

Accounting Standards for Enterprises No. 16 - Government Subsidies**Cai Kuai [2006] No.3****Chapter I General Provisions**

Article 1 In order to regulate the recognition, measure government subsidies, and disclose the relevant information, these Standards are formulated in light of the Accounting Standards for Enterprises - Basic Standards.

Article 2 A government subsidy means the monetary or non-monetary assets obtained free by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise.

Article 3 Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

The government subsidies pertinent to assets mean the government assets that are obtained by enterprises used for purchase or construction, or forming the long-term assets by other ways.

The government subsidies pertinent to income refer to all the government subsidies except those pertinent to assets.

Article 4 Other related accounting standards shall apply to the items as follows:

(1) The Accounting Standards for Enterprises No. 12 - Debt Recombination shall apply to the debt exemptions; and

(2) The Accounting Standards for Enterprises No. 18 - Income Tax shall apply to the deductions and exemptions of income tax.

Chapter II Recognition and Measurement

Article 5 No government subsidy may be recognized unless the following conditions are met simultaneously as follows:

(1) The enterprise can meet the conditions for the government subsidies; and

(2) The enterprise can obtain the government subsidies.

Article 6 If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount.

If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

Article 7 The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

Article 8 The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows:

(1) Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses are recognized; or

(2) Those subsidies used for compensating the related expenses or losses incurred to the enterprise

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shall be directly included in the current profits and losses.

Article 9 If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

- (1) If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and
- (2) If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

Chapter III Disclosure

Article 10 In its notes, an enterprise shall disclose the information concerning the government subsidies as follows:

- (1) The type and amount of the government subsidies;
- (2) The amount of the government subsidies which are included in the current profits and losses; and
- (3) The amount of the government subsidies refunded in the current period as well as the reasons.



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