

China Accounting Alert

A recap of important updates with wishes for a thriving year ahead

Spring festival special edition

China Accounting Alert provides an overview of new accounting standards for business enterprises and regulatory rules in the Chinese mainland, updates on IFRS and EY publications.

This special edition of *China Accounting Alert* for the Spring Festival summarizes new accounting standards and guidelines related to the Accounting Standards for Business Enterprises issued by regulators in Chinese mainland in 2024, as well as various regulatory rules and updates, providing key points that companies should consider in preparing the 2024 annual reports.

Part I. Amendment to the Accounting Law of the People's Republic of China was completed

The *Accounting Law of the People's Republic of China* (the “*Accounting Law*”) serves as the foundational legal framework for accounting practices. On 28 June, [the Standing Committee of the 14th National People's Congress voted on its 10th meeting to adopt a decision on the amendment to the Accounting Law](#), which came into force on 1 July 2024.

This amendment to the [Accounting Law](#) will not change the existing basic rules, and focuses on solving salient issues in accounting practices, further strengthening financial and accounting supervision, and increasing the penalties for accounting violations, thereby effectively improving the quality of accounting information, and better safeguarding the public interests.

Part II. Notice on 2024 annual reports

- ▶ The Ministry of Finance (MOF), the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the National Administration of Financial Regulation (NAFR) and the China Securities Regulatory Commission (CSRC) jointly issue Notice on 2024 annual reports

The MOF, SASAC, NAFR and CSRC have jointly issued the [Notice on the Strict Implementation of Accounting Standards for Business Enterprises and Practical Guidance for the Better Preparation of 2024 Annual Reports of Enterprises](#) (Cai Kuai [2024] No. 26, the "Notice"). The Notice requires enterprises to fully understand the significance of the better preparation of 2024 annual reports and addresses key on the implementation of accounting standards when preparing the 2024 annual reports.

For further details, please refer to EY WeChat: [The MOF and other three ministries have jointly issued the Notice on the Strict Implementation of Accounting Standards for Business Enterprises and Practical Guidance for the Better Preparation of 2024 Annual Reports of Enterprises.](#)

- ▶ The NEEQ office issues *Notice on the Better Preparations for Disclosures of 2024 Annual Reports of NEEQ-listed Companies*

To better prepare the disclosures of 2024 annual reports of NEEQ-listed companies, the NEEQ office has issued [Notice on the Better Preparations for Disclosures of 2024 Annual Reports of NEEQ-listed Companies](#) (NEEQ Announcement [2024] No. 102) on 25 December 2024, which mainly include:

- ▶ Provides differentiated templates for the disclosures of annual reports for general companies at different tiers and NEEQ-listed companies in seven financial industries;
- ▶ Reaffirms how to handle situations that trigger the termination of listing.



Part III. Related requirements and guidelines for accounting standards for business enterprises and sustainability disclosure standards for business enterprises

(I) Related requirements and guidelines for accounting standards for business enterprises released in 2024 or applicable to financial statements for the year 2024

- ▶ Interpretations, application examples and Q&As and other files on the implementation of accounting standards for business enterprises released by the MOF

Document name	Content
<i>Accounting Standard for Business Enterprises Interpretation No. 17 and accompanying Application Examples</i>	<p>The MOF released Accounting Standard for Business Enterprise Interpretation No. 17 (Cai Kuai (2023) No. 21, "Interpretation No. 17"), which became effective on 1 January 2024. Interpretation No. 17 clarifies on the following issues:</p> <ul style="list-style-type: none">▶ classification of liabilities as current or non-current▶ disclosures of supplier finance arrangements▶ accounting for sale and leaseback transactions <p>The MOF has released the Application Examples on Leasing Standard - Seller-lessee's accounting for sale and leaseback transactions with variable payments that do not depend on an Index or rate, which is a clarification of the third issue in Interpretation No. 17.</p> <p>For further details, please refer to EY WeChat: MOF releases Accounting Standard for Business Enterprises Interpretation No. 17.</p>
<i>Accounting Standard for Business Enterprises Interpretation No. 18</i>	<p>The MOF released Accounting Standard for Business Enterprise Interpretation No. 18 (Cai Kuai [2024] No. 24, "Interpretation No. 18"), which became effective upon release on 31 December 2024. Early application from the year of release is permitted. Interpretation No. 18 clarifies on the following issues:</p> <ul style="list-style-type: none">▶ Subsequent measurement of investment properties held as underlying items under the variable fee approach▶ Accounting for assurance-type warranties which are not separate performance obligations <p>For further details, please refer to EY WeChat: MOF releases Accounting Standard for Business Enterprises Interpretation No. 18.</p>
<i>Provisional Regulations on the Accounting Treatment for Enterprise Data Resources</i>	<p>To standardize the accounting treatment for enterprise data resources, the MOF has formulated and issued the Provisional Regulations on the Accounting Treatment for Enterprise Data Resources (Cai Kuai (2023) No. 11, the "Provisional Regulations"). The Provisional Regulations became effective on 1 January 2024 and shall be implemented prospectively. Expenditures related to data resources that have been charged to profit or loss before the implementation of the Provisional Regulations are not adjusted.</p> <p>For further details, please refer to EY WeChat: MOF issued the Provisional Regulations on the Accounting Treatment for Enterprise Data Resources.</p>

Document name	Content
Q&As on implementing the accounting standards for Data Resources	<ul style="list-style-type: none"> ▶ How to evaluate the conditions for capitalization of expenditures in the development phase of research and development (R&D) projects on enterprises' internal data resources
Q&As on implementing the new standard for insurance contracts (released on 10 January 2025)	<ul style="list-style-type: none"> ▶ For an insurance contract includes with both main coverage and additional coverage clauses, how should an enterprise determine whether the main coverage clause and the additional coverage clause of the contract are identified as separating components? ▶ When assessing whether an insurance contract with direct participation features, how should an enterprise determine the assessment timing, assessment units, and potential scenarios for future cash flows?
Application example on Share-based Payment Standards	<ul style="list-style-type: none"> ▶ The application example of the share-based payment standard -increase in fair value of equity instruments granted due to the modification of share-based payment
<i>Collection of Application Guidance of Accounting Standards for Business Enterprises (2024)</i>	<p>The <i>Collection of Application Guidance of Accounting Standards for Business Enterprises (2024)</i> ("Collection of Guidance"), published by the MOF in 2024, comprehensively sorts out and summarizes prevailing rules with a focus on inherent consistency. On the one hand, the Collection of Guidance includes and updates 17 recent interpretations and requirements on accounting treatment released by the MOF, 35 application examples, 77 Q&As on implementation, four notices on annual reports, interpretations of the policies, etc., by referring to amendments and updates to IFRS accounting standards to align with China's actual needs. On the other hand, the Collection of Guidance removes what no longer complies with existing standards or current fact patterns.</p>

▶ CSRC releases new rules

Document name	Content
<i>Guideline for the Application of Regulatory Rules - Accounting No. 4</i>	<p>The CSRC issued the Guideline for the Application of Regulatory Rules - Accounting No.4 (Accounting No.4) on 8 February 2024, which covers eight specific issues, including financial instruments, revenue, R&D expenditures and long-term equity investments.</p> <p>For further details about Accounting No.4, please refer to EY WeChat: CSRC Newly Releases Guideline for the Application of Regulatory Rules - Accounting No.4.</p>
<i>Accounting Regulatory Report on 2023 Annual Financial Reports of Listed Companies</i>	<p>The CSRC has arranged special personnel for reviewing the 2023 annual financial reports of listed companies on a sampling basis and has issued the Accounting Regulatory Report on 2023 Annual Financial Reports of Listed Companies (the "Report"). The report pointed out that, in general, <i>Accounting Standards for Business Enterprises</i> and rules on financial information disclosures are adequately implemented by listed companies, while there are still some errors in accounting or financial information disclosure regarding revenue, long-term equity investments and business combinations, financial instruments, impairment of assets, income tax and non-recurring profit or loss.</p>
<i>Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 4 - Special Provisions on Information Disclosure of Insurance Companies (Revised in 2024)</i>	<p>The CSRC released the Compilation Rule for Information Disclosure by Companies Offering Securities to the Public No. 4 - Special Provisions on Information Disclosure of Insurance Companies (Revised in 2024) (CSRC Announcement (2024) No.10, the "Rule"). The Rule became effective upon release on 21 June 2024. Major amendments are as follows:</p> <ul style="list-style-type: none">▶ Adjustments to the disclosure requirements of relevant indicators based on the requirements of current accounting standards▶ Adjustments to relevant disclosure requirements based on the <i>Regulatory Rules on the Solvency of Insurance Companies (II)</i>▶ Improvement of relevant disclosure requirements with reference to the actual operations of insurance companies▶ Clarification on policy requirements during the transition period

(II) Sustainability Disclosure Standards for Business Enterprises issued in 2024

Document name	Content
<i>Sustainability Disclosure Standards for Business Enterprises - Basic Standards (for Trial Implementation)</i>	<p>The MOF, collaborating with the Ministry of Foreign Affairs, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Ecology and Environment, the Ministry of Commerce, the People's Bank of China, the SASAC, the NAFR and the CSRC, formulated the Sustainability Disclosure Standards for Business Enterprises- Basic Standards (for Trial Implementation) (Cai Kuai [2024] No. 17, the "Basic Standards"), permitting voluntary implementation before the scope and requirements of implementation are specified. Composed of 31 articles in six chapters, the Basic Standards mainly include:</p> <ul style="list-style-type: none">▶ Chapter I <i>General provisions</i>, specifying the purpose of formulation, system of standards, concept of sustainability information and value chain, reporting entity, connected information, information system and internal control requirements.▶ Chapter II <i>Disclosure objectives and principles</i>, specifying the sustainability disclosure objectives and information users, and clarifying the principle of materiality, materiality assessment, aggregation and disaggregation, proportionality method, etc., involved in the disclosure objectives.▶ Chapter III <i>Requirements for information quality</i>, specifying six quality requirements for the sustainability information disclosed by the enterprises, namely, reliability, relevance, comparability, verifiability, understandability and timeliness.▶ Chapter IV <i>Disclosure elements</i>, specifying four core elements of the sustainability information disclosed by the enterprises, including governance, strategy, risk and opportunity management, and metrics and targets, and what should be disclosed for each element.▶ Chapter V <i>Other disclosure requirements</i>, specifying reporting period, comparable information, compliance statement, judgment and uncertainty, error correction, reporting and disclosure location, etc.▶ Chapter VI <i>Supplementary provisions</i>, stipulating the right of interpretation. <p>For further details, please refer to EY WeChat: Interpretation of Sustainability Disclosure Standards for Business Enterprises- Basic Standards (for Trial Implementation)</p>

(III) Other significant regulations and provisions

Document name	Content
Value-Added Tax Law of the People's Republic of China	<p>The 13th meeting of the Standing Committee of the 14th National People's Congress, held on 25 December 2024, adopted the Value-Added Tax Law of the People's Republic of China (the "VAT Law"), which comprises six chapters and 38 articles, including General Provisions, Tax Rates, Tax Amount Payable, Tax Preferences, Tax Collection Administration, and Supplemental Provisions, which will become effective on 1 January 2026. <i>The Interim Regulations of the People's Republic of China on Value-added Tax</i> will be repealed simultaneously.</p> <p>For further details, please refer to EY WeChat: VAT Law, China's Largest Tax Category, Amid Deepening Law-based Governance.</p>
Sustainability Report Guidelines	<p>The following stock exchanges issued guidelines for sustainability reports on 12 April 2024, with details as follows:</p> <ul style="list-style-type: none">▶ The Shanghai Stock Exchange (SSE) issued the Guideline No. 14 for Self-Supervision of Listed Companies on the Shanghai Stock Exchange - Sustainability Report (for Trial Implementation) (Shang Zheng Fa (2024) No. 33), which is applicable to companies listed on the Main Board and the STAR market, became effective on 1 May 2024, with a transition arrangement.▶ The Shenzhen Stock Exchange (SZSE) issued the Guideline No. 17 for Self-Supervision of Companies Listed on the Shenzhen Stock Exchange - Sustainability Report (for Trial Implementation) (Shen Zheng Shang (2024) No. 284), which is applicable to companies listed on the Main Board and the ChiNext Board, became effective on 1 May 2024, with a transition arrangement.▶ The Beijing Stock Exchange (BSE) issued the Guideline No. 11 for Continuous Supervision of Companies Listed on the Beijing Stock Exchange - Sustainability Report (for Trial Implementation) (BSE Announcement (2024) No. 14), which is applicable to companies listed on the BSE, became effective on 1 May 2024.

Document name	Content
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Infrastructure Real Estate Investment Trusts (REITs) Periodic Reporting Guidelines

The SSE and the SZSE issued the [Guideline No. 6 of the Shanghai Stock Exchange for the Application of Rules on Publicly Offered Infrastructure REITs - Annual Report \(for Trial Implementation\)](#) (Shang Zheng Fa [2024] No. 147), the [Guideline No. 7 of the Shanghai Stock Exchange for the Application of Rules on Publicly Offered Infrastructure REITs - Interim Report and Quarterly Report \(for Trial Implementation\)](#) (Shang Zheng Fa [2024] No. 148), the [Guideline No. 6 of the Shenzhen Stock Exchange for the Application of Rules on Publicly Offered Infrastructure REITs - Annual Report \(for Trial Implementation\)](#) (Shen Zheng Shang [2024] No. 1017), and the [Guideline No. 7 of the Shenzhen Stock Exchange for the Application of Rules on Publicly Offered Infrastructure REITs - Interim Report and Quarterly Report \(for Trial Implementation\)](#) (Shen Zheng Shang [2024] No. 1018), respectively (hereinafter collectively referred to as the “Periodic Reporting Guidelines”), which became effective upon release on 29 November 2024.

The Periodic Reporting Guidelines emphasize the principle of materiality of disclosure, requiring, on the premise of meeting investors’ information needs, more detailed disclosure in annual reports and simplified disclosure in interim and quarterly reports so as to reasonably reduce the cost of disclosure for business participants. The interim reports should highlight the results of operations and financial position during the half-year period. Compared with the annual reports, the interim reports are not required to disclose the audit report and assessment report, and matters such as review and outlook, significant capital expenditures, and changes in measurements of investment properties are deleted. The quarterly reports focus more on information related to the performance of infrastructure REITs and project operations, and the disclosure requirements on fund operations, performance of business participants and infrastructure projects on the basis of the interim reports are simplified.



Part V. IFRS news and updates

IASB Update [December 2024](#)

Work plan overview	<ul style="list-style-type: none">▶ IASB work plan update
Research and standard setting	<ul style="list-style-type: none">▶ Management commentary▶ Business combinations - Disclosures, goodwill and impairment
Taxonomy	<ul style="list-style-type: none">▶ IFRS Accounting Taxonomy 2024 – Proposed Update 2 <i>Contracts for Renewable Electricity</i>; and▶ IFRS Accounting Taxonomy 2024 – Proposed Update 3 <i>IFRS 19 Subsidiaries without Public Accountability: Disclosures, Amendments to the Classification and Measurement of Financial Instruments and Annual Improvements to IFRS Accounting Standards–Volume 11</i>

IASB Update [November 2024](#)

Research and standard setting	<ul style="list-style-type: none">▶ Management commentary▶ Second comprehensive review of the IFRS for SMEs Accounting Standard
Taxonomy	<ul style="list-style-type: none">▶ IFRS Accounting Taxonomy 2024 – Proposed Update 1 <i>IFRS 18 Presentation and Disclosure in Financial Statements</i>

IFRIC Update [November 2024](#)

Committee's tentative agenda decisions	<ul style="list-style-type: none">▶ Assessing Indicators of Hyperinflationary Economies (<i>IAS 29 Financial Reporting in Hyperinflationary Economies</i>)▶ Recognition of Intangible Assets Resulting from Climate-related Expenditure (<i>IAS 38 Intangible Assets</i>)
Agenda decisions for the IASB's consideration	<ul style="list-style-type: none">▶ Classification of cash flows related to variation margin calls on 'Collateralised-to-Market' contracts (<i>IAS 7 Statement of Cash Flows</i>)
Other matters	<ul style="list-style-type: none">▶ <i>IAS 29 Financial Reporting in Hyperinflationary Economies</i> – Feedback▶ Statement of cash flows and related matters▶ Amortised cost measurement▶ Climate-related and other uncertainties in the financial statements▶ Agenda decisions and <i>IFRS 18 Presentation and Disclosure in Financial Statement</i>▶ Work in progress

International Sustainability Standards Board (ISSB) Update [December](#) 2024

Research and standard setting

- ▶ Human capital
- ▶ Enhancing the Sustainability Accounting Standards Board's (SASB) standards

ISSB Update [November](#) 2024

Research and standard-setting

- ▶ Biodiversity, ecosystems and ecosystem services
- ▶ Human capital

Applying standards

- ▶ Supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*



Part V. EY publications

- ▶ ***Applying IFRS: Amendments to classification and measurement of financial instruments***

This [publication](#) provides application guidance on the amendments to IFRS 9 *Financial Instruments* for the classification and measurement of financial instruments and the IFRS 7 *Financial Instruments: Disclosures* disclosure requirements. The amendments clarify the existing requirements for the recognition and derecognition of financial assets and financial liabilities and they introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.

- ▶ ***Good Bank (International) Limited (December 2024)***

The consolidated illustrative financial statements are prepared in accordance with IFRS in issue at 30 June 2024 and effective for annual periods beginning 1 January 2024, unless otherwise stated. Standards issued, but not yet effective, as at 1 January 2024 are not illustrated in these financial statements.

This [edition](#) includes updated considerations on macroeconomic and geopolitical uncertainty, climate-related matters, and revised disclosures of significant accounting judgements, assumptions and estimation uncertainty.

- ▶ ***IFRS Core Tool: IFRS update of standards and interpretations in issue at 31 December 2024***

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.

- ▶ ***IFRS Quarterly Tax Developments 31 December 2024***

This [edition](#) of *IFRS Quarterly Tax Developments 31 December 2024*, provides a quarterly overview of certain enacted and substantively enacted tax legislation and IFRS accounting developments, as well as certain regulatory developments and other items through 11 December 2024, except as noted.

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