



Going West in China

Chinese accountants are increasingly interested in joining a Western professional body in addition to belonging to the domestic Chinese government-controlled profession.

by HEDY JIAYING HUANG and KEITH HOOPER CA

Western-style accounting procedures are increasingly being adopted in China, reflecting China's desire to converge with International Financial Reporting Standards (IFRS) and the establishment of the big accounting firms in China.

China is aware that, in the face of the globalisation of the accounting profession, it needs to be more than a domestic body isolated by its own accounting standards.

The 30 guiding opinions issued by the Chinese Institute of Certified Public Accountants (CICPA) in 2005 aim at cultivating globally recognised accountants and improving the service quality and standards of the large Chinese public accounting firms so that they can expand and compete globally (CICPA, 2005).

Directed by these opinions, CICPA has been coordinating with CPA Australia through an International Partnership Programme (IPP) and developing joint training programmes with the Institute of Chartered Accountants in

England and Wales (ICAEW) and Hong Kong Institute of Certified Public Accountants (HKICPA). The Association of Chartered Certified Accountants is also active in China.

The Chinese CPA qualification has limited recognition globally. CICPA's main objective is to train Chinese CPAs to get Western professional qualifications so that the competency of Chinese CPAs can be lifted to meet international standards in the future.

CICPA aims to train 2,000 Chinese CPAs to become ACA or HKICPA in 10 years.

Historically, the development of the accounting profession in China (referring to mainland China, excluding Macao and Hong Kong) is distinctive. It differs from the post-colonial countries, which mainly still carry the influence of the British Empire (Poullaos & Sian, 2010; Sikka & Willmott, 1995; Willmott, 1986). It is also different from the post-socialist countries in Eastern Europe such as the Czech Republic (Hao, 1999; Maschmeyer & Yang, 1990; Seal, Sucher, & Zelenka, 1996).

The first Chinese Accounting Standards for Enterprises came into effect in 1993 (Ministry of Finance, 1993a). It was a remarkable move towards the use of international accounting standards in China. The conceptual framework was close to US and IASC standards. However, the regulatory framework was very different from those of Anglo-American countries. The "standards" were issued by the Ministry of Finance and therefore the government agencies retained control over CICPA (Nobes & Parker, 2008).

The role of CICPA was then expanded in The Law of the People's Republic of China on Certified Public Accountants, but the Ministry of Finance still reserved a high degree of monitoring and direction (Hao, 1999; Ministry of Finance, 1993b).

The government agencies of China effectively controlled the entry and operation of large international accounting firms in the early days of the reform, then loosened the regulations carefully and gradually.

The Big 9 (now the Big 4) were allowed to enter the Chinese market in the 1980s under the condition of establishing joint ventures with Chinese accounting firms, and the second-tier firms were allowed to enter later. The incremental approach taken by the Chinese government was to protect local accounting firms from competition and promote extensive cooperation between the local and international accounting firms (Hao, 1999; Kliegman, 2005).

Another example of retaining tight control over the accounting profession in the early stage of reform was that the government agencies specified the range of services offered by CICPAs. They also required that all accounting firms in China had to operate under the sponsorship of government-related organisations or units (Hao, 1999).

By contrast, the professional accountancy institutions in the UK experienced independent development in the nineteenth century. In fact, the accounting profession in most Western countries has been supported by independent practitioners and professional accountancy institutions (Poullaos & Sian, 2010; Sikka & Willmott, 1995; Willmott, 1986).

Government direction of CICPA and accounting firms was argued to be a major constraint to further growth of the accounting profession in China (Sikka & Willmott, 1995; Skousen, Yang & Dai, 1990). In response to the issue, in 1998, the government “unlinked” the accounting firms and their former government-related sponsors, and then “restructured” accounting firms into either limited liability companies or partnerships (Hao, 1999).

Since the local accounting

firms became private enterprises, according to Hao, the market has become an ever more important driver of the development of the accounting profession. As China’s economic transformation goes further, the market demand for qualified accountants becomes greater (Kliegman, 2005).

The process of “unlinking” with the government in accounting continues. The stage is set for China’s global participation in the Western professions. New Zealand is uniquely placed, geographically,

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politically and professionally to contribute – and should do so.

There must also be excellent opportunities for NZICA to join this growing body of Western professional bodies in the Chinese market for accountants. ■

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Hedy Jiaying Huang is an accounting student at AUT University and Dr Keith Hooper (CA) is a professor of financial accounting.

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