

Accounting Standards for Business Enterprises No. 7 — Non-Monetary Asset Exchanges

Chapter 1: General Provisions

Article 1

This Standard is formulated in accordance with the Accounting Standards for Business Enterprises — Basic Standards to prescribe the recognition, measurement, and disclosure of non-monetary asset exchanges.

Article 2

A non-monetary asset exchange refers to a transaction where enterprises primarily exchange non-monetary assets such as fixed assets, intangible assets, investment properties, and long-term equity investments, with little or no monetary assets (i.e., boot) involved.

Monetary assets are cash held by an enterprise or rights to receive a fixed or determinable amount of cash.

Non-monetary assets are assets other than monetary assets.

Article 3

This Standard applies to all non-monetary asset exchanges, except for the following, which are governed by other relevant standards:

Exchanges of inventory for non-monetary assets from customers (Accounting Standards for Business Enterprises No. 14 — Revenue).

Exchanges involving business combinations (Accounting Standards for Business Enterprises No. 20 — Business Combinations, *No. 2 — Long-term Equity Investments*, and No. 33 — Consolidated Financial Statements).

Exchanges involving financial assets under Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments and No. 23 — Transfer of Financial Assets.

Exchanges involving right-of-use assets or finance lease receivables under Accounting Standards for Business Enterprises No. 21 — Leases.

Transactions between parties where one holds a direct/indirect equity interest in the other, or where both parties are under common control and the exchange constitutes an equity distribution or capital contribution.

Chapter 2: Recognition

Article 4

Enterprises shall recognize the incoming asset and derecognize the outgoing asset based on the following principles:

The incoming asset shall be recognized when it meets the definition and recognition criteria of an asset.

The outgoing asset shall be derecognized when it meets the derecognition criteria.

Article 5

If the recognition timing of the incoming asset and derecognition timing of the outgoing asset differ, the enterprise shall:

Recognize a liability for the obligation to deliver the outgoing asset if the incoming asset is recognized first.

Recognize a right to the incoming asset as an asset if the outgoing asset is derecognized first.

Chapter 3: Measurement Based on Fair Value

Article 6

A non-monetary asset exchange shall be measured at fair value if:

The exchange has commercial substance, and

The fair value of either the incoming or outgoing asset can be reliably measured.

If both fair values are reliable, the outgoing asset's fair value shall be used, unless evidence indicates the incoming asset's fair value is more reliable.

Article 7

An exchange has commercial substance if:

The future cash flows of the incoming asset differ significantly from the outgoing asset in risk, timing, or amount.

The present value of cash flows from using the incoming asset differs materially from continuing to use the outgoing asset.

Article 8

For fair-value-based exchanges:

The incoming asset's cost = Fair value of the outgoing asset + related taxes/expenses.

The outgoing asset's gain/loss = Fair value – carrying amount (recognized in profit or loss).

If the incoming asset's fair value is more reliable, it shall be used instead.

Article 9

Exchanges involving boot (monetary consideration):

Paying boot:

Incoming asset's cost = Outgoing asset's fair value + boot paid + related taxes/expenses.

If the incoming asset's fair value is more reliable:

Incoming asset's cost = Its fair value + related taxes/expenses;

$\text{Gain/loss} = (\text{Incoming asset's fair value} - \text{boot paid}) - \text{outgoing asset's carrying amount.}$

Receiving boot:

$\text{Incoming asset's cost} = \text{Outgoing asset's fair value} - \text{boot received} + \text{related taxes/expenses.}$

If the incoming asset's fair value is more reliable:

$\text{Incoming asset's cost} = \text{Its fair value} + \text{related taxes/expenses;}$

$\text{Gain/loss} = (\text{Incoming asset's fair value} + \text{boot received}) - \text{outgoing asset's carrying amount.}$

Article 10

Exchanges of multiple assets:

Incoming assets: Allocate the total fair value (adjusted for boot) proportionally to non-financial assets, plus related taxes/expenses.

Outgoing assets: Recognize gain/loss for each asset based on fair value less carrying amount.

Chapter 4: Measurement Based on Carrying Amount

Article 11

If the conditions in Article 6 are not met, measure the exchange at carrying amount:

$\text{Incoming asset's cost} = \text{Outgoing asset's carrying amount} + \text{related taxes/expenses.}$

No gain/loss is recognized for the outgoing asset.

Article 12

Exchanges involving boot:

Paying boot: $\text{Incoming asset's cost} = \text{Outgoing asset's carrying amount} + \text{boot paid} + \text{related taxes/expenses.}$

Receiving boot: $\text{Incoming asset's cost} = \text{Outgoing asset's carrying amount} - \text{boot received} + \text{related taxes/expenses.}$

Article 13

Multiple assets exchanged:

Allocate the outgoing asset's carrying amount (adjusted for boot) proportionally to incoming assets based on fair value (or other reasonable basis if fair value is unreliable).

No gain/loss is recognized for outgoing assets.

Chapter 5: Disclosure

Article 14

Enterprises shall disclose:

Whether the exchange had commercial substance and the rationale.

Categories of incoming and outgoing assets.

Basis for determining the incoming asset's initial cost.

Fair values of incoming/outgoing assets and carrying amount of outgoing assets.

Gains/losses recognized.

Chapter 6: Transitional Provisions

Article 15

Enterprises shall adjust non-monetary asset exchanges occurring between January 1, 2019, and the effective date of this Standard. No retrospective adjustment is required for exchanges before January 1, 2019.

Chapter 7: Supplementary Provisions

Article 16

This Standard shall be effective as of June 10, 2019.

Article 17

The *Accounting Standards for Business Enterprises No. 7 — Non-Monetary Asset Exchanges* issued by the Ministry of Finance on February 15, 2006, is repealed.

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