

# RESEARCH REPORT ON APPLICATION OF MANAGEMENT ACCOUNTING IN CHINESE COMPANIES



## Research Report on Application of Management Accounting in Chinese Companies

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The research project on Application of Management Accounting in Chinese Companies (hereinafter referred to as “the Project”) is a joint research project between Shanghai National Accounting Institute (SNAI) and Association of Chartered Certified Accountants (ACCA). This is the second joint research result on management accounting following the 2013 report entitled Management Accounting Talent Training Methods in Chinese Companies. The Project aims to understand the role of management accounting in Chinese companies, find out the barriers preventing them from applying management accounting tools, make management accounting work better for business in practice and help companies train qualified management accountants. By distributing questionnaires and interviewing finance professionals, the project team has collected information about the actual application of management accounting, including their understanding of management accounting, how the relevant tools are used, how management accountants work and the talent-training capability of companies.

The project team is led by Professor Li Kouqing, President of SNAI, and composed of over 10 professionals including Ada Leung, Head of ACCA China, Tong Chengsheng, Associate Professor of SNAI, Yuki Qian, Head of Policy, ACCA China and so on.

The Project was launched in March 2014 and lasted for 8 months, going through several phases from discussion on research framework, questionnaire design, voting by professionals to financial executive seminar.

On 29 November 2014, the full report was released on the Management Accounting Forum organised by SNAI. The electronic version can be downloaded from ACCA China website ([cn.accaglobal.com](http://cn.accaglobal.com)) or China Accounting website ([www.esnai.com](http://www.esnai.com)).

## Introduction of project leaders

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General project leader

Professor Li Kouqing President of Shanghai National Accounting Institute

Professor Li Kouqing is President, Shanghai National Accounting Institute (SNAI), China. He is also the Director-general of the Asia-Pacific Finance and Development Centre. Professor Li graduated from Shanghai University of Finance and Economics in 1988, where he later obtained a PhD degree. He is a Chinese communist party member.



Chief project leader

Ada Leung Head of ACCA China

Ada joined ACCA in 1998 and has played a key role in the development of ACCA in Hong Kong. She has extensive experience in leading different functional teams including learning and development, marketing and business development in ACCA Hong Kong. She became head of strategy and development for China in 2008 and has successfully led many projects to grow this important market. She is currently the head of ACCA China who is responsible to lead ACCA offices in Mainland China, including Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen and Shenyang.

## Introduction of project leaders

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Tong Chengsheng

Associate Professor of Shanghai National Accounting Institute

With Ph.D. in Management (Accounting), he is now serving as Associate Professor of Department of Teaching and Research at Shanghai National Accounting Institute, as well as supervisor of master students at Shanghai University of Finance and Economics. With long-term teaching and research experience in the area of accounting management and cost management, he has published a number of papers in major domestic academic journals such as Accounting Research. He has also participated as a core member in the research program “Incentive Mechanism of Budgeting on the Compensation Contract of Enterprise Managers” funded by National Social Science Foundation, and led a project subordinated to the key program of “Research into Valued-based and Strategy-oriented Management Accounting of China’s Enterprises” funded by Department of Science of National Natural Science Foundation of China. From 2007 to 2008, he has been conducting research at City University of Hong Kong.



Yuki Qian

Head of Policy of ACCA China

Yuki Qian is the head of policy for China, ACCA, tasked with driving new research initiatives that will add value to the business community and the profession across Mainland China. She works closely with stakeholders and organisations in the market to identify opportunities where ACCA can contribute to the agenda of China in relation to accounting and business.

Prior to joining ACCA, Yuki was a key member of the Professional Department of a big-four advisory practice in China where she focused on knowledge management, and regularly delivered internal and external trainings on M&A market trends and insights, investment knowledges, accounting policies, including CAS, IFRS, US GAAP. She also has a decade of experience in M&A advisory in China and has worked in inbound and outbound M&A transaction services for PE funds, multinationals and local listed companies.

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During the past two years, officials of Ministry of Finance have been talking about the management accounting on various meetings. Mr Lou Jiwei, Minister of Finance, once mentioned that with the coming of global competition era, transformation of economic development mode and changes in international and domestic economic conditions, companies are required to effectively apply management accounting in order to improve their management skills and innovation capability. But there still exist many problems in practicing management accounting in Chinese companies, which significantly hinders the development of management accounting. One of the vital factors is shortage of management accountants. Therefore SNAI and ACCA conducted a joint research project on cultivating mode of management accountants of Chinese companies in 2013, which presented a research report on the competency, training methods and training models of management accountants. It is hoped that this report could provide a reference for Chinese companies.

In 2014, with the emergence of supporting policy promoting management accounting, SNAI and ACCA carried out a broader and deeper research, following last year's joint research. Both parties organised a team composed of professionals, trying to understand successful explorations and beneficial attempts of management accounting in Chinese companies while focusing on identifying problems and challenges in practice, through questionnaire analysis and interviews. We firmly believe that accountants are able to create values at different stages of economic development. We also hope to help companies train accountants who can add value and meet their diversified needs so that we could achieve the objective of strengthening our country by accounting and serve the development of society and economy.

### Through our research we found out:

#### 1.The percentage of companies with specialised management accounting department has gone up compared with the results of last year.

The design of organisational structure is closely related to the company's management requirements and model. Given that the research of last year used the same platform with similar level and industries of respondents, this year's research can be compared with last year's. With the changes of business environment, more and more companies have established specialised management accounting department/division/section/center, compared with the results of last year's research. The percentage has risen from 26.5% last year to 39.4% this year. In terms of the company type, the percentage of listed companies is much higher than that of unlisted companies and the percentage of foreign-invested companies is higher than that of state-owned and private companies.

#### 2.The job description of management accountant is better defined compared with findings of last year.

In order for management accounting to play a significant role, companies should clarify the job description of each management accountant, making sure they understand their role in the company and their objectives. The percentage of companies which are able to do this has gone up from 42.0% last year to 63.3% this year, which reflects that with the continuous development of management accounting, more and more companies begin to value the role and put forward management requirements accordingly.

#### 3.The role of management accounting is fully recognised.

The Guidance of the Ministry of Finance on Comprehensively Promoting the Construction of Management Accounting System states, "Management accounting is an important

## Abstract

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branch of accounting. It mainly meets an organisation's internal management demands. It refers to management activities which play an important role in planning, decision-making, control and evaluation by using relevant information and integrating financial and business operations." The research shows that finance professionals fully recognise the importance of business-finance integration and the role of management accounting in above-mentioned four aspects. By company type, currently management accounting plays a better role in foreign-invested companies than in state-owned and private companies. By level of financial staff, it shows that basic staff has insufficient understanding of the role played by management accounting in comparison with middle and senior staff.

#### 4. Finance professionals are exploring the management accounting tools.

The research team listed sixteen most representative management accounting tools through the reference to relevant literature. The research findings show that the six best known tools are, in order of familiarity, operational budget, capital budget, cost-volume-profit analysis, standard costing, activity-based costing and target costing. The first 4 tools are quite traditional, which reflects that currently Chinese companies pay more attention to budget and cost management. Some modern tools such as responsibility accounting, quality cost, continuous improvement cost and environment accounting are not well understood by finance professionals.

#### 5. Management accounting tools haven't been widely and fully used in Chinese companies.

Among the sixteen tools listed, the top three most widely used tools are operational budget, capital budget and compensation plan. But even operational budget, the most widely used tool, scored merely 2.0 on average, which means it is only applied locally in some business units, products or departments. The tools which scored less than 1 are those yet to be applied, including responsibility accounting, quality cost, continuous improvement cost, value chain analysis, life cycle cost and environment accounting.

#### 6. Company should promote strategy of management accounting tools according to their stage of development, such as the level of understanding and application.

The research findings show that the understanding of management accounting tools and their application are positively correlated and would promote and improve each other. On the one hand, when finance professionals gain more knowledge about the tools, they will use them more widely and effectively. On the other hand, with the tools being applied more extensively and thoroughly, finance professionals will also deepen their understanding.

Generally speaking, the application of management accounting tools lags behind the understanding. At the moment companies should focus more on promoting and applying the tools, e.g. by increasing the frequency of application, making tools more applicable to the company's situation so that there is more demand, identifying more potential users, improving poorly-supported information system, actively organising job rotation and on-the-job training, etc. Of course, some traditional tools are applied more broadly, but finance professionals still need to gain more knowledge. So companies should pay more attention to staff training in order to give them full and accurate understanding of the usage, value, scope and limitations of these tools.

#### 7. Factors hindering the application of management accounting tools include attitude of senior management, professional skills and knowledge of employees, as well as current management system and process.

Through interviews we learn that there are nine major factors influencing the application of tools. Our analysis shows the top three are attitude of senior managers, professional skills and knowledge of employees, as well as current management system and process. According to the interviewees, these are also the top three barriers.

- In over one fourth of Chinese companies, up until now senior managers haven't attached enough importance to the role of management accounting. Their leadership style and attitude even hinder the promotion of management accounting.
- Professional skills and knowledge of employees have always been the prerequisite of management accounting development. Over 77.3% of interviewees believe that their finance department does not have enough competent management accounting talents.



- 28.5% of interviewees think their current management system and process hinder the development of management accounting. Around 17%, 26% and 23% of them believe their management information system is mainly manual, or is comprised of independent modules, or is difficult for financial staff to acquire necessary information, respectively.

### 8. Finance department lacks clear and accurate strategic positioning.

Only 53.1% of finance professionals believe that the finance department they work in has clear and accurate strategic positioning. Among them, 41.3% state that they are crystal clear about the company mission, long-term and short-term strategic objectives. Companies usually separate brain from hands, where senior management decides on strategies and basic employees perform the execution. There are many finance departments which limit themselves to the role of providing financial reports and compliance, as well as dealing with professional affairs or simply providing reports to management. Companies should motivate employees' vitality and employees should recognise the irresistible trend to transform from service provider to value creator. Only when both the organisation and individuals keep improving can companies enhance the capability to create value.

### 9. Company should develop and upgrade their employees and establish an effective talent development strategy.

Only about 54.3% of finance professionals believe the work of management accountants could influence decision-making of the company. The senior management needs to redefine and review the responsibilities of financial staff. They need to attach great importance to the value of key talents and establish a compensation system which fits in the company's development plan so that the achievements of management accounting shall be held responsible for business performance and the limits of salary incentive shall be broken. Meanwhile, the senior management should analyze the psychological appeal of financial staff, helping them realize their individual value and gain greater sense of achievement.

# Research summary

## 1. Research process

Jointed conducted by SNAI and ACCA, the research adopted the approaches of questionnaire and interview led by a group of professionals. In order to ensure that questionnaire design could reflect the reality of enterprises, researchers held three rounds of panel discussions on the application of management accounting techniques and tools with financial leaders from fourteen enterprises, which include state-owned enterprises, private enterprises, and foreign-invested enterprises. After rounds of discussion and review over the draft, the questionnaire was finalized and released on the website of China Accounting View hosted by SNAI. Over a 20-day period for filling the questionnaire, we received 1,187 valid feedbacks in total.

## 2. Background of respondents

### (1) Industry background

In accordance with the classification of types of industries made by the State Development Planning Commission, we proposed the following division of industries and sectors: agriculture, forestry, animal husbandry, and fishing; mining; manufacturing; production and provision of electricity, heating, gas and water; construction; wholesale and retail; transportation, warehousing and post; accommodation and restaurants; information transmission, software and IT services; finance; real estate; renting & leasing and commercial services; scientific research and technology services; water conservancy, environment and infrastructure management; resident services, maintenance and other services; and culture, sports and entertainment. However, taking into account the enterprises running diversified businesses, we added the category of “diversified conglomerate” into our classification. Besides, considering the increasing number of emerging industries, we also included the category of “others”. The distribution of different types of industries concerning the background of respondents is displayed in Figure 1.

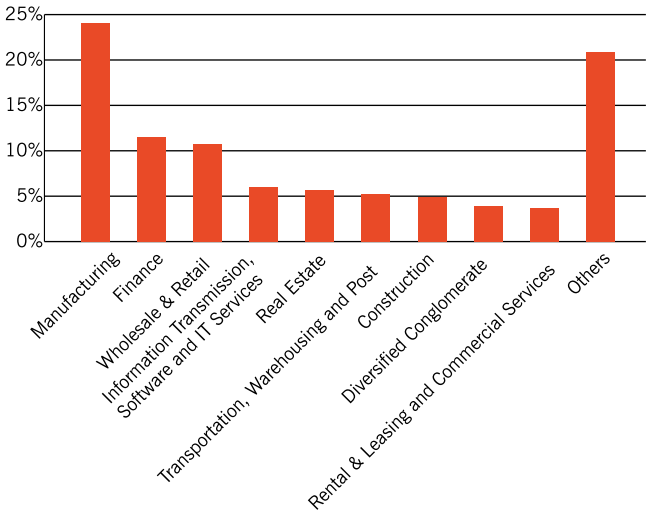


Figure 1 Distribution of industries including all the industries account for less than 4%

Manufacturing accounted for the largest portion (about 24.1%) among all the industries and sectors. It could be further divided into the following sectors: food & beverage; textile & clothing; timber & furniture; papermaking & printing; petroleum, chemistry and plastics; electronics; metal and nonmetal; machinery, equipment, apparatus, pharmaceutical and biological products; and other manufacturing sectors. Detailed percentage of different types of manufacturing divisions is presented in Figure 2.

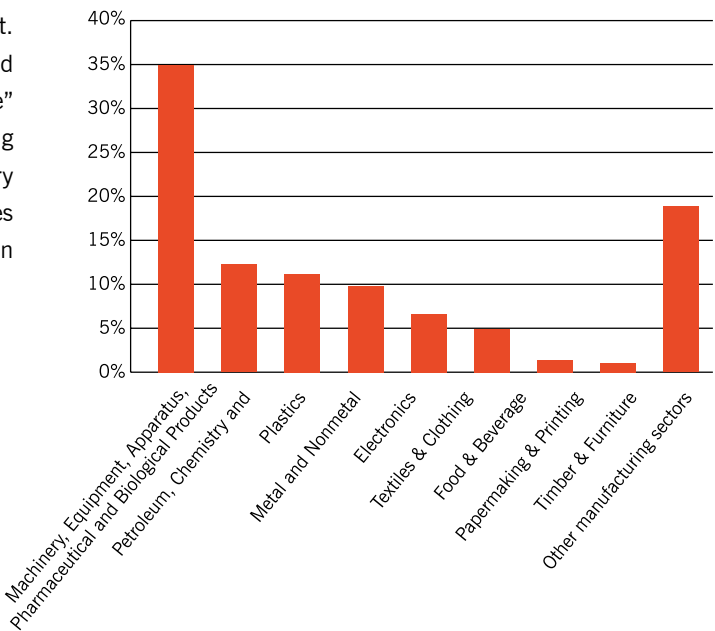


Figure 2 Subdivisions of manufacturing industries

### (2) Ownership

In accordance with types of ownership, enterprises were divided into five categories: state solely-owned enterprise; state-holding enterprise; private enterprise; wholly foreign-owned enterprise; and Sino-foreign joint venture. Private enterprise accounted for 47.3%, the largest share among total enterprises where respondents come from, while the other four categories occupied similar shares (See Figure 3).

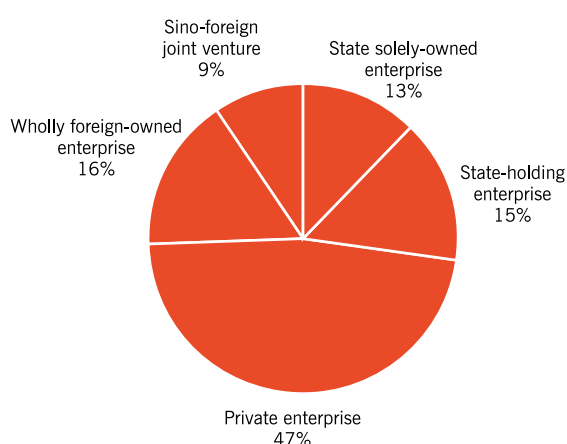


Figure 3 Percentage of enterprises with different types of ownership

From the classification of listed and unlisted companies, unlisted companies accounted for 88.6% of the total number, while domestic listed companies had a mere share of 5.5% and overseas listed companies of 5.9% (See Figure 4).

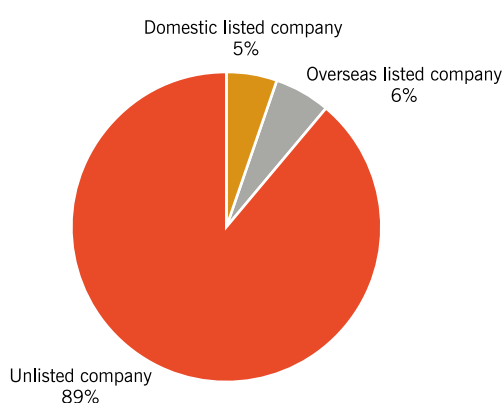


Figure 4 Percentage of listed and unlisted company

### (3) Positions and levels

We presented two questions concerning the ranking of positions. The first required respondents to fill in their specific title. As we expected feedbacks from respondents at different levels and took into account their diversified background from various industries and ownerships, we outlined distinct titles that could cover all positions from different types of ownership, which include: Vice General Manager (in charge of Finance); Chief Financial Officer; Finance Controller; General Manager of Finance/Accounting Department (including Vice General Manager); Finance Director; Chief Accountant; Senior Finance Manager; Finance manager; Accountant; Management Accountant; Financial Analyst; and Assistant Accountant. Another question asked respondents to fill in their level of position categorized into high-level, middle-level, or low-level. Our research showed that high-level finance professionals accounted for 12.7% of all respondents, while middle-level professionals occupied a share of about 43.9%, and low-level, 43.4% (See Figure 5).

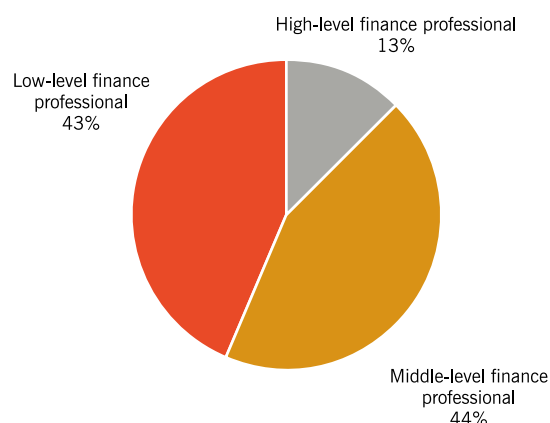


Figure 5 Distribution of positions of respondents

# Research findings

## 1.Establishment of management accounting department

Design of organisation structure has been closely associated with management requirement and pattern. Compared with the results last year, which showed that about 26.5% of enterprises established management accounting departments, and it is found that due to the changing business environments, there had been an increase in the number of enterprises which had set up management accounting department/division/office/center, accounting for about 39.4%(See Figure 6).

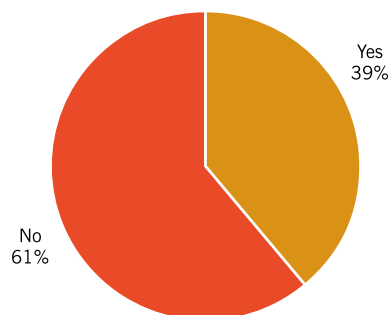


Figure 6 Percentage of enterprises that establish management accounting departments

By types of enterprises, about 56% of listed companies had set up management accounting departments, while the proportion of unlisted companies was 37%; the percentage of state solely-owned enterprise, private enterprise, state-holding enterprise, wholly foreign-owned enterprise, and Sino-foreign joint venture which had set up management accounting departments were about 32%, 38%, 41%, 43% to 50% respectively (See Figure 7).

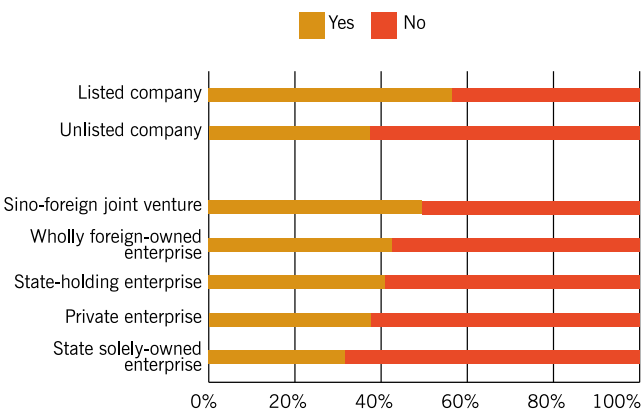


Figure 7 Comparison of enterprises that establish management accounting departments in different types

## Establishment of management accounting departments-from roundtable discussions

During the interviews with some enterprises, we discovered that a large private enterprise had set up management accounting function within its finance department at home office, yet did not make similar attempt within its provincial branches; a large state-owned enterprise had set up operation management department, and financial management office within each strategic department; a big state-owned bank had established a value creation office and a management accounting leading group within its finance department. Although these enterprises established different segments, they play an important role in promoting the management accounting.

## 2.Job description of management accountant

Job description refers to the required tasks and duties of an employment position. If not clearly defined, the job responsibilities of management accountants would be left in obscurity, and they would have to stop at the mere completion of tasks assigned by supervisory managers. Thus, management accountants would have to perform duties at their own discretion, leading to discrepancies of working results.

Among enterprises with management accounting functions, there were more enterprises which had already defined job responsibilities of management accountants than those that had not yet made the attempt and those of which the respondents were unclear about the endeavor. About 5.73% of respondents had no idea whether their employer had provided clear definition of the job responsibilities of management accountants. Except those, we found that there were about 63% enterprises that had given job description, and about 37% which had not (See Figure 8). The survey revealed improved outcome compared with that of last year, when there were approximately 42% enterprises which provided job description for management accountants.

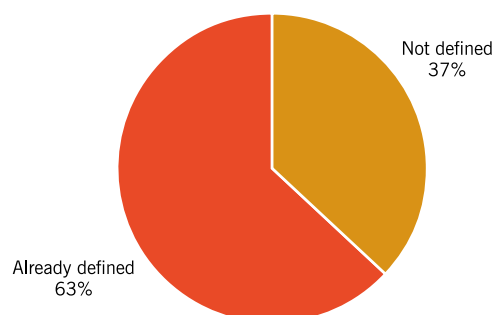


Figure 8 Percentage of enterprises that define job responsibilities of management accountants

By types of ownership, the rate of enterprises which had already defined job responsibilities of management accountant among wholly foreign-owned enterprises and Sino-foreign joint ventures were higher than that of state solely-owned enterprises, state-holding enterprises and private enterprises, accounting for 75%, 79%, 61%, 65%, and 56% respectively. The percentage among listed companies reached 68%, higher than the rate of 63% among unlisted companies (See Figure 9).

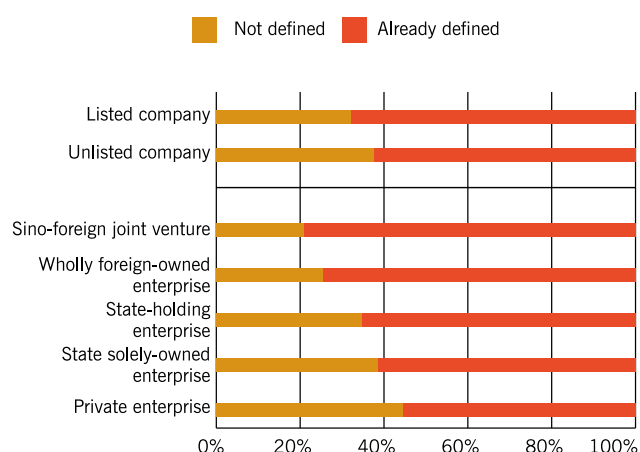


Figure 9 Percentage of enterprises that define job responsibilities of management accountants in different types

### 3. Finance professionals' understanding of management accounting

Management accountants use multiple types of information in their work, including internal information such as financial information and operations information, and external information concerning industry and macroeconomic environment, which are all expected to be given balanced consideration. Ranking the usage rate from high to low according to feedbacks from all respondents, we can see from Figure 9 that the most widely used information concerns internal finance information, accounting for about 88% of all respondents; the second concerns internal operations information, accounting for about 84% of all feedbacks; then followed by industry information, accounting for about 76%, and the last concerns macroeconomic environment, about 67%(see Figure 10).

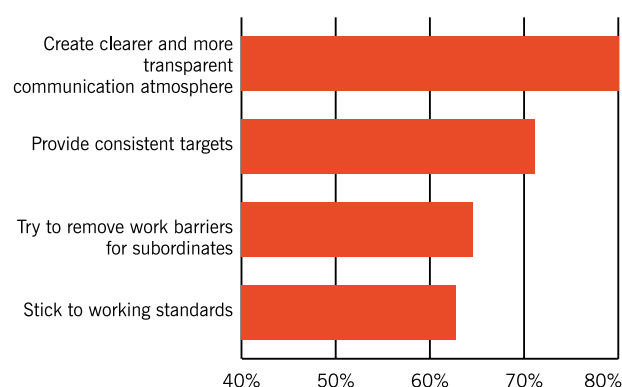


Figure 10 Usage rate of management accounting information

# Research findings

If the usage rate is put in order according to the position level of finance professionals, it is found that middle-level and low-level professionals had the same ranking of information usage rate, yet high-level finance professionals use information concerning operations, with the usage rate higher than that of finance. This may be explained by their intensive involvement in business operations and strategic decisions, which helped develop a deeper understanding of the significance of integrated thinking of business operation and financial management(see Figure 11).

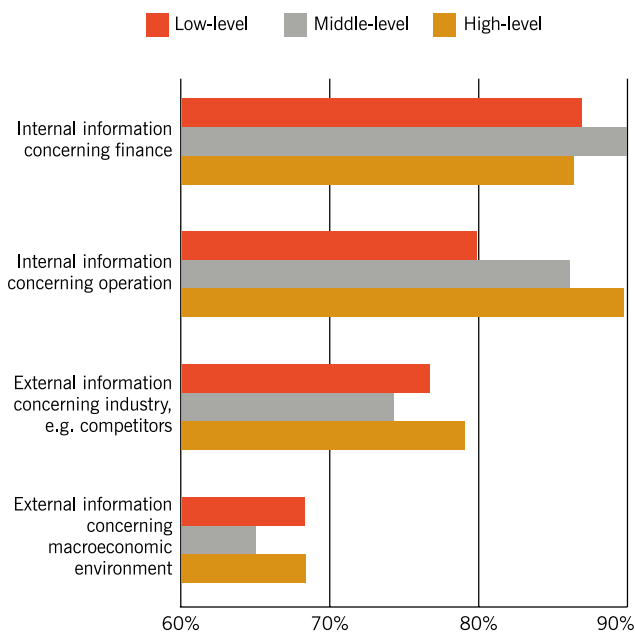


Figure 11 Understanding of management accounting by different levels of finance professionals

## 4. Role of management accounting in Chinese enterprises

As set forth in the Guidance of the Ministry of Finance on Comprehensively Promoting the Construction of Management Accounting System, “Management accounting constitutes an important branch of accounting and serves the corporate internal management needs (including enterprises and administrative institution). It plays a significant role in planning, decision-making, control, and evaluation by analyzing relevant information and integrating financial and operation activities.” The research shows that management accounting has been applied in all the four aspects. The two most important functions were decision-making and control, reaching an average score of 3.87 and 3.83 respectively.

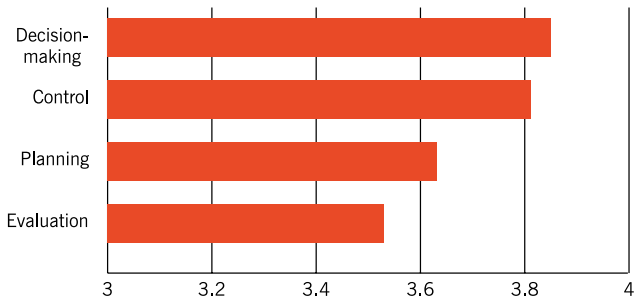


Figure 12 Scale of the function of management accounting (rating scale of 1-5, and 5 indicates the maximum significance in corporate management)

According to types of ownership, management accounting has played a more pivotal role in Sino-foreign joint ventures than in state-owned enterprises and private enterprises. The average score of the four functions within Sino-foreign joint venture, wholly foreign-owned enterprises, state-holding enterprises, and private enterprises were 3.90, 3.72, 3.73, 3.71, and 3.67 respectively (See Figure 13).

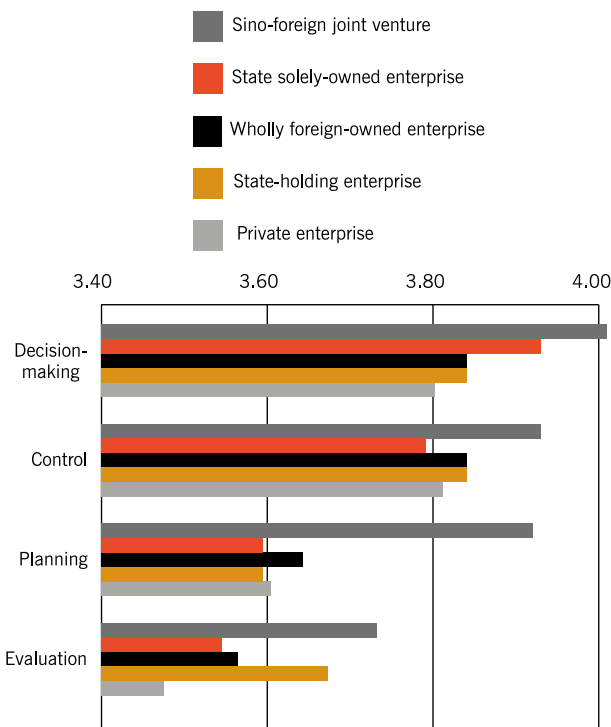


Figure 13 Comparison of the four functions of management accounting in enterprises of different ownerships

Respondents from different levels of position gave different scale points. Compared with low-level finance professionals, high and mid-level professionals were more aware of the importance of management accounting (See Figure14), which illustrated that low-level finance professional in Chinese enterprises had been more involved in routine work, yet rarely participated in planning, decision-making, control, and evaluation, thus could not develop a deep understanding of the role of management accounting.

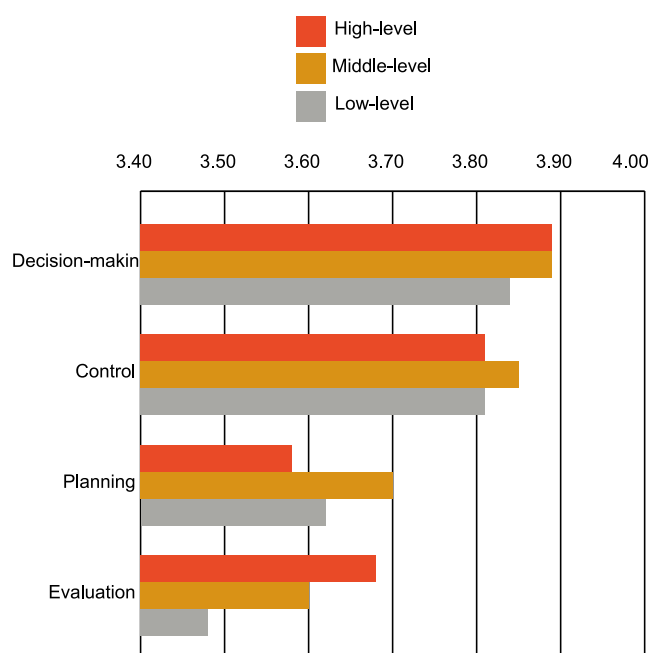


Figure 14 Comparison of the understanding on the functions of management accounting by different levels of respondents

### 5. Management accounting tools

#### (1) Understanding of management accounting Tools

Referring to relevant literature, this survey listed 16 management accounting tools:

1. Value chain analysis
2. Balanced score card
3. Performance evaluation system
4. Cost-volume-profit analysis
5. Activity-based costing
6. Target costing
7. Life-cycle cost
8. Continuous improvement cost
9. Environmental accounting
10. Standard costing
11. Operational budget
12. Capital budget
13. Transfer pricing
14. Responsibility accounting
15. Quality cost
16. Compensation plan

This survey developed a scale from 0-3 to determine the understanding of these management accounting tools by finance professionals, with 3 indicating the level of thorough understanding, including the clear understanding of application methods, function, scope, and restrictions; 2 indicating the level of some understanding yet still exploring specific application methods and functions; 1 indicating merely basic understanding; and 0 indicating no understanding.

All the sixteen management accounting tools and techniques, even the highest average point concerning the understanding of operational budget was merely 2.27, which illustrated that finance professionals of Chinese enterprises were still exploring the application of management accounting tools(See Figure15). There were six tools which recorded an higher average point : operational budget, capital budget, cost-volume-profit analysis, standard costing, activity-based costing and target costing. The former four tools appeared relatively conventional, yet revealed the fact that Chinese enterprises had been more concerned with budget and cost at the present stage of development. The lowest four management accounting tools were responsibility accounting, quality cost, continuous improvement cost and environmental accounting.

## Research findings

(2) Present status of the application of management accounting tools in enterprises

This research listed 16 management accounting tools, and developed a scale from 0-3 to determine the application rate of these tools and techniques in enterprises, with 3 indicating wide usage within enterprise; 2 indicating partial application within specific business lines, products, or departments; 1 indicating the introduction of some concepts; and 0 indicating no application. The application status of accounting management tools within enterprises was in consistency with the understanding of these tools, and the top three tools were operational budget, capital budget, and compensation plan. Yet even the most widely used tool of operational budget merely struck an average point of 2.04, showing it still remained in the stage of partial application within Chinese enterprises. And tools with an average point lower than 1, which indicated they were still not put into real-world applications, were responsibility accounting, quality cost, continuous improvement cost, value chain analysis, life cycle cost, and environmental accounting.

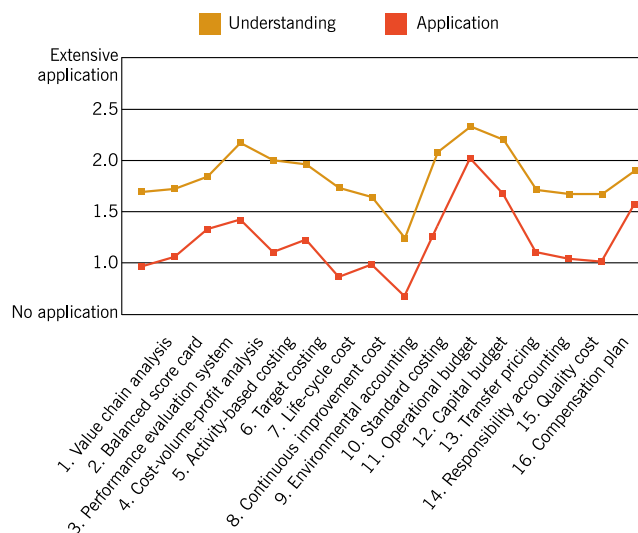


Figure 15 Understanding and application of management accounting tools

### Activity-based costing-from a state-owned bank

During the initial phase of adopting activity-based costing, the enterprises are usually faced with numerous difficulties. Take the business of a bank as an example. As for regular savings accounts, there has existed a complicated system of classification, thus it's of essential importance to establish a set of classification standards. As criteria for the classification are becoming increasing detailed, crucial elements concerning performance design and development are also being divided into increasingly smaller segments. Considering the complicated nature of the project, the bank first chose a core product for trial accounting as a pioneering attempt. After its successful application in the level of departments and institutions, the accounting model was then widely used in multiple areas such as customer accounting, risk management, and capital management. Besides, internal control also calls for the presence of supervisory constraints so as to enhance operational management and to hedge various risks in an effective manner, which also depends on the application and promotion of management accounting.

### Application of balanced score card- from a foreign enterprise

We need to understand that there exist different levels of application of balanced score card. If it is taken as a tool for evaluating performance, then its usage mainly covers four aspects: finance, customers, internal operational process, and learning and personal growth. However, from an academic perspective, the tool of balanced score card is expected to play a pivotal role in improving strategy execution, rather than merely supporting performance evaluation. Therefore, even though quite a number of enterprises do adopt this management accounting tool, in fact, they still remain at the stage of fundamental application, and have not adopted it in facilitating strategy execution.



### Environmental accounting-from a foreign enterprise

Environmental accounting, also known as green accounting, is a style of accounting on measurement scale of currencies that measures and records the costs of environmental pollution, protection, and development, and measures and reports the benefits of environmental protection and development efforts, so as to evaluate the impact of environment performance and activities on the financial results of companies.

Within a porous legal system, environmental accounting is unable to achieve expected results. First, any kind of management can incur costs, and therefore the implementation of environmental accounting plans may incur significant costs. Second, it is necessary for enterprises to find institutional framework support from both internal and external environment, as a well-developed regulatory framework serves as a prerequisite for effective execution of a plan. Third, the attitude of employees also constitutes a crucial factor as to determine the successful promotion of environmental accounting. Without willingness to cooperate on this issue from employees, the enterprise would encounter enormous difficulty in carrying out the strategy of implementing environmental accounting.

### (3) Promoting future management accounting tools

According to a study on finance professionals' understanding of various management accounting tools and application of those tools in enterprises, there is a significant positive correlation between the two issues, with the two reinforcing and continuously affecting each other (See Figure15). With a better understanding of those tools, finance professionals will improve the use of those tools, expand usage scope, and apply them more widely and effectively. In turn, with more applications of those tools in enterprises, finance professionals will deepen their understanding of those tools.

What is more, we draw the scatter of finance professionals' understanding and application of these tools. The abscissa represents finance professionals' understanding of these tools, and the ordinate represents finance professionals' application of these tools. We divide the plane into four regions according to the median of scores for the understanding and application of these tools(See Figure16). As shown in the scatter, there is

a significant positive correlation between the two issues. We find that for two tools, Value chain analysis and Life-cycle cost, the scores for their application are lower than that for their understanding. In other words, the application of these tools in enterprises lags behind finance professionals' understanding of them. For such tools, at the current stage, enterprises should focus more on the promotion of their applications, such as increasing employees' frequency of using existing tools, improving the adaptability of those tools according to the characteristics of the enterprise to create more demand, identifying more potential usage, improving the information system which only offers limited support, and promoting the application of management accounting tools by giving full play to work rotation, on-the-job training, etc.

Of course, for some tools, the score for their application is higher than that for their understanding, such as compensation plan, capital budget, performance evaluation system (see Figure 16). Although these tools are traditional management accounting tools, and have been relatively widely used in enterprises, finance professionals still must improve their understanding of those tools. For those tools, at this stage, enterprises should focus more on the theoretical training of financial personnel to help them more fully and accurately understand the use, role, scope and limitation of those tools.

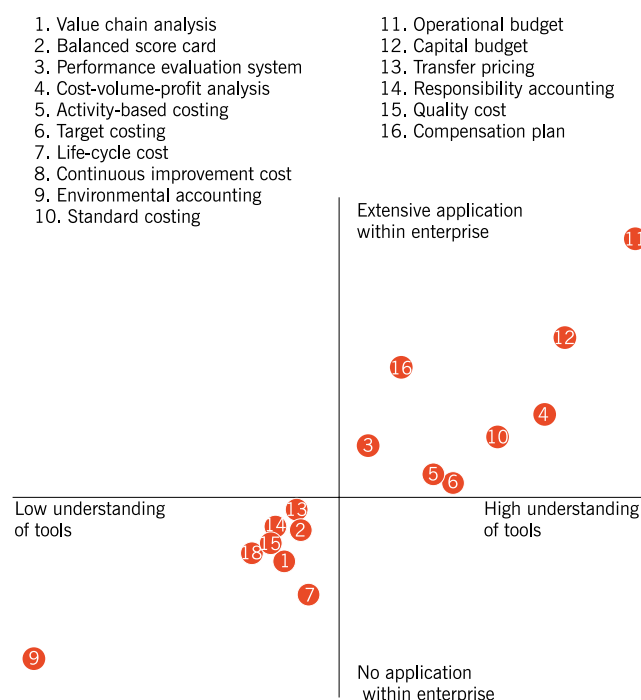


Figure 16: Analysis of correlation between understanding and application of management accounting tools

## Research findings

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### Future promotion of management accounting tools – from a foreign company

Regarding to the future promotion of management accounting tools, in fact, we should start with the current corporate management model and the application of management tools. Only by doing so, can enterprises find the right management accounting tools, effectively improve the management and serve corporate management decision making. Even for two companies within the same industry, due to differences in business ideas and management concept, there will still be a big difference in their budgeting models, costing methods, etc. So for enterprises in different industries, or in different stages of development, it's necessary to use different management accounting tools.

### Future promotion of management accounting tools – from a state-owned enterprise

The future promotion of management accounting tools must follow certain rules and procedures. Since a group's subsidiaries and branches are all over the country, we must first develop appropriate norms and a unified template at the national level, or pilot in an individual subsidiary, in order to acquire case experience. As to the template, it must be of a concise design and practical, allowing the employees to clearly understand and apply it in the enterprise. Although different enterprises have different management accounting norms or cases, we can abstract a common template and methodology from them. Of course, in practice, since the actual situation of each business is different from others, it is very necessary to strengthen exchanges and cooperation between enterprises. Secondly, the management must have the determination and capabilities to promote management accounting tools, because their promotion is a top-down process, which requires aligned thinking, efforts and collaboration of all levels of leadership and grass-roots staff.

### Direction for future development of management accounting tools – from a state-owned enterprise

The direction for future development of management accounting tools is the integration between various tools. Because the use of a variety of management accounting tools is very complicated, and there are many problems, such as order of use, interaction, the application scope, etc. Currently the use of management accounting tools is chaotic, and the management is relatively loose. However, we believe that establishing a framework for the integration and mutual support between the various management accounting tools are very important.

## 6. Influence factors keeping management accounting from playing significant role in Chinese companies

(1) Factors affecting the use of management accounting tools  
We learned through interviews that there are nine factors involved in the application of management accounting tools in business, including

- company's current management systems and processes
- the professional skills and knowledge of staff
- attitude of senior managers
- staff attitude
- service provided by staff with IT experience
- operability of the tools
- training
- market-driving force
- service provided by consulting companies

Through the survey, we found that the three factors that have the most significant impact upon the promotion of management accounting tools are: attitude of senior managers, staff's expertise and knowledge, and company's current management systems and processes (see Figure 17), which are also the three biggest impediments according to our survey. About 26%-28% of the respondents of our survey thought they are the biggest obstacle to the application of management accounting tools. Regarding to the attitude of senior management, questionnaire findings show significant differences from the perspective of finance professionals. Around 66% and 26% interviews consider the attitude of senior management may promote or hinder the

development of management accounting, respectively. If the respondents considered them to be “promoting”, then it shows that the company’s senior management take management accounting very seriously, and the company’s management accounting plays an important role; if respondents considered them to be “hindering”, it shows that the company’s application of management accounting is in a worrying situation, with poor results. Professional skills and knowledge of staff has been a prerequisite for the development of management accounting, and we will perform a detailed analysis later. The company’s current management systems and processes is the No. 3 factor, and we will analyze in detail the status quo of enterprises’ management information system and the problems faced in the next section.

Overall, the following nine factors’ promoting effect to management accounting is far greater than their hindering effect. Companies should consider how to better play to promote the role of these factors. In particular, companies should focus on staff training and the tools’ operability, because they ranked the first and second places in terms of promoting effect, with the corresponding votes of 65% and 62%. Therefore, more focus on these two aspects can effectively promote the development of management accounting.



Figure 17 Factors that affect the use of management accounting tools

### Future promotion of management accounting tools – from a private enterprise

For the application of management accounting tools, senior management’s ideas are very important. Senior management, including a group’s board members and head of finance, must have a proper attitude toward management accounting tools, and a clear concept of the company’s future development. This is very important because it will directly affect the staff’s working mode, the promotion of management accounting tools and the company’s daily operations. Responsibility for the financial department is, guided by value-centered goals, to implement the company’s strategy through an open and transparent way to ensure that the company’s various businesses can run normally and efficiently.

### (2) Status of Chinese enterprises management information system

The status of management information system determines the management and control of the information needed for a company’s decision-making, and the extent of application of management accounting tools. Among the factors that affect the use of management accounting tools, the company’s current management systems and processes is the biggest obstacle, and approximately 28% of respondents believed that the company’s current management systems and processes hinder the development of management accounting (see Figure 17). In our interviews, we evaluated three aspects of information management system especially: the extent of automation, the degree of integration, and the consistency and availability of management information (see Figure 18). There are still about 17.4% of respondents believed that the company’s management information system is mainly manual; approximately 25.8% believed that their system integration is composed of independent individual modules; approximately 23.1% believed that it’s difficult for financial staff to obtain the required management information from the system.

## Research findings

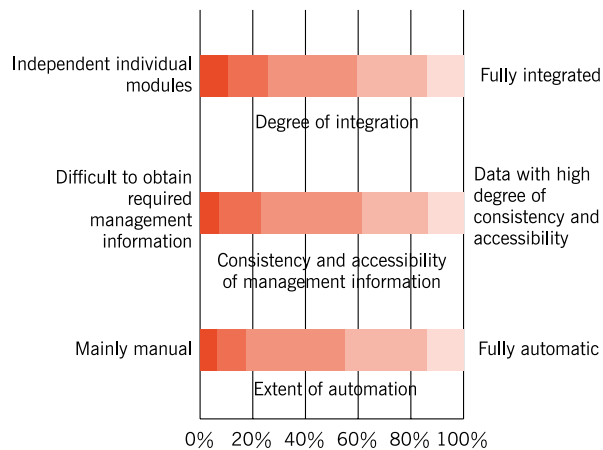


Figure 18 Evaluation of a company's management information systems

### Management accounting information system: struggling – from a state-owned bank

From 2000, the bank began using management accounting tools, but encountered many difficulties. A main problem is how to do the responsibility, right and benefit analysis at the operational level. At the operational level, departments, agencies and employees need to make budget assessment, but the system has no way to keep up with the accounting, and the support of accounting system to budgeting is actually needed. Later, under the leadership's support and consultants' guidance, the bank's management accounting system began to gradually improve. Its first step was to establish a business model, then the development of business systems, and the next was to advance business design and development at the same time. By around 2005, the bank substantially completed the testing and development of its management accounting information system to successfully enter the service phase. In 2007, the bank formally launched the budget assessment and incentive compensation system, and used the evaluation results as a basis for incentives, with improved management in all aspects.

### (3) Chinese enterprises' ability to change

Over the past few decades, the rapid development of Chinese enterprises, to some extent, relied on cheap labor and low foreign exchange rates. But these two elements are not sustainable in the future. Wages throughout China have significantly risen, so some processing and manufacturing businesses are shifting from China to lower-cost countries. In addition, some of the manufacturing sector is even slowly flowing back to western countries. Therefore, Chinese enterprises need to improve their management capacity and governance in order to enhance their competitiveness to obtain an invincible position in the market.

To promote management accounting system, enterprises must have the experience of organisation reform and the ability to reform and unify organisation. Survey results show that about 12% enterprises saw great changes in the responsibility scope of management accounting positions in the past 3 years, 44% saw small changes, and 33% saw no changes (see Figure 19). This means at least 1/3 of enterprises haven't experienced financial restructuring, in particular the reform of management accounting organisations and systems. Those enterprises that lack financial restructuring experience will face even greater challenges in the future.

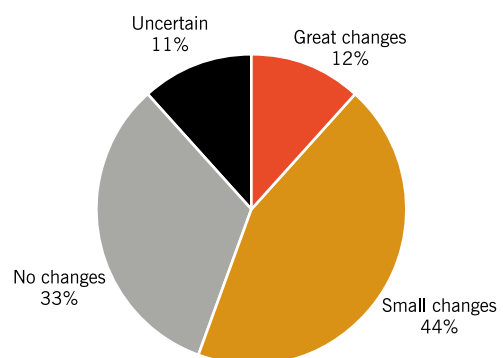


Figure 19 Statistical results of the changes in the responsibility of management accounting positions in the past 3 years

By type of business, listed companies lead unlisted companies in terms of financial restructuring, and about 70% of the listed companies saw changes in the responsibility scope of management accounting positions, while the figure for non-listed companies is about 54%. By ownership, state-holding companies have the highest ratio in terms of changes in the responsibility scope of management accounting positions, about 65% (see figure 20). Thanks to the influence of market driving force, informatization construction from State owned assets supervision and Administration Commission and management accounting's support, state-owned companies have focused on improving corporate management and economic efficiency, and their financial departments have experienced profound restructuring in the recent three years.

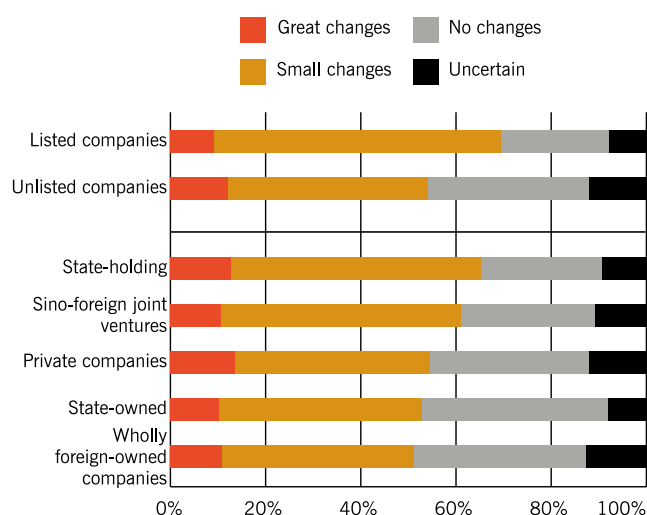


Figure 20 Comparative analysis of different types of companies about the changes in the responsibilities of management accounting positions in the past three years.

To promote the development of management accounting system, we want to examine whether companies have the ability to reform and unify organisation. The research shows that only less than half of the finance professionals said yes. About 29% of the respondents clearly said no, and about 25% was uncertain (see figure 21). This result reflects that on the one hand, companies lack experience in organisational change, and on the other hand, enterprises should focus more on the internal organisational development and construction of team leadership.

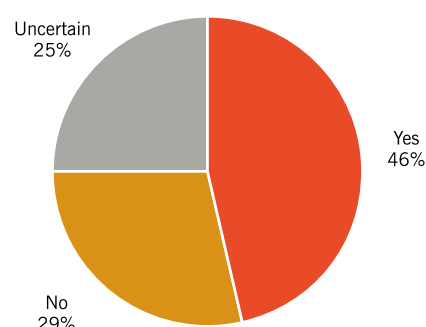


Figure 21 Proportions of companies with the ability to reform and unify organisation

#### (4) Strategic positioning of finance department

Earlier this year the Ministry of Finance issued the "Guidance of the Ministry of Finance on Comprehensively Promoting the Construction of Management Accounting System", which sent a very favorable policy signal for management accounting. Sustained and rapid economic development of China depends on management restructuring, and vigorous promotion of corporate financial restructuring is an important initiative for deepening economic reform and economic restructuring. In the past, the focus of corporate finance was on financial reporting and compliance, and finance staff also put most of their efforts in financial accounting related work. Finance is an integral part of corporate management. As a key element of enterprise value creation, finance department should position itself as business partner and help in developing business policy and making strategic decisions by identifying potential opportunities, accessing critical information and analyzing relevant information. But in practice, many finance departments only focus on financial reporting and internal processes, so cannot play its due role in the corporate value creation process.

## Research findings

We attempted to find out whether finance departments have a clear and accurate understanding of the company's strategic positioning. Questionnaire results showed that only about 53% of finance professionals said yes, about 24% said no, and about 23% were uncertain (see Figure 22). In a highly centralized organisation, employees are often brain-hand-separated – top management being responsible for setting strategy, and staff being responsible for execution. With rapidly changing business environment, companies should implement decentralized management, stimulate the vitality of staff management, and enhance value creativity.

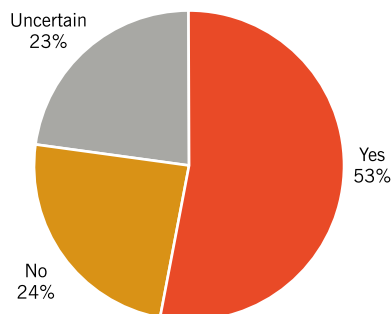


Figure 22 Evaluation proportions of finance department's strategic corporate positioning

Although more than half of the financial officers said their finance departments have a clear strategic positioning, but companies still have problems in communicating strategy information. Thus, when asked if financial officers clearly understand the company's corporate mission, long-term and short-term strategic goals, only about 41% said they clearly understood. Approximately 52% and 7% said they partially understood and were uncertain, respectively (see Figure 23). This shows that some finance departments continue to focus on financial reporting and compliance, and some financial officers are principally engaged in financial reporting and accounting related work, and don't understand corporate mission and strategy. Those doing internal process control and risk aversion assessment focus mainly on tax, audit, funds management and other professional work, or on providing simple management reporting. So some financial officers only partially understand the company's mission and strategy.

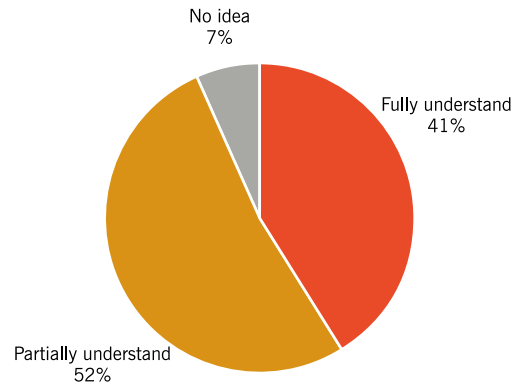


Figure 23 Finance staff's understanding of company's strategy

The mission represents the essence of a company and its *raison d'être*. The mission provides the basis for determining a company's business targets and strategies, which in turn further and more clearly define its mission. Therefore, when formulating its mission and strategies, a company must take into account various factors and interests, both internal and external, such as board members, shareholders, employees, customers, suppliers and competitors. As such, finance professionals will only be able to help the company maximize its value once they are familiar with its mission and strategies. These strategies and targets must meet four standards: they must be precise and measurable, focused, challenging but achievable, and must have a reasonable timeline. According to the results of our survey, only 537 respondents (approximately 45%) believe their strategies and targets have met the above four standards, which means that most finance departments - the remaining 55% - fail to meet them. When looking at each of these four standards, we note that most companies (76%) are doing well in providing clear business priorities, but they need to do more in improving the other three. Only 67% of respondents believe their finance departments have set strategies that are precise and measurable, challenging and achievable, and which have a reasonable timeline, while about 17% fail to do so. In addition, respondents who have no idea about whether their finance departments meet each of the four requirements account for 16%, 14%, 17% and 16% respectively – which indicates that finance departments have problems in communicating their strategies to the rest of the company (see Figure 24).

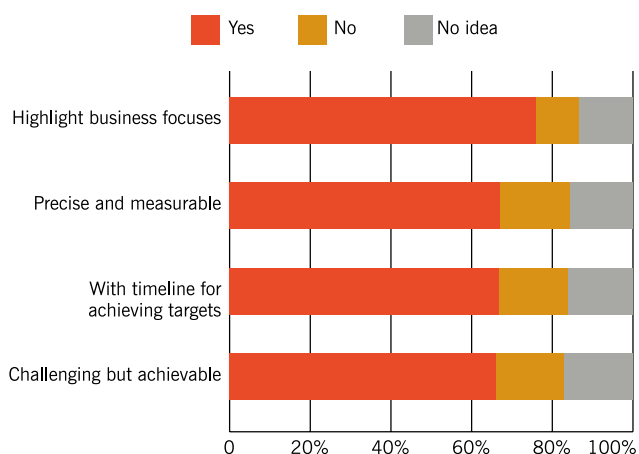


Figure 24 Have companies met the four standards when setting their strategies and targets?

We conducted a survey to investigate whether a company's senior management communicates its strategies and business targets to members of the finance department. The result showed that over 50% communicate with some of the finance employees; about 30% with all of them, and about 1/5 have no communication at all (see Figure 25).

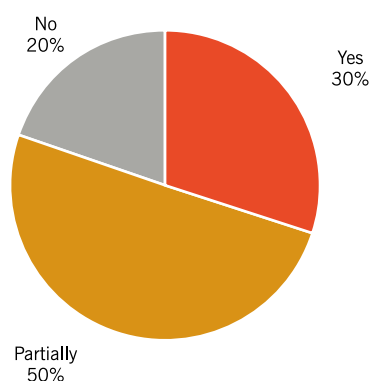


Figure 25 Percentage of communication between the company's senior management and finance employees concerning business strategies and targets

By company type, listed and non-listed companies hardly differ when it comes to this topic. By ownership, the difference becomes huge. Foreign-invested companies are doing the best while private companies the worst. Around 40% of foreign

companies inform all their finance professionals of their business strategies, but this figure falls to 30%, 24% and 27% in state-holding companies, state solely-owned companies and private companies. Only around 9% of Sino-foreign joint ventures and 15% of wholly foreign-owned companies have not officially communicated their strategies to finance employees. This percentage surges to 24% in private companies, which account for almost a quarter. This implies that some private companies are not able to shake off the so-called "boss culture" in their management model. Notably, this percentage stands at 22% and 18% respectively in state-holding companies and state solely-owned companies, which account for around one fifth. This shows that some state-owned enterprises have a lot of room for improvement when it comes to communicating their strategies.

Effective communication is essential to management and is decided by elements such as corporate culture, business scale, organisation structure and management hierarchy. Private companies and state-owned companies should attach greater importance to communication in their management, increase methods of communication and improve communication efficiency. In addition, top leadership must be timely informed of employee feedback, pay sufficient attention to the building of corporate culture, and encourage innovation in governance structure to improve the communication environment and management.

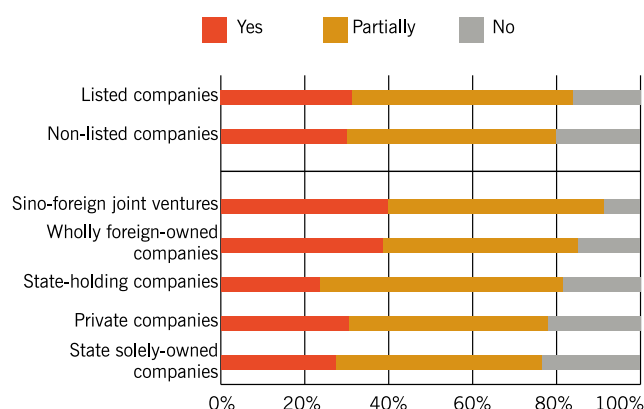


Figure 26 Comparison among different types of companies on strategies communication with finance professionals



# Research findings

Effective positioning and communication of strategies in finance departments - from a foreign company

The key role of finance department is to manage investment, financing and business activities, and profit distribution in accordance with the company's business targets. As such, they not only satisfy board members and senior management's need for financial information, but also make use of management accounting tools to increase the company's value and provide suggestions for business decision-making. Finance department must set a clear and precise strategic position and actively communicate it to senior management and other departments to ensure they acquire a better understanding of financial information. This will help them effectively play their roles and cooperate with finance department in achieving the company's business goals.

(1) Hold finance professionals responsible for business performance/outcome and link their compensation to it

The survey shows that only 47% of management accountants are required to take responsibility for business performance and profits (see Figure 28). Business performance could be linked to compensation and incentives, but many companies still consider finance department as only playing a supporting role, and their salaries are not linked to company performance. As finance department's increasing integration into daily business operations and decision-making, the compensation and incentives of finance professionals should become more diversified and differentiated. Human resources (HR) department needs to redefine and review the role of finance department, recognises the value of finance professionals, and sets company-specific compensation systems. In addition, finance and HR departments are responsible for analyzing the mental needs of finance professionals to help them realize their personal value and attain a greater sense of accomplishment.

## 7. Management accountants

According to the survey, only 54% of finance professionals feel that the work of management accountants could actually affect decisions made by the company. Around 14% plainly state that the outcome of their work has no influence on decision-making of the company at all (see Figure 27). This contradicts the fundamental function of management accounting: to provide information for making correct business decisions and improving operating management. Here we try to find out the causes.

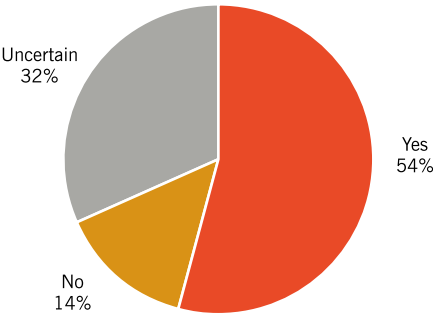


Figure 27 Does the work of management accountants affect the company's decision-making?

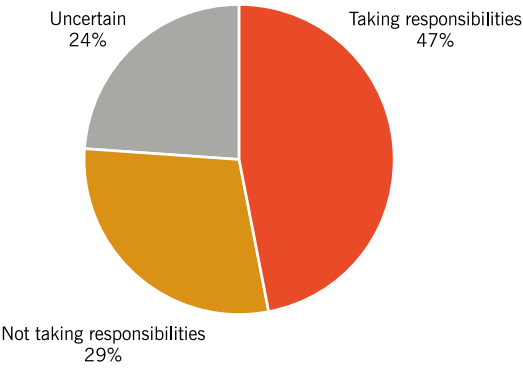


Figure 28 Analysis of the results of work done by management accountants



### Clarifying right, responsibility and benefit: from a private company

This company first introduced management accounting in 1998, but it was mainly focused on responsibility accounting as a result of the company's background and industry. In the 1990s, Chinese national enterprises were put under tremendous pressure as a result of competition with foreign companies, and hence required the support of management accounting. In 2006, the company assigned part of its staff to take charge of strategic and business finance, which is the 'management accounting' of today. The company also specially set up a management accounting team consisting of finance, human resources, legal and training professionals. It required finance professionals to break down strategic targets into units in order to specify responsibilities. This laid down a good foundation for rolling out the company's strategies.

### (2) Focusing on the capability of managing new knowledge

A company is not just a machine but also an active organisation. It should integrate the knowledge and competence of each employee in order to drive up the overall efficiency of the company. As China deepens its economic transition and structural reform, we witness new technologies and business models emerging every day. The evolving market keeps urging us to meet its increasing need for product innovation. As a result, effectively utilizing and innovating the management accounting tools and introducing new accounting knowledge internally could be critical to corporate success. Managing new knowledge enables management accountants to improve their management skills and enhances cohesion within finance department, making daily work and incentives more effective. Such a sound internal control environment could improve the company's management and maximize its business value.

Sharing new innovative knowledge among team members is critical. The company should extend or correct certain members' finance knowledge and experiences by coordinating and sharing them within the team and achieving consensus. This cannot be done by a single person. Our survey shows that about 28% of finance professionals still work alone and

relatively independently (see Figure 29). To enrich their finance knowledge, finance department should pay more attention to managing new knowledge.

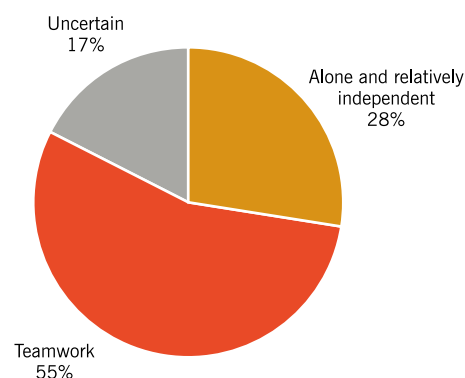


Figure 29 Work status of management accountants

### (3) Improve job satisfaction

Among factors that affect management accountants' job satisfaction, sense of responsibility, personal development, recognition, the right to speak and salary are most important. According to our survey, the first four factors play a much bigger role in improving job satisfaction. About 70% (to be specific 67%-72%) of interviewees state that they would be more satisfied if they could get more incentives from sense of responsibility, personal development, recognition and right to speak (see Figure 28). But in general, only 472 interviewees - which accounts for less than 40% - replied that they have got adequate incentives from those factors, so companies still need to make efforts to improve the job satisfaction of management accountants. Notably, salary as a traditional incentive plays a relatively smaller role than other factors. Only 52% of interviewees told us that management accountants receive higher salaries than other employees in the finance department, and around 20% said their salary was lower.

# Research findings

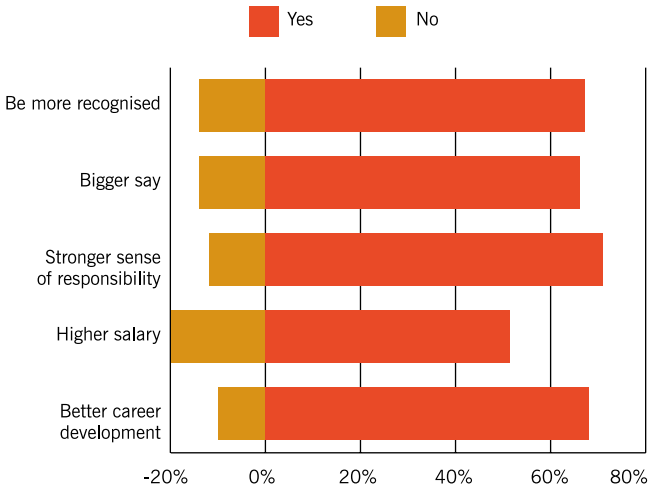


Figure 30 How incentives affect the management accounting

## 8. Challenges in talent cultivation faced by Chinese companies

How should Chinese companies forge their own talent engine? The survey reveals huge demand for talented management accountants. Around 42% of finance departments are understaffed and lack experienced and competent management accountants; 35% lack management accountants despite having sufficient finance professionals; nearly 11% are equipped both with sufficient finance professionals and experienced management accountants; about 7% lack finance professionals but have an adequate number of competent management accountants (see Figure 31).

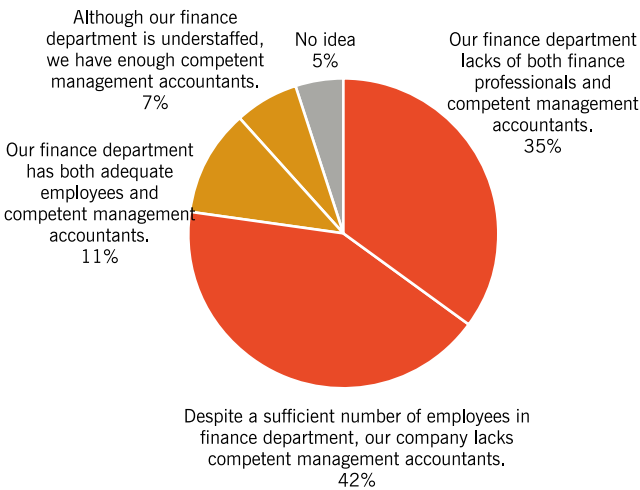


Figure 31 Does your company's finance department have a sufficient number of finance professionals and competent management accountants?

By company type, listed companies and non-listed companies slightly differ in terms of having an adequate number of talented finance personnel. Around 79% of listed companies and 77% of non-listed companies lack competent personnel to help improve management accounting. By ownership, the shortage of talent could mainly be seen in state solely-owned enterprises, state-holding companies and private companies at 87%, 82% and 76% respectively (see Figure 32).

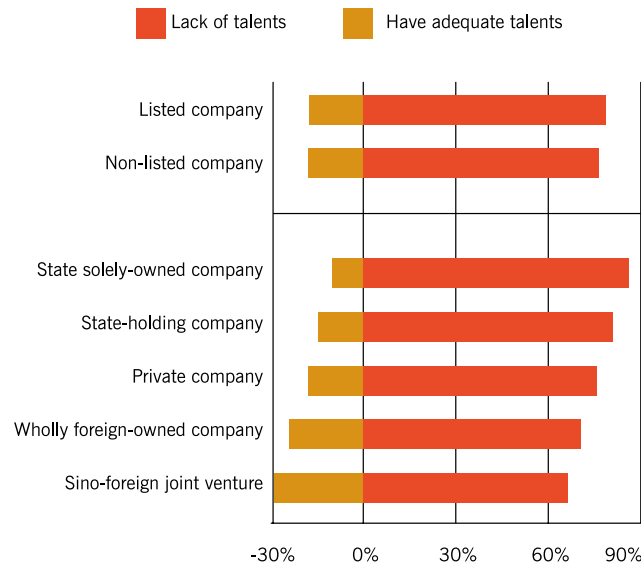


Figure 32 Gap of management accounting professionals in different types of companies

Faced with a gap as large as 77%, on the one hand, companies must improve existing talent management channel by enabling them to get job opportunities efficiently and effectively. On the other hand, companies must actively cultivate and manage their existing talents. Many companies have realized that hiring external talents from the talent market may entail risks and could be difficult. A better solution is to cultivate talents internally. According to our survey, companies still have problems to attract and cultivate talents. Only about 54% of companies are able to attract excellent finance professionals (see Figure 33), and around 56% can cultivate them by themselves (see Figure 34).

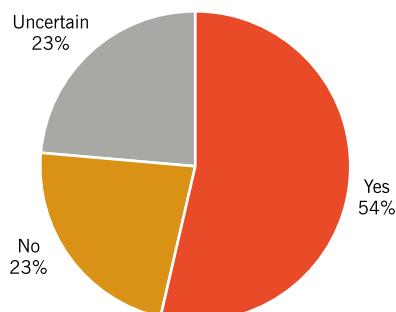


Figure 33 Companies' capability of attracting talents

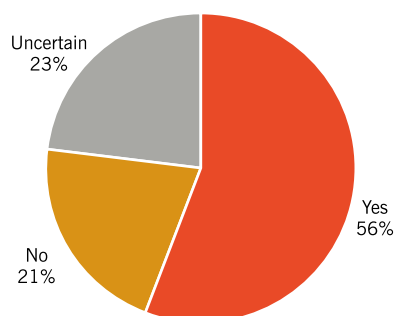


Figure 34 Companies' capability of cultivating talents

### The gap of competent management accountants: from a foreign company

While executing its strategies, a company may encounter a bottleneck caused by the lack of competent management accountants. Some staff in the finance department need to change their way of thinking and adopt a more innovative mindset. Though they are reliable and experienced, and rigorously follow the orders of their superiors, they seldom contribute to innovation. However, some young people – new graduates in particular – are more proactive and likely to come up with new ideas. Despite their lack of experience, they keep looking for ways to apply these management accounting tools more effectively and better serve the company. On the whole, there is a huge shortage of competent management accountants. Companies should generate diversified talent development strategies according to the different talents.

For more details about how to cultivate management accountants, please refer to *Management Accounting Talent Training Methods in Chinese Companies*, jointly published by ACCA and SNAI in 2013.

In recent years, many companies have invested plenty of resources into cultivating talent. We attempted to find out what constrained the effectiveness of their efforts in cultivating talent, and what improvements can be made by the companies' leadership. Our survey shows that among the four areas below, communication atmosphere should be the first to be improved, followed by sticking to consistent targets, removing work barriers and meeting standards (see Figure 35). We mentioned earlier in this report that lack of communication is an obstacle for the company in implementing its strategies; talent cultivation is another.

Leadership should pay more attention to improving communication skills, actively studying work task and setting clear targets to ensure employees accurately understand performance assessment standards. We note during the interview that senior managers should enhance communication and cooperation with their subordinates and work together to execute work plans. Senior management should timely review and assess employees' performance as appropriate. These measures can effectively improve team work.

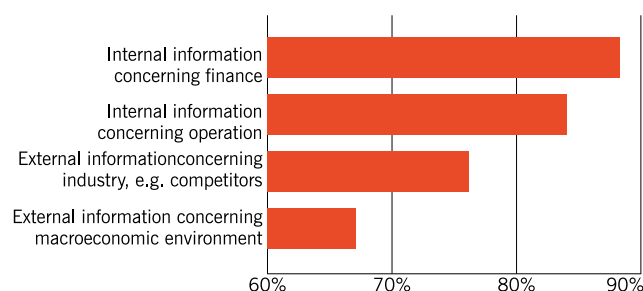


Figure 35 Areas that need improvement in building a management accounting team

## Conclusion

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**1. Start by embracing opportunities.** Continued economic restructuring represents both opportunities and challenges for finance departments. The cornerstone of successful transformation is to embrace opportunities brought by finance transformation. Every reform requires skill and confidence, and the transformation of corporate finance requires top-down consistency in mindset and footsteps. Companies should do all they can to separate the functions of financial accounting and management accounting, thus allowing finance professionals to specialise their work tasks. The two divisions, however, should coordinate, support and help improve the functions of one another, working together to enhance financial management of all business units. Once the transformation is completed, by providing stronger and specialised support to business units, finance departments will serve as a driver to implement company's strategies, increase profits and create business value.

**2. Cultivating talents is of critical importance.** Cultivating talents enables management accounting tools to be widely used and understood within the company; therefore companies should provide adequate training to employees and establish a long-acting promotion and incentives system. In addition, more measures could be taken by the senior management to build a competent team of finance professionals, such as offering a clear job description for management accountants, setting unified work standards, improving management, and enhancing communication and knowledge management.

**3. Utilizing information systems.** Companies could further automate their systems by avoiding unnecessary manual operation, improving operating efficiency and strengthening internal control. The management should standardize the financial information system, review the entire process and procedures from business to finance, to centralize and integrate the operation and control of information system.

Generally speaking, only by better knowing, understanding, learning and accepting their role as a partner of the company can finance departments break through their conventional mindset, taking the initiative in transforming and repositioning themselves by grasping new opportunities, broadening their scope of operations, and supporting the company in reaching new heights.

## Appendix: list of the research project member

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General project leader: Professor Li Kouqing, President of SNAI

Task leader: Dr Tong Chengsheng, Associate Professor of SNAI

SNAI joint research project leader: Li Kouqing

SNAI joint research project member:

Tong Chengsheng, SNAI research representative

Yin Chengyan, Deputy Director of Information and Distance Learning Department

Qiu Tie, Senior Head of Academic Affairs Department

Niu Yujin, Senior Head of Academic Affairs Department

Yang Wu, Head of Information and Distance Learning Department

ACCA joint research project leader: Ada Leung, Head of ACCA China

ACCA joint research project member:

Yuki Qian, ACCA research representative and Head of Policy, ACCA China

Lisa Zhu, Head of ACCA Central China

Linda Tang, PR & Communications Manager, ACCA Shanghai

Huang Chao, ACCA Research Assistant

## About SNAI ([www.snai.edu](http://www.snai.edu))

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The Shanghai National Accounting Institute (SNAI) was formally established in September 2000 following the personal endorsement and vigorous efforts of Zhu Rongji. The Institute is a direct subsidiary of Ministry of Finance and falls under the dual leadership of Ministry of Finance and the Shanghai Municipal People's Government. Its leadership structure consists of a President-in-Charge who is subject to the authority of a Board of Directors. The Institute is also home to the Asia-Pacific Finance and Development Center (AFDC), which was set up under the APEC framework and is the first organisation in China aimed at promoting the establishment of regional capacity.

Over the more than ten years since it was founded, the direct leadership of Ministry of Finance, care and guidance of government officials at all levels, strong support of all sectors of society have enabled the SNAI to overcome the teething problems associated with setting up a new educational institution. It has actively explored the training of advanced finance and accounting talent, adapting to socio-economic demand for talented personnel and the development strategy of the accounting profession, developing high-level further education catered to national macroeconomic departments, large state-owned enterprises, financial institutions and intermediary organisations. It has formed clear educational concepts and models. The Institute has also gradually created a "Three pillared" structure consisting of high-level management training, degree education and distance learning. It is now well-known in the socio-economic field, and has been described as the "spiritual home" of accountants.

To date, over 500,000 students from a variety of backgrounds have attended the Institute. Courses include a number of national and nationwide training projects, such as the National Leading Accounting Talent (Reserve) Training and Nationwide Talent Training, which have been tailor-made for enterprises, financial institutions and government tax and financial ministries. In 2011, Ministry of Education approved the teaching of Master's courses at the Institute, and it was granted permission to teach Master's programmes in auditing and accounting. The same year, the Institute's EMBA programme, which it teaches in partnership with Arizona State University, was ranked as one of the top 20 programmes of its kind by Financial Times. In 2013, the Institute's sino-foreign cooperative education programmes (EMBA, EMPAcc) were certified by Ministry of Education. As a national centre for further education, the Institute is also actively committed to its responsibility to society. It has invested substantial effort in developing distance learning, using the internet - which has the advantages of being low-cost and widely available - to provide high-quality training programmes to a large number of low-level accounting personnel as well as economic management personnel on China's east coast.

Going forward, the Institute will adhere to its objective of being an "internationally-renowned school of accounting", further exploring and perfecting growth that conforms to its unique model of "first-class training base + leading business schools". The Institute will work hard to develop itself into a top training centre for finance and accounting talent in China, an important think-tank for national financial and accounting policies and the financial operations of companies, a nationwide hub for accounting information, and an important platform for exchanges in the field of finance and accounting.

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. As the first global accountancy body entering into China, ACCA now has over 23,000 members and 48,000 students, with 8 offices in Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen, Shenyang, Hong Kong SAR and Macau SAR.

We support our 170,000 members and 436,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and we ensure that through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

Management accounting has always been a core part of ACCA Qualification. The “competency framework for complete finance professionals” endorsed by ACCA stresses that finance professionals must possess 10 key competencies, of which seven are closely related to management accounting. The ACCA exams provide the knowledge and skills necessary for becoming a management accountant and complete finance professional.

ACCA also affirms finance professionals as business partners and creators of value within a company. Through key research issues, sharing research results, and the Global CFO Forum and Summit, all types of industry are able to learn more about the responsibilities of finance professionals in the 21st century, providing more inspiration for companies and finance and accounting practitioners, and thus promoting the overall development of management accounting in society.

