

Accounting Law of the PRC

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of standardizing accounting practices, ensuring the truthfulness and completeness of accounting information, strengthening economic management and financial management, improving economic efficiency, and maintaining the order of the socialist market

economy.

Article 2 — State organs, social organizations, companies, enterprises, public institutions, and other organizations (hereinafter uniformly referred to as "units") shall handle accounting affairs in accordance with this Law.

Article 3 — Every unit must set up accounting books in accordance with the law and ensure that the accounting books are truthful and complete.

Article 4 — The person responsible for a unit shall be responsible for the authenticity and completeness of the accounting work and accounting information of the unit.

Article 5 — Accounting institutions and accounting personnel shall conduct accounting practice and exercise accounting supervision in accordance with this Law. No unit or individual may, by any means, instigate, impose, or order accounting institutions or accounting personnel to forge or alter accounting vouchers, accounting books, or other accounting information, or to submit false financial and accounting reports. No unit or individual may retaliate against accounting personnel who, in accordance with the law, perform their duties or resist acts in violation of this Law.

Article 6 — Accounting personnel who conscientiously implement this Law, are devoted to their duties, and achieve notable results in their accounting work shall be given spiritual or material rewards.

Article 7 — The finance department of the State Council shall administer the accounting work throughout the country. The finance departments of local people's governments at or above the county level shall administer the accounting work within their respective administrative regions.

Article 8 — The State shall implement a unified accounting system. The uniform national accounting system shall be formulated and published by the finance department of the State Council in accordance with this Law. The relevant departments of the State Council may, in accordance with this Law and the uniform national accounting system, formulate specific measures or supplementary provisions for the implementation of the uniform national accounting system in sectors with special requirements and submit them to the finance department of the State Council for examination and approval. The General Logistics Department of the People's Liberation Army may, in accordance with this Law and the uniform national accounting system, formulate specific measures for the implementation of the uniform national accounting system within the military and submit them to the finance department of the State Council for the record.

Chapter II — Accounting Practice

Article 9 — Every unit must, based on economic and business events that actually occur, conduct accounting and produce financial and accounting reports. No unit may conduct accounting on the basis of false economic and business events or information.

Article 10 — The following economic and business events shall be handled through accounting procedures and accounted for: (1) Receipt and payment of money and securities; (2) Receipt, delivery, increase or decrease, and use of property; (3) Occurrence and settlement of creditor's rights and debts; (4) Increase or decrease in capital and funds; (5) Calculation of revenue, expenditure, expenses, and costs; (6) Calculation and processing of financial results; (7) Other events that require accounting procedures and accounting.

Article 11 — The fiscal year shall begin on January 1 and end on December 31 of the Gregorian calendar year.

Article 12 — Renminbi shall be the standard currency for bookkeeping. Where a unit's business receipts and expenditures are mainly in currencies other than Renminbi, it may choose one of those currencies as the standard currency for bookkeeping; however, the financial and accounting reports prepared and submitted shall be converted into Renminbi.

Article 13 — Accounting vouchers, accounting books, financial and accounting reports, and other accounting information must comply with the provisions of the uniform national accounting system. Where electronic computers are used for accounting, the requirements in respect of software and the accounting vouchers, accounting books, financial and accounting reports, and other accounting information generated therefrom must also comply with the provisions of the uniform national accounting system. No unit or individual may forge or alter accounting vouchers, accounting books, or other accounting information, or submit false financial and accounting reports.

Article 14 — For the occurrence of any economic and business event requiring accounting procedures as set forth in Article 10 of this Law, original vouchers must be completed or obtained and promptly submitted to the accounting institution. The accounting institution and accounting personnel must examine the original vouchers in accordance with the provisions of the uniform national accounting system, and have the right to refuse to accept any inauthentic or non-compliant original vouchers and to return the same; they have the right to return any inaccurate or incomplete original vouchers and to require correction or supplementation in accordance with the provisions of the uniform national accounting system. Matters recorded in original vouchers must not be altered. Where an original voucher contains an error, it shall be reissued or corrected by the issuing unit, and the seal of the issuing unit shall be affixed at the place of correction. Where an error in the amount of an original voucher is found, it shall be reissued by the issuing unit, and the original voucher shall not be corrected.

Article 15 — The registration of accounting books shall be based on examined accounting vouchers and shall comply with the provisions of relevant laws, administrative regulations, and the uniform national accounting system. Accounting books include general ledgers, subsidiary ledgers, journals, and other auxiliary books. Accounting books shall be registered in the order in which the pages are numbered. Where an accounting book records an error, page separation, or shortage of pages, jump lines, or extra amounts, it shall be corrected in accordance with the methods prescribed by the uniform national accounting system, and the accounting personnel, the person in charge of the accounting institution (accounting supervisor), and the unit's responsible person shall each affix their seals at the place of correction. Where electronic computers are used for accounting, the registration and correction of the accounting books shall comply with the provisions of the uniform national accounting system.

Article 16 — Economic and business events occurring in each unit shall be uniformly accounted for and recorded in the accounting books established in accordance with the law and shall not be recorded in accounting books established privately. Where a unit establishes multiple accounts in violation of this Law and the uniform national accounting system, it shall be prohibited.

Article 17 — Every unit shall regularly check its accounting books against its physical assets, monetary funds, and related information, to ensure that the accounting books correspond to the physical assets and funds and to the relevant information.

Article 18 — The accounting treatment methods adopted by each unit shall be consistent from one period to the next and shall not be arbitrarily changed. Where a change is necessary, it shall be made in accordance with the provisions of the uniform national accounting system, and the reason for, the circumstances of, and the effect of the change shall be explained in the financial and accounting reports.

Article 19 — Contingencies including guarantees provided by a unit and pending litigation not yet concluded shall be explained in the financial and accounting reports in accordance with the provisions of the uniform national accounting system.

Article 20 — Financial and accounting reports shall be prepared on the basis of examined accounting books and relevant information and shall comply with the requirements of this Law and the uniform national accounting system in respect of the preparation, provision of, and targets of submission of financial and accounting reports. Where other laws or administrative regulations provide otherwise, those provisions shall

apply. Financial and accounting reports shall consist of the accounting statements, notes to the accounting statements, and explanations of the financial position. Where financial and accounting reports are provided to different users of accounting information, the basis on which they are prepared shall be consistent. The relevant laws and administrative regulations provide that accounting statements, notes to the accounting statements, and explanations of the financial position shall be audited by a certified public accountant; the audit report issued by the certified public accountant and his accounting firm shall be submitted together with the financial and accounting reports.

Article 21 — The financial and accounting reports shall be signed and sealed by the person responsible for the unit, the person in charge of accounting work, the person in charge of the accounting institution (accounting supervisor), and the chief accountant (if any). Where a unit has a chief accountant, the chief accountant shall also sign and seal the financial and accounting reports. The person responsible for the unit shall ensure the truthfulness and completeness of the financial and accounting reports.

Article 22 — The language used in accounting records shall be Chinese. In an autonomous area where a minority nationality language is commonly used, one minority nationality language may be used concurrently. Accounting records of foreign-invested enterprises, foreign enterprises, and other foreign organizations in the territory of the People's Republic of China may use one foreign language concurrently.

Article 23 — The State shall strengthen the construction of an accounting information system and encourage and support the use of modern information technology in accounting work. The specific measures shall be formulated by the finance department of the State Council in conjunction with relevant departments.

Chapter III — Special Provisions on Accounting of Companies and Enterprises

Article 24 — In conducting accounting, companies and enterprises must comply with the provisions of this Chapter in addition to compliance with the provisions of Chapter II of this Law.

Article 25 — Companies and enterprises must, based on economic and business events that actually occur and in accordance with the provisions of the uniform national accounting system, confirm, measure, and record assets, liabilities, owners' equity, revenues, expenses, costs, and profits.

Article 26 — In conducting accounting, companies and enterprises shall not commit the following acts: (1) Arbitrarily changing or altering the criteria for confirming assets, liabilities, or owners' equity, or fabricating or concealing assets, liabilities, or owners' equity; (2) Falsely listing or concealing revenues, bringing forward or postponing the recognition of revenues; (3) Arbitrarily changing or altering the criteria for confirming expenses or costs, falsely listing or concealing expenses or costs, bringing forward or postponing the recognition of expenses or costs; (4) Arbitrarily adjusting the methods or scope of calculation of profits, fabricating, concealing, or submitting false profits; (5) Other acts that violate the provisions of the uniform national accounting system.

Chapter IV — Accounting Supervision

Article 27 — Every unit shall establish and strengthen its internal accounting supervision system. An internal accounting supervision system of a unit shall meet the following requirements: (1) Persons responsible for bookkeeping and examination of economic and business events, persons in charge of accounting matters, and persons responsible for examination and approval, and persons conducting business shall have clear division of duties and responsibilities and shall check and balance one another; (2) The procedures for mutual supervision and mutual control among major external investments, disposal of assets, deployment of funds, transfers of funds, and other important economic and business events shall be clear and definite; (3) The scope, time limit, and organizational procedures for the inventory of property and assets shall be clear and definite; (4) The methods and procedures for regular internal auditing of accounting information shall be clear and definite.

Article 28 — The person responsible for a unit shall ensure that the accounting institution and accounting personnel perform their duties in accordance with the law and shall not instigate, impose, or order the accounting institution or accounting personnel to handle accounting matters in violation of the law. The accounting institution and accounting personnel shall have the right to refuse to handle accounting matters in violation of the provisions of this Law and the uniform national accounting system or shall have the right to rectify such matters *ex officio*.

Article 29 — Where an accounting institution or accounting personnel discover that an accounting book record does not correspond to a physical asset, money, or relevant information, and they have the authority to handle the matter in accordance with the provisions of the uniform national accounting system, they shall handle the matter promptly; where the matter exceeds the scope of their authority, they shall report immediately to the person responsible for the unit, request the identification of the cause, and handle the matter.

Article 30 — Any unit or individual shall have the right to report any violation of this Law or the uniform national accounting system. Upon receiving a report, the authority with the power to handle the matter shall deal with it in accordance with its duties and division of responsibilities; where the matter does not fall within its scope for handling, it shall promptly transfer the matter to the authority with relevant power to handle. The authority receiving the report and the authority responsible for handling the matter shall keep the informant confidential and shall not disclose the informant's name and information, nor transfer the reporting materials to the unit or individual being reported.

Article 31 — Where a law or administrative regulation provides that the relevant unit shall be subject to audit by a certified public accountant, the unit shall truthfully furnish accounting vouchers, accounting books, financial and accounting reports, and other accounting information, and relevant circumstances, to the certified public accountant entrusted. No unit or individual may, by any means, request or indicate the certified public accountant or his firm to issue an audit report that is false or inappropriate. The finance departments shall have the right to supervise the procedures by which certified public accountants issue audit reports and the content of the audit reports.

Article 32 — The finance departments shall supervise the following circumstances of each unit: (1) Whether the unit has established accounting books in accordance with the law; (2) Whether the accounting vouchers, accounting books, financial and accounting reports, and other accounting information of the unit are truthful and complete; (3) Whether the accounting of the unit complies with the provisions of this Law and the uniform national accounting system; (4) Whether the personnel engaged in accounting work of the unit have the professional competence and qualifications required by this Law.

Article 33 — The departments of finance, auditing, taxation, financial regulation, and securities regulation shall, in accordance with the duties and responsibilities stipulated in relevant laws and administrative regulations, supervise and inspect the accounting information of relevant units. The relevant supervisory and inspection departments shall, after supervisory and inspection conclusions have been issued on the accounting information of relevant units in accordance with the law, issue inspection conclusions and relevant decisions that may be used by other supervisory and inspection departments, provided the satisfaction of the need of the performance of duties by those departments, and this shall avoid duplication of the examination of accounting information.

Article 34 — The supervisory and inspection departments that conduct supervision and inspection of the accounting information of relevant units in accordance with the law shall have the obligation to keep confidential any State secrets and commercial secrets that come to their knowledge in the course of performing their supervisory and inspection duties.

Article 35 — Every unit must, in accordance with relevant laws and administrative regulations and the provisions of the uniform national accounting system, accept supervision and inspection conducted by the

relevant supervisory and inspection departments in accordance with the law, truthfully furnish accounting vouchers, accounting books, financial and accounting reports, and other accounting information, as well as the relevant circumstances, and shall not refuse, conceal, or make false reports.

Chapter V — Accounting Institutions and Accounting Personnel

Article 36 — Every unit shall, in accordance with the needs of its accounting work, establish an accounting institution, or establish an accounting position(s) within the relevant institution and designate an accounting supervisor. Where conditions do not permit the establishment of an accounting institution or accounting positions, the unit may entrust an intermediary institution approved for accounting and bookkeeping agency services to conduct agency accounting and bookkeeping. Large and medium-sized enterprises shall establish a chief accountant. The position of chief accountant shall be held by a person with the professional and technical qualification of accountant or above.

Article 37 — An accounting institution of a unit shall establish an internal audit system. The cashier shall not concurrently be responsible for auditing, maintaining accounting files, or registering accounts of revenue, expenses, creditor's rights, or debts.

Article 38 — Personnel engaged in accounting work must have professional competence to carry out accounting work. Persons in charge of accounting institutions (accounting supervisors) shall have the professional and technical qualification of accountant or above, or have engaged in accounting work for not less than three years. Measures for the administration of the qualifications of accounting personnel shall be prescribed by the finance department of the State Council.

Article 39 — Accounting personnel shall comply with professional ethics and improve their professional quality. The education and training of accounting personnel shall be strengthened.

Article 40 — Personnel who have been investigated for criminal liability for crimes related to their accounting duties, including embezzlement, misappropriation of public funds, or destruction of accounting information, shall not engage in accounting work. Personnel whose accounting qualification certificates have been revoked for violations of law in accounting work shall not engage in accounting work within five years from the date of revocation of their accounting qualification certificates.

Article 41 — Personnel working in accounting institutions shall handle handover procedures in accordance with the provisions of the uniform national accounting system when they are transferred or leaving their posts. For general accounting personnel handling the handover procedures, the person in charge of the accounting institution (accounting supervisor) shall supervise the handover. For the person in charge of the accounting institution (accounting supervisor) handling the handover procedures, the person in charge of the unit shall supervise the handover, and the chief accountant (where necessary) may also be involved in supervising the handover.

Chapter VI — Legal Liability

Article 42 — Where a unit violates the provisions of this Law by committing any of the following acts, the finance department at or above the county level shall order it to rectify within a prescribed time limit, and may impose a fine of not less than RMB 3,000 but not more than RMB 50,000 on the unit, and a fine of not less than RMB 2,000 but not more than RMB 20,000 on the persons directly in charge and other persons directly responsible; and if the persons are State functionaries, they shall also be given administrative sanctions in accordance with the law by the unit to which they belong or the relevant unit: (1) Failure to establish accounting books in accordance with the law; (2) Establishing accounting books privately; (3) Failure to complete or obtain original vouchers in accordance with the provisions of the uniform national accounting system or failure of original vouchers to comply with provisions; (4) Registration of accounting books or preparation of financial and accounting reports on the basis of accounting vouchers that have not been

examined, or registration of accounting books or preparation of financial and accounting reports in a manner that violates the provisions of this Law; (5) Arbitrarily changing accounting treatment methods; (6) The basis on which financial and accounting reports are prepared is inconsistent; (7) Failure to use the language for accounting records in accordance with provisions; (8) Failure to keep accounting information in accordance with provisions, thereby causing destruction or loss of accounting information; (9) Failure to establish and implement an internal accounting supervision system in accordance with provisions, or refusing supervision conducted in accordance with the law, or failing to truthfully furnish relevant accounting information or relevant circumstances; (10) The employment of accounting personnel does not comply with the provisions of this Law.

Article 43 — Where accounting vouchers or accounting books are forged or altered, or false financial and accounting reports are prepared, constituting a crime, criminal liability shall be investigated in accordance with the law. Where a crime is not constituted, the finance department at or above the county level shall notify the unit, and may impose a fine of not less than RMB 5,000 but not more than RMB 100,000 on the unit; and shall impose a fine of not less than RMB 3,000 but not more than RMB 50,000 on the persons directly in charge and other persons directly responsible; and if the persons are State functionaries, they shall also be given administrative sanctions of removal from office up to and including dismissal by the unit to which they belong or the relevant unit in accordance with the law; and the accounting personnel among them shall not engage in accounting work within five years.

Article 44 — Where accounting vouchers, accounting books, or financial and accounting reports that should be kept in accordance with the law are concealed or intentionally destroyed, constituting a crime, criminal liability shall be investigated in accordance with the law. Where a crime is not constituted, the finance department at or above the county level shall notify the unit, and may impose a fine of not less than RMB 5,000 but not more than RMB 100,000 on the unit; and shall impose a fine of not less than RMB 3,000 but not more than RMB 50,000 on the persons directly in charge and other persons directly responsible; and if the persons are State functionaries, they shall also be given administrative sanctions of removal from office up to and including dismissal by the unit to which they belong or the relevant unit in accordance with the law; and the accounting personnel among them shall not engage in accounting work within five years.

Article 45 — Where the person responsible for a unit instigates, imposes, or orders an accounting institution, accounting personnel, or other personnel to forge or alter accounting vouchers or accounting books, prepare false financial and accounting reports, or conceal or intentionally destroy accounting vouchers, accounting books, or financial and accounting reports that should be kept in accordance with the law, constituting a crime, criminal liability shall be investigated in accordance with the law. Where a crime is not constituted, a fine of not less than RMB 5,000 but not more than RMB 50,000 may be imposed; and if the person is a State functionary, the unit to which they belong or the relevant unit shall also give an administrative sanction of demotion, removal from office, or dismissal in accordance with the law.

Article 46 — Where the person responsible for a unit retaliates against accounting personnel who perform their duties in accordance with the law or who resist acts in violation of the provisions of this Law, by means of demotion, removal from office, transfer from the work post, dismissal, or expulsion, etc., constituting a crime, criminal liability shall be investigated in accordance with the law. Where a crime is not constituted, the unit to which they belong or the relevant unit shall give administrative sanctions in accordance with the law. The person retaliated against shall be reinstated in their reputation and the post and level before the retaliation were restored.

Article 47 — Where a functionary of a finance department or other relevant administrative department abuses their power, neglects their duties, engages in malpractices for personal gain, or divulges State secrets or commercial secrets, constituting a crime, criminal liability shall be investigated in accordance with the law. Where a crime is not constituted, administrative sanctions shall be given in accordance with the law.

Chapter VII — Supplementary Provisions

Article 48 — For the purposes of this Law, the meanings of the following terms are: The person responsible for a unit shall mean the legal representative of the unit or the principal responsible person as stipulated by laws or administrative regulations. The uniform national accounting system shall mean the system concerning accounting practice, accounting supervision, accounting institutions and accounting personnel, and the administration of accounting work, which is formulated by the finance department of the State Council in accordance with this Law.

Article 49 — The specific measures for the accounting administration of individual industrial and commercial households shall be prescribed separately by the finance department of the State Council in accordance with the principles of this Law.

Article 50 — This Law shall come into force on July 1, 2000. The Accounting Law of the People's Republic of China adopted at the 9th Session of the Standing Committee of the 6th National People's Congress on January 21, 1985, and amended at the 5th Session of the Standing Committee of the 8th National People's Congress on December 29, 1993, shall be repealed simultaneously.

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