

Accounting Standards for Enterprises No. 31 - Cash Flow Statements**Cai Kuai [2006] No. 3****Chapter I General Provisions**

Article 1 These Standards are formulated in accordance with the Accounting Standards for Enterprises - Basic Standards for the purpose of regulating the preparation and presentation of cash flow statements.

Article 2 The term "cash flow statement" refers to a statement which reflects the inflows and outflows of cash and cash equivalents of an enterprise in a certain accounting period.

The term "cash" refers to cash on hand and deposits that are available for payment at any time.

The term "cash equivalents" refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The cash as mentioned in these Standards shall include cash and cash equivalents unless the cash equivalents are mentioned simultaneously.

Article 3 The Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements shall be applicable to the preparation and presentation of consolidated cash flow statements.

Chapter II Basic Requirements

Article 4 Cash flows statements shall be reported for operating activities, investing activities and financing activities, respectively.

Article 5 Cash flows shall be presented respectively according to the total amounts of inflows and outflows of cash.

However, the following items shall be presented according to the net amounts:

- (1) Cash received or paid on behalf of customers;
- (2) Cash inflows and outflows on items which are quick in circulation, large in amounts, and short in maturity; and
- (3) Items relating to financial enterprises, including short-term loans granted and repayment of principal of such loans, the acceptance of current deposits and the repayment of the principal of such deposits, financial institution deposits and deposits from or to other financial institutions, funds borrowed from or lent to other financial institutions, purchase and sale of securities, etc.

Article 6 Some extraordinary items, such as a loss from a natural disaster or an insurance claim shall be classified into the cash flow of operating activities, investing activities or financing activities respectively according to their features and shall be presented separately.

Article 7 The exchange rate used for the translation of cash flows in a foreign currency and the cash flows of an overseas subsidiary shall be the spot exchange rate on the date of the cash flows or shall be the rate which is determined through a systematic and reasonable method and which is approximate to the spot exchange rate.

The effect of a change in exchange rate on cash shall, as an adjustment item, separately presented in the cash flow statement.

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Chapter III Cash Flows Arising from Operating Activities

Article 8 An enterprise shall adopt the direct method to present the cash flows arising from operating activities.

The term "operating activities" refers to all transactions and events except the investing and financing activities of an enterprise.

The term "direct method" refers to a method whereby major classes of cash receipts and cash payments are presented for the cash flows arising from operating activities.

Article 9 The relevant information about the cash flows arising from the operating activities may be acquired through either of the following ways:

(一) 企业的会计记录。 <westbank> (1) The accounting records of the enterprise.

(二) 根据下列项目对利润表中的营业收入、营业成本以及其他项目进行调整: <westbank>

(2) Making adjustment on the business revenue, business costs and other items in the income statement according to the following items:

(a) The changes of inventory of current period and the changes of items of operating receivables and payables. ;

(b) The depreciation of fixed assets, amortization of intangible assets, provision for asset impairment, and other non-cash projects; and

(c) Other non-cash items falling into the scope of cash flows arising from investing activities or financing activities.

Article 10 The items to reflect the following information for cash flows arising from operating activities shall be presented separately at least. :

(1) Cash received from the sale of goods and the rendering of services;

(2) Tax refunds received;

(3) Cash received relating to other operating activities;

(4) Cash paid for goods purchased and labor services received;

(5) Cash paid to employee and for employee.

(6) Payments of all types of taxes; and

(7) Cash payments relating to other operating activities.

Article 11 The financial enterprises may, according to the industrial features and the actual situation of cash flows, reasonably determine the categories of cash flows arising from operating activities.

Chapter IV Cash Flows Arising from Investing Activities

Article 12 The term "investing activities" refers to those activities of an enterprise, such as the purchase and construction of long-term assets and the investments and disposal activity that are not considered to be cash equivalents

Article 13 At least, the items reflecting the following information for the cash flows arising from investing activities shall be presented separately :

(1) Cash received from returns of investments;

(2) Cash received from returns on investments;

(3) Net cash received from the disposal of fixed assets, intangible assets and other long term

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assets;

- (4) Net cash received from the disposal of subsidiaries and other business entities;
- (5) Other cash received relating to investing activities;
- (6) Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets;
- (7) Cash paid for investments;
- (8) Net cash paid for the acquisition of subsidiaries and other business entities; and
- (9) Other cash payments relating to investing activities.

Chapter V Cash Flows Arising from Financing Activities

Article 14 The term "financing activities" refers to those activities that result in changes in the scale and composition of the capital and debts of an enterprise.

Article 15 At least, the items reflecting the following information for the cash flows arising from financing activities shall be presented separately:

- (1) Cash received by absorbing investments;
- (2) Cash received from debts;
- (3) Cash received relating to other financing activities.
- (4) Cash paid for repayments of debts;
- (5) Cash paid for distribution of dividends or profits, or cash payments for interests; and
- (6) Cash payments relating to other financing activities.

Chapter VI Disclosure

Article 16 An enterprise shall, in its notes, disclose the information about the reconciliation of net profits to cash flows arising from operating activities. It shall at least disclose the following items separately for the reconciliation of net profits to cash flows arising from operating activities:

- (1) The provision for impairment losses of assets;
- (2) The depreciation of fixed assets;
- (3) The amortization of intangible assets;
- (4) The amortization of long-term deferred expenses;
- (5) The deferred expenses;
- (6) The accrued expenses;
- (7) The profit or losses on the disposal of fixed assets, intangible assets and other long-term assets;
- (8) The losses on the discard of fixed assets;
- (9) The profit and losses on the changes in fair value;
- (10) The financial expenses;
- (11) The profit or losses arising from investments;
- (12) The deferred income tax assets and the deferred income tax liabilities;
- (13) The inventories;
- (14) The item of operating receivables; and
- (15) The item of operating payables;

Article 17 An enterprise shall, in its notes, disclose the following information about the total

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amounts of acquisition or disposal of subsidiaries and other business entities in the current period:

- (1) The price for acquisition or disposal;
- (2) The portion of cash paid for the acquisition or disposal;
- (3) The portion of cash received for the acquisition or disposal of subsidiaries and other business entities; and
- (4) The non-cash assets and liabilities classified according to the major categories arising from the acquisition or disposal of subsidiaries and other business entities.

Article 18 An enterprise shall, in its notes, disclose the significant activities on investment and financing, which do not concern the cash receipts and payments of the current period but affect its financial status or will possibly affect its future cash flows.

Article 19 An enterprise shall, in its notes, disclose the following information related to cash and cash equivalents:

- (1) The composition of cash and cash equivalents and the corresponding amounts thereof in the balance sheets; and
- (2) The large sums of cash and cash equivalents held by an enterprise that are not available for use by the parent company or by any other subsidiary within the group.



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