

# China Accounting Alert

April 2023

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

## Mainland news and updates

- ▶ Accounting Regulatory Department of the Ministry of Finance (MOF) releases *Application Examples on Income Tax Standards*

On 4 April 2023, the Accounting Regulatory Department of the MOF released the [Application Examples on Income Tax Standards](#), which illustrates by examples that “deferred tax related to assets and liabilities arising from a single transaction is not applicable to the accounting treatment of initial recognition exemption”.

- ▶ **Notice of Shanghai Stock Exchange (SSE) on issuing *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements (revised in April 2023)***

In order to fully implement the registration-based IPO system and improve the effectiveness and pertinence of information disclosure on severe abnormal fluctuations in stock transactions, strategic placement of shares during initial offerings, special voting shares and other matters, the SSE has revised *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements*, which became effective upon release on 7 April 2023. *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements (Revised in January 2023)* (Shang Zheng Han [2023] No.99) issued by the SSE on 13 January 2023 was repealed simultaneously. Please refer to [Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements \(Revised in April 2023\)](#) (Shang Zheng Han [2023] No.949).

- ▶ **Notice of Shenzhen Stock Exchange (SZSE) on issuing *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements (revised in April 2023)***

In order to fully implement the registration-based IPO system and ensure that the information disclosure of listed companies is in line with higher-level regulations, the SZSE has made adaptations to *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements* on certain contents including "Other Matters No.1". The revision became effective upon release on 7 April 2023. *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements (Revised in 2023)* (Shen Zheng Shang [2023] No.23) issued by the SZSE on 13 January 2023 was repealed simultaneously. Please refer to [Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements \(Revised in April 2023\)](#) (Shen Zheng Shang [2023] No.279).



## IASB news and updates

### ▶ IASB Update for April 2023

The [April](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 25 to 27 April 2023 when the board discussed:

#### Research and standard-setting

- ▶ Dynamic Risk Management
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Rate-regulated Activities
- ▶ Equity Method
- ▶ Business Combinations under Common Control
- ▶ Post-implementation Review of IFRS 9 *Financial Instruments* – Impairment
- ▶ Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

#### Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Definition of a Lease – Substitution Rights (IFRS 16 *Leases*): Finalisation of Agenda Decision
- ▶ IFRIC Update March 2023
- ▶ Potential amendment to the IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules
- ▶ Provisions – Targeted Improvements



## EY publications

### ▶ IFRS Developments Issue 213: IASB's exposure draft of proposed amendments to the classification and measurement requirements of IFRS 9

In March 2023, the IASB (International Accounting Standards Board) published an exposure draft (ED) of proposed amendments to the IFRS 9 *Financial Instruments, classification and measurement requirements* and IFRS 7 *Financial Instruments: Disclosures*.

The ED proposes amendments to the requirements to derecognize financial liabilities using an electronic payment system and to address the classification of financial assets with ESG features. Changes to the requirements for the classification of non-recourse loans and contractually linked instruments are also proposed. Learn more in EY *IFRS Developments* [Issue 213](#).

### ▶ IFRS Developments Issue 214: Accounting for Base Erosion and Profit Shifting Pillar Two income taxes before IAS 12 is amended

In January 2023, the IASB issued an *Exposure Draft ED/2023/1 International Tax Reform Pillar Two Model Rules* (the ED). Entities that need to prepare IFRS annual or interim financial statements before the IAS 12 amendments are published (or endorsed in their jurisdiction), will need to develop an accounting policy to account for Pillar Two income taxes.

Entities should get ready to provide the additional disclosures required by the amendments to IAS 12, which will require that an entity discloses information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes. Learn more in EY *IFRS Developments* [Issue 214](#).

### ▶ IFRS update: Standards and interpretations issued on 31 March 2023

This [edition](#) provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.

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APAC no. 03017205  
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