

Short Discussion On The Differences Between International Accounting Standards (IAS) And The New Accounting Standards In China (New Standards).

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Hong Kong, November 2008, - Recently, the globalization of accounting standards have been highly emphasised due to the globalisation of the world's economy and the capital market. Enterprises around the world have faced the similar situations, to adopt a set of worldwide recognized accounting standards, to survive and succeed in now-a-day. Under such circumstances, a set of new accounting standards of China has been issued to coordinate with the international accounting standards. A summary of IAS and New Standards is shown as below.

New Accounting Standards in China	International Accounting Standards
CAS 1 Inventories	IAS 2 Inventories
CAS 2 Long-term Equity Investments	IAS 27 Consolidated and Separate Financial Statements IAS 28 Investments in Associates IAS 31 Interests in Joint Ventures
CAS 3 Investment Property	IAS 40 Investment Property
CAS 4 Fixed Assets	IAS 16 Property, Plant and Equipment IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
CAS 5 Biological Assets	IAS 41 Agriculture
CAS 6 Intangible Assets	IAS 38 Intangible Assets
CAS 7 Exchange of Non-Monetary Assets	IAS 16 Property, Plant and Equipment IAS 38 Intangible Assets IAS 40 Investment Property
CAS 8 Impairment of Assets	IAS 36 Impairment of Assets
CAS 9 Employee Benefits	IAS 19 Employee Benefits
CAS 10 Enterprise Annuity Fund	IAS 26 Accounting and Reporting by Retirement Benefit Plans
CAS 11 Share-based Payment	IFRS 2 Share-based Payment
CAS 12 Debt Restructuring	IAS 39 Financial Instruments: Recognition and Measurement
CAS 13 Contingencies	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
CAS 14 Revenue	IAS 18 Revenue
CAS 15 Construction Contracts	IAS 11 Construction Contracts
CAS 16 Government Grants	IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
CAS 17 Borrowing Costs	IAS 23 Borrowing Costs
CAS 18 Income Taxes	IAS 12 Income Taxes

CAS 19 Foreign Currency Translation	IAS 21 The Effects of Changes in Foreign Exchange Rates IAS 29 Financial Reporting in Hyperinflationary Economies
CAS 20 Business Combinations	IFRS 3 Business Combinations
CAS 21 Leases	IAS 17 Leases
CAS 22 Recognition and Measurement of Financial Instruments CAS 23 Transfer of Financial Assets CAS 24 Hedging	IAS 39 Financial Instruments: Recognition and Measurement
CAS 25 Direct Insurance Contracts CAS 26 Reinsurance Contracts	IFRS 4 Insurance Contracts
CAS 27 Extraction of Petroleum and Natural Gas	IFRS 6 Exploration for and Evaluation of Mineral Resources
CAS 28 Accounting Policies, Changes in Accounting Estimates and Correction of Errors	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
CAS 29 Events after the Balance Sheet Date	IAS 10 Events after the Balance Sheet Date
CAS 30 Presentation of Financial Statements	IAS 1 Presentation of Financial Statements IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
CAS 31 Cash Flow Statements	IAS 7 Cash Flow Statements
CAS 32 Interim Financial Reporting	IAS 34 Interim Financial Reporting
CAS 33 Consolidated Financial Statements	IAS 27 Consolidated and Separate Financial Statements
CAS 34 Earnings per Share	IAS 33 Earnings per Share
CAS 35 Segment Reporting	IFRS 8 Segment Reporting
CAS 36 Related Party Disclosures	IAS 24 Related Party Disclosures
CAS 37 Presentation of Financial Instruments	IFRS 7 Financial Instruments: Disclosures IAS 32 Financial Instruments : Presentation
CAS 38 First-time Adoption of Accounting Standards for Business Enterprises	IFRS 1 First-time Adoption of International Financial Reporting Standards

** Source from: Ministry Of Finance People's Republic Of China*

New Standards are mostly copied from IAS, however, there are two major sections which are different from IAS.

Disclosure of Related Parties' Transactions

Under IAS 24, all state-controlled enterprises are deemed to be related parties. The transactions between these entities have to be disclosed in the financial statements as related parties transactions. However, such regulation does not applicable in China's situation currently. This is because most enterprises in China are mainly state-owned. According to IAS 24, all state-controlled enterprises are deemed to be

related parties notwithstanding they are independent legal entities. On the contrary, new standard did not require to disclose those states-owned enterprises as related parties since they are not in significant influence and commonly controlled. This result in lowering the costs for disclosure. International Accounting Standards Board (IASB) has recognized such a practice and further amended Section 24 of IAS (Disclosure of Related Parties). On the day of 22nd February 2007, the IASB has published a set of meeting drafts that the amendment would be finalized in one year's time in the future. Without further barrier stones, the variances between China's accounting standards and IFRS would be further diminished in the foreseeable future.

Reversal of Impairment of Non-current Assets

IFRS has approved the reversal of impairment of non-current assets (e.g. fixed and intangible assets) to be recognized in the current year's financial performance. After major public consultation, these impairments are found to be permanent with high probability and would be very unlikely for further reversal. Therefore, under China's accounting standards, those impairments are not allowed to reverse after being confirmed. IASB has great empathy with China's arrangements, but would wish China for further development in line with the international standards.

Apart from the above, there are still certain difference treatments between IAS and New Standards, including consolidation arrangement, definition of fair value, non-current assets held-for-sale and discontinued operations, employee benefit and accounting treatments in hyperinflation.

End

Remarks: The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.