



China Laws and Regulations

Trusture Business Service Company Limited

TBS-CLR-201202

Shanghai • China

Hu Cai Kuai [2012] No.14 Cai Kuai [2011] No.17 Release of Accounting Standards for Small-sized Enterprises

On 18 January 2012, Shanghai Finance Bureau, State Administration of Taxation (the "SAT") Shanghai Municipal Bureau and Shanghai Local Taxation Bureau jointly published the Hu Cai Kuai [2012] No.14, which is same as the Cai Kuai [2012] No.17 issued by China's Ministry of Finance (the "MOF") on 18 October 2011 concerning the release of Accounting Standards for Small-sized Enterprises (the "ASSE").

The ASSE is effective from 1 January 2013, which will replace the Accounting System for Small-sized Enterprises enacted in 2004.

Prior to releasing the ASSE, the Accounting Standards for Business Enterprise (the "ASBE") has been issued in 2006. In accordance with Hu Cai Kuai [2010] No.8, all middle to large sized enterprises should adopt the ASBE no later than 1 January 2011. The criteria for the classification of medium and large-sized enterprises are set out in Gong Xin Bu Lian Qi Ye [2011] No.300 "Notice on regulations on classification standards for small and medium-sized enterprises". Enterprises failed to fulfil the criteria is classified as small-sized enterprise and subject to ASSE.

Small-sized enterprises can elect to adopt either ASSE or ASBE except for three type enterprises specifically which should adopt the ASBE.

The old Accounting Standards and Accounting Systems for Business Enterprise and Small-sized Enterprises (the "Old PRC GAAP") are getting to be abolished and replaced by ASBE or ASSE completely from 1 January 2013.

Release Date

30 March 2012

Jurisdiction

China

Issue / Topic

Accounting Standards

Contact Details

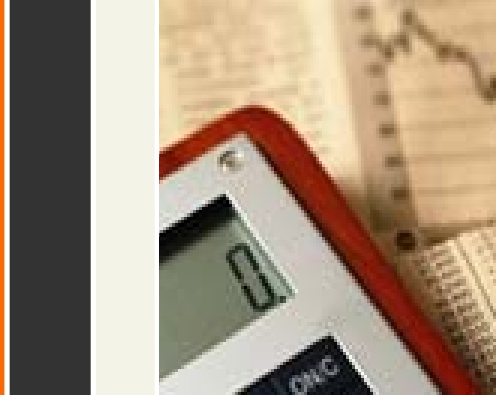
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Getting an Understanding of ASSE

- Assets are measured at historical cost. Impairment of assets is prohibited;
- Finance leased assets are not required to be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, but should be based on the total lease payment stipulated in the lease agreement plus related taxes incurred in the progress of signing off the lease agreement
- All long-term equity investments should be measured by cost method;
- Useful life and residual value of fixed assets should be estimated after considering relevant provisions in taxation laws;
- Income tax is provided under the tax payable method. No deferred tax assets or liabilities should be recognized;
- Foreign currency financial statements are translated at the exchange rate prevailing on the balance sheet date. No translation reserve will be incurred;
- All changes in accounting policies, accounting estimate and accounting errors are subject to prospective approach; and
- Extending the definition scope on employee salaries and benefits payable.

We recommend that if accountants in small-sized enterprise should pay attention to the specific accounting treatment in ASSE compared to ASBE and old PRC GAAP, and make sure mapping from the old PRC GAAP to ASSE is correct.

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