Information Disclosure Announcements \(revised in September 2021\)](#) (Shen Zheng Shang [2021] No.962), which added a new appendix No.47 *Formats of Quarterly Report Announcements of Listed Companies* to Shenzhen Stock Exchange Guideline No.11 ("Guideline No.11"). Guideline No.11 became effective upon release on 28 September 2021. *Circular on the Issuing of Shenzhen Stock Exchange Guideline No.11 on Business Matters of Listed Companies - Formats of Information Disclosure Announcements (revised in 2021)* (Shen Zheng Shang [2021] No.27) has been repealed.

In order to help listed companies better prepare the disclosure of quarterly reports, the SZSE has issued [Circular on the Issuing of Shenzhen Stock Exchange Guideline No.6 on Business Matters of Listed Companies on the ChiNext Board - Formats of Information Disclosure Announcements \(revised in September 2021\)](#) (Shen Zheng Shang [2021] No.959), which added a new appendix No.47 *Formats of Quarterly Report Announcements of Listed Companies* to Shenzhen Stock Exchange Guideline No.6 ("Guideline No.6"). Guideline No.6 became effective upon release on 28 September 2021. *Circular on Issuing Shenzhen Stock Exchange Guideline No.6 on Business Matters of Listed Companies on the ChiNext Board - Formats of Information Disclosure Announcements (revised in 2021)* (Shen Zheng Shang [2021] No.28) has been repealed.

▶ **MOF issues product cost accounting system of oil and pipeline network industry**

In order to standardize the product cost accounting of oil and gas pipeline network industry and help enterprises operating oil and gas pipeline network facilities to strengthen cost management, the MOF has promulgated [Product Cost accounting System for Business Enterprises - Oil and Gas Pipeline Network Industry](#) (Caikuai [2021] No.21), which will become effective on 1 January 2022.

IASB news and updates

▶ IASB Update for September 2021

The [September 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 20 to 24 September 2021 when the board discussed:

- ▶ Board work plan update
- ▶ Post-implementation Review of IFRS 9 - *Classification and Measurement*
- ▶ Dynamic Risk Management
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Goodwill and Impairment
- ▶ Extractive Activities
- ▶ Primary Financial Statements

▶ IFRIC Update for September 2021

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

Committee's tentative agenda decisions

- ▶ IAS 7 *Statement of Cash Flows* - Demand Deposits with Restrictions on Use
- ▶ IFRS 9 *Financial Instruments* - Cash Received via Electronic Transfer as Settlement for a Financial Asset

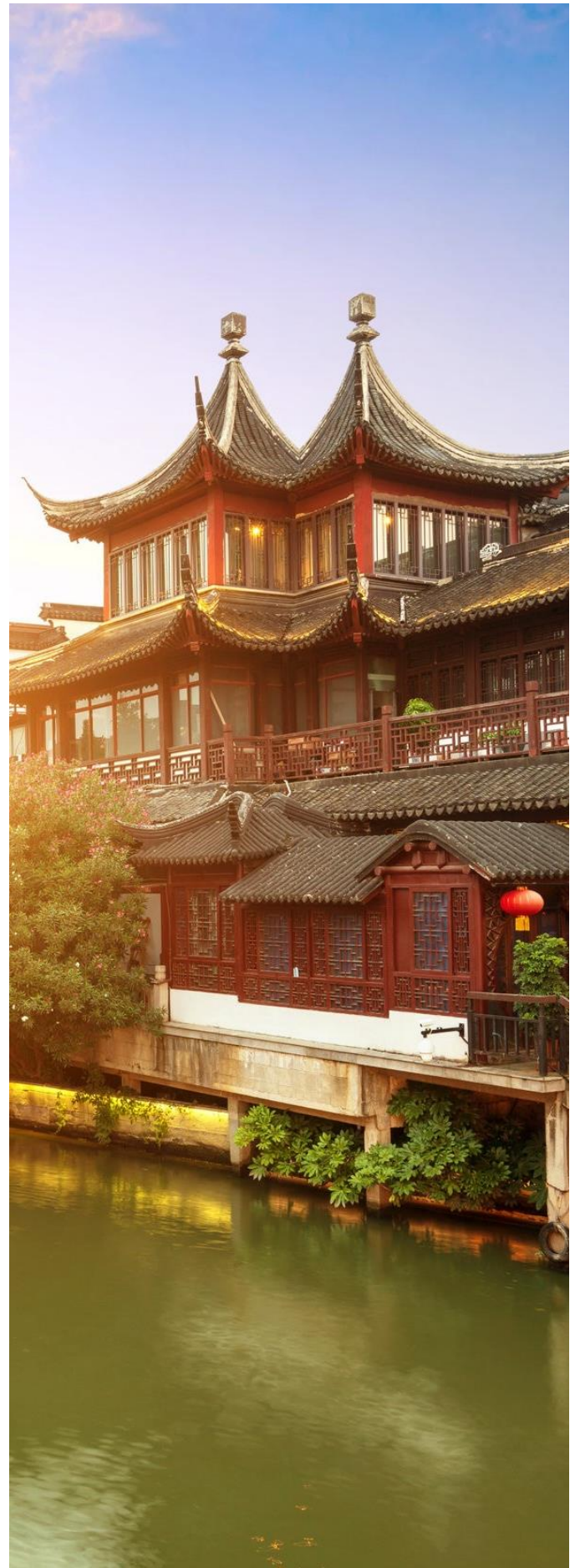
Agenda decisions for Board consideration

- ▶ IFRS 16 *Leases* - Non-refundable Value Added Tax on Lease Payments
- ▶ IAS 32 *Financial Instruments: Presentation* - Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition

Other matters

- ▶ Lease Liability in a Sale and Leaseback
- ▶ Work in Progress

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



EY publications

- ▶ **Applying IFRS: Accounting by holders of crypto-assets (Updated October 2021)**

[This edition](#) of *Applying IFRS* considers the accounting by holders of crypto-assets. It has been updated for new illustrations and standard-setting developments and examines classification, initial recognition and subsequent measurement of crypto-assets held and considerations for appropriate disclosure.

- ▶ **IFRS Update of standards and interpretations in issue at 30 September 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 September 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.

- ▶ **International GAAP® Disclosure Checklist for Annual Financial Statements (IFRS in issue at 31 August 2021)**

[This updated checklist](#) is applicable to entities with a year end of 31 December 2021. It captures disclosure requirements of IFRS standards and interpretations in issue as at 31 August 2021.

EY Intelligent checklists will also be available for our EY audit clients, which are on an online interactive platform that helps streamline the preparation and review of the financial statements and disclosures. This supports effective collaboration between EY auditors and clients, allowing clients to complete the disclosure checklists using digital capabilities and share them with their EY team in a secure environment in real-time. EY Intelligent checklists can be customized to meet the client's needs and the roll-forward of information from prior periods can help create efficiencies. For details, see www.ey.com/checklist.

- ▶ **International GAAP® Disclosure Checklist for Interim Condensed Financial Statements (IFRS in issue at 31 August 2021)**

[This updated checklist](#) is applicable to any interim periods of entities with a year end of 30 June 2022. This disclosure checklist for interim condensed financial statements captures the disclosure requirements for IFRS standards and interpretations in issue at 31 August 2021.

EY Intelligent checklists will also be available for our EY audit clients, which are on an online interactive platform that helps streamline the preparation and review of the financial statements and disclosures. This supports effective collaboration between EY auditors and clients, allowing clients to complete the disclosure checklists using digital capabilities and share them with their EY team in a secure environment in real-time. EY Intelligent checklists can be customized to meet the entity's needs and the roll-forward of information from prior periods can help create efficiencies. For details, see www.ey.com/checklist.

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 Jinghan 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. 03013253 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.**