

Standard Answers to Frequently Asked Questions for Kingdee K/3 System

金蝶 K/3 系统常见问题回答

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1. FAQ for business 业务问题

1.1 How K/3 system is licensed to customer 金蝶 K/3 系统如何报价？

K/3 is an integrated ERP system consisting of subsystems such as finance, supply-chain and manufacturing. Subsystems are further divided into functional modules. The following table is a list of modules of the financial subsystem. Functional modules can be used either separately or in integration with each other based on business logic. License is granted to customer based on selected modules, and number of concurrent users accessing each subsystem. For each subsystem the cost can be calculated when the modules and users are decided. For example, if you buy 3 users for finance subsystem, and in this subsystem you buy General Ledger, Report, A/R, A/P modules, the total list price is RMB 53,300.

Formula: (SUM of the selected module prices) + [user price * (Number of concurrent users - 1)] = total price of the subsystem

Subsystem	Module Name	Module Price	User Price	Concurrent users	Total price
Financial	General Ledger	15,600	7,800	3	53,300
	Report	6,500			
	A/R	7,800			
	A/P	7,800			

1.2 How Kingdee helps customer to implement the system 金蝶如何帮助客户进行软件实施？

Kingdee sends over experienced consultant to guide customer through the implementation process. Implementation consists of tasks such as requirement study and definition, training, customization, master data, system configuration and go-live etc. The implementation is managed as a project and by established approach and methodology. For a detailed description of Kingdee implementation methodology, please refer to the part of implementation in this disk.

Implementation fee is charged based on number of consultancy man.days incurred during the project. The cost of each billable man.day, a preliminary project schedule and estimation of implementation workload is proposed before the project is contracted. However as specific scope, in terms of management requirements and realized functional features, vary from project to project, the actual cost depends on actual man.days incurred. In order to justify adequate workload is performed and good value is realized for each billable consultancy man.day, the customer project manager is supposed to signoff consultancy confirmation for task list before the man.day take place and service sheet for proper completion of the tasks after the man.day is finished.

1.3 System maintenance 系统维护

After the implementation is finished and system goes live, Kingdee offers maintenance service to ensure the proper functioning of the system over the long-term. Maintenance service consists of the following items. Maintenance is charged annually as 15% of the list price license cost, and the first year is free of charge.

- Upgrading service: Software upgrade to new release versions
- Hotline support: Maintenance subscribers enjoy a hotline service for technical questions and trouble shooting during common working hours(via phone or fax) from local branches of Kingdee.
- INTERNET-based service: Party B has set up a customer service platform on the website—www.kingdee.com for its CSP subscribers to provide user's guide, on-line technical support, on-line training, Kingdee certification, customer complaint, one-to-many sending of E-mail, service forum, etc.
- Onsite support: Kingdee also provides onsite engineering service for trouble shooting if problems can not be resolved by hotline.
- Data restore service: Should data error happen in the application of Kingdee product, maintenance subscribers can request a restoring service on the data from Kingdee.

1.4 Customization 客户化

Kingdee K/3 ERP system is a mature product and covers a wide range of functionalities. Most of the management requirements can be addressed by standard features provided by the system. However, for those very idiosyncratic but critical requirements which are not covered by existing functionalities, Kingdee offers customization service to help develop the features.

Customization is guided by procedures including requirement study, functional blueprinting, system design, coding and testing. By taking advantage of Kingdee's development platform, named Kingdee BOS, master data, business transaction forms and reports can be efficiently created and well integrated into existing features. Meanwhile BOS platform minimizes the trouble of system upgrade as the platform can be automatically upgraded with the customization remain unchanged when K/3 upgraded to higher versions. For a detailed description of BOS platform, please refer to the functional description for modules in this disk.

1.5 Competitive advantage versus foreign ERP brands 金蝶产品相比较国外 ERP 厂商的优势

Kingdee software is positioned as brilliant tool to help run your business in China. Compared with foreign ERP product and service offerings, Kingdee has the following advantages

- The policies and regulations of Chinese financial accounting, auditing and taxation differ significantly from those of western practices. K/3 system is authorized by China ministry of finance and fully complies with Chinese accounting and auditing regulations. Please refer

to the part of common questions in financial accounting for a more detailed description.

- Chinese users are more familiar with and used to the usage of K/3 system, as it is a product that is designed to fit the Chinese business settings and is widely used in Chinese enterprises. Meanwhile, K/3 features are easy to learn and use. This nature of K/3 greatly helps to shorten the training and implementation cycle, and improves the efficiency in using the system.
- Chinese business environment is more unregulated and volatile compared with that in mature and developed countries. As a product originally designed for managing business in China, this nature is adequately accounted for in bringing significant flexibility into the design of K/3 product features.
- Kingdee has established service infrastructure covering most of the 1st 2nd and 3rd tier cities in China by both directly operating branches and authorized service partners. This enables us to provide fast-responsive service to ensure the proper functioning of your system over long-term
- The license, implementation and long-term maintenance cost is considerably lower compared with foreign brands.
- Sage(UK), Navision(USA), Qad(USA), Exact(), Scala, IFS

1.6 Competitive advantage versus Chinese ERP brands 金蝶产品相比较其他中国 ERP 厂商的优势

- Foreign enterprises are relatively better managed and controlled compared with their Chinese counterparts. As their operations and management relies heavily on the system, they poses significantly more demanding requirements on ERP system suppliers in the areas of product, consultancy and service capabilities. Kingdee has acquired vast experiences and built competent capabilities in serving foreign accounts as Kingdee has tapped into this market for more than 4 years. Compared with Chinese domestic product and service offerings, Kingdee has the following advantages
- Kingdee continued to put efforts in strengthening and optimizing its product features in response to specific requirements posed by foreign customers over the last four years. Foreign companies would be delighted to find advanced features in K/3 product which they are familiar with in applications in their homeland operations and be able to readily use them to realize advanced operational procedures and management practices here in China.
- Kingdee also supplies highly-qualified implementation consultants with product knowledge, business consulting, project management and English speaking skills. The consultants are capable of precisely capturing and understanding your management requirements and ideas, and get them realized in K/3 system.
- Proven capabilities demonstrated in our successful foreign reference customers from different industries.

2. Technical Questions 技术问题**Recommended hardware configurations and system platform to support K/3 system****2.1 Total concurrent Users < 20**

Application Server	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3550	Quad-Core Intel Xeon Processor *1	2GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
Database Server	IBM System x3650	Quad-Core Intel Xeon Processor *1 or *2	2GB/4GB DDR2 SDRAM	146GB*3 Hot-Swap SAS
Client Computer	Client Computer	Pentium 4 1GHz	>512 MB	Spare 2GB
Operating System for Server	Windows Server 2003			
DBMS	Microsoft SQL Server 2005			
Remote Access	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3550	Quad-Core Intel Xeon Processor *1	2GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
	Remote Access Software		Citrix Presentation Server	

2.2 20 < Total concurrent Users < 40

Application Server	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3650	Quad-Core Intel Xeon Processor *2	4GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
Database Server	IBM System x3650	Quad-Core Intel Xeon Processor *2	4GB/4GB DDR2 SDRAM	146GB*3 Hot-Swap SAS
Client Computer	Client Computer	Pentium 4 1GHz	>512 MB	Spare 2GB
Operating System for Server	Windows Server 2003			
DBMS	Microsoft SQL Server 2005			
Remote Access	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3550	Quad-Core Intel Xeon Processor *2	4GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
	Remote Access Software		Citrix Presentation Server	

2.3 Total concurrent Users > 40

Application Server	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3650	Quad-Core Intel Xeon Processor *4	8GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
Database Server	IBM System x3650	Quad-Core Intel Xeon Processor *4	8GB/4GB DDR2 SDRAM	146GB*3 Hot-Swap SAS
Client Computer	Client Computer	Pentium 4 1GHz	>512 MB	Spare 2GB
Operating System for Server	Windows Server 2003 X64 Edition			
DBMS	Microsoft SQL Server 2005 X64 Edition			
Remote Access	Server Hardware	CPU	Memory (std/max)	HDD
	IBM System x3550	Quad-Core Intel Xeon Processor *2	4GB DDR2 SDRAM	146GB*2 Hot-Swap SAS
	Remote Access Software		Citrix Presentation Server	

2.4 Other Technical Parameters 其他技术指标

- System Architecture: Based on 3 Tiers Architecture, Client Server
- Programming Language: VB; VC
- Database supported: SQL Server 2000 2005
- OS supported: Win XP/2000/2003/98; Both in English & Chinese version
- Database Schema: Available for additional programming purpose (BOS)
- Exchange Data via: ODBC; Web Service; XML; Excel
- Remote Access available: Cytrix; VPN etc

3.Commonly encountered problems regarding Chinese-specific accounting practice 有关中国会计准则的问题

Since PRC GAAP--- PRC Generally Accepted Accounting Principles---is quite different from IAS---International Accounting Standards, IFRS---International Financial Reporting Standards and other countries' GAAP, finding a system solution that can fulfill both the PRC accounting regulations and the enterprise's global accounting requirements is always on top of foreign management's agenda who are seeking success in China.

In this section we will try to get you familiarized with some most important particularities of the PRC GAAP and at the same time present Kingdee solutions to these requirements.

3.1 The system must have the certification / registration by Chinese Finance Ministry.

When a company begins to use an accounting system instead of manual accounting process, it should make a registration in finance bureau. K/3 is certified by State Finance Ministry, Kingdee can make the registration on behalf of the user.

The requirements for registration of an accounting software are as following:

- Voucher, Journal, General Ledger and Sub-ledger must be maintained in the system and printed out in Chinese or at least bilingual.
- Balance Sheet, Income Statement and Cash Flow Statement (format stipulated by the authority) are mandatory and required by local finance bureau for registration.
- Voucher, Journal, GL and Sub-ledger and other legal reports are not so strictly stipulated but it's better to follow the established usage.
- Chart of Account set up (all the first level accounts and part of the second level sub-accounts) in the software should be kept consistent with the standard financial reports.

Kingdee accounting system fully satisfy the above requirements and provides a tool to export master data and transaction data files required by Finance Bureau for registration, thus making the registration process greatly facilitated and eased.

Other reporting requirements for your reference:

- Balance sheet and P&L should be presented within 20 days after the beginning of next month/quarter.
- Auditing report should be presented within 4 months after the end of accounting year.

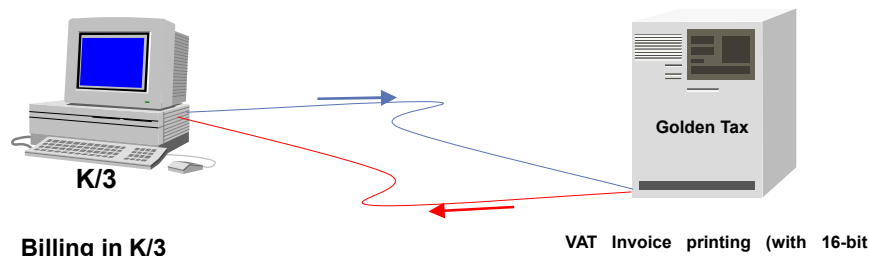
3.2 The system must have an interface with VAT Golden Tax System (JinShui -金税).

Sales VAT invoices are originally booked in K/3 system. However, it is required by the tax bureau that the actual invoice issued to customer should be printed and payable tax amount generated through taxation control system. Kingdee provides a Golden Tax interface to facilitate the data transfer of invoices. The interface exports invoice data from K/3 system and convert the format in order that the data can be identified, read by and printed out from Golden

Tax system. After the invoice is processed by Golden Tax system, the invoice number assigned by Golden Tax System would be written back to the corresponding invoice record in K/3 system, for the data tracking purpose.

Kingdee Solution for Golden Tax System

---- In-house development for interface between K/3 and Golden Tax System. (Additional program)



K/3 → Golden Tax System

Billing Data (Customer, VAT registration No.,
Billing date, invoice amount.....)

Golden Tax System → K/3

VAT invoice number, data export status

The benefits of the interface solution:

- Reduce re-input of VAT invoice number workload, improve productivity and lessen inaccuracy.
- Ensure Kingdee billing pass relevant invoice data to Golden Tax System and have data printed out on VAT invoice.
- Ensure VAT invoice number be passed to and stored in K/3.
- Satisfy national tax bureau's requirements for VAT invoice management and tax report.

3. 3 The system enables user to consolidate PRC CoA and global CoA.

The GL first level accounts (and a small part of second-level sub-accounts) set up should be kept consistent with standard finance report requirements of Chinese Finance Bureau, for which K/3 provides due chart of account (CoA) template. However, foreign enterprises are always faced with CoA settings that differ from the Chinese provisions. The difference is either caused by a different configuration of CoA in the management system running in headquarter, or by different book keeping principles and management reporting purposes.

K/3 allows flexible multi-level accounts configurations and analysis item settings which can be utilized to reconcile this difference in one set of CoA. The first level chart of account can be derived from CoA template. And the differences of CoA configurations can be accommodated by setting the foreign specific accounts in detailed level sub-accounts. Thereafter, journals entries can be booked to detailed level sub-accounts, which means transactions can be captured at the detailed level under the both the Chinese and foreign account headings. And consequently, finance and management reports can be configured to meet both Chinese and

foreign requirements.

3.4 The system must be able to handle the complex VAT invoice

Requirements regarding VAT in China:

- In China, taxes on sales and purchases: Value-added tax (VAT), Luxury tax, Service tax, Flat-rate tax
- Output VAT: Output VAT is dependent on product types but not customer. If the company is the industry common taxpayer, all the VAT invoice issued to the customer should be 17%.
- Input VAT: Input VAT is dependent on the seller types. If got the input VAT invoice from small-scale taxpayer, the tax rate is 6%, it is not allowed by the government to offset such tax amount against the VAT. This tax is treated as an expense from the purchaser perspective, and should put it to the stock value. The seller should to pay this tax to the government

Kingdee K/3 provides flexible tax rate setting by invoice type, material, customer/supplier and is able to make automatic calculation for transaction amount including tax and that excluding tax as well as tax amount. Besides, K/3 also provides a standard CoA template which have all the VAT-related accounts to accommodate different types of VAT-related transactions booking.

3.5 The system must be able to support user-definable management reports

It means foreign enterprise can use the system to get report forms not only to fit China local reporting requirements but also to fit their home office's requirements.

K/3 system provides a reports writer tool with which you could prepare your own financial management report by defining different functions. Financial data can be retrieved from the account between any two accounting periods, even across different fiscal years and different databases. Templates for the mandatory Balance Sheet and Income Statement are also preset and provided in the system.

3.6 The company should have in place an operation support system while use K/3 for financial book keeping and reporting purposes

Lots of foreign companies have a unified worldwide system to support operations. These companies are always faced the issue of financial book keeping and reporting conforming to Chinese accounting and auditing regulations. For example, all book-keeping must be recorded in Chinese language and on predefined chart of accounts. K/3 is a widely used financial book keeping and reporting system which is certified by Chinese Ministry of Finance. K/3 financial system provides open interface by which you can feed transactions data derived from operations system into K/3 system where journal entries and financial reports can be generated. Kingdee also provides customization service to perform master/transaction data conversion and validation work before being uploaded into K/3 financial system.

3.7 The system should support the multi-currency when the user booking a transaction in system.

It is required by Chinese accounting regulations that the reporting currency must be RMB. K/3 system supports the booking of transactions and journal entries by multiple currencies and automatically performs conversion of amounts to local currency. The currencies and exchange rate can be set up in master data. At the end of month, the system provides a wizard to produce adjustment entries to book exchange gain and loss automatically.

3.8 Assets management

Usually PRC asset management regulations are more strict than that of IAS:

- Classification of current/long-term assets and current/long-term liabilities is the only acceptable reporting method
- Low value assets definition: China legal requirements: below 2000 RMB are LVA and above 2000 RMB are fixed assets. LVA can be expensed in 1 month and amortized over usage periods.
- Depreciations:
 1. Chinese Accounting Standard: can be defined by enterprises
 2. Law: depreciated based on at least 10% residue value. Can adjust the value of financial statements for taxation purpose.
- Classification of assets
 1. In most of the countries land is regarded as fixed assets while in China you only can have land use right instead of ownership and disclosure for intangible assets.
 2. The value should amortized within useful life based on contract. But when you set up AUCs on it, its value should be merged into your AUC then capitalized after completion and depreciated with the assets together.
 3. Consultancy fees: Generally charged to G&A expenses of the period.
 4. Development costs: Generally charged to G&A expenses of the period though you can capitalized if certain requirements meet. Once expensed, should not be later capitalized.

Kingdee K/3 F/A features support flexible classification of assets and definition of depreciation standard which can accommodate both PRC asset management regulations and enterprise's own asset management requirements. Kingdee consultants are very familiar with all the above regulations and will assist users in meeting all of them during implementation.

As for differences in depreciation booking between PRC GAAP and IAS, Kingdee can provide the following solution. to produce 2 sets of depreciation booking and corresponding 2 financial statements. CGAAP-based F/A depreciation will be processed in the running database administration (DB A), while another database (DB B) will be set up to handle GAAP(US/Europe)-based depreciation, setting different depreciation methods, life cycle, residual value, etc.

Periodical CGAAP-based depreciation will be automatically posted to G/L in DB A, while GAAP(US/Europe)-based depreciation data will be transferred, automatically by an interface, from DB B to DB A, filling into an off-sheet account for reporting purpose.

Two different set of reports, respectively conforming to CGAAP and GAAP(US/Europe) would be defined and produced by using report writer module in DB A.

3.9 The Book keeping function should support multi-dimensional management analysis for business transactions.

It is a common requirement to record and analyze business transactions on multiple dimensions. For example, the customer and department information of receivable transaction should be booked into entries on AR account, so that the AR balances can be summarized and analyzed from the angle of customers or departments.

K/3 system provides a so-called analysis item mechanism to facilitate multi-dimensional book keeping and analysis. You can link either a standard or customize-defined master data to an account to make the accounting specific to customer, vendor, department, individual employee or whatever master type. This approach makes multi-dimensional detailed accounting possible while spares the trouble of adding up sub-accounts. When performing the entry booking on accounts linked with analysis items, specific master data related to this transaction is required to be inputted.

3.10 The system should have seamless integration between operations and finance system.

Integration between operational/transactional system and finance book keeping system is critical to keeping data consistency. By creating a voucher template for a certain type of transactions, K/3 allows generation of journal entry for each individual transaction more efficiently. In the voucher template, you can define the accounts this transaction should be booked to and the data that should be retrieved. Once the template being set, a transaction can be booked to GL almost automatically. Then user can access the corresponding entry by drilling back from the transaction form.

3.11 Have a powerful printing function that printing format can be designed by user.

It is a common requirement that print layout of transaction forms can be custom designed. K/3 system comes with a printing layout template that enables easy design of print.

4. Standard Costing 标准成本

Standard costing is commonly used by manufacturing companies for purposes such as cost variance analysis, standard cost calculation, or inventory valuation at standard cost, or combination of any of these. Kingdee can support all of them, and has had successful experience in coming up with solutions to customers with varied standard costing requirements:

- Standard cost calculation rolled up from costed standard BOM (material) and costed standard routing (labor & overhead).
- Standard labor & overhead rate set by work center or cost center, or to be automatically calculated based on an annual budget.
- All inventory transactions booked at standard cost.
- 3-way matching of invoices at receiving, with Purchase Price Variance (PPV) and Invoice Price Variance (IPV) booked to P&L.

- Work order booking at completion, with variances rising from time difference, BOM difference, routing difference, scrap, rework, etc. differentiated and booked to P&L.
- Operation booking and WIP variance report generation.
- Selective standard cost update, with revaluation for inventory and WIP booked to P&L.
- Aided with actual costing to book variances between standard cost and actual cost (actual time x actual rate) differentiated by cost item at month-end.

Since a full application of standard costing requires of your accounting staff a totally different understanding and practice of costing and puts a relatively higher demand on the corporate management level, we suggest you make an internal feasibility evaluation before you make the decision to go with a full standard costing application. Of course, to consult the local tax and finance audit offices in advance will free you from any possible troubles because of the special Chinese accounting regulations.