Accounting Law of the PRC

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of regulating accounting practices, ensuring the truthfulness and completeness of accounting information, strengthening economic management and financial administration, 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 shall, in accordance with this Law, handle accounting affairs. Individual industrial and commercial households shall handle accounting affairs in accordance with the measures prescribed by the financial department under the State Council on the basis of the principles of this Law and in light of their specific circumstances.

Article 3 — Each entity must establish accounting books in accordance with the law and ensure the truthfulness and completeness of the accounting books.

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Article 4 — The person in charge of an entity shall be responsible for the accounting work and the truthfulness and completeness of the accounting information of the entity.

Article 5 — Accounting institutions and accounting personnel shall conduct accounting practice and exercise accounting supervision in accordance with the provisions of this Law. No entity or individual may, by any means, instigate, instruct or force accounting institutions or accounting personnel to forge or alter accounting vouchers, accounting books or other accounting materials, or to provide false financial and accounting reports.

Article 6 — Accounting personnel who conscientiously implement this Law, are devoted to their duties, adhere to principles, and have made remarkable achievements shall be given spiritual or material awards.

Article 7 — The financial department under the State Council shall be in charge of the accounting work throughout the country. The financial departments under the 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 adopt a uniform national accounting system. The uniform national accounting system shall be formulated and promulgated by the financial department under the State Council in accordance with this Law. The relevant departments under 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 the sectors with special requirements, and submit them to the financial department under the State Council for examination and approval.

Chapter II — Accounting Practice

Article 9 — Each entity shall, on the basis of the economic and business transactions actually taking place, conduct accounting practice, fill in accounting vouchers, register accounting books, and prepare financial and accounting reports. No entity may conduct accounting practice with false economic and business transaction matters or data.

Article 10 — Accounting practice shall be conducted, and accounting vouchers shall be filled in, accounting books shall be registered, and financial and accounting reports shall be prepared for the following economic and business transactions: (1) the receipt and payment of money and marketable securities; (2) the receipt, increase, decrease and use of property; (3) the occurrence and settlement of claims and debts; (4) the increase and decrease of capital and funds; (5) the calculation of income, expenditure, expenses and costs; (6) the calculation and handling of financial results; and (7) other matters requiring accounting procedures and accounting practice.

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

Article 12 — Accounting practice shall be conducted in the currency of Renminbi. Where an entity whose business receipts and expenditures are mainly conducted in currencies other than Renminbi may select one of these currencies as the currency for accounting practice, provided that the financial and accounting reports prepared shall be converted into Renminbi.

Article 13 — Accounting vouchers, accounting books, financial and accounting reports and other accounting materials shall comply with the provisions of the uniform national accounting system. Where electronic computers are used for accounting practice, the software and the accounting vouchers, accounting books, financial and accounting reports and other accounting materials generated shall also comply with the provisions of the uniform national accounting system. No entity or individual may forge or alter accounting vouchers, accounting books or other accounting materials, nor provide false financial and accounting reports.

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Article 14 — Each entity must fill in or obtain original vouchers in accordance with the prescribed procedures for the economic and business transactions taking place, and file the original vouchers with the accounting institution in a timely manner. The accounting institution and accounting personnel must examine the original vouchers in accordance with the provisions of the uniform national accounting system. They shall have the right to refuse to accept inauthentic or unlawful original vouchers and shall report the matter to the person in charge of the entity. They shall return for correction the original vouchers with inaccurate or incomplete records in accordance with the provisions of the uniform national accounting system.

Article 15 — The registration of accounting books shall be based on the examined accounting vouchers and shall comply with the provisions of the relevant laws, administrative regulations and the uniform national accounting system.

Article 16 — Each entity shall periodically check the accounting records with the physical assets, monetary funds and the relevant materials to ensure that the accounting records are consistent with the actual assets. Where any discrepancy exists between the accounting records and the actual assets, a timely handling shall be carried out in accordance with the provisions of the uniform national accounting system.

Article 17 — Each entity shall prepare financial and accounting reports on the basis of the actual economic and business transactions taking place, the examined accounting vouchers and the relevant materials, and in accordance with the provisions of the uniform national accounting system. No entity may provide financial and accounting reports that are prepared on the basis of inconsistent accounting standards to different users of financial and accounting reports.

Article 18 — The financial and accounting reports shall be signed and sealed by the person in charge of the entity, the person in charge of the accounting work and the person in charge of the accounting institution (accountant in charge). An entity with a chief accountant shall also have the financial and accounting reports signed and sealed by the chief accountant.

Article 19 — An entity shall not maintain any accounting books other than those prescribed by law. No account shall be opened in the name of any individual for keeping the funds of the entity.

Chapter III — Special Provisions on Accounting Practice of Companies and Enterprises

Article 20 — Companies and enterprises must, in accordance with the provisions of this Law and the uniform national accounting system, confirm, measure and record assets, liabilities, owners' equity, revenue, expenses, costs and profits.

Article 21 — Companies and enterprises shall not commit any of the following acts in conducting accounting practice: (1) arbitrarily changing the recognition criteria or the measurement methods for assets, liabilities or owners' equity, making false statements, overstating or understating revenue, expenses, costs or profits; (2) making false statements or concealing revenue, delaying or accelerating the recognition of revenue; (3) arbitrarily changing the recognition criteria or the measurement methods for expenses or costs, making false statements, overstating or understating expenses or costs; (4) arbitrarily adjusting the calculation or distribution method of profits, fabricating false profits or concealing profits; or (5) other acts violating the provisions of the uniform national accounting system.

Chapter IV — Accounting Supervision

Article 22 — Each entity shall establish and improve its internal accounting supervision system. The internal accounting supervision system of an entity shall meet the following requirements: (1) the accounting personnel and the personnel handling economic and business transactions and accounting matters, and the personnel approving such matters shall be distinct in their responsibilities and shall be separated from each other; (2) the procedures for the mutual supervision and mutual restriction in respect of the decision-making

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and execution of material external investments, the disposal of assets, the dispatch of funds and other important economic and business transactions shall be clear; (3) the scope, time limits and organizational procedures for the checking of assets shall be clear; and (4) the methods and procedures for the regular internal audit of accounting materials shall be clear.

Article 23 — The person in charge of an entity shall ensure that the accounting institution and accounting personnel perform their duties in accordance with the law, and shall not instigate, instruct or force the accounting institution or accounting personnel to handle accounting matters in violation of the law.

Article 24 — Accounting institutions and accounting personnel shall have the right to refuse to handle accounting matters that violate the provisions of this Law and the uniform national accounting system, or to correct such matters in accordance with their functions and powers.

Article 25 — Accounting institutions and accounting personnel shall exercise accounting supervision over the economic and business transactions of their entities. Accounting supervision shall include: (1) supervising original vouchers; (2) supervising physical assets and funds; (3) supervising financial receipts and expenditures; and (4) supervising other accounting matters.

Article 26 — Each entity must accept supervision and inspection by the financial department and other relevant departments in accordance with the law and the relevant provisions, and truthfully provide accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and the relevant information, and shall not refuse, conceal or make false statements.

Article 27 — Financial and accounting reports of enterprises shall be audited by certified public accountants in accordance with the law. The audit reports issued by certified public accountants and accounting firms shall be subject to the relevant laws and administrative regulations.

Chapter V — Accounting Institutions and Accounting Personnel

Article 28 — Each entity shall establish an accounting institution or set up accounting personnel in the relevant institution and designate an accountant in charge. Where the conditions for establishing an accounting institution or setting up accounting personnel are not met, the entity may entrust an intermediary institution approved to engage in the agency bookkeeping business to handle the accounting affairs on its behalf.

Article 29 — Large and medium-sized enterprises, public institutions and competent departments shall have chief accountants. The qualifications, appointment and removal procedures, and functions and powers of chief accountants shall be prescribed by the State Council.

Article 30 — An accounting institution shall establish an internal audit system. Cashiers shall not concurrently undertake the work of auditing, keeping accounting files, or registering the accounts of revenue, expenditure, expenses, or claims and debts.

Article 31 — Personnel engaged in accounting work must obtain the qualification certificate for accounting practice. The person in charge of the accounting institution of an entity shall, in addition to obtaining the qualification certificate for accounting practice, have the professional and technical qualification of accountant or above, or have more than three years of work experience in accounting.

Article 32 — Accounting personnel shall abide by professional ethics and improve their professional quality. Accounting personnel leaving their positions must complete the handover procedures with the persons taking over in accordance with the provisions.

Chapter VI — Legal Liability

Article 33 — Where an entity violates the provisions of this Law by committing any of the following acts, the financial department under the people’s government at or above the county level shall order it to make

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rectification within a specified time limit and may impose a fine of not less than RMB 3,000 and not more than RMB 50,000 on the entity. The directly responsible persons in charge and other directly responsible persons may be fined not less than RMB 2,000 and not more than RMB 20,000: (1) failing to establish accounting books in accordance with the law; (2) maintaining accounting books other than those prescribed by law; (3) failing to fill in or obtain original vouchers in accordance with the provisions, or filling in or obtaining original vouchers that do not comply with the provisions; or (4) other acts violating the provisions of this Law and the uniform national accounting system.

Article 34 — Where an entity forges or alters accounting vouchers or accounting books, or prepares false financial and accounting reports, the financial department shall notify and impose a fine in accordance with the law. Where the case constitutes a crime, criminal liability shall be pursued in accordance with the law.

Article 35 — Where an entity conceals or deliberately destroys accounting vouchers, accounting books or financial and accounting reports that should be kept in accordance with the law, the financial department shall notify and impose a fine in accordance with the law. Where the case constitutes a crime, criminal liability shall be pursued in accordance with the law.

Article 36 — Where any person instigates, instructs or forces an accounting institution, accounting personnel or any other person to forge or alter accounting vouchers or accounting books, prepare false financial and accounting reports, or conceal or deliberately destroy accounting vouchers, accounting books or financial and accounting reports that should be kept in accordance with the law, the person shall be punished in accordance with the law.

Article 37 — Where a staff member of the financial department or any other relevant administrative department abuses his or her powers, neglects his or her duties, engages in malpractices for personal gain, or divulges State secrets or commercial secrets, and the case constitutes a crime, criminal liability shall be pursued in accordance with the law; where the case does not constitute a crime, a sanction shall be imposed in accordance with the law.

Chapter VII — Supplementary Provisions

Article 38 — The specific measures for the administration of accounting work in urban and rural collective economic organizations shall be separately prescribed by the financial department under the State Council in conjunction with the relevant departments on the basis of the principles of this Law.

Article 39 — This Law shall come into force as of July 1, 2000. The Accounting Law of the People's Republic of China adopted at the 9th meeting of the Standing Committee of the 6th National People's Congress on January 21, 1985 shall be repealed simultaneously.

Disclaimer: This English translation of the Accounting Law of the People's Republic of China (1985, Revised 2017) is provided for reference and informational purposes only. While every effort has been made to ensure accuracy, this translation is unofficial and carries no legal authority. The original Chinese text adopted by the National People's Congress shall prevail in all legal matters. Users should consult qualified accounting and legal professionals for advice on specific compliance obligations. Dan Young Business Consultancy assumes no liability for any errors, omissions, or reliance on this translation.