



How enterprises prepare for converged accounting standards?

- Challenges and solutions

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Certain accounting standards – IFRS vs ASBEs

- We have listed out major accounting standards which was issued in recent years:

IFRS	Issuance Date	Effective date for public co	ASBEs	Issuance Date	Effective Date for domestic public co
IFRS 9 - Financial Instruments	July 2014	2018	CAS 22	31 March 2017	2019
IFRS 15 - Revenue	May 2014 *	2018 *	CAS 14	5 July 2017	2020
IFRS 16 - Leases	January 2016	2019	CAS 21	5 December 2017	2021

- CSRC issues accounting standards 2-3 years later than IFRS, which gives Chinese standard setter time to assess and adopt;
- ASBE's effective date is 1-2 years later than IFRS accordingly, so Chinese companies also have time to study for the new standards and also learn from international peers.

* Original issue with an effective year for 2017, and in September 2015 it's deferred to 2018.

Adoption challenge

- Adoption schedule could be tight from issuance to effective date, sometimes less than two years
- Accounting staff could be incompetent for the accounting changes
- Not many peers' experience can be borrowed
- Costly to hire consultants
- If the company is listed in HK or other capital market, both IFRS and PRC GAAP reports have to adopt the same accounting standards early

Adoption challenge – Leases as an example

- Disclosure
 - Full retrospective method
 - Modified retrospective method
- Accounting and regulatory ratio changes
 - Higher leverage ratio
 - Lower return on asset
- Underlying operational information
 - Leased properties and contract could spread all over the country
 - Leases could have existed for a long time
 - Lease information has to be managed centrally
- Accounting and IT system update
 - System has to be updated to capture new financial and non-financial information
- Contract re-negotiation
 - For less lease liability: increase viable payment and shorten initial lease term

Solutions

- Start early
- Work with your auditors
- Renew your control process
- Work with your suppliers, landlords, IT vendors, etc
- Communicate with regulators, investors, and other related parties
- Provide trainings

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