CHINESE ACCOUNTING SYSTEM: ITS FRAMEWORK AND EVOLUTION

Farhad. Simyar¹, Kamal Argheyd² and Sutong Zhang ³

ABSTRACT

The purpose of this paper is to describe the process of Chinese accounting standard setting, implementation and enforcement of these standards since China adopted its “Open Door” economic policy in 1979. The paper also explains the history of the evolution of Chinese accounting system since its inception.

The first part of the paper introduces the sources of Chinese accounting norms and standards. The National People’s Congress is the legislature of the accounting laws. The China Securities Regulatory Commission is the enforcement body that enforces and rules over the information presentation and disclosure of the publicly listed companies. In the second section of this paper, we discuss the Chinese accounting standard-setting process and system. These systems are design to match the Chinese special social, cultural and business environments. We describe the special and complicated framework of Chinese accounting norms in the third part of the paper. The framework of Chinese accounting norms consists of the accounting laws, accounting standards, accounting system and the regulations on the information disclosure of publicly listed companies. In the fourth section of this paper, we review the evolution of Chinese accounting reform since 1979. We divide the Chinese accounting reform into three periods of significance and summarize the main features of the Chinese accounting reforms and their effects on business environment and foreign investments in China.

¹ Professor of Accounting and Dean of College of Business Administration, Chicago State University.
² Professor and Chair of Management, Concordia University.
³ Visiting scholar at University of New Brunswick, accounting professor in China University of Political Science and Law.