

中华人民共和国财政部

Ministry of Finance of the People's Republic of China

**Introduction to *Interim Provisions on
Accounting Treatment of Enterprise Data
Resources***

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I. BACKGROUND INFORMATION

II. SUMMARY OF THE INTERIM PROVISIONS



- ◆ Data is a key element of the digital economy, which has shown explosive growth and massive aggregation since the 21st century, becoming an important motivation to boost innovation.
- ◆ Issues related to the accounting treatment of data resources have also attracted attention and generated discussion from different sectors increasingly.



Specific accounting treatment rules are needed to respond to market expectations.



Strengthening information disclosure is necessary to serve the development of the digital economy.

Part.2 Summary of the Interim Provisions

» Problem-oriented to respond to practical needs and expectations

01

Clarified what data resources can be recognized as assets on balance sheet.

02

Specified what category of assets that data resources can be classified as.

03

Strengthened the disclosure of information about data resources.

» 1. Clarified what data resources can be recognized as assets on balance sheet

There are consistent criteria for the definition and recognition of assets in accounting, which have long been widely accepted by academia, practitioners and regulators. And these criteria also apply to data resources.

- ◆ If the data resources are legally owned or controlled by an entity, their future economic benefits are very likely to flow to the entity, and their costs can be reliably measured, then they meet the definition and recognition criteria of assets in accounting and can be recognized as assets on balance sheet.
- ◆ If the data resources are legally owned or controlled by an entity, but their future economic benefits are not very likely to flow to the entity or their costs can not be reliably measured, then they fail to meet the definition and recognition criteria of assets in accounting and can not be recognized as assets on balance sheet.

2. Specified what category of assets that data resources can be classified as

Based on sorting out the main business models of corporate data resources, the *Interim Provisions* clarified what type of assets to be recognized on the balance sheet under different business models.

- Data assets held for sale in the ordinary course of business should be recognized as inventories.
- When an entity uses data assets to provide services externally or grants permission to use data assets, they should be recognized as intangible assets.

➤ 2. Specified what category of assets that data resources can be classified as

- Considering the uncertainty in the internal generation of data resources, expenditures during the development phase can be capitalized as intangible assets only when the entity can demonstrate all of the following: technical feasibility; clear intention for completion and ability to use or sell; how the intangible asset will generate probable future economic benefits; availability of adequate technical, financial, and other resources; reliable measurement of expenditures.
- When an entity sells data resources that are not recognized as assets, it should recognize related revenue according to the accounting standards on revenue.

➤ 3. Strengthened the disclosure of information about data resources

- After analyzing the public feedbacks, we believe that strengthening the disclosure of information about data resources will better meet the needs of financial statement users.
- The *Conceptual Framework for International Financial Reporting Standards* states that general-purpose financial reporting is not intended to reflect the value of the reporting entity, but to provide information to help existing and potential investors, lenders, and other creditors estimate the value of the reporting entity.
- International peers share similar views. In recent years, the standard setters of European Union and Australia have generally agreed that current practical needs should be addressed by strengthening information disclosure regarding intangible assets.

➤ 3. Strengthened the disclosure of information about data resources

- For data resources recognized as assets on the balance sheet, entities should disclose its initial cost, amortization, impairment and other financial information directly related to the assets' value.
- For both recognized and unrecognized data resources, entities may voluntarily disclose eight aspects of information, including application scenarios or business models, types and sources of raw data, processing maintenance and security protection measures, application status, significant transaction matters involved, circumstances and reasons for the expiration of related rights, and restrictions on related rights, etc.

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Thank you!