

IFRS in China: A Systematic Literature Review

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ABSTRACT:- The adoption of International Financial Reporting Standards (IFRS) in China marks a significant shift in its accounting practices, aiming to enhance the comparability, transparency, and credibility of financial information. This paper provides a systematic review of the literature on the adoption and implementation of IFRS in China, analyzing its impact on financial reporting quality, economic outcomes, and the challenges posed by China's unique institutional and cultural context. Based on bibliometric data from the Web of Science (WoS) database, the study categorizes the selected research into four themes: adoption and implementation, financial reporting quality, economic consequences, and challenges. The review identifies key opportunities and challenges in the IFRS transition, synthesizing fragmented research and offering insights for future research and practice. The findings have theoretical, practical, and global relevance, contributing to academic discussions on IFRS adoption and providing valuable lessons for other emerging economies undergoing similar transitions. This study emphasizes the importance of contextual strategies to align global accounting standards with local practices, offering guidance for policymakers and practitioners in both China and other developing economies.

Keywords:- IFRS, China, convergence, accounting quality

I. INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) in China represents a critical transformation in the nation's accounting practices, aligning its financial reporting with global standards (Zhang et al. 2023). This alignment aims to enhance the comparability, transparency, and credibility of financial information in a rapidly growing economy. Over the past two decades, China has undertaken significant efforts to converge its Accounting Standards for Business Enterprises (ASBE) with IFRS, reflecting its commitment to integrating into the global financial system (Zhang et al. 2023).

The adoption of IFRS has been a key strategy for improving financial reporting quality and attracting foreign investment, aligning with China's broader economic reforms. However, the process has been shaped by China's unique institutional, cultural, and economic context, which presents distinct challenges compared to other countries. Researchers have explored various dimensions of IFRS implementation, including its effects on financial reporting quality, economic outcomes, and the challenges arising from cultural and institutional differences (Chen et al. 2019; Hao et al. 2019; Zhang & Ye 2020). This review-based study synthesizes academic research to provide insights into the adoption, implications, and outcomes of IFRS in China. By addressing both the opportunities and challenges, it seeks to enhance understanding and guide future research and practice.

This study employs a systematic approach based on bibliometric data sourced from the Web of Science (WoS) database. A comprehensive search using relevant keywords was conducted to identify scholarly articles. The selected papers were screened and categorized into four thematic areas: adoption and implementation, financial reporting quality, economic consequences, and challenges. This methodological framework ensures a rigorous synthesis of the existing literature, offering a holistic understanding of the topic.

Understanding IFRS adoption in China has theoretical, practical, and global relevance. The findings contribute to academic discourse by synthesizing fragmented research and identifying underexplored areas. For practitioners, this review provides insights into designing effective frameworks for harmonizing global accounting standards with local practices. On a global scale, it offers lessons for other emerging economies navigating similar transitions, emphasizing the importance of contextualized strategies for successful IFRS implementation.

The remainder of the paper is as follows. The second section is methodology. The third section is results and discussion. The fourth section is the conclusion.

II. METHODOLOGY

Following Gornjak (2020), this review is based on bibliometric data sourced from the Web of Science (WoS) database. An initial search yielded 189 articles using keywords of "IFRS in China". Several filter criteria were applied to refine the selection process:

Relevance: Articles focusing on the adoption, implementation, and impact of IFRS in China.

Publication Standards: Studies published in peer-reviewed journals or reputable conference proceedings.

Language: Articles published in English.

Accessibility: Full-text availability.

After removing duplicate entries and screening abstracts for thematic relevance, 25 articles were selected for detailed analysis. These studies were categorized into four major themes: adoption and implementation, financial reporting quality, economic consequences, and challenges. This rigorous selection process ensured that only high-quality and relevant research was included in the review, providing a comprehensive understanding of IFRS adoption in China (DeFond et al., 2019; Xie et al., 2021).

III. RESULTS AND DISCUSSION

3.1 Adoption and Implementation of IFRS

Researchers (DeFond et al. 2019) highlights that China's adoption of IFRS was driven by the need to attract foreign investment and integrate into global markets. For example, DeFond et al. (2019) examined the involvement of foreign institutional investors in promoting IFRS adoption, highlighting a positive influence on market participation. This study used a mixed-method approach, combining investor surveys and archival data, and concluded that IFRS adoption improved market liquidity and reduced information asymmetry.

Generally, the current studies emphasized that a): The phased approach China employed, starting with aligning its Accounting Standards for Business Enterprises (ASBE) with IFRS (Nie et al. 2013). b): The role of government and regulatory bodies in facilitating a top-down implementation process (Zhang & Ye 2020). c): Challenges stemming from differences in accounting practices, such as the emphasis on conservatism in

traditional Chinese accounting (Yang et al. 2018).

3.2 Impact on Financial Reporting Quality

Empirical studies (Barhamzaid 2019) consistently report improvements in financial reporting quality post-IFRS adoption. For instance, Barhamzaid (2019) conducted a longitudinal study examining financial data from 500 Chinese firms pre- and post-IFRS adoption. The findings revealed significant reductions in earnings management practices, with firms showing greater consistency in reporting standards. The study attributed these improvements to stricter enforcement mechanisms and auditor training programs.

Generally, the current literature suggests that IFRS adoption a): Enhanced comparability and transparency, leading to better investor decision-making (Hao et al. 2019). b): Reduction in earnings management and increase in value relevance of accounting figures, such as earnings and book value (Isaboke & Chen 2019).

3.3 Economic Consequences

IFRS adoption in China has had significant economic implications. Xie et al. (2022) explored how IFRS convergence facilitated international trade by improving the financial transparency of exporting firms, thereby reducing transaction costs. Using a quantitative approach, the authors analyzed trade volume data across 12 industries and concluded that IFRS implementation led to a 15% increase in cross-border trade activities, particularly in high-tech sectors.

Generally, the current studies suggested that a): The adoption of convergent-IFRS mitigates the phenomenon of IPO underpricing in China and this transition benefit is not moderated by the proportion of state-owned enterprises (Tsai & Huang 2021). b): Positive effects on capital market efficiency, including reduced information asymmetry and lower cost of capital for firms (Ye et al. 2018).

3.4 Challenges and Criticisms

Despite the advantages, several challenges hinder the effective implementation of IFRS in China. A study by Yang et al. (2018) highlighted the disconnect between IFRS training programs and the practical needs of Chinese firms. Using qualitative interviews with 50 interviewees, the authors concluded that insufficient localization efforts have slowed the adoption process. This study emphasized the importance of creating tailored IFRS frameworks to address China's unique business environment.

Generally, the current studies indicate that a): Cultural and institutional differences that conflict with IFRS principles, such as the preference for prudence and the influence of state ownership (Chunhui Liu et al. 2011). b): Limited technical expertise and resistance from stakeholders unfamiliar with IFRS requirements (Fang et al. 2022). c): Concerns about whether IFRS's "one-size-fits-all" approach is suitable for an economy with unique characteristics (Pasko et al. 2021).

These challenges underscore the need for tailored strategies to bridge the gap between global standards and local practices.

IV. CONCLUSION

The adoption of IFRS in China marks a significant milestone in the globalization of accounting standards. While the benefits of improved financial reporting quality and economic integration are evident, challenges remain in aligning IFRS with China's unique context. Future research may explore the following aspects:

Longitudinal studies on the sustained impact of IFRS.

The role of technology and data analytics in easing IFRS implementation.

Comparative analyses between China and other emerging economies adopting IFRS.

This systematic review provides valuable insights into the adoption and implications of IFRS in China, making several significant contributions to the existing literature and practice. The review synthesizes fragmented research, offering a comprehensive understanding of how IFRS adoption interacts with China's unique institutional and cultural environment. It bridges gaps in the literature by highlighting underexplored areas such as the long-term institutional effects and sectoral differences in IFRS implementation. Policymakers and regulators can use the findings to design more effective frameworks for harmonizing global standards with local practices. Insights from this review can inform strategies for capacity building among stakeholders, including accountants, auditors, and corporate managers.

Further, by analyzing China's experience, this review contributes to the broader discourse on IFRS adoption in emerging economies. It provides a blueprint for countries facing similar challenges, emphasizing the importance of contextualized implementation strategies. The paper also identifies research gaps and proposes future avenues, such as examining the role of digital tools in IFRS adoption and comparative studies with other major economies. These directions aim to enhance the relevance and applicability of IFRS in diverse settings. Through its integrative approach, this review serves as a critical resource for academics, practitioners, and policymakers seeking to understand and navigate the complexities of IFRS implementation in China.

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