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GENERAL ACCOUNTING IN CHINA'S GOVERNMENT BUDGET ACCOUNTING SYSTEM, PART 1

[Comment: This report presents in full Chapter XIII of Cheng-fu Yu-suan Hui-chi Chiao-ch'eng (Textbook of Government Budget Accounting), by Wang P'ang-hsin and Liu Wen-ch'uan, a textbook designed for use in technical colleges and intermediate vocational accounting schools. Major subjects discussed in this chapter include the definition of general accounting, the classification of general accounts, the method of posting entries in the various general accounts, and specific examples of general accounting transactions. It should be noted that the numbering of the original text has been retained in this report.]

13-1. Definition of General Accounting

According to the "Provisional General Budget Accounting System for All Levels of People's Governments" (hereafter referred to as "General Accounting System" or "this system"), the term "general accounting" or "general budget accounting" refers to all accounting activity connected with the execution of general budgets by people's governments on all levels and at the same time encompasses those financial agencies assigned the responsibility of performing this accounting activity.

The relationship between general accounting and general budgets is the same as that between unit accounting and unit budgets and requires no further explanation at this point. The distinction between general accounting and unit accounting, as pointed out in Chapter VII, is as follows: Unit accounting refers to accounting activity involved in the execution of unit or subordinate unit budgets by organs under the jurisdiction of the various levels of people's

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governments; and general accounting refers to accounting activity involved in the execution of general budgets by the various governments themselves. The relationship between unit and subordinate unit budgets on the one hand and general budgets on the other is described in Section 2-3 above. The relationship between unit accounts and general accounts is exactly the same, with unit accounts serving as the components of the general accounts or any given level of government. After the student has read this and subsequent chapters, he should compare them with the preceding chapters on unit accounting to understand thoroughly the subject matter of general and unit accounting.

13-2. Categories of General Accounts

According to the present system, general accounts are classified according to the administrative structure of government as follows:

- (1) General accounts of the Central People's Government -- established by the Ministry of Finance.
- (2) General accounts of administrative area governments (or military and political committees) and of autonomous region governments -- established by appropriate finance bureaus.
- (3) General accounts of provincial (or municipal) governments -- established by appropriate finance offices.
- (4) General accounts of hsien (or municipal) governments -- established by appropriate finance departments.

In areas where the "four-level financial system" (see Section 2-3 above) has not yet been implemented, hsien (or municipal) governments do not set up general accounts. With the exception of accounts for national taxes and local surtaxes, accounting transactions for these hsien (or municipal) governments are handled in accordance with the provisional unit budget accounting system. Financial departments of people's governments under the jurisdiction of autonomous region governments establish general accounts corresponding to those of provincial (or hsien) governments. Financial departments in special administrative office districts may be authorized by provincial finance offices to create general accounts and carry out examination work in their behalf.

In procedural or substantive matters arising in connection with the above system of general accounts, lower levels of government are subject to the guidance and supervision of their superiors in the administrative hierarchy.

13-3. Elements of General Accounting

According to the present system, people's governments carry on the following types of accounting activity in executing general budgets:

- (1) Accounting transactions involving general budgetary receipts and expenditures.
- (2) Accounting transactions involving various kinds of treasury deposits and fund allocations.
- (3) Accounting transactions involving the increase, decrease, or liquidation of assets and liabilities.
- (4) Supervising budget execution.
- (5) Drafting budget execution reports and final budgets.
- (6) Guiding and supervising the following types of accounting activity: tax accounting; treasury, granary, and warehouse accounting; unit budget accounting; and general budget accounting on subordinate levels of government.

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Since the accounting unit and methods of posting are the same for both general and unit accounting, the student is referred to the discussion of these matters in Sections 7-4 through 7-7 above.

13-4. Accounting Forms

The accounting forms employed in general accounting, as with those used in unit accounting, may be grouped under the three main headings of accounting documents, accounting books, and accounting statements. The types of accounting forms and their interrelationships may be demonstrated in chart form as follows:

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Subsidiary ledger for current transactions

Subsidiary ledger for temporary receipts

Subsidiary ledger for accumulated
depreciation fundsSubsidiary ledger for enterprise
investment

Subsidiary ledger for goods on hand

Subsidiary ledger for grain on hand

Subsidiary ledger for cash in treasury

Subsidiary ledger for transportation
checks payableSubsidiary ledger for exchange of
grain, cash, and goods

Subsidiary ledger for allocations

Subsidiary ledger for expenditures

Subsidiary ledger for revenue

[Adjoins page 6 here]

Chart of Accounting Forms

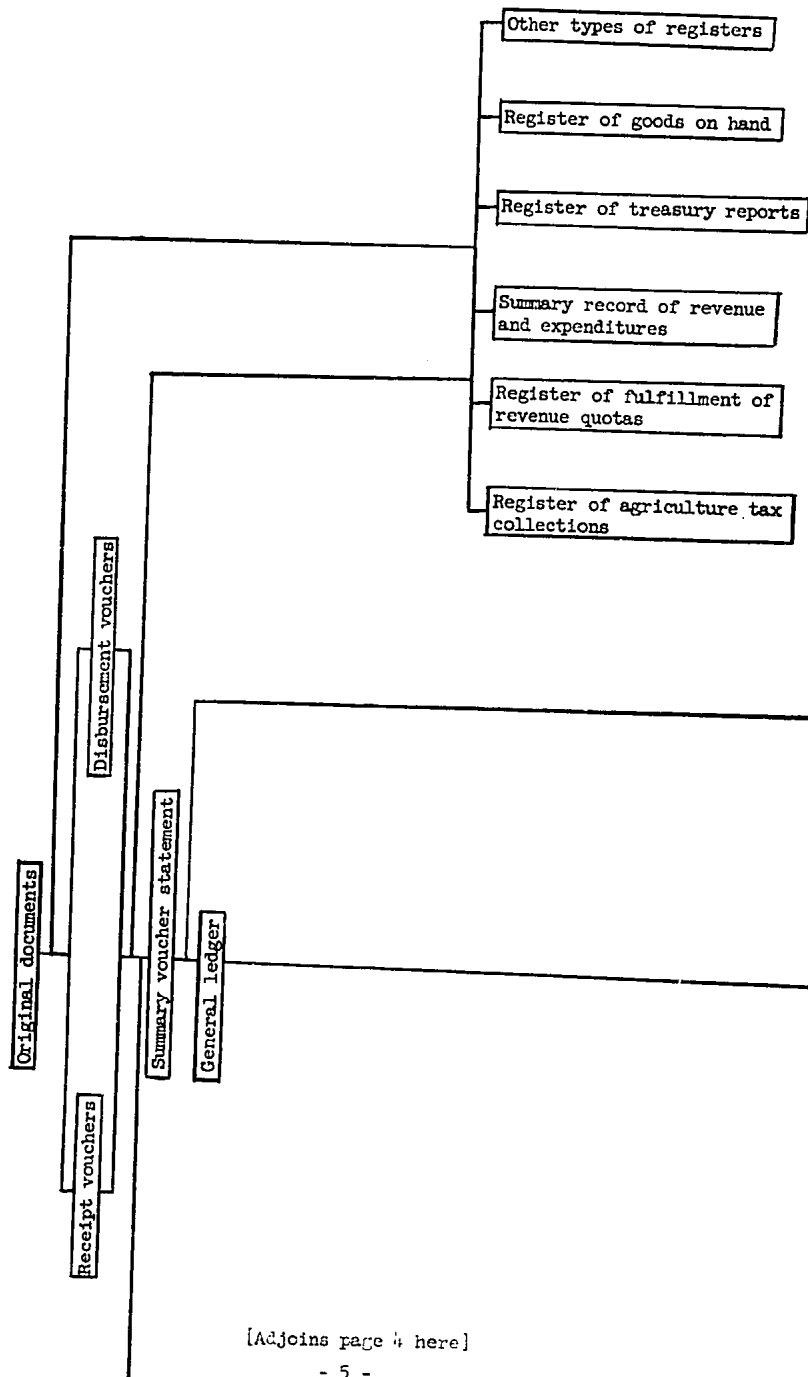
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Detailed statement of various kinds of current accounts

Detailed summary statement of various kinds of current accounts

Detailed statement of temporary receipts

Detailed summary statement of temporary receipts

Detailed statement of accumulated depreciation funds by type and payer

Detailed summary statement of accumulated depreciation funds by type and payer

Detailed statement of enterprise investment by type and payee

Detailed summary statement of enterprise investment by type and payee

Detailed statement for goods on hand

Detailed summary statement for goods on hand

Detailed statement for grain on hand

Detailed summary statement for grain on hand

Statement of budget execution for monthly revenue and expenditures

Summary statement of budget execution for monthly revenue and expenditures

Detailed statement of quarterly revenue and expenditures

Detailed summary statement of quarterly revenue and expenditures

Detailed statement of final budget for annual revenue and expenditures

Detailed statement of final general budget for annual revenue and expenditures

Detailed statement of final budget for annual revenue and expenditures on a quarterly and monthly basis

Detailed statement of final general budget for annual monthly revenue and expenditures on a quarterly and government-level basis

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Daily statement of
cash in treasuryStatement of assets and
liabilitiesSummary statement of various
kinds of treasury deposits
by levels of governmentSummary statement of assets
and liabilitiesSummary statement of final
general budget for annual
revenue and expenditures on
an area basisFinal budget statement for
annual revenue and expendituresStatement of final general
budget for annual revenue
and expendituresSummary statement of final
general budget for annual
revenue and expenditures on
a government-level basisStatement of quarterly
revenue and expendituresSummary statement of quarterly
revenue and expenditures on
an area basisSummary statement of quarterly
revenue and expendituresStatement of surplus in general
ledger accounts during final
accounting processStatement of surplus in general
ledger accounts

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C-O-N-F-I-D-E-N-T-I-A-L
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According to the present system, general accounts are classified as revenue, expenditure, allocation, asset, and liability accounts. Revenue and expenditure accounts are established with the same account titles as those employed for the various "categories" of revenue and expenditure listed in general budgets. Allocation accounts are of two types: "allocation of basic construction funds" and "allocation of administrative and operating funds." Asset accounts consist of 11 account titles, such as "cash in treasury," "grain on hand," "goods on hand," "enterprise investment," and "financial accumulation." There are 12 liability accounts, including "temporary receipts," "transportation checks payable," and "this year's surplus." The different types of general accounts will be explained in detail in the following sections of this chapter.

13-6. Revenue Accounts

As pointed out in Section 5-1 above, people's governments on all levels must use the account titles listed in the "1952 Uniform Revenue and Expenditure Accounts of the People's Republic of China" when compiling their general budgets for revenue. According to this classification of accounts, all revenues are placed under the three headings of "category," "class," and "type." Consequently, when establishing accounts under the general accounting system, each "category" of revenue in the general budget has a corresponding account title. For example, such categories of revenue in the budget of the central government as "customs duties," "salt taxes," and "taxes on controlled sales" appear as account titles in the general ledger of accounts of the central government.

The account which follows illustrates the posting procedure for income that falls under one of the revenue accounts:

Customs Duties

<u>Debits</u>	<u>Credits</u>
(1) Refunds of customs duties	(1) Income from customs duties
	(2) Credit balance indicates net amount of customs duties

13-7. Expenditure Accounts

Expenditure accounts are set up in the same way as revenue accounts. For each "category" of expenditure appearing in the general budget, there is a corresponding account title used in the general accounting system. Thus such "categories" of expenditure in the budget of the central government as "national defense expenditures," "military affairs expenditures" and "heavy industry expenditures" appear as account titles in the general ledger of accounts of the central government.

The account below illustrates the posting procedure for disbursements that fall under one of the expenditure accounts:

Heavy Industry Expenditures

<u>Debits</u>	<u>Credits</u>
(1) Expenditures for heavy industry	(1) Expenditures for heavy industry recovered
(2) Debit balance indicates net amount of heavy industry expenditures	

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Allocation accounts are established for funds paid in advance, such as funds turned over to special banks for supervision of their expenditures and funds for which accounts must be received before they are recorded as actual expenditures. The purpose of setting up allocation accounts is to provide a continuous check on budget execution, specifically, to show the relationship at any time between funds allocated and funds expended.

Allocation accounts are of the following two types:

- (1) Allocation of basis construction funds. All funds turned over to special banks charged with the supervision of basic construction are entered in this account. The account appears as follows:

Allocation of Basic Construction FundsDebits

- (1) Funds distributed to special banks for supervision of basic construction expenditures
- (2) Debit balance indicates net amount of allocated basic construction funds

Credits

- (1) Basic construction funds reported by special banks to have been paid out of supervisory accounts

(2) Allocation of administrative and operating funds. Allocation accounts for administrative and operating funds are set up to correspond with the expenditure "categories" for administrative and operating funds employed in the general budget, the general account titles differing from the budget account titles only in the substitution of the word "allocation" for the word "expenditure." Examples of account titles are "allocation for agriculture," "allocation for education," and "allocation for administrative expenses of administrative organs."

An illustration of this account is as follows:

Allocation for EducationDebits

- (1) Funds allocated for educational expenditures
- (2) Debit balance indicates amount of funds for which accounts have not been received or funds paid in advance

Credits

- (1) Funds for which accounts have been received and approved

To provide for difficulties which might arise with respect to general accounting, it is permitted to dispense with allocation accounts when their use is not required. As pointed out in the discussion of the general accounts of the central government in Section 13-14 below, basic construction funds are distributed to a special bank which supervises their expenditure, and administrative and operating funds are first allocated and then an accounting of their expenditure is submitted. Thus, funds of this type must pass through an allocation account before they are cleared to an expenditure account. On the other hand, working capital and expenditures for national defense and military affairs do not pass through allocation accounts. Since uniformity is difficult to achieve, elasticity is one of the basis principles underlying this system.

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13-9. Asset Accounts

There are 11 asset accounts employed in the general accounting system, as follows:

(1) Cash in treasury. All treasury transactions are listed under this account, with the method of posting as follows:

Cash in Treasury

DebitsCredits

- | | |
|--|-----------------------------------|
| (1) Deposits in the treasury | (1) Withdrawals from the treasury |
| (2) Debit balance indicates net deposits | |

(2) Grain on hand. All granary transactions are listed under this account, with each entry expressed both in grain and a monetary equivalent. The method of posting is shown below:

Grain on Hand

DebitsCredits

- | | |
|---|----------------------------------|
| (1) Deposits in the granary | (1) Withdrawals from the granary |
| (2) Debit balance indicates net grain on hand | |

(3) Goods on hand. All warehouse transactions are listed under this account, which appears as follows:

Goods on Hand

DebitsCredits

- | | |
|---|------------------------------------|
| (1) Deposits in the warehouse | (1) Withdrawals from the warehouse |
| (2) Debit balance indicates net goods on hand | |

(4) Enterprise investment. All funds invested in various enterprises must be entered in this account and at the same time entered in the appropriate expenditure account. The account appears as follows:

Enterprise Investment

DebitsCredits

- | | |
|--|--|
| (1) Enterprise investment paid out | (1) Enterprise investment recovered or written off and transferred |
| (2) Debit balance indicates net amount of government investment in various enterprises | |

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(5) Exchanges of grain, cash, and goods. All transactions involving the exchange of grain, cash, and goods are entered in this account. Once the exchange or conversion is completed, there should be no surplus. The account appears as follows:

Exchanges of Grain, Cash, and Goods

Debits

- (1) Amounts paid out in exchanges of grain, cash, and goods

Credits

- (1) Amounts received in exchanges of grain, cash, and goods

(6) Conversion differential. Any differential which results from converting grain, cash, and goods for purposes of tax collection, exchange, or supply are entered here. The account appears as follows:

Conversion Differential

Debits

- (1) Losses resulting from conversion
- (2) Debit balance indicates net loss, when closing at end of year, transfer to "other expenditures" account

Credits

- (1) Gains resulting from conversion
- (2) Credit balance indicates net gain, when closing at end of year, transfer to "other income" account

(7) Current account with higher organs. All current transactions with higher-level general accounts are entered in this account. Although there should be no balance when closing at the end of the year, any debit surplus becomes an asset and any credit surplus a liability. The account appears as follows:

Current Account With Higher Organs

Debits

- (1) Payments, repayments, and amounts written off and transferred
- (2) Debit balance indicates amount due higher organs, there should be no balance at end of year

Credits

- (1) Receipts, recoveries, and amounts written off and transferred
- (2) Credit balance indicates amount due from higher organs, there should be no balance at end of year

(8) Current account with subordinate organs. All current transactions with subordinate-level general accounts are entered in this account. The account is drawn up in the same way as that in (7) above.

(9) Other current accounts. Other current transactions not appearing in the above accounts are entered in this account. It is drawn up in the same way as that in (7) above.

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(10) Current account with next year's accounts. This account is set up in a given year's accounts, and all current transactions with next year's accounts are entered in this account. The account appears as follows:

Current Account With Next Year's Account

<u>Debits</u>	<u>Credits</u>
(1) Various kinds of treasury deposits carried over to next year's accounts (at the same time these are entered on the credit side of the appropriate treasury deposit asset accounts)	(1) Miscellaneous expenditures arising during period of adjustment at end of year (at the same time these are entered on the debit side of the appropriate expenditure account)
(2) Miscellaneous income arising during period of adjustment at end of year (at the same time these are entered on the credit side of the appropriate revenue account)	
(3) Debit balance must be written off against the balance in "this year's surplus" account after the final accounts have been completed	

(11) Financial accumulation. This is a balancing account for the "enterprise investment" asset account and the "government bonds payable," "foreign debt payable," and "accumulation of depreciation funds" liability accounts. All entries originally posted on the credit side of these accounts are posted on the debit side of this account, and all entries originally posted on the debit side of these accounts are posted on the credit side of this account. The account appears as follows:

Financial Accumulation

<u>Debits</u>	<u>Credits</u>
(1) Amounts of government bonds issued	(1) Amounts of enterprise working capital paid out
(2) Amounts of foreign credits received	(2) Amounts of government bonds paid off or written off and transferred
(3) Amounts of depreciation funds paid in by enterprises	(3) Amounts of foreign debts paid off or written off and transferred
(4) Amounts of enterprise investments recovered or written off and transferred	(4) Amounts of enterprise depreciation funds paid back or written off and transferred
(5) Amounts of basic construction declared obsolete	(5) Amounts of basic construction funds disbursed by special banks for which final accounts have been approved
(6) Debit balance indicates amount by which liabilities exceed assets	(6) Credit balance indicates amount by which assets exceed liabilities

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The liability accounts employed in the general accounting system are as follows:

(1) Temporary receipts. All receipts of a provisional nature are entered in this account. The account appears as follows:

Temporary ReceiptsDebits

(1) Funds repaid or transferred to another account

Credits

(1) Receipts of a provisional nature

(2) Credit balance indicates net amount of temporary receipts awaiting transfer or repayment

(2) Transportation checks payable. All transportation checks payable, which are issued only after approval, are entered in this account. The account appears as follows:

Transportation Checks PayableDebits

(1) Amounts recovered in lieu of income

Credits

(1) Amounts paid out in lieu of funds

(2) Credit balance indicates net amount of transportation checks payable not yet recovered

(3) Government bonds payable. All receipts from the sale of government bonds are entered in this account and at the same time are recorded in the appropriate revenue account. The account appears as follows:

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Government Bonds Payable

Debits

- (1) Amounts redeemed or written off
and transferred

Credits

- (1) Amounts of government bonds
issued
- (2) Credit balance indicates net
amount of government bonds
not yet redeemed

(4) Foreign debts payable. All receipts from loans tendered by friendly states are entered in this account, and at the same time they are recorded in the appropriate revenue account. The account appears as follows:

Foreign Debts Payable

Debits

- (1) Amounts redeemed or written off
and transferred

Credits

- (1) Amounts of foreign credits
received
- (2) Credit balance indicates net
amount of foreign debts not
yet redeemed

(5) Accumulation of depreciation funds. All basic depreciation funds paid in by enterprises are entered in this account, and at the same time they are recorded in the appropriate revenue account. The account appears as follows:

Accumulation of Depreciation Funds

Debits

- (1) Amounts paid back or written off
and transferred

Credit

- (1) Amounts of enterprise basic
depreciation funds paid in
- (2) Credit balance indicates net
amount of basic depreciation
funds paid in

(6) Conversion differential. See (6) in Section 13-9 above.

(7) Current account with higher organs. See (7) in Section 13-9 above.

(8) Current account with subordinate organs. See (8) in Section 13-9 above.

(9) Other current accounts. See (9) in Section 13-9 above.

(10) Current account with previous year's accounts. This account is set up in the new accounts of a given year, and all current transactions with the previous year's accounts which arise during the period when final accounts are being prepared are entered in this account. The account appears as follows:

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Current Account With Previous Year's Accounts

Debits

- (1) Miscellaneous expenditures arising during period or adjustment for previous year (at the same time these are entered on the credit side of the "cash in treasury" account)

Credits

- (1) Amounts of various kinds of treasury deposits carried over from previous year (at the same time these are entered on the debit side of the appropriate treasury deposit asset accounts)
- (2) Miscellaneous income arising during period of adjustment for previous year (at the same time these are entered on the debit side of the "cash in treasury" account)
- (3) On completion of the previous year's final accounts and after the total assets and liabilities have been transferred to this year's accounts, the credit balance in this account is transferred to the revenue account entitled "previous year's surplus"

(11) Financial accumulation. See (11) in Section 13-9 above.

(12) This year's surplus. When the final accounts for this year have been completed, the balances in the various revenue and expenditure accounts are transferred to this account. The account appears as follows:

This Year's Surplus

Debits

- (1) Debit balances of the various expenditure accounts

Credit

- (1) Credit balances of the various revenue accounts
- (2) The credit balance indicates the amount by which revenue exceeds...expenditure and must be transferred to the following year's revenue account entitled "previous year's surplus"

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13-11. Accounts Classified as Both Asset and Liability Accounts

Among the asset and liability accounts discussed in the preceding sections of this chapter, the following five accounts appear as both asset and liability accounts: "current account with higher organs," "current account with subordinate organs," "other current accounts," "conversion differential" and "financial accumulation." Although these accounts may show either debit or credit balances and thus are either classified as assets or liabilities, it is not necessary to establish both types of accounts in the general ledger. When compiling the statement of surplus in general ledger accounts, the debit or credit balances in the "conversion differential," "financial accumulation," and "current accounts with higher organs" accounts in the general ledger are classified either as assets or liabilities. Also, the totals of debit or credit balances in the subsidiary accounts of the "current account with subordinate organs" and "other current accounts" accounts in the general ledger are variously classified as assets, liabilities, or assets and liabilities.

13-12. The Numbering of Accounts

This system's accounts are employed on all levels of general accounting and are numbered by category as follows:

- (1) Revenue accounts are numbered in series beginning with the designation "Receipt - 1."
- (2) Expenditure accounts are numbered in series beginning with the designation "Disbursement - 1."
- (3) Allocation accounts, except for the "allocation of basic construction funds" account which is designated "Allocation - 1," are numbered in series beginning with the designation "Allocation - 2."

The enumeration of the above three categories is the same as that used in budget accounts.

- (4) Asset accounts are numbered in series beginning with the designation "Asset - 1."
- (5) Liability accounts are numbered in series beginning with the designation "Liability - 1."

13-13. Subsidiary Accounts

The revenue, expenditure, allocation, asset, and liability accounts discussed in preceding sections are all general ledger accounts. This system provides that subsidiary accounts of these accounts are established as follows:

- (1) Subsidiary accounts for the various revenue and expenditure accounts are established according to the "class" and "type" account classifications found in the general budget. The recording of entries in the "type" classification under expenditure accounts is performed by budget (or planning), financial, or tax collection departments.
- (2) Subsidiary accounts for the various allocation accounts are established for each organ and are arranged in accordance with the "category" and "class" account classifications found in the general budget.

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(3) Subsidiary accounts for asset and liability accounts are established on each level of general accounting according to the nature of the accounting transaction or the name of the organ concerned.

13-14. The Application of Accounts

So that the student may better understand the correct usage of these accounts, the methods of posting normal accounting transactions in general accounting are presented in the table which follows:

<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
1	Treasury, granary or warehouse reports receipt of tax funds, grain, or goods	Debit: cash in treasury, grain on hand, or goods on hand (asset accounts) Credit: XX income (revenue account)
2	Treasury reports receipt of depreciation funds or funds from government bonds or foreign credits	Debit: cash in treasury (asset account) Credit: XX income (revenue account) Debit: financial accumulation (asset account) Credit: accumulation of depreciation funds, government bonds payable, or foreign debts payable (liability accounts)
3	Treasury, granary, or warehouse reports refunding of income	Debit: XX income (revenue account) Credit: cash in treasury, grain on hand, or goods on hand (asset accounts)
4	Treasury reports refunding of depreciation funds in excess of receipts	Debit: XX income (revenue account) Credit: cash in treasury (asset account) Debit: accumulation of depreciation funds (liability account) Credit: financial accumulation (liability account)
5	When expending funds for national defense, for subsidies to lower levels of government, for payments into the central treasury, or for interest on debts	Debit: national defense expenditures or XX expenditure (expenditure accounts) Credit: cash in treasury, grain on hand, or goods on hand (asset accounts)

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<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
6	When disbursing enterprise working capital or retiring government bonds or foreign debts	Debit: XX expenditure (expenditure account) Credit: cash in treasury, grain on hand, or goods on hand (asset accounts) Debit: enterprise investment (asset account), government bonds payable, or foreign debts payable (liability accounts) Credit: financial accumulation (liability account)
7	When allotting funds to various organs in the form of currency, grain, goods, or transportation checks	Debit: XX allocation (allocation account) Credit: cash in treasury, grain on hand, goods on hand (asset accounts), or transportation checks payable (liability account)
8	When approving accounts submitted by various organs	Debit: XX expenditure (expenditure account) Credit: XX allocation (allocation account)
9	When distributing basic construction funds to special bank for supervision of expenditure	Debit: allocation of basic construction funds (allocation account) Credit: cash in treasury (asset account)
10	Special bank reports recovery from various organs and enterprises of previous year's unexpended basic construction funds	Debit: allocation of basic construction funds (allocation account) Credit: XX income (revenue account)
11	Special bank reports disbursement of basic construction funds from supervisory account	Debit: XX expenditure (expenditure account) Credit: allocation of basic construction funds (allocation account)

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<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
12	Special bank reports recovery from various enterprises of this year's unexpended basic construction funds	Debit: allocation of basic construction funds (allocation account) Credit: XX expenditure account)
13	When recovering basic construction funds paid out by special bank	Debit: cash in treasury (asset account) Credit: allocation of basic construction funds (allocation account)
14	When converting income into allocation funds	Debit: XX allocation (allocation account) Credit: XX income (revenue account)
15	When converting transportation checks received into budgetary income	Debit: transportation checks payable (liability account) Credit: XX income (revenue account)
16	When recovering excess working capital	Debit: cash in treasury (asset account) Credit: XX income (revenue account) Debit: financial accumulation (asset account) Credit: enterprise investment (asset account)
17	When recovering expenditures	Debit: cash in treasury, grain on hand, or goods on hand (asset accounts) Credit: XX expenditure (expenditure account)
18	Treasury reports receipt of funds of indeterminate nature	Debit: cash in treasury (asset account) Credit: temporary receipts (liability account)
19	On determining nature of temporary receipts, transfer to budgetary income	Debit: temporary receipts (liability account) Credit: XX income (revenue account)

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Number	Accounting Item	Method of Posting
20	Granary reports exchange of grain for cash or goods	Debit: exchanges of grain, cash, and goods (asset account) Credit: grain on hand (asset account)
21	Warehouse reports exchange of goods for cash or grain	Debit: exchanges of grain, cash, and goods (asset account) Credit: goods on hand (asset account)
22	Treasury reports exchange of cash for grain or goods	Debit: exchanges of grain, cash, and goods (asset account) Credit: cash in treasury (asset account)
23	Treasury reports proceeds realized from sale of grain or goods	Debit: cash in treasury (asset account) Credit: exchanges of grain, cash, and goods (asset account)
24	Granary reports grain received in exchange for cash	Debit: grain on hand (asset account) Credit: exchanges of grain, cash, and goods (asset account)
25	Warehouse reports goods received in exchange for grain or cash	Debit: goods on hand (asset account) Credit: exchanges of grain, cash, and goods (asset account)
26	Treasury, granary, or warehouse reports losses resulting from exchanges of grain, cash, and goods	Debit: conversion differential (asset account) Credit: exchanges of grain, cash, and goods (asset account)
27	An alternative method of posting the above item is shown on the right	Debit: cash in treasury, goods on hand, grain on hand, and conversion differential (asset accounts) Credit: exchanges of grain, cash, and goods (asset account)
28	Treasury, granary, or warehouse reports gains resulting from exchanges of grain, cash, and goods	Debit: cash in treasury, grain on hand, and goods on hand (asset accounts) Credit: conversion differential (liability account)

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<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
29	An alternative method of posting the above item is shown on the right	Debit: cash in treasury, grain on hand, or goods on hand (asset accounts) Credit: exchanges of grain, cash, and goods (asset account) and conversion differential (liability account)
30	Granary or warehouse reports losses resulting from supply of grain or goods	Debit: conversion differential (asset account) Credit: grain or goods on hand (asset accounts)
31	When making good the above loss with currency	Debit: conversion differential (asset account) Credit: cash in treasury (asset account)
32	Granary or warehouse reports gains resulting from supply of grain or goods	Debit: grain or goods on hand (asset accounts) Credit: conversion differential (liability account)
33	When disbursing funds on behalf of higher, subordinate, or other general accounting organs	Debit: current accounts with higher, subordinate, or other organs (asset accounts) Credit: cash in treasury (asset account)
34	When recovering funds disbursed on behalf of other organs	Debit: cash in treasury (asset account) Credit: current accounts with higher, subordinate, or other organs (asset accounts)
35	When approving final accounts submitted by leading production departments [ministries?] for basic construction funds disbursed through special banks	Debit: enterprise investment (asset account) Credit: financial accumulation (liability account)
36	When approving amounts of basic construction declared obsolete by leading production departments	Debit: financial accumulation (asset account) Credit: enterprise investment (asset account)

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<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
37	When recovering allocation surpluses or expenditures periodically or at end of year	Debit: cash in treasury, grain on hand, or goods on hand (asset accounts) Credit: XX allocation (allocation account) or XX expenditure (expenditure account)
38	When closing conversion differential account at end of year and there is a debit balance	Debit: other expenditures (expenditure account) Credit: conversion differential (asset account)
39	When closing conversion differential account at end of year and there is a credit balance	Debit: conversion differential (liability account) Credit: other income (revenue account)
40	When making advance payment of next year's funds	Debit: current account with next year's accounts (asset account) Credit: cash in treasury (asset account)
41	When recovering next year's funds paid in advance	Debit: cash in treasury (asset account) Credit: current account with next year's accounts (asset account)
42	When miscellaneous income arises during period of adjustment at end of year (in old accounts)	Debit: current account with next year's accounts (asset account) Credit: XX income (revenue account)
43	When miscellaneous expenditures arise during period of adjustment at end of year (in old accounts)	Debit: XX expenditure (expenditure account) Credit: current account with next year's accounts (asset account)
44	When closing at end of year, transfer balances from the various revenue accounts into "this year's surplus" account	Debit: XX income (revenue account) Credit: this year's surplus (liability account)

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<u>Number</u>	<u>Accounting Item</u>	<u>Method of Posting</u>
45	When closing at end of year, transfer balances from the various expenditure accounts into "this year's surplus" account	Debit: this year's surplus (liability account) Credit: XX expenditure (expenditure account)
46	When receiving income for previous year during period of adjustment at beginning of the next year	Debit: cash in treasury (asset account) Credit: current account with previous year's accounts (liability account)
47	When making disbursements for previous year during period of adjustment at beginning of the next year	Debit: current account with previous year (liability account) Credit: cash in treasury (asset account)

13-15. Examples of Recording Normal Accounting Transactions

So that the student may have a thorough understanding of the actual application of general accounts and become familiar with normal accounting transactions which arise under this system, the following specific examples of posting accounting transactions are offered as reference material.

(1) General treasury reports receipt of various kinds of tax revenues from subordinate treasuries as follows (in 1,000 yuan):

State-operated enterprise business tax	250,000
Cooperative business tax	120,000
Public-private jointly operated enterprise business tax	150,000
Privately operated industrial and commercial enterprise business tax	320,000
Peddler business tax	50,000
Cooperative income tax	58,000
Public-private jointly operated enterprise income tax	75,000
Privately operated industrial and commercial enterprise income tax	160,000
Stamp tax	30,000
Import duties	130,000
Export duties	250,000

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Debit: cash in treasury	1,593,000
Credit: income from industrial and commercial business taxes	850,000
income from industrial and commercial income taxes	293,000
income from stamp taxes	30,000
income from customs duties	380,000

(2) Granary reports receipt of XX chin [one chin equals 0.5 kilograms] of grain converted into currency in the amount of 580,000 yuan.

Debit: grain on hand	580,000
Credit: income from agricultural taxes	580,000

(3) Warehouse reports receipt of goods seized as war booty and turned over by General Headquarters of the People's Liberation Army, the value of the goods being 250,000 yuan.

Debit: goods on hand	250,000
Credit: income from public property	250,000

(4) Issue this month's treasury warrants in accordance with the allocated expenditure budget as follows:

Amount of currency disbursed	
Administrative expenses	500,000
Health operating expense	300,000
Working capital for communications enterprises	300,000
Amount of grain disbursed	
Educational operating expense	400,000
Debit: allocation for administrative expense of administrative organs	500,000
allocation for health	300,000
communications expenditures	300,000
allocation for education	400,000
Credit: cash in treasury	1,100,000
grain on hand	400,000
Debit: enterprise investment	300,000
Credit: financial accumulation	300,000

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(5) General treasury reports receipt of various kinds of income from subordinate treasuries as follows:

Heavy industry profits	250,000
Light industry profits	150,000
Railway profits	180,000
Postal and telecommunications profits	120,000
Bank profits	100,000
Heavy industry basic depreciation funds	50,000
Light industry basic depreciation funds	50,000
Railway enterprise basic depreciation funds	100,000
Post and telecommunications enterprise basic depreciation funds	20,000
Operating income from various kinds of economic construction	200,000
Income from health fees	50,000
Income from clearing warehouses	150,000
Income received from lower levels of government	300,000
Income from production enterprises of the armed forces	100,000
Debit: cash in treasury	1,820,000
Credit: income from enterprise profits	800,000
income from basic depreciation funds paid in by enterprises	220,000
various kinds of operating income	200,000
administrative income	50,000
income from public property	150,000
income paid in by subordinate levels of government	300,000
other income	100,000
Debit: financial accumulation	220,000
Credit: accumulation of depreciation funds	220,000

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(6) Issue various kinds of treasury warrants in accordance with the allocated expenditure budget as follows:

National defense expenditures	500,000
Heavy industry working capital	300,000
Debit: national defense expenditures	500,000
heavy industry expenditures	300,000
Credit: cash in treasury	800,000
Debit: enterprise investment	300,000
Credit: financial accumulation	300,000

(7) Issue treasury warrant for allocation of 2 million yuan of basic construction funds to special bank for supervision of expenditure.

Debit: allocation of basic construction funds	2,000,000
Credit: cash in treasury	2,000,000

(8) Special bank reports disbursement of 500,000 yuan from supervisory account as investment in railway construction.

Debit: railway expenditures	500,000
Credit: allocation of basic construction funds	500,000

(9) General treasury reports recovery of 100,000 yuan of basic construction funds paid out by special bank.

Debit: cash in treasury	100,000
Credit: allocation of basic construction funds	500,000 [sic]

(10) In accordance with the allocated expenditure budget, distribute the following amounts of funds in the form of transportation checks:

Administrative expenses	100,000
Heavy industry working capital	200,000
Debit: allocation for administrative expenses of administrative organs	100,000
heavy industry expenditures	200,000
Credit: transportation checks payable	300,000
Debit: enterprise investment	200,000
Credit: financial accumulation	200,000

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(11) Ministry of Railways turns over 100,000 yuan in excess working capital and 200,000 yuan as income from sale of fixed assets, using transportation checks in lieu of currency.

Debit: transportation checks payable	300,000
Credit: income from sale of enterprise fixed assets	100,000
income from repayment of enterprise working capital	200,000
Debit: financial accumulation	300,000
Credit: enterprise investment	300,000

(12) General treasury reports receipt from subordinate treasuries of funds of an indeterminate nature.

Debit: cash in treasury	100,000
Credit: temporary receipts	100,000

(13) General treasury reports that above item has been designated as income from contributions.

Debit: temporary receipts	100,000
Credit: other income	100,000

(14) General treasury reports refunding of 20,000 yuan of excess basic construction funds paid in by the Ministry of Railways.

Debit: income from basic depreciation funds paid in by enterprises	20,000
Credit: cash in treasury	20,000
Debit: accumulation of depreciation funds	20,000
Credit: financial accumulation	20,000

(15) In payment of this month's operating expenses of the Ministry of Textile Industry amounting to 350,000 yuan, issue a treasury warrant for 200,000 yuan to be disbursed by the general treasury and authorize the remainder to be deducted from profits to be paid in by the ministry this month.

Debit: allocation to textile industry	350,000
Credit: cash in treasury	200,000
income from enterprise profits	150,000

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(16) On approval of accounts submitted, clear 250,000 yuan in funds spent last month by the Ministry of Public Health to the appropriate expenditure account.

Debit: expenditures for administrative expenses of administrative organs 250,000

Credit: allocation for administrative expenses of administrative organs 250,000

(17) Granary reports that on order it has turned over XX chin of commercial grain valued at one million yuan to the Ministry of Commerce for the purpose of stabilizing the market price of rice.

Debit: exchanges of grain, cash, and goods 1,000,000

Credit: grain on hand 1,000,000

(18) General treasury reports receipt from subordinate treasuries of proceeds from sale of grain totaling 980,000 yuan.

Debit: cash in treasury 980,000

conversion differential 20,000

Credit: exchanges of grain, cash, and goods 1,000,000

(19) General treasury reports receipt from subordinate treasuries of proceeds from sale of goods totaling 530,000 yuan.

Debit: cash in treasury 530,000

Credit: exchanges of grain, cash, and goods 530,000

(20) Warehouse reports sale of goods valued at 560,000 yuan.

Debit: exchanges of grain, cash, and goods 530,000

conversion differential 30,000

Credit: goods on hand 560,000

(21) Issue treasury warrant for 200,000 yuan as a disbursement on behalf of a certain local government.

Debit: current account with subordinate organs 200,000

Credit: cash in treasury 200,000

(22) Permission is granted to treat the above disbursement as a local government subsidy.

Debit: expenditure for subsidies to local governments 200,000

Credit: current account with subordinate organs 200,000

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(23) Approval is given to final budget totaling 500,000 yuan for XX railway construction submitted by Ministry of Railways.

Debit: enterprise investment 500,000

Credit: financial accumulation 500,000

(24) On approval of accounts submitted for the previous month, clear 300,000 yuan in education operating expense and 200,000 yuan in operating expense of the Ministry of Textile Industry to the appropriate expenditure accounts.

Debit: educational expenditures 300,000

Credit: allocation to education 300,000

Debit: textile industry expenditures 200,000

Credit: allocation to textile industry 200,000

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