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政府财政、会计与管理

陈立齐论文选集（下册）

GOVERNMENT FINANCE, ACCOUNTING AND MANAGEMENT:
SELECTED PAPERS OF JAMES L. CHAN (II)

许云霄 麻志明 ◆ 编



北京大学出版社
PEKING UNIVERSITY PRESS



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27 Budget Accounting in China: Continuity and Change*

James L. Chan(1996)

Abstract: Under the orthodox socialist model, governmental accounting in China became budget accounting. Given the close link between accounting and budgeting, major changes in the Chinese economic system in general—public finances in particular—there are some potential fundamental changes to the Chinese government accounting system. The promulgation of a new budget law in 1994 has quickened the pace of reform. This paper analyzes the key reform provisions of the law and explores their implications for accounting and the need for new standards to strengthen accountability and financial control. It proposes that governmental accounting has a mission and scope broader than the state budget, which no longer covers most of the economic activities and financial transactions of the Chinese public sector. This proposal requires a new accounting framework that includes, but is not limited to, budgetary control. The building blocks and likely controversies for such a framework are described.

Keywords: Chinese budget accounting, government budgeting, budget law, government accounting, fiscal reform

摘 要:在传统的社会主义模式下,中国的政府会计其实就是预算会计。考虑到会计和预算之间的紧密关系,中国经济体系(尤其是公共财政)的大变化,可能会给中国政府会计体系带来根本性变化。1994年颁布的《预算法》加速了改革的步伐。本文分析了该法的主要改革规定,讨论了其对会计的影响以及加强受托责任和财务控制的新准则的必要性。本文提议政府会计应有一

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个比国家预算更宽的使命和范围,因为后者已经不再覆盖中国公共部门的大多数经济行动和财务交易。这个提议要求建立一个包括预算控制和其他功能在内的会计体系。本文讨论该体系的构建基础和可能存在争议的问题。

关键词:中国预算会计 政府预算 预算法 政府会计 财政改革

With almost 1,200 million people, China has 22 percent of the world population. Among them are 1,800,000 accountants working in the almost 500,000 administrative agencies and public service institutions in the public sector, and many more are in state enterprises. The changing nature of their work is the subject of this paper.

Table 1 An Overview of the Chinese Economy

Year	GNP (Billions 1987 constant yuan) (1)	Annual Growth Percent (2)	Inflation Percent (3)	Central Level Budget Deficit (Billions yuan) (4)
1979	544.70		2.00	17.06
1980	587.20	7.80	6.00	12.75
1981	613.60	4.50	2.40	2.55
1982	667.00	8.70	1.90	2.93
1983	735.70	10.30	1.50	4.35
1984	842.70	14.54	2.80	4.45
1985	944.90	12.13	8.80	-2.16
1986	1020.80	8.03	6.00	7.05
1987	1130.10	10.71	7.30	7.96
1988	1252.40	10.82	18.50	7.86
1989	1305.20	4.22	17.80	9.23
1990	1379.90	5.72	1.60	13.96
1991	1475.10	6.90	3.00	20.27
1992	1677.50	13.72	5.60	23.75
1993	1902.30	13.40	14.50	

Sources: Lieberthal (1995). Column (2) derived from the author from (1).

The rapid and sustained growth of the Chinese economy produced by economic reform since 1979 (Table 1) ironically has resulted in a weaker public sector beset with fiscal woes. As recently as the early 1980s a World Bank report (Dernberger et al., 1991, p. 532) was able to state: "The principal instrument of financial control over the

[Chinese] economy is the state budget, through which about 30 percent of GDP flows. " In 1994 government revenues accounted for only about 12 percent of GDP in 1994, a decline of 15.8 percent from the 1979 level. Falling revenues and rising expenditures led to a 480 percent rise in the central government budget deficit, from 11.5 billion yuan in 1990 to 66.7 billion yuan in 1995. In 1995 the central government issued 153 billion yuan of debt (2.9% of GDP), almost a sevenfold increase since 1990. The central government's ratio of debt issues to expenditures rose from 21 percent in 1990 to 52.8 percent in 1995^①(Gao, 1995, p. 3). Deficit financing seems to have become the norm. Clearly, managing the public finances of China is an enormous challenge, but it is critical to the government's capacity to influence the course of the economy and sustain the pace of reform (Wang, 1994).

In pursuit of economic reform, China has initiated a series of steps to change its public budgeting system. A new budget law, promulgated in April 1994, has been in effect since January 1, 1995. As governmental accounting in China is heavily influenced by budget concepts and practices—indeed it is commonly called "budget accounting"—efforts are currently underway to formulate a new set of accounting standards. The dynamic changes in the budgeting system have created a great deal of uncertainty, as well as opportunity, for reforming Chinese governmental accounting. A purpose of this paper is to explore governmental accounting standards issues that call for input from the changes introduced in the new budget law.

Section I describes the symbiotic relationship between public budgeting and governmental accounting in China. Section II documents the structure and process of Chinese public budgeting. Section III analyzes the 1994 Budget Law, focusing on changes that have significant accounting implications. The concluding Sections IV and V identify issues expected to be addressed in budget accounting standards.

Traditional Budget Accounting

A Taxonomy of Chinese Accounting

In recent years accounting in China has undergone major reforms as a result of its

① Yuan is the unit of Chinese currency. One U. S. dollar is equivalent to approximately 8 yuan at the exchange rate in early 1996. In China, one hundred million is usually referred to as one *yi*, which is equivalent to one-tenth of one billion. Throughout this paper, Chinese financial statistics are converted to billions, unless otherwise specified. Note the discrepancy between the deficit numbers quoted and those in Table 1. The authors lacks the information to reconcile these numbers.

conversion from a centrally planned economy to what it calls a socialist market economy. A new set of accounting standards has been implemented for business enterprises operating in both the private sector and the public sector (PRC Ministry of Finance, 1992). Next on the reform agenda is budget accounting. What is budget accounting?

The Domain of Budget Accounting. The term “budget accounting” is a reflection of China’s official ideology of socialism. China’s constitution adopted in 1982 (Lieberthal, 1995; Zheng, 1992) contains the following relevant provisions:

(1) Article 6. The basis of the socialist economic system of the People’s Republic of China is socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people. . . .

(2) Article 7. The state economy is the sector of socialist economy under ownership by the whole people; it is the leading force in the national economy. The state ensures the consolidation and growth of the state economy.

(3) Article 15. The state practices economy on the basis of socialist public ownership. It ensures the proportionate and coordinated growth of the national economy through overall balancing by economic planning and the supplementary role of regulation by the market. . . .

(4) Article 16. State enterprises have decision-making power with regard to operation and management within the limits prescribed by law, on condition that they submit to unified leadership by the state and fulfill all their obligations under the state plan. . . .

(5) Article 17. Collective economic organizations have decision-making power in conducting independent economic activities, on condition that they accept the guidance of the state plan and abide by the relevant laws. . . .

Under these constitutional provisions, the Chinese state possesses both ownership and management functions (Figure 1). It owns national resources and business enterprises either wholly or partially. It is also responsible for managing the society and the economy. This second function is carried out through (a) state-operated enterprises and public service institutions, and (b) government administrative agencies, which implement public policies. As the right-hand side of Figure 1 indicates, budgetary control by the state is stringent for government agencies, moderate for goods/service producing organizations in the public sector, and minimal for enterprises in which the government has ownership.

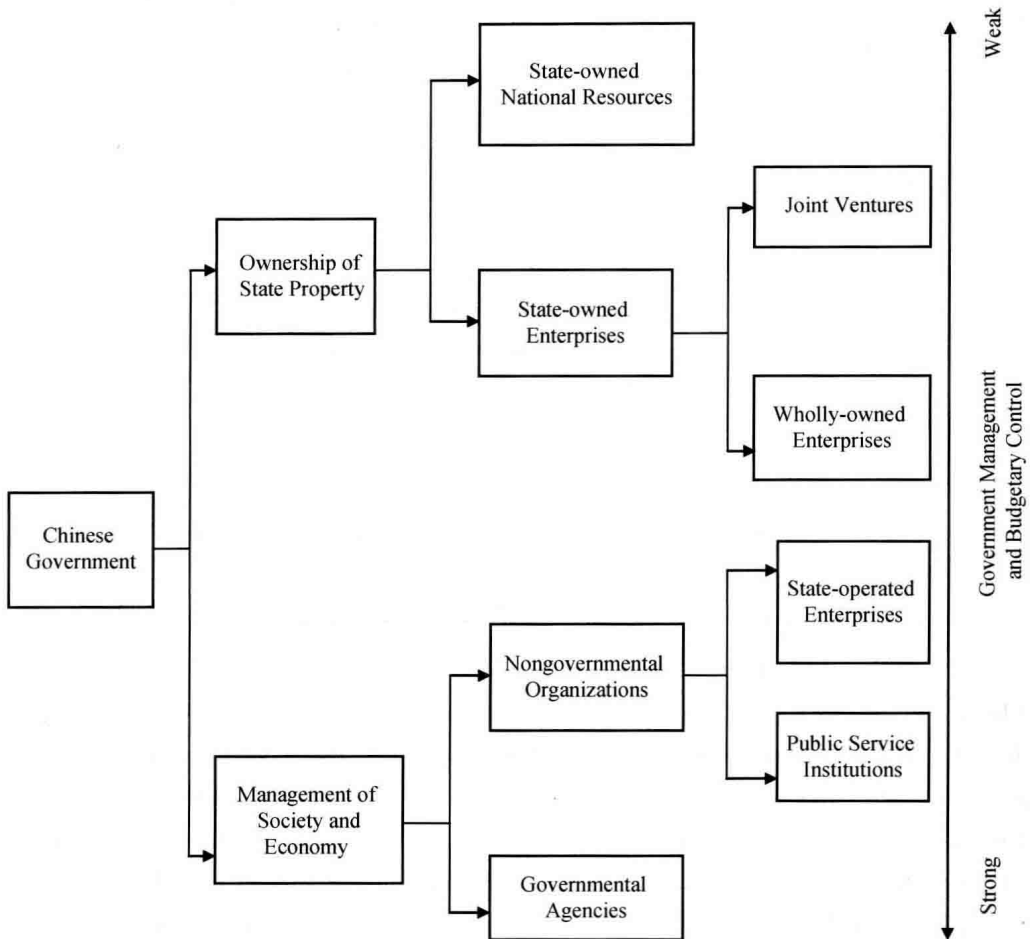


Figure 1 The Functions and Organizations of the Chinese Government

A Sino-American Comparison. To avoid the need for repeated definitions, a few key terms should be introduced at this point. Table 2 provides a comparison between Chinese and American public sector organizations. In China, it is customary to refer to organizations as “units” (or *danwei*). The implication is that, no matter how large an organization is, it is still a component (unit) of a larger entity—the state. The Chinese state is administered by a cabinet (called the State Council) under the formal oversight of the National People’s Congress, with a similar setup at four to five levels of local government. There exists a formal separation between the parallel structures of the state and the ruling Communist Party. However, the Party determines China’s national policy, and Party members occupy virtually all policy-making positions and most managerial positions (Lieberthal, 1995).

Table 2 A Comparison Between Chinese and American Public Sector Organizations

China	United States
Administrative Units	Government Bodies: • Administrative • Legislative • Judiciary • Regulatory agencies
Institutional Units (Services)	Government-owned or affiliated • Universities and colleges • Elementary and secondary schools • Hospitals and other health care providers • Social service agencies • Public authorities (e. g. housing) • Government corporations (e. g. postal service)
Public Enterprises (Production)	Federal government corporations (e. g. Tennessee Valley Authority) Local government enterprises (e. g. airports, utilities)

In the context of the Chinese state, there are three major categories of units: administrative units, institutions, and enterprises. *Administrative units* (*xingzheng danwei*) make and implement public policies. They correspond to all types of governmental bodies in the American context, including governing boards and oversight bodies. Nonprofit organizations that render services are called *institutional units* or simply institutions (*shiye Danwei*). They correspond to government-owned educational institutions, health care providers, and social service agencies. American public authorities and government corporations also perform functions similar to some Chinese “institutions”. In keeping with its socialist character, the Chinese state also owns or operates a large number of diverse *business enterprises* or simply enterprises (*qiye*), ranging from manufacturing concerns to trading companies and financial institutions. American counterparts to these are few in number, but would include the Tennessee Valley Authority for generating electricity, or local utilities and airports.

The diversity of Chinese public sector functions is reflected in Chinese public sector accounting. Conceptually, the Chinese public sector may be thought of as a decentralized firm with three types of responsibility centers: cost centers, breakeven centers, and profit centers. These correspond roughly to the administrative units, institutional units, and public enterprises in the Chinese context. As state enterprises and the emerging private enterprises are required to follow the same set of accounting principles, the term “enterprise accounting” is commonly used to refer to state

enterprise accounting. From the perspective of theory and practice, in a broad sense, Chinese *budget accounting* encompasses what would be termed “governmental accounting” and “nonprofit accounting” in the United States.

As a consequence of the state budget being a tool for central economic planning in a socialist country, Chinese governmental accounting is officially known as *budget accounting*. The influence of the budget is so strong that accounting as such does not have an independent identity. Accounting is considered only as a tool for monitoring and controlling budget execution. Furthermore, the term “governmental accounting” is often associated with the era prior to the establishment of the People’s Republic of China in 1949 (Chan, 1995). However, this ideological interpretation of the term has lost some of its validity as China moves toward a market economy.

Public Financial Management Process

The leading role of the budget is reflected in the design of the Chinese public financial management process. After the budget is prepared, it is reviewed and approved after any modifications are made. Budget execution follows, accompanied by the recording of financial transactions and activities. At the end of the fiscal year, the books are closed and annual accounts are prepared and audited (Figure 2).

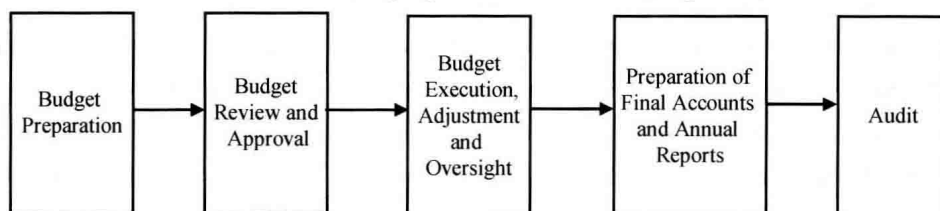


Figure 2 The Public Financial Management Process in China

In comparison with the American system, there are a few noteworthy differences. First, an annual state budget is articulated with the five-year national development plans currently in effect. Second, the preparation of the state budget involves the combination of several levels of sub-national governments, eventually merging with the central government budget to form the state budget (detailed in the next section). Third, while legislative bodies (People’s Congresses at each level of government) have the formal authority of budget approval and oversight, the budget process is dominated by the executive branch, especially the Ministry of Finance and finance bureaus at lower levels of governments. Fourth, legislative monitoring of budget execution occurs within the fiscal year. Fifth, the “final accounts” (i. e., after the books are closed) are subject to the approval of legislative bodies.

As Chinese government accounting is currently in effect an adjunct to the state budget, it would not be possible to have a full understanding of it without comprehending the Chinese public budget structure and process in some detail. This is done in the next section.

Conventional Budget Accounting

The State Budget of China consists of the budget of the central government and the combination of provincial budgets (formally called the local government budget). These budgets are termed “overall budgets” (*zong yusuan*) to distinguish them from “unit budgets” (*danwei yusuan*). Logically, the budget accounting system is structured in terms of “overall budget accounting” and “unit budget accounting”.

Overall and Unit Budgets

As Figure 3 shows, there are five levels in the budgeting system corresponding to the five levels of government in China—central, provincial, city/county, town, and village.^① (Below the provincial level there is a distinction between urban areas [i. e., cities] and rural areas. The hierarchy of county, towns and villages applies to the rural areas; large cities usually contain several counties. A few major cities, such as Beijing and Shanghai, report directly to the Center and are regarded as provinces for purposes of financial management.)

Starting from the bottom rung of the hierarchy of the Chinese government, the overall budget of a village is made up of the unit budgets of all institutions and the unit budgets of all administrative agencies at the village. (In contrast to the pre-reform period, the budgets of government-owned public enterprises are not included in the overall budget of government at all levels.) Likewise, all unit budgets of a level are reviewed and approved at their respective level. This horizontal aggregation of the budget preparation process is repeated at each of the village, town, city/county, and provincial levels, as well as at the central government level.

The overall budgets of all villages in a town are submitted to the town, the next higher level of government, where they are reviewed, modified, and eventually

^① This is a general characterization. There are further divisions and exceptions. For example, major cities, such as Beijing and Shanghai, report directly to the central government and have the status of provinces for purposes of budgeting and accounting. Lieberthal (1995) is an excellent source of information of not only the formal structure of China but also how the system works in practice.

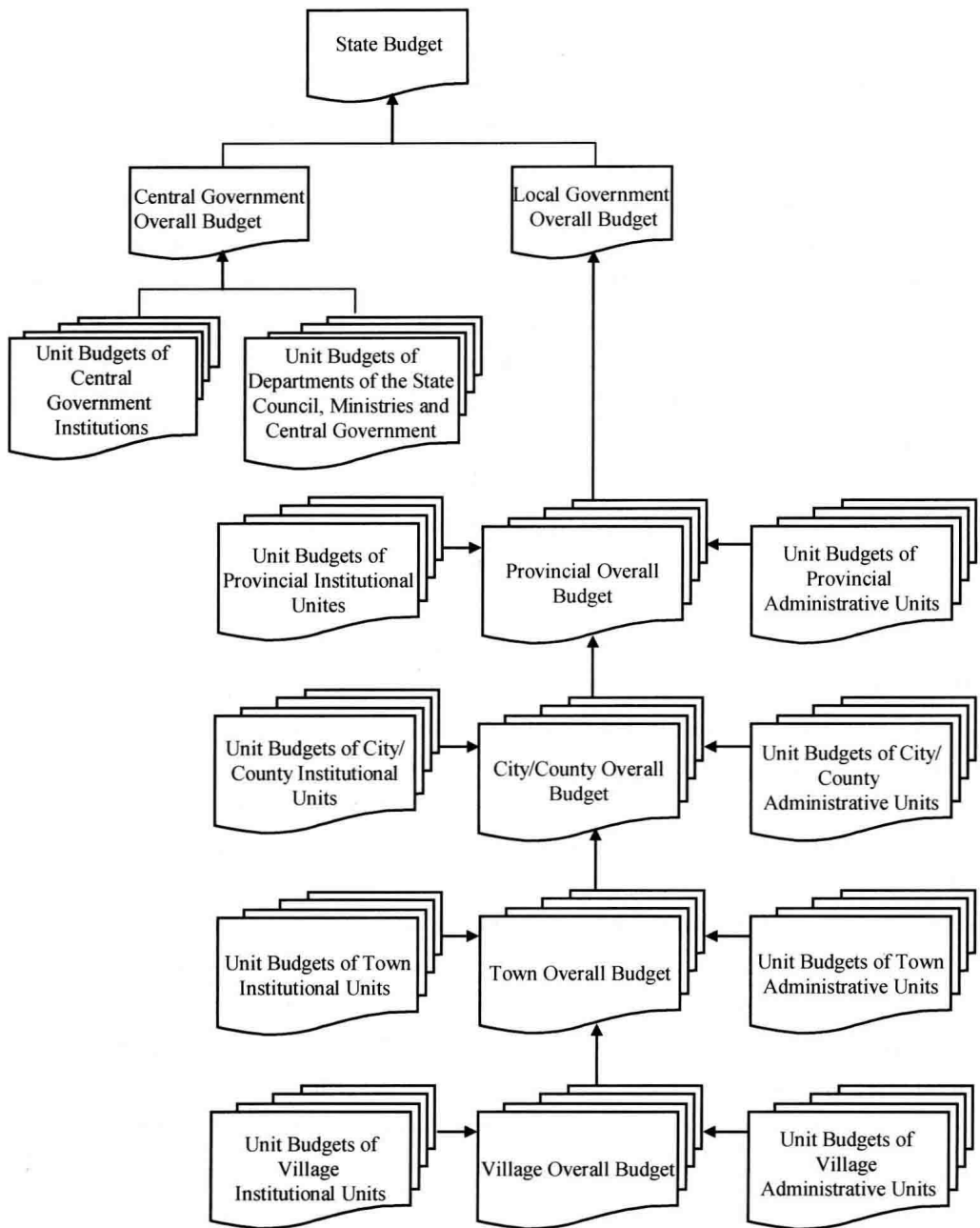


Figure 3 Budget Structure and Preparation in China

approved. Plus, the town level of government has its own administrative agencies and institutions, and the unit budgets of these town-level organizations are also prepared, reviewed, and approved at the town level. At this point, the town overall budget is

formed by merging the approved town-level unit budgets as well as the approved overall budgets of the town's subordinate governments (namely the villages). This vertical integration process of successive review, approval and submission is repeated upward: villages→towns→counties/cities→provinces and eventually to the Center.

At the central government level, the overall budgets of all the provinces (collectively termed the "Local Government Overall Budget") are merged with the *Central Government Overall Budget* to constitute the *State Budget*. Thus China has a unified public budget. (In contrast, the Budget of the United States Government does not encompass those of 50 states and the over 80,000 local governments. Nor is it a common practice for the budget of an American state, i. e., the equivalence of a Chinese province, government to include the budgets of the local governments in its jurisdiction.)

As we have seen, unit budgets are the building blocks of an overall budget in the Chinese public budgeting system. The system classifies units, administrative agencies, and institutions in terms of their dependency for the state's budgetary support. Organizations that depend completely on the higher-level government's budget support are termed "full budget management units". Some institutions (e. g. hospitals and educational institutions) are permitted to charge fees for their services on a regular basis. They may nevertheless ask for subsidies to cover some of their costs. These are called "differential budget management units". Finally, organizations expected to cover all their costs from their own revenues—self-supporting operations—are descriptively called "self-receipt self-payment budget management units" (Tang, 1992, pp. 148—149).

The highly integrative nature of the Chinese budgeting system requires the support of an equally integrative accounting system. There are nationwide uniform charts of accounts for revenues and expenditures. Not only do the unit budgets have to tie with the overall budgets, a unit budget for a multilevel organization is supported by an accounting system at each level. Elaborate systems, procedures, and forms are designed to process a vast number of upward remittances and downward allocations of funds, transfers, and grants. These are described in Chinese-language textbooks (e. g. Shi and Jiang, 1993). What follows is a distillation of a few important concepts underlying the current system.

Characteristics of the Chinese Budget Accounting System

"Budgeting dictates accounting". This is probably the simplest way to sum up the way government accounting is practiced in China today. The budget laws enacted are

elaborated by rules and regulations issued by the Ministry of Finance. The Bureau of Budget Management in the Ministry of Finance develops accounting rules and procedures that conform to and support the budget rules and procedures. The advantages of this system are (a) it ensures consistency between budgeting and accounting and (b) it enjoys the enforcement power of the state. These advantages could, paradoxically, turn out to be obstacles to introducing changes to the accounting system. After being appended to the budget for so long, Chinese government accounting has a weak conceptual and institutional base to launch a major reform. Nevertheless, incremental progress can still be achieved by attempting to understand the characteristics and rationale of the current system.

Accounting as a Budget Tool. As indicated earlier, parallel to the system of overall budgets and unit budgets is a system of “overall budget accounting” and “unit budget accounting”. The overall budget accounting systems are operated by the Ministry of Finance and the finance bureaus at each subordinate level of government. They track the execution of overall budgets—that is, receipts and payments. Reports are prepared on the tenth day of each month; in addition, monthly, quarterly, and annual statements are submitted. These statements basically report the amounts of the various sources and uses of funds. The primary objective of the accounting system is to prevent spending in excess of appropriations, and to ensure the collection of revenues.

Each of the administrative units or institutions (“units”) has its own accounting office. The hierarchical structure of these accounting offices resembles their reporting relationships to their oversight government agency. There can be as many as two levels of accounting offices below the supervisory accounting office. Unless one actually sees the piles of forms and rows of desks in an office, it is hard to imagine the sheer size of the Chinese financial bureaucracy. Perhaps one statistic captures it: there are almost two million accounting functionaries toiling their trade.

What are a few significant features of the Chinese government accounting system as it is practiced today? The next section attempts to answer this question by describing some of its characteristics.

Characteristics. Chinese budget accounting is currently characterized by its faithfulness to the prevailing national policy, a high degree of uniformity and broad coverage (Shi and Jiang, 1993, pp. 10–15).

Budget accounting in China keenly reflects the prevailing political ideology and public policy. In an officially socialist country like China, the government budget is an integral part of its economic development plan to achieve certain national goals in keeping with the direction determined by the Chinese Communist Party. Upon its

adoption by the National People's Congress, the budget becomes law. Budget accounting fulfills its budget enforcement function by dutifully tracking the flow of budgetary resources.

This view of Chinese budget accounting may miss a larger point: the state budget no longer plays the role it used to assume. When the government played an exclusive or at least dominant role in determining the course of the Chinese economy, the state budget was an instrument of proactive macroeconomic planning and management. Budget accounting, observed Shi and Jiang (1993, p. 11), "is really about planning and control."

The role of the state budget in a *socialist market economy* is less certain and clear. It certainly retains its managerial function with regard to the core of government (i. e., the administrative agencies). The Chinese government, like all governments, conducts monetary policy. It is in the area of fiscal policy where issues have arisen: To what extent should the state budget subsidize failing state enterprises? How should the central government and local governments divide (or share) service responsibilities and their financing? What activities and revenues should be "on budget" or "off budget"? While budget accounting, per se, is not concerned with such policy questions, the answers to these questions nevertheless determine what is to be accounted for.

Chinese budget accounting is highly uniform. The uniformity is a consequence of the central government's authority to prescribe the laws and regulations and the existence of an elaborate administrative apparatus to enforce them. (The Audit Administration [National Audit Office] is part of the State Council and the Auditor General reports to the Prime Minister.) The regulations determine such details as the charts of accounts for all the administrative units and institutions at all levels of government throughout China. The accounting procedures and the form and content of accounting reports are also mostly centrally determined. The implementation and enforcement of these uniform policies and procedures is facilitated by a large network of local chapters of the Chinese Budget Accounting Society, which was established in 1990 under the auspices of the Ministry of Finance. The society publishes the monthly journal *Budget Accounting*, which disseminates policy pronouncements on a timely basis. Since 1992 budget accounting has also been recognized as a specialty at par with enterprise accounting in the national accounting professional qualification examination.

Normatively, Chinese budget accounting is encompassing in its scope. Until recently it used to encompass not only government administrative agency accounting, public institution accounting, but state enterprise accounting as well. As a consequence of economic reform, state enterprise accounting has been separated from budget

accounting, even though standards are still set by the government through a unit of the Ministry of Finance. Currently there is a debate on whether institutional accounting should be disassociated from budget accounting (Lee, 1996). That is not likely to occur so long as state-sponsored institutions rely on state budgets for financial support to any significant extent. Even if institutional accounting became a separate system for purposes of standard setting, the standards would still be determined by government. Nevertheless, it is interesting to notice how a diminished public purse has raised questions about the applicability of accounting rules designed for the state's budgetary control. It is too early to expect any consensus on this critical issue. The conservative forces are strong. "To simply equate governmental accounting under capitalism and budget accounting under socialism," protest two Chinese experts (Shi and Jiang, 1993, p. 13), "degrades the status and functions of Chinese budget accounting. This is both very partial and unjust."

While the foregoing may be an accurate normative account of how budget accounting in China is supposed to work, the way in which public finance is conducted in China nowadays compels a review of the traditional precepts. We therefore turn to a major milestone in the form of a recent budget law.

The 1994 Budget Law

In 1994 the People's Republic of China promulgated a new budget law to be effective on January 1, 1995. This law replaced the 1991 "State Budget Management Regulations" then in effect. While the new law codifies and reaffirms most of the current practice, several reform measures were introduced. These will be emphasized in the following analysis.

Scope

The 1994 Budget Law provides the legal basis for all phases of the Chinese public financial management process outlined in Section I. After laying out general principles, the law in 10 chapters and 79 articles deals with: the jurisdiction of budgetary control; budgetary revenues and expenditures; budget preparation; budget review and approval; budget execution; budget adjustments; final accounts; oversight and legal responsibilities.

In this section, the budget law will be analyzed in terms of institutional alignment and substantive policies. (An unofficial translation of the budget law is available from the author.)