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Professional Accountants in China

BY J. STEPHEN NOM LEE

Much has been written about accounting and systems of accounting in European countries and the American continents; but very little or nothing has ever been written of such subjects in China. Most foreigners who know little of the present developments in China and have been inclined to think that whatever Chinese people do is always different from the customs of their own people, have the queer impression that Chinese people have a different way of keeping their accounts.

This article is designed to throw some light upon the matter and to present some of the problems that are constantly facing the professional accountants in China.

EARLY CHINESE CONCEPT OF ACCOUNTING

To begin with, I must dwell upon the peculiar concept of accountancy the Chinese had in the early days.

Accounting in the old days was synonymous with finance. More importance was placed on the latter meaning than on the former. The accountant and the cashier were inseparably the same person. Bookkeeping or accounting was such a simple task, they thought, that to hire an extra employee to keep books for any concern was almost ridiculous. Even if a concern could afford to hire a clerk to keep its books or accounts, such accounts or records were for the so-called account-keeper's consumption only and were never shown to his employer. They were never legal documents and were never intended to be.

Today, Chinese are gradually changing their ideas. As Chinese industry and commerce developed, management problems became more prominent and involved. Antiquated ideas gave way to new ones; consequently, a great many Chinese business men today understand the purposes of accounting as understood by most of the people in England and America. This is, no doubt, due chiefly to the constant contact in commercial intercourse with foreign nations, especially England and America during the last century; and then, too, the students returned from

abroad, trained in the modern technique of accounting, also played a very influential rôle in bringing this new science into true perspective.

FIRST PROFESSIONAL ACCOUNTANT LEGISLATION

Modern accounting as a profession in China is comparatively new. Not until seventeen years ago did the government take this matter seriously, with a view to modernizing the accounting structure of the Chinese industries and commercial enterprises. As a result, the first professional accountant legislation was enacted in 1918, by the ministry of industries and agriculture. This act, which required that any one who applies for a certificate to practise as a public accountant must be, among other conditions as set forth by the provision of this act, a graduate of a middle school of recognized standing, or college or university in this country, or foreign countries, who specialized in commercial courses or accounting. He must, in addition, produce sufficient evidence of his experience in accounting, either in the business firms or in the government organizations in China. Any person, according to this law, who is a citizen of the republic of China, can apply for such certificate to practise public accounting in China. Any person who is properly qualified under this law, is called a Chinese chartered accountant. He is entitled to use the letters "C. C. A."

The standard of qualifications provided by this law was, as any one can see, too lenient and simple at best. There was too wide a gap left for the interpretation of the candidates' qualifications. Many applications for such certificates were received by the ministry when the first professional-accountant law went into effect. Only fourteen aspirants, however, had their applications approved. Three years later, in 1921, the first professional accountant organization was doing public accounting work in Shanghai. Later, many accountants followed suit. At the same time, a professional accountants' society, the first of its kind in China, was organized in what is known today as the Chinese Chartered Accountants' Society of Shanghai.

Shanghai happens to be the most attractive center for the professional accountants in China today, because of its strategic importance in international commerce. Accountants are also found in such important commercial cities as Hankow, Canton, Tientsin, etc. The scope and activities of the professional ac-

countants in those centers varies from yearly balance-sheet audits of business firms to system installations and receivership accounts.

PRESENT C. C. A. LAW

The Chinese chartered accountant law enacted in 1918 was revised in January of 1930 and again in April of this year. Article III of the statute provides that applicants for the chartered accountants' certificates, before taking the examination, must produce evidence satisfactory to the ministry of industries and commerce, formerly ministry of industries and agriculture, that they are citizens of the republic of China, not less than 25 years of age, of good moral character, graduates of any recognized Chinese college or university or any foreign college or university, and that they have had at least two years of experience as professional public accountants or in teaching accounting courses in any recognized college or university or of employment as senior accountants in any of the government organizations or business firms with capital of not less than \$100,000.

The chartered accountant examinations, given by the examination yuen, usually cover the following fields: Chinese constitution, commercial laws, principles of accounting, cost accounting, corporation accounting, auditing, money and banking, government accounting and accounting systems.

Holders of professional accountants' certificates from foreign countries are, at the discretion of the ministry, usually exempt from taking such examinations.

Among other provisions, the law also required that every chartered accountant must be a member of the provincial chartered accountants society, a statutory body, before he is allowed to practise in that province. Most provinces in China today have such societies. Their principal objects are to foster the spirit of coöperation among the professional accountants in China; to unite the members of the profession into one general body; to elevate the status and advance the interest of the members of the profession, and to give coördinated expression to their opinions upon all questions and laws affecting the profession.

These organizations, although the membership is still small, are doing a great work in educating the public organizations and business firms to adopt modern double-entry accounting systems as one of the indispensable tools toward better business administration and a more effective cost analysis. They are the official organs of the professional accountants in China.

CONCLUSION

Before concluding this article, I must inform readers that there are approximately 1,200 chartered accountants in China today. Clearly, this number is too small in a country which serves as one of the greatest—if not the greatest—markets in international commerce. As China becomes more industrialized, more experts and specialists are needed to manage her business efficiently. Professional accountants, undoubtedly, will be called to render solutions to the many complex problems of industry. Accounting as a profession is still quite novel in China. Sad to say, the public is very little informed of the real functions and advantages an up-to-date accounting system can render to an organization. The professional accountants should, therefore, endeavor to disseminate more information concerning the many helps a well-installed system of modern accounting can render to society. They should strive to cooperate with the government to raise the standard of qualifications for future candidates. Last, but by no means least, they should work with the government to the end that a more effective legislation may be enacted to put a check against the harmful effects to society of undesirable business firms. These and a multitude of other problems are facing the professional accountants in China today.