The Differences between Chinese Accounting Standards for Business Enterprises and International Financial Reporting Standards as well as the Convergence Strategy Method

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Abstract: The continuous development and progress of international economic integration has resulted in the increasing of economic and trade exchanges between various countries. In order to implement a more systematic corporate financial supervision mechanism effectively and adapt to the needs of economic development, it is necessary to clarify corporate accounting standards and international financial reporting standards. The relationship between them are crucial to improve the transparency of financial statements and optimize management levels. This paper analyzes the differences between Chinese business accounting standards and international financial reporting standards as well as discusses the convergence process and convergence strategy methods for reference.

Keywords: Chinese Business Accounting Standards, International Financial Reporting Standards (IFRS), Differences, Convergence

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1 Introduction

The current combination convergence of China’s current corporate accounting standards and international financial reporting standards, it is known that this convergence system has a certain degree of impact on the financial management of enterprises. Especially for some multinational enterprises, the scale is constantly expanding. Therefore, in order to improve the comparability and application value of enterprise accounting information, coordinating and merging with international accounting standards are inevitable trends in line with the development of the times. Then, effectively establish a more intuitive and complete enterprise accounting management model to improve management and control efficiency.

2 Differences between Chinese accounting standards for business enterprises and International Financial Reporting Standards (IFRS)

In the process of discussing the differences between Chinese business accounting standards and international financial reporting standards, it is necessary to clarify the corresponding relationship and the corresponding priorities effectively. Although China’s accounting standards have achieved wide-ranging convergence and are more concerned about the convergence of IFRS, China’s market economy itself has a special nature. The economic development and legal environment will also have an impact on economic operation management as there is still a significant difference between Chinese business accounting standards and international financial reporting standards.
Firstly, in some international financial reporting standards, the optional accounting treatment is different from the relevant provisions of China’s corporate accounting standards. In order to improve the comparability of financial statements of differentiated enterprises effectively, China will need to reduce the accounting policies of enterprises in accounting standards appropriately. The choice of the right to form a unified management model, but in IFRS, these accounting policies are allowed to be used and diversified. As an example, the subsequent measurement of fixed assets in the IFRS, the cost model and the revaluation model are the main choice systems. However, in China’s corporate accounting standards, only the cost model can be accepted.

Secondly, there will be some provisions for the characteristics of China’s market economy in China’s accounting standards. However, it will not be obvious compared to IFRS. As an example, in the accounting standards of China under the same control system, only the method of combining the rights and interests can be controlled and the regulations are clear. Meanwhile in the IFRS, the practice system can accept different treatment methods, among which the carry-over method and the purchase method have universal value.

Thirdly, there is no clear regulation and constraint management for some businesses that are not common in enterprises in the Chinese Accounting Standards for Business. However, due to excess involvement content and the complicated situation, IFRS do targets some businesses and there are very clear rules. As an example, in the share-based payment plan, China’s accounting standards are more consistent with the international standards for the payment of share-based services in the regulations. However, because the number of businesses that Chinese companies currently purchase for the share-based payment plan is not large, this makes China’s accounting standards in the actual document management and labeling with no fine specification and constraint management for the matters of share payment.

Fourth, in the process of actual development and convergence management, China’s accounting standards still have certain time lag problems with IFRS because IFRS allows some measures to be taken in advance before some amendment days take effect. Therefore, after the new IFRS is promulgated or the contents of the existing report are revised, China will generally conduct appropriate research based on the national conditions and economic development dynamics. After consulting the parties, they are allowed to decide whether to follow up or follow up. Resulting the extent of this, China’s accounting standards will have delays compared to IFRS’s policy application timeliness. In addition, if the company realizes the transaction of share-based payment in the daily operation process, it will not allow the enterprise to directly adopt IFRS to comprehensively deal with matters that are not regulated by China’s accounting standards.

3 The convergence of Chinese business accounting standards and International Financial Reporting Standards (IFRS)

Firstly, the stage of convergence of forms is calculated from year 1993 to 2000, during the transition period of China’s economy, the transformation of the market-oriented economy was formed. At this time, the confirmation of accounting factors, the measurement of accounting information and the disclosure of accounting data are also related to international financial reports. There are certain differences in the guidelines. Therefore, a series of convergence management has been carried out in the process of handing over the old and new standards, aiming at the convergence of forms.

Secondly, the real convergence phase is a series of institutional projects such as the implementation of the enterprise accounting system and the financial enterprise accounting system in 2001. Resulted to that, the number of international trade contacts is constantly increasing. Besides, establishing the assimilation management can strengthen the capital flow level and reduce the financing cost effectively which then truly comply with the requirements of international development.

Thirdly, the equivalent research phase is that since year 2006, China has implemented a new version of the “Enterprise Accounting Standards”. In order to further enhance the level of convergence and effectiveness and achieve equivalent research, a more complete transformation and adjustment mechanism will be implemented to ensure the convergence and development of China’s corporate accounting standards and international financial reporting standards meanwhile achieving a comprehensive upgrade of international exchanges and lay the foundation for compliance with global economic integration.
4 Convergence strategy of Chinese accounting standards for business enterprises and International Financial Reporting Standards

On the basis of clarifying the differences between Chinese accounting standards and international financial reporting standards and the convergence process, it is necessary to implement a more complete supervision and control mechanism and effectively establish a more coordinated management policy, thereby improving the basic level of financial management.

4.1 Progressive convergence management mechanism

Firstly, in order to ensure the effectiveness of accounting standards management, it is more effective to use the progressive convergence management scheme. It is necessary to manage the criteria in a difficult and prioritized manner to ensure that the changes and convergence projects in the accounting standards can be completed in accordance with the standardized process. In addition, this can allow progressive management programs to achieve full convergence. The biggest advantage of this gradual approach is that it can establish a rational transition system. Moreover, the cost of change that the enterprise bears in the change is small and because the system is a gradual change, it will not cause serious confusion and loss. Thereby improving the level of convergence management. The most important thing is that the use of high-standard accounting principles combined with international practices to complete targeted accounting can provide a good support for China’s economic survey. Besides, it can also create a better operating platform for international trade development, giving play to the regulatory value of the economy.

Secondly, under the background of the continuous development of the globalization of the world economy, the development of international capital markets has become more diversified, which puts new demands on the internationalization of China’s accounting standards. Therefore, to further improve the comprehensive level of economic operation management, it is necessary to create a governance structure with a more proactive management model. In addition, cross-border economic activities are gradually increasing. If the accounting standards cannot be established, the imbalance of financial information management will result in a large difference in the content of the guidelines, which will then affect the development and implementation of economic activities severely. Therefore, in order to create a more suitable economic management environment, it is compulsory to improve the process of convergence management, establish a sound and gradual management model based on the characteristics of economic development, improve the application quality of financial statements of large enterprises as well as the effect of management economic operation to a certain extent.

4.2 Promote financial localization awareness

In addition to management improvement of China Business Accounting Standards and International Financial Reporting Standards Convergence Management, we must also upgrade the financial and accounting aspects of diversified ideas to ensure that the economic application base can be consolidated, and management effects can be optimized. Besides that, diversify analysis and upgrade from taxation, business philosophy and capital management thinking structure are also compulsory to ensure that the difference between it and international management mode can be reduced. Next, it is unrealistic to fully implement international general accounting standards or accounting standards of other countries because China’s financial market has more prominent national characteristics and particularities. Therefore, it is necessary to proceed from the managers and operators to enhance their ideological cognition and ensure that they can have a clearer understanding and understanding of accounting standards. Resulting from that, this can further promote the time-sensitive work plan of convergence management.

Multinational corporations must have a deep understanding of the basic needs of China’s accounting standards, taxation and internal management to establish a sound and complete control model effectively. Thereby fundamentally create a good development model and achieve a win-win situation for economic and management benefits.

4.3 Establish dual disclosure criteria

Firstly, it is necessary to integrate management points, analyze specific issues, and ensure that a more appropriate management policy can be constructed actively in order to further improve the comprehensive level of the corresponding work in the process of China’s corporate accounting standards and IFRS convergence management. In the EU’s statutory
guidelines, the EU recognizes that the basic principles of international accounting standards and international standards can be consistent, only in some individual aspect to carry out corresponding revision work. European countries are generally nominally European international standards, and some companies take it is the way to disclose double standards.

Based on this, China can also learn from the corresponding management policies and experience in the process of related work management and development. This can establish a complete dual disclosure criterion effectively, improve the treatment of specific problems, and ensure that the economic management structure can be closer to international standards. The purpose of one step is to optimize the comprehensive level of management.

As to begin, we must improve the acceptability of financial statements of our company, actively supervise and manage related information and data, ensure that the corresponding information supervision can comply with international requirements, improve management effectiveness and control level as well as avoid untimely disclosure of information. Then, avoid the problem of inadequate information management to solidify the management foundation and control mode meanwhile ensuring the overall optimization of financial statement management. Thereby, achieving a comprehensive progress and development of economic benefits[6].

Secondly, in the context of China’s comprehensive economic development and progress, improving the overall national strength and enhancing the world’s recognition of China’s corresponding policies is an inevitable trend of economic and trade development to enhance foreign trust in China’s norms. In addition, this can also optimize China’s international fundamentals of market influence to integrate specific details and ensure that they can make use of their own advantages.

Thirdly, we must minimize some unnecessary differences. In the process of establishing the Chinese enterprise accounting standards and the IFRS convergence management strategy, we can integrate the corresponding information points and control work to maintain the basic level of the management model and consolidate the control structure. This requires in-depth study of the specific terms, and minimizes unnecessary differences, thus forming a more complete dual disclosure control model.

Lastly, we must help Chinese companies to move towards the international arena by actively carrying out international business and optimize the comprehensive value of business supervision and management and accounting control models.

5 Conclusion

As a conclusion in the process of comprehensive analysis of the differences between China’s corporate accounting standards and IFRS differences and convergence strategies, it is necessary to analyze the general accounting language comprehensively, improve the effectiveness of convergence management and ensure that accounting supervision as well as management work can be implemented effectively. Therefore, this can further adapt to the international competitive environment and achieve comprehensive and sustainable economic development.

References