

Content

Title :	Regulations Governing the Preparation of Financial Reports by Incorporated Certified Public Accountant Firms <b>Ch</b>
Date :	2008.05.16
Legislative :	1. Full text of 10 articles adopted and issued per 16 May 2008 Order No. Financial-Supervisory-Securities-VI-09700200931 of the Financial Supervisory Commission, Executive Yuan; for enforcement from the date of issuance
Content :	<p>Article 1 These Regulations are adopted pursuant to Article 33, paragraph 2 of the Certified Public Accountant Act (the "CPA Act").</p> <p>Article 2 The financial reports of an incorporated certified public accountant (CPA) firm shall be prepared in accordance with these Regulations and other applicable laws and regulations. Matters not provided for therein shall be governed by generally accepted accounting principles (GAAP).</p> <p>Article 3 An incorporated CPA firm shall establish an accounting system based on the nature of its accounting affairs, the actual status and development of its business, and its management needs. The accounting system referred to in the preceding paragraph shall provide a general description of the accounting system, an organizational chart of journals and ledgers, descriptions and uses of account titles, accounting documents, account books, and accounting statements, accounting procedures, and finance and payment/disbursement operations.</p> <p>Article 4 For the purpose of these Regulations, "financial reports" shall mean financial statements and any other disclosures and explanatory information helpful to the decision making of users. A complete set of financial statements shall comprise a balance sheet, an income statement, a statement of changes in shareholders' equity, a statement of cash flows, and their accompanying notes or supplementary schedules. An incorporated CPA firm, unless newly established or otherwise required by the Financial Supervisory Commission (FSC) of the Executive Yuan, shall prepare the major financial statements and notes described in the preceding paragraph by presenting comparative information for two consecutive periods, and the major financial statements shall also be signed or sealed on each page by the incorporated CPA firm's chairperson and in-charge accountant.</p> <p>Article 5 A balance sheet shall be divided into the three primary sections of assets, liabilities, and shareholders' equity, and the line items, headings, and subtotals to be presented on the balance sheet shall be determined based on a consideration of the following (Form 1):</p>

1. The nature, liquidity, and materiality of the asset.
2. The function of the asset.
3. The nature, maturity, and materiality of the liability.

#### Article 6

As a minimum, an income statement shall present the following (Form 2):

1. Operating revenue.
2. Operating costs and expenses.
3. Non-operating revenues and expenditures.
4. Profit or loss for the period.

Apart from those required by the preceding paragraph, additional line items, headings, and subtotals may also be included on the income statement.

#### Article 7

A statement of changes in shareholders' equity is a report that presents the changes in the components of shareholders' equity. It shall state the beginning balance, amount of any change for the period, and ending balance for capital, capital surplus, retained earnings (or accumulated deficit), and other adjustments to shareholders' equity (Form 3).

#### Article 8

A statement of cash flows presents, through inflows and outflows of cash and cash equivalents, a summary report on the operating, investing and financing activities of the incorporated CPA firm during the period. The statement of cash flows shall be prepared in accordance with the Statement of Financial Accounting Standards No. 17 (Form 4).

#### Article 9

To meet the objective of presenting full and complete information about the financial position, operating results, and cash flows of an incorporated CPA firm, financial reports shall contain explanatory notes disclosing the following:

1. Firm overview:
  - (1) Firm history.
  - (2) Principal business operations.
2. Overview of organizational structure:
  - (1) Establishment of head and branch offices (Form 5).
  - (2) List of directors (Form 6).
3. Personnel overview:
  - (1) Changes in shareholders (Form 7).
  - (2) Changes in accounting assistants (Form 8).
4. Business overview:
  - (1) Analysis by business type (Form 9).
  - (2) Analysis of financial and tax attestation services (Form 10).
5. Legal and regulatory compliance:
  - (1) Compliance concerning utilization of funds (Form 11).
  - (2) Compliance concerning professional liability insurance coverage (Form 12).
6. Material commitments and contingent liabilities.
7. Significant transactions with related parties.
8. Losses due to major disasters.
9. Major litigation pending or concluded.
10. Material subsequent events.

11. Other necessary descriptions essential for avoiding misunderstanding by users or for the fair presentation of the financial reports.

Article 10

These Regulations shall enter into force from the date of issuance.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System