

Accounting Regulation of Civil Not-For-Profit Organization in China

-----issued by China Ministry of Finance (MOF)

China Ministry of Finance (MOF) published *Accounting Regulation of Civil Not-For-Profit Organization* (“this Regulation” thereafter) on August 18th, 2004 as an effort to standardize the accountancy of private not-for-profit organizations (non-profit organizations) and to improve the quality of accounting information. This regulation came into effect on January 1st, 2005. Later, MOF and Ministry of Civil Affairs (MCA) together issued a departmental notice, giving local departments of Finance and departments of Civil Affairs specific instructions on how to implement this Regulation.

Provision contained in this Regulation applies to all types of legal private not-for-profit organizations in China, including social organizations, Foundations and private non-enterprise units.

The main body of this Regulation is specific technical rules and ways on disposition, evaluation and disclosure of accounting information. All accounting elements, such as assets, debts, owner’s equity, inventory, short-term and long-term investments are covered. It also specifies clear requirement on activities like distribution and use of a non-profit organization’s funds and resources; compilation of basic statements of

accounts; and disclosure of financial reports. In this sense, this Regulation plays a basic role in accounting of a non-profit organization which is similar as the adopted accounting standards in that of a business.

According to this Regulation, accounting principles a non-profit organization shall adopt in its accounting disposition include those generally accepted accounting principles; Accounting of a non-profit organization shall adopt debit and credit accounting system in their work. All revenues are recognized when earned and all expenditures are recognized in the period incurred, without regard to the time of receipt of payment of cash. All revenues earned beyond the period shall not be recognized as revenues of that period, even if paid in the same period; All expenditures incurred beyond the period shall not be recognized as expenditures of that period, even if paid in the same period.

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