

the experience of MOF in implementing the former Accounting System for JSLE and, in part, on the existing individual CAS.

ASBE replaced the Accounting System for JSLE from January 1, 2001 and Accounting Regulations for FIE from January 1, 2002. In other words, all JSLE (including all listed enterprises) and FIE are now required to follow one unified ASBE. The MOF plans to ultimately require all medium-sized and large enterprises (other than financial enterprises) to adopt the ASBE, and has announced its expectation that all 170,000 state-owned enterprises will adopt the ASBE over time. In March 2003, MOF further extended the scope of the applicability of the ASBE by requiring all enterprises (other than small-sized enterprises and financial institutions) established after 1 January 2003 to adopt the ASBE.

When fully implemented, the ASBE will replace the numerous arcane and inconsistent industry accounting regulations, enabling the financial statements of different types of enterprises to become more comparable. All enterprises that adopt ASBE would be expected also to adopt all relevant CASs that are appropriate to those enterprises. The ASBE and CAS form the new accounting system of financial reporting of modern China.

As well, by introducing a broad asset impairment test and by adopting updated definitions of accounting elements similar to that of IFRS, the ASBE moves Chinese accounting practice further in the direction of international standards.

Impact of the ASBE on FIE

In the past, an FIE's financial statements prepared in accordance with the Accounting Regulation for FIE could not properly reflect the enterprise's actual financial position and operating results. Consequently, the enterprise had to make numerous adjustments when they compiled financial statements under overseas accounting standards, such as IFRS and US GAAP, which are almost invariably required by the foreign investors. The process was time-consuming and imposed additional cost of investment to the foreign investors. After the adoption of the ASBE, the differences between FIE's financial statements under

PRC GAAP and those prepared in accordance with international accounting practice have been reduced, thereby enabling the foreign investors to assess the performance of their investments more efficiently. Furthermore, since the ASBE has added additional disclosure requirements, the transparency of the financial information has improved.

Currently, the MOF is in the process of carrying out a survey to identify the impact of the adoption of the ASBE by FIE. The results of the survey will be used to help guide the future development of CAS and revisions of the ASBE. The MOF is committed to creating a sound financial reporting structure in the PRC in order to facilitate modernization of the economy.

Accounting System for Financial Institutions

Early in 2002, MOF adopted a new separate—though similar—Accounting System for Financial Institutions (the "ASFI"), which must be applied, starting 1 January 2002, by all listed banks, insurance companies, brokerages, leasing companies, and finance companies. Starting from 1 January 2004, unlisted brokerages will also be required to adopt the ASFI. Earlier adoption is encouraged. Unlisted financial institutions that are joint stock limited enterprises are also encouraged to follow the ASFI.

ASFI is similar to the one for general business enterprises but, in addition, includes principles specific to financial institutions, such as:

- How to recognise interest income,
- Repurchase agreements,
- Securities transactions,
- Insurance reserves,
- Accounting by trusts, and
- Accounting by investment funds.

Future Prospects

The table below indicates the accounting standards and systems projects on which MOF is now working and prospects for progress in the coming year.

Financial and Accounting Report

Under the ASBE, a financial and accounting report includes three components: accounting statements (see Figure 7), notes to accounting statements (see Figure 8), and a financial condition explanation memorandum (see Figure 9). A published financial and accounting report should also include the name of the enterprise, the nature of its operations, its address, the date the report is issued, and the names of responsible individuals including the chief accounting officer and those with legal authority to approve the report.

Figure 7

Which accounting statements are required in an accounting report?

Balance sheet
Income statement
Cash flow statement, both direct and indirect method
Statement of provision for impairment of assets, which is a reconciliation from opening to closing balances, with separate disclosure of impairment provisions, reversals, and write-offs, for: <ul style="list-style-type: none"> • bad debts (distinguishing between trade debts and other debts) • current investments (distinguishing between equity investments and debt investments) • inventories (distinguishing between raw materials and finished goods) • long-term investments (distinguishing between equity investments and debt investments) • fixed assets (distinguishing between properties, buildings, machinery, and equipment) • intangible assets (distinguishing between patents and copyrights) • assets under construction • designated loans receivable
Profits appropriation statement
Statement of changes in owners' equity
Segment reporting statement, which must include the following information for both business segments and geographical segments: <ul style="list-style-type: none"> • turnover (external and internal shown separately) • cost of sales (external and internal reported separately) • expenses • operating profit • total assets • total liabilities

Figure 7 (cont.)

Which accounting statements are required in an accounting report?

As in IAS 14, the ASBE requires a business segment or geographical segment to be identified as a reportable segment if its revenue, results, or assets are 10 percent or more of the total revenue, combined results, or total assets of all segments. If total external revenue attributable to reportable segments constitutes less than 75 percent of the total consolidated revenue, additional segments should be identified as reportable segments, even if they do not meet the 10 percent threshold as described above. The number of reportable segments is limited to 10. In 2003, MOF has clarified that segment information is only required if such information is requested by users. In practice, only listed companies are required to disclose segment information. VAT payable movement table. It is rare that enterprises present this movement table in practice.

Figure 8

What is required to be included in notes to financial statements?

Explanation of any non-compliance with any accounting concepts or standards (In fact, any non-compliance would constitute a breach of regulations)
Details of significant accounting policies and estimates
Explanation on changes in significant accounting policies and estimates
Details of contingencies and post-balance sheet events
Disclosure of related party relationship and transactions
Details of transfers or disposals of assets
Details of business combinations and demergers
Details of significant items in the accounting statements
Other disclosures that can help the readers understand the accounting statements

Figure 9

Content of the financial condition explanation memorandum

This is a management discussion similar to the Management Discussion and Analysis (MD&A) in the United States and the Operating and Financial Review (OFR) in the United Kingdom. Analytical discussion is required about:	the operations of the enterprise
	results and distributions
	cash flows
	other items that can affect the financial position, operating results, and cash flows of the enterprise.

本制度所称的账面余额，是指某科目的账面实际余额，不扣除作为该科目备抵的项目（如累计折旧、相关资产的减值准备等）。

第十六条 短期投资，是指能够随时变现并且持有时间不准备超过1年（含1年）的投资，包括股票、债券、基金等。短期投资应当按照以下原则核算：

（一）短期投资在取得时应当按照投资成本计量。短期投资取得时的投资成本按以下方法确定：

1. 以现金购入的短期投资，按实际支付的全部价款，包括税金、手续费等相关费用作为短期投资成本。实际支付的价款中包含的已宣告但尚未领取的现金股利、或已到付息期但尚未领取的债券利息，应当单独核算，不构成短期投资成本。

已存入证券公司但尚未进行短期投资的现金，先作为其他货币资金处理，待实际投资时，按实际支付的价款或实际支付的价款减去已宣告但尚未领取的现金股利或已到付息期但尚未领取的债券利息，作为短期投资的成本。

2. 投资者投入的短期投资，按投资各方确认的价值，作为短期投资成本。

3. 企业接受的债务人以非现金资产抵偿债务方式取得的短期投资，或以应收债权换入的短期投资，按应收债权的账面价值加上应支付的相关税费，作为短期投资成本。如果所接受的短期投资中含有已宣告但尚未领取的现金股利，或已到付息期但尚未领取的债券利息，按应收债权的账面价值减去应收股利或应收利息，加上应支付的相关税费后的余额，作为短期投资成本。涉及补价的，按以下规定确定受让的短期投资成本：

The book balance under this System refers to the actual amount of an account without deductions of a provision made for the account (e.g., accumulated depreciation, provisions for impairment of assets).

Article 16 Short-term investments are investments that can be readily realizable and is intended to be held in for no more than one year, including stocks, bonds and funds. Short-term investments should be accounted for according to the following rules:

(1) Short-term investments should be recorded at their cost on acquisition. The cost should be determined as follows:

a. the amount of a short-term investment acquired in cash is determined according to the total amounts paid, including tax payments and handling charges. However, cash dividend that have been declared but not received at the time of acquisition, or interest on bonds due but not received should be accounted for separately and is not included in the cost of the short-term investment; Cash deposited in a securities company and not yet used to acquire a short-term investment should be treated as other monetary funds. When the cash is used to acquire any short-term investment, the cost of the investment should be determined according to the amount actually paid, or the amount actually paid less cash dividend that have been declared but not received or interest on bonds due but not received;

b. the amount of a short-term investment made by investors should be determined on the value agreed upon by all the investors concerned;

c. the amount of a short-term investment acquired in the form of non-cash assets from a debtor in satisfaction of a debt or investment received by surrendering the creditor's claim should be determined according to the carrying amount of the debt, plus any related tax payments. Where cash dividend that have been declared but not received or interest on bonds due but not received is included, the amount should be determined according to the carrying amount of the debt, less the dividend or interest receivable and plus any tax payments. Where boot is involved, the cost of the short-term investment should be determined as follows:

确定换入长期股权投资的初始投资成本:

(1) 收到补价的, 按换出资产的账面价值加上应确认的收益和应支付的相关税费减去补价后的余额, 作为初始投资成本;

(2) 支付补价的, 按换出资产的账面价值加上应支付的相关税费和补价, 作为初始投资成本。

4. 通过行政划拨方式取得的长期股权投资, 按划出单位的账面价值, 作为初始投资成本。

(二) 企业的长期股权投资, 应当根据不同情况, 分别采用成本法或权益法核算。企业对被投资单位无控制、无共同控制且无重大影响的, 长期股权投资应当采用成本法核算; 企业对被投资单位具有控制、共同控制或重大影响的, 长期股权投资应当采用权益法核算。通常情况下, 企业对其他单位的投资占该单位有表决权资本总额20%或20%以上, 或虽投资不足20%但具有重大影响的, 应当采用权益法核算。企业对其他单位的投资占该单位有表决权资本总额20%以下, 或对其他单位的投资虽占该单位有表决权资本总额20%或20%以上, 但不具有重大影响的, 应当采用成本法核算。

(三) 采用成本法核算时, 除追加投资、将应分得的现金股利或利润转为投资或收回投资外, 长期股权投资的账面价值一般应当保持不变。被投资单位宣告分派的利润或现金股利, 作为当期投资收益。企业确认

amount of the assets surrendered plus any related tax payments. Where boot is involved, the initial cost of the long-term equity investment should be determined as follows:

(i) if boot is received, the amount of the long-term equity investment is determined according to the carrying amount of the assets surrendered, plus any gains that should be recognized and any related tax payments, and less the boot;

(ii) if boot is paid, the amount of the long-term equity investment is determined according to the carrying amount of the assets surrendered, plus any related tax payments and the boot.

d. the initial cost of a long-term equity investment received in the form of administrative appropriations should be stated at carrying amount recorded in the books of the entity that makes the administrative appropriations.

(2) Long-term equity investments should be accounted for using the cost method or the equity method as appropriate to the specific circumstances of an enterprise. The cost method should be used to account for long-term equity investments when an investor does not have control, joint control or significant influence over the investee enterprise; the equity method is used for long-term equity investments when an investor can control, jointly control or has significant influence over the investee enterprise. In general, the equity method should be used, if the enterprise holds 20% or more of the voting capital of the investee enterprise, or it holds less than 20% of the voting capital of the investee enterprise but has significant influence over the investee enterprise.

The cost method should be used, if the enterprise holds less than 20% of the voting capital of the investee enterprise, or it holds 20% or more of the voting capital of the investee enterprise but does not have significant influence over the investee enterprise.

(3) When the cost method is adopted, the carrying amount of long-term equity investments should generally remain unchanged, unless additional investments are made, cash dividend or profit to be received is converted

于企业所在地的有关固定资产预计使用年限和预计净残值、折旧方法等，一经确定不得随意变更，如需变更，仍然应当按照上述程序，经批准后报送有关各方备案，并在会计报表附注中予以说明。

固定资产折旧方法可以采用年限平均法、工作量法、年数总和法、双倍余额递减法等。折旧方法一经确定，不得随意变更。如需变更，应当在会计报表附注中予以说明。

企业因更新改造等原因而调整固定资产价值的，应当根据调整后价值，预计尚可使用年限和净残值，按选用的折旧方法计提折旧。

对于接受捐赠旧的固定资产，企业应当按照确定的固定资产入账价值、预计尚可使用年限，预计净残值，按选用的折旧方法计提折旧。

融资租入的固定资产，应当采用与自有应计折旧资产相一致的折旧政策。能够合理确定租赁期届满时将会取得租赁资产所有权的，应当在租赁资产尚可使用年限内计提折旧；无法合理确定租赁期届满时能够取得租赁资产所有权的，应当在租赁期与租赁资产尚可使用年限两者中较短的期间内计提折旧。

第三十七条 企业一般应按月提取折旧，当月增加的固定资产，当月不提折旧，从下月起计提折旧；当月减少的固定资产，当月照提折旧，从下月起不提折旧。

value and the depreciation method for a fixed asset should be filed with interested parties and also kept by the enterprise for use by all investors. The estimated useful life, net residual value and depreciation method of a fixed asset that the enterprise has confirmed and decided to present to interested external users or to place in the enterprise should not be changed arbitrarily. The change and the reasons, if necessary, should be disclosed in the notes to financial statements after approval is obtained through the above-mentioned procedures before they are filed with interested parties.

An enterprise may choose one from several depreciation methods, such as the straight-line method, the unit-of-production method, the sum-of-year's-digits method or the double-declining-balance method. Once chosen, the depreciation method should not be changed arbitrarily from one period to another. A change and the reason, if necessary, should be disclosed in the notes to financial statements.

If the cost of a fixed asset is adjusted as a result of renewal or renovation, the fixed asset should be depreciated based on the adjusted cost, the estimated remaining useful life and net residual value by adopting an appropriate depreciation method.

Used donated fixed assets should be depreciated based on the carrying amount of the fixed assets, the estimated remaining useful life and estimated net residual value, using an appropriate depreciation method.

An enterprise should adopt a depreciation policy for leased fixed assets identical to that for depreciable fixed assets that are owned by the enterprise. If there is reasonable certainty that the enterprise will obtain ownership of the leased fixed asset by the end of the lease term, the leased fixed asset should be fully depreciated over its remaining useful life. If there is no reasonable certainty that the enterprise will obtain ownership of the leased fixed asset by the end of the lease term, the leased fixed asset should be fully depreciated over the shorter of the lease term or the remaining useful life.

Article 37 Fixed assets should be depreciated on a monthly basis from the month following that in which the assets are used in operation. For fixed assets that are no longer used in operation, depreciation on such assets should cease to be made from the month following that in which the assets cease to be used.

企业发行附有赎回选择权的可转换公司债券，其在赎回日可能支付的利息补偿金，即债券约定赎回期届满日应当支付的利息减去应付债券票面利息的差额，应当在债券发行日至债券约定赎回届满日期间计提应付利息，计提的应付利息，按借款费用的处理原则处理。

第七十五条 融资租入的固定资产，应在租赁开始日按租赁资产的原账面价值与最低租赁付款额的现值两者较低者，作为融资租入固定资产的入账价值，按最低租赁付款额作为长期应付款的入账价值，并将两者的差额，作为未确认融资费用。

如果融资租赁资产占企业资产总额的比例等于或低于30%的，应在租赁开始日按最低租赁付款额作为融资租赁固定资产和长期应付款的入账价值。

第七十六条 企业收到的专项拨款作为专项应付款处理，待拨款项目完成后，属于应核销的部分，冲减专项应付款；其余部分转入资本公积。

第七十七条 企业所发生的借款费用，是指因借款而发生的利息、折价或溢价的摊销和辅助费用，以及因外币借款而发生的汇兑差额。因借款而发生的辅助费用包括手续费等。

除为购建固定资产的专门借款所发生的借款费用外，其他借款费用均应于发生当期确认为费用，直接计入当期财务费用。

本制度所称的专门借款，是指为购建固定资产而专门借入的款项。

为购建固定资产的专门借款所发生的借款费用，按以下规定处理：

(一) 因借款而发生的辅助费用的处理：

When it issues convertible bonds with redemption option, an enterprise should calculate interest on the interest compensation payment likely to be paid at the redemption date, namely, the difference between the interest payable at the date when the agreed-upon redemption period expires and the interest payable according to par interest of the bonds should be accrued and accounted for following the rules governing the borrowing costs.

Article 75 An enterprise should record the fixed assets acquired under finance lease at an amount equal to the lower of the carrying amount of the leased fixed asset originally recorded in the books of the lessor and the present value of the minimum lease payments, and recognize a long-term liability at an amount equal to the minimum lease payments at the date of inception. The resultant difference should be recognized as un-recognized finance charges.

However, if the proportion of the recorded amount of the leased fixed assets to the total amount of assets of the enterprise is equal to or below 30%, the enterprise may record the leased fixed assets and the long-term liability at an amount equal to the minimum lease payments at the date of inception.

Article 76 An enterprise should record the special appropriations as special payables. Upon completion of the special appropriations-related project, the portion of the amount to be written off should be deducted from the special payables and the remaining part be recorded as capital surplus.

Article 77 Borrowing costs are interest incurred by an enterprise in connection with the borrowings, amortization of discounts or premiums relating to the borrowings, ancillary costs, and exchange differences arising from foreign currency borrowings. Ancillary costs incurred in connection with borrowings include commission fees.

Other borrowing costs, except those incurred for special borrowing in respect of the acquisition or construction of a fixed asset, should be charged directly as financial expenses in the period in which they are incurred.

A special borrowing under this System is the fund borrowed specifically for the acquisition or construction of a fixed asset.

Borrowing costs incurred in connection with special borrowings used for the acquisition or construction of a fixed asset should be accounted for as follows:

(1) Ancillary costs incurred in connection with the special borrowings:

(二) 股份有限公司的股本, 应按以下规定核算:

1. 公司的股本应当在核定的股本总额及核定的股份总额的范围内发行股票取得。公司发行的股票, 应按其面值作为股本, 超过面值发行取得的收入; 其超过面值的部分, 作为股本溢价, 计入资本公积。

2. 境外上市公司以及在境内发行外资股的公司, 按确定的人民币股票面值和核定的股份总额的乘积计算的金额, 作为股本入账, 按收到股款当日的汇率折合的人民币金额与按人民币计算的股票面值总额的差额, 作为资本公积处理。

第八十一条 企业资本(或股本)除下列情况外, 不得随意变动:

(一) 符合增资条件, 并经有关部门批准增资的, 在实际取得投资者的出资时, 登记入账。

(二) 企业按法定程序报经批准减少注册资本的, 在实际发还投资时登记入账。采用收购本企业股票方式减资的, 在实际购入本企业股票时, 登记入账。

企业应当将因减资而注销股份、发还股款, 以及因减资需更新股票的变动情况, 在股本账户的明细账及有关备查簿中详细记录。

投资者按规定转让其出资的, 企业应当于有关的转让手续办理完毕时, 将出让方所转让的出资额, 在资本(或股本)账户的有关明细账户及各备查登记簿中转为受让方。

(2) The capital stock of joint stock companies is accounted for as follows:

- a. The capital stock of a company should be acquired through issuance of shares according to the authorized total amount of capital stock and total shares. The company should record capital stock received at the par value of the shares. The portion of the proceeds from shares higher than the par value should be treated as premium on stock and be recorded as capital surplus.
- b. Overseas listed companies or domestic companies issuing shares denominated in foreign currency should record capital stock received at an authorized amount of the total shares, multiplying by the par value of the shares stated in Renminbi. The difference between the amount restated into Renminbi using the exchange rate ruling on the date when payment of shares is received and the par value of the total shares stated in Renminbi should be treated as capital surplus.

Article 81 The paid-in capital (or stock) of an enterprise should not be changed arbitrarily unless otherwise stated in the following circumstances:

- (1) An enterprise that meets relevant requirements and is approved by relevant authorities to increase its capital should record an increase in the paid-in capital (or stock) account when investors make additional contributions.
- (2) An enterprise that is approved to reduce its capital through legal procedures should record a reduction in the paid-in capital (or stock) account when investment is purchased back from the investors. An enterprise that reduces its capital through repurchase of its own stocks should make the recording at the time when it actually repurchase the stocks.

An enterprise should record in details the shares cancelled, and stock purchased back, or a change in shares as a result of reduction in the registered capital into the subsidiary accounts of the capital stock account and related memorandum books.

When investors transfer their capital shares according to regulations or contracts, the enterprise should record the amount surrendered by the transferors to the transferees into the subsidiary accounts of the capital or stock account and related memorandum books, after completion of appropriate transfer formalities.

1. 合同成本能够收回的, 合同收入根据能够收回的实际合同成本加以确认, 合同成本在其发生的当期作为费用;

2. 合同成本不可能收回的, 应当在发生时立即作为费用, 不确认收入。

(四) 在一个会计年度内完成的建造合同, 应当在完成时确认合同收入和合同费用。

(五) 如果合同预计总成本将超过合同预计总收入, 应当将预计损失立即作为当期费用。

第九十六条 合同完工进度可以按累计实际发生的合同成本占合同预计总成本的比例、已经完成的合同工作量占合同预计总工作量的比例、已完合同工作的测量等方法确定。

采用累计实际发生的合同成本占合同预计总成本的比例确定合同完工进度时, 累计实际发生的合同成本不包括: (1) 与合同未来活动相关的合同成本; (2) 在分包工程总工作量完成之前预付给分包单位的款项。

第九十七条 房地产开发企业自行开发商品房对外销售收入的确定, 按照销售商品收入的确认原则执行; 如果符合建造合同的条件, 并且有不可撤销的建造合同的情况下, 也可按照建造合同收入确认的原则, 按照完工百分比法确认房地产开发业务的收入。

第九十八条 企业的收入, 应当按照重要性原则, 在利润表中反映。

a. if contract costs incurred that it is probable will be recoverable, contract revenue should be recognized only to the extent of the recoverable contract costs incurred, and contract costs should be charged as expenses of the period in which they are incurred;

b. if contract costs incurred that it is probable will be recovered, contract costs should be recognized as expenses of the current period immediately, and contract revenue should not be recognized.

(4) Contract revenue and contract costs should be recognized when the construction work is completed within an accounting year.

(5) When it is probable that estimated total contract costs will exceed estimated total contract revenue, the expected loss should be recognized as current expenses immediately.

Article 96 The stage of completion of a contract may be determined by: (1) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, (2) the proportion that completed contract work bear to the estimated total contract work, or (3) surveys of the work performed.

When the stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, the contract costs incurred for work performed to date do not include: (1) construction costs that relate to future activity on contract; and (2) payments made to subcontractors in advance of completion of the subcontract work.

Article 97 A real estate development enterprise should recognize its revenue arising from the sale of self-developed commercial residential buildings following the same rule as the sales of goods are recognized, or using the percentage of completion method as applied in the recognition of contract revenue if development of the buildings meets the requirements of a construction contract and the contract is irrevocable.

Article 98 Revenue should be stated in the income statement according to the Principle of Materiality.

第一百一十条 企业当期实现的净利润，加上年初未分配利润（或减去年初未弥补亏损）和其他转入后的余额，为可供分配的利润。可供分配的利润，按下列顺序分配：

（一）提取法定盈余公积；

（二）提取法定公益金。

外商投资企业应当按照法律、行政法规的规定按净利润提取储备基金、企业发展基金、职工奖励及福利基金等。

中外合作经营企业按规定在合作期内以利润归还投资者的投资，以及国有工业企业按规定以利润补充的流动资金，也从可供分配的利润中扣除。

第一百一十一条 可供分配的利润减去提取的法定盈余公积、法定公益金等后，为可供投资者分配的利润。可供投资者分配的利润，按下列顺序分配：

（一）应付优先股股利，是指企业按照利润分配方案分配给优先股股东的现金股利。

（二）提取任意盈余公积，是指企业按规定提取的任意盈余公积。

（三）应付普通股股利，是指企业按照利润分配方案分配给普通股股东的现金股利。企业分配给投资者的利润，也在本项目核算。

（四）转作资本（或股本）的普通股股利，是指企业按照利润分配方案以分派股票股利形式转作的资本（或股本）。企业以利润转增的资本，也在本项目核算。

Article 110 Net income earned for the year, plus the beginning balances of undistributed profit (or minus non-recovered losses) and other transfer-ins represent profit to be distributed. Profit to be distributed shall be allocated in the following order:

(1) as appropriation of statutory surplus reserve; and

(2) as appropriation of statutory public welfare fund.

FIEs should appropriate from the net income the reserve fund, the enterprise expansion fund and the employee welfare and bonus fund in accordance with relevant laws or regulations.

Investment returned to investors by Sino-foreign cooperative enterprises in accordance with relevant laws and regulations during the period of cooperation, and profit used to increase its working capital by State-owned industrial enterprises may also be deducted from profit available to be distributed.

Article 111 Profit to be distributed after deductions of statutory surplus reserve and statutory public welfare fund represents profit to be distributed to investors. Profit to be distributed to investors shall be allocated in the following order:

(1) as payment of preferred stock dividend, which is the cash dividend paid to preferred stockholders by the enterprise according to the profit distribution plan;

(2) as appropriation of discretionary surplus reserve by the enterprise in accordance with laws or regulations;

(3) as payment of common stock dividend, which is the cash dividend paid to common stockholders by the enterprise according to the profit distribution plan. Profit distributed to investors should also be recorded under this item; and

(4) common stock dividend converted into capital (or stock), which is the conversion into capital (or stock) in the form of stock dividend distribution by the enterprise according to the profit distribution plan. Profit converted into capital should also be recorded under this item.

(五) 受主要投资者个人、关键管理人员或与其关系密切的家庭成员直接控制的其他企业。

国家控制的企业间不应当仅仅因为彼此同受国家控制而成为关联方,但企业间存有上述(一)至(三)的关系,或根据上述(五)受同一关键管理人员或与其关系密切的家庭成员直接控制时,彼此应视为关联方。

第一百四十八条 在存在控制关系的情况下,关联方如为企业时,不论他们之间有无交易,都应当在会计报表附注中披露企业类型、名称、法定代表人、注册地、注册资本及其变化、企业的主营业务、所持股份或权益及其变化。

第一百四十九条 在企业与关联方发生交易的情况下,企业应当在会计报表附注中披露关联方关系的性质、交易类型及其交易要素。这些要素一般包括:交易的金额或相应比例、未结算项目的金额或相应比例、定价政策(包括没有金额或只有象征性金额的交易)。

关联方交易应当分别关联方以及交易类型予以披露,类型相同的关联方交易,在不影响财务会计报告使用者正确理解的情况下可以合并披露。

第一百五十条 下列关联方交易不需要披露:

(一) 在合并会计报表中披露包括在合并会计报表中的企业集团成员之间的交易;

(二) 在与合并会计报表一同提供的母公司会计报表中披露关联方交易。

(5) other enterprises directly controlled by the principal individual investors, key management personnel, or the close family members of such individuals.

State-controlled enterprises should not be regarded as related parties simply because they are subject to control from the State. However, where relationships referred to in the above Paragraphs (1) to (3) exist between these enterprises, or where they are directly controlled by the same key management personnel or their close family members in accordance with the above Paragraph 5, they should be regarded as related parties.

Article 148 Where a control relationship exists between related parties which are enterprises, these items should be disclosed in the notes to financial statements, irrespective of whether there have been transactions between them or not: the type of business, the name, the legal representative and the place of registration of the related enterprises and their registered capital and changes therein; the main operations of the related enterprise(s), the proportion of shares or equity interest held and changes therein.

Article 149 Where there have been transactions between an enterprise and its related parties, the reporting enterprise should disclose the nature of the related party relationships, the types of transactions and the essential elements of the transactions in the notes to financial statements. The essential elements are usually: (a) the amounts of the transactions, or the appropriate proportions; (b) the amounts of outstanding items, or the appropriate proportions; and (c) pricing policies (including those transactions where no amount or only nominal amounts have been charged).

Related party transactions should be disclosed according to the related parties and the types of the transactions involved; related party transactions of the same type may be disclosed in aggregate when this does not affect the readers' proper understanding of the financial statements.

Article 150 No disclosure of related party transactions is required:

- (1) in respect of intra-group transactions in the consolidated financial statements;
- (2) in the parent financial statements included with the consolidated financial statements.

(3) “应收票据”项目，反映企业收到的未到期收款也未向银行贴现的应收票据，包括商业承兑汇票和银行承兑汇票。本项目应根据“应收票据”科目的期末余额填列。已向银行贴现和已背书转让的应收票据不包括在本项目内，其中已贴现的商业承兑汇票应在会计报表附注中单独披露。

(4) “应收股利”项目，反映企业因股权投资而应收取的现金股利，企业应收其他单位的利润，也包括在本项目内。本项目应根据“应收股利”科目的期末余额填列。

(5) “应收利息”项目，反映企业因债权投资而应收取的利息。企业购入到期还本付息债券应收的利息，不包括在本项目内。本项目应根据“应收利息”科目的期末余额填列。

(6) “应收账款”项目，反映企业因销售商品、产品和提供劳务等应向购买单位收取的各种款项，减去已计提的坏账准备后的净额。本项目应根据“应收账款”科目所属各明细科目的期末借方余额合计，减去“坏账准备”科目中有关应收账款计提的坏账准备期末余额后的金额填列。

如“应收账款”科目所属明细科目期末有贷方余额，应在本表“预收账款”项目内填列。

(7) “其他应收款”项目，反映企业对其他单位和个人的应收和暂付的款项，减去已计提的坏账准备后的净额。本项目应根据“其他应收款”科目的期末余额，减去“坏账准备”科目中有关其他应收款计提的坏账准备期末余额后的金额填列。

(3) The “Notes receivable” item reflects notes receivable that are neither collected nor discounted from the bank, including commercial acceptance and bank acceptance bills of exchange. The item should be stated according to the ending balance of the “Notes receivable” account. Notes receivable discounted to bank and surrendered upon endorsement are not included in this item. Discounted commercial acceptance bill of exchange should be disclosed separately in the notes to financial statements.

(4) The “Dividend receivable” item reflects cash dividends receivable as a result of equity investment. Profit receivable from other entities should also be included in this item. The item should be stated according to the ending balance of the “Dividend receivable” account.

(5) The “Interest receivable” item reflects interest receivable as a result of a debt investment. Interest receivable on bonds that will be collected when the bonds are mature and repaid should not be included in this item. The item should be stated according to the ending balance of the “Interest receivable” account.

(6) The “Accounts receivable” item reflects amounts collected from purchasing entities as a result of the sale of goods and products and the rendering of services, after deducting the provision for bad debts. The item should be stated at an amount determined by the total ending debit balances of related subsidiary accounts of the “Accounts receivable” account, after deducting the ending balances of provision for bad debts on related accounts receivable in the “Provision for bad debts” account.

If related subsidiary accounts of the “Accounts receivable” account have closing ending balances, they should be stated under the “Advances from customers” item in the balance sheet.

(7) The “Other receivables” item reflects amounts to be collected from and provisional advances to other entities or individuals. The item should be stated at an amount determined by the ending balance of the “Other receivables” account after deducting the ending balances of provisions for bad debts on related other receivables in the “Provision for bad debts” account.

(5) “营业费用”项目，反映企业在销售商品和商品流通企业在购入商品等过程中发生的费用。本项目应根据“营业费用”科目的发生额分析填列。

(6) “管理费用”项目，反映企业发生的管理费用。本项目应根据“管理费用”科目的发生额分析填列。

(7) “财务费用”项目，反映企业发生的财务费用。本项目应根据“财务费用”科目的发生额分析填列。

(8) “投资收益”项目，反映企业以各种方式对外投资所取得的收益。本项目应根据“投资收益”科目的发生额分析填列；如为投资损失，以“-”号填列。

(9) “补贴收入”项目，反映企业取得的各种补贴收入以及退回的增值税等。本项目应根据“补贴收入”科目的发生额分析填列。

(10) “营业外收入”项目和“营业外支出”项目，反映企业发生的与其生产经营无直接关系的各项收入和支出。这两个项目应分别根据“营业外收入”科目和“营业外支出”科目的发生额分析填列。

(11) “利润总额”项目，反映企业实现的利润总额。如为亏损总额，以“-”号填列。

(12) “所得税”项目，反映企业按规定从本期损益中减去的所得税。本项目应根据“所得税”科目的发生额分析填列。

(13) “净利润”项目，反映企业实现的净利润。如为净亏损，以“-”号填列。

(5) The “Operating expenses” item reflects expenses incurred on the sale of goods by an enterprise and expenses incurred for the purchasing of goods by a commodity distribution enterprise. The item should be stated by analyzing the actual amounts of the “Operating expenses” account.

(6) The “General and administrative expenses” item reflects general and administrative expenses incurred by an enterprise. The item should be stated by analyzing the actual amounts of the “General and administrative expense” account.

(7) The “Financial expenses” item reflects financial expenses incurred by an enterprise. The item should be stated by analyzing the actual amounts of the “Financial expenses” account.

(8) The “Investment income” item reflects income earned from investments of different classes to other entities. The item should be stated by analyzing the actual amounts of the “Investment income” account. If investment losses are incurred, it should be stated with a “-” sign under this item.

(9) The “Revenue from subsidies” item reflects revenue from various subsidies acquired by and refund of VAT an enterprise. The item should be stated by analyzing the actual amounts of the “Revenue from subsidies” account.

(10) The “Non-operating revenue” and the “Non-operating expenses” items reflect all revenues and expenditures that do not relate directly to the ordinary operating and production activities of an enterprise. The two items should be stated by analyzing the actual amounts of the “Non-operating revenue” and “Non-operating expenses” accounts respectively.

(11) The “Income before tax” item reflects pre-tax profit earned by an enterprise. If losses before income tax are incurred, they should be stated with a “-” sign under this item.

(12) The “Income tax” item reflects income tax deducted from the profit or losses of the current period in accordance with laws and regulations. The item should be stated by analyzing the actual amounts of the “Income tax” account.

(13) The “Net income” item reflects net profit realized by an enterprise. If net losses are incurred, they should be stated with a “-” sign under this item.

2. 外商投资企业执行《企业会计制度》 有关问题解答

财会[2002] 5号

财政部2002年5月26日发布

2001年11月29日, 财政部发布了《外商投资企业执行〈企业会计制度〉有关问题的规定》(财会[2001]62号), 要求外商投资企业自2002年1月1日起执行《企业会计制度》。近日, 我部收到一些来信来函, 就外商投资企业执行《企业会计制度》中提出了一些问题, 现就有关问题答复如下:

一、问: 外商投资企业在执行《企业会计制度》时, 对长期股权投资原制度采用成本法核算, 按《企业会计制度》规定应采用权益法核算的, 在从成本法改为权益法核算时, 是否要追溯调整?

答: 对于原《外商投资企业会计制度》规定按成本法核算的长期股权投资, 如满足《企业会计制度》关于应用权益法的条件, 应改按权益法核算, 并作为会计政策变更进行追溯调整。按追溯调整后的账面价值作为执行权益法时的初始投资成本, 并在此基础上计算股权投资差额。

2. Official Replies on Relevant Issues Concerning Implementation of the Accounting System for Business Enterprises by Foreign Investment Enterprises

[CAI KUAI No.5 (2002)]

Promulgated by the Ministry of Finance on May 26, 2002

The Ministry of Finance (MOF) published the "Provisions on Implementing the Accounting System for Business Enterprises by Foreign Investment Enterprises (FIEs)" on November 29, 2001 [CAI KUAI No.62 (2001)], which requires FIEs implement the Accounting System for Business Enterprises as of January 1, 2002. MOF has recently received correspondences inquiring about issues concerning implementation of the Accounting System for Business Enterprises (hereinafter referred to as the "Accounting System") by FIEs, and the following are its replies:

Question 1: In implementation of the "Accounting System," if an FIE accounts for long-term equity investments using the cost method according to the "Original Accounting Regulations", but accounts for the investments using the equity method as required by the "Accounting System," should the FIE apply the retrospective application when it changes the cost method to the equity method?

Answer: If long-term equity investments-which are accounted for using the cost method according to the "Original Accounting Regulations"-meet the requirements of application of the equity method in accordance with the "Accounting System", they should be accounted for using the equity method and appropriate adjustments should be made retrospectively as a change in accounting policy. The retrospectively adjusted carrying amount should be used as the initial cost of the investments when the equity method is applied, and be used as the basis of calculating equity investment difference.

答:企业以非现金资产对外投资,应按非货币性交易的原则确定长期股权投资的初始投资成本。采用权益法核算时,长期股权投资的初始投资成本与应享有被投资单位所有者权益份额之间的差额,作为股权投资差额,分别情况进行会计处理:初始投资成本大于应享有被投资单位所有者权益份额的差额,借记“长期股权投资——××单位(股权投资差额)”科目,贷记“长期股权投资——××单位(投资成本)”科目,并按规定的期限摊销计入损益;初始投资成本小于应享有被投资单位所有者权益份额的差额,借记“长期股权投资——××单位(投资成本)”科目,贷记“资本公积——股权投资准备”科目。

企业以现金对外投资,采用权益法核算时,长期股权投资的初始投资成本与应享有被投资单位所有者权益份额之间的差额,也比照上述原则处理。

本规定发布之前,企业对外投资已按原规定进行会计处理的,不再做追溯调整,对其余额应继续采用原有的会计政策,直至摊销完毕为止;本规定发布之后,企业新发生的对外投资,按上述规定进行会计处理。

十二、问:企业执行《企业会计准则——固定资产》后,核算固定资产后续支出时应注意哪些问题?

答:《企业会计准则——固定资产》规定,与固定资产有关的后续支出,如果使可能流入企业的经济利益超过了原先的估计,如延长了固定资产的使用寿命,或者使产品质量实质性提高,或者使产品成本实质性

Answer: Enterprises investing with non-monetary assets shall determine the initial investment cost of long-term equity investment in accordance with the principle of non-monetary transactions. Where the equity method is applied, the difference between the initial investment cost of long-term equity investment and owner's equity in the investee entity shall be accounted for as follows:

If the initial investment cost of long-term equity investment is greater than the owner's equity in the investee entity, the difference shall be debited to "long-term equity investment - XX entity (equity investment difference)" and credited to "long-term equity investment - XX entity (investment cost)", and amortized in the income statement in accordance with the prescribed period.

If the initial investment cost of long-term equity investment is less than the owner's equity in the investee entity, the difference shall be debited to "long-term equity investment - XX entity (investment cost)" item and credited to "capital surplus - equity investment reserve".

Enterprises investing with cash and applying the equity method shall account for the difference between the initial investment cost of long-term investment and owner's equity in the investee entity in accordance with the aforesaid principle.

Accounting treatment for investments made before the promulgation of this regulation shall not be adjusted retrospectively and the original accounting policies shall apply to the balances until the amortisation is completed. Enterprises shall account for new investments made subsequent to the promulgation of this regulation in accordance with the aforesaid provision.

Question 12: What are the issues that enterprises should note for subsequent expenditure relating to fixed assets upon their implementation of the Accounting Standards for Business Enterprises - Fixed Assets?

Answer: The Accounting Standards for Business Enterprises - Fixed Assets provides that where the subsequent expenditure on fixed assets will result in expected future economic benefits in excess of those originally assessed, to flow to the enterprise, for example to extend their useful life, improve the quality of output substantially or reduce the costs of the output substantially,

七、问：企业发给停止实物分房以前参加工作未享受福利分房待遇的无房老职工的一次性住房补贴资金，如何进行会计处理及纳税调整？

答：企业发给停止实物分房以前参加工作未享受福利分房待遇的无房老职工的一次性住房补贴资金的会计处理应按《财政部关于印发〈企业住房制度改革中有关会计处理问题的规定〉的通知》（财会〔2001〕5号）执行。按照该规定，企业发给停止实物分房以前参加工作未享受福利分房待遇的无房老职工的一次性住房补贴资金不影响发放当期损益，在计算利润总额时，不予扣除。按照税法规定，企业发给停止实物分房以前参加工作的未享受福利分房待遇的无房老职工的一次性住房补贴资金，省级人民政府未规定标准的，由省一级国税局、地税局参照其他省份及有关部门标准协商确定。即，企业发给停止实物分房以前参加工作的未享受福利分房待遇的无房老职工的一次性住房补贴资金，符合国家规定标准的部分可在计算应纳税所得额时扣除。另外，按照国税发〔2001〕39号文件的规定，企业按省级人民政府规定发给停止实物分房以前参加工作的未享受过福利分房待遇的无房老职工的一次性住房补贴资金，经税务机关审核可在不少于3年的期间内均匀扣除。

（一）对于发放给无房老职工的一次性住房补贴按税法规定允许在发放当期按国家规定的标准自应纳税所得额中扣除的，在计算应纳税所得额时，应在按照会计制度及相关准则规定计算的利润总额的基础上扣除按国家规定的标准发放的一次性住房补贴后确定的应纳税所得额，并按当期应纳税所得额与现行所得税税率计算的应交所得税金额，确认当期所得税费用。

Question 7: How shall an enterprise make accounting treatment and tax adjustment for the housing subsidy funds granted in a lump-sum as public welfare to the elderly employees who came to work in the enterprise before the house-granting as public welfare was disbanded but who do not have any houses?

Answer: An enterprise should follow the 'Notification of Issuance of the "Provisions on Accounting Treatment Involved in the Reform of Housing System for Business Enterprises"' promulgated by the Ministry of Finance [Cai Kuai No.5 (2001)] to account for the housing subsidy funds granted in a lump-sum as public welfare to the elderly employees who came to work in the enterprise before the house-granting as public welfare was disbanded but who do not have any houses. Under these Provisions, the housing subsidy funds the enterprise grants do not have any effect on the income or losses for the period in which the funds are granted and shall not be deducted in calculating the income before tax. Under the provisions of tax law, if the enterprise should grant the housing subsidy funds according to a provincial criterion, the criterion should be set by the State and local taxation bureau at the provincial level with reference to the criterion of other provinces and relevant departments. Namely, the part of the housing subsidy funds that comply with the national criterion may be deductible in calculating the assessable income. In addition, as regulated by the Guo Shui Fa No.39 (2001) Document, an enterprise may deduct by installments the housing subsidy funds granted based on the provincial government's provisions within a period of no less than 3 years upon review by the tax institute.

1. For the housing subsidy funds granted in a lump-sum to the elderly without-a-house employees that is deductible based on the national provisions from the assessable income in the period in which the funds are granted under the tax law provisions, the enterprise should recognize the income tax expense for the period based on income tax payable arrived at using the assessable income (determined based the income before tax calculated under the provisions of the Accounting System and accounting standards after deduction of the housing subsidy funds granted based on the national criterion) and the current tax rate.