

Presentation by Mr. Liu Yuting at EAALR

Ladies and Gentlemen;

Good Morning!

It is great honor for me to attend East-Asia Accounting Leadership Retreat, as representative of the People's Republic of China. According to the arrangements of the Sponsor, I would like to take this opportunity to introduce you to the accounting system of China and accounting issues facing my country.

In P.R. China, the government has significant influence in the administration of accounting affairs. According to the Accounting Act of P.R. China, Ministry of Finance, shall be responsible for the administration of accounting affairs in the nation. The major national accounting organizations in PRC include the Accounting Society of China and China Institute of Certified Public Accountants.

According to the Law requirements of PRC, Accounting Standards and Accounting Systems in China are government regulations, which should be issued by the Ministry of Finance and shall be mandatory rules for enterprises. Ministry of Finance Department of Accounting is the key department that takes the responsibility to administer accounting affairs in PRC. The Director-General of the Department of Accounting is Madam Feng Shuping, who is a famous accounting expert in PRC. The primary function of Department of Accounting is to formulate accounting standards, accounting systems, and other accounting regulations. All these accounting standards, accounting systems, and regulations shall be issued by Ministry of Finance after they are approved by the Minister of Ministry of Finance.

China Accounting Standards Committee is an advisory body to the Ministry of Finance on issues relating to promulgation of accounting standards. This Committee consists of representatives from accounting professionals, government organizations, security market supervisors, and accounting academics. The Secretary division of this committee is set up as an internal department of Ministry of Finance Department of Accounting. Madam Feng Shuping, the Director-general of the Department of Accounting, also takes the position of Secretary-general of China Accounting Standards Committee. The Staff members of China Accounting Standards Committee also participate in the drafting work of accounting standards.

China accounting standards system consists of two levels: basic accounting standard and specific accounting standards. The basic accounting standard (Accounting Standards for Business Enterprises) was published in 1992 and was implemented formally on July 1, 1993. Basic accounting standard deals with the basic concepts and basic principles of accounting, the fundamental requirements for recognition, measurement and reporting of the accounting elements. In addition to basic accounting standards, China is planning to formulate about 40 specific accounting standards within about 5 years. By now, China has issued and implemented 9 specific accounting standards. The formulation and implementation of these accounting

standards has contributed greatly to standardizing the financial reporting behavior of enterprises and security markets, and improvements of quality accounting information.

Accounting Society of China (ASC) is the most important accounting academic organization in PRC. It was established in 1980. ASC now has over 200 group members. All most all the Accounting Departments of universities in PRC and accounting divisions of big industry firms or finance institutes are group members of ASC. ASC is developing individual members now. ASC has set up a Board of Directors, Standing Board of Directors, and Secretary Division. The secretary-general of ASC takes the responsibility for the daily running of ASC. Mr. Liu Yuting, Deputy Director-general of the Department of Accounting, also takes the position of secretary-general of ASC. ASC also established 6 sub-academic committees, which concentrate individually on the following academic issues: accounting theory meeting with specific situations of China, accounting and finance system reform, accounting standards, managerial accounting, human resource accounting and environmental accounting and accounting history. ASC also has an editing department that is responsible for editing and publishing an accounting academic journal—Accounting Research enjoys the highest reputation of China's accounting academic journals. ASC also published a lot of academic research results and applying accounting books.

China Institute of Certified Public Accountants (CICPA) is a self-regulatory organization of CPAs of China. CICPA has set up a Board of Directors, Standing Board of Directors, and Secretary Division. The secretary-general of CICPA takes the responsibility for the daily running of CICPA. The primary function of CICPA is to formulate practicing rules for CPA, organize and implement national uniform CPA examination, and supervise the practice of CPA and qualify the CPA.

By now, the major issues facing accounting academics of China are issues arising from the transformation from central planned economy system to market economy system, including: capital market and the disclosure of accounting information, accounting issues relating to merger, acquisition and reorganization, improving financial reporting quality of enterprises, evaluating operating results of enterprises, internal control, accounting issues relating to preventing finance crisis, recognition, measurement and reporting of human resources. China is reforming its administrative mechanism of CPAs, with the general purpose to further improve independence, objectivity, and fairness of auditing.

The Chinese government, academics, and professionals have always attached great importance to accounting works and accounting information. Objective, true, and comparable information can sensitively reflect the reality of enterprise and national economy, can guide the sound allocation of resources, and assist in international economic cooperation and communication. The recent finance crisis clearly shows that healthy economic activity in a country or region would be inconceivable without reliable accounting information. Now, China is establishing and developing a socialist market economy system and accounting standards system, an academics research system and professional system, which are consistent with international practices. The completion of this task depends on cooperation, communication, and support from the international accounting community, and depends on consistency with international practice. I

sincerely hope that all representatives, academics, and professionals in your countries, by the way of seminars, exchanging scholars and information, can further improve understanding and communication with Ministry of Finance Department of Accounting, Accounting Standards Committee, Accounting Society of China, and Chinese accounting professionals. We also would have support from you in the process of constructing a new accounting system that will meet with China socialist market economy.

Thank you all.