Overview of the Accountancy Profession in China  
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Chapter I  Overview and Milestones

The accountancy profession was introduced to China in the early 20th century, mainly serving the booming national industry and commerce. After the founding of the PRC, the profession had played a vital role in the national economic recovery. Its development was suspended in the Mid-20th century when China adopted a planned economic system. Along with China’s economic reform and opening-up, the accountancy profession was revitalized and reconstructed and grew steadily. With over 30 years of development and growth, accountancy is now a widely recognized and respectable profession in China. Accountants are an important link of integrity chain of the market economy and played a vital role in supervising the market.

Milestones in the revitalization of the profession:

1980, Restoration of CPA system by the Ministry of Finance, approved by the State Council.

1986, Promulgation of the CPA Regulations by the State Council.

1988, Establishment of the Chinese Institute of Certified Public Accountants (CICPA), the national organization of accountancy profession.

1993, The Law of the PRC on CPAs was issued, making the Chinese accountancy profession the first intermediary profession that was covered by a legislation.

2002, CICPA set INTEGRITY-BUILDING as the main focus in developing the profession.

2004, CICPA’s fourth National Assembly of Delegates reaffirmed the focus of building professional integrity and set internationalization as a guiding principle for growth. Subsequently, CICPA launched several development strategies, including talent training, international convergence of standards and promoting more competitive and bigger Chinese accounting firms.

In October 2009, the State Council endorsed the Policy Statements of MOF on Accelerating the Development of the Chinese Accountancy Profession (No. 56 State Council (2009) ), a guiding document for the long-term development of the accountancy profession.

In November 2010, CICPA’s fifth National Assembly of Delegates established 5 strategies: talent training, international convergence of standards, promoting more competitive and bigger accounting firms, developing non-audit services and advancing the informatization of the industry.


In April 2012, Mr. Xi Jinping instructed that the accountancy profession should firmly take hold of the mission of serving national construction and focus on the priority of building professional integrity. He put forward new expectations and requirements on the scientific development of the profession, which set the path for future development of the profession.
As of June 30, 2015, CICPA has 8,331 accounting firms as group members (accounting firms). Among them, 40 are qualified to conduct securities and futures-related business and 11 firms are authorized to conduct H-share audit. CICPA has over 210,000 individual members, including 100,601 practicing members and 109,908 non-practicing members. CICPA now has 1,442 senior members and 17 honorary members. The workforce in this profession exceeds 300,000 people with more than 250,000 of them having CPA qualifications. They provide auditing, assurance, accounting, management consulting, and tax consulting services for over 4.2 million enterprises and institutions including over 2,800 listed companies. The revenue of the Chinese accountancy profession reached RMB 60.357 billion in 2014.

Figure 1  Number of Accounting Firms from 2009 to 2014

Figure 2  Number of CPAs from 2000 to 2014

Figure 3  Growth of the Revenue of the Accountancy Profession from 2004 to 2014
Chapter II  Building Integrity in the Accountancy Profession

Attaching great importance to professional integrity, CICPA continuously explores ways to improve the credibility of the profession. In 2002, CPCPA set integrity-building as the focus of the development of the profession and released Outline for Building Integrity of the Accountancy Profession. In 2004, CICPA released Interim Measures for Managing Integrity Records of Members. In 2006, CICPA established a registry-based monitoring system that is able to fully record, timely monitor and effectively disclose information on the credibility of CICPA members and firms. Today, relevant information of all Chinese accounting firms and CPAs are released online for public inquiry and supervision.

Professional ethics are another core value of CICPA as it builds the profession’s integrity. Since 1992, CICPA has released a series of documents such as the tentative version of Code of Ethics, the Principles of Code of Ethics, and Guidance for Code of Ethics. In 2009, CICPA released Code of Ethics for Chinese CPAs and Code of Ethics for Non-Practicing Members of CICPA. With 70,000 Chinese characters, the two documents regulate the ethical conducts of CPAs and non-practicing members in detail. These codes were released in convergence with IESBA Code of Ethics for Professional Accountants.

In 2014, CICPA released Q&As related to Code of Ethics for Chinese CPAs, covering over 30 specific questions in such areas as conceptual framework, firm networks, service independence, Code of Ethics for non-practicing members. Its detailed guidance and tips help CPAs properly understand code of ethics and solve problems in practice.

In addition to shaping systems and mapping out regulations, CICPA makes great efforts to publicize the value of credibility among members. CICPA releases an annual ranking of top 100 accounting firms through a comprehensive evaluation, supports firms to strengthen internal governance, reminds members of personal responsibility, and encourages members to take a professional pledge to operate with honesty as CPAs. CICPA is diligently shaping the foundation and culture of integrity within the accountancy profession and persistent in the pursuit of professional credibility.

In 2013, CICPA organized “Year of Building Professional Integrity” and held several profession-wide promotional seminars to carry out the campaign. It sought out public comments on “Spirit of CPA Professionalism” and received over 2,000 comments. It published The Road to Professional Integrity to summarize and share the activities and progress of the initiatives.
CICPA further extended the professional integrity-building initiatives into other activities, placing credibility as a priority in CPA exams and continuing professional development. It also worked hard to curb unfair low-price competition practice as an important way to improve industrial credibility. Local CPCPA institutes and accounting firms also carried out their own integrity-building activities. They raised public awareness of professional integrity by hosting seminars, taking firm-wide pledge of honest operations, exercising self-discipline. The initiatives from the “Year of Building Professional Integrity” helped to instill the core principle of trustworthiness across the accountancy profession.

Chapter III Strategy of Talent Training

In 2005, CICPA released the CICPA Guiding Opinions on Reinforcing Cultivation of Professional Talents, listing out 30 key points in talent training. In December 2011, CICPA released the Five-Year Plan of Professional Talent Training, formally setting the course of comprehensive talent development. It was the first talent training strategy of its kind among Chinese professional organizations. With the 30 key points as the guide, Guidance on Competence of Chinese CPAs as theoretical foundation and Continuing Professional Development System for Chinese CPAs and Interim Measures on CPD for Non-Practicing Members as its policy bases, CICPA developed a talent training mechanism that focuses on the cultivation of leading talents and professionals with international competitiveness, supplemented by the training of reserve talents. The mechanism provides training programs for talents at different stages and various levels, with the participation of firms and other units.

One must pass the CICPA examinations in order to qualify as a CPA in China. To date, CICPA has successfully held 24 annual national CPA examinations. Over 4 million people have registered for those examinations and 193,000 people passed all subjects of the examination. In 2009, CICPA reformed its CPA examination system, dividing the examination into professional phase and comprehensive phase. In 2012, CICPA examinations became computer-based. The upgrades and reforms significantly improved the security, efficiency and quality of the examinations. In 1994, the examinations were open to residents in Hong Kong S.A.R., Macau S.A.R., Taiwan and foreign citizens. Since 1999, CICPA successively set up cross-border and international examination sites in Hong Kong S.A.R., Brussels and Macau S.A.R. A total of 591 individuals from Hong Kong S.A.R., Macau S.A.R. and Taiwan and foreign countries have passed the examinations. CICPA also signed agreements with HKICPA and ICAEW about mutual exemptions of examinations on certain subjects.

![Figure 5](image)

Figure 5 Number of Candidates of National Uniform CPA Examinations from 2009 to 2014

Since CICPA launched the initiative of cultivating leading talent in 2005, 350 Chinese CPAs, in 12 batches, have been selected to join the initiative. Among them, 138 CPAs in five batches have completed six years of guided training programs. CICPA has also collaborated with ICAEW, CPA Australia and HKICPA on joint training and qualification programs. Up to now, 112 CPAs have
obtained globally recognized professional qualifications and are able to practice in certain countries and regions through such programs.

Continuing professional development (CPD) is an integral part of professional development of CPAs. According to the Continuing Professional Development System for Chinese CPAs, each CPD cycle lasts for two years. CPAs have to take no less than 80 hours of CPD in one CPD cycle with at least 30 hours spent each year. For non-practicing members, they must spend at least 40 hours on CPD programs each year.

Distance education is an important part of talent training of the Chinese CPAs. Since 2005, CICPA has gradually established a wide national network of distance training, which now covers 16,000 people each year and becomes major training platform of the profession. Local institutes of CPAs jointly play an important role in professional development, carrying out over 60% of total training programs. CICPA also leverages the resources of the three national accounting institutes in Beijing, Shanghai and Xiamen National Accounting Institutes to train more than 6,000 CPAs a year. In 2012, CICPA classified talent training into categories and themes: training, seminars and workshops; and assigned differential specialties and topics to the 3 national accounting institutes, addressing innovation to talent training. Training, including basic theories and principles, will always focus on special service expertise of CPAs.

Since 2013, CICPA has made more efforts to better serve its non-practicing members. It publishes e-journals for all non-practicing members, holds symposiums for its non-practicing members in large enterprises, and actively supports the training of senior accounting executives. CICPA cooperates with Shanghai National Accounting Institute to launch distance training for its overseas non-practicing members. In 2014, based on the requirements of comprehensively deepening the reform, CICPA re-designed –the curriculum of its training programs and continued to improve its tailored training systems and its cooperation with Beijing, Shanghai and Xiamen Institutes.

Nurturing reserve talents for the profession is another important part of CICPA’s talent training strategy. Since 1994, CICPA has helped set up the CPA major in 23 Chinese universities and colleges, and provided technical guidance and special funding. Over the past 20 years, CPA major has become a highlight of China’s higher education, producing 30,000 graduates. Today, there are 19 Chinese universities and colleges still operating CPA majors, with 6,000 CPA major students. Since 2005, CICPA has selected 841 Chinese college students, in 10 batches, to participate in overseas internship programs in global accounting firms. Meanwhile, over 320 college teachers, in 11 batches, have participated in faculty training sessions on core curricula. In 2011, CICPA adjusted the objectives of the overseas internship program, building a platform bridging CPA major students and the accountancy profession. CICPA maintains regular contacts with the accounting departments of more than 300 Chinese universities and colleges in the effort to support the development of the next generation of accountancy professionals.

Figure 6  Number of Students Participating in Overseas Internship Programs from 2005 to 2014
Chapter IV  Strategy of Convergence of International Standards

According to Law of PRC on CPAs, CICPA is responsible for drafting professional standards and rules and the Ministry of Finance is responsible for final approval and release. Since it was established, CICPA's has been attaching great importance to the drafting of professional standards. In 1994, CICPA developed a set of independent auditing standards, including 48 items, in 6 batches, which shaped the framework of China’s independent auditing standard system. In line with the strategy of convergence of international standards, CICPA released a set of new auditing standards in 2006 that were convergent with international standards. They were updated in October 2010 in accordance with the revisions of international auditing standards, and were implemented on January 1, 2012. Through these efforts, CICPA helped establish a set of professional standards that not only meet the requirements of the development of the market economy and but also conform to international standards.

In 2009, CICPA formulated and released Code of Ethics for CPAs based on the international practice. Meanwhile, CICPA released a joint statement with HKICPA to announce that auditing standards and codes of ethics on the Chinese mainland and Hong Kong are equivalent.

In 2013, CICPA translated and published Chinese versions of International Standards on Audit and Code of Ethics for Professional Accountants, improving the preciseness, standardization of the accounting language in Greater China.

IAASB spoke highly of China’s efforts and achievements in the convergence with international accounting and auditing standards, saying that “China sets up a good example for developing countries and transitional economies.” In 2009, World Bank said in its Report on the Observance of Standards and Codes – Accounting and Auditing, “China’s strategy of convergence of international standards can be one for other countries to follow”.


At the Cross-Straits, Hong Kong and Macau Accountancy Profession Conference, which was held in Macau in October 2014, the Guidance on Professional Judgment of CPAs was released for institutes in the four markets to use as a reference on a voluntary basis. Based on that document, CICPA released the Guidance on Professional Judgement for Chinese CPAs in March 2015.

Chapter V  Strategy of Promoting More Competitive and Bigger Accounting Firms

In June 2007, CICPA formulated Opinions on Promoting More Competitive and Bigger Accounting Firms and the Guidance on Internal Governance of Accounting Firms, kick starting the implementation of its strategy of promoting more competitive and bigger accounting firms. In December 2007, nine ministries and commissions under the State Council released Opinions on Supporting Accounting Firms in Expanding Exports of Accounting Services to support qualified accounting firms to go globally”, establish international service networks and build international
brand-names so as to serve the national strategy of “go-global”. In June 2012, CICPA released *Policy Measures on Advancing the Promotion of More Competitive and Bigger Accounting Firms*, based on which, CICPA granted monetary awards and subsidies to qualified accounting firms and supported them to improve competitiveness and size. All the grants under the policy have exceeded RMB 33 million since 2012. CICPA also issued a template of articles of association (partnership agreement) of the accounting firms for them to improve internal governance mechanisms. CICPA issued Opinions on Increasing the Capacities of Accountancy Profession for Serving the Financial Industry to promote accounting firms to provide high-end services. At the same time, CICPA also released Guiding Opinions on the Regulation and Development of Small and Medium-sized Accounting Firms to help improve their specialization.

CICPA has been releasing information on top 100 Chinese accounting firms for 13 consecutive years since it launched the Initiative of Comprehensive Evaluation of Accounting Firms of China. In 2014, the revenue of top 100 accounting firms totaled RMB 39.479 billion, accounting for 65.41% of the revenue of the whole profession. Of top 100 firms, 48 accounting firms’ annual revenue surpassed RMB 100 million, 12 exceeded RMB 1 billion, 6 exceeded RMB 2 billion and 3 exceeded RMB 3 billion. At the same time, transnational service ability of big firms has been greatly improved. Nineteen firms joined international accounting networks and 70 firms set up over 90 branches, affiliates or liaison offices in overseas markets, including Hong Kong, the US, ASEAN and West Asia.

![Revenue of Top 100 Accounting Firms of China from 2006 to 2014](image)

Figure 7  Revenue of Top 100 Accounting Firms of China from 2006 to 2014

**Chapter VI  Strategy of Developing Non-Audit Services**

Since 2010, CICPA fully implemented the strategy of developing non-audit services and formulated a series of guiding documents, including Opinions on Implementing the Strategy of Developing Non-Audit Services, Work Plan of Developing Non-Audit Services in New Areas of Economic and Social Development, Services Catalog, and Work Plan of Building Demonstration Bases of Accounting Services. To serve national economic and social development, regional development and industrial restructuring, CICPA worked with local institutes of CPAs, local governments, relevant authorities and professional organizations in setting up 14 demonstration bases, including the Accounting Service Outsourcing Base in Suzhou Industrial Park. Three pilot accounting service programs - including the assurance program for agricultural development projects in Hebei Province – were also initiated.
Since September 2010, CICPA regularly issues the Service Catalog, which summarizes and updates the service types provided to all areas in economic and social development. The CPA Service Catalog (2014) lists 436 service items, with 271 assurance services and 165 consultancy services.

Since the strategy was implemented 6 years ago, service types and scope have been greatly expanded. Newly developed assurance services covered disclosure of financial information in rural areas, social responsibility reports, internal control, energy conservation and emission reduction and insolvency management. A series of new non-audit services were also developed, such as consultancy services in terms of internal control, strategy management, mergers and acquisitions, credit investigation, and investment. CICPA also guided SMPs to develop professional services for SMEs, such as corporation secretarial service, credit certificate, registration agency, bookkeeping and accounting, and customs clearance. The clients covered not only enterprises but also governments, public institutions and non-profit organizations. In 2014, the revenue structure of the accountancy industry has been further optimized, with the ratio of the assurance services revenue to non-assurance services revenue standing at 70:30.

![Audit and Non-Audit Services in 2009](image)

Audit and Non-Audit Services in 2009

84% Audit
16% Non-Audit

![Audit and Non-Audit Services in 2014](image)

Audit and Non-Audit Services in 2014

70% Audit
30% Non-audit

Figure 8  Comparison of Audit and Non-Audit Services in 2009 and 2014

Chapter VII  Strategy of Informatization

In the late 1990’s, loans from World Bank and other matching funds enabled CICPA to build its website, the CICPA intranet, accountancy profession WAN and the network between CICPA and local institutes. The IT infrastructure created the necessary channels for online information exchange among CICPA, local institutes and the accountancy profession. After many years of development, CICPA has now computerized its examination management, member management, training management, and practice quality review. Based on those systems, the profession’s integrity monitoring system was established.

In 2011, CICPA released the Overall Plan for Informatization of the Chinese Accountancy Profession. Over the past 5 years, CICPA unified the professional resources of the accountancy profession and made initial achievements. A series of projects have been accomplished in aspects
including audit software for large accounting firms, the second phase of professional management information system, database of laws and regulations, economic information database, high-definition video conference systems and network information security system upgrading.

In 2014, the Leadership Group and the Expert Advisory Group of Informatization for the Chinese Accountancy Profession were established to advance the informatization. In order to promote the audit software, the Committee for Use of Audit Software in Large Firms and the Committee for Improvement of Audit Software in SMPs were set up. Rewarding Measures for Accounting Firms in Advancing Informatization was released to encourage and support accounting firms to advance the construction of IT systems. CICPA is also drafting the Work Plan for the Next Phase of Informatization of the Accountancy Profession, and has finished the Evaluation Report of Management Information System and the Design Report of Demand of Collaboration Office System, so as to improve top level design of informatization.

Chapter VIII  Quality Assurance of the Accountancy Profession

CICPA has established the audit supervision system to mainly review audit reports of listed companies’ annual reports. Another system was also established to review the practicing quality of accounting firms, supplemented with disciplinary and appeal mechanisms. CICPA also set up the credibility monitoring system and qualification review system to supervise its members. With the above systems and mechanisms, CICPA has improved the regulatory system of China’s accountancy profession. In January 2011, the European Commission recognized that the Chinese audit regulatory system is equivalent to the European system.

In 2004, CICPA released the Review System of Accounting Firms’ Practicing Quality, under which, CICPA reviews accounting firms with qualification to conduct securities and futures-related businesses in a three-year cycle and reviews other firms in a five-year cycle. In 2011, CICPA comprehensively reformed the system to focus on systemic risk prevention, improve independent supervision and converge with globally recognized regulation systems. From 2004 to 2014, CICPA and local institutes reviewed accounting firms for 15,568 times, punished 2,306 firms and 4,526 CPAs.

With respect to the audit of listed companies, CICPA developed and improved regulations of the audit of annual financial reports of listed companies, attaching particular importance to pre-audit warning, audit supervision and post-audit reporting. CICPA does not tolerate opinion-shopping, cracks down on unfair competition, and investigates on abnormal practice. CICPA also implemented a “regulatory talk” mechanism to warn accounting firms of risks. From 2010 to 2014, CICPA has talked to firms with qualification to conduct securities-related businesses 78 times on 60 occasions, involving 85 listed companies.

CICPA also carefully reviews the qualification of CPAs. The institute works hard to ensure professionalism and continuously improve its review system. From 2005 to 2015, CICPA revoked the CPA qualification of 23,547 as they failed to pass the review.

Chapter IX  International Cooperation

CICPA understands the Chinese accountancy profession serves the country but it is also an integral part of the global profession. Along with China’s opening-up and economic reform, CICPA has made great efforts to reach out to international counterparts and draw on international experiences for the growth of the Chinese profession and for the development of the international accountancy profession.

CICPA joined CAPA in 1996 and IFAC in 1997 and ever since CICPA’s nominees have served as
board members. CICPA has been involved in decision-making of major international accountancy conferences and forums, spoke on the development and revision of international standards, hosted international and regional conferences, and visibly promoted the development of international accounting and auditing profession. Thus far, seven delegates recommended by CICPA have worked in global and regional accounting organizations, including IFAC, CAPA, IAASB, IESBA and SMP.

CICPA has established friendly relations with over 50 overseas accounting organizations, and signed over 30 cooperation agreements and MOUs with over 20 organizations. It receives around 80 international delegations annually, and regularly organizes accounting firms to conduct field study in Africa, ASEAN, Europe and Hong Kong S.A.R. Recently, CICPA began to attend and host international service trade fairs, with the intent to introduce the Chinese accountancy profession to international counterparts. In 2010, CICPA set up an office in Hong Kong S.A.R. to help mainland firms explore the global market. Concurrently, CICPA regularly translates advanced profession research materials from around the world and invites international experts as guest presenters to help members learn the latest development trends and achievements of global counterparts.

At the 18th World Congress of Accountants, the IFAC granted “Special Service” Award to Mr. Wang Jun, the then Vice Minister of MOF. In 2013, ACCA granted “Excellence Award” to Dr. Chen Yugui, Vice President and Secretary General of CICPA. In 2013, Dr. Chen Yugui was elected one of the 50 global accountancy powers by The International Accounting Bulletin.

Chapter X  Institution Building

CICPA was established in line with the Law of the PRC on CPAs and the Regulations for the Registration and Administration of Social Organizations. It exercises both regulatory and service functions authorized by the Law of the PRC on CPAs, stipulated by the Charter of The Chinese Institute of Certified Public Accountants and directed by the Ministry of Finance. CICPA proactively explores the ways of regulating the industry and improving its services. To that end, CICPA has established several systems with regard to assurance services, examination and assessment, registration, international convergence, continuing professional development, supervision and inspection, international cooperation, go-global efforts of Chinese accounting firms, development of stronger accounting firms, and industrial organizational system.

CICPA is under the dual leadership of the Ministry of Finance and the CICPA Council. There are 12 Special Committees and 2 Professional Committees under the Council. CICPA has 15 departments and over 120 staff. At present, 31 Chinese provinces, autonomous regions and municipalities directly under the Central Government have local institutes of CPAs.

Chapter XI  Role of the Accountancy Profession

As a major link of integrity in the market economy, the accountancy profession is vital to carry out the decisions of five-in-one pattern of socialism construction (to comprehensively promote progress in economic, political, cultural, social and ecological fronts in the course of building a moderately prosperous society, realizing socialist modernization and rejuvenating China) with Chinese characteristics and deepening the reform, which are determined by the 18th National Congress of CPC.

An important institutional arrangement of market supervision system

The accountancy profession has exercised its statutory supervision power vested in Chinese laws and regulations, including Law of PRC on CPAs, Company Law, Securities Law, Bankruptcy Law, State Owned Capitals Law and Law of the PRC on Supervision over the Banking Industry. For the financial report audits of listed companies from 2001 to 2013, audit adjustments by CPAs covered
RMB 542.4 billion of profits, RMB 3478.7 billion of assets, and RMB 139.2 billion of tax payable. It has a critical role in ensuring the stability of the capital market and the quality of the accounting information.

<table>
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<th>Year</th>
<th>Number of Listed Companies</th>
<th>Total Assets Adjusted Under Audits (100million Yuan)</th>
<th>Total Profits Adjusted Under Audits (100million Yuan)</th>
<th>Total Tax Payable Adjusted Under Audits (100million Yuan)</th>
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<td>/</td>
<td>34787</td>
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<td>1392</td>
</tr>
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</table>

Table 1 Overall Audit Adjustment of Listed Companies from 2001 to 2013

**An important support in decision making in economic and social development strategy**

An important provider of high-end services, the accountancy profession possesses a unique advantage of accounting, decision making, analysis and use of data, all of which can provide solutions in industrial renewal, design of low carbon economy, adjustment of business strategy and process reengineering. Especially during the financial crisis, the high-end services of the accountancy profession, such as assurance and consultancy services, provided support and guarantee for the implementation of national macroeconomic policies, which effectively enhanced market confidence. The progress in accounting service model bases and pilot programs has proven the ability of the profession to ensure and transform national economic and regional economic development.

**An important organizational support in social management innovation and transformation of government functions**

With its business scope gradually expanding to areas of fiscal regulation and performance evaluation, medical and healthcare system reform, high-tech enterprise certification and financial supervision of non-profit organizations, and its involvement in social welfare affairs, such as community management, subsistence allowance, relocation compensation and taxi fare adjustment, the accountancy profession will be involved in coordinating social interests, reconciling conflicts and advancing the transformation of government functions. All of these are examples of how the profession is innovating its roles in social management areas.

(CICPA organized translation of the text into English. The Chinese version is the official one and this English translation is for reference only.)