

Joint Statement of the Secretary-General of the China Accounting Standards Committee and the Chairman of the International Accounting Standards Board

The China Accounting Standards Committee (CASC) and the International Accounting Standards Board (IASB) held a successful convergence meeting on accounting standards on November 7 - 8, 2005 in Beijing. The meeting was co-chaired by China's Vice-Minister of Finance and Secretary-General of the CASC Mr Wang Jun and IASB Chairman Sir David Tweedie. Mr Liu Yuting, member of CASC and Director-General of the Accounting Regulatory Department of the Ministry of Finance, and key members of the accounting standards setting team of the Accounting Regulatory Department attended the meeting. Three IASB members joined Sir David: Warren McGregor, Patricia O'Malley, and Tatsumi Yamada, as did two IASB directors Wayne Upton and Paul Pacter. This high-level meeting followed a series of CASC-IASB staff working meetings that lasted over one week in October.

Both parties agree that establishing and improving a single set of high quality global accounting standards is the logical consequence of the trend of economic globalisation. International convergence takes time to happen. It is a goal to which the IASB as well as national accounting standard setters of all jurisdictions in the world should continue to make sustained efforts. China stated that convergence is one of the fundamental goals of their standard-setting programme, with the intention that an enterprise applying CASs should produce financial statements that are the same as those of an enterprise that applies IFRSs. How to converge with IFRSs is a matter for China to determine.

The IASB notes that, in converging their national standards with IFRSs, some countries add provisions and implementation guidance not included in IFRSs to reflect the circumstances of those countries. This is a pragmatic and advisable approach with which China agrees.

During the past year, China has issued Exposure Drafts of the Basic Accounting Standard for Business Enterprises and 20 specific standards. China expects to issue two more Exposure Drafts. At the same time, China has also begun a review of its 16 existing CASs. As a result, China's accounting standards system for business enterprises is being developed with a view to achieve convergence of those standards with the equivalent IFRSs. The IASB applauds and expresses admiration for the enormous progress already made toward convergence.

The two parties acknowledged that differences between CASs and IFRSs still exist at the moment on a limited number of matters, including reversal of impairment losses, disclosure of related party relationships and transactions, and accounting for certain government grants. Both parties agreed to work to eliminate those differences as quickly as possible. They noted, however, that these are relatively small matters as compared to the matters on which the CASC's recent work has achieved such significant progress toward convergence.

During the discussions, the IASB identified a number of accounting issues for which China, because of its unique circumstances and environment, could be particularly helpful to the IASB in finding high quality solutions for IFRSs. These include disclosure of related party transactions, fair value measurements and business combinations of entities under common control. The CASC has agreed to assist the IASB in researching and providing recommendations on these issues. Similarly, in reviewing the revisions to the EDs, existing standards, and the implementation guidance, the CASC will get assistance from the IASB as well.

As a result of the success of this joint meeting, the CASC and the IASB have agreed to continue to meet periodically and strengthen the exchange and co-operation between the two parties, to achieve convergence of the Chinese Accounting Standards for Business Enterprises with the International Financial Reporting Standards.

Wang Jun

Secretary-General

China Accounting Standards Committee

David Tweedie

Chairman

International Accounting Standards Board

8 November 2005, Beijing