

Research on New Accounting Subject of "Creditor's Rights Investment"

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Abstract. In March 2018, "Accounting" Textbook for the Certified Public Accountants Examination was published. The subject of "held-to-maturity investment" was renamed as "creditor's rights investment". This paper expounds the types of accounting subjects renamed and the historical evolution of bond investment accounting subjects, and probes into the related issues of "creditor's rights investment". Finally, it summarizes the significance and role of the renaming of accounting subjects.

1. "Held-to-maturity investment" renamed "creditor's rights investment"

On April 6, 2017, the Ministry of Finance issued the revised Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. According to the new financial instrument standard, the classification of financial assets is changed from four categories to three categories. According to the business model of financial assets management and the characteristics of contract flow, enterprises generally divide financial assets into three categories: (1) financial assets measured by amortized cost; (2) financial assets measured by fair value and their changes are included in other comprehensive income; (3) financial assets measured by fair value. Quantity and its changes are included in the current profit and loss of financial assets.

According to the explanations on pages 228 and 249-253 of the textbook "Accounting" of the Chinese Certified Public Accountants Examination in 2018, the first type of business accounting in the above three categories, i.e. financial assets measured at amortized cost, is changed from "holding to maturity investment" in the original subject to "creditor's rights investment" in the new subject.

The name "holding to maturity investment" focuses on the intention of management, that is, purchasing bonds to hold to maturity, collecting interest and par value during the holding period, while "creditor's rights investment" focuses on a "right" interest, which is the same as "long-term equity investment".

What's the mystery of this change? This paper will do some analysis.

2. Types of accounting subject renaming

With the introduction and revision of enterprise accounting standards in 2006, some accounting disciplines have changed their names or even continued to change their names. Accounting subject renaming can be basically divided into three basic types: (1) merger renaming; (2) split renaming; (3) one-to-one renaming.

There are many examples of merger renaming, such as "wage payable"+ "welfare payable"= "employee salary payable", "packaging"+ "low-value consumables"= "turnover materials", "tax payable"+ "other payables"= "taxes and fees payable".

There are also some renamings of split-ups, such as "short-term investment"= "transactional financial assets"+ "sellable financial assets", "long-term creditor's rights investment"= "holding to maturity investment"+ "sellable financial assets", "long-term equity investment"= "long-term equity

investment"+ "sellable financial assets", "sellable financial assets"= "other creditor's rights investment"+ "its". He invests in equity instruments.

Obviously, the renaming of "holding to maturity investment" as "creditor's rights investment" belongs to one-to-one renaming. Generally speaking, one-to-one renaming improves the scientific and understandable connotation and extension of accounting subjects, such as "operating expenses" renamed "sales expenses" and "cash in stock" renamed "cash in stock".

3. Historical evolution of accounting subjects of bond investment

The historical evolution of bond investment accounting subjects has experienced the stages of enterprise accounting system in 2001, financial instrument standards in 2006 and new financial instrument standards in 2017. In 2000 and before, China was in the period of industry accounting system. There was no uniform accounting subjects in all kinds of industries.

3.1 Enterprise accounting standards stage 2001

On December 29, 2000, the Ministry of Finance promulgated the Enterprise Accounting System, which has been implemented within the scope of joint stock limited companies since January 1, 2001. Enterprise Accounting System divides bond investment into "short-term investment" and "long-term creditor's rights investment". Among them, "short-term investment" accounts account for investments that enterprises can cash in at any time and hold for less than one year (including one year), including various stocks, bonds, funds, etc. Short-term investment can be understood as short-term bond investment + short-term equity investment + short-term fund investment. "Long-term creditor's rights investment" accounts for bonds and other creditor's rights investments that cannot be realized or are not ready to be realized at any time within one year (excluding one year) purchased by enterprises. In addition, two accounting disciplines, short-term investment depreciation reserve and long-term investment depreciation reserve, have been set up. Short-term investment should be measured at a lower cost than the market price. When the market price is lower than the cost, the provision for short-term investment should be calculated. The long-term investment impairment reserve accounts for the long-term investment impairment reserve extracted by enterprises, including the long-term equity investment impairment reserve and the long-term creditor's rights investment impairment reserve.

It can be seen that at this stage, the accounting of bond investment and the calculation of impairment reserve are often mixed with equity investment and are not distinguished.

3.2 Financial instruments guidelines stage 2006

On February 15, 2006, the Ministry of Finance promulgated the Accounting Standards for Enterprises, which were implemented on January 1, 2007. According to the provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, bond investment accounting subjects are divided into three categories: transactional financial assets, holding to maturity investment and sellable financial assets. Among them, "transactional financial assets" accounting enterprises hold financial assets for sale in the near future, including stocks, bonds and funds; fixed-rate treasury bonds and floating-rate corporate bonds purchased by enterprises from the secondary market, which meet the conditions of holding to maturity investment, can be divided into holding to maturity investment, holding to maturity investment usually has a long-term nature, but the term is limited. Shorter (less than one year) bond investment, which meets the conditions of holding to maturity investment, can also be divided into holding to maturity investment; sellable financial assets usually refer to financial assets that are not divided into financial assets measured at fair value and whose changes are included in current profits and losses, holding to maturity investment, loans and receivables. The corresponding asset deduction categories include "holding to maturity investment impairment reserve" and "available for sale financial assets impairment reserve".

It can be seen that bond investment can be divided into transactional financial assets according to the intention of management to earn short-term transactional differential returns, and those that want to earn interest returns from holding to maturity can be divided into holding to maturity investments. Besides these two kinds of investments, they can be divided into sellable financial assets. Of the above three subjects, only the "holding to maturity investment" subject only contains bonds, while the other two subjects are mixed with stocks, funds and other contents.

3.3 New financial instruments criteria stage 2017

On March 31, 2017, the Ministry of Finance promulgated the revised Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, which will be implemented in all kinds of enterprises from January 1, 2018 to January 1, 2021. According to the new financial instrument standards, financial assets are divided into three categories, namely: (1) financial assets measured by amortized cost; (2) financial assets measured by fair value and whose changes are included in other comprehensive income; (3) financial assets measured by fair value and whose changes are included in current profits and losses. Combining with the expatiation of the textbook Accounting for the Certified Public Accountants Examination in 2018, the first category is accounted for by the subject of "creditor's rights investment", the second category is accounted for by the subject of "other creditor's rights investment" and the subject of "other equity instrument investment", and the third category is still accounted for by "transactional financial assets". As for the corresponding accounting subjects of asset deduction, the textbook "Accounting" of the 2018 Certified Public Accountants Examination has not been specifically elaborated, only some written descriptions of the impairment of financial instruments.

It can be seen that the two subjects of "creditor's rights investment" and "other creditor's rights investment" only account for bonds; "transactional financial assets" can account for bonds, stocks and funds; and "other equity instruments investment" accounts for non-transactional equity investment. Compared with the old financial instrument standards, the biggest change is that the subject of "sellable financial assets" has disappeared completely. For the former financial assets which belong to bonds, they are classified as "other creditor's rights investment" and for the former financial assets which belong to stocks, they are classified as "investment in other equity instruments". The subject of "transactional financial assets" remains unchanged. The original "holding to maturity investment" has been renamed "creditor's rights investment".

4. Discussion on related issues of "creditor's rights investment"

4.1 Why not rename it "bond investment"

Before this renaming, accounting subjects with the word "debt" in history and at present include "long-term debt investment" and "bonds payable". Why not call this renaming "bond investment" instead of "debt investment"? Let's first analyze the difference between "bond" and "creditor's rights".

Bond is a kind of contract, which is the creditor's right and debt certificate that the government, financial institutions, enterprises and other subjects directly borrow from the society to raise funds, issue to investors, and promise to pay interest at a certain interest rate and repay principal on agreed terms. The essence of bond is the proof of bond, which has legal effect. Bond purchaser or investor and issuer is a kind of creditor-debtor relationship. Bond issuer is debtor and investor (bond purchaser) is creditor.

Creditor's right is a civil right that can request others to act (act or omission). Based on the principle of relative rights and obligations, the obligation of civil law must be a certain act (act or omission) as opposed to the obligation of the creditor. Therefore, the relationship between debt is essentially the relationship between creditor's rights and debts in civil law. Neither creditor's rights nor debts can exist independently, otherwise it will lose its significance.

"Bond investment" focuses on investments based on bonds, which are proof of the debt, while "creditor's rights investment" focuses on creditor's rights, which require the other party to repay

interest and return the principal right. Obviously, the term "creditor's rights investment" is more scientific and reasonable than "creditor's rights investment".

4.2 Relation between the subject of "creditor's rights investment" and "other creditor's rights investment"

In accounting subjects, there are many subjects with the name of "other **", such as "accounts receivable" corresponding to "other receivables", "accounts payable" corresponding to "other accounts payable", "main business income" corresponding to "other business income", "main business cost" corresponding to "other business costs".

Generally speaking, accounting subjects without the word "other" occur in higher amounts and frequencies than those with the word "other". Similarly, the amount and frequency of debt investment are higher than those of other debt investment. The main purpose of bonds purchased by enterprises is to obtain interest income. Generally, the price of bonds does not increase much. Therefore, the naming of "creditor's rights investment" and "other creditor's rights investment" is scientific and reasonable.

5. Summary

To sum up, the term "holding to maturity investment" has been renamed "creditor's rights investment", which is more clear and reasonable in concept and has certain significance and role.

Firstly, renaming is the inevitable result of the revision of accounting standards for financial instruments. The classification of financial assets is no longer based on the intention of management, but on the business model of enterprises and the characteristics of contract cash flow.

Secondly, after renaming, "creditor's rights investment" is more understandable than "holding to maturity investment", which directly indicates that the investment is creditor's rights.

Third, the renaming reflects the "debt" right, emphasizing the right to collect interest during the holding period and return the principal.

Fourthly, after the renaming of the bond investment subjects, the stock investment component is eliminated as far as possible. Only "transactional financial assets" accounting includes both bonds and stocks. In this way, the renamed financial asset classification system is clearer and more scientific.

Fifth, the renaming reflects that the main purpose of creditor's rights investment is to obtain stable interest income, rather than earning differential price.

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