Accounting Law of the PRC

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of regulating accounting conduct, ensuring the truthfulness and completeness of accounting documents, strengthening economic management and financial management, improving economic efficiency, and maintaining the order of the socialist market economy.

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

Article 3 — All units must lawfully establish accounting books and ensure that the books are truthful and complete.

Article 4 — The responsible person of a unit shall be responsible for the accounting work and accounting documents of the unit, and shall ensure that the accounting documents are truthful and complete.

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, instruct or compel accounting institutions or accounting personnel to forge or alter accounting vouchers, accounting books or other accounting documents, or submit false financial and accounting reports.

No unit or individual may retaliate against accounting personnel who perform their duties in accordance with the law and resist any act violating the provisions of this Law.

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

Article 7 — The finance department under the State Council shall be in charge of the accounting work throughout the country.

The finance departments of the local people's governments at or above the county level shall administer the accounting work in their respective administrative areas.

Article 8 — The State shall implement a unified accounting system. The unified accounting system of the State shall be formulated and promulgated by the finance 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 unified accounting system of the State, formulate specific measures or supplementary provisions for the implementation of the unified accounting system of the State in sectors that have special requirements for accounting practice and accounting supervision, and submit the same to the finance department under the State Council for examination and approval.

The general headquarters of the Chinese People's Liberation Army may, in accordance with this Law and the unified accounting system of the State, formulate specific measures for the implementation of the unified accounting system within the armed forces and submit the same to the finance department under the State Council for the record.

Chapter II — Accounting Practice

Article 9 — All units must, based on actual economic and business transactions that have occurred, conduct accounting practice, fill in accounting vouchers, register accounting books and prepare financial and accounting reports.

No unit may conduct accounting practice with false economic and business transactions or documents.

Article 10 — The following economic and business transactions shall be subject to accounting procedures and accounting practice:

(1) receipts and payments of funds and securities;

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(2) receipt, increase, decrease and use of property;

(3) incurrence and settlement of claims and debts;

(4) increase or decrease of capital and funds;

(5) calculation of revenues, expenses and costs;

(6) calculation and processing of financial results;

(7) other matters that require 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 — Renminbi shall be the unit of accounting for bookkeeping.

Where the business receipts and expenditures of a unit are mainly in currencies other than Renminbi, one of such currencies may be selected as the unit of accounting for bookkeeping; however, the financial and accounting reports prepared shall be converted into Renminbi.

Article 13 — Accounting vouchers, accounting books, financial and accounting reports and other accounting documents must conform to the provisions of the unified accounting system of the State.

Where computers are used to conduct accounting practice, the software used and the accounting vouchers, accounting books, financial and accounting reports and other accounting documents generated therefrom must also conform to the provisions of the unified accounting system of the State.

No unit or individual may forge or alter accounting vouchers, accounting books or other accounting documents, or submit false financial and accounting reports.

Article 14 — Accounting vouchers shall include original vouchers and bookkeeping vouchers.

For each of the economic and business transactions specified in Article 10 of this Law, original vouchers must be filled in or obtained and promptly submitted to the accounting institution.

Accounting institutions and accounting personnel must examine original vouchers in accordance with the provisions of the unified accounting system of the State, and have the right to refuse to accept any inauthentic or non-compliant original vouchers and to return the same; and have the right to return for correction any inaccurate or incomplete original vouchers and require correction or supplementation in accordance with the provisions of the unified accounting system of the State.

The items specified in an original voucher may not be altered. Where an original voucher contains an error, the issuing unit shall reissue it or correct the error; where the error concerns the amount, the issuing unit shall reissue the original voucher and may not correct the error on the original voucher.

Bookkeeping vouchers shall be prepared on the basis of the original vouchers examined and verified as correct and other relevant documents.

Article 15 — The registration of accounting books must be based on the examined and verified accounting vouchers and conform to the provisions of the relevant laws, administrative regulations and the unified accounting system of the State. Accounting books shall include general ledgers, detailed ledgers, journals and other auxiliary books.

Accounting books shall be registered in accordance with the order of pages consecutively numbered. Where any error such as a missing entry, an over-entry or an under-entry of an amount, a skip of a page or a missing page number occurs in the registration of an accounting book, correction shall be made in accordance with the methods provided in the unified accounting system of the State, and the accounting personnel and the responsible person of the accounting institution (accounting supervisor) shall affix their seals at the corrected place.

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Where computers are used to conduct accounting practice, the registration and correction of the accounting books shall conform to the provisions of the unified accounting system of the State.

Article 16 — The economic and business transactions of each unit shall be registered and accounted for in the accounting books established in accordance with the law and may not be recorded privately for the purpose of circumventing the accounting books; no unit may set up multiple sets of accounting books in violation of the provisions of this Law and the unified accounting system of the State.

Article 17 — All units shall regularly check their accounting books and records against their physical assets, funds and relevant documents to ensure that the accounting books and records are consistent with the actual amount of the physical assets and funds, that the accounting books and records are consistent with the relevant contents of the accounting vouchers, that the corresponding records in the accounting books are consistent with each other, and that the accounting books and records are consistent with the relevant contents of the accounting reports.

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

Article 19 — The contingent matters such as guarantees provided by a unit and pending litigation shall be explained in the financial and accounting reports in accordance with the provisions of the unified accounting system of the State.

Article 20 — Financial and accounting reports shall be prepared on the basis of the examined and verified accounting books and records and relevant documents, and shall conform to the provisions of this Law and the unified accounting system of the State regarding the requirements for the preparation of financial and accounting reports, the objects to whom the reports are provided and the time limit for provision; where other laws or administrative regulations provide otherwise, such provisions shall prevail.

Financial and accounting reports shall comprise□□□□, notes to the accounting statements and explanations of the financial condition. For financial and accounting reports provided to different users of accounting documents, the bases for their preparation shall be consistent. Where the relevant laws or administrative regulations require that the accounting statements, portions of the accounting statements or notes thereto be audited by a certified public accountant, the auditing report issued by the certified public accountant and his accounting firm shall be provided together with the financial and accounting reports.

Article 21 — Financial and accounting reports shall be signed and sealed by the responsible person of the unit, the person in charge of accounting work and the responsible person of the accounting institution (accounting supervisor). For a unit with a chief accountant, the chief accountant shall also sign and seal the financial and accounting reports.

The responsible person of the unit shall ensure that the financial and accounting reports are truthful and complete.

Article 22 — The language used for accounting records shall be Chinese. In an autonomous area of an ethnic minority, one ethnic minority language commonly used in the locality may be used concurrently. Accounting records of a foreign-invested enterprise, a foreign enterprise or any other foreign organization within the territory of the People's Republic of China may, in addition, use one foreign language concurrently.

Article 23 — All units shall properly keep accounting vouchers, accounting books, financial and accounting reports and other accounting documents. The term of safekeeping and the procedures for destruction of accounting documents shall be prescribed by the finance department under the State Council jointly with the relevant departments.

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Accounting files shall be properly kept. The specific measures for the safekeeping period, transfer and destruction of accounting files shall be formulated by the finance department under the State Council jointly with the archives administrative department.

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

Article 24 — Companies and enterprises must, in accordance with the provisions of this Chapter, conduct accounting practice and confirm, measure and record assets, liabilities, owners' equity, revenues, expenses, costs and profits.

Article 25 — Companies and enterprises must, in accordance with the provisions of the unified accounting system of the State, confirm, measure and record the following economic and business transactions:

(1) assets, liabilities and owners' equity;

(2) revenues, expenses and costs; and

(3) profits and profit distribution.

Article 26 — Companies and enterprises shall not engage in the following conduct in conducting accounting practice:

(1) arbitrarily changing or concealing the criteria for the recognition of assets, liabilities or owners' equity, or fabricating or falsely listing assets, liabilities or owners' equity;

(2) falsely listing or concealing revenues, bringing forward or postponing the recognition of revenues;

(3) arbitrarily changing or concealing the criteria for the recognition of expenses or costs, falsely listing, overstating, understating or omitting expenses or costs;

(4) arbitrarily adjusting the calculation or distribution methods of profits, fabricating false profits or concealing profits;

(5) other acts violating the provisions of the unified accounting system of the State.

Chapter IV — Accounting Supervision

Article 27 — Each unit shall establish and improve its internal accounting supervision system. The internal accounting supervision system of a unit shall meet the following requirements:

(1) the duties and authorities of the bookkeeping personnel, examination and approval personnel, handling personnel, and the custodians of property and materials shall be clearly defined, with separate functions and mutual checks and balances;

(2) the procedures for mutual supervision and mutual restraint in the decision-making and execution of major external investments, disposal of assets, allocation of funds and other important economic and business transactions shall be clearly defined;

(3) the scope, time limit and organizational procedures for the inventory of property shall be clearly defined;

(4) the measures and procedures for regular internal auditing of accounting documents shall be clearly defined.

Article 28 — The responsible person of a unit shall ensure that the accounting institution and accounting personnel perform their duties in accordance with the law, and may not instigate, instruct or compel the accounting institution or accounting personnel to handle accounting matters in violation of the law.

Accounting institutions and accounting personnel shall have the right to refuse to handle matters that violate the provisions of this Law and the unified accounting system of the State, or to correct such matters in

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accordance with their authorities.

Article 29 — Where an accounting institution or accounting personnel discovers any inconsistency between the accounting books and records and the physical assets, funds or relevant documents, and it is within their authority to handle the matter, they shall handle it promptly; where it is beyond their authority, they shall immediately report the matter to the responsible person of the unit and request an investigation into the cause and a resolution.

Article 30 — Any unit or individual shall have the right to report any violation of this Law or the unified accounting system of the State. The department receiving the report shall, if the matter is within its authority, handle the matter in accordance with the law and the division of duties; if the matter is not within its authority, it shall promptly transfer the case to the competent department. The department receiving the report and the department handling the matter shall maintain confidentiality of the reporter and may not disclose the name and reporting materials of the reporter to the unit or individual reported, nor transfer the reporting materials to the unit or individual reported.

Article 31 — Where the relevant laws or administrative regulations require a unit to be audited by a certified public accountant, the unit shall truthfully provide to the appointed accounting firm accounting vouchers, accounting books, financial and accounting reports and other accounting documents, and the relevant circumstances.

No unit or individual may, by any means, require or indicate that a certified public accountant or his accounting firm issue an untrue or improper auditing report.

The finance department shall have the right to supervise the procedures by which an accounting firm issues auditing reports and the content thereof.

Article 32 — The finance department shall supervise the following matters of each unit:

(1) whether accounting books are established in accordance with the law;

(2) whether the accounting vouchers, accounting books, financial and accounting reports and other accounting documents are truthful and complete;

(3) whether the accounting practice conforms to the provisions of this Law and the unified accounting system of the State;

(4) whether the accounting personnel have the professional competency required for their positions.

Where serious suspicion of any illegal or non-compliant conduct is discovered in the supervision of the matters specified in item (2) of the preceding paragraph, the finance department under the State Council and its dispatched offices may, with the approval of the responsible person of the finance department under the State Council, inquire into the accounts of the unit and of the units that have financial transactions with it with respect to the relevant matters; in case of a major violation of law that involves a financial institution in respect of funds, they may additionally inquire into relevant information with the financial institution.

Article 33 — Other relevant government departments such as those in charge of finance, auditing, taxation, the People's Bank of China, securities regulation and insurance regulation shall, in accordance with their respective powers and duties as specified in relevant laws and administrative regulations, supervise and inspect the accounting documents of the units concerned.

The supervision and inspection department specified in the preceding paragraph shall, if any conclusion reached after supervision and inspection in accordance with the law meets the needs of other departments in performing their duties, provide copies of the relevant conclusion; if any conclusion reached after supervision and inspection in accordance with the law satisfies the conditions for disclosure to the public, it may be disclosed to the public.

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Article 34 — All units must accept the supervision and inspection conducted by the finance department and other relevant departments in accordance with the law, truthfully provide accounting vouchers, accounting books, financial and accounting reports and other accounting documents, and the relevant circumstances, and may not refuse, conceal or make false reports.

Article 35 — Each unit shall, in accordance with the provisions of the relevant laws and administrative regulations, accept the relevant supervisory and inspection department's lawful supervision and inspection, and truthfully provide accounting vouchers, accounting books, financial and accounting reports and other accounting documents and relevant circumstances, and may not refuse, conceal or make false reports.

Chapter V — Accounting Institutions and Accounting Personnel

Article 36 — Each unit shall, in light of its accounting work needs, establish an accounting institution, or establish an accounting department within the relevant institution and designate accounting supervisors. Where the conditions for establishing an accounting institution are not met, the unit shall entrust an intermediary institution approved to be established for engaging in agency bookkeeping business with its accounting work.

The establishment of accounting institutions of state-owned or state-asset-holding enterprises shall comply with the relevant provisions of the State Council.

Article 37 — An accounting institution of a unit shall establish an internal audit system.

Cashiers may not concurrently be responsible for auditing, keeping accounting files, or registering the accounts of revenues, expenditures, expenses, or claims and debts.

Article 38 — Persons engaged in accounting work must obtain qualifications in accounting practice.

The responsible person of the accounting institution (accounting supervisor) of a unit shall, in addition to obtaining the qualification certificate for accounting practice, also possess the professional and technical qualifications of an accountant or above, or have not less than three years of experience in accounting work.

The measures for the administration of the qualifications of accounting personnel shall be prescribed by the finance department under the State Council.

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

Article 40 — Persons who are subject to criminal penalties for job-related criminal offenses related to accounting, or persons who have been dismissed from their accounting posts and whose qualification certificates for accounting practice have been revoked for violations of law or discipline may not, within five years from the date of completion of the criminal penalty or from the date of revocation of the qualification certificate, obtain or re-obtain the qualification certificate for accounting practice, and may not serve as accounting personnel.

Article 41 — Where an accounting personnel transfers his work or leaves his post, the person who takes over must go through the handover procedures with the departing personnel.

General accounting personnel shall go through the handover procedures under the supervision of the responsible person of the accounting institution (accounting supervisor); the responsible person of the accounting institution (accounting supervisor) shall go through the handover procedures under the supervision of the person in charge of accounting work of the unit, and when necessary, the supervisory unit may send a person to attend and supervise the handover.

Chapter VI — Legal Liability

Article 42 — Whoever, in violation of the provisions of this Law, commits any of the following acts shall be ordered by the finance department of the people's government at or above the county level to make correction within a specified time limit, and may also be fined not less than 3,000 yuan but not more than 50,000 yuan; where the case constitutes a crime, criminal liability shall be pursued in accordance with the law:

(1) failing to establish accounting books in accordance with the law;

(2) setting up accounting books privately;

(3) failing to fill in or obtain original vouchers in accordance with the provisions of the unified accounting system of the State, or the original vouchers are not in compliance with the provisions;

(4) registering accounting books on the basis of accounting vouchers that have not been examined and verified, or registering accounting books not in compliance with the provisions;

(5) arbitrarily changing accounting treatment methods;

(6) the bases for the preparation of financial and accounting reports provided to different users of accounting documents are inconsistent;

(7) failing to use the language for accounting records in accordance with the provisions;

(8) failing to keep accounting documents in accordance with the provisions, thus causing damage to or loss of accounting documents;

(9) failing to establish and implement the internal accounting supervision system of the unit in accordance with the provisions, or refusing supervision conducted in accordance with the law, or not truthfully providing relevant accounting documents and the relevant circumstances;

(10) appointing accounting personnel not in compliance with the provisions of this Law.

Where any of the acts specified in the preceding paragraph is committed, the directly responsible person in charge and other directly responsible persons may be fined not less than 2,000 yuan but not more than 20,000 yuan; if the person is a state functionary, an administrative sanction shall also be imposed by his unit or the relevant unit in accordance with the law.

Article 43 — Whoever forges or alters accounting vouchers or accounting books, or prepares false financial and accounting reports, and the case constitutes a crime, shall be investigated for criminal liability in accordance with the law.

Where the case does not constitute a crime, the finance department of the people's government at or above the county level shall circulate a notice of criticism, and in addition, may impose a fine of not less than 5,000 yuan but not more than 100,000 yuan on the unit; the directly responsible person in charge and other directly responsible persons may be fined not less than 3,000 yuan but not more than 50,000 yuan; if the person is a state functionary, an administrative sanction of removal from post up to dismissal shall also be imposed by his unit or the relevant unit in accordance with the law; the accounting personnel among them shall also have their qualification certificates for accounting practice revoked if the case is serious.

Article 44 — Whoever conceals or intentionally destroys accounting vouchers, accounting books or financial and accounting reports that shall be kept in accordance with the law, and the case constitutes a crime, shall be investigated for criminal liability in accordance with the law.

Where the case does not constitute a crime, the finance department of the people's government at or above the county level shall circulate a notice of criticism, and in addition, may impose a fine of not less than 5,000 yuan but not more than 100,000 yuan on the unit; the directly responsible person in charge and other directly responsible persons may be fined not less than 3,000 yuan but not more than 50,000 yuan; if the person is a state functionary, an administrative sanction of removal from post up to dismissal shall also be imposed by

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his unit or the relevant unit in accordance with the law; the accounting personnel among them shall also have their qualification certificates for accounting practice revoked if the case is serious.

Article 45 — Where the responsible person of a unit instigates, instructs or compels an accounting institution or accounting personnel or other persons to forge or alter accounting vouchers, accounting books, prepare false financial and accounting reports, or conceal or intentionally destroy accounting vouchers, accounting books or financial and accounting reports that shall be kept in accordance with the law, 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 fine of not less than 5,000 yuan but not more than 100,000 yuan may be imposed, and if the person is a state functionary, an administrative sanction of demotion, removal from post or dismissal shall also be imposed by his unit or the relevant unit in accordance with the law.

Article 46 — Where the responsible person of a unit retaliates against accounting personnel who perform their duties in accordance with the law and resist any act violating the provisions of this Law by means of demotion, removal from post, transfer from the work position, dismissal from employment or expulsion, and the case constitutes a crime, criminal liability shall be pursued in accordance with the law; where the case does not constitute a crime, an administrative sanction shall be imposed by his unit or the relevant unit in accordance with the law. The accounting personnel who have been retaliated against shall be restored to their reputation and to their original positions and grades.

Article 47 — Where a functionary of the finance department or of a relevant administrative department abuses his power, neglects his duties, engages in malpractices for personal gains, or divulges state secrets or trade 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, an administrative sanction shall be imposed in accordance with the law.

Article 48 — Where a unit or individual transfers the reporting materials to the unit or individual reported, or discloses the name of the reporter in violation of the provisions of Article 30 of this Law, an administrative sanction shall be imposed by the unit to which he belongs or the relevant unit in accordance with the law.

Article 49 — Where the provisions of both this Law and other laws provide different penalties for the same illegal act in violation of this Law, the penalty shall be calculated and imposed by the relevant department within the limit of their respective functions and powers. Where the same illegal act violates the provisions of this Law and is subject to more than one administrative penalty, the unit or individual shall only be subject to one fine.

Chapter VII — Supplementary Provisions

Article 50 — For the purposes of this Law, the meanings of the following terms are:

"Responsible person of a unit" means the legal representative of the unit, or the principal person in charge who exercises functions and powers on behalf of the unit as provided by law or administrative regulations.

"Unified accounting system of the State" means the rules and regulations concerning accounting practice, accounting supervision, accounting institutions, accounting personnel and the administration of accounting work, formulated by the finance department under the State Council in accordance with this Law.

Article 51 — The specific measures for the administration of accounting work of individually-owned businesses shall be prescribed separately by the finance department under the State Council based on the principles of this Law.

Article 52 — This Law shall come into force as of the date of its promulgation.

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