企业会计准则——基本准则(英文版)

Accounting Standard for Business Enterprises:
Basic Standard

Contents

The People's Republic of China
Accounting Standard for Business Enterprises:
Basic Standard

Chapter I General Provisions

Article 1. In accordance with "The Accounting Law of the People's Republic of China", this Standard is formulated to meet the needs of developing a socialist market economy in our country, to standardize accounting practice and to ensure the quality of accounting information.

Article 2. This Standard is applicable to all enterprises established within the territory of the People's Republic of China. Chinese enterprises established outside the territory of the People's Republic of China (hereinafter referred to as "enterprises abroad") are required to prepare and disclose their financial reports to appropriate domestic regulatory authorities in accordance with this Standard.

Article 3. Accounting systems of enterprises are required to comply with this Standard.

Article 4. An enterprise shao9ill accurately account for all its transactions actually taken place in order to provide reports of reliable quality on the economic and financial activities of the enterprise itself.

Article 5. Accounting and financial reports should proceed on the basis that the enterprise is a continuing entity and will remain in operation into the foreseeable future.

Article 6. An enterprise shall account for its transactions and prepare its financial statements in distinct accounting periods. Accounting periods may be a fiscal year, a quarter, or a month, commencing on first days thereof according to the Gregorian calendar.

Article 7. The Renminbi is the bookkeeping base currency of an enterprise. A Foreign currency may be used as the bookkeeping base currency for enterprises which conduct transactions mainly in foreign currency. However, in preparing financial statements, foreign currency transactions are to be converted into Renminbi. This latter requirement app1ies to enterprises abroad when reporting financial and economic results to concerned domestic organizations.

Article 8. The debit and credit double entry bookkeeping technique is to be used for recording all accounting transactions.

Article 9. Accounting records and financia1 reports are to be compiled using the Chinese language. Minority or foreign languages may be used concurrently with the Chinese 1anguage by enterprises in autonomous areas of minority nationalities, or by enterprises with foreign investment, and by foreign enterprises.

Chapter Ⅱ General Principles

Article l0. The accounting records and financial reports must be based on financial and economic transactions as they actually take place, in order to objectively reflect the financial position and operating results of an enterprise.

Article 11. Accounting information must be designed to meet the requirements of national macro-economy control, the needs of all concerned external users to understand an enterprise's financial position and operating results, and the needs of management of enterprises to strengthen their financial management and administration.

Article 12. Accounting records and financial statements shall be prepared according to stipulated accounting methods, and accounting information of enterprises must be comparable and convenient to be analyzed.

Article 13. Accounting methods used shall be consistent from one period to the other and shall not be arbitrarily changed. Changes and reasons for changes, if necessary, and their impact on an enterprise's financial position and operating results, shall be reported in notes to the financial statements.

Article 14. Accounting and financial reports preparation must be conducted in a timely manner.

Article 15. Accounting records and financial reports shall be prepared in a clear, concise manner to facilitate understanding, examination and use.

Article 16. The accrual basis of accounting is to be adopted.

Article 17. Revenue shall be matched with related costs and expenses in accounting.

Article 18. Princip1e of prudence should be followed in reasonably determining the possible loss and expense.

Article l9. The values of all assets are to be recorded at historical costs at the time of acquisition. The amount recorded in books of account shall not be adjusted even though a fluctuation in their value may occur, except when State laws or regulations require specific treatment or adjustments.

Article 20. A clear distinction shall be drawn between revenue expenditures and capital expenditures. Expenditure shall be regarded as revenue expenditure where the benefit to the enterprise is only related to the current fiscal year; and as capital expenditure where the benefits to the enterprise last for several fiscal years.

Article 21. Financial reports must reflect comprehensively the financial position and operating results of an enterprise. Transactions relating to major economic activities are to be identified, appropriately classified, and accounted for, and separately reported in financial statements.

Chapter Ⅲ Assets

Article 22. Assets are economic resources, which are measurable by money value, and which are owned or controlled by an enterprise, including all property, rights as a creditor to others, and other rights.
Article 23. For accounting treatment, assets are normally divided into current assets, long-term

investments, fixed assets, intangible assets, deferred assets and other assets.

Article 24. Current assets refer to those assets which will be realized or consumed within one year of their acquisition, or within an operating cycle longer than a year. They include cash, cash deposits, short-term investments, accounts receivable, prepayments, and inventories, etc..

Article 25. Cash and all kinds of deposits shall be accounted for according to the actual amount of receipt and payment.

Article 26. Short-term investments refer to various of marketable securities, which can be realized at any time and will be held less than a year, as well as other investment with a life of no longer than a year.

Marketable securities shall be accounted for according to historical cost as obtained.

Income received or receivable from marketable securities in current period and the difference between the receipt obtained from securities sold and book cost shall be all accounted for as current profit or loss.

Marketable securities shall be shown in book balance in accounting statement.

Article 27. Receivables and prepayments include: notes receivable, accounts receivable, other receivables, accounts prepaid and prepaid expenses, etc..

Receivables and prepayments shall be accounted for according to actual amount.

Provision for bad debts may be set up on accounts receivable. The provision for bad debts shall be shown as a deduction item of accounts receivable in the financial statement.

All receivables and prepayments shall be cleared and collected on time, and shall be checked with related parties periodically. Any accounts receivable, proved to be definitely uncollectible according to state regulations, shall be recognised as bad debts and written off against provision for bad debts or charged to current profit or loss, if such provision is not set up.

Prepaid expenses shall be amortized according to period benefiting, and the balance shall be shown separately in accounting statement.

Article 28. Inventories refer to merchandise, finished goods, semifinished goods, goods in process, and all kinds of materials, fuels, containers, low-va1ue and perishable articles and so on that stocked for the purpose of sale, production or consumption during the production operational process.

All inventories shal1 be accounted for at historical cost as obtained. Those enterprises keeping books at planned cost or norm cost in daily accounting shall account the cost variances and adjust planned cost (or norm cost) into historical cost periodically.

When inventories issuing, enterprises may account them under the following methods: first-in first-out, weighted average, moving average, specific identification, last-in first-out, etc..

All inventories shall be taken stock periodically. If any overage, shortage and out-of-date, deterioration and damage that need to be scrapped shall be disposed within the year and accounted into current profit or loss.

All the inventories shall be disclosed at historical cost in accounting statement.

Article 29. Long-term investment refers to the investment impossible or not intended to be realized within a year, including shares investment, bonds investment and other investments.

In accordance with different situation, shares investment and other investments shall be accounted for by cost method or equity method respectively.

Bonds investment shall be accounted for according to actual amount paid. The interest accrued contained in the actually paid amount shall be accounted for separately.

Where bonds are acquired at a premium or discount, the difference between the cost and the face value of the bonds shall be amortized over the periods to maturity of the bonds.

Interest accrued during the period of bonds investment and the difference between the amount of principal and interest received on bonds sold and their book cost and interest accrued but not yet received shall be accounted for as current profit and loss.

Shares investment, bonds investment and other investments shall be shown separately in accounting statements at book balance.

Bonds investment matured within a year shall be shown in the accounting statements separately under the caption of current assets.

Article 30. Fixed assets refer to the assets whose useful life is over one year, unit va1ue is above the prescribed criteria and where original physical form remains during the process of utilization, including building and structures, machinery and equipment, transportation equipment, tools and implement, etc..

Fixed assets sha1l be accounted for at historical cost as obtained. Interest of loan and other related expenses for acquiring fixed assets, and the exchange difference from conversion of foreign currency loan, if incurred before the assets not having been put into operation or after been put into operation but before the final account for completed project is made, shall be accounted as fixed assets value; if incurred after that, shall be accounted for as current profit or loss.

Fixed assets coming from donations shall be accounted through evaluation with reference to market price, wear and tear degree or determined the value with relevant evidence provided by contributors. Expenses incurred on receiving those donated fixed assets, shall be accounted for as the fixed assets value.

Fixed assets financed by leasing shall be accounted with reference of the way fixed assets are accounted and shall be explained in notes to the accounting statements.

Depreciation on the fixed assets shall be accounted according to state regulations. On the basis of the original cost, estimated residual value, the useful life of the fixed assets or estimated working capacity, depreciation on the fixed assets shall be accounted for on the straight line method or the working capacity (or output) method. If approved or conforming to relevant regulations, accelerated depreciation method may be adopted.

Fixed assets' original value, accumulated depreciation and its net value shall be shown separately in accounting statement.

The actual expenditures incurred in the purpose of acquiring or technical reforming the fixed assets before available to the users, shall be shown separately as construction in progress in accounting statement.

The fixed assets must be taken inventory periodically. The net profit or loss incurred in discard and disposal, and also overage, shortage of fixed assets shall be accounted as current profit and loss.

企业会计准则——基本准则(英文版)二

Article 31. Intangible assets refer to assets that will be used by an enterprise for a long term without material state, including patents, nonpatented technology, trademark, copyrights, right to use sites, and goodwil1, etc..

Intangible assets obtained through purchase shal1 be accounted for at actual cost. Intangible assets received from investors shall be accounted for at the assessed value recognised or the amount specified in the contract. Self-developed intangible assets shall be accounted at actual cost in the development process.

All intangible assets shall be averagely amortized periodically over the period benefitted from such expenditures and be shown with unamortized balance in accounting statement.

Article 32. Deferred assets refer to all the expenses that could not be accounted as current profit or loss tota1ly but should be periodically amortized in future years, including organization expenses, expenditures incurred in major repair and improvement of the rented in fixed assets etc..

The expenses incurred in an enterprise during its preparation period shall he accounted for as organization expenses except those accounted into related property or material value. The organization expense shall be averagely amortized in a certain period of years after the operation starts.

Expenditures incurred on major repair and improvement of the rented in fixed assets shall be averagely amortized by years in the period of leasing.

All deferred assets shall be shown separately in accounting statements by its ba1ance not yet amortized.

Article 33. Other assets refer to the long-term assets except all items mentioned above.

Chapter Ⅳ Liabilities

Article 34. A liability is debt borne by an enterprise, measurable by money va1ue, which will be paid to a creditor using assets, or services.

Article 35. Liabilities are generally classified into current liabilities and long-term liabilities.

Article 36. Current liabilities refer to the debts which should be paid off within a year or an operating cycle 1onger than a year, including short-term loans payable, notes payable, accounts payab1e, advances from customers, accrued payro1l, taxes payable, profits payab1e, dividends payable, other payables, provision for expenses, etc..

All current liabilities shall be accounted for at actual amount incurred. Liabilities incurred but the amount needed to be estimated shall be accounted for at a reasonable estimate, and then adjusted after actual amount was given.

Balance of current liabilities shall be shown by item in accounting statements.

Article 37. Long-term liabilities refer to the debts which will be redeemed after a year or an operating cycle longer than a year, including long-term loans payable, bonds payable, long-term accounts payable, etc..

Long-term loans payable include the loans borrowed from f1nancial institutions and other units. It shall be
accounted independently according to the different characters of the loan and at the amount actually incurred.

Bonds shall be accounted for at par value. When bonds are issued in premium or discount, the difference between the amount actually obtained and the par value shall be accounted independently, and be written off periodically by increasing or decreasing interest expenses of every period until bonds mature.

Long-term accounts payable include accounts payable for importing equipments, accounts payable for fixed assets financed by leasing. Long-term accounts payable shall be accounted at actual amounts.

Long-term liabilities shall be shown by item of long-term loans, bonds payable, long-term accounts payable in accounting statements.

Long-term liabilities to be matured and payable within a year sha11 be shown as a separate item under the caption of current liabilities.

Chapter V Owners' Equity

Article 38. Owners' equity refers to the interest of the investors remaining in the net assets of an enterprise, including capital of the enterprise invested in by investors, capital reserve, surplus reserve, and undistributed profit retained in the enterprise etc..

Article 39. Invested Capital is the capital fund actually invested in the enterprise by its investors, whether it be in form of cash, physical goods or other assets for the operation of the enterprise.

Invested Capital shall be accounted for at the amount actually invested.

Amount of shares issued by a corporation shall be accounted for as capital stock at the face value of the shares issued.

Specia1 appropriation allocated by the government to an enterprise sha1l be accounted for as government investment unless otherwise provided.
Article 40. Capital reserve includes premium on capital stock, legal increment of property value through revaluation and value of donated assets accepted, etc..
Article 41. Surplus reserve refers to the reserve fund set up from profit according to relevant government

regulations.

Surplus reserve shall be accounted for at the amount actually set up.

Article 42. Undistributed profit refers to the profit reserved for future distribution or not distributed yet.

Article 43. Invested capital, capital reserve, surplus reserve and undistributed profit shall be shown by items in accounting statement. Deficit not yet made up, if any, shal1 be shown as a deduction item of owners' equity.

Chapter Ⅵ Revenue

Article 44. Revenue refers to the financial inflows to an enterprise as a result of the sale of goods and services, and other business activities of the enterprise, including basic operating revenue and other operating revenue.

Article 45. Enterprises shall rationally recognise revenue and account for the revenue on time.

Enterprises generally recognise revenue when merchandise shipped, service provided as well as money collected or rights collecting money obtained.

Revenue of long-term project contract (including labor service) shall be reasonably recognised, in general, according to the completed progress method or the completed contract method.

Article 46. Return of sales, sa1es allowances and sales discount sha1l be accounted for as deduction item of operating revenue.

Chapter Ⅶ Expenses

Article 47. Expenses refer to the outlays incurred by an enterprise in the course of production and operation.

Article 48. Expenses directly incurred by an enterprise in production and service provision, including direct labor, direct materials, purchase price of commodities and other direct expenses shal1 be charged direct1y into the cost of production or operation; indirect expenses incurred in production and provision of service by an enterprise is to be allocated into the cost of production and operation, according to certain criteria of allocation.

Article 49. General and administrative-expenses incurred by enterprise's administrative sectors for organizing and managing production and operation, financial expenses, purchase expenses on commodities purchased for sale, and sales expenses for selling commodities and providing service, shal1 be direct1y accounted for as periodic expense in the current profit and loss.

Article 50. The expenses paid in current period but attributable to the current and future periods shall be distributed and accounted for in current and future periods. The expenses attributable to the current period but not yet paid in current period sha1l be recognised as accrued expenses and charged to cost of the current period.

Article 51. Enterprises shall generally calculate products cost every month.

Costing methods shall be decided by the enterprise itself according to the characteristics of its production and operation, type of production management and requirements of cost management. Once it is decided, no change can be made arbitrarily.

Article 52. Enterprises shall calculate expenses and costs on actual amounts incurred. Those adopting the norm costing, or planned costing in accounting for dai1y calculation shall reasonably calculate the cost variances, and adjust them into historical cost at the end of the month while preparing accounting statements.

Article 53. Enterprises shall convert the cost of commodities sold and service provided into operating cost accurately and timely, then account current profit and loss together with periodic expenses.

Chapter Ⅷ Profit and Loss

Article 54. Profit is the operating results of an enterprise in an accounting period, including operating profit, net investment profit and net non-operating income.

Operating profit is the balance of operating revenue after deducting operating cost, periodic expenses and all turnover taxes, surtax and fees.

Net investment profit is the balance of income on externa1 investment after deducting investment loss.

Net non-operating income is the balance of non-operating income after deducting non-operating expenses. Non-operating income and expenses have no direct relating with the production operations of an enterprise.

Article 55. Loss incurred by an enterprise shall be made up according to the stipulated procedure.

Article 56. Items that constitute the profits and the distribution of profits shal1 be shown separate1y in the financial statement. A distribution of profit plan which is not yet approved at time of publication of a financial statement is to be identified in notes to the financial statement.

Chapter Ⅸ Financial Reports

Article 57. Financial reports are the written documents summarizing and reflecting the financial position and operating results of an enterprise, including a balance sheet, an income statement, a statement of changes in financial position (or a cash flow statement) together with supporting schedules, notes to the financial statements, and explanatory statements on financial condition.

Article 58. A balance sheet is an accounting statement that reflects the financial position of an enterprise at a specific date.

Items of the balance sheet should be grouped according to the categories of assets, liabilities and owners' equity, and shall be shown item by item.

Article 59. An income statement is an accounting statement that reflects the operating results of an enterprise within an accounting period, as well as their distribution.

Items of the income statement should be arranged according to the formation and distribution of profit, and shall be shown item by item.

Items of profit distribution part of the income statement may be shown separately in a statement of profit distribution.

Article 60. A statement of changes in financial position is an accounting statement that reflects comprehensively the sources and application of working capital and its changes during an accounting period.

Items of the statement of changes in financial position are divided into two groups: sources of working capital and application of working capital. The difference between the total sources and total applications is the net increase (or decrease) of the working capital. Sources of working capital are subdivided into profit sources and other sources; applications of working capital are also subdivided into: profit distribution and other applications, all shall be shown item by item.

An enterprise may also prepare a cash flow statement to reflect the changes in its financial position.

A cash flow statement is an accounting statement that reflects the condition of cash receipts and cash disbursements of an enterprise during a certain accounting period.

Article 61. Financial statements should include comparative financial information for the corresponding previous accounting period, When so required, if the classification and contents of statement items of the previous accounting period are different from that of the current period, such items should be adjusted in conformity with that of the current period.

Article 62. Accounting statements should be prepared from the records of account books, completely recorded and correctly checked and other relative information. It is required that they must be true and correct in figures, complete in contents and issued on time.

Article 63. Consolidated financia1 statements sha1l be prepared by the enterprise (acts as a parent company) which owns 50% or more of the total capital of the enterprise it invested (acts as subsidiary) or otherwise owns the right of control over the invested enterprise. Financial statements of an invested enterprise of special line of business not suitable for consolidation, may not be consolidated, but should be submitted together with the consolidated financial statements of the parent company.

Article 64. Notes to the financial statements are explanatory to related items in the financial statement of the enterprise concerned so as to meet the needs to understand the contents of the statements. This should include mainly:

(a) the accounting methods adopted for the current and previous accounting periods;
(b) changes in accounting treatments between the current and prior periods, inc1uding the reasons for, and impact on the financial performance and status of the enterprise of such changes;
(c) description of unusual items;
(d) detailed information relating to major items listed in the accounting statements; and
(e) any other explanations necessary to provide users with a clear view and understanding of the financial statements.

Chapter X Supplementary Provisions

Article 65. The exp1anation of this Standard is the charge of the Ministry of F1nance.

Article 66.This Standard will be effective as from 1 July,1993.