

Accounting Standard for Business Enterprises No. 9 - Employee Compensation**Cai Kuai [2006] No. 3****Chapter I General Provisions**

Article 1 To standardize the confirmation and measurement of the employee compensation, and the disclosure of relevant information, these Standards are formulated according to the Accounting Standard for Business Enterprises - Basic Standards.

Article 2 The term " employee compensation " refers to all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee compensation shall include:

- (1)Wages, bonuses, allowances and subsidies for the employees;
- (2)Welfare expenses for the employees;
- (3)Medical insurance, endowment insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurances;
- (4)Housing accumulation fund;
- (5)Labor union expenditure and employee education expenses;
- (6)Non-monetary welfare;
- (7)Compensations for the cancellation of the labor relationship with the employees; and
- (8)Other relevant expenditures of services offered by the employees.

Article 3 The following items shall be subject to other relevant accounting standards:

- (1)The enterprise annuity funds shall be subject to the Accounting Standard for Business Enterprises No. 10 -Enterprise Annuity Fund; and
- (2)The compensation based on shares shall be subject to the Accounting Standard for Business Enterprises No. 11 - Share-based Payment.

Chapter II Confirmation and Measurement

Article 4 During the accounting period of an employee' providing services to an enterprise, the enterprise shall recognize the compensation payable as liabilities. Except for the compensations for the cancellation of the labor relationship with the employee, the enterprise shall, in accordance with beneficiaries of the services offered by the employee, treat the following circumstances respectively:

- (1) The compensation for the employee for producing products or providing services shall be recorded as the product costs and service costs;
- (2)The compensation for the employee for any on-going construction project or for any intangible asset shall be recorded as the costs of fixed asset or intangible assets; or
- (3)The compensation for the employee other than those as mentioned in Items (1) and (2) shall be recorded as profit or loss for the current period.

Article 5 During the accounting period of an employee' providing services to an enterprise, the enterprise shall calculate the medical and insurance, endowment insurance, unemployment

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insurance, work injury insurance, maternity insurance and other social insurances, as well as the housing accumulation fund, which are paid by the enterprise to the employee, on the basis of a certain proportion in the total amount of wages, and treat them according to Article 4 of these Standards.

Article 6 If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and the following conditions are met concurrently, the enterprise shall recognize the expected liabilities incurred due to the compensation for the cancellation of the labor relationship with the employee, and shall simultaneously record them into the profit or loss for the current period:

(1) Where the enterprise has formulated a formal plan on the cancellation of labor relationship or has brought forward a proposal on voluntary layoff and will execute it soon.

This plan or proposal shall include the department at which the employee to be laid off works, the post of the employee and the number of the employees to be laid off, the amount of compensation for the cancellation of labor relationship or for layoff as determined on the basis of the job category or post according to the relevant provisions, and the planned time for the cancellation of labor relationship or layoff.

(2) The enterprise is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal.

Chapter III Disclosure

Article 7 An enterprise shall disclose the following information related to the employee compensation in the annotation:

- (1) The wages, bonuses, allowances and subsidies, which shall be paid to the employees, and the amounts payable at the end of period;
- (2) The medical insurance, endowment insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurances, which shall be paid by the enterprise for the employees, as well as the amounts payable at the end of period;
- (3) The housing accumulation fund that shall be paid for the employees, as well as the amounts payable at the end of period;
- (4) The non-monetary welfare provided for the employees, as well as the calculation basis;
- (5) The compensation that shall be paid for the cancellation of the labor relationship with the employees, as well as the amounts payable at the end of period; and
- (6) Other employee compensations.

Article 8 The contingent liabilities incurred due to the uncertainty of the number of the employees who offer to accept the layoff proposal, the compensation standards and etc. shall be disclosed according to the Accounting Standard for Business Enterprises No. 13 - Contingencies.

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