Analysis of Problems and Countermeasures in the Implementation of the New Accounting Law

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Abstract. Of the Chinese new Accounting Law implement is regulate Chinese accounting practices and promote the healthy and stable development of the accounting industry. But it still emerged many problems during the implementation process, this research thorough analysis these problems and propose countermeasures. Analysis reveals: For cross-border business have double accounting standards conflict and obvious differences in revenue recognition, asset measurement and other aspects, it will trigger tax disputes and other issues. It lacks hierarchical management, small and medium-sized enterprises have high compliance costs and are prone to excessive penalties. The accounting practitioner's skill gap and the education system is backward, shortage of compound talents. Face these problems, the convergence and integration with international accounting standards should be accelerated to build a cooperation platform. Improve the legislative system, clear legal boundaries and implement hierarchical management. Innovate the skills education system and accounting professional title examination, cultivate compound talents. This research provides solutions to the problems found in the implementation of the new Chinese Accounting Law, provide inspiration for the revision of the Accounting Law, help the development of accounting industry.

Keywords: New Accounting Law, Accounting Standards, Hierarchical Management, Accounting Talent.

1 Introduction

The Accounting Law of the People's Republic of China is the fundamental law regulating accounting work. Since its formal legislation in 1985, it has played an important role in ensuring the healthy development of the national economy. As an important component of the socialist legal system with Chinese characteristics, the Accounting Law is a fundamental law for regulating accounting work and controlling the "checkpoints" of economic activities [1]. It is not only the fundamental basis for enterprises to conduct financial accounting and prepare financial statements but also plays an irreplaceable role in maintaining the fairness and justice of the market economy and protecting the interests of investors.

On June 28, 2024, the 10th Meeting of the Standing Committee of the 14th National People's Congress voted to pass the "Decision on Amending the Accounting Law of

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the People's Republic of China", It will come into effect on July 1, 2024. Looking back on the reform process of the Accounting Law, with the changes in the economic environment and the development of accounting theory and practice, the Accounting Law has also been constantly adjusted and reformed. Since the 14th Five-Year Plan, China's economic system reform has been advanced in depth and the process of global economic integration has accelerated. At the same time, the transformation of data intelligence has accelerated, and emerging technologies such as artificial intelligence and big data have significantly improved the efficiency and intelligence level of the accounting industry. The Accounting Law has been constantly revised and updated to the current new Accounting Law. It has made adjustments and improvements in many aspects, especially in accounting supervision and penalties, as well as the transformation of accounting informatization. It has clarified stricter requirements for accounting calculation and reporting, adapting to the new trend of intelligent accounting development in the digital economy era [2].

However, during the implementation of the new Accounting Law, some urgent problems have been exposed. The conflict of dual standards in cross-border business has made cross-border enterprises face complex financial processing issues, which not only increases the operating costs of enterprises but also may lead to tax disputes and double penalties. The lack of hierarchical management has made small and medium-sized enterprises face high compliance costs and penalty pressure. The skill gap among accounting practitioners and the shortage of compound talents have also restricted the modern transformation of the accounting industry and failed to meet the needs of enterprises' digital transformation. This study, through in-depth analysis of these problems, has proposed corresponding countermeasures, providing effective ideas for solving the problems that arise during the implementation of the new Accounting Law, offering references for the further improvement of the Accounting Law, and contributing to the healthy and sustainable development of the accounting industry.

2 Problem

2.1 Cross-Border Operations

The newly revised Accounting Law has brought about more standardized provisions for financial activities in China, and emphasis has been placed on convergence with international standards in the course of amending accounting rules. However, what has not been established for cross-border enterprises is a unified set of standards or a specific coordination mechanism when dealing with cross-border operations. As a result, it is often required that enterprises comply simultaneously with Chinese Accounting Standards (CAS) and foreign accounting standards such as International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (US GAAP). When enterprises are confronted with divergent accounting standards, it is frequently necessary that their accounting treatments be adjusted so that both compliance and comparability of financial statements can be ensured. What has been widely acknowledged is that substantial differences exist in such areas as revenue recognition, asset measurement, and goodwill treatment. For example, the definition of capitalizable contract costs under IFRS is regarded as significantly more flexible, whereas the scope defined under CAS is more limited, and the treatment prescribed for specific transactions tends to be more conservative. In certain industries, especially emerging ones such as carbon trading, what has been observed is that the absence of unified accounting rules often results in enterprises being forced to adopt dual bookkeeping practices. In terms of auditing, what may arise is a conflict of sovereignty and difficulties in mutual recognition of audit results, particularly when financial data are subject to cross-border access and security review by different jurisdictions. What such differences lead to is that more time is required to be spent by enterprises in dealing with accounting entries under different standards, which may even result in tax disputes caused by conflicting tax rates, as well as dual penalties stemming from the influence of both domestic and foreign accounting regulations, consequences that are evidently unfavorable to the development of enterprises.

Numerous discrepancies have been identified in the accounting treatment of cross-border financial asset transfers under different accounting standards [3]. Under CAS, what is regarded as the core criterion is the transfer of risks and rewards, whereas under US GAAP, the emphasis is placed on the transfer of control. IFRS, by contrast, incorporates both perspectives. In subsequent financial processing, it has been observed that assets and liabilities are recognized in China based on the extent of involvement, while in the United States, fair value measurement is adopted. IFRS, on the other hand, focuses on risk assessment. The primary causes of such differences are reflected in the divergent institutional emphasis and the variation in financial statement elements. In terms of institutional focus, what characterizes China's system is a public-ownership-oriented model that prioritizes macroeconomic stability, whereas in the U.S., a private-ownership-dominated system places greater emphasis on investor protection. With regard to financial statement elements, CAS adopts a simplified structure of six elements; US GAAP, in contrast, divides the framework into ten elements to enhance disclosure, while the five-element structure under IFRS is considered a compromise design [3].

2.2 Hierarchical Supervision

Although the new Accounting Law has stressed the unification and strengthening of internal control and compliance standards within enterprises, and although the penalties and economic costs for violations have been significantly increased, what has been absent is a well-structured hierarchical regulatory design [4–5]. This absence has resulted in a situation in which small and medium-sized enterprises are exposed to compliance risks, as the costs associated with compliance cannot be borne by them.

For small and medium-sized enterprises, what has been imposed by the new Accounting Law-such as the requirement for technological upgrades including blockchain-based accounting systems—has resulted in considerable economic burdens, which may not be promptly or sufficiently absorbed by the enterprises themselves. As a consequence, what may occur is that such economic pressures render enterprises incapable of implementing timely technological transformations, thereby causing them to fall into non-compliance with accounting regulations. Another critical improvement mandated by the new Accounting Law lies in the strengthening of internal control management, including but not limited to ESG disclosures, which are required to be truthful and complete in reflecting a company's business performance and financial condition-particularly with respect to major transactions, related-party dealings, and financial status-in order to ensure the transparency of information disclosure [6]. However, what this also necessitates is the professionalization of internal control functions within enterprises. Given that, at present, most small and micro-sized enterprises are only able to support one to two full-time accounting personnel—or even resort to fully outsourcing accounting functions-the associated compliance cost becomes excessively high.

In terms of administrative penalties, what is equally absent is a stratified regulatory design. The minimum penalty thresholds prescribed under the current Administrative Penalty Law for accounting violations may, in practice, result in disproportionately severe sanctions for micro-sized enterprises. Furthermore, what has been observed is that in the identification and punishment of certain accounting violations, the new Accounting Law overlaps with other legal frameworks, which may lead to ambiguous legal boundaries and conflicts in enforcement, ultimately giving rise to issues such as dual penalties.

2.3 Skill Gap

It has been for the first time that the new Accounting Law incorporated accounting informatization into the legal text, explicitly stating that "the development of accounting informatization shall be strengthened, and the lawful adoption of modern information technology in accounting work shall be encouraged," thereby providing a solid legal foundation for the advancement of accounting informatization [7]. While the acceleration of intelligent and information-based transformation in accounting has been promoted, what has also been imposed are significantly higher professional competency requirements on accounting practitioners, who are now expected to integrate their accounting expertise with technologies such as big data and artificial intelligence in order to meet the evolving demands of enterprises in the new era. However, when considered in light of the current conditions in China, what has been revealed is a severe skill gap among accounting professionals. According to the 2023 industry census data released by the Ministry of Finance, the majority of accounting practitioners remain confined to undertaking traditional bookkeeping and accounting tasks, while interdisciplinary talent—capable of facilitating both the modernization of accounting functions and the broader digital transformation of enterprises—remains in critically short supply. The root causes of this issue are mainly twofold. Firstly, what can be observed is a lag in the educational system, in which university accounting curricula continue to prioritize foundational theories—such as basic accounting, financial management, and managerial accounting, while practical courses remain constrained by outdated software and hardware facilities. As a result, students are generally unable to engage with training in data collection, processing, and analysis or in the application of intelligent platforms currently required by enterprises, such as courses in big data financial analytics, cloud computing applications in accounting, or intelligent financial system operation [8]. Secondly, what has also contributed to the problem is that existing accounting professionals have found it difficult to improve their skills in a timely and effective manner. Most enterprises, particularly small and medium-sized ones, lack adequate training resources, while the content of available online training programs is highly homogeneous and fails to specifically address the needs of accounting informatization and intelligent transformation.

3 Countermeasures

3.1 Convergence with International Accounting Standards

In order to resolve the conflicts arising from divergent accounting standards in cross-border operations, a two-pronged approach must be taken. As far as accounting standards themselves are concerned, what must be accelerated is the convergence of China's accounting standards with international accounting standards. Firstly, what must be strengthened is the collaboration with the International Accounting Standards Board (IASB), so that timely adjustments can be made in accordance with the guidelines it issues, thereby ensuring that China's standards evolve in step with the latest developments in international standards. Secondly, a communication mechanism with accounting standard-setting bodies of other countries must be established, so that changes in foreign accounting policies can be understood and monitored at the earliest possible stage, and the rapid alignment of China's standards with international ones can be ensured. The introduction of international accounting experts may also be considered, so that their global perspective can assist China in better understanding the requirements of other accounting frameworks and in formulating standards that are both internationally aligned and locally applicable. Meanwhile, what is equally essential is to enhance the training of domestic accounting professionals with respect to their awareness of and capacity to apply international accounting standards.

In terms of practical implementation, it has been proposed that a cross-border data-sharing platform be constructed, through which a dynamic adjustment mechanism for differences can be established, enabling one-time data entry and multi-standard information sharing, whereby enterprises may be assisted in making timely and efficient adjustments. Moreover, it has also been suggested that pilot programs be launched in free trade zones, where enterprises would be permitted to selectively adopt international accounting standards in conducting their accounting work, so as to avoid the frequent switching of accounting frameworks by multinational corporations.

3.2 Legislative Framework and Institutional Flexibility

With regard to the hierarchical regulation of small and medium-sized enterprises (SMEs), two major areas of improvement may be undertaken, of which the most effective approach would be the revision of the legislative framework itself. What should be incorporated into the new Accounting Law is a differentiated compliance standard system, whereby reference may be made to foreign legislation—such as the EU's Corporate Sustainability Reporting Directive—while integrating it with the practical realities of Chinese enterprises, so as to implement a tiered compliance regime. At the same time, exemption clauses specifically tailored to certain industries-such as agriculture and retail-as well as to micro and small enterprises, should be established to ease the overall compliance burden. A transitional exemption mechanism may also be introduced, through which SMEs could be allowed to complete compliance-related transformations in stages, while increased financial support should be provided through preferential policies aligned with local SME development programs, thereby facilitating the completion of their transformations.

As for the issues of legal coordination and enforcement flexibility during the implementation of the system, what may be initially considered is the introduction of a turnover-based proportional penalty mechanism, so that administrative penalties can be aligned with the actual financial capacity of enterprises. Meanwhile, what should be incorporated into the new Accounting Law are more detailed judicial interpretations, which could serve to clearly define legal boundaries and establish enforcement principles for hierarchical accountability, so as to prevent excessive penalties from being imposed on small and micro-sized enterprises [9].

3.3 Talent Development System

In response to the evolving demands for new accounting competencies, it has been suggested that universities should revise their talent development programs in a timely manner, whereby curricula may be designed in alignment with the digital and intelligent transformation of the profession. It is required that cutting-edge subjects such as blockchain auditing and big data analytics be incorporated into theoretical instruction, while the updating of both software and hardware infrastructures in practical training be accelerated, so that students may be equipped with the ability to operate advanced financial tools such as intelligent financial platforms and RPA (Robotic Process Automation) systems. As indicated by the survey conducted by the Chinese Accounting Society, only 8% of accounting faculty members have actual operational experience with intelligent financial systems; thus, it has been deemed essential that universities enhance faculty development by continuously updating and deepening instructors' expertise and practical skills [10]. At the same time, it has been proposed that the integration of industry and education be further promoted, whereby enterprises may be directly involved in cultivating the types of interdisciplinary talent they require. Research topics and practical training projects oriented toward real-world social and corporate problems should be designed, and enterprise-level operational scenarios should be embedded directly into course content [11].

With regard to accounting practitioners, it has been recommended that the professional title examination system be reformed. New subjects such as digital audit practices and ESG disclosure preparation should be added to the qualification examinations at all levels. Furthermore, it is necessary to enhance corporate managers' understanding of the ongoing transformation of accounting work, promote the integration of both online and offline training resources, and motivate practitioners to improve their own professional capabilities by linking skill certifications to performance evaluations and promotion prerequisites—as reflected in the Shenzhen Stock Exchange's proposed 2025 revision of its Guidelines for Senior Management Qualifications.

4 Conclusion

The implementation of the new Accounting Law provides institutional guarantees and reference bases for regulating accounting practices and promoting the digital transformation of the industry. However, it still faces practical challenges in areas such as cross-border business coordination, regulatory adaptation for small and medium-sized enterprises, and professional skills training. The conflict of dual standards for cross-border enterprises has triggered risks such as tax disputes in core areas like revenue recognition and asset measurement, highlighting the urgent need for a mechanism of convergence of international standards and a practical coordination platform. Small and medium-sized enterprises have exposed the insufficiency of legal stratified design and institutional flexibility when facing compliance costs and penalty pressures. The skill gap among accounting practitioners and the shortage of compound talents reflects the lagging response of the education system and career development mechanism to the demands of digital transformation. For these questions, this study proposes to construct a dynamic and collaborative mechanism of international norms, establish a differentiated compliance standard system, promoting industry-education integration of talent training and other countermeasures. Provide theoretical support for enhancing the efficiency of law implementation and promoting the sustainable development of the industry.

There are still some limitations in this study. First, the problem analysis is mainly based on policy texts and public reports, lack of in-depth investigation of cross-border enterprise accounting cases. Secondly, the feasibility argumentation of countermeasures and suggestions mainly relies on theoretical deduction, and its actual effect has not been verified through empirical research. In the end, the research did not fully examine the influence mechanism of regional economic development and policy differences on the compliance costs of enterprises. In the future, simulation surveys can be carried out in combination with enterprise research data, and stratified studies can be conducted for enterprises of different scales, industries and regions to enhance the pertinence and practical guidance value of countermeasures.

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