THE CONVERGENCE OF NATIONAL AND INTERNATIONAL ACCOUNTING STANDARDS: CHINESE EXPERIENCE

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ABSTRACT

This article reveals the problems related to the transition of the national accounting systems to International Financial Reporting Standards (IFRS). The authors analyze the regulations of the People’s Republic of China (PRC), documents of the International Accounting Standards Board (IASB), and papers of Chinese and European researchers to use the example of China and justify the impossibility to replace the national accounting standards completely with international standards.

The Chinese accounting system faced some difficulties when adopting IFRS, which seem unlikely to be overcome in the near future. Economic difficulties are associated with two main problems: first of all, the lack of need for IFRS in small enterprises, which the PRC government refers to as the “foundation of the national economy”; and secondly, the examples of significant discrepancies between the national and international standards, identified when large enterprises switched to IFRS.

The legal aspect of the problem is that the Chinese legal system belongs to the continental model, and the main goal of accounting regulation is the correct calculation of taxable income rather than primary satisfaction of investors. Difficulties with the translation of basic concepts lead to a distortion of the meaning of translated standards. The attempts to interpret the "vague" provisions of international standards that are not compatible with the Chinese imperative regulatory framework also fail.

The adoption of IFRS is also hindered by the features of the Chinese national mentality significantly affecting the national accounting practices. The Chinese government acknowledges these problems. Therefore, the PRC Ministry of Finance defended the right to a special Chinese way of transition to IFRS – “the convergence path” – despite the strong pressure from the G20 and through many years of dialogue with the IASB. The Chinese experience disclosed by the authors represents a landmark precedent for the global accounting practices. The Chinese way of rapprochement with IFRS must necessarily be explored by reformers of other countries, including Russia.

Keywords: International Financial Reporting Standards, China, accounting, financial reporting, convergence.
1. INTRODUCTION
The process of convergence with International Financial Reporting Standards (IFRS) was largely driven by the growth of transnational enterprises and globalization of capital markets. Numerous studies have revealed that most national enterprises get a rise to development after adopting IFRS. To reach the international level, a national enterprise should adhere to a unified set of global financial standards in order to increase the comparability and clarity of financial information for foreign users and potential investors.

However, numerous studies suggest that the developing countries are generally unable to fully switch to IFRS and often fail to follow the recommendations of the International Accounting Standards Committee (IASC), even when declaring this process at the level of national governments. In addition, there were cases when the adoption of IFRS instead of national standards not only failed to increase the transparency of financial reporting, but also created significant problems of its preparation, which had not been faced before. This is facilitated by a number of factors, such as institutional, legal, managerial, and others, which become an obstacle to the consistent implementation of IFRS.

A new stage in the reform of the national accounting system began in the Russian Federation in 2012 with the adoption of Federal Law No. 402-FZ dated 06.12.2011 “On Accounting” and the entry into force of legal requirements for the mandatory application of IFRS. The further the national accounting system develops along the path of convergence with international standards, the more questions arise among practitioners and theorists of the national accounting. To date, some foreign experience in the harmonization of national and international standards has been gained, which is of great value for study. Among the analysis of the IFRS implementation results already received by international practices, the long-term experience of the People’s Republic of China (PRC), a country with a fast-growing economy, one of Russia’s main economic partners in bilateral and multilateral formats in the BRICS, SCO and other platforms, is of particular interest for the Russian accounting.

2. MATERIALS AND METHODS
The goals and objectives of this study were solved using the methods of observation, sampling, grouping, systematization, comparison, and generalization. Historical analysis of theoretical and practical material allowed to draw conclusions and develop recommendations.

A convergent approach to research and its use are based on the assumption that developing countries (including China) will have higher paces of economic growth in the near future than developed countries. The developing countries successfully copy methods of production, technologies and institutions of developed countries. A decrease in the factor (in particular, capital) returns in developing countries is less compared to developed ones. The adoption of IFRS and the convergence of the accounting in developed and developing countries occur, but at a slow pace, and face some difficulties.

Using a synergistic approach in this study allowed to consider the international harmonization of the financial reporting standards with due consideration of social, legal, political, institutional, professional, linguistic, mental, and other components that are always
in constant change and activate qualitative economic changes not only at the global level, but also at the level of a single economic entity.

The authors relied on Chinese and European materials and sources, including regulations, intercultural studies and speeches of officials.

3. RESULTS AND DISCUSSION

3.1. Global spread of IFRS

The IASC was created in 1973 as a structure with the mission to spread a unified system of standards of high quality, understandable and accepted by everyone globally, formed on the basis of clear principles of accounting and reporting [1]. The International Accounting Standards Board (IASB) continues to develop and improve the system of IFRS and strongly promotes its international use.

Promoting the convergence of national standards with IFRS is largely supported by two objective economic factors: the growth of transnational corporations and multinational enterprises, as well as the increasing globalization of capital markets. Cross-country studies reveal that multinational enterprises will benefit from the adoption of IFRS, since the use of IFRS leads to a reduction in the cost of preparing and consolidating financial statements according to various national accounting standards, as well as to an increase in their comparability [2]. The introduction of IFRS into the national accounting systems leads to more efficient distribution of capital and increase in the volume of transnational investments [3]. This has become one of the key factors for transition economies and developing countries such as Russia, China, etc.

More than 130 countries are involved in the reforming of the national accounting standards along the way of convergence with IFRS to some extent at the moment. However, despite the international adoption of IFRS, the actual practice of their implementation in many countries faces numerous problems – from infrastructural to mental, especially in the developing countries [4]. There are situations in which convergence with IFRS de jure does not lead to convergence de facto (India, Nepal, Turkey, etc.). National Ministries of Finance face problems of corruption, shortage of qualified accountants, inflexible tax system, inadequate management system, etc. The predominance of large or, on the contrary, small businesses on the territory of a certain state also has a significant effect. The latter often have neither incentives nor reforming resources along the IFRS path.

It is further proposed to review and systematize the key problems and obstacles to the transition to IFRS by the example of a single state. The national accounting system of the PRC is chosen in this article as an example.

Chinese experience of transition to international standards: background

China has suffered strong external pressure due to the global adoption of IFRS. The Government of the PRC began to conduct financial reforms in 2005 in order to bring its accounting system closer to IFRS. In early 2005, the Ministry of Finance developed a plan for revising the existing basic national accounting standards and creating 22 new accounting standards by 2006. The main objective of the reform carried out from 2005 to 2006 was to focus on the convergence of CAS (Chinese Accounting Standards) with IFRS [5]. For this purpose, the Ministry of Finance expanded the cooperation with the IASC in every way. As a result, the so-called "2005 Beijing Joint Statement" ("2005 北京 联合 声明") was published. The Ministry of Finance announced in this document that the national accounting system of the PRC would not follow the “adoption” of IFRS on its territory, but the path of convergence
with international standards. These and other ways of transition to IFRS will be reviewed in more detail below. In fact, this statement meant that the Government of the PRC recognized the impossibility of a complete transition of the national accounting system to international standards at the very beginning of the path. The IASB also had to recognize this reality, since it was a joint statement, and its initially decisive and uncompromising position of introducing IFRS standards "literally" transformed into the position of providing opportunities and powers to independently determine the forms and methods of converging CAS with IFRS.

After the joint statement, the Ministry of Finance demanded that all large and medium-sized businesses participating in the China’s domestic capital markets applied new CAS standards to compile consolidated and nonconsolidated financial statements from 2007 fiscal year.

The PRC Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants signed a joint statement on the equivalent ratio of mainland standards and Hong Kong accounting standards on December 6, 2007, which enshrined a single vector of accounting development even against the existence of two economic regimes ("One country – two systems") [6].

The joint work of the Council on IFRS and the Ministry of Finance of the PRC on improving the national accounting and reporting standards continued on January 8, 2008. The two parties reached a consensus on the "continuous convergence" mechanism and signed the corresponding "Memorandum on continuous convergence" [7].

At the same time, dialogue was also established between China and the US on the harmonization of accounting principles of the two countries. "Accounting convergence and equivalence" between China and the US were recorded as one of the important topics of the economic dialogue between the PRC and the US for the future. The China Accounting Standards Board and the US Financial Reporting Standards Board (FASB) signed a "Memorandum of Understanding on Academic Cooperation between the US and China" on April 18, 2008 [8]. The goal is to achieve equivalence of the Chinese and American accounting standards.

After the 2008 financial crisis, the Great Twenty (G20) began to pay particular attention to accounting convergence and consider uniform accounting and reporting as the basis of global financial stability. The external pressure on the Ministry of Finance of the PRC increased again. The G20 member states called on the members of this dialogue, including China, to bring their national standards as close as possible to IFRS or to fully adopt them. The pressure on the Ministry of Finance of the PRC has increased even more since 2011, the IASB began to express mistrust in the convergence of the Chinese standards with IFRS and refuse to accept the Chinese wording such as "the standard basically corresponds to IFRS". However, the Chinese leaders continued to insist on its particular rapprochemen path and took a short pause in the negotiation process. Wang Jun, who had served as Deputy Minister of Finance (from 2005 to 2013), stressed at the third meeting of the Advisory Council of IFRS in 2009 that there were objective factors, such as the national legal system and national culture, which were ignored by the IFRB, but due to which Chinese accounting standards could not become fully equivalent to international standards word for word [9].

The Trustees of the IFRS Foundation and the Ministry of Finance of the PRC held a new bilateral meeting in Beijing in October 2015, 10 years after signing the 2005 Beijing Joint Statement. The two parties discussed the possibilities and options for further meaningful dialogue and strengthening cooperation in the future. This meeting resulted in a new joint statement called the 2015 Beijing Joint Statement (2015 北京联合声明) and designed to update the first 2005 statement [10]. In the updated joint statement, the Chinese party claims
that the purpose of creating new CAS standards is to approach IFRS through "complete convergence", and focuses on the fact that this commitment is consistent with the G20 approved task of creating and using a single set of comprehensible and high-quality accounting standards by member states. The IFRS Foundation promises to ensure the full participation of the Chinese party in the development of future IFRS standards. The two parties agreed to form a joint working group to explore ways and measures to "promote the use of IFRS in China," especially for Chinese international companies operating in international markets. As such, it can be said that the Chinese party defended its vision and its path towards rapprochement with IFRS, which created a landmark precedent that both Asian countries and developing economies could rely on.

The Ministry of Finance of the PRC now recognizes that the Chinese special path to the convergence of CAS and IFRS will facilitate [11]:
- development of Chinese national enterprises that intend to raise funds in foreign capital markets,
- savings in the cost of consolidating financial statements in accordance with various accounting standards and reducing the cost of corporate financing, reducing the cost of access to international capital markets for Chinese companies,
- transformation of Chinese companies towards greater sustainability and “globality”, as well as promoting the transformation of China’s economic growth model “from a capital acceptor into a global investor”,
- expanding the footprint of Chinese business, and as a result, expanding employment opportunities for Chinese citizens, increasing the number of employees and strengthening social stability in China,
- enriching the experience of international securities regulators by examining the financial statements of Chinese companies in order to exercise efficient oversight, and
- formation of the international status of Chinese accounting and increasing the influence of China in the field of international accounting.

3.2. Definition problems

The problems of transition of national states to international standards are associated with the specifics of the IASB legal status, as it has no authority to imperatively require the mandatory application of the developed standards [12]. Therefore, the countries involved in the process of transition to IFRS currently choose the path that some national governments consider the best. For this, a certain transition path is legally adopted and named.

There are countries that proclaim "full adoption" of IFRS standards. There are several dozens of them so far, including two thirds of the G20 member states. However, most countries are still looking for other ways that are referred to differently: "rapprochement with IFRS", "harmonization with IFRS", "adoption of IFRS", "conversion of IFRS", "convergence with IFRS", etc. In addition, there are options such as "national standards of IFRS" and "regional standards of IFRS".

The Ministry of Finance of the PRC has established a "convergence" approach as a tool for responding to pressure from international organizations on the issues of compliance with accounting and financial reporting. Based on this approach, the Ministry of Finance of the PRC continues to develop new CAS, gradually reducing the differences between CAS and IFRS. The Ministry of Finance is not going to use the "adoption" approach proposed by the Chinese IFRB, since it means almost complete abandonment of the national standards in favor of the international ones. The Chinese party insists that the "convergence path" is a Confucian
pragmatic approach to resolving the issues of meeting the needs of developing businesses in China – a country that has a centuries-old legal system, special economic environment, and national culture [13].

3.3 Economic context

The growth in the number of Chinese enterprises that had raised foreign investments became the main impetus for establishing the convergence of CAS and IFRS. Chinese companies began to get significant funding from abroad by listing stocks on the Hong Kong, Shenzhen and Shanghai stock exchanges.

The convergence of the national reporting with international standards also allowed Chinese businesses to expand their activities globally, including Africa and Latin America.

However, the majority of the Chinese enterprises that listed their stocks on the Hong Kong Stock Exchange continue to prepare two sets of reports: in accordance with CAS and IFRS, which are fully adopted by Hong Kong. Mainland China is also ready to bear these costs and not to abandon the national standards that reflect the specifics of Chinese economic practice.

Full adoption of IFRS is faced with a Chinese economic reality of features of the size and shape of national enterprises. The Chinese leadership pays special attention to the operation of small enterprises and is interested in their further development, as well as in quantitative and qualitative growth. Small businesses are referred to as "body cells" and "footing of the building" called "China's national economy." Small businesses, especially family businesses, are one of the main ways to combat unemployment today, with traditions going back centuries. Such enterprises usually do not need funding from abroad and the transition to international standards.

According to the 2005 Beijing Statement, large and medium-sized enterprises involved in the Chinese capital market should switch to new standards. Large companies, compared to small enterprises, have strong incentives to bring financial statements to international standards. However, they also encountered some difficulties in implementing international standards.

IFRS provide Chinese managers with a variety of accounting procedures for the same business operations and business facts. They also allow to adopt various accounting policies, even among enterprises of the same economic sector, which hinders the comparability of financial information.

Such inconsistencies between IFRS and the existing national institutional tools for financial regulation related to specific industries can lead to unintended consequences, including a decrease in the reliability of financial reporting (which China was supposed to eliminate, switching to international standards). This impedes the achievement of the goals of implementing IFRS in the PRC.

3.4. Features of specific business practices

Some examples of the inconsistency between the international and Chinese national standards from the practice of operating with certain economic realities are provided for better clarity:

1. Reporting in the context of hyperinflation. Despite the fact that CAS 19 stipulates the requirements for the transfer of the financial statements of an enterprise operating in a hyperinflationary economy, the standard does not clearly spell out the accounting for resulting exchange differences, as enshrined in IAS 29 "Financial reporting in hyperinflationary economies". The Chinese standard CAS 19 is called "企业会计准则第19号——外币折算" (Foreign currency conversion) and is dedicated to the issues of determining
the accounting currency, specifics of accounting operations in foreign currency, and conversion of financial reports in foreign currency. The issues of reporting in the conditions of hyperinflation are mentioned only in paragraph 4 of article 13 [14]:

"Financial reporting for foreign operations in a hyperinflationary economy is converted in accordance with the following provisions:

- general price index in the income statement is subject to change, it is recalculated in accordance with the exchange rate on the most recent reporting date, and

- when foreign operations are no longer performed in a hyperinflationary economy, their conversion should be halted."

It is also worth noting that inflation indicators in China are under strict control of the state, and these provisions are hardly applicable in the near future.

2. Fair value. The Chinese authorities declare the use of fair value in China as "fairly common". The relevant standard [15] even emphasizes that its application extends to various territorial entities of the PRC, including autonomous regions, municipalities directly under the jurisdiction of the Central Government, autonomous regions, etc. However, there is no unified way of its calculation, and CAS accepts the concept of fair value largely not because of the practice of using this indicator over the years, but due to the lack of mature and active capital markets in China. Chinese specialists are mostly skeptical and expect that the introduction of the practice of relying on fair value will result in large-scale fluctuations in net assets of companies and indicators of net profit from one reporting period to another, as well as the possibility of manipulating incomes of Chinese companies [16].

3. Cost analysis. IAS 1 allows an enterprise to report a cost analysis using a classification based on either the nature or function of the costs – depending on which information is reliable and more relevant. In accordance with CAS 30 "Presentation of financial reporting", expenses are analyzed only by functions. This understanding embodies the structural functional approach to financial reporting and describes it as less flexible and more conservative in comparison with the international standards [17].

4. Measuring intangible assets. IAS 38 allows for the use of both a cost model and a revaluation model when measuring intangible assets (where fair value can be determined using an active market price). CAS 6 "Intangible assets“ allows for the use of the cost model only [18].

5. Construction contracts. IAS 11 allows to include the costs associated with construction contracts in direct costs. Such costs should be included as a part of the contract costs if they can be separately identified and reliably estimated, and the contract is executed. However, CAS 15 contains the requirements for such costs to be accounted as incurred [19].

The above examples of inconsistencies in the requirements of the international and Chinese national standards are caused not only by various economic practices, but also by the peculiarities of the regulatory framework for economic activities. The features of the Chinese legal system will be reviewed next as IFRS is essentially a regulatory document.

3.5. Legal aspect

Implementing the international standards in the territory of the national state is a process depending on the legal context and therefore a complex one. IFRS are not just new accounting principles but also new legal norms that should be in harmony with the national legal system that has been developing for centuries and has its own traditions and schools. Before launching the transition to IFRS, the applicability of a direct introduction should be qualitatively assessed, and the compatibility with the main elements of a state-specific legal system should be justified.
The Chinese legal system had been developing independently over many centuries (up to the fall of the dynastic regime), and has now reached the level of a system with comprehensive regulation of various accounting elements in a specific national economic environment – an organic system with well-established internal links and structural forms. Its main features are the following ones:

- "Ready" norms adopted by legislative bodies are the main source of law. Most of the facts and events of the economic life of the country are regulated through them with the least opportunities for legal maneuver,
- The legal system is institutional and has a clear structure, and
- The legal norms are imperative and principled.

The Chinese legal system belongs to the continental model by the main features [20]. The main purpose of accounting regulation in the country is not the primary satisfaction of investors' interests, but the correct calculation of taxable income and the correct filling of tax returns within the time limits established by law. Taxation and accounting are traditionally closely intertwined in China. Tax accounting has a history going many centuries back, and the state pays special attention to it. There is even a special position of "tax accountant" in China, and the main accounting practices are closely related to the fiscal function of the state.

3.6. Issues of IFRS interpretation

The modern Chinese accounting emerged after the "reform of opening up" about 30 years ago. The main feature is that it is still based on the accounting of the socialist form of management, albeit with various practices of accounting for the market realities of "Chinese specifics". There have been not only certain accounting practices, but also peculiarities of training and certification of accounting specialists since the middle of the 20th century. Most of them are accustomed to accounting practices based on rigid rules in accordance with the Chinese legal system. This is why there are often situations when Chinese accounting specialists lack the necessary experience, education and international qualifications to correctly interpret economic realities and competent professional judgments in accordance with the international accounting principles when switching to the international standards. At the same time, the formation of a new version of CAS, as much aligned with IFRS as possible, will require building up Chinese human potential – unique specialists who understand national specifics and the practice of interpreting the international standards.

Chinese accountants and auditors mainly follow the recommendations of the Ministry of Finance, such as "interpretations" (解释) and "explanations" (讲解). National specialists get more specific accounting rules through these "official comments" than IFRS standards.

The professional environment that has developed in this way contributes to the gradual and consistent application in China of the standards approved and translated by the Ministry of Finance, but does not contribute to accurate interpretations of the basic concepts of IFRS standards.

Literate interpretations also depend on the qualitative translation of basic accounting concepts of international standards. In the absence of exact equivalents of English concepts in the official Mandarin dialect, interpreters use the closest concept, which essentially does not coincide with the translated one. Some examples can be found below (Table 1).

| Table 1 | Examples of terminological differences in the translation of international standards into Chinese |
Term | Selected equivalent | Other closest equivalents
---|---|---
Control | 控制 – domination, control, power, supremacy, superiority, restraint. The term is understood in the Chinese traditional economic thought as "invisible power" of the Chinese state over accounting. | 管制 – control, regulate, oversee, have on file. 监管 – control and management, regulation. 检查 – check, monitor, diagnose, inspect, revise, review.
Corporation | 法人 – legal entity, legal representative, Frenchman. The term appeared in Chinese through Japanese (double translation) as the official translation of the word "Corporation", although it is closer in meaning to the term "legal representative". | 私法人 – legal entity defined in accordance with private law. 企业法人 – enterprise, legal entity, business entity. 营利法人 – commercial legal entity.

These examples reveal that the IASB interpreters use terms in translating from English to Chinese that already have certain traditions of use in the country, thereby distorting the meaning of the translated standards.

Since the Ministry of Finance is often unable to provide accurate interpretations and translations of individual international standards and recommendations for their implementation, the process of convergence with IFRS is delayed, despite ongoing consultations with the IFRB and representatives of Chinese large businesses. The situation is complicated because the Chinese developing economy faces new economic realities that do not find adequate interpretations and recommendations from IFRS, and because the Ministry of Finance and IASB do not reach consensus during the interpretation [21].

In the case of uncertainty, Chinese accounting professionals will rather be guided not by professional judgments, but by principles and explanations already adopted by the Ministry of Finance regarding other standards.

Problems associated with the interpretation of the "vague" provisions of international standards that are not compatible with the more imperative Chinese national regulatory framework have also become obvious for modern Chinese accounting practices. The concepts of "sufficient confidence" (about intentions) and "reliable valuation" (about fair value) cannot be widely spread in Chinese practice and are not perceived by the traditional mind of the Chinese specialist.

Chinese financial accountants, legislative and executive authorities, ordinary accountants, auditors, and national investors, due to the difficulties of translation and interpretations of Western terminology in Chinese reality, will always understand some accounting terms and concepts differently than their European counterparts. Even if China began to directly introduce international standards along the path of "full recognition" rather than "convergence," this path would still have some assumptions and limitations for Chinese specifics.

Features of the national mentality
Some studies reveal that the national culture has strong influence on the professional judgment of people in one profession in various countries and continents. G. Muller, C. Nobs, F. Choi, G. Hofstede, S. Gray and other researchers studied the influence of the national culture and national mentality on economic and accounting practices.

G. Muller, C. Nobs and F. Choi analyzed the environment in which the national accounting system was formed along a specific evolutionary path. They studied the elements and factors of nonaccounting nature, which had significant impact on the formation of the national accounting theory and practice. The authors paid special attention to the influence of the national culture. G. Hofstede formulated the structural elements of economic and accounting culture formed by the national culture [22]:

- collectivism/individualism,
- masculinity/femininity,
- distance of power, and
- avoidance of uncertainty.

G. Hofstede [23] revealed another dimension in the Chinese accounting culture – short-term and long-term orientation in planning. Another element was later added – the level of condescension. These categories are not certain constants. These elements also undergo certain changes during the development, change of political regimes, wars, and foreign influence. If one refers to the modern scale of distribution of countries through the six dichotomies, the Chinese accounting culture can be described as a collectivist culture, mostly masculine, with a desire for stability, a large distance of power, and a low level of indulgence. The short-term/long-term orientation in planning has its own specifics in China and is referred to as "Confucian dynamism", which is understood as the long-term orientation at the level of national culture and the ability to quickly focus on short-term goals and objectives.

With regard to the national accounting practices, the above features of the Chinese national culture are manifested in the following way:

- caution in taking managerial decisions, relying on collective experience, and suppression of an individual approach to the assessment of economic facts and events [24],
- in case of uncertainty or a legislative vacuum, the specialist prefers compliance with the norms based on spirit of the law, if not the letter of the law, to the individual professional judgment [25],
- cultivation of certain restrictions to the disclosure of information about the economic activity of the subject, and
- the desire to execute homogeneous accounting methods over a long period of time, even in the context of new business conditions and risky situations.

In regard to the basics of the Chinese national accounting, its basic concepts and terms, strong influence of the national culture and mentality on its shaping and development must be noted. Adoption of the international standards faces not only technical but also mental problems with deeper roots. After all, IFRS were developed not just in another culture and in the language of another society – they explain basic accounting concepts through the opposite mental constants and stereotypes.

4. CONCLUSION
This article not only reviewed the "classic" economic problems of developing countries in transition to the international standards, but also demonstrated the importance of such aspects as legal environment, translation and interpretation issues, training and education, national
mentality, and background of the national accounting system. The main barriers were demonstrated that hindered the full transition to the international standards and gave rise to compromise options for interaction between the IASC and the national Ministries of Finance in developing countries by the example of the Chinese accounting reality.

The authors have illustrated the impossibility of a final transition to IFRS through the disclosure of major problems of adopting the international standards by the example of the PRC, since IFRS cannot be fully compatible with the Chinese centuries-old traditional accounting features and economic mentality, and also cannot be completely incompatible with the modern legal, professional and social environment.

As a conclusion, the Chinese way of "convergence" is proposed, which ensures the maximum convergence in the interests of national business while maintaining the national accounting traditions and practices. This path can be regarded as a possible alternative to the full acceptance of IFRS by developing countries, including Russia, where this process has been delayed.

The Chinese path and the Chinese solutions to the problems of harmonizing the national accounting standards with IFRS are also important for the IASC in developing new ways of transition to IFRS on a global scale. The IASC should expand the range of issues in the convergence of the national standards and IFRS. Particular attention should be paid to the cultural, political and institutional issues, national and regional diversity, as well as the features of the national accounting practices in a single enterprise.

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