

The Structure of Chinese Accounting Standards System

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China has built up the system of accounting standards for business enterprises (CASs) through arduous efforts made from the beginning of 2005 to the end of 2006, which is not only in conformity with the development process of Chinese market economy, but also in convergence with the International Financial Reporting Standards (IFRSs). The CASs was issued by Ministry of Finance of the People's Republic of China (MOF) on 15 February, 2006, which was effective as from 1 January, 2007 for all listed companies. The promulgation and implementation of CASs has attracted wide attention both in and outside China, and has also been recognized by international organizations such as the International Accounting Standards Board (IASB). The CASs is comprised of one Basic Standard, 38 Specific Standards and related Implementation Guidance and Interpretations. To be specific, the hierarchy of CASs is as follows:

Level one is the Basic Standards. The Basic Standard of CASs is similar to the *Framework for the Preparation and Presentation of Financial Statements* (IASB Framework), and plays a leading role in CASs. It is the basis of for Specific Standards, and mainly regulates financial reporting objectives, accounting basis, basic accounting assumptions, accounting information quality characteristics, accounting elements and its recognition, measurement and financial reporting principles, etc. The function of the Basic Standards is to guide the formulation of the Specific Standards and to provide principles for accounting practices uncovered by Specific Standards.

Level two is the Specific Standards and Implementation Guidance. The main body of Chinese Specific Standards covers the accounting treatment of major transactions or events, in various types of enterprises, which is similar to the internal structure of the IFRSs. The Specific Standards fall into general business standards, special business standards for specific industries and reporting standards, which are mainly used to regulate the recognition, measurement and reporting of specific transactions and events. The Implementation Guidance offers more detailed stipulations on related provisions of the Specific Standards as well as handling rules on key and difficult contents. The Implementation Guidance mainly includes the interpretation of Specific Standards, accounts used and accounting treatment, and providing operational regulations for business enterprises to implement the accounting standards.

Level three is the Interpretations. After the implementation of CASs, solutions to problems emerged in practice will be released in Interpretations as regulatory documents by MOF, which is similar to the IFRIC Interpretations issued by IASB.

It should be pointed out that, according to the Chinese legal framework, CASs belong to regulations, while the Basic Standard is a departmental regulation that was signed and issued by the Minister of Finance, and the Specific Standards and the Implementation Guidance and the Interpretations were released as regulatory documents by MOF. As part of the law, CASs has a strong binding power in practice. Besides, it emphasizes on the conformity with Chinese language usage and expression so as to ensure effective implementation.

In 2007, the CASs had been effectively implemented in 1570 listed companies. As a result, the quality and transparency of accounting information have been further improved, thereby the demands of investors, creditors, relevant government departments and management for information can be satisfied, the accounting behavior and the accounting work of the enterprises can be regulated and interests of general public can be protected at the maximum, and safeguard China's market-oriented economic reform.

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*Forum Editor Jeannie
Harrington at Disneyland*

SEC Academic Fellowships for 2009/2010

The Securities and Exchange Commission will shortly be posting a notice seeking applicants for the position of visiting academic fellow for the academic year 2009/2010. These fellowships offer an exciting opportunity for an accounting professor to be directly involved in the work of the SEC and to gain insight into the SEC's oversight and regulatory processes. These fellowships are typically available in the Office of Chief Accountant, the Division of Corporate Finance, and the Office of Economic Analysis. To find out more about the experiences of previous academic fellows, see articles by Thomas J. Linsmeier in *Accounting Horizons* (September 1996); Bjorn N. Jorgensen, Cheryl L. Linthicum, Andrew J. McLelland, Mark H. Taylor, and Teri Lombardi Yohn in *Accounting Horizons* (September 2007); Steve Kolenda and Patricia Fairfield in the *Financial Reporting Journal* (Summer 2000).

If you are interested in applying for a fellowship for the 2009/2010 academic year, you should initially contact one or more current academic fellows in the Office of the Chief Accountant (Susan Krische krisches@sec.gov (accounting); Roger Martin rdm3h@virginia.edu (audit); Donal Byard byardd@sec.gov (international accounting)), or the Division of Corporation Finance (Greg Burton burtong@sec.gov).

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