

Research on the Environmental Factors Causing Accounting Differences Between China and Foreign Countries

Ziyun Chen^{1,2*}

¹Philippine Christian University Center for International Education, Manila 990005, Philippines

²Nanchang Institute of Science and Technology, Nanchang 330013, China

*Corresponding author: Ziyun Chen, chenzy_email@163.com

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Abstract: The official release of China's new accounting standards has realized the convergence of its accounting standards and international accounting practices. However, affected by factors such as the economic environment, political environment, social culture, law, and tax system, there are still some differences between China's accounting standards and international accounting standards, which will have a certain impact on the realization of the integration of accounting standards. Therefore, this paper analyzes the environmental factors of accounting differences between China and foreign countries, as well as explores specific measures to reduce the accounting differences between China and foreign countries, aiming to provide some useful references and promote the internationalization of China's accounting standards.

Keywords: Accounting differences; Environmental factors; Accounting standards

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1. Introduction

With economic globalization, economic and trade exchanges between countries are becoming more and more frequent. In this process, an accounting management system that is related but independent of each other is established. Under this circumstance, it is an inevitable trend for China's accounting standards to breach international grounds. However, in practice, due to the economic environment, political environment, social culture, laws, and taxation system, there are still some differences between China's accounting standards and international accounting standards, which is not conducive to the integration of accounting standards^[1]. Therefore, in order to promote the international development of China's accounting standards, it is necessary to carry out in-depth reform and innovation, improve the theoretical basis, and cultivate professional accounting talents. This paper analyzes and discusses specific measures to narrow the accounting differences between China and foreign countries, which has practical significance for the international development of China's accounting standards.

2. Environmental factors that cause accounting differences between China and foreign countries

2.1. Economic and environmental factors

To a certain extent, the economic environment is one of the important factors leading to the differences between Chinese and foreign accounting standards. The accounting theory is affected by the economic environment and changes depending on the stage of economic development^[2]. China practices an economic

system based on public ownership and promotes the common development of multiple ownership economies, while western countries are dominated by private ownership economies. The main forms of accounting differences between China and foreign countries are as follows: the form of ownership of the means of production, the influence of the economic management system, and the state of social and economic development. The market economy is jointly supervised by audit institutions and socially impartial accounting institutions. With the gradual development of the market economy in China, the autonomy of enterprises has gradually increased, and the state's direct control over enterprises has shifted to indirect control ^[3]; accountants have replaced the state to implement economic supervision. The accounting supervision of enterprises is gradually balanced by fair accounting institutions. In private economy, accountants generally do not have the responsibility of accounting supervision and can only participate in accounting supervision with the permission of the owner or non-owner.

2.2. Political environment

Differences in political systems can also lead to accounting differences. The social system in China embodies a socialist system, led by the Communist Party, and implemented by the National People's Congress through legislation and the government, which have considerable rights ^[4]. A capitalist nation is characterized by a system of separation of powers, in which the judicial power, legislative power, and the executive power co-exist and mutually restrict one another. The impact of China's political system on accounting is manifested in the fact that due to the high degree of unity of rights, accounting follows the unified national accounting system, the accounting behavior is consistent, the accounting methods meet the needs of the country, the accounting information meets the national macro-control, and accounting is a state-controlled enterprise itself ^[5]. The formulation of accounting standards is under the responsibility of non-governmental organizations and managed by accounting personnel; it has a high degree of freedom. The state mainly manages accounting through judiciary and taxation. An individual can freely choose their own accounting system and provide corresponding accounting information according to the requirements of those who need accounting information, with an emphasis on transparency ^[6].

2.3. Sociocultural factors

Different social and cultural environments will also lead to different accounting theories to a certain extent. Culture affects the thinking of accountants, which in turn affects their behaviors. Accounting is an interaction between society and technology ^[7]. It involves both human and technology. It is impossible to eliminate the influence of social culture. Culture is an important factor that affects accounting standards. Education factors affect the formulation and implementation of accounting standards. Only when general education and accounting professional education reach a certain level, the design and formulation of accounting standards that are compatible with the modern and developed market economy can be made and put into practice. Since the social and cultural thinking of capitalist countries is relatively radical and these countries pay more attention to the economic benefits of accounting, accountants are highly looked upon, enterprises' financial status is open, and enterprises have the right to establish accounting systems.

2.4. Legal factors

Legal factors are important factors affecting accounting standards, and many governments have passed legislation to exert influence on the formulation and implementation of accounting standards. Accounting standards are standards for unified management of accounting and financial reporting, and their compulsion and authority mainly come from the departments that formulate and promulgate regulations ^[8]. In countries with a statutory law system, accounting is directly intervened by the government, and the role of non-governmental organizations in the accounting profession is relatively small. Accounting norms emphasize

system, integrity, and logic, while corporate financial reports emphasize “legality” and “correctness.” In common law countries, the legal constraints on accounting are macroscopic, and the norms of accounting standards are generally accomplished by non-governmental organizations, in which the standards emphasize the principle of “truth and fairness”^[9].

2.5. Tax system

The tax system is also one of the important factors that affect accounting standards. To a certain extent, the tax system has a restrictive effect on the business activities and accounting practices of enterprises. In this case, if the tax system changes, the business activities and accounting practices of enterprises will also be affected. In some countries, tax laws and tax rules are accounting rules, while in other countries, there is a distinction between financial accounting and tax accounting. Accounting profits and taxable income are often different, and accounting profits need to be adjusted according to the country’s tax laws.

3. Specific measures to narrow the accounting differences between China and foreign countries

3.1. Improve the accounting theory and strengthen accounting theory research

In order to narrow the differences between Chinese and foreign accounting, China should actively improve its accounting theory, strengthen accounting theory research, and promote the internationalization of its accounting standards. In order to formulate accounting standards, developed western countries often invite professionals from various industries to participate together, such as accounting professionals, business circles, stock exchanges, professional research institutions, governments, investors, and other professionals from all walks of life^[10]. The formulation of standards is more scientific and standardized, ensuring that the accounting standards formulated are more effective. Therefore, in order to further improve the accounting theory, China should actively learn from the experiences of western countries, take into account of the actual state of local accounting practices, clarify the direction of accounting theory improvement, and attach importance to the integration of theory and practice, so that the accounting standards can better meet practical needs^[11]. In addition, China should also learn from relevant foreign research, strengthen the research on accounting theory, continuously narrow the differences between Chinese and foreign accounting, as well as promote the international development of its accounting standards as quickly as possible.

3.2. Standardize the accounting method to narrow the differences in accounting entities

In the process of business combination, there is a huge difference between Chinese and foreign accounting standards, such as merger goodwill and account adjustment practice^[12]. The accounting method adopted abroad is the purchase method. In China, either the purchase method or the pooling-of-interests method can be used for business mergers. It can be seen that there are some particularities in the accounting entities in China. Therefore, in order to narrow the differences between Chinese and foreign accounting entities, Chinese accounting practitioners should constantly standardize the accounting methods^[13]. Taking into consideration of the characteristics of accounting practice, identifying and analyzing the existing problems in accounting practice and the causes of the problems, as well as flexibly adjusting and standardizing the accounting methods will better solve the problem of business mergers and narrow the differences between Chinese and foreign accounting entities^[14].

3.3. Strengthen the cultivation of professional accounting talents

In order to narrow the differences between Chinese and foreign accounting and ascertain the development of China’s accounting standards towards internationalization, it is necessary to cultivate professional accounting talents. Professional accountants can guarantee a more scientific and standardized accounting

practice, and new accounting standards can be applied more accurately to practice, thus fully realizing the value and role of new accounting standards ^[15]. Hence, China should acknowledge the importance of professional accounting talents in the practice and implementation of accounting standards, as well as continue to strengthen the cultivation of professional accounting talents, so as to ensure a more effective implementation of accounting standards ^[16]. On the one hand, relevant departments can increase their support for the cultivation of accounting talents in colleges and universities in terms of policies and funds. This will help colleges and universities to further clarify the training direction of accounting talents and determine the training objectives from the perspective of market economy development ^[17]. On the other hand, enterprises should strengthen the training of accounting practitioners and improve the training system as well as the assessment mechanism, so that accounting practitioners may acquire new professional skills.

3.4. Improve and standardize the market economy system

The economic environment will affect the accounting theory, and the corresponding accounting theory will differ depending on the stage of economic development ^[18]. In other words, changes in the economic environment will also lead to changes in the accounting theory. Therefore, in order to formulate more scientific and standardized accounting standards, it is necessary to improve and standardize the market economy system and the transactions between enterprises ^[19]. First, in the implementation of fair value, the specific implementation direction and route of fair value should be determined based on the actual situation. For example, fair value can only be partially used in business combinations and investment properties. Second, previous market economic data should be analyzed, and their flaws should be identified; then, based on the analysis, the social system should be considered to implement better supplementary means, improve the market economic system, and promote more scientific and standardized transactions between enterprises ^[20].

4. Conclusion

In conclusion, the environmental factors that cause the differences between Chinese and foreign accounting are mainly reflected in the economy, politics, social culture, law, and taxation system. In order to narrow the differences between Chinese and foreign accounting and promote the internationalization of China's accounting standards, specific measures can be taken as follows: perfecting the accounting theory and strengthening accounting theory research; standardizing accounting methods and narrowing the differences in accounting entities; strengthening the cultivation of professional accounting talents; perfecting and standardizing the market economy system. The research on the environmental factors that cause accounting differences between China and foreign countries lacks detail. In the future, we should continue to monitor research trends relating to environmental factors causing accounting differences between China and foreign countries.

Disclosure statement

The author declares no conflict of interest.

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