

V. Accounting and Auditing Training

This chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction.
- 2 – Educational Coordination – describes the coordination of accountancy education within the PRC.
- 3 – Higher Education – discusses the development of modern accountancy education in universities, the existing curriculum for undergraduate education, and the training of accounting lecturers and professors.
- 4 – The National Accounting Institute (NAI) – describes the development of the specialized institute for continuing professional education.
- 5 – The National Uniform Accountant Qualification – discusses the national uniform accountant qualification.
- 6 – Auditor Training – describes the China National Audit Office's auditor-training activities.

1. Introduction

Most accounting and auditing skills are developed through practical on-the-job training and work experience. That aside, educational standards, particularly at the undergraduate level determine the basic level of knowledge that new entrants to the accounting market will have. The higher this level, the faster that skills will be developed.

2. Educational Coordination

Educational institutions are under the state's oversight. As such, accounting education reform not only relies on the efforts of accounting academics, but also on effective measures by the Ministry of Education. Over the past two decades, the Ministries of Finance and Education have exerted a great deal of influence over accounting education reform.

The Office of the Leading Group for National Training of CPAs was formed by eight ministries and commissions including: the MOF, the CNAO, the State Development and Planning Commission, the Office for Restructuring Economic Systems of the State Council, and the People's Bank of China. It provides leadership in the training of CPAs and relevant people across the PRC. The Office of the CPA Examination Committee, which was set up by the MOF, is responsible for

formulating principles and policies of the CPA examination, providing leadership in and organizing the examination affairs.

3. Higher Education

Universities Offering Accountancy Majors

Accountancy education has experienced dramatic developments since 1978, when the accounting major was reintroduced into universities and colleges. The number of higher education institutions⁵⁶ increased from 21 in 1978 to 537 in 1996. The number of students in the institutions increased from 2,000 in 1978 to 125,892 in 1996.⁵⁷

Before 1979, the teaching scheme for accounting was virtually a replica of the Soviet system. After soliciting the opinions of domestic and foreign experts, the Ministry of Education specified 11 core courses in finance and economics, and introduced a new curriculum in the late 1980s. The promulgation of the *Revised Uniform Accounting System* and the *Basic Accounting Standard* brought the PRC's accounting system into broad alignment with international practices. A wave of accounting education reforms followed. Changes involved the introduction of core courses covering: accounting principles; intermediate financial accounting; advanced financial accounting; management accounting; cost accounting; financial management; and auditing.

New textbooks were prepared and teaching materials were updated to reflect the new curriculum. Accounting academics recently examined accounting education and identified the following systemic weaknesses which, in the opinion of workshop attendees, are overstated:⁵⁸ poorly-defined accounting education objectives, poor design of accounting majors, a weak curriculum system that does not fully reflect the needs of a mixed-market economy, poor compilation of textbooks, and lack of teaching consistency.

Specialized CPA-oriented Education Institutions

The 500 higher-education institutions that offer accounting majors include 23 universities and colleges that provide specialized CPA-

⁵⁶ These include both undergraduate and professional training institutions.

⁵⁷ *China Accounting Yearbook*. 1997.

⁵⁸ Chen, Hanwen, Zhiyi Lin, and Guangyuan Wang. 1999. Survey and Analysis of Undergraduate Accounting Education Reform in China. *China Accounting and Finance Review*. Vol. 1(1). pp. 139-164.

oriented education. These institutions produced 1,500 graduates in 1999. In addition, three more schools specializing in CPA education are to be opened in Beijing (National Accounting Institute), Shanghai (Shanghai Accounting Institute), and Guangdong in the next year.

Training of Accounting Lecturers and Professors

A rudimentary estimate, based on an average of ten teaching staff at each of the 500 institutions teaching undergraduate accounting, is that the PRC has about 5,000 accounting teachers (higher education). A 'self-sponsored' training approach is taken to their development. Accounting professors and lecturers do not however, receive formal training. For instance, the target-training group for the National Accounting Institute does not include accountancy professors and lecturers.

4. The National Accounting Institute (NAI)

A key element of the Government's plan to upgrade professional accountants is the establishment of a large-scale national training center for accounting and finance training. The NAI will be a Beijing-located residential facility that can accommodate up to 1,500 students at one time. It will begin operations towards the end of 2000. The establishment and operations of the NAI are being partially funded by the World Bank *Accounting Reform Project* (chapter VII refers).

The NAI will provide training and continuing education to the PRC's 900,000 senior public and private sector accountants and finance managers.⁵⁹ It will offer a wide selection of short courses on specific accounting and business topics and continuing professional education issues including accounting, auditing, taxation, information technologies, finance and enterprise management. Courses will range from one week to six weeks in duration, and instructors will be contracted from foreign and domestic accounting firms and universities. KPMG Canada has been contracted by the NAI to provide consulting services for the planning and design of curricula, programs, and courses relating to the training of accountants, other finance managers, and professionals.⁶⁰

⁵⁹ World Bank Estimates for 1998. Source: 1998. China Accounting Reform and Development Project: Project Appraisal Document. p. 20.

⁶⁰ Business Weekly News. 14 May 2000. *Canadian consultancy signs accounting deal.*

5. The National Uniform Accountant Qualification

The National Uniform Accountant qualification, which is obtained by passing the National Uniform Accountant (NUA) examination, is the nonprofessional accounting qualification in the PRC. Candidates from both the public and the private sector sit the examination, which is held in high regard. The examination and the associated qualifications should not be confused with the unified CPA exam. CICPA is not directly involved in setting the NUA examination.

The NUA is administered by the MOF (Public Finance Authorities) and covers financial accounting, management accounting, auditing, and financial management. The NUA examination has four levels as follows: Accounting technician, Assistant accountant, Accountant, and Senior Accountant.

NUA examination results are taken into account for promotion purposes. The MOF has recently introduced Continuing Professional Education (CPE) requirements for this qualification. The *Rule on Continuing Education for Accountants* stipulates that high-level accountants (Senior Accountants and Accountants) must complete a minimum of 68 hours of CPE per year. Other accountants must complete a minimum of 72 hours of CPE per year.

6. Auditor Training

The CNAO is responsible for auditor training and has established a subordinate institute, the Nanjing Audit Institute for this purpose. The Institute has over 400 staff and can cater to around 2,300 trainees at one time. Trainees are from the public and the private sectors.

With respect to its own auditors, the CNAO activities include three initiatives. First, the CNAO places high emphasis on on-the-job training and has established two training centers, in Beijing and in Shandong, to supplement these efforts. Second, the CNAO is developing a core-training program with World Bank assistance to develop the knowledge and skills of auditors in areas of modern audit theory and practices. Third, small numbers of CNAO staff have been seconded to foreign Supreme Audit Institutions (SAIs) in the past five years for varying periods (one to two years). These secondments have been successful in developing the foreign language, professional, and technical skills of the secondees and have benefited the CNAO.