

Fixed Assets Investment Business 固定资产投资业务 PDF转换可能丢失图片或格式，建议阅读原文

https://www.100test.com/kao_ti2020/251/2021_2022_FixedA_ets_c92_251869.htm Fixed assets investment is regulated to different extent in all countries, due to its special nature. For example, large-scale infrastructure construction projects such as water conservancy, road construction and the major resource exploitation of petroleum, coal and so on must obtain the governments approval. Nowadays, China regulates social fixed assets investment through grade ratifying. Usually the project cannot be commenced until its proposal, feasibility report and primary plan have been ratified and it is officially listed and proved to commence. Generally speaking, the infrastructure construction projects should be reported to the SDPC at all levels concerned, and technology conversion projects should be reported to the State Economy and Trade Committee at all levels concerned for ratification. Loans from the commercial bank is an important source of project construction fund. At different periods of the project, the commercial bank provides different services, as shown in the chart below.

I. Project Proposing The projects proprietor proposes the project, drafts the project proposal report and submits the report to the relevant authorities for ratification. While ratifying the proposal report, the authorities often require the proprietor to provide fund arranging scheme, in which a letter of intent for lending from the bank is needed for the bank loan portion. In this phase, the two parties (the bank and project proprietor (client)) can make preliminary contact. Then the client applies for a

loan and the bank works out a financing proposal and grants a letter of intent for lending after initially examining the loan.

II. Feasibility study When the project proposal is officially ratified, the project proprietor shall demonstrate the feasibility of the project and draft feasibility study report. If he has any loaning demand, he can apply to the bank directly. In order to satisfy the need for project ratification, the bank will, subject to the conditions of the project, provide a conditional letter of commitment (a letter of support) as the basis of the funding fulfillment. After the F/S report is ratified by relevant authorities, the bank will overall evaluate, investigate and ratify this project loan and review the loan scheme with the project proprietor. Once the loan is set, a formal letter of commitment for loan will be granted.

III. Construction Upon the F/S report being officially ratified, the project proprietor shall prepare preliminary design for commencing the work. Some projects will have to be reported to the relevant authorities for ratification. During this phase, the bank will sign the loan contract and guarantee contract with the project proprietor and guarantor if the project involves a loan committed by the bank. The bank will open a special account of project loan for the project proprietor. This account will be the instrument for the bank to grant loan according to the contract after the opening of the project, to acquaint itself with the proceeding of the project and the financial condition of the project proprietor at regular interval, supervise the using of the loan, and to withdraw the interest according to the rate set forth in the contract (the loan principal may not be repaid within the grace period).

IV. Production

Upon the project construction being completed, the bank will attend acceptance checking meetings to acquaint itself with the final accounting status and provide suggestions. Once the project is put into operation, the project proprietor will have to account the depreciation of the built fixed assets and repay the interest and principal of the loan with the depreciation fund and the comprehensive profit gained in the production and operation. The bank will check regularly the production/operation and financial status of the project proprietor, supervise the loan risks and charge interest according to the contract in order to ensure recovering of the loan principal. In addition to providing the loan, the commercial bank also provides project financial consulting, syndicated loans and other services for the fixed assets investment project. Project loan is a loan of local and foreign currencies granted by the commercial bank that is to be used in the borrowers constructing, expanding, modifying, developing and purchasing the fixed assets. Compared with the working capital loan, the project loan has the following four features: 1. The project should be ratified according to the states regulated procedures. 2. It must be put into consideration that the project loan must have an appropriate proportion with the non-debt funds, i.e. the project must be funded partly with a certain portion of capital fund. According to the present regulation of China, the portion of capital fund in different industries is shown as follows:

Industry	Proportion
Transportation and coal projects	Over 35%
Steel, post and telecommunications, and chemical fertilizer projects	Over 25%
Other projects	20%

3. Project loan is ratified at one

time and loan can be granted in several installments. The term of the loan is generally long and the rate is charged annually. The loan demand of the whole project must be evaluated. It is ratified and committed at one time. However, the loan will be granted annually in installment as per the proceeding of the project and fund use plan. The term of the project loan spans from the date the first installment of the loan is granted to the date the last installment of loan is repaid. The interest rate for the first year of the contract is set according to the rate of the same term publicized by the central bank at the time when the contract is signed. The rate for the rest years will change annually with the interest rate publicized by the central bank. 4. A project loan is a periodic loan. One project loan can only be used in one fixed assets investment project. It will be granted from the day when the project is commenced and its repayment will count from the day when the project is put into operation to the day when the bank recovers all its interest and principal. After that, the loan will totally withdraw from the enterprises operational activities. 100Test
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