HISTORICAL EVOLUTION OF THE BALANCE SHEET IN THE PEOPLE’S REPUBLIC OF CHINA

Abstract: This paper exhibits the historical evolution of the balance sheet in the People’s Republic of China. In particular, we examine three major changes in the balance sheet (which reports the financial position of an economic or business entity) since the founding of the new China in 1949 and the political, social and economic changes during this period. The content, structure and presentation of the balance sheet (or alternative forms of the statement in use) are illustrated. The political and economic factors driving its evolution are analyzed to assist readers in understanding the rapid changes in Chinese accounting over the last six decades. The implications of the Chinese experience for international accounting convergence are also briefly outlined.

Keywords: Balance sheet, Statement of financial position, Chinese accounting, financial reporting, Economic reforms in China.

INTRODUCTION

The balance sheet is the first financial statement in contemporary accounting and portrays the financial position of an economic and business entity on the reporting date.1 The appearance of this statement can be traced to the birth of double-entry

1 This financial statement has been officially renamed the statement of financial position since January 1, 2009, after the International Accounting Standards Board (IASB) amended International Accounting Standard No. 1 (IAS 1)—Financial Statements Presentation in September 2007. However, it is still widely called the balance sheet in accounting practices around the world.