

PRC GAAP to IFRS: 12 Common Reconciling Items

The adjustments that appear again and again when a China subsidiary reports to an overseas parent.

Where the differences actually are

#	Item	What typically needs adjusting
1	Revaluation of fixed assets and intangibles	Revaluation upward is generally not available under PRC GAAP; the entity carries cost less depreciation.
2	Reversal of impairment	Impairment recognised under PRC GAAP is generally not reversed in a later period, including for goodwill and long-lived assets.
3	Government grants	Classification between asset-related and income-related, and the timing of release to profit or loss, drive recurring adjustments.
4	Related party disclosure scope	PRC GAAP has its own approach to state-related entities; the group's definition will not map one for one.
5	Revenue recognition timing	The frameworks are converged in principle; the differences show up in judgement on over-time versus point-in-time.
6	Leases	The lessee model is largely converged, but short-term and low-value elections, subleases and sale-and-leaseback are applied differently in practice.
7	Deferred tax	Recognition thresholds and the treatment of tax rate changes need checking line by line.
8	Scope of consolidation	Control assessment and structured entities: the conclusion is usually the same, the documentation rarely is.
9	Foreign currency translation	Functional currency determination, and the treatment of a foreign operation on disposal.
10	Accounting policy changes and prior-period errors	Presentation and retrospection requirements differ; the group may need a different route than the statutory accounts.
11	Share-based payment and employee benefits	Defined benefit arrangements are rare in China; where they exist, the actuarial and disclosure basis differs.
12	Fair value hierarchy and disclosure depth	The group will ask for more than the statutory statements contain. Expect a data request, not a restatement.

How to make the reconciliation cheap

The single decision that saves the most time is the chart of accounts. If the China entity is set up on the group's account codes from day one, most of these twelve items become a mapping exercise rather than an investigation.

Keep a standing adjustment schedule, updated each period, with a reason and a document behind every line. It turns year-end from a project into a review.

The list above is a starting point for discussion, not a complete reconciliation for your entity. We prepare the pack and the supporting schedules.