

## Accounting Standards for Business Enterprises No. 31 - Cash Flow Statements

### Chapter 1: General Provisions

#### Article 1

This Standard is formulated in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* to regulate the preparation and presentation of cash flow statements.

#### Article 2

A cash flow statement is a financial report that reflects the inflows and outflows of cash and cash equivalents of an enterprise during a certain accounting period.

Cash refers to an enterprise's cash on hand and deposits that are readily available for payment.

Cash equivalents refer to short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Unless otherwise specified, the term "cash" in this Standard includes both cash and cash equivalents.

#### Article 3

The preparation and presentation of consolidated cash flow statements shall comply with \*Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements\*.

### Chapter 2: Basic Requirements

#### Article 4

Cash flow statements shall present cash flows separately for operating activities, investing activities, and financing activities.

#### Article 5

Cash flows shall generally be reported on a gross basis (i.e., separately reporting inflows and outflows). However, the following items may be reported on a net basis:

1. Cash received or paid on behalf of customers.
2. Cash inflows and outflows from items that are quick-turnover, large in amount, and short in duration.
3. Items related to financial institutions, including short-term loan issuance and repayment, demand deposit receipts and payments, interbank deposits and placements, borrowings from other financial institutions, and securities purchases and sales.

#### Article 6

Special items such as losses from natural disasters and insurance claims shall be classified separately into operating, investing, or financing activities based on their nature and presented individually.

#### Article 7

Foreign currency cash flows and cash flows from overseas subsidiaries shall be translated using the spot exchange rate on the date of the cash flow or an approximate rate determined systematically and reasonably. The effect of exchange rate changes on cash shall be separately disclosed as an adjustment item in the cash flow statement.

### Chapter 3: Cash Flows from Operating Activities

#### Article 8

Enterprises shall use the direct method to present cash flows from operating activities.

Operating activities refer to all transactions and events other than those classified as investing or financing activities.

The direct method refers to presenting cash flows from operating activities by reporting major classes of cash receipts and payments.

#### Article 9

Information on cash flows from operating activities may be obtained through either of the following approaches:

1. The enterprise's accounting records.
2. Adjusting items in the income statement (such as operating revenue, operating costs, and other items) based on:
  - o Changes in current-period inventories and operating receivables/payables;
  - o Non-cash items such as depreciation of fixed assets, amortization of intangible assets, and impairment losses;
  - o Other non-cash items related to investing or financing activities.

#### Article 10

At a minimum, the following items related to cash flows from operating activities shall be presented separately:

1. Cash received from sales of goods or rendering of services;
2. Refunds of taxes and levies;
3. Other cash receipts related to operating activities;
4. Cash paid for goods and services;
5. Cash paid to and on behalf of employees;
6. Payments of taxes and levies;
7. Other cash payments related to operating activities.

#### Article 11

Financial institutions may determine appropriate categories for operating cash flows based on industry characteristics and actual circumstances.

#### Chapter 4: Cash Flows from Investing Activities

##### Article 12

Investing activities refer to the acquisition and disposal of long-term assets and investments not included in cash equivalents.

##### Article 13

At a minimum, the following items related to cash flows from investing activities shall be presented separately:

1. Cash received from returns on investments;
2. Cash received from returns on investments;
3. Net cash received from disposal of fixed assets, intangible assets, and other long-term assets;
4. Net cash received from disposal of subsidiaries and other business units;
5. Other cash receipts related to investing activities;
6. Cash paid for acquisition of fixed assets, intangible assets, and other long-term assets;
7. Cash paid for investments;
8. Net cash paid for acquisition of subsidiaries and other business units;
9. Other cash payments related to investing activities.

#### Chapter 5: Cash Flows from Financing Activities

##### Article 14

Financing activities refer to activities that result in changes in the scale and composition of an enterprise's capital and debt.

##### Article 15

At a minimum, the following items related to cash flows from financing activities shall be presented separately:

1. Cash received from capital contributions;
2. Cash received from borrowings;
3. Other cash receipts related to financing activities;
4. Cash repayments of borrowings;

5. Cash payments for dividends, profit distributions, or interest;
6. Other cash payments related to financing activities.

## Chapter 6: Disclosures

### Article 16

Enterprises shall disclose in the notes the reconciliation of net profit to cash flows from operating activities. At a minimum, the following adjustments shall be separately disclosed:

1. Asset impairment losses;
2. Depreciation of fixed assets;
3. Amortization of intangible assets;
4. Amortization of long-term prepaid expenses;
5. Prepaid expenses;
6. Accrued expenses;
7. Gains/losses from disposal of fixed assets, intangible assets, and other long-term assets;
8. Losses from scrapping of fixed assets;
9. Gains/losses from changes in fair value;
10. Finance costs;
11. Investment gains/losses;
12. Deferred tax assets and liabilities;
13. Inventories;
14. Operating receivables;
15. Operating payables.

### Article 17

Enterprises shall disclose in the notes the following information about acquisitions or disposals of subsidiaries and other business units on a gross basis:

1. Acquisition or disposal price;
2. The portion of the acquisition or disposal price settled in cash;
3. Cash received from or paid for acquisitions/disposals of subsidiaries and other business units;
4. Non-cash assets and liabilities of acquired or disposed subsidiaries and other business units, classified by major categories.

### Article 18

Enterprises shall disclose in the notes significant investing and financing activities that do not involve current-period cash flows but may affect financial position or future cash flows.

### Article 19

Enterprises shall disclose the following information about cash and cash equivalents in the notes:

1. The composition of cash and cash equivalents and their corresponding amounts in the balance sheet.
2. Significant amounts of cash and cash equivalents held by the enterprise but not available for use by the parent company or other subsidiaries within the group.

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