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POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No. 30, 20 December 1984

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29 July 1985

CHINA REPORT
POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No. 30, 20 December 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No. 30, 20 Dec 84

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STATE COUNCIL CIRCULAR PRC TREASURY BOND REGULATIONS

(Guofa [0948 4099] (1984) No 168)

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 p 1011

[State Council Circular on the Promulgation of the new "Regulations on Treasury Bonds of the PRC, 1985" (27 November 1984)]

[Text] In order to further do a good job of issuing treasury bonds and to heighten the enthusiasm of purchasers of treasury bonds, the State Council has made the following decisions on the basis of summing up our past experience: Beginning from 1985, the State Council will raise the interest rates of treasury bonds and shorten the term of redemption. Our banks will discount national bonds and provide mortgage loans on these bonds. A receipt will be given to an individual who buys more than 1,000 yuan of treasury bonds. This person may have his name written in the receipt and may report the loss of treasury bonds. After such an improvement, the enthusiasm of the broad masses of people in subscribing for treasury bonds will be further heightened.

In 1985, 6 billion yuan of treasury bonds will be issued in the country. The Ministry of Finance will assign the task of selling treasury bonds to various provinces, autonomous regions, and the municipalities directly under the central government and the various departments under the party's Central Committee and the State Council. We should say that with the development of our industrial and agricultural production and improvement in the standard of living of our people, the task of selling treasury bonds can be accomplished. The People's Government at all levels must further strengthen its organizational leadership over this task, extensively publicize the significance of issuing the treasury bonds and the measures of improvement and fully develop the spirit of patriotism of the broad masses in order to insure the fulfillment and over-fulfillment of the task of issuing treasury bonds in 1985.

After this circular is circulated to lower levels, "The Regulations on Treasury Bonds of the PRC, 1985," which were promulgated by the State Council (Guofa [0948 4099] (1984) No 148) (published in issue No 27 of this BULLETIN, 1984) will be rescinded.

CSO: 4005/1090

TREASURY BOND REGULATIONS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 pp 1011, 1012

[Regulations on Treasury Bonds of the PRC, 1985]

[Text] Article 1. In order to properly amass our financial resources from various sectors to carry out our socialist modernization, the State Council has decided to issue treasury bonds of the PRC, 1985.

Article 2. Treasury bonds are issued to state-owned enterprises, collective enterprises, the principal responsible departments of enterprises and local governments; government and party organs, organizations, armies, institutions, rich rural communes and production teams; and our urban and rural people as individuals.

Article 3. The amount of treasury bonds to be issued, is decided by the State Council and the issue will begin on 1 January 1985. The time limit for units to pay for the bonds expires 30 June and the time limit for individuals to pay for the bonds expires 30 September.

Article 4. The annual interest rate will be fixed at 5 percent for treasury bonds bought by units and that for treasury bonds bought by individuals will be fixed at 9 percent.

The interest of treasury bonds will begin on 1 July 1985, and there will be no discount for prepayment. When the principal of treasury bonds is repaid, the interest will be paid, but no compound interest will be paid.

Article 5. The treasury bonds are issued in RMB. A receipt will be given to the units which have purchased more than 1,000 yuan of treasury bonds. They may have their name written on the receipt and may report the loss of treasury bonds; treasury bonds will be given to individuals who buy less than 1,000 yuan of treasury bonds. There are four other denominations for treasury bonds, in other words, there are 5-yuan, 10-yuan, 50-yuan and 100-yuan treasury bonds.

Article 6. The term for the repayment is 5 years, in the 6th year after these treasury bonds are issued, the principal and interest of treasury bonds will be repaid together.

Article 7. Matters related to issuing treasury bonds and to repaying the principal and interest of treasury bonds will be handled by the People's Bank of China and the organizations under it.

Article 8. The State Council arranges in a centralized manner, the use of the funds that are raised by issuing treasury bonds in accordance with the need of developing our national economy and striking an overall balance in our economy.

Article 9. Treasury bonds can be mortgaged for loans in our banks and the treasury bonds bought by an individual may be discounted at our banks. The People's Banks of China will work out their concrete methods to mortgage and discount bonds.

Article 10. Those who commit treasury bond forgery or undermine the credit of treasury bonds will be punished by law.

Article 11. The Ministry of Finance is authorized to interpret these regulations on treasury bonds.

CSO: 4005/1090

REPORT ON NEW TOWN ESTABLISHMENT STANDARDS APPROVED

(Guofa (1984) No 165)

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 pp 1012-1013

[State Council Circular on the Approval and Circulation of Civil Affairs Ministry report on altering the standards for town establishment (22 November 1984)]

[Text] The State Council has approved the Civil Affairs Ministry's "Report on Altering the Standards for Town Establishment" and is now circulating it to you for trial implementation.

Appropriately lowering the standards for town establishment and implementing the system of towns governing villages to meet the demands resulting from from the development of our urban and rural economies is of great significance in speeding up the construction and development of small towns, gradually reducing the disparity between urban and rural areas, and carrying out the construction of material and spiritual civilization. Now, in the areas where there are conditions for establishing towns, the local government should vigorously and satisfactorily do the work of establishing towns. They should only establish towns where conditions are mature and should not rush to establish towns simultaneously everywhere. In accordance with the standards for town establishment, we should do a good job of planning to arrange a rational layout of our small towns and make small-town construction really play a role in promoting commodity exchange between urban and rural areas and economic development.

CSO: 4005/1090

MINISTRY REPORT ON NEW STANDARDS FOR TOWN ESTABLISHMENT

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 pp 1013-1014

[Civil Affairs Ministry Report on Altering the Standards for Town Establishment (9 October 1984)]

[Text] As rural commodity economy and township and town industry vigorously develop, the role of small towns becomes increasingly outstanding. Speeding up the construction of small towns, giving full play to their role as bridges and ties to link our urban and rural areas, and promoting the economic exchange between urban and rural areas and the development of our urban and rural economies has now become an important task in the construction of basic-level governments.

The construction and development of small towns (which refer to towns with formal status as towns) have undergone twists and turns. In the initial period after the founding of the PRC, as the national economy recovered and developed, our small towns developed relatively quickly. Later, because of the influence of "leftism," small towns developed slowly. During the 10 years of civil disorder, small towns suffered from destruction. Since the 3d Plenum of the 11th CPC Central Committee, our rural economy has become prosperous and this has promoted the recovery and development of small towns. Now, there are 5,698 towns with formal town status. In particular, since the CPC Central Committee's Document No 1 for this year was issued, all the localities have paid even greater attention to the work of establishing towns. In a little over 6 months, more than 2,000 towns were newly established throughout the country.

In order to study the problems related to the construction of governments in our small towns, last August we convened a meeting of the relevant comrades of 13 provinces, autonomous regions and municipalities, and sent people to make investigation of typical examples in some provinces and municipalities. The major problems in the work of establishing towns at present are the failure to unify the standards for our town establishment and that in some areas, towns are separated from villages and this is very unfavorable for the development of small towns. From the point of view of the orientation of development, small towns should become rural bases for developing industry and sideline undertakings, studying science and culture and carrying out cultural and recreational activities. Gradually, these towns will become rural regional economic and cultural centers.

In view of the above-mentioned situation, we suggest the following alteration in the CPC Central Committee's and State Council's 1955 and 1963 regulations on town establishment:

1. Towns should be formally established in all the seats of county-level local state organs.
2. A town can be established in a township which has a total population below 20,000 people but is the seat of township government and has a nonagricultural population exceeding 2,000 people. A town can also be established in a township which has over 20,000 population, is the seat of township government, and has a nonagricultural population of over 10 percent of the whole township.
3. If indeed necessary, a town can also formally be established in minority nationality areas, scarcely populated border and remote areas, mountainous areas, small industrial and mining areas, small ports, scenic spots for tourists, and border ports where the nonagricultural population is less than 2,000.
4. After a town is established to replace the township where there are conditions for the establishment of the town, the system of town administering villages should be implemented. In market fair towns where conditions for the establishment of towns do not yet exist, the township governments should assign special officials to exercise administration.

In their work to establish towns, the various localities should carry out thorough investigation and study, do a good job of planning and arrange a satisfactory layout in light of local reality, and consciously do the work well.

Please approve and circulate this report for trial implementation in all areas if the above-opinions are not improper.

CSO: 4005/1090

PROVISIONAL RULES ON PROBLEMS OF LIGHT INDUSTRY COLLECTIVES

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 pp 1014-1017

[Provisional Stipulations on Certain Problems Concerning Light Industrial Collective Enterprises of the Ministry of Light Industry and the All-China Handicraft Cooperative (22 November 1984)]

[Text] In order to relax the control over and enliven our light industrial collective enterprises, in order to put an end to the overrigid control of these enterprises, and in order to give further play to the initiative of these enterprises and their staff and workers in conducting their production and management, developing production, raising their economic results, thus making them adapt to the demands of the state and the people, the following stipulations have been drawn up on certain problems concerning light industrial collective enterprises:

1. Our light industrial collective enterprises are socialist economic organization of collective ownership by the laboring masses and are an important part of the socialist economy of public ownership in our country. Under the guidance of state policies, decrees and plans, a collective enterprise has its independent decisionmaking power in carrying out its economic activities and is protected by the law of the state. No department or individual is allowed to transfer in the egalitarianist manner or to misappropriate the property of any collective enterprise or transfer or use its labor without compensation. The enterprise is entitled to resist any act that has encroached upon the legitimate rights and interests of a collective enterprise and ask for damage for any economic losses suffered therefrom. If legal problems are involved, the enterprise should initiate legal proceedings at a judicial department in accordance with legal procedures.

A collective enterprise should be run truly in light of the nature and characteristics of the collective economy. A collective enterprise can independently carry out its administration and management in accordance with the principle of voluntary participation, shouldering sole responsibility for its own profit and loss, conducting democratic management, carrying out distribution according to labor, raising funds from among its staff and workers, paying appropriate dividends, accumulating funds for the collective, and independently disposing of its own funds.

2. A light industrial collective enterprise may implement diverse forms of the contract economic responsibility system, including the practice of assigning responsibility by contracts to workshops, groups and teams, level by level and various types of contract job responsibility assignments.

A collective enterprise must be an independent accounting unit and shoulder sole responsibility for its profit and loss. In case of an enterprise that has been set up by the joint investment of a few combined cooperatives, the enterprise should be owned by the combined cooperatives but should be managed by its own management, be an independent accounting unit, and shoulder sole responsibility for its own profit and loss.

3. Democratic management is conducted in a light industrial collective enterprise. The congress of workers and staff is the enterprise's organ of power. All the major issues of the enterprise are decided by the congress of workers and staff through democratic discussion. The factory director is elected by the congress of workers and staff and is responsible to the congress. There is a fixed tenure of office for the elected factory director, and after this tenure is expired, he can be re-elected. During his tenure, the factory director enjoys the same political treatment as that of a cadre at the same level in a state-run enterprise.

A collective enterprise implements the system of the factory director being responsible for its management. The factory director gives all-round direction to all the enterprise's daily production, management and other activities and shoulders economic responsibility for the operation of the enterprise.

4. A light industrial collective enterprise is empowered to readjust its production orientation in light of changes in social demand and in the market, conducts its operation on its own, and is allowed to diversify its operation while focusing on a major operation.

In addition to the partial supply by the state of the materials and goods needed by a collective enterprise, the enterprise may also resort to diverse approaches to solve problems related to these supplies through its own purchases, utilizing scraps and waste, processing materials provided by other enterprises, setting up its own base to produce these materials and goods, bartering with other enterprises, and altering available materials and goods. The state should supply materials and goods to collective enterprises at the same prices that it supplies them to state-owned enterprises. The prices of the materials and goods that the collective enterprises purchase on their own should be decided in light of their quality and through negotiation.

5. Under the principle of guaranteeing the fulfillment of the state's planned purchase targets, and in accordance with the principle of supplying goods "through many channels and few links," a light industrial enterprise has the right to sell its products on its own. It can select customers and forms of sales on its own and all restrictions and blockades in this sphere should be eliminated in order to unblock the circulation of the products of our collective enterprise.

The expenses that a collective incurs in developing its new products, the expenses to advertise and promote its products, exchange information and exhibit its products for sales and its sales and purchase expenses are allowed to be deducted from its profit.

Collective enterprises may carry out their business activities through trans-regional and transprofessional trade centers, and can also jointly establish their own trade centers or supply and marketing management departments to purchase materials and goods, market their products and enliven their operation.

6. Except for products whose prices are managed by the state, collective enterprises have the right to decide the prices of their products in accordance with the principle of fixing a higher price for a product of better quality. They are allowed to fix the prices of products that they have produced with raw materials and fuel purchased at negotiated prices, according to the market situation, and raise the prices of these goods when the prices of these raw materials and fuel rise. Seasonal price fluctuations are allowed for products of a strong seasonal nature.

7. After paying taxes to the state and fulfilling the tasks of profit delivery stipulated by the higher level combined cooperative, a light industrial collective enterprise may on its own dispose of what remains of its profits and no department is allowed to take away from them this share of their profit. The cooperative undertaking funds that the higher level combined cooperative collects from a collective enterprise should generally not exceed 25 percent of the enterprise's after-tax profit and the cooperative should make sure that these funds are spent for the collective. The contribution to cooperative undertaking funds may be appropriately reduced in light of concrete reality for enterprises that earn little profit and for enterprises in remote or minority nationality areas.

Collective enterprises may depreciate their fixed assets quicker than state-owned enterprises that use the same kind of equipment. These depreciation funds are on principle retained by enterprises for their own use.

8. In the distribution of income in a light collective enterprise, under the precondition of first enabling the state to collect more from and the enterprise to retain more of its profits, individuals in the light collective enterprise are allowed to be paid appropriately higher wages. As long as the percentage of labor costs in total product cost does not increase, and as long as the range of increase in profits and taxes is greater than that in the increase of the wage income of the staff and workers, the wages paid to staff and workers (including bonuses and premiums paid for overfulfilling quotas) should be included in the expense and regarded as costs.

A collective enterprise should have even greater decisionmaking power over the distribution of wages. Its wage standards are determined by its economic results. It may refer to the wage standards of the state-owned industrial enterprises in the same trade. Its wage standards can be the same as, lower than or higher to an appropriate degree than their standards. An enterprise

is empowered to adopt proper forms of wages in accordance with its own characteristics, for example, piece rate, premium schemes, floating wages, and fixing wages as a percentage of profit. The wage income of its staff and workers should be linked with the results of the enterprise's operation and with the contribution of the staff and workers themselves. An enterprise's wage funds should be controlled by the responsible combined cooperative.

A light industrial collective enterprise may promote its staff and workers who have scored marked achievements, but it should control the percentage of personnel promoted within 3 percent. Under the condition of insuring an increase in the profit taxes paid to the state and with the examination and approval of the responsible department, an enterprise that has made a particularly great contribution and achieved particularly good economic results can promote a somewhat greater percentage of its personnel and the increase in wages will be included in its costs.

A light industrial collective enterprise may flexibly stipulate its work hours in light of the busy and idle seasons and the number of orders. All the enterprises should pay attention to support themselves in slack seasons with the income in busy seasons.

During his tenure of office, a cadre in a collective enterprise is paid an allowance for his post. The responsible departments (combined cooperatives) should record merits, promote, or pay a certain amount of money as awards to factory leaders who have exerted satisfactory management and achieved marked economic results.

A light industrial collective enterprise should continuously improve the collective welfare for its staff and workers on the basis of developing production. An enterprise is empowered to reform and establish its labor insurance and welfare system, such as the system related to medical care and paid sick leave of its staff and workers. It can draw up its own specific standards and methods in light of the results of its operation. As for its retired old staff and workers, it should earnestly insure the payment of pension and welfare for their livelihood.

In areas where enterprises have difficulties in including the pension and welfare for their retired personnel in their expenses, the county or city combined cooperatives or the specialized combined cooperatives in large or medium cities will make unified arrangement for these enterprises.

9. In light of the demand of its production and operation, a collective enterprise is empowered to decide to increase or reduce its personnel. It can select from among its staff and workers and publicly recruit from the society the technical and management personnel it needs, and pay them satisfactory remuneration.

A light industrial collective enterprise is empowered to select, through the recommendation of the labor departments (or labor service companies) or on its own, the good ones among urban job-awaiting youths and recruit them as its workers disregarding the restriction of budgeted target for the size of

the work force. No department (including labor departments) should force enterprises to provide jobs in violation to the state's regulations.

A collective enterprise may decide, on its own and in light of its production needs, to employ seasonal, temporary and contract workers.

An enterprise is empowered to mete out economic or administrative punishment to staff and workers who have seriously violated the discipline and regulations of the enterprise and can dismiss or expel a few of them who refuse to reform after education.

10. A light industrial collective enterprise raises funds through inviting people to subscribe for its shares. Its staff and workers should pay their shares in accordance with the regulations. Their share payments are linked with the profits and losses of the enterprise. They receive a dividend when there is a profit and pay more for their share to compensate for any loss incurred by their enterprise. The enterprise can also raise funds from among the community if necessary.

Under the principle of voluntary participation and mutual benefit, a light industrial collective enterprise may conduct diverse forms of transregional and transprofessional economic joint ventures with other collective and state-owned enterprises in our urban and rural areas. It may also carry out joint ventures with scientific research units, universities, colleges and so on to develop technology and train personnel. It may also cooperate and carry out joint ventures with joint capital with foreign, overseas Chinese and Hong Kong and Macao businessmen in accordance with the relevant regulations of the state.

In restructuring the economy, putting enterprise under the supervision of the appropriate departments, and carrying out joint ventures, we should maintain unchanged the ownership, subordinate relations and financial relations of our collective enterprises.

CSO: 4005/1090

REPORT ON SECOND NATIONAL ECONOMIC LEGISLATION WORK CONFERENCE

(Guobanfa [0948 6586 4099] (1984) No 100)

Beijing STATE COUNCIL BULLETIN in Chinese No 30, 20 Dec 84 pp 1018-1022

[Report by the State Council Economic Law Research Center on the Second National Conference on Economic Legislation Work (10 October 1984)]

[Text] From 20 to 27 August we held the Second National Conference on Economic Legislation Work in Hangzhou. At the conference we discussed experiences and problems in the work of economic legislation, law enforcement and the clearing up of laws and regulations. We also set up the Chinese Economic Law Research Association. The conference delegates unanimously elected Comrade Gu Mu honorary president of the Chinese Economic Law Research Association and Comrade Gu Ming [7357 2494] president.

Attending the conference were comrades from the departments responsible for economic legislation work in the people's governments of various provinces, autonomous regions, directly administered cities and the State Council; comrades responsible for economic legislation work in the NPC from some provinces, autonomous regions and directly administered cities; comrades responsible for economic legislation work in SEZ's, open coastal cities and key cities; comrades from the Supreme People's Court, the Supreme People's Procuratorate and from the economic judiciaries of the people's courts; and professors and experts involved with education and research in economic legislation at tertiary institutes and research bodies around the country. In addition, there were also comrades from the central news media and publishing units as well as comrades interested in economic legislation work from all over the country. The participants totaled 360 people.

Comrade Gu Mu participated in the meeting which established the Chinese Economic Law Research Association and made an important speech. Gu Ming gave a summing-up speech entitled "Greatly Strengthen Economic Legislation, and Promote Economic Reform and Opening to the Outside World." The participating delegates, in speeches and through group discussions, summed up their experiences in economic legislation work over the last 2 years. They raised their consciousness as to the importance of and the urgency for economic legislation work, and came to clearly understand the tasks ahead.

The conference held that since the First National Economic Legislation Work Conference held in 1982, our nation's economic legislation work has seen great advances, and new breakthroughs have been made on all sides. In the last 2 years, we have promulgated over 100 economic laws and regulations. All the provinces, autonomous regions and directly administered cities and the various departments of the State Council have formulated and promulgated economic rules and local economic regulations. Our nation's economic legislation organs are gradually being established and perfected. Following the establishment of the State Council's Economic Law Research Center, similar research centers have been established in nine provinces and directly administered cities around the country. They have been set up Liaoning, Zhejiang, Fujian, Guangdong, Guangxi, Jiangxi, Sichuan, Hebei and Beijing. All the other provinces, autonomous regions and directly administered cities, excluding Xizang, have established or decided to establish organs responsible for economic legislation. Fifty-four of the State Council's departments, commissions and directly administered organizations have set up legislation organs. Of these 33 are solely economic legislation organs, while 21 also handle other work. The strengthening of economic legislation work will play an important role in guaranteeing the implementation of the party's line, principles and policies in the new period and guaranteeing the smooth carrying out of socialist modernization. However, at present, our economic legislation work lags behind the demands of developing the economy. Some laws and regulations no longer accord with the party's principles and policies in regard to economic work in the new period, and many important economic laws are awaiting enactment. In addition, the legislative organs of some areas and departments are not very healthy. Specialists in economic legislation are sorely lacking and there is an urgent need to train and provide more such people. At the moment, situations exist where there are laws which are not obeyed where the implementation of laws is not strict and where offenders against the law are not investigated. This sort of situation must be quickly changed. If it is not, it will be disadvantageous to enlivening the domestic economy and opening to the outside world, it will not be possible to accord with the demands of the reform of the economic system, and this will affect the smooth implementation of the four modernizations.

The conference proposed that within the next 2 to 3 years, in strengthening economic work it will be necessary to do well in the following aspects of work:

1. Strengthening the Formulation of Some Important Economic Laws To Accord With the Demands of the New Situation of Economic Development

For some years ahead, it will be important to grasp and to center around various aspects of economic legislation relating to structural reform and opening to the outside world. It will be necessary to formulate legislation which further promotes and guarantees the economic reforms in rural areas, so as to develop a very good situation in rural areas, and to promote the development of agriculture which is specialized, modernized and of a commodity nature. It will be necessary to formulate legislation which promotes the reform of industry, commerce and capital construction, so as to promote the

development in depth of all-round reform of the urban structure. It will be particularly important to grasp the formulation of new laws and regulations which promote and guarantee the policy of opening to the outside world. In this way we will be able to perfect our legislation relating to the outside world as quickly as possible, and further handle well the running of the SEZ's and the open coastal cities. In this way we will see, within a short time, great new development in the importation of technology, in the utilization of foreign funds and in the development of the economy and trade with the outside world.

In order to accord with the different conditions in the various areas of our nation, all provinces, autonomous regions and directly administered cities should positively formulate local laws and regulations within the limits allowed by the constitution and on the condition that they do not conflict with the laws and regulations of the state. The time is not yet ripe to formulate laws and regulations of a national nature. Those provinces, autonomous regions and directly administered cities which have the conditions should first formulate and trial-implement local laws and regulations. Later, when the conditions are ripe, national laws and regulations will be formulated. This will accord with the pressing needs of the new situation of economic reform.

2. In Accordance With the State Council's Plans, Grasping the Clearing Up and Compilation of Laws and Regulations

Economic legislation work must accord with the demands of the new situation. Apart from grasping the pressing need to formulate economic laws, regulations and rules, it is also necessary to do well in the work of clearing up and compiling those economic laws, regulations and rules which already exist. The relevant departments and regions should, in accordance with the stipulations of the State Council, combine to grasp this work firmly and well. The leaders should take command, assigned persons should take responsibility, and the clearing-up work should be carried out in a planned and step-by-step way. It is necessary to seriously sum up experiences and realistically decide on organization, staff and work. It is important that this is combined with stress on actual results and, in accordance with the demands of the Guobanfa 1983, Document No 83, we should complete the work of clearing up and compiling the laws and regulations in a timely way, while guaranteeing both quality and quantity. We must make great efforts so that this year all of the departments and all of the regions can achieve preliminary results in clearing up the laws and regulations passed since the founding of the PRC. In accordance with the statutory process, we should annul those which should be annulled, and organize the revision of those which are to be included in the legal program. Those which are still in force should be compiled in a timely way to make their implementation more convenient. On this basis, we will be better able to carry out well the work of compiling the economic laws and regulations.

3. Further Strengthening Organized Implementation and Inspection Work in Regard to Economic Laws and Regulations

We must strengthen in an overall way the organized implementation of economic laws and regulations, so that laws are adhered to, their implementation is strict, and offenders are investigated. This includes the procuratorate organs and industrial and commercial administrative organs fully bringing into play their supervisory role, includes the economic arbitration and economic judicial organs fully bringing into play their judicial role, and includes the administrative organs and the administrative leaders of enterprises and institutions fully bringing into play their role in organizing the implementation of economic laws. The departments responsible for economic matters and the administrative leaders of enterprises should adopt realistic feasible measures, strictly abide by and implement economic laws and regulations, and seriously sum up and propagate good experiences in abiding by the law in running factories and in abiding by the law in handling financial matters. In this way, the economic laws which have already been promulgated will be able to bring into play their role in both macroeconomic and micro-economic management.

4. Enterprises and Institutions Must Gradually Establish a System of Legal Consultants

Following the reform of our nation's economic system and the increase in economic legislation, and especially in the development of foreign economic contracts, it will become necessary to resolve an increased number of economic disputes through adjustment, arbitration and even legal proceedings. Thus enterprises and institutions will feel an increasingly pressing need, in many areas, for legal assistance. Practice has proven that establishing a legal consultant system for enterprises is a demand of the new situation of economic development. We should see this as an important part of the work of strengthening economic legislation. In practice, it is possible to link up the establishment of an economic law consultant system with the establishment of an economic legal organ. Those enterprises with the conditions should gradually arrange their own legal consultants to take charge of the unit's legal affairs. Those enterprises without the conditions to appoint their own legal consultant can advertise for a lawyer or other person in the legal field to temporarily take on the task of legal consultant or to act as legal consultant throughout the year. At the very least, we should require that all discussions of a foreign trade nature should be attended by a legal consultant. He will be able to guarantee that the enterprise, within the limits allowed by the law and on the basis of equal and mutual benefit, is able to draw in technology and foreign funds and is able to develop foreign trade contacts.

In order to accord with the needs of all areas in regard to foreign trade, the Chinese Economic Law Research Association and its local chapters will set up economic law advisory departments to which state organs, enterprises and institutions can direct their queries in regard to economic law.

5. Strengthening the Training of Personnel Qualified in Economic Law

At present, in economic legislation work, economic judicial work and legal research work, we sorely lack qualified, specialized personnel. The present number falls far short of needs in regard to strengthening economic legislation, and thus it is very difficult to accord with the demands of the work. Thus, apart from further strengthening the normal training of economic law specialists in tertiary institutions, we should also speed up the training of qualified economic law personnel through running specialized courses for cadres, spare-time universities, correspondence schools, various types of training courses and fostering independent study. The Chinese Economic Law Research Association is going to establish a training center for cadres engaged in economic law work, in order to make a positive contribution to training specialized personnel in economic law.

6. Further Developing Economic Law Research Work

In future theoretical work we should pay attention to both present and long-term needs. We should expend great energy in resolving, from the theoretical level, those legal problems which arise in economic policies and in opening to the outside world. This will require the organization of theoretical workers to positively undertake the necessary research tasks in drafting and revising relevant laws and regulations. We will also have to pay attention to organizing our strength in developing basic theoretical research into economic law and comparative research in terms of international economic law and foreign economic law. We must establish and clear out the channels for information flow and feedback in regard to economic legislation, build a center for materials relating to economic law, do well in the publication of economic law books and magazines and establish an academic reward system. These many aspects will thus create conditions for economic legislation research to flourish.

We must seriously study and understand the economic legislation systems, experiences and relevant legal knowledge of the countries of the world. We should in a planned, organized and step-by-step way translate representative works on economic laws and economic legislation research from the capitalist countries, Eastern European countries and developing countries. In addition, we should systematically study the important international agreements, documents and treaties which regulate international economic relationships.

7. Further Strengthening Propaganda Work in Regard to Economic Legislation

At present, propaganda and dissemination work in regard to economic legislation is far from able to meet the demands of strengthening the socialist legal system. It is proposed that in the future, each time the state promulgates an economic law or regulation, the relevant departments must strive to obtain cooperation from media units and have the entire text printed in relevant newspapers. The broadcasting and television stations, apart from broadcasting the details, can provide wider dissemination by presenting it in a format which appeals to the masses. We can also request publishing departments to publish, in a timely way, the newly promulgated laws and regulations. As for

those important economic laws and regulations which will have a great effect, we should organize the writing and dissemination of articles and treatises so as to achieve wide circulation and an educational effect.

We must fully utilize newspapers, radio, television, bulletin boards and such media, set up an "Economic Legislation" magazine and an economic law publishing house. We must strongly propagate advanced examples of implementing and adhering to the law, criticize and expose all types of actions which violate the law, and promote the implementation of economic laws and regulations.

If the above report is in order, it is suggested that it be approved and distributed to the relevant departments of the State Council and the people's governments of all provinces, autonomous regions and directly administered cities.

CSO: 4005/1090

COST RULES FOR STATE COMMERCIAL, FOREIGN TRADE FIRMS DETAILED

(Caishangzi [6299 0794 1316] (1984) No 112)

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[Detailed Implementation Stipulations on Cost Management for State Commercial and Foreign Trade Enterprises--Promulgated by Ministry of Finance on 20 August 1984]

[Text] Article 1. These Detailed Implementation Stipulations are formulated in accordance with Article 45 of the "Regulations on Cost Management in State Enterprises" (abbreviated to Cost Regulations hereinafter) promulgated by the State Council [published in Issue No 6 of this BULLETIN in 1984].

Article 2. As used in the Cost Regulations and these detailed implementation stipulations, commercial departments include state commercial and grain departments; and commercial enterprises include state commercial and grain enterprises.

Article 3. As used in the Cost Regulations and these detailed implementation stipulations, the term cost means commodity circulation cost for commercial and foreign trade enterprises.

A. On the Scope of Implementation

Article 4. The following state-run enterprises and foreign trade enterprises exercising independent accounting should execute the Cost Regulations and these implementation stipulations:

1. Commercial wholesale and retail enterprises of commercial departments, overseas Chinese stores, friendship stores, trading warehouses, trust shops, catering, servicing and repairing enterprises, storage and packing enterprises and trading centers;

2. Foreign trade enterprises of economic and trade departments handling import and export commodities and commodities for the domestic market, storage and packing enterprises, and advertising (directed toward foreign countries) companies;

3. State-owned and collective-managed commercial enterprises;

4. Commercial and public foreign trade enterprises not belonging to the commercial and foreign trade departments;

5. Commercial and foreign trade enterprises of all levels of administrative units, utility units, military units and other bodies conducting commercial and foreign trade activities with the approval of the supervisory organs.

Article 5. Production processing and transport enterprises of commercial and foreign trade departments should observe the "Detailed Implementation Stipulations on Cost Management for State Industrial, Communication and Transport Enterprises" (abbreviated as Detailed Implementation Stipulations for Industrial-Transport Enterprises hereinafter).

Article 6. Enterprises engaged in both industry and trade (commerce) of all levels of commercial and foreign trade departments should adopt the following method: for enterprises which have their industry and trade (commerce) sections with separate financial accounts, the foreign trade and commerce sections should observe the detailed implementation stipulations; whereas the industrial production sections should observe the Detailed Implementation Stipulations for Industrial-Transport Enterprises. For enterprises which have their industry and trade (commerce) sections as one accounting unit, those enterprises that mainly deal with foreign trade and commercial undertakings should observe these Detailed Implementation Stipulations, while those engaged mainly in industrial production should observe the Detailed Implementation Stipulations for Industry-Transport enterprises.

Article 7. As for commercial and foreign trade enterprises jointly managed by state enterprises and collective-owned economic bodies, those mainly managed by state enterprises should observe these Detailed Implementation Stipulations.

Article 8. The construction and installation enterprises, agricultural and pastoral husbandry enterprises, and agricultural and sideline production bases of the commercial and foreign trade departments should carry out cost management in accordance with the respective relevant detailed implementation stipulations.

Article 9. The supply and marketing cooperatives above the county level should execute cost management with these Detailed Implementation Stipulations as reference.

Implementation stipulations of cost management for commercial enterprises owned by the city-town collectively should be formulated by the relevant provinces, autonomous regions, municipalities in light of the Cost Regulations and these Detailed Implementation Stipulations according to their actual conditions.

B. Expenditures To Be Classified as Commodity Circulation Cost

Article 10. Charges incurred in purchasing commodities as stated in Clause 1 of Article 11 of the Cost Regulations include charges, incurred in commodity transfers.

Article 11. Commodity loss to be considered commodity circulation cost as stated in Clause 1 of Article 11 of the Cost Regulations refers to:

1. Losses due to spoilage within the limit of commodity spoilage fixed by the commercial and foreign trade departments for commercial and foreign trade enterprises in accordance with average advanced standards.

2. Losses due to commodity spoilage beyond the fixed limit, caused by nonnatural disasters, nonliability incidents, as specifically approved by the commercial and foreign trade departments.

Losses due to commodity spoilage beyond the fixed limit should be carefully investigated in order to find out the cause, nature and liability of such losses. All losses due to commodity spoilage beyond the fixed limit caused by natural disasters and liability incidents are not to be considered commodity circulation cost. Losses caused by reasons of natural disasters shall be compensated for by the insurance companies for insured enterprises and the balance shall be classified as asset loss after being approved by the supervisory departments. Losses caused by reasons of liability incidents should be borne by the party liable. If an outside party is liable for the losses, claims should be lodged against it; if the person liable is within the enterprise itself, it will be necessary to educate or impose disciplinary punishment on this person and if circumstances require, part of the losses should be compensated for by the person directly liable for the losses. The balance of the losses after compensation should be classified as asset loss if approved by the supervisory departments.

For commercial enterprises, the fixing of limits of commodity spoilage and the investigation and approval of losses due to spoilage beyond the fixed limits shall be authorized by the supervising departments of the respective provinces, autonomous regions and municipalities in consultation with financial departments of the same levels. For foreign trade enterprises, the fixing of commodity spoilage limits and the investigation and approval of spoilage losses exceeding such limits are to be authorized by the head offices of the respective foreign trade companies, submitted to the Ministry of Foreign Economic Relations and Trade for approval, and reported to the Ministry of Finance for the record. Existing commodity spoilage limits that are unreasonable should be readjusted in a timely manner.

Article 12. Bad debt losses of commercial and foreign trade enterprises should be investigated in order to find their causes and to affix the responsibilities of the personnel concerned. These losses should be recovered as far as possible. After carrying out legal clearing and sorting procedures, the really unrecoverable parts of the losses, provided that certification of the

relevant units can be obtained, should be considered an asset loss of value equal to the actual net bad debt loss.

Article 13. Furniture and implements as stipulated in Item 2, Article 11 of the Cost Regulations refer to low-value consumables with service lives less than 1 year or of unit costs less than (and not equal to) 500 yen.

Regardless of their respective unit costs and service lives, the following items shall all be considered furniture and implements: tarpaulin (including canvas, oil cloth and plastic sheets), fumigant cloth, wooden sleepers (including wood shims and log stacks), water-mix bars (blocks), windmills, springboards, live pig and draft animal carts, various nonmotor carts (including large carts, hand carts, tricycles and plank carts, etc.), weighing instruments (excluding ground scales), locally made oil presses, small steel (sheet) mills, small noodle manufacturing machines, simple grain-vending machines, simple oil-vending machines, local-styled oil tanks (or other forms of containers), liquor containers with less than 5 m³ capacity, pickling tanks, fire extinguishers, electric motors smaller than 7 kW, fire-fighting pumps and other items approved by the Ministry of Finance to be chargeable to commodity circulation cost.

Article 14. Fixed asset repair costs stipulated in Clause 2, Article 11 of the Cost Regulations include major repairs and medium to minor repairs. Enterprises drawing major repair funds should do so in monthly installments in accordance with the proportions approved by the enterprises' supervising departments in conjunction with financial organs of the same levels, and these monthly installments should be reflected in the commodity circulation cost accounts of the month. Enterprises not drawing major repair funds should exercise planned management in expenditures on fixed-asset repairs and charge the actual expenditures to commodity circulation cost accounts. Very large expenditures may be charged to commodity circulation cost accounts in several installments.

Article 15. Expenditures chargeable to commodity circulation cost according to Clause 4, Article 11 of the Cost Regulations do not include coal-tonnage awards and specified (raw) material economy awards as listed in Clause 4, Article 7 of the Cost Regulations, waste disposal expenditures as listed in Clause 7 of the same article, transportation expenditures, packing expenditures and sales organization administration costs are listed in Clause 9 of the same article, and inspection expenditures and warehouse management costs as listed in Clause 10 of the same article.

Article 16. Regarding scientific research expenditures and technological development expenditures that are chargeable to commodity circulation cost according to Clause 3, Article 7 of the Cost Regulations, they refer to the following for commercial and foreign trade enterprises: expenditures paid by the enterprises in accordance with the relevant regulations of the Ministry of Finance in order to improve the maintenance, keeping and packing of commodities. Expenditures not constituting fixed assets which are incurred from trial production of new products, as well as expenditures arising from purchase of sample products, sample machines and general testing instruments, are

only applicable to production processing and transportation enterprises of commercial and foreign trade departments.

Article 17. Staff welfare expenditures chargeable to commodity circulation cost according to Clause 4, Article 7 of the Cost Regulations are calculated as 11 percent of the balance of the total wages paid to the staff of the enterprise after deducting from them nonstaple food price allowances, various kinds of money awards (including piece-rate wages, floating wages and prorata wages in addition to and in excess of standard wages), and back-pay wages and hardship allowances paid out in implementation of the state's policy.

The total wages paid to the staff of the enterprise are the actual wages paid out by the enterprise to permanent staff, contracted staff, temporary staff, half-industry and half-agriculture personnel regularly participating in the production and management of the enterprise as planned outside the labor with formal approval from labor departments above county level, and personnel recruited by individual enterprises in accordance with collective ownership recruitment targets.

Article 18. With the exception of technological improvement expenditures and rationalization proposal awards stipulated in Clause 4, Article 7 of the Cost Regulations and prorata wages in the public bath and hair dressing trades approved by the Ministry of Finance, which are chargeable to commodity circulation cost, all other kinds of money awards, piece-rate wages, floating wages, prorata wages and wages paid for innovations carried out at one's own expense, etc., are not chargeable to commodity circulation cost. They should be charged to retained profit and loss accounts. For enterprises implementing loss-reduction sharing schemes and, on a temporary basis, implementing contracted work systems or enterprise fund systems which do not include integrated money awards in their dividend funds or enterprise funds, integrated money awards amounting to 10 to 12 percent of the standard wages of the staff are chargeable to commodity circulation cost. Portions of such awards exceeding 10 to 12 percent of the standard wages totals shall be charged to the reduce-loss-draw-dividend schemes or to enterprise funds.

Article 19. Labor union management expenditures chargeable to cost accounts according to Clause 5, Article 7 of the Cost Regulations should be within 2 percent of the balance of the staff wages totals of the enterprises after deducting from them nonstaple food price allowances, and back-pay wages and hardship allowances paid out in accordance with the state's policy. Staff educational funds within 1.5 percent of the staff wage totals of the enterprise are chargeable to commodity circulation cost.

Article 20. Price reduction losses stipulated in Clause 6, Article 7 of the Cost Regulations should be dealt with as follows except when the Ministry of Finance has stipulations otherwise: normal reduction of commodity prices shall be dealt with as reduction in gross profit if the reduced prices are still higher than the purchasing prices; it shall be dealt with as asset loss if the reduced prices are lower than the purchasing prices. Price reduction losses arising from commodity damage and decay due to poor management and storage, as well as the corresponding readjustment expenditures, shall be

charged to asset loss; while expenditures arising from normal commodity readjustment shall be charged to commodity purchasing accounts.

For foreign trade enterprises, internal-sale commodity price reductions shall be treated as reductions in gross profit.

Article 21. Interest on floating capital loans as stipulated in Clause 8, Article 7 of the Cost Regulations refer to interest paid out to banks on floating capital loans, and normal interest expenditures on commissioning the management of cooperative shops and on share capital.

For enterprises keeping separate accounts for bank deposits and bank loans, interest income from floating capital deposits should be used to offset interest expenditures on loans. For enterprises keeping combined accounts for deposits and loans, the interest expenditure balance should be charged to commodity circulation cost.

Various kinds of penalty interest and additional interest charged by banks in accordance with the relevant regulations and interests on special-item loans should be charged to the retained profit accounts of the enterprises and the relevant special-item funds, respectively. They must not be charged to commodity circulation cost.

Article 22. Transportation insurance charges as stipulated in Clause 7, Article 7 of the Cost Regulations refer to insurance charges for commodity transportation within the country. They do not include insurance charges outside the country paid by foreign trade import and export enterprises, which should be added to the costs of the commodities imported or exported.

Asset insurance charges and transportation insurance charges should be charged to commodity circulation cost according to the actual insurance premiums paid. Discounts allowed by insurance companies should be used to offset insurance expenditures.

Article 23. Regarding expenditures arising from repair guarantees, replacement guarantees and return guarantees for commodities as stipulated in Clause 6, Article 7 of the Cost Regulations, those expenditures which are to be borne by the commercial enterprises concerned shall be charged to commodity circulation cost; those to be borne by the industrial production enterprises concerned shall be taken care of by fixed-amount contracts covering the repair, replacement and return guarantees of the commercial enterprises, any balance thereof being used to offset commodity circulation cost expenditures and any deficit thereof being charged to commodity circulation cost.

Article 24. Other items of expenditure chargeable to commodity circulation cost as stipulated by Clause 11, Article 7 of the Cost Regulations include:

1. administration expenditures of higher supervising organizations approved by the financial authorities;

2. expenditures arising from dealings of foreign trade enterprises with foreign countries in accordance with relevant stipulations of the state;

3. other expenditures approved by the Ministry of Finance to be included as commodity circulation cost.

Article 25. Article 13 of the Cost Regulations lists certain items of expenditures not chargeable to commodity circulation cost. In addition, the following expenditures of commercial and foreign trade enterprises are also not to be included as commodity circulation cost:

1. various expenditures that should be charged to administration or operating expenses;

2. various expenditures and asset losses that should be classified as nonoperational expenses (other expenses);

3. tax payments, which should be charged to sales income accounts;

4. building taxes, key energy and communication construction funds and state treasury stock purchases, which should be charged to the enterprises' own special-purpose funds;

5. expenditures arising from building, extending or converting refrigerating storage facilities, oil storage facilities, permanent warehouses and private railway lines; expenditures arising from building or extending commercial network points and staff quarters; expenditures arising from the purchase of motor vessels, oil-tank vehicles, refrigerating vehicles, thermal insulation vehicles and derrick cars; these expenses should be charged to basic construction investment accounts or the enterprises' own special-purpose funds;

6. expenditures arising from repairs and construction of simple storehouses, construction of small oil tanks, purchase of trucks and equipment for transportation of small quantities of grains and oil, and repairs and construction of temporary simple buildings, all of which should be charged to simple construction expenditures or the enterprises' own special-purpose funds. Temporary simple buildings include various kinds of simple commercial kiosks, temporary goods sheds, fruit and vegetable cells (caves), livestock and poultry enclosures and shacks, baking rooms, smoking and steaming rooms, simple stoves and sunning grounds, cement (asphalt) grounds, goods grounds, rooms for security guards, rooms for staff on duty, drinking-water boiler rooms, sentry boxes, toilets, various kinds of walls, palings, fences, caltrops, water drains, ponds, wells and private bridges and roads near goods grounds, etc.

Article 26. Enterprises have the right to refuse to pay in the case of various kinds of contribution apportionments not stipulated in the laws of the state and without explicit written approval of the state council or the People's Government of provinces, autonomous regions or municipalities.

C. On Commodity Circulation Cost Accounting

Article 27. According to Article 17 of the Cost Regulations, commercial and foreign trade enterprises should in principle conduct their commodity circulation cost accounting in accordance with the actual amounts incurred, and expenditures actually effected in the present financial period should be charged to the commodity circulation cost accounts of the present period. Nevertheless, the following items of expenditures should be dealt with according to the principle of incurrence authority and responsibility:

1. floating capital loan interest entered into the books in advance in accordance with the relevant regulations and other expenditures entered in advance with the approval of the Ministry of Finance;
2. large repair expenditures awaiting apportionment in accordance with the relevant regulations and other expenditures approved by the Ministry of Finance or the finance department (bureau) of the province, the autonomous region or the municipality and awaiting apportionment;
3. expenditures charged in accordance with unified and fixed proportions, like staff welfare funds, labor union operating expenditures and major repair expenditures.

Article 28. According to Article 18 of the Cost Regulations, if commercial and foreign trade enterprises pay by one installment and then enter the payments concerned into the appropriate account by installments, the last entry should not be more than 12 months from the time of actual payment. In special circumstances where an extension is needed, an appropriate extension of not more than 6 months may be approved by the supervising departments.

Reusable packing materials not sold together with the commodities may be dealt with either in accordance with the "down-grading" accounting principle or in accordance with the "installment" accounting principle. Such installments should not be spread over a time span of more than 12 months.

Article 29. According to Articles 18 and 19 of the Cost Regulations, uneffected expenditures entered in advance into appropriate accounts by commercial and foreign trade enterprises should be restricted to interest expenditures and other expenses approved by the Ministry of Finance or the finance departments (bureaus) of the provinces, autonomous regions or municipalities; expenditures awaiting apportionment should be restricted to items stipulated by the state. No enterprises or departments are permitted to falsely increase or decrease their commodity circulation cost accounts under the pretext of making advanced entries or making allowance for expenditures awaiting apportionment.

Article 30. Items of expenditure chargeable to commodity circulation cost accounts are as follows:

1. commodity circulation cost items for commercial enterprises are: transportation and miscellaneous charges, storekeeping charges, package

charges, commodity spoilage, service charges, interest on loans, insurance charges, wages of staff, wages payable to temporary staff, staff welfare expenditures, repair expenses, depreciation, charging purchase of furniture and implements by installments, labor union operating expenditures, staff education funds and management expenditures of the enterprises, etc., 16 items in all;

2. the commodity circulation cost of foreign trade enterprises includes the above 16 items, and, when necessary, may also include professional charges, charges incurred in dealing with foreign countries, and checking and service charges;

3. expenditures for food catering, service and repair enterprises are unified and fixed as: charges for fuel, water and electricity, consumption of materials, transportation and miscellaneous charges, staff wages, temporary staff wages, staff welfare expenditures, repair expenses, depreciation, charging purchase of furniture and implements by installments, labor union operating expenditures, staff education funds and management expenditures of the enterprises, etc., 12 items in all.

Article 31. Low-value consumables as stipulated in Article 20 of the Cost Regulations refer to articles of unit values below 10 yuan. These articles are charged to commodity circulation cost accounts immediately when they are issued for use.

Article 32. Commercial and foreign trade enterprises should accurately calculate their commodity circulation costs for regular accounting periods of 1 month, 1 quarter or 1 year. The following dividing lines must be drawn strictly:

1. the dividing line between commodity circulation costs for the current and previous periods must be drawn clearly; commodity circulation cost items effected in a certain period must not be transferred to an earlier or later period;

2. the dividing line between commodity circulation cost items and other items must be drawn clearly; expenditures not included in commodity circulation cost items must not be charged to commodity circulation cost, and expenditures included in commodity circulation items must not be charged to other accounts;

3. the dividing line between expenditures incurred by one's own enterprise and expenditures incurred by outside units must be drawn clearly; expenditures paid out temporarily for outside units in accordance with the relevant regulations should be retrieved in a timely manner and must not be charged to commodity circulation cost;

4. the dividing line between major repairs and renewal, refitting or basic construction must be drawn clearly; expenditures arising from renewal, refitting or basic constructions should be charged to the relevant special-purpose funds or basic construction appropriations;

5. foreign trade enterprises must draw the dividing line between expenditures effected before or after delivery of goods; when purchasing commodities exported by our own country, the various items of expenditure effected before the goods reach the place of delivery agreed upon by the two parties [supplier and buyer] should be included in the purchasing prices of the commodities, and expenditures effected after the goods have reached the place of delivery should be charged to commodity circulation cost.

Article 33. In commercial and foreign trade enterprises, commodity circulation cost expenditures can be apportioned in the following manner:

1. If it is possible to identify one commodity as the source of expenditure incurrence, then the expenditure should be charged to the account of this commodity; if it is not possible to identify such a commodity, then the expenditure should be apportioned according to a reasonable criterion. Foreign trade enterprises must calculate circulation costs separately for imported and exported commodities.

2. Grain enterprises must strictly separate the circulation costs of flat-price and negotiated-price commodities. Expenditures should be charged directly to either circulation cost accounts of flat-price or negotiated-price commodities if such ascription is clear; otherwise, when it is difficult to ascribe the expenditure in question entirely to one or the other, it may be apportioned in accordance with the relative proportion of flat-price and negotiated-price commodity business done by the enterprise concerned.

Article 34. Commodity circulation cost accounting documents must be accurate and complete and must faithfully reflect the various kinds of expenditures incurred during the process of business activities. The primary documents, account books, commodity circulation cost totals and distribution tables and statistical figures concerned with commodity circulation cost analysis must be complete, true and fraud-proof.

Article 35. At the end of the financial year, the enterprises must carefully take stock of assets, commodities and materials so that they can have a good understanding of their actual financial situations and so that their profit-loss situations can be ascertained.

D. On the Planning and Management of Commodity Circulation Cost

Article 36. Commodity circulation cost plans formulated in the basis of Article 25 of the Cost Regulations constitute an important component of financial planning in enterprises. The methods and procedures of formulating commodity circulation cost plans are as follows:

1. The annual commodity circulation cost plans in enterprises should be formulated under the guidance of state planning, and in accordance with the assignments of the commercial and trade departments and the commodity circulation cost rate reduction required by the management departments of the enterprises concerned. This should be done according to the principle that

reasonable needs of commodity circulation will be guaranteed, on the one hand, and expenditure and costs will be minimized, on the other.

2. The annual commodity circulation cost plans in enterprises should be reported to the higher authorities, level by level. When it has been scrutinized and approved by the management departments of the enterprises concerned in conjunction with financial organs at the same level, it should be returned to the enterprises concerned by the management departments level by level.

3. The enterprises should draw up annual execution plans to control expenditures with the annual commodity circulation cost plan targets assigned by the higher management departments. Under special circumstances when higher annual targets are contemplated, the procedures for reporting and scrutiny are the same as stipulated in the above article.

4. The commodity circulation cost plans should include the following details: targets of overall planning, such as the total commodity sales figure or the turnover of grains and oil, the total cost of commodity circulation, the level of commodity circulation cost, and the reduction rate of commodity circulation cost; targets for specific items such as maintenance cost and enterprise management cost.

5. Commercial and foreign trade enterprises should break down the commodity circulation cost plan targets assigned by the higher authorities, and assign targets to the relevant business departments, so that they can be supervised separately.

Article 37. The method of assessing commodity circulation costs of commercial and foreign trade enterprises are stipulated as follows:

1. For commercial (not including grain) and foreign trade enterprises, the formula for calculating the reduction rate of commodity circulation cost is as follows: The reduction rate of commodity circulation equals (the estimated cost rate or the cost rate in the reference period) minus (the cost rate of the reporting period) divided by (the estimated cost rate of the cost rate in the reference period) multiplied by 100 percent.

Foreign trade enterprises should have the commodity circulation cost rate reductions of their import and export businesses assessed separately.

2. When grain enterprises assess their reductions in the cost of handling grains and oil (per 10,000 jin), the following formula should be used: Reduction in cost of handling grains and oil (per 10,000 jin) equals (estimated total cost or total cost for reference period in yuan) divided by (estimated total quantity of grain and oil handled or total quantity of grains and oil handled in reference period in 10,000 jin) minus (total cost for the present period in yuan divided by total quantity of grains and oil handled in the present period in 10,000 jin).

Article 38. According to Article 27 of the Cost Regulations, commercial and foreign trade enterprises should fix commodity stock levels (it is not

necessary for grain enterprises to do so for the moment), commodity spoilage limits, liquid capital access limit, and limits for the management of the enterprises, etc. Documents fixing such limits should be copied and sent to financial and taxation organs of the same level for reference.

Article 39. Commercial and foreign trade enterprises should establish procedures for commodity and material stocktaking and in-transit commodity management. They should carry out clearance and stocktaking both on regular and nonregular bases in order to insure that accounts will check and reflect the actual situation.

Article 40. Commercial and foreign trade enterprises should strengthen their procedures for receiving commodities capable of being measured and quantified, and should avail themselves of the necessary measuring instruments. Food catering enterprises should establish the necessary procedures for movement of raw and semifinished materials in and out of stock so that primary records will be kept properly. Procedures must be adopted to prevent raw and semifinished materials taken out of stock but not yet used to be classified as losses or consumption, giving rise to unreal expenses or cost.

Article 41. According to Article 5 and Article 24 of the Cost Regulations, the managerial responsibilities of enterprise managers with regard to commodity circulation cost are mainly: to provide leadership in the making of plans, to organize implementation of the plans, to monitor the actual execution of the plans, and to support the financial accounting departments in their efforts to strengthen supervision in order to maintain financial and economic discipline.

The chief accountant is in charge of the overall economic accounting work. He will also assist the manager in organizing and leading the management of commodity circulation cost, scrutinizing plans on commodity circulation cost, scrutinizing expenditure on important items, and taking responsibility for their actual execution.

Article 42. According to Articles 5 and 28 of the Cost Regulations, the managerial responsibilities of the financial accounting departments of the commercial and foreign trade enterprises with regard to commodity circulation cost are:

1. to be responsible for the actual drawing up and execution of plans on commodity circulation cost, and to break down and implement targets of plans approved by the higher authorities;
2. to supervise and scrutinize commodity circulation cost expenditures in accordance with the state's policy;
3. to draw up internal commodity circulation cost management procedures in the enterprises;
4. to carry out accounting work and analysis of commodity circulation cost;

5. to participate in the determination of the enterprises' various limits related to commodity circulation cost;

6. to report the result of the execution of commodity circulation plans, and to reflect the situation to the leadership of the enterprises, the managing departments and the financial and tax organs in a timely manner.

Article 43. The financial accounting personnel of the enterprises must adhere strictly to financial accounting discipline and the various relevant stipulations. In the case of expenditures going beyond the scope, standard and limit of commodity circulation cost, they should perform their duty and in a timely manner stop and correct such practices, and also report to the leadership of the enterprises and suggest ways to deal with the cases.

Article 44. According to Articles 5 and 30 of the Cost Regulations, the managerial responsibilities of the heads of the various functional departments of commercial and foreign trade enterprises are as follows:

1. business departments should, in accordance with the plans, reasonably deploy capital, reasonably arrange for building up commodity stock, accelerate the rate of capital turnover, and prevent the occurrence of losses due to overstocking;

2. storage and transportation departments strengthen the management of warehouses, practice reasonable transportation, improve the quality of storage and transportation work, and reduce spoilage of commodities;

3. labor and wage departments should manage well the release of wages of awards in accordance with the state's stipulations;

4. administration departments should strengthen the control and management of enterprise management costs and cut down expenses.

E. On Supervision and Punishment

Article 45. The manager and the chief account of an enterprise are responsible for the supervision of the following with regard to commodity circulation cost:

1. scrutinizing commodity circulation cost plans;

2. regularly convening commodity circulation cost analysis meetings, so that economic benefits can be increased by taking improvement measures to tackle weak links in the management of the enterprise;

3. supervising and executing regulations on the scope of commodity circulation cost expenditures and accounting and auditing procedures;

4. executing relevant decisions on rewards and punishments made by the financial and taxation organs and higher management departments;

5. scrutinizing and signing financial accounting reports on commodity circulation cost.

Article 46. According to Article 31 of the Cost Regulations, the enterprise management departments will perform the following supervision and checking duties with regard to the commodity circulation costs of enterprises:

1. checking the implementation and execution of commodity circulation plans of the enterprises;

2. checking commodity circulation cost expenditures of the enterprises, making sure that they are in accordance with the scope and standards specified in the Cost Regulations and these Detailed Stipulations;

3. checking how the Cost Regulations and these Detailed Stipulations are implemented and executed by enterprises;

4. making enterprises improve their operation and management, and strive to reduce their commodity circulation cost expenditures;

5. regularly collecting and scrutinizing reports of enterprises, and giving advice and comments afterward;

6. stopping in a timely manner the occurrence of illegal activities and carrying out investigations either on their own or in conjunction with financial organs, and supervising and making sure that the enterprises execute reward and punishments decisions made by the financial organs or the higher management departments.

Article 47. Auditing, financial and taxation organs will, in accordance with their respective functions and powers, perform the following supervising and checking duties with regard to the management of the commodity circulation costs of enterprises:

1. supervising the execution of the Cost Regulations, these Detailed Stipulations and other circulation cost management regulations pertaining to various commodities;

2. carrying out investigations and verifications in the case of activities in contravention to rules and regulations, and making suggestions on how to deal with such activities;

3. supervising the enterprises in punishing offenders engaged in illegal activities and rewarding meritorious personnel, and checking the execution of such tasks;

4. checking other issues related to commodity circulation cost.

Article 48. Foreign trade, commercial, food and other enterprises established by the central government in the localities should be under the supervision of the local auditing, financial and taxation organs.

Article 49. Regarding enterprises contravening the Cost Regulations and carrying out one of the illegal activities listed in Article 34 of the Cost Regulations, they will be dealt with in accordance with the relevant financial and taxation regulations. Lighter offenders will be required to rectify the situation within a time limit and the more severe offenders will be imposed a fine equal to 20 to 100 percent of the loss of state income concerned. Such fines payable by the enterprises will be charged to their own funds, and will not be chargeable to commodity circulation cost accounts.

Article 50. If an enterprise contravenes the Cost Regulations and carries out the illegal activities listed in Clauses 1, 2 and 3 of Article 34 of the Cost Regulations, its leadership personnel concerned and its staff directly responsible for such illegal activities will be given criticism and education if the offense is light and if their attitudes toward their faults are good. If the offense is severe but their attitudes toward their faults are good, they will be imposed a fine equivalent to not more than 1 month's wage. Deliberate offenders of severe circumstances will be fined not more than 3 months' wage and given appropriate administrative punishments.

Article 51. If an enterprise contravenes the Cost Regulations and carries out illegal activities listed in Clauses 4 and 5 of Article 34 of the Cost Regulations, its leadership personnel concerned and its staff directly responsible for such illegal activities will be fined not more than 3 months' wage and given administrative punishments.

Article 52. A person's "wage" as used in the Cost Regulations and these Detailed Implementation Stipulations refers to the person's standard wage, not including allowances and other income.

Article 53. When contravention of the Cost Regulations and illegal activities listed in Articles 38 and 34 of the Cost Regulations is so severe as to constitute contravention of law, the judiciary organs will investigate to determine the criminal responsibilities.

Article 54. Chief accountants, or leadership personnel of enterprises performing the function of chief accountant, and financial accounting personnel who are aware of illegal activities being carried out but fail to resist and reveal such activities will be punished along with the people who are directly responsible for these activities.

Article 55. Enterprises and individuals contravening the Cost Regulations without carrying out illegal activities listed in Article 34 of the Cost Regulations will be criticized by the enterprise administration departments and the financial organs, as well as required to rectify the situation within a time limit.

Article 56. Regarding persons who uphold the state's policy and the Cost Regulations, and reveal and inform against illegal activities, the government or the financial organs will commend them or give appropriate awards according to the actual circumstances.

F. Supplementary Articles

Article 57. These Detailed Implementation Stipulations will be enforced together with the Cost Regulations. All previous regulations in conflict with the Cost Regulations and these Detailed Implementation Stipulations will be rescinded.

Article 58. Commercial departments and economic and trade departments of the provinces, autonomous regions and municipalities may introduce certain necessary supplementary regulations or draw up certain specific implementation measures according to the specific circumstances of the respective areas or departments and in accordance with the Cost Regulations and these Detailed Implementation Stipulations.

Article 59. These Detailed Implementation Stipulations are subject to the interpretation of the Ministry of Finance.

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PHARMACEUTICALS CONTROL LAW STIPULATIONS ISSUED

(Guoyizhizi [0948 6829 6347 1316] (1984) No 638)

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[Stipulations of the State Pharmaceutical Control Bureau on the Implementation of the "Pharmaceuticals Control Law of the PRC" (30 November 1984)]

[Text] The "Pharmaceuticals Control Law of the PRC," (published in issue No 23 of this BULLETIN in 1984) which was deliberated and passed by the Seventh Session of the Sixth NPC Standing Committee, will come into effect on 1 July 1985. In order to conscientiously implement the law, strengthen quality management in the pharmaceuticals industry and guarantee the safety and efficiency of the pharmaceuticals used by the people, the following stipulations are expressly set down:

1. The pharmaceutical management bureaus (or general companies) of provinces, autonomous regions, centrally administered municipalities and cities which determine their own plans [jihua danlie shi 6060 0439 0830 0441 1579] must, on the basis of the requirements stipulated for pharmaceutical production enterprises and pharmaceutical business enterprises by the "Pharmaceuticals Control Law," carry out investigation by stages and in groups of the pharmaceutical production and business enterprises within their areas. Those enterprises which meet the requirements should be issued with a "pharmaceutical production enterprise certificate of quality" or a "pharmaceutical business enterprise certificate of quality." Those enterprises which are not up to standard should be given a certain period within which they will have to meet the requirements. Those enterprises which hold the "certificate of quality" can apply to the public health administration department for a "pharmaceutical production enterprise license" or a "pharmaceutical business enterprise license."
2. In order to do well in the unified planning and distribution of the pharmaceutical industry and to do well in running pharmaceutical production enterprises, it will be necessary for the unit which is to run the enterprise, in accordance with the limits of investment approval, to submit a request report to operate a pharmaceutical production enterprise to the pharmaceutical management bureau (or general company) of the province, autonomous region, centrally administered municipality or city which determines its own plan. At the same

time, it is also to send details of the proposed products of the factory, the scale of production, the site of the factory and feasibility studies. After these have been examined and approved, the construction work can be carried out in accordance with the capital construction plans. Before a completed pharmaceutical factory can be put into operation, the approving department will carry out checks and will issue a "pharmaceutical production enterprise certificate of quality" if the factory accords with the stipulations laid down by the "Pharmaceuticals Control Law." On the basis of the "certificate of quality" the factory will be able to apply to the public health administration department for a "pharmaceutical production enterprise license."

3. If a unit wishes to operate a pharmaceutical business enterprise, it will be necessary for the unit to apply for approval to the local pharmaceutical control department. Only after approval has been obtained will it be possible to establish the enterprise. Prior to official commencement of business, the enterprise will be examined and checked by the approving departments to see whether the enterprise accords with the necessary requirements for pharmaceutical business enterprises. If it does, it will be issued with a "pharmaceutical business enterprise certificate of quality." On the basis of the "certificate of quality" it will be possible to apply to the public health administration department for a "pharmaceutical business enterprise license."

4. Producing units intending to put into production a new pharmaceutical product which meets national standards and the standard of the province, autonomous region or directly administered city, must hand over market research reports and production plans for the product to the pharmaceutical control bureau (or general company) of the province, autonomous region, centrally administered municipality or city which determines its own plan. After these have been approved, the production preparation work can begin. Prior to putting the product into production, the approving department must carry out an examination. If up to standard, a "pharmaceutical production license" will be issued. The production enterprise must forward trial-produced pharmaceutical products to the pharmaceutical inspection office of the province, autonomous region or centrally administered municipality for examination, and obtain a document of approval.

5. The state will implement special controls for industrially produced narcotic, toxic and stimulant pharmaceuticals. The production and trading of such pharmaceuticals will be carried out in a planned way and will only be carried out by those industrial production and business enterprises which have been approved by the state. The appointed enterprises will be given "licenses" to produce or trade in narcotic and toxic pharmaceuticals.

6. The state pharmaceutical control bureau and the pharmaceutical control bureau (or general company) of the province, autonomous region, centrally administered municipality or city which determines its own plan will be responsible for managing and checking on the quality of pharmaceutical production enterprises and pharmaceutical business enterprises. In regard to offenders against the "Pharmaceuticals Control Law," these bureaus have the authority to give warnings, circulate notices, instruct an enterprise to cease

production, or to close down to carry out readjustments, or to revoke the "pharmaceutical production enterprise certificate of quality," the "pharmaceutical business enterprise certificate of quality" and the "pharmaceutical production license." The quality examination department of an enterprise is responsible for the supervision, examination and laboratory testing of that enterprise's products. It is not permitted to issue certificates of quality for products which are not up to standard. Quality should be stringently controlled. If public health administrative departments, public security organs or industrial and commercial industrial departments discover that a pharmaceutical production or business enterprise has violated the "Pharmaceuticals Control Law," they must investigate the case and affix responsibility. When the administrative penalties are handed down, the pharmaceutical control bureau (or general company) of the province, autonomous region, centrally administered municipality or city which determines its own plan, should positively assist in implementing the punishment.

7. The standards for the "pharmaceutical production enterprise certificate of quality," "pharmaceutical business enterprise certificate of quality," and the "pharmaceutical production license" will be stipulated in a unified way by the state pharmaceutical control bureau. The certificates and licenses will be issued by the pharmaceutical control bureau (or general company) of the province, autonomous region, centrally administered municipality or city which determines its own plan.

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