

Accounting Law of the People's Republic of China (Amended on 10/31/1999)

(Adopted at the Ninth Meeting of the Standing Committee of the Sixth National People's Congress on January 21, 1985 and revised in accordance with the Decision on Amending the Accounting Law of the People's Republic of China adopted at the Fifth Meeting of the Standing Committee of the Eighth National People's Congress on December 29, 1993, and revised at the 12th Meeting of the Standing Committee of the Ninth National People's Congress on October 31, 1999)

Contents

Chapter I General Provisions

Chapter II Accounting Practice

Chapter III Special Provisions on Accounting Practice of Companies and Enterprises

Chapter IV Accounting Supervision

Chapter V Accounting Offices and Accounting Personnel

Chapter VI Legal Liability

Chapter VII Supplementary Provisions

Chapter I General Provisions

Article 1 This Law is enacted for the purposes of standardizing accounting behavior, ensuring that accounting documentation is authentic and complete, strengthening economic management and financial management, improving economic results and safeguarding the order of socialist market economy.

Article 2 State organs, associations, companies, enterprises, institutions and other organizations (hereinafter uniformly referred to as units) must, in handling accounting affairs, abide by this Law.

Article 3 Every unit must set up accounting books in accordance with law and ensure that they are authentic and complete.

Article 4 The responsible person of a unit shall be responsible for the authenticity and completeness of the accounting work and accounting documentation of his own unit.

Article 5 Accounting offices and accounting personnel shall conduct accounting practice and exercise accounting supervision in accordance with this Law.

No unit or individual may, incite, by any means, instigate or forcibly order accounting offices or accounting personnel to forge or alter accounting vouchers, account books and other accounting documents or provide false financial and accounting reports.

No unit or individual may be allowed to persecute or retaliate against the accounting personnel who perform their functions and duties in accordance with law and oppose the acts in violation of this Law.

Article 6 The accounting personnel who make notable achievements in earnestly implementing this Law, devoting themselves to their duties and adhering to principles are to be given spiritual or material awards.

Article 7 The financial department of the State Council takes charge of the accounting work through out the country.

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

Article 8 The State shall exercise a uniform accounting system. The uniform accounting system of the State shall be formulated and promulgated by the financial department of the State Council in accordance with this Law.

Relevant departments of the State Council may, in accordance with this Law and the uniform accounting system of the State, formulate specific measures or supplementary provisions for the implementation of the uniform accounting system of the State applied in the sectors which have special requirements for accounting practice and accounting supervision, and submit them to the financial department of the State Council for examination and approval.

The General Logistics Department of the Chinese People's Liberation Army may, in accordance with this Law and the uniform accounting system of the State, formulate specific measures for the implementation in the Army of the uniform accounting system of the State, and submit them to the financial department of the State Council for the record.

Chapter II Accounting Practice

Article 9 Every unit must, according to the economic transactions and operational matters which actually occur, conduct accounting, draw up accounting documents, enter account books and prepare financial and accounting reports.

No unit may conduct accounting with false economic transactions and operational matters or information.

Article 10 Accounting procedures shall be undertaken and accounting practice conducted with respect to the following economic transactions and operational matters:

- 1) receipts and disbursement of cash holdings and valuable securities;
- 2) receipts, issuance, additions, reductions and use of money and articles of properties;
- 3) creation and settlement of debts and claims;
- 4) increases and decreases of capital and funds;
- 5) computation of revenue, expenditures, expenses and costs;
- 6) computation and arrangement of financial results;
- 7) other matters that are subject to accounting procedures and accounting practice.

Article 11 A fiscal year starts on January 1 and ends on December 31 of the Gregorian calendar.

Article 12 Renminbi is used as the base currency for bookkeeping in accounting practice.

The units whose receipts and expenditures are conducted chiefly in currencies other than Renminbi may select one of them as the base currency for bookkeeping, but the financial and accounting reports prepared shall be converted into Renminbi.

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

Where the accounting practice is conducted with computers, the software thereof and the accounting vouchers, account books, financial and accounting reports and other accounting documents produced therefrom must also conform to the provisions of the uniform accounting system of the State.

No unit or individual may forge or alter accounting vouchers, account books and other accounting documents, nor submit false financial and accounting reports.

Article 14 Accounting vouchers shall include original vouchers and recording vouchers.

In handling the economic transactions and operational matters stipulated in Article 10 of this Law, original vouchers must be drawn up or obtained, and then promptly filed with the accounting office.

Accounting offices and accounting personnel must examine the original vouchers in accordance with the provisions of the uniform accounting system of the State, have power to refuse inauthentic or illegal original vouchers and make reports to the responsible persons of units; return the inaccurate and incomplete vouchers and require to make amends or supplements in accordance with the provisions of the uniform accounting system of the State.

The items entered into original vouchers may not be altered; where there are errors in the original vouchers, the drawing units shall draw up new vouchers or make amends. Where there are errors with respect to amount, the drawing units shall draw up new vouchers, and may not make any amends on the original vouchers.

Recording vouchers shall be prepared on the basis of the examined original vouchers and other related information.

Article 15 Account book entries must be conducted on the basis of the examined accounting vouchers and conform to the provisions of relevant laws, regulations and the uniform accounting system of the State. Account books include general ledgers, detail ledgers, daily books and other auxiliary account books.

Account books shall be entered into in accordance with the order of pages continuously numbered. Where there are errors or page partition, number shortage or line skip, amends shall be made in accordance with the methods stipulated in the uniform accounting system of the State, and sealed by the accounting personnel, the person in charge of the accounting office (the accountant in charge).

Where accounting practice is conducted with computers, entries and amends of account books thereof shall be in conformity with the provisions of the uniform accounting system of the State.

Article 16 The economic transactions and operational matters conducted by every unit shall be entered and calculated in the account books set up according to law and may not be entered and calculated in the account books set up secretly in violation of the provisions of this Law and the uniform accounting system of the State.

Article 17 Every unit shall regularly check the accounting records with physical assets, cash holdings and relevant information and ensure that accounting records conform to the actual amount of the physical assets and cash holdings, accounting records conform to the relevant contents of the accounting vouchers, accounting records conform to one another and accounting records conform to the relevant contents of the accounting statements.

Article 18 Accounting arrangement methods adopted by every unit shall remain consistent from one period to another and may not be arbitrarily changed. Where changes are absolutely necessary, the changes shall be made in accordance with the provisions of the uniform accounting system of the State, and the reasons therefor, circumstances and efforts of the changes shall be explained in the financial and accounting reports.

Article 19 Probable matters such as guaranty provided by the units or pending litigation of the units, etc., shall be explained in the financial and accounting reports in accordance with the provisions of the uniform accounting systems of the State.

Article 20 Financial and accounting reports shall be prepared on the basis of the examined accounting book records and relevant documents. They must be in conformity with the provisions of this Law and the uniform accounting system of the State on matters relating to the requirements for the preparation thereof, to whom they are required to be submitted to, and to the time limit within which they must be submitted. Where other laws and administrative regulations stipulate otherwise, such provisions shall be applied.

Financial and accounting reports are composed of accounting statements, the affiliated notes to the accounting statements and the explanatory statements on financial conditions. The basis for the preparation of financial and accounting reports provided for different users shall be consistent. Where the relevant laws or administrative regulations stipulate that the accounting statements, the affiliated notes thereto and the explanatory statements on financial conditions are subject to audit by certified public accountants, the auditing reports issued by the certified public accountants and the accounting firms to which the certified public accountants belong shall be submitted together with the financial and accounting reports.

Article 21 Accounting and financial reports shall be signed and sealed by the responsible person of the unit, the executive office in charge of accounting book, and the person in charge of the accounting office (accountant in charge). For unit having an accountant-general, the accountant-general shall also sign and seal the financial and accounting reports.

The responsible person of the unit shall ensure the authenticity and the completeness of the financial and accounting reports.

Article 22 The language used in the accounting records shall be Chinese. IN an autonomous area of minority nationalities, one minority language commonly used in the locality may be used concurrently with the Chinese language in the accounting records. The accounting records of foreign-invested enterprises, foreign enterprises and other foreign organizations within the territory of the People's Republic of China may also use one foreign language concurrently.

Article 23 Every units shall establish archives for accounting vouchers, account books, financial and accounting reports and other accounting documents, and properly keep them. The time limit for keeping the accounting archives and the procedures for their destruction shall be formulated by the financial department of the State Council jointly with the relevant departments.

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

Article 24 The accounting practice of a company or an enterprise shall be in conformity with the provisions of this Chapter, in addition to the provisions of Chapter II of this Law.

Article 25 Companies and enterprises are required to confirm, calculate and record assets, debts, owners' equities, revenues, expenses, costs, and profits in accordance with the provisions of the uniform accounting system of the State on the basis of the economic transactions and operational matters which actually occur.

Article 26 Companies and enterprises may not conduct the following acts:

- 1) Arbitrarily change the criteria for the confirmation of assets, debts and owners' equities or changing methods of their calculation, fraudulently listing the assets, debts or owners' equities, listing more or less than their actual amounts, or omitting such items.
- 2) Fraudulently listing or concealing revenues, delaying to confirm revenues or confirming revenues in advance.
- 3) Arbitrarily changing the criteria for the confirmation of expenses or costs, or changing the method of their calculation, listing the expenses and costs fraudulently, listing more or less than the actual amounts of expenses or costs, or omitting such items.
- 4) Making arbitrary adjustment on the methods of calculation or distribution of profits, fabricating false profits or concealing profits.
- 5) Other acts violating the provisions of the uniform accounting system of the State.

Chapter IV Accounting Supervision

Article 27 Every unit shall set up and improve its internal accounting supervision system. The internal accounting supervision of a unit shall meet the following requirement:

- 1) the staff making account records, the persons responsible for approval of economic transaction and operational matters and that responsible for accounting matters, and the staff handling accounting matters or matters for the safe keeping of properties shall all have clear, separate responsibilities, powers and functions. They shall check on each other in performing their functions.
- 2) The procedure for mutual supervision and mutual checks on the decision-making and its implementation on important economic transactions and operational matters, such as important external investment, the disposal of assets, the operation of funds and etc., shall be explicit and clear.
- 3) The scope, time limit and organizational procedures for checking of properties shall be explicit and clear.
- 4) The measures and procedures for regular internal auditing of accounting documents shall be explicit and clear.

Article 28 The responsible person of a unit shall ensure that the accounting office and the accounting personnel perform their functions legally. They may not incite, instigate or forcibly order the accounting office or the accounting personnel of the unit to handle its accounting matters in violation of law.

The accounting offices and the accounting personnel shall have the right to refuse to handle it or to correct within their authorities the accounting matters in violation of the provisions of the uniform accounting system of the State.

Article 29 When accounting offices or accounting personnel find that the accounting records are inconsistent with the physical assets, cash holdings or the relevant documents, and where they have the authorities to handle it on their own according to the provisions of the uniform accounting system of the State, they shall handle it timely. Where they do not have the authorities, they shall report immediately to the responsible person of the unit and request to make investigation on the causes and to handle it accordingly.

Article 30 Any unit or individual shall have the right to report on violation of the provisions of this Law or of the uniform accounting system of the State. Upon receiving such a report, the department having the power to deal with the violation shall, within its functions and responsibilities, deal with it timely according to Law. Where it does not have such authority, it shall refer it timely to the department having such authority. The department having received such report and the department responsible for dealing with it shall keep confidentiality for the reporting person and may not disclose the name of the reporting person, nor forward the reporting material to the unit or the individual being reported.

Article 31 When a unit is subject to audit by certified public accountant in accordance with the provisions of the relevant laws and administrative regulations, the unit shall

provide truthfully accounting vouchers, account books, financial and accounting reports and other accounting documents as well as the relevant information to the delegated accounting firm.

Any unit or individual may not, in any way, ask or express implicitly their intention to the certified public accountant and the accounting firm to which the certified accountant belongs to issue false or inappropriate auditing report.

The financial departments shall have the authorities to supervise on the procedures of the preparation of and on the contents of the auditing report.

Article 32 The financial departments shall supervise on the implementation of the following matters of every unit:

- 1) Whether accounting books are set up according to law;
- 2) Whether accounting documents, account book, financial and accounting reports and other accounting documents are authentic and complete;
- 3) Whether its accounting practice is in conformity with the provisions of this Law and the uniform accounting system of the State;
- 4) Whether the accounting personnel have acquired the qualification for accountant's practice.

Where serious suspicion of violation of law is found in the process of supervision on matters listed in item 2) of the preceding paragraph, the financial department of the State Council and its agencies may inquire into the relevant facts from units that have economic transactions with the supervised unit maintains accounts. Such relevant units and financial institutions shall render their assistance.

Article 33 Financial department, auditing department, tax administration, People's Bank, securities supervision and regulatory body, insurance supervision and regulatory body, etc., shall conduct supervision and inspection on the accounting documents of the relevant units in accordance with the provisions of the relevant laws and administrative regulations on their functions and responsibilities.

The supervision and inspection departments listed in the preceding paragraph shall provide a conclusion after the inspection has been conducted according to law. Where the conclusions made by the relevant supervision and inspection departments in performing their inspections, such other supervision and inspection departments shall make use of them so as to avoid repeated auditing.

Article 34 The departments and the persons conducting supervision and inspection on the accounting documents of the relevant units according to law shall have the obligation of keeping confidentiality of the State secret and commercial secret obtained in the process of supervision and inspection.

Article 35 Every unit shall, in accordance with the provisions of the relevant laws and regulations, accommodate the supervision and inspection conducted by the relevant supervision and inspection departments, provide truthful accounting vouchers, account books, financial and accounting reports as well as other accounting

documents and the relevant information. It may not refuse to provide, or conceal or fraudulently report these documents and the relevant information.

Chapter V Accounting Offices and Accounting Personnel

Article 36 Every unit shall, according to the needs of its accounting work, set up an accounting office, or staff a relevant office with accounting personnel and designate an accountant in charge. Where conditions do not permit, the unit shall delegate its bookkeeping to an intermediary organization which is established upon approval to be engaged in agency operation of accounting bookkeeping.

A large or medium-sized enterprise owned by the State or in which the State-owned assets occupy a holding or leading position must have an accountant-general. The qualifications, appointment or removal procedures as well as functions and powers of the accountant-general are to be stipulated by the State Council.

Article 37 An accounting office shall establish an internal auditing system.

The staff handling disbursements and receipts may shall not be concurrently in charge of auditing, taking custody of accounting archive or entering the receipts, expenditures, expense or claims and liability accounts.

Article 38 A person who is engaged in accounting work must acquire an accountant's practice qualification certificate.

Anyone who is to be the person in charge of the accounting office of a unit (accountant in charge), in addition to acquiring an accountant's practice qualification certificate, must have professional technical qualifications equal to or higher than those for accountants or have been engaged in accounting work for more than three years.

Measures on the administration of accounting personnel's practice qualifications shall be stipulated by the financial department of the State Council.

Article 39 Accounting personnel shall abide by professional ethics and improve their professional qualifications. The work of education and training of accounting personnel shall be enhanced.

Article 40 Persons who are investigated for criminal liabilities according to law providing untruthful financial and accounting reports, making false accounts, concealing or intentionally destroying accounting vouchers, account books as well as financial and accounting reports, embezzlement, misappropriating public funds, taking possession of properties by taking advantages of positions or for other illegal acts relating to their accounting positions may not acquire or acquire again accountant's practice qualification certificate.

Besides the persons as stipulated in the preceding paragraph, persons who have their accountant's practice qualification certificates revoked for violating laws and disciplines may not acquire the accountant's practice qualification certificates again within five years of the date of the revocation of such certificates.

Article 41 Accounting personnel who are being transferred to other work or leaving their posts must finalize the handing-over procedures with the persons who are taking over.

The person in charge of the accounting office (accountant in charge) shall supervise handing-over procedures for ordinary accounting personnel. The responsible person of a unit shall supervise handing-over procedures for the person in charge of the accounting office (account in charge); when necessary, the unit in charge may send personnel to participate in the supervision of handing-over.

Chapter VI Legal Liability

Article 42 Where the provisions of this Law are violated by committing one of the following acts, the financial department of the people's government at or above the county level shall order to make amends within a specified time limit, may simultaneously impose a fine not less than 3, 000 yuan but not more than 50, 000 yuan upon the unit, and impose a fine of not less than 2, 000 yuan but not more than 20, 000 yuan upon the persons in charge that bear direct responsibilities and other persons directly responsible. The persons who are state functionaries shall also be imposed upon administrative sanctions according to law by the unit to which they belong or the unit concerned:

- 1) No account books are set up according to law;
- 2) Account books are set up secretly;
- 3) Original vouchers are drawn up or obtained not conforming to the provisions or original vouchers drawn up or obtained are not in conformity with the provisions;
- 4) Account books are recorded on the basis of accounting vouchers which are not examined and verified or account books are recorded not conforming to the provisions;
- 5) The measures for accounting arrangement are arbitrarily changed;
- 6) The basis for preparing financial and accounting reports provided to different users of accounting documents is inconsistent;
- 7) Failure to use in accordance with the provisions the accounting recording language or the base currency for bookkeeping;
- 8) Failure to keep in accordance with the provisions the accounting documents, and thus resulting in destruction and loss of such accounting documents;
- 9) Failure to establish and implement in accordance with the provisions the internal accounting supervision system of the unit, or refusing supervision conducted according to law or untruthfully providing the relevant accounting documents as well as relevant information;
- 10) The appointment of accounting personnel is not in accordance with the provisions of this Law.

Where one of the acts as stipulated in the preceding paragraph is committed and therefore a crime is constituted, criminal liabilities shall be investigated according to law.

Where accounting personnel commits one of the acts as stipulated in paragraph one and the circumstances are serious, the financial department of the people's

government at or above the county level shall revoke their account's practice qualification certificates.

Where punishment against the acts as stipulated in paragraph one are otherwise provided in the relevant laws, the matter shall be handled in accordance with such provisions.

Article 43 Where accounting vouchers or account books are counterfeited or altered, or false financial and accounting reports are prepared, and therefore a crime is constituted, criminal liabilities shall be investigated in accordance with law.

Where the acts as stipulated in the preceding paragraph are committed but no crimes are constituted, the financial department of the people's government at or above the county level shall circulate a notice, may simultaneously impose a fine of not less than 5, 000 yuan upon the persons in charge that bear direct responsibilities and other persons directly responsible. The persons who are state functionaries shall also be imposed upon administrative sanctions according to law from removing from post up to expelling from the units by the unit to which they belong or the unit concerned; for the accounting personnel among them, the financial department of the people's government at or above the county level shall additionally revoke their accountant's practice qualification certificates.

Article 44 Where accounting vouchers, account books or financial and accounting reports that should be kept according to law are concealed or intentionally destroyed, and therefore a crime is constituted, criminal liabilities shall be investigated in accordance with law.

Where the acts as stipulated in the preceding paragraph are committed but no crimes are constituted, the financial department of the people's government at or above the county level shall circulate a notice, may simultaneously impose a fine of not less than 5, 000 yuan but not more than 100, 000 yuan upon the unit, and may impose a fine of not less than 3, 000 yuan but not more than 50, 000 yuan upon the persons in charge that bear direct responsibilities and other persons directly responsible. The persons who are State functionaries shall also be imposed upon administrative sanctions according to law from removing from post up to expelling from the unit by the unit to which they belong or the unit concerned; for the accounting personnel among them, the financial department of the people's government at or above the county level shall additionally revoke their accountant's practice qualification certificates.

Article 45 Anyone who incites, instigates or arbitrarily orders accounting offices, accounting personnel and other persons to counterfeit or alter accounting vouchers or account books, to prepare false financial and accounting reports, or to conceal or intentionally destroy accounting vouchers, account books as well as financial and accounting reports that should be kept according to law, and therefore constitutes a crime, shall be investigated for criminal liabilities in accordance with law; a fine of not less than 5, 000 yuan but not more than 50, 000 yuan may be imposed if no crime is constituted, and the persons who are State functionaries shall also be imposed upon administrative sanctions or demoting to a lower rank, removing from post to expelling from the unit according to law by the unit to which they belong or the unit concerned.

Article 46 Where the responsible person of a unit persecutes or retaliates against the accounting personnel, who perform their duties according to law and oppose acts violating the provisions of this law, by means of demoting to a lower rank, removing from post, transferring working post, dismissing from employment or expelling from the units, etc., and therefore constitutes crimes, criminal responsibilities shall be investigated in accordance with law; if no crime is constituted, administrative sanctions shall be imposed upon according to law by the units to which they belong or the unit concerned. For the accounting personnel who are persecuted or retaliated against, their reputation, original positions and ranks shall be resumed.

Article 47 Functionaries in financial departments and relevant administrative departments who abuse their powers, neglect their duties, commit illegalities for personal interests or by fraudulent means, or disclose State secrets or commercial secrets, and therefore constitute crimes, shall be investigated for criminal liabilities in accordance with law; administrative sanctions shall be imposed if no crime is constituted.

Article 48 Anyone who, in violation of provisions in Article 38 of this Law, transfers the name of the reporting person and reporting materials to the unit reported and the person reported shall be imposed upon administrative sanctions according to law by the unit to which he belongs or the unit concerned.

Article 49 Where the provisions of both this Law and other laws are violated simultaneously, sanctions shall be imposed according to law by the relevant departments within their respective functions and powers.

Chapter VII Supplemental Provisions

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

The responsible person of a unit refers to the legal representative of a unit or the person in charge stipulated by laws and administrative regulations who performs functions and powers on behalf of the unit.

The uniform accounting system of the State refers to the system concerning practice, accounting supervision, accounting offices and accounting personnel as well as administration of accounting work which are formulated by the financial department of the State Council in accordance with this Law.

Article 51 The specific measures governing the accounting of individual industrial and commercial business operators shall be formulated separately by the financial department of the State Council in accordance with the principles of this Law.

Article 52 This Law takes effect as of the date of July 1, 2000