

Accounting Standards for Enterprises No. 14 - Revenues**Cai Kuai [2006] No.3****Chapter I General Provisions**

Article 1 These standards are formulated in accordance the Accounting Standards for Enterprises - Basic Standards for the purpose of regulating the recognition and measurement of the revenues, and the disclosure of the relevant information.

Article 2 The term "revenue" refers to the gross inflow of economic benefits formed during the course of the ordinary activities of an enterprise, which may increase the owner's equities and is irrelevant to the invested capital of the owner.

The revenues as mentioned in these Standards consist of those from selling goods, providing labor services, and abalienating the right to use assets.

The collection charged by an enterprise for third parties shall be treated as debts rather than revenues.

Article 3 Other relevant accounting standards shall apply to the revenue formed by long-term equity investments, construction contracts, leases, original insurance contracts, re-insurance contracts, etc..

Chapter II Revenue from Selling Goods

Article 4 No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

- (1) The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise;
- (2) The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
- (3) The relevant amount of revenue can be measured in a reliable way;
- (4) The relevant economic benefits may flow into the enterprise; and
- (5) The relevant costs incurred or to be incurred can be measured in a reliable way.

Article 5 An enterprise shall ascertain the revenue incurred by selling goods in accordance with the received or receivable price stipulated in the contract or agreement signed between the enterprise and the buyer, unless the received or receivable amount as stipulated in the contract or agreement is unfair.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

The difference between the price stipulated in the contract or agreement and its fair value shall be amortized within the period of the contract or agreement employing the real interest method and shall be included in the current profits and losses.

Article 6 If the sale of goods concerns any cash discount, the revenue incurred by selling goods shall be ascertained in accordance with the amount prior to the deduction of the cash discount. The cash discount shall be included in the current profits and losses when it is actually incurred.

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The term "cash discount" refers to the amount of reduction of a debt offered by a creditor to a debtor for the purpose of encouraging the debtor to make payment within a prescribed period.

Article 7 If any trade discount in selling goods is concerned, the revenue incurred by selling goods shall be ascertained in accordance with the amount after the deduction of the trade discount.

The term "trade discount" refers to a discount on the listed price granted by an enterprise for the purpose of sales promotion of goods.

Article 8 As to any sales discounts and allowance arising from any sold goods and of which the revenue from the sale has been recognized by the enterprise, the current revenue incurred by selling goods shall be offset against.

The Accounting Standards for Enterprises No. 29 - Events Occurring after the Balance Sheet Date, shall apply to the sales discounts and allowances that belong to the scope of the events occurring after the date of the balance sheet.

The term "sales discounts and allowance" refers to the amount of reduction in the sales price as a result of the unqualified quality of the goods to be sold by an enterprise, or for other reasons.

Article 9 As to any sales return arising from any sold goods and of which the revenue from the sale has been recognized by the enterprise, the current revenue incurred by selling goods shall be offset against.

The Accounting Standards for Enterprises No. 29 - Events Occurring after the Balance Sheet Date, shall apply to the sales returns that belong to the scope of events occurring after the date of the balance sheet.

The term "sales return" refers to the return of goods sold by an enterprise as a result of the unqualified quality of the goods or inconformity with the required variety, or for other reasons.

Chapter III Revenue from Providing Labor Services

Article 10 If an enterprise can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method.

The term "percentage-of-completion method" refers to a method to recognize the revenues and expenses in the light of the stage of completion under a transaction concerning the providing of labor services.

Article 11 The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

- (1) The amount of revenue can be measured in a reliable way;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The schedule of completion under the transaction can be confirmed in a reliable way; and
- (4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

Article 12 An enterprise may adopt the following methods to ascertain the schedule of completion under the transaction concerning the providing of labor services:

- (1) The measurement of the work completed;
 - (2) The proportion of the labor services provided against the total labor services to be provided;
- and

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(3)The proportion of the costs incurred against the estimated total costs.

Article 13An enterprise shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair.

An enterprise shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

Article 14If an enterprise can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

(1)If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or

(2)If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

Article 15Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services.

If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

Chapter IV Revenue from Abalienating the Right to Use Assets

Article 16The revenue from abalienating of right to use assets consists of interest revenue and royalty revenue.

Article 17No revenue from abalienating of right to use assets may be recognized unless the following conditions are met simultaneously:

(1)The relevant economic benefits are likely to flow into the enterprise; and

(2)The amount of revenues can be measured in a reliable way.

Article 18An enterprise shall ascertain the amount of revenues from the abalienating of right to use assets based on the following circumstances, respectively:

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(1)The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate; or

(2)The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

Article 19An enterprise shall, in its notes, disclose the information concerning the revenue as follows:

(1)The accounting policies adopted for the recognition of revenues, consisting of the methods for the ascertainment of the schedule of completion under the transaction concerning the providing of labor services;

(2)The amount of revenues from selling goods, providing labor services, interest and royalty recognized in the current period.



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