

Some Empirical Evidence of Chinese Accounting System and Business Management Practices from an Ethical Perspective

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ABSTRACT. China is moving from a centralized to a market economy to bring about efficiency in its economy and to form a business partnership with the West. With its reform adopting an open-door policy, there may be a need to assure its partners in the western world that appropriate steps would be taken to develop and foster a business culture with which the western countries and the Chinese businesses can work. The present study attempted to find whether there has been a change in business ethical culture, accounting system and practice in the Chinese business between 1978 and the present, and the degree of similarity in the Chinese ethics and guidelines compared to Western ethics and guidelines. The result of the study has been analyzed from an institutional perspective to explore institutional change. The result showed that there is general growing support of Chinese management toward change in business ethical culture and practice. It was observed that there was not much similarity in the documents used for ethical guidance and control with those of the West. The findings of the paper are expected to be relevant to international investors and executives interested in investing or working in China.¹

KEY WORDS: accounting practice, business culture, centralized economy, ethics, government regulation and control, institutional trust, market economy

Introduction

This research has been undertaken from an institutional, social constructionist perspective to explore institutional change as China's business transactions move from the domain of the hierarchy to the domain of the free market. One motivation is that China is pursuing the supply

of capital available in Western countries and in return the West will gain access to an enormous consumer market. In stark utilitarian terms, if the West and China can establish mutually beneficial market access, they will enjoy a win-win outcome, the greatest good for the greatest number. The institutional question explored in this article is how a code of ethics might contribute to establishing the institutions necessary for two groups of people with diverse history, tradition, culture, and ethical standards governing to negotiate mutually acceptable boundaries between appropriate and inappropriate behavior among those who are parties to a business transaction.

The study, a set of surveys, was undertaken to examine:

1. Perceptions communicated by various groups in China of any changes to business ethics, accounting systems and practices since China moved to an economic open-door policy.
2. The degree of concordance in the Chinese ethics and guidelines compared to Western business ethics and guidelines.

The results of the surveys provide some insight into the ambiguity surrounding perceived changes to ethics, accounting systems and practices by different groups. Moreover, in keeping with the institutional perspective, a cautious interpretation of the similarities in form between Chinese and Western codes of conduct is provided.

Theory

Institutional theorists have argued that in Western for-profit enterprises, instrumental cost/benefit analyses provide insufficient justification for actions taken to maximize profit. In addition, for-profit businesses must demonstrate that they have conformed to taken-for-granted values and social norms as they achieve goals that implicitly include moral purpose (Meyer et al., 1987). The same applies to professions, which could include accounting (Freidson, 1986, 1994). These values and norms are found in a variety of ethical frameworks that both limit and describe how the accumulation of wealth by private enterprise can serve the social interest of achieving justice and progress (Meyer, 1986). By serving social interests, professions and private enterprises gain and maintain legitimacy and create a minimum level of trust necessary for relative strangers to conduct business with the reasonable expectation of attaining mutual profit in a free market (Neu, 1991). However, in the absence of concrete evidence, this view takes for granted that the free market constraints are sufficient to both maximize wealth and social justice. Moreover, critical institutional researchers note that any incursion by the hierarchy, that is to say the government, to regulate and restrict the free market is at best detrimental to achieving either the tangible or intangible goal (e.g. Covaelski et al., 1993).

Neu (1991) included in his institutional analysis of the role of various intermediaries in the highly regulated process of the initial public offering (IPO), an analysis of trust. He drew a clear definition of institutional trust created by the burdensome process of the IPO and associated the context of trust closely with different intermediaries, especially accountants. The appropriate and highly limited, minimum level of trust produced he called institutional trust. This was clearly a floor and not a ceiling of trust sufficient to enable strangers motivated solely by the maximization of their own interests to conduct their business transactions with a minimum assurance that such transactions would probably be mutually beneficial. Crucial to legitimacy was an adequate enforcement mech-

anism and penalties sufficient to deter individuals from inappropriate behavior. He noted that what was necessary to construct a context of institutional trust was enforcement by public, governmental regulators such as securities commissions, private regulators such as stock exchanges, private intermediaries such as investment brokers, and the two professions of lawyer and accountant.

Notice that what is required to assure appropriate behavior among self-interested individuals, is the coordinated enforcement by representatives from a combination of hierarchy, market, and professional institutions. This solidarity among the three institutional forms of western democratic economies, each with their own explicit, written codification of appropriate behavior by those employed within each institution, suggests one way in which the West and China could construct a bridge between their diverse taken-for-granted expectations from business partners. One proposition that arises is that the greater the number of institutions enforcing constraints and penalizing inappropriate behavior, the higher the level of institutional trust. A second proposition is that explicit, published codes of conduct instantiate a consensus among institutions to enforce constraints on behavior.

Of the three trust producing mechanisms-individual and firm specific actions, intermediaries, and regulations-identified by Neu (1991), intermediaries such as the firm's accountant, underwriter and lawyer specialize in the *marketing of trust* (Zucker, 1986), which depends largely on institutional regulations (Neu, 1991). One set of regulations is the professional ethical code that specifies rights and obligations of professionals towards the general public and other professionals (Abbott, 1983). Preston et al. (1990) documented that ethical codes act as legitimating devices that enable intermediaries to rightfully claim a service orientation (Abbott, 1983). The internal auditor and the accountant both are being a part and extension of management, combine to produce institutional trust. However, as Reynolds (2000) concluded, the internal auditors' code of ethics is found to have a strong moral approach, in contrast to the more instrumental approach of certified professional accountants. Professional standards are developed to give guidance to

practice. Wallace (1986) underscored that the standards and code go together. Siegel et al. (1995) study confirmed that practicing internal auditors use the code of ethics to provide guidance to judgment and for resolution of ethical issues.

Institutional theory, however, values plurality in institutions and notes that institutions vary not only throughout time but at any point in time from one place to another (Jepperson and Meyer, 1991). Neu (1991) describes a level of trust built up over time among individuals who experienced no betrayal and in fact have derived a satisfactory level of mutual benefit from their ongoing business transactions, which he terms relationship-based trust. Paradoxically, while the level of trust constructed among business partners based on their long-term relationships is higher than institutional trust, it is accompanied by a greater probability of betrayal. This is because it is the presence of a relationship that enforces the trust, not an external mechanism. Often the only recourse in an attempt to recuperate from business losses is through the courts, which engages enforcement mechanisms from both the hierarchy and the profession of law but not from the intermediaries of the market itself because they were not part of the relationship. From this a third and final proposition arises that the presence of market intermediaries not only reduces relationship-based trust but also the probability of betrayal.

What institutionalists point out is that expectations among people are negotiated then codified as roles to simplify the cognitive complexity of predicting possible economic outcomes under conditions of uncertainty. By reducing the range of appropriate behavior and penalizing inappropriate behavior, a context of trust also minimizes uncertainty. A clear domain of legitimate behavior, once established and agreed upon for each role, can then be codified, again through negotiation. The more transparent these roles and rules, the higher the level of trust, the lower the level of uncertainty and the greater the volume of economic transactions that result in increased capital, or wealth. Legitimacy is the necessary intangible resource that enables enterprises to assure an uninterrupted flow of resources essen-

tial to their survival. From institutional theory the challenge confronting both China and the West can be seen as a conflict between two trust-producing mechanisms – relationship based trust and the practice of *Guanxi* that prevails in China – and institutional trust and the practice of contracts that prevails in the Western countries.

While researchers like Metzias (1990) and Barley (1992) have studied institutional processes in for-profit enterprise, others like Thornton (1979), Neu (1991) and Fogarty (1992, 1995) focus specifically on the accounting profession. The accounting profession itself is seen as a way of transmitting social norms and values to confer or sustain legitimacy on the activities necessary to assure profitability. The training, certification, and activities of accounting are all seen as ways to ensure that those in a relatively unsupervised profession will present information in ways that do not injure the public interest, nor damage the institutional trust required for a free market to thrive. Thornton (1979) viewed institutions as rules, which were the source of flexible constraints defining legitimate action. He also noted that institutions were necessary in situations where information was incomplete. Neu (1991) highlighted the importance of accounting as a mechanism to convey to the public that information was trustworthy but within limits. Hence the accounting profession not only conveyed incomplete information using established rules to estimate value, but also bore the responsibility for ensuring that users of the information were aware of the limits to which they could trust the information provided by strangers to strangers.

Regulation and control by the Chinese government might create subjectivity in the governance of the Chinese Institute of Certified Public Accountants (CICPA) and the Chinese Association of Certified Public Auditors (CACPA). While multiple trust-producing institutions create interdependencies (Neu, 1991) providing check and balance in the exercise of the power of the institutions, the Chinese government control with a different socio-political agenda would interfere in the dispensation of intermediaries' functions. Zucker (1986) noted that regulations produce trust by creating formalized rules for predictable and uniform

behavior. Neu (1991) observed that participants in the exchanges would be motivated by economic factors rather than social factors since regulations are impersonal. In the Chinese *Guanxi* practice, social bondage or custom plays a predominant role in the behavior, but economic considerations might induce *Guanxi* transaction participants to insert themselves into the newly formed intermediary-trust. Lee et al. (2001) identified the *Guanxi* exchange mechanism as similar to relational exchange that focuses on long-term perspectives in the West.

The current research contributes to this stream of institutional work by highlighting the transformation from a centrally planned to free market economy in China. This preliminary work examines the accompanying transformation of ethical systems and their explicit formalization in codes of conduct. Institutions such as ethical norms and moral purpose, however, gain potency from actions that conform to and thereby confirm that ethical values are present. Thus business and accounting practices must also be seen as conforming to ethical values in order to be seen as legitimate. Because China, a centrally planned economy, is attempting to expand its economy through trade and business partnerships with the free markets of the West, Western partners must perceive its domestic practices in business and accounting as legitimate. The institutional approach supports the argument that in order to be seen as legitimate, China's accounting and business practices must conform to Western institutions, those taken-for-granted ethical values that confer legitimacy on Western for-profit enterprises.

Background

The National Commission on Fraudulent Financial Reporting of the U.S.A. (what is popularly known as the Treadway Commission) made recommendations in 1987 that public companies should develop and enforce written codes of conduct to foster a strong ethical climate and increase communication.

Carey and Doherty (1966) have shown how ethical standards in the accounting profession

have developed over the years due to the initiatives of public corporations, social scientists, relevant bodies, and primarily, accounting bodies.

In the past few decades, the structure of the society has changed. The continual change in society coupled with the drive toward materialism caused changes in values so that people's actions were found to be incompatible with ethical standards. To address the reduced confidence of the public, the accounting profession developed ethical standards and accountants and executives had to redefine their societal roles, as circumstances required (Mathews and Perera, 1993).

When the profession's activities were under the microscope, George D. Anderson, a past Chairman of the Board of the American Institute of Certified Public Accountants (AICPA) and Chairman of the Institute's special committee on standards of professional conduct for CPAs, made the following remarks to the Institute's Council in 1985: "There has been an erosion of self-restraint, conservatism, and adherence to basic professional values at a pace and to an extent that is unprecedented in the profession's history. (We believe) the profession is on the brink of a crisis of confidence in its ability to serve the public interest."

The Anderson Committee Report (1986) – Restructuring Professional Standards to Achieve Professional Excellence in a Changing Environment was a clear response to the expectations of society and the role of the profession. The recommendations to restructure the code of ethics were adopted in February 1988. Firms and companies were encouraged to adopt and apply the concepts and principles underlying Social and Ethical Accounting, Auditing and Reporting (SEAAR) to improve social performance. Dierks and Davis observed (1980):

Professions are neither made by law nor just born. Careful thought, planning, and toil is required of many individuals to develop self-concepts, techniques, and procedures; perform research; and disseminate appropriate information about the ideals and works of the would-be professional group. In a real sense, a profession can only evolve out of the individual efforts of a large number of persons, each of whom is dedicated to ideals and

standards of service which are only dimly seen during the formative stages of a profession. Perhaps the most outstanding attribute of the professional should be the spirit in which he/she does the job.

Management actions are necessary to create a culture that encourages doing the right thing. When ethical behavior is inspired, demanded, and rewarded, the organization profits in many ways (Chapman, 1999) and it helps form a standard for intended behavior and paves the way to develop a culture. Environments where daily interactions follow a strong moral line can more effectively curb larger, more expensive lapses in judgement (Chapman, 1999). Management can set a tone by establishing its interactions with the workforce based on honesty, integrity and respect. This will help build future opportunities for the business while maintaining public confidence and financial performance of the company. A number of studies demonstrated the positive correlation between a firm's social and ethical performance and its financial performance (Waddock and Graves, 1997; Preston and O'Bannon, 1997). Verschoor (1998) measured the link between a firm's financial performance and its stated commitment to uphold shareholders' interest. The study found that 26.6% of 500 U.S. public corporations commit to ethical behavior toward their stakeholders and comply with their code of conduct. Lee et al. study (2001) documented that *Guanxi* relationship quality positively affects business performance. Dunfee and Warren (2001) observed there are certain macro considerations that support positive impact of *Guanxi*, however, its impact on economic performance is not precisely known.

The Chinese accounting system and its perspective

Prior to 1978 under planned economy, enterprises served only as organs for the fulfillment of the plan targets set by the government. The accounting system, therefore, was designed to help central and local governments in the production, distribution and consumption of wealth rather than to assist individuals and enterprises in

making economic decisions. It focused on cost accounting and the standards used by the enterprises were a traditional fund accounting (Chow et al., 1995) linked with taxation and filled with strict and detailed rules (Davidson et al., 1996). With its economic reform adopting an open-door policy, China took a step to change the accounting system and the role of financial reporting.

The accounting reforms went through two phases. The first one (1978–1992) precedes the release of the Conceptual Framework and the second one (1992–present) follows the establishment of the Conceptual Framework (Xiang, 1998).

The first phase brought change in ownership structure that caused the importance of the state-owned dominance to decrease and non-state-owned enterprises to increase. This created an environment for foreign investment opportunities. By the end of 1984, China witnessed US \$3 billion of foreign direct investment and this rose to US \$45 billion in 1998 (Beijing Review, 1999). Responding to needs, China established The Accounting Regulations for Joint Ventures that applied western-style accounting, which marked the beginning of a departure from the traditional fund accounting (Chow et al., 1995).

In 1992, China put two sets of new accounting regulations into effect. The first is the Rules for Enterprises with Foreign Investments and the other is the Rules for Experimental Shareholding Companies. For the first time in Chinese accounting history, these rules incorporated parts of the International Accounting Standards for China's domestic enterprise accounting to help reduce the disparity between accounting rules for domestic enterprises and those for enterprises with foreign investments. With the opening of stock markets in 1991, the Shanghai Stock Exchange and the Shen Zhen Stock Exchange, external reporting to stock market participants and auditing was required and China responded to this by gradually decreasing its role in the dissemination of accounting information.

During the second phase, all state-owned and collectively owned enterprises were transformed

into profit and investment centers. To respond to the call for reform in the accounting system, the Accounting Standards for Business Enterprises (ASBE) was issued and became effective in 1993 (Xiang, 1998). It formalized a conceptual framework and provided the guidelines for following the International Accounting Standards for financial reporting. The introduction of ASBE was considered most significant because it brought China's accounting practice into close conformity with International Accounting Standards (IAS) (Tang et al., 1996). As the new accounting system is implemented, the role of ethics and code of conduct in accounting and business will grow in significance in order to provide objective and reliable accounting information for decision-making purposes.

Place of ethics in Chinese business and accounting

Under the centrally planned economic system, organizations in China had to follow laid down government rules. There was no necessity for individual judgment and interpretation, and hardly any cause for ethical conflict. As with any other controlled society, business operations and success in China depended on so-called connections and personal relationships, *Guanxi* in Chinese, for success in business operations (Chang, 1998).

Because of the *Guanxi* relationship, there could be a situation when personal interests would be considered a higher priority than ethical requirements and organizational values. When faced with the choice of complying with a code of ethics, or maintaining the important *Guanxi* relationship and expediting business transactions, accountants and managers may opt for the latter course (Chang, 1998). Therefore, a question is raised about whether *Guanxi* is ethical. Some researchers argued that *Guanxi* is ethical (Brunner et al., 1989; Buttery and Wong, 1999). Leung and Wong (2001) debated that the *Guanxi* ethical issue is illusive, it is situation specific and it depends on whether it is permitted within legal framework. They continued saying that the Confucius *Guanxi* concept is advocated

and manipulated by Chinese political leaders to achieve ideal social harmonization whereas the modern practice of *Guanxi* is to achieve business goals. Su and Littlefield (2001) found favor-seeking *Guanxi* that is culturally rooted in what is employed by the sociopolitical leaders to realize social objectives and rent-seeking *Guanxi* that is institutionally defined. Au and Wong (2000) research concluded that there is a relationship between an auditor's ethical judgment and the existence of *Guanxi* and that the impact of *Guanxi* on an auditor's judgment depends on the level of ethical reasoning. It implies that auditors, being a part of the management forming an institutional trust, provide credibility to company reports. Dunfee and Warren (2001) concluded that it is difficult to judge the overall impact of the practice and advocate the particularistic analysis of the different forms of *Guanxi* which collide with emerging Chinese business norms, threatening the well-being or disadvantaging ordinary Chinese.

Wood (2000) study made a cross cultural comparison of the contents of the code of ethics of the U.S.A., Canada and Australia. He showed that even these countries with an almost homogenous economic structure and social background have differences in the contents of the code of ethics practiced by the companies. The Cowton and Thompson (2000) study, focused on a comparison of the policies and practices of signatories and non-signatories of the United Nations Environmental Protection (UNEP), found some differences (in an expected direction) from non-signatories and a few of those differences were found to be statistically significant. Surprisingly, the studies of Mathews (1987) and Lefebvre and Singh (1992) showed that code of conduct and corporate violations had no noticeable relationship. Other researchers (Laczniak and Inderrieden, 1987) observed that codes have an impact if sanctions are attached. The violation events of Enron and World.Com show that a code of conduct and ethical practice sometime surprisingly may not hold the ground of code of conduct effectiveness. The violations by just a few companies, however, may not be considered to be the game rules for all companies practicing code of conduct. Rather, this may

imply that company culture plays a role in shaping the codes of the individual companies within each country and other forces and important concerns are the self preservation and protection of the organization (Wood, 2000) that may ensure code of conduct practice.

Transparency, and corporate governance and accountability go hand in hand. It is presumed that level of transparency will be reflected by the magnitude of code of ethics practice. "Conflict of interest" or "fiduciary duty", supposedly new terms to the Chinese governance, however, are the building blocks of good corporate governance (Kluth, 2001). In retrospect to the post Asian Crisis, in discussing transparency and accountability, the Transparency International (1999) Vice-Chairman quoted James Wolfensohn, President of the World Bank as saying that the actions of the officials be subject to public scrutiny: "*the interests of the many over those of the few*" and he continued:

Government is under an obligation, no less, in carrying out its functions and duties, to adopt universally recognized and accepted "best practice" that are consistent with the economic, social and ethical needs and expectations of a moral and caring society. In other words, it must subscribe to the principle of trusteeship, which is central to the whole concept of stewardship, both in the governance of a nation and, in the case of the public sector, management of public listed companies.

As China will be practicing free market economy, investors will demand timely information and the investors will invest where transparency allows some predictability about the likelihood of returns (Florini, 1998).

As elsewhere in the world, it is believed in China that academics are playing a role in cultural, social and educational development as well as in ethics education and training. Yunwei (2000) found that accounting academics have been catalysts in the movement toward modernization and internationalization of accounting in China. One of the objectives of the present study is to see how the academics *vis a vis* industry are contemplating the ethical perspective in accounting systems and practices in Chinese business management.

Government regulation

Revised in 1998, the Uniform Accountancy Act (UAA) of the United States was a joint effort by the American Institute of Certified Public Accountants (AICPA) and the National Association of the State Boards of Accountancy (NASBA) in 1994. It was intended and designed to protect public interest, promote high professional standards and advance the goal of uniformity across jurisdictions. From the public interest perspective, jurisdictions for governmental intervention are clearly most compelling in these situations (Colbert and Murray, 1999).

The vast majority of the Chinese population has witnessed government control and regulation. For over half a century, the socialist government applied its own economic principles and social code of conduct so that congruity in the people's behavior would be in line with that of the government. The economic theory of regulation shows a probable view of the regulatory process (Becker, 1983; Peltzman, 1976; Stigler, 1971). This theory assumes that politicians and regulators act and respond to their own self-interest and it recognizes that governments hold the power to selectively help or hinder different components of society e.g., industries and occupants (Colbert and Murray, 1999). Various competing groups try to use the government's power for their own benefit. The groups then provide the government with the resources and political supports to perpetuate power.

To discover situations in China in this respect, we asked the respondents whether there should be government regulation and control in the Chinese accounting and business practices. Analysis of the responses is in Results part of the paper.

Methodology

The study conducted a pilot survey in two regions – Dalian and Shanghai – to collect data from sample industries. Personal interviews were conducted with university professors and industry executives. The survey instrument was translated, examined and retranslated back to English so that

the Chinese version reflected the same underlying ideas and meant the same thing to the respondents. The comments of the respondents in the Chinese survey questionnaire were translated into English.

Data sources and sample design

First Phase. The study was conducted in two phases. Pilot tests were carried out to refine the study design, focus the content of the instrument and prioritize the study objectives.

Industry

The sample of companies for the study was taken from the public information source of the Classified Telephone Directory of companies at Dalian (the second largest city of Liaoning Province) and Shanghai and from library sources of the universities.

Companies selected at random from the directory were contacted by telephone to determine whether they would be interested in participating in the study. Of the 30 companies contacted in Dalian region, 22 companies agreed and of the 30 companies contacted in Shanghai, 19 companies agreed to give time for questionnaire interview. The sample includes listed companies, foreign investment companies and private and state-owned enterprises.

Academics

Twelve academics of the School of Management, Dalian University of Technology and 12 academics from Shanghai University were contacted by phone to determine whether they would participate in the survey. Eight of the Dalian academics and nine of the Shanghai agreed to participate.

Data collection method

The three-page survey questionnaire covered industry background, firms by industry, business

ethical culture, accounting systems and practices, government regulation and control in accounting and practice, financial performance indicators and documents used as ethical guidelines. Some of the responses were measured by "yes" or "no" and some in a five-point response scale, 1 being no change and 5 being extensive change. The two-page questionnaire for academics covered position (rank) in the university and all other parts of industry except performance indicator variables.

The use of structured interviews to collect data based on the questionnaire constitutes an important difference from the typical mail-out survey questionnaire. This was because it was expected that the respondents might not have had sufficient exposure to this type of study environment, and response rate from the mail-out survey questionnaire might be very low. On the other hand, the interview would provide an opportunity to explain and fill in important gaps in study perspectives, and enable the control of variation in the interpretation of terminology used in a questionnaire unfamiliar to the Chinese interviewee. As the success of this approach depends on the skill and knowledge of the interviewer, the field-data collector for this study was provided instructions about the study and briefed on how to organize and conduct the interview.

Data collection occurred in two steps. In the first step, the interviewee was told about the objective, purpose, and significance of the proposed study. In the second step, the interviewee filled in the questionnaire. The respondents were briefed about the study perspectives and definitions of the changes (definition of questionnaire particulars below) under this study. Because information was not immediately available, the data collector had to make repeated visits to some companies to collect the completed questionnaire.

Second Phase. Based on information from the pilot test, a few minor changes were made in the survey questionnaire including layout and wording of instructions. In this phase samples of companies and universities were collected from Wuhan, (the capital of Hubei Province) and Beijing. Additional samples were collected from

Dalian industry and university. The methodology followed was as same as in the pilot test. Table I shows the total distribution of respondents by region and category.

Definitions of questionnaire particulars²

Cultural change: for this study, cultural change is defined as the change in customs, practices and social behavior of the people.

System change: change in a method or set of procedures for achieving a desired result.

Practice change: change in the usual way of doing something as an established custom or habit in order to improve performance.

Code of conduct: a set of (written or unwritten) rules concerning acceptable standards of behavior.

Government control: the exercise of power or authority of government over something such as the business or financial affairs of a business in order to keep within the standard set by the government.

Ethical guideline documents: a set of documents that provide guidance, especially in ambiguous situations.

Analysis methods

The study examined statistical evidence gathered from the companies and academics. Statistical tables were constructed for each of the parts in the questionnaire. The study was designed to provide information following descriptive structure, not to test the statistical model supported by well-developed theory.

The tables are shown in Appendix 1. They show the combined responses from industries in Beijing, Dalian, Shanghai and Wuhan. Similarly, the responses from the academics of Beijing University, Dalian School of Management, Shanghai University and Wuhan University were combined for analysis. A Survey Questionnaire in English is shown in Appendix 2.

Results

Respondents' characteristics

Of the 90 companies (Table I), 20 were from Beijing, 28 from Dalian, 19 from Shanghai and 23 from Wuhan as well as seven academics from Beijing University, 11 from Dalian University of Technology, Dalian, 9 from the Shanghai University and 9 from Wuhan University. Thirty-six academics were from Professor (5), Associate Professor (12), Assistant Professor (17) rank, and from Lecturer (2) (Table IX).

Table II shows that 35 of the industry respondents (38.9%) were from the Accountant position followed by CEO (18.9%) and Others (17.8%). Other categories included sales and marketing manager, CEO nominated representative for the interview, assistant accountant, finance manager, senior economist and senior engineer. In the Firms by Industry (Table III), financial services category represented 25.6%, other category 21.1% followed by electronic components and computers (18.9%), food (12.2%), construction, and machinery and equipment represented almost equally (11.1%). The "others" category included foreign trading companies, health care, hotel, state-owned household equipment manufacturing, watch manufacturing, textile, etc.

Analysis

One of the questions was whether there has been a change in the business ethical culture, accounting systems and practices in Chinese business since the beginning of the open-door policy (between 1978 and the year 2000). All the companies and academics provided a response to a question of whether there has been any ethical cultural change. For two questions – whether there is any accounting system and business practices change–some respondents could not form an opinion. Also, some respondents could not match their responses in the grading scale. The majority of the respondents (84.9%) maintained that there is a change in the ethical culture. When considered separately, this percentage is 60.3 for companies and 24.6 for academics (Table IV).

Table IV also shows that 54.4% of the companies and 28.0% of the academics confirmed the change in the accounting system. Fourteen percent of the company respondents in industry and 3.6% of the academics consider that there has not been any accounting system change. A similar result is observed in industry and academics in the business practice change – 50.4% of the company and 24.8% of the academic respondents view that there has been a business practice change (Table IV).

The respondents who think that there has been “No” change are more within industry than academics. This may confirm that perception of change is higher in academia than in industry.

Twenty-nine industry respondents (32.2%) (Table IV) believe that there has been “many” (response scale 4) changes in the ethical culture followed by 19 respondents (21.1%) who believe that the change is “some” (response scale 3). Thirty-three percent of the academics believe that the change is “many” followed by “some” (27.8%). There is a unanimous response from industry and academics that the change is “many”. Measured by response scale, the change is not “extensive” (scale of 5) as evidenced by the responses from both industry and academic and this belief is consistent within the academics for cultural, accounting system and business practice change. Institutional-trusts are growing in Chinese business and practices and, this provides some evidence of changes but not extensive. The Mann-Whitney (Table X) test shows that the results are significant at the 0.293 level, leading us to conclude that responses are same for the industry and academic groups.

Table V shows that among the 74.4% of the industries practice code of conduct, 52.2% are written codes of conduct and 44.8% unwritten. The earliest year the practice began is 1984 and thereafter in 1990, 1995, 1998 and early 2000.

The responses were mixed regarding whether there should be government regulation and control (Table VI). More than sixty-four percent of the respondents do not want government regulation and control in Chinese accounting and practice and 31.0% of the respondents want some government control in one form or another. Considered separately, 62.0% from industry

respondents and 69.4% from academics who do not want government regulation and control in the Chinese business and accounting practices. Respondents want to see accounting and business practice self-regulated. *T*-test results (Table XI) are significant since p -value < 0.05 in both equal and unequal variance assumptions rejecting the proposition that responses of industry and academic for and against government control are same, i.e., there is no consensus.

Some of the reasons expressed by the respondents for not having government control are as follows:

1. It will be more flexible and objective in the operation of organizations;
2. Government control may result in a layman controlling an expert;
3. Government control is unnecessarily protective for the development of enterprises;
4. Market economy needs to be regulated by the market;
5. It will lead to speedier harmonization to international practice;
6. Government machinery fails to comprehend the nature and development process of the private and market economy; and
7. There will be less bureaucracy and corruption thus ensuring efficiency.

Their reasons for having government regulation and control are as follows:

1. As private enterprises are new, the previous experience of the government will be useful;
2. It is better to have the control of both the government and the private sector;
3. Partial control of the government by its representative compensates the inadequate start-up experience of self-regulated bodies;
4. Government is the dispenser of justice and hence, there should be some form of government control so that fraud, opportunism and anarchism can be controlled, specifically for future years;
5. Because of market economy growth and the current regulation facilitating quick growth, government control is justified for now;

6. Both systems have advantages; therefore they should be allowed to operate together until only one is sufficient.

Table VII shows the number of sample responses for each of the financial indicators: return on investment, earnings per share, cash flow to total assets, sales revenue and the net income for each of the years from 1997 to 1999. Responses of the sample companies are mixed. It is observed that non-responses hovered around 45% of the total respondents. Net income of the respondent companies showed an increasing trend from 1997 to 1999. On the other hand, ROI, EPS, CF, Sales and NI decreased over the years except in 1998 when ROI rose slightly. The number of companies whose ROI, EPS, CF, Sales and NI remained the same did not show any observable trend. However, ROI, EPS, CF, Sales and NI remained the same for a greater number of companies in 1999 than that in 1997 and 1998. As may be expected, performance indicators did not show any significant trend excepting changes in some variables. Considering the impact of *Guanxi*, the majority of companies are nevertheless on the code of conduct and ethics practicing agenda; this may provide trust and credibility signals in a not-so-transparent society, especially if the practice is not supported by incentives, not institutionalized (Lovett et al. 1999).

Table VIII shows the relative significance of the Ethical Guideline Documents consulted by the Chinese accounting and business profession, and academics. China addresses professional ethics using the *General Standard on Professional Ethics* adopted by the CICPA and the MOF enforces ethical standard.

In the question of whether Chinese industry and the academics use the documents as ethical guidelines, the response was generally positive. About 50 percent of combined industry and academic respondents refer to Code of professional or societal conduct. The next document of use is the Statement of Certified Public Accountants (46.8%) followed by the documents Statement of the Institute of Internal Auditors (38%) and Guidelines issued by the China Security Regulatory Exchange Commission (CSRC) (19%). The CICPA is the first profes-

sional accounting body founded in China since the establishment of the People's Republic of China. Therefore, its presence is felt by business as a tax collector for the government. The ethics in the accounting profession in China is dominated by the documents of organizations like the CICPA and CSRC. Chinese dependence and orientation leans more toward government regulated body documents rather than toward accounting research type bulletins for ethical guidance and standard. This corroborates about one-third of the respondents who wanted to have government regulation and control in the Chinese accounting and practices.

In the West, historically, the accounting profession went through critical junctures and the government and the profession had to resort to "policing". Recently, in the wake of Enron and WorldCom financial turmoil, the Corporate and Auditing Accountability, Responsibility, and Transparency Act (2002) was passed. The bill affects the auditors of the financial statements of public companies and imposes a variety of requirements on public companies that will protect the public and enhance transparency suggesting that tighter controlling measures might be required and the government might step in.

Discussion

China is new in the area of self-governed institutions like the Chinese Institute of Certified Public Accountants (CICPA) and the Chinese Association of Certified Public Auditors (CACPA). The CICPA was established in 1988 and the CACPA in 1991. Although technically they are private organizations, they are governed and regulated by the Ministry of Finance (MOF) and the State Audit Administration respectively (SAA) and their day-to-day functions are directly influenced by substantial government involvement (Chow et al., 1995; Macve and Liu, 1995; Graham, 1996). Therefore, a relatively low degree of professionalism is expected in China. In addition, many CPAs did not receive systematic academic education and did not have adequate experience with market economy transactions (Graham, 1996). In China, only

foreign investment enterprises and listed companies are required to have a legal audit by CPAs. There is generally no statutory requirement on other types of business that must receive financial statement auditing (Lin and Chan, 2000). Although the new Chinese accounting framework is based on many common aspects of the Western one, this may not yet be reflected in the financial and operating results provided by the Chinese accounting system. It may explain why the respondent companies' results, though improved have unexplainable variations. However, 84.9% of the respondents confirmed some changes in business ethical culture, accounting system and practice in Chinese businesses. This may be considered a positive signal to Western businesses and investors who are looking for a change in the *business culture* that China had been practicing under the socialist economy. In order to create an institutional trust so that practices are within the acceptable norm, there needs to be public enforcement, which could be achieved, by creating an awareness of the issue. Also it is necessary to construct a context of institutional trust by government specific regulators, securities commissions, private regulators and intermediaries, investment brokers, lawyers and accountants. It is with the coordinated efforts of all intermediaries in China, what Neu (1991) called multiple loosely-coupled trust-producing institutional mechanisms, that a bridge can be constructed to gap the diverse expectations of Chinese business partners and those in the West.

A greater number of respondents (74.4%) confirmed that they practice code of conduct. This corresponds to the required practices identified by the CICPA in the *General Standard on Professional Ethics*. Documentary evidence from the West, the Treadway Commission's report in the USA, suggests that a written code of conduct enforce the corporate ethical climate. It sends signals to all employees to conform to the code for conducting the company's affairs. CICPA, CACPA and other multiple-trust producing institutions' pronouncements enjoying Chinese government support and sanctions to practice accounting and business, might lead the way to create desired ethical grounds.

The recent turmoil in the financial and

accounting world in the wake of WorldCom, Enron and Arthur Anderson reporting practices may make one ponder over the effectiveness of the code of ethics practice in the Western world. While the actions of a few need not be the reflection of the rest of the companies', it is suggested the controlling measures of the professional bodies and the government and appropriate sanctions for failure to live up to the expectations of the investors, may produce better results.

The survey shows that about one-third of the respondents supported the government's control and regulation. If the government's actions are geared toward supporting and supplementing the effort of professional organizations', compliance of the ethical practice by the companies possibly might be higher than without it at least for sometime until intermediary and institutional trusts are fully developed and self-governed.

What is desired is the Chinese government's understanding and support so that businesses can grow independently. In the emerging Chinese market economy, businessmen may also feel insecure because of openness not experienced before and might desire to protect investments and perceived business environment supporting government regulation and control. Though about two-thirds of the respondents are against government regulation and control, to feel secure with their investments it is not surprising that almost one-third of the respondents favor government regulation and control in accounting and business practices during the transition period.

A substantial percentage of non-responses (45%) for the financial indicators are indicative of the conservative policy of the companies in the information dissemination. This may be considered normal for a centralized economy where information is controlled and dissemination is restricted. Yang et al. (2001, p. 105) documented that Zongshun Qui and Ping Wang's study in 1988 is believed to be the first effort made by Chinese academics to find out via questionnaires what practical accounting situations were in Chinese enterprises. The companies demonstrated conservative policy in providing data to the surveyor-academics. Even though the com-

panies are practicing some accounting and business policies now, because of practice not yet institutionalized, companies are restrictive in furnishing information.

From institutional perspectives, Chinese companies are consulting ethical documents and pronouncements from the institutions they are familiar with since the socialist era such as CICPA, CACPA, statements of the Institute of Internal Auditors and others, though the purpose was different. In the West, however, companies rely primarily on FASB in the U.S.A. or Accounting Standard Board (ASB), the organ of the Canadian Institute of Chartered Accountants (CICA) and similar bodies in other western countries. It is argued that, when institutional trust would gain ground in the Chinese market, companies might rely more on other documents to further enhance the code of conduct and ethical practice.

Building an ethical culture

Business ethics were not a serious issue in the socialist era. Tang (2000) commented that the lack of ethics is a pervasive issue in business activities as China's economic reform is changing the way of life, way of thinking and paving the way to reciprocity with Western ethics.

The Chinese accounting profession is going through a period of transition from "moral vacuum" to crystallization based on changed ethical perspectives. The CICPA issued three important standards – "Professional Ethics", "Quality Control" and "Continuing Professional Education". These standards provide a basic framework for professional ethics and quality (Tang, 2000). As ethics is an individual and collective responsibility, the Chinese government can proactively include ethics early in the school curriculum to make it pervasive in the later life of individuals (Lee, 1999). As elsewhere in the world, accounting academics in China need to assume a catalytic role in the interpretation and use of Chinese and Western ethical perspectives. The Chinese Accounting Society of the academics, though controlled by the Ministry of Finance, has to be dynamic and critical of gov-

ernment policies for accounting organizations (Tang, 2000). It is a dilemma that while the CICPA needs independence in order to become a self-regulatory professional body, it still needs the support of the government to establish its authority to institutionalize a new culture for business and accounting practices.

Conclusion and limitations of the study

The emergence of decision-making authority from government to micro level was a great motivating factor for the development of accounting and business practices in Chinese enterprises. Since the Chinese Government's decision to practice market economy, it is argued that *Guanxi*-based business and accounting practices could create a problem for Western investors and business practices. The present study was undertaken to examine whether there has been a change in business ethical culture, accounting system and practice in the Chinese business between 1978 and the year 2000, and whether there is a similarity in the Chinese ethics and guidelines compared to Western business ethics and guidelines.

The results show that the majority of the respondents, 84.4% of the industry and 86.1% of the academics, believe that there is a change in the ethical cultural practice. There are some variations in the result of responses of the industry and academics measured in the response scale (1–5). Industry respondents' perception of changes is higher than that of academic respondents. With intermediary-trust producing institutions on the rise, it is expected that the visibility and influence of institutional trust in business in China would be growing. Therefore, enforcement of the intermediary institutions would be felt more widely.

Though the earliest year that the respondents started practicing code of conduct is 1984, more than 52% of the respondents practice written code of conduct and the rest unwritten. The written code of conduct in some cases is formalized from the international code and some are taken from the Chinese societal value practice. With an increased number of companies fol-

lowing code of conduct in business and accounting practice when institutionalized, greater benefits to society may be achieved. By serving social interest, professions and private enterprises would be able to maintain legitimacy and create some trust which is necessary for Western business, stranger to the culture, to conduct business for mutual gain in the free market (Neu, 1991).

The study found mixed results as to whether government regulation and control would be supported in the Chinese accounting and business practices. About one-third of the respondents want some form of government control. Academics form more than 69% and industry 62.0% of those who do not want government regulation and control. Companies and private businesses might feel insecure about the safety of their investments during the transitional economy, due to societal value change. Survey results indicate that businesses would be supportive of government regulation and control, however, influence of growing intermediaries nurtured by western professionalism would help restrain the direct influence of the Chinese government.

It is observed that non-responses for the financial indicators are the highest of all variables investigated in the study. This may be due to conservative practice in providing financial data that enterprises had under centrally controlled economy. Competition, mandatory and voluntary practice to provide information, financial and accounting Bodies regulation, listing on the stock exchange and other measures might improve *culture* willingness to provide information.

The four Ethical Guideline documents used by the respondents are, in sequence of preference, Code of professional or societal conduct, Statement of Certified Public Accountants, Statement of Internal Auditors and Guidelines issued by the CSRC. Chinese enterprises are more familiar with institutions like CICPA, Institute of Internal Auditors and CSRC. Therefore, it may be expected that the pronouncements by these institutions will be better accepted and followed. The greater number of respondents' agreement to use some code of ethical conduct might lead *Guanxi* exchange

participants to enlist in newly formed intermediary-trust to achieve economic goals.

Guanxi-based exchange in the twentieth century A.D. affirms *Guanxi*'s cultural persistence (Standifird and Marshall, 2000). However, the initiative to undertake programs to propagate the ethical concepts of reporting and information dissemination should come from the government regulators such as the securities commission, private regulators such as the stock exchange and other intermediaries such as investment brokers and professionals like lawyers and accountants. Because of the resulting lack of understanding of Western ethics and its practices, any attempt to precipitate the rate of accounting change to please some foreign investors may result in accounting uniformity dissolving into accounting disorder (Pankov, 1998).

The Chinese government controls the CICPA; therefore, CICPA is dependent in its decision-making process and is not self-regulating. If it is self-governed, the Institute can expect to have input from its members, the interested public, private accountants, and others. So long as the Institute is under the influence of the Chinese government, the objectivity of the decisions and information might be questioned. However, with increased intermediaries and institutional trust in force, it is suggested the Chinese code of ethical conduct practice would be improved to become acceptable to the West. Result of the investigation shows that a greater number of respondents are in favor of having professional institutions self-regulated, which might ensure objectivity in pronouncements by the institutions.

Western investors and multinational corporations will continue investing in the Chinese economy as long as Chinese *business culture* provides a favorable climate. To create the environment, there may be a need to initiate dialogue between Chinese and Western philosophy. Such a dialogue cannot take place on the ground determined by either side and it must come from a long process of interpretation back and forth (Allinson, 1989). The deep-rooted *Guanxi* dating back some 2000 years is part of the Chinese culture; however, culture may also be changed over time (Allinson, 1989a) and it might be necessary for Western businesses to recognize the

significance of *Guanxi*-based practice in the business system when these are getting institutionalized and trusted.

As in all other field survey investigations, several limitations of this study deserve mention. The conclusion of the study is beset with subjectivity as a result of qualitative methodological approach and specifically, the characteristics of the sample. In particular, the limited number of samples and specific characteristics of the participating firms make the results of this study difficult to generalize.

However, the present study provides some directions for the policy issues and reported the institutional changes in the Chinese business and accounting practices. Future research may be directed to identify how far and where government intervention might be tolerated. Wider geographical coverage in the study would reflect regional diversity in the result. More frequent meetings, exchange of ideas, seminars and conferences on ethics and accounting practices with the West might help to form a trust-producing mechanism and marketing of trust for ethical business and practices in conformity with the Chinese cultural needs, which would be known to the West.

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Notes

¹ This paper draws on materials from the paper: An Exploratory Study of an Ethical Perspective in Accounting System and Practice in Chinese Management: M. Islam.

² Adopted and modified from Encarta: World English Dictionary, Microsoft Encarta, Bloomsburg Publishing Plc 1999.

Appendix 1

TABLE I
Distribution by regions and category

	Industry	Academic
Beijing	20	7
Dalian	28	11
Shanghai	19	9
Wuhan	23	9
Total	90	36

TABLE II
Background of respondents

	Beijing	Dalian	Shanghai	Wuhan
CEO	5	6	3	3
GM	3	4	2	3
VP Finance	3	1	3	3
Accountant	6	12	8	9
Other	3	5	3	5
Total	20	28	19	23

TABLE III
Firms by industry

	Beijing	Dalian	Shanghai	Wuhan
Financial services	6	6	4	7
Electronic components and computers	7	4	3	3
Machinery and equipment	1	4	2	3
Construction	2	3	3	2
Food	2	4	2	3
Other	2	7	5	5
Total	20	28	19	23

TABLE IV
Change in the business ethical culture, accounting system and practice in Chinese business between 1978 and present

		Awareness of any ethical cultural change					Awareness of any accounting system change					Business practice change										
		Response Scale*					Response Scale*					Response Scale*										
		No.	%	1	2	3	4	5	No.	%	1	2	3	4	5	No.	%	1	2	3	4	5
Yes	Industry	76	60.3	1	7	19	29	13	62	54.4	7	9	10	2	1	59	50.4	5	10	14	14	3
	Academic	31	24.6	3	10	10	12	1	32	28.0	6	7	6	7	0	29	24.8	6	8	8	9	1
No	Industry	14	11.1						16	14.0						22	18.8					
	Academic	5	4.0						4	3.6						7	6.0					
Total		126	100						114	100						117	100					

* 1 = no change; 2 = few; 3 = some; 4 = many and 5 = extensive.

TABLE V
Code of Conduct Practice (CCP)

	Yes	No	DNA*	If yes, written CCP	Or unwritten CCP	DNA*
Beijing	14	6	0	6	8	0
Dalian	20	5	3	9	10	1
Shanghai	14	2	3	9	5	0
Wuhan	19	4	0	11	7	1
Total	67 (74.4%)	17 (18.9%)	6 (6.7%)	35 (52.7%)	30 (44.8%)	2 (3%)

* DNA = Did not answer.

TABLE VI
Government regulation and control

		Yes	No	DNA*
<i>Industry</i>	Beijing	7	13	0
	Dalian	8	16	4
	Shanghai	8	10	1
	Wuhan	6	17	0
<i>Academics</i>	Beijing	1	6	0
	Dalian	3	8	0
	Shanghai	3	6	0
	Wuhan	3	5	1
Total		39 (31.0%)	81 (64.3%)	6 (4.7%)

* DNA = Did not answer.

TABLE VII
Financial performance indicators

Financial indicators		ROI	EPS	CF to total assets	Sales (Revenue)	Net income
1997	Increased	18	11	13	14	16
	Decreased	11	13	13	12	15
	Remained the same	12	11	13	13	10
1998	Increased	24	23	25	20	18
	Decreased	12	10	11	9	12
	Remained the same	9	9	6	12	9
1999	Increased	20	15	20	22	23
	Decreased	10	7	9	8	10
	Remained the same	15	17	14	12	14

Note: ROI (Return on Investment) = Net Income/Investment; EPS (Earnings Per Share)= Net Income (less dividend on preferred shares)/Average common shares outstanding; CF to total assets = cash flow generated from operation/total assets.

TABLE VIII
Ethical guideline documents

Documents	No.							
	1*	2*	3*	4*	5*	6*	7*	8*
<i>Industry</i>								
Beijing	11	9	9	3	8	3	11	0
Dalian	17	12	5	1	6	2	0	0
Shanghai	7	7	2	3	4	4	1	0
Wuhan	10	5	9	3	8	3	10	1
Total	45	33	25	10	26	12	22	1
<i>Academic</i>								
Beijing	6	4	5	0	4	3	6	0
Dalian	11	10	3	0	9	4	0	0
Shanghai	8	6	1	2	6	4	1	0
Wuhan	5	6	6	2	3	1	4	0
Total	30	26	15	4	22	12	11	0

1* Code of Professional Conduct/societal conduct;
 3* Statement of Government Accounting Standard;
 5* Statement of the Institute of Internal Auditors;
 7* Accounting Standard and Accounting Principle Board;

2* Statement of Certified Public Accountants;
 4* Accounting Research Bulletins;
 6* Guidelines Issued by the CSRC;
 8* Others.

TABLE IX
Your position in the university

	Professor	Associate Professor	Assistant Professor	Lecturer	Other
Beijing	2	3	2	0	0
Dalian	2	3	4	0	0
Shanghai	0	4	5	0	0
Wuhan	1	2	6	2	0
Total	5	12	17	2	0

TABLE X
Industry-Academia and Response Scale, Cultural-Mann-Whitney Test

NPar					Test Statistics ^b	
Group		<i>N</i>	Mean rank	Sum of ranks		Response
Response	1.00	5	6.5	32.50	Mann-Whitney <i>U</i>	7.500
	2.00	5	4.5	22.50	Wilcoxon <i>W</i>	22.500
Total		10			<i>Z</i>	-1.51
				Asymp. Sig. (2-tailed)	0.293	
				Exact Sig.[2*(1-tailed Sig.)]	310 ^a	

^a Not corrected for ties; ^b Grouping variable: GROUP.

TABLE XI
T-Test: Government regulation and control

	Levene's test for equality of variances		t-test for equality of means				t-test for Equality of means		
	F	Sig.	t	Df	Sig. (2-tailed)	Mean difference	Std.Error difference	95% CI of the difference	
YES1*	3.406	0.086	-2.739	14	0.016	-5.25	1.9168	-9.3611	-1.1389
2*			-2.739	11.151	0.019	-5.25	1.9168	-9.4619	-1.0381

*1 Equal variances assumed; *2 Equal variances not assumed.

Appendix 2

Some Empirical Evidence of Chinese Accounting System and Business Management Practices from an Ethical Perspective: A Survey Questionnaire

FOR INDUSTRY

A. Your Background

What is your position?

CEO: _____ VP-Finance: _____ General Manager: _____ Accountant: _____ Other, specify: _____

B. Indicate the Industry Sector your company belongs to:

Financial Services: _____ Food: _____ Electronic Components and Computers: _____

Machinery and Equipment: _____ Construction: _____ Other, specify: _____

C. There has been a change in the business ethical culture, accounting system and practice in Chinese business between 1978 and present.

(1) (a) Are you aware of any ethical culture change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

The response scale is:

1 = no change; 2 = few; 3 = some; 4 = many and 5 = extensive

No change

Changes

1 2 3 4 5

(2) (a) Are you aware of any accounting system change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

No change

Changes

1 2 3 4 5

(3) (a) Are you aware of any business practice change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

No change

Changes

1 2 3 4 5

D. Do you practice a new code of conduct in your business?

Yes:

No:

If practiced, what type of Code of Conduct do you practice?

Written: _____ Unwritten: _____

Since when?

E. (1) Do you think that there should be a Government regulation and control in the Chinese accounting and practices?

Yes:

No.:

If yes, please indicate your reason (s):

If no, please indicate your reason (s):

(2) Do you think that accounting practice should be selfregulated/controlled?

If yes, please indicate your reason (s):

If no, please indicate your reason (s):

F. Financial Performance Indicators

In the recent past, have the following financial indicators increased, decreased or remained the same for your organization? (Please, tick the appropriate box, and as many as necessary):

Note: ROI (Return on Investment) = Net Income/Investment.

EPS (Earnings Per Share) = Net Income (less dividend on preferred shares)/Average common shares outstanding.

CF to total assets = cash flow generated from operation/total assets.

Financial indicators	ROI Assets	EPS (Revenue)	CF to total Income	Sales	Net
1997 Increased Decreased Remained the same					
1998 Increased Decreased Remained the same					
1999 Increased Decreased Remained the same					

G. Do you use the following documents as ethical guidelines?

Please circle as many as you use.

1. Code of professional/societal conduct
2. Statement of Certified Public Accountants
3. Statement of Government Accounting Standards
4. Accounting Research Bulletins
5. Statement of the Institute of Internal Auditors
6. Guidelines issued by Securities and Exchange Commission
7. General Accounting Standards and Accounting Principles Board
8. Other: specify

**Some Empirical Evidence of Chinese Accounting System and Business Management Practices
from an Ethical Perspective: A Survey Questionnaire**

FOR UNIVERSITY FACULTY:

A. Your position in the University

1. Professor
2. Associate Professor
3. Assistant Professor
4. Lecturer
5. Other, please specify

B. There has been a change in the business ethical culture, accounting system and practice in Chinese business between 1978 and present.

(1) (a) Are you aware of any ethical culture change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

The response scale is:

1 = no change; 2 = few; 3 = some; 4 = many and 5 = extensive

No change

Changes

1 2 3 4 5

(2) (a) Are you aware of any accounting system change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

No change

Changes

1 2 3 4 5

(3) (a) Are you aware of any business practice change?

Yes:

No:

(b) If yes, to what extent there has been a change brought about by reforms?

Identify your agreement in the following grading scale:

No change

Changes

1 2 3 4 5

C. (1) Do you think that there should be a Government regulation and control in the Chinese accounting and practices?

Yes: _____

No: _____

If yes, please indicate your reason (s):

If no, please indicate your reason (s):

(2) Do you think that accounting practice should be selfregulated/controlled?

If yes, please indicate your reason (s):

If no, please indicate your reason (s):

D. Do you use the following documents as ethical guidelines?

Please circle as many as you use.

1. Code of professional/societal conduct
2. Statement of Certified Public Accountants
3. Statement of Government Accounting Standards
4. Accounting Research Bulletins
5. Statement of the Institute of Internal Auditors
6. Guidelines issued by Securities and Exchange Commission
7. General Accounting Standards and Accounting Principles Board
8. Other: specify

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