The Status of Bookkeeping Agency Industry and Literature Review in China

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Abstract. In recent years, scholars are increasingly concerned about the development of Bookkeeping Agency (BA) industry. The author analyzed and reviewed the fruits of the studies on BA industry. Present literatures show that, current contents focus mainly on analyzing the problems and coping strategies while lack the studies on the development patterns of the enterprises. Their studies are lacking of theoretical support. On base of the results of reviewing, the author brought forth the importance and necessity for BA industry to improve their development patterns and put forward some significant issues for scholars to dig deeper into the subject.

Introduction

BA industry is a new segment of accounting service industry, it’s also one of the most important part of knowledge intensive business services (KIBS) industry. With the development of China socialist market economic system and the trend of Public Entrepreneurship and Innovation, all kinds of small and medium-sized enterprises (SMEs) are gradually developing and have become an important and active force of economic development. BA as a new accounting, financial and social services, which brings great convenience to financial management of SMEs, private enterprises and individual business, is being accepted by more and more operators. While as an emerging thing in Chinese modern service industry, BA industry is developing rapidly with great challenges: the increasing uncertainty of external environment, improvement of industry standards, fierce industry competition. On the other hand, from the BA companies’ own perspective, there are many exiting problems like services homogenization, lack of innovation and IT technology, vicious low-price competition within the industry.

As to the current academic research, scholars are increasingly concerned with the development of Accounting Service Industry and they began to explore the development of BA industry. Searching on the CNKI with the keyword Bookkeeping Agency, there are 218 articles in total, but only 26 articles aimed to industry development patterns. There is no doubt that we can adopt some practical methods from their studies to promote enterprise developing, but the current researches are lacking of theoretical support, the depth and breadth of their researches also should be improved.

Relevant Theories on Bookkeeping Agency

The Connotation of Bookkeeping Agency

Traditional Bookkeeping is only defined as a simple accounting business, while the connotation of BA is constantly enriching and developing with the improvement of deputy system and the booming of multi-component economy especially the small business. He Xiao (2013) suggested that in order to adapt social development, to enhance market share and corporate competitive power, BA industries has enriching their services and products, the meaning of BA goes beyond the traditional definition, it has a more extensive outreach and more profound meaning[1]. We can see the different definitions on BA in table 1.
Table 1. Definitions of Bookkeeping Agency.

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<th>Scholar</th>
<th>Definition</th>
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<tr>
<td>Ma Xiaokuai (2010)</td>
<td>The behavior that customers entrust accounting, bookkeeping business and tax declaration (tax returns) to professional accounting firm[2].</td>
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<tr>
<td>Liu Donghui, Gao Jinwei (2010)</td>
<td>The qualified agency agent some enterprises which haven’t set up accounting organizations to conduct bookkeeping business[3].</td>
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<tr>
<td>Li Junlin (2011)</td>
<td>The agencies are entrusted by the independent accounting enterprises to deal with their accounting, bookkeeping business and tax declaration[4].</td>
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<tr>
<td>Jiang Hua, Guo Pengyun (2012)</td>
<td>The relevant institutions make a contract with the accounting entities and accept their delegations to do the accounting work according to original evidences and other data that provided by the clients[1].</td>
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<tr>
<td>He Xiao (2013)</td>
<td>The legal and qualified agencies are entrusted by the enterprises and public institutions, individual business and some other accounting entities to do this business: accounting (the basic and core work), tax, business and financial management consulting, tax planning and some other business modules[1].</td>
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The Policies and Laws of Bookkeeping Agency

In 1993, China added the regulation of Bookkeeping Agency when amended Accounting Laws, to allow the enterprises which do not have the conditions of setting up accounting organizations and accounting personnel to entrust the approved accounting consulting and service institutions to do the accounting work. In order to regulate BA business, in 1994, the Ministry of Finance issued Bookkeeping agency management interim regulation (No.24), this procedure has been adopted for more than 10 years until the Bookkeeping agency management regulations were issued in 2005, the new regulation make a specific stipulations on the qualifications and procedures of BA, the responsibilities and obligations of the two entrusting parties. After that, there are more than 10 provinces and cities issued some implementing rules and measures to regulate local BA business. It's obviously that the new regulations are more reasonable, but there are some deficiencies, for instance, as to BA legal relationships, the legal responsibilities of the trustee have not been completely standardized. BA companies lack of effective supervision because some relevant regulators failed to fulfill their duties. Furthermore, BA industry as a service industry with a high rate taxes, they seldom get the benefits and supports from the government, which limit their development.

In recent years, the central government and some regions are taking measures, regulations and supervisions to promote BA agency institutions to provide better services for SMEs. For instance, in 2013, the Ministry of Finance issued The Guidance on Strengthening and Improving the Primary Accounting Management to regulate the behaviors of BA. In 2012, Shanghai issued The Guidance on Further Promoting Healthy Development of Bookkeeping Agency Industry, which actively leads BA institutions to make innovation on their business, supervise BA institutions to standard their practice and improve their practice quality and social credibility. In 2013, the Ministry of Finance of Anhui province issued The Notice on Regulating the Bookkeeping Agency Institutions Management, through explicit the responsibilities of each department, establish Four Systems, to guide and accelerate BA institution developing.

The Developing Patterns of Bookkeeping Agency

The current literatures are lacking of the study on the developing patterns of BA companies whether in domestic or abroad. Dagilienė L (2014) proposed traditional accounting business take
innovation as an expense, but now innovation becomes an important intangible asset for a company. Therefore, it has been an urgent practical need to enhance the competitive power of China BA by means of innovation[5].

Zuowei (2000) according to the difference of BA institutions organization and work process brought forth the developing models of BA industry evolved from Close Model to Loose Model to Assembly Model to Franchising Model. The Close Model and Loose Model are traditional models which suit for small-sized bookkeeping companies. Most of the modern bookkeeping companies adopt the Assembly Model. As to the author’s opinion, Franchising Model, favorable for rapid and low cost expansion, will be the tendency of bookkeeping agency industry. Franchising Model is a popular international business concept, which takes the principles of franchise, will promote the companies to achieve rapid expansion with a low-cost. The Franchising Model will greatly promote the development of bookkeeping industry if it could be taken by companies[6].

Weijiang (2008) carried out the exploratory research on the service innovation patterns of accounting services, brought forth two typical service innovation patterns, i.e. proactive service innovation pattern and reactive service innovation pattern. The proactive service innovation pattern is an active, endogenous pattern, which means a company takes an innovative way to conduct their services and professional processes under the guidance and promotion of the corporate strategy for their own development needs. The reactive service innovation pattern is a passive, exogenous pattern, companies can solve many new problems and change or improve services to satisfy consumers by fully interacting with consumers[7].

There are some other scholars put forward their views about the development of accounting industry. For example, Tang Lihua (2012) brought forth the future development trend of China accounting service is scale operation and international cooperation[8]. Hubo (2014) brought forth that faced with the increasingly complex economic environment, accounting service enterprises must carry out management innovation[9]. Ma Qiuling (2007) proposed that to promote the comprehensive development of accounting service enterprises, we should take some measures like improving the regulations, strengthening professional organizations, developing an industry chain, diversifying consumers or other aspects[10]. Xie Meifang (2010) proposed Unified pattern, team pattern and tree structure pattern from the perspective of BA internal management innovation[11]. Jing Guanghua (2014) proposed BA companies should achieve business transformation and innovation by optimizing and improving their accounting service quality[12].

The Problems and Prospects of China Bookkeeping Agency Industry

The Present problems in China Bookkeeping Agency Industry

BA institutions were born under the market economy specialization division. They offer accounting service for the society, which can implement the national unified accounting systems, improve the quality of accounting service on SMEs, promote levy taxes on SMEs, solve employment problem of accounting personnel. Besides, it can save social costs by a low service charge. In recently years, China bookkeeping industry experienced recovery from start up, establish business to an all-round development stage. Currently, it’s undergoing transition stage from infancy to growth stage (Zhang Li, 2015)[13].

In some regions, BA industry is developing rapidly, which has been an important force to promote the development of SMEs. With the guidance of BA institutions, SMEs can conduct industrial and commercial registration accord to the relevant regulation, establish account normally and declare taxes timely. The accounting services institutions contribution to helping the relevant government sector manage SMEs, but there are still some operating problems in many BA institutions.

1. Industry market is not fully developed and the service field is not fully expanded. Bookkeeping agency’s service object aim to small business, the small business accounts for 90% of China total enterprises at present (Yang Min, 2013)[14]. But those companies are in large number and widely distributed, the laws and regulations cannot supervise all the companies. It’s a common
phenomenon that most of the small business, private enterprises and individual business haven’t created account business because they lack the knowledge of the regulations or cannot understand it fully, which make them lost main customers. Secondly, the essence of BA is financial outsourcing, nowadays Enterprise Groups become a part of their customers because more and more Enterprise Groups choose financial outsourcing to reduce the administrative cost. But most bookkeeping agencies haven’t explored this market, which cause meager profit business.

2. Services homogenization and lack business innovation. Currently, China BA companies maintain an irrational business structure. From the perspective of business structure, most accounting service companies’ business mainly based on traditional bookkeeping, tax agency and financial consulting, some of them extend the business to industrial and commercial registration, internal audit. However, from the perspective of revenue component, accounting services, tax agency and some traditional business account for 80%-90% of all business revenue, high ranking services like financial management consulting service only account for 5% of the revenue. This irrational business structure causes companies operate with low profit. Faced with the new situation, they can’t fully satisfy the demands of the consumers, which reduce their competitive power.

3. Vicious low-price competition, imbalances between charge price and service value. Practice quality, market competition, industry regulations, many factors will influence the strategies of the company. Many BA companies take a low-price competition strategy to seize the market, which cause the imbalances between charge price and services value, lead to poor quality of service and other issues.

4. Technology innovation and accounting informatization level should be improved. With the development of information technology and e-business, the internet cloud technology has been applied to the development of online accounting. However, China bookkeeping companies are still in a low utilization rate because of the limited capital and insufficient introducing talents. Their informatization level is far below large-scale enterprises and foreign accounting service companies, which not only increase enterprise cost, but result in many issues like working inefficiency, failing to expand business, blocking interaction with clients, at last it will cause many inconvenience to customers and restrict the company’s development.

5. Deficient in organization innovation and management mechanism. It’s hard to develop a perfect internal management mechanism for most bookkeeping companies because of small enterprise scale and less employees. Even in some developed accounting service companies still operate an unsound organization structure. Accounting service reflects principal-agent relationship, but at present, most of the companies cannot follow the modern enterprise system and Accounting Standard for Business Enterprises requirements to establish clear Right-Duty, Inter restricted relationship management mechanism.

The Prospect of China Bookkeeping Agency Industry’s Innovation Development

Foreign studies are lacking of innovation research on the bookkeeping company may due to their mature market, high business management and numerous accounting companies. As to the domestic studies, there are some deficiencies as follows: firstly, from the point of research object, present studies are lacking of taking interdisciplinary research and combining the background of China special systems to conduct researches on bookkeeping enterprises innovation behaviors. Secondly, as to the research method, present researches are mainly based on normative method, while are short of interview method, questionnaire survey, case studies and econometric model analysis, which cannot provide a sufficient guidance to the bookkeeping enterprises. Thirdly, accounting service as typical type in knowledge-oriented industry, present studies failed to focus on their practical problems and the relationship between theory and practical application, thereby they ignoring some important issues.

The motivation of international bookkeeping innovation management is following the customer, their innovation abilities and methods reflect great adaptability to the environment, while China BA companies are developing under the national policy. China BA company has been rushed through 20 years, the legal systems are more and more complete, business scope expand as well, but they
still face a lot of challenges. Only innovate developing patterns for the BA companies to improve its environmental adaptability and enhance the competitive power, can make them survive in the increasingly fierce competition.

References


