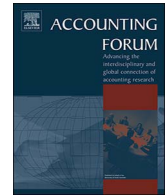


Contents lists available at [ScienceDirect](#)

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor

A socialist market economy with Chinese characteristics: The accounting annual report of China Mobile

Xun Gong, Corinne Cortese*

School of Accounting, Economics and Finance, University of Wollongong, Australia

ARTICLE INFO

Keywords:

Annual report
China
Socialism
Market economy
Critical discourse analysis

ABSTRACT

Since the economic opening reform in the 1970s, China has undergone significant ideological change that has shifted the country's focus from a planned economy to a market economy. The co-existence of a market economy with a socialist political regime offers a unique opportunity to explore the role of accounting in contemporary China. Using critical discourse analysis, we have analysed the production, distribution, and consumption of a leading Chinese SOE's annual report that has a dual readership (i.e. Chinese and Western). We demonstrate that accounting reflects and helps naturalise the competing ideologies of a global market economy with strong government control.

“We in Mainland China insist on socialism, not the evil path of capitalism. The distinction between socialism and capitalism is common prosperity, not polarization (in income distribution). The wealth that we create first belongs to the state, and second the people. It does not give rise to a new capitalist class. The proportion that the state takes is also used in the interest of the people, for instance on national defence, but more on developing economy, education and science, and improving people's life and their intellectual and cultural level” (Deng, 1993; p.123).

1. Introduction

The socially reflective and constitutive nature of accounting (Hines, 1988) has given way to an understanding of accounting as a mediator of social conflicts between divergent interests among different classes (Arnold & Hammond, 1994; Chua, 1986), which serves as “a cohesive and influential mechanism for economic and social management” (Burchell, Clubb, Hopwood, Hughes, & Naphapiet, 1980; p.6). While such a role of accounting has been studied in a wide range of Western contexts (Bryer, 2000a, 2000b, 2005; Cooper, 1995; Chwastiak, 1999; Funnell, 1998; Lehman & Tinker, 1987; Spence, 2007), its implication in contemporary China has received insufficient attention in critical accounting literature with a few exceptions (e.g. Ding & Graham, 2007; Xu, Cortese, & Zhang, 2014; Yee, 2009; Zhang, Andrew, & Rudkin, 2012). Considering the unique socio-political context of China where a socialist political regime coexists with a market economy, the paper aims to explore if and how accounting plays a dual role in serving both the socialist ideology and an increasingly globalised market economy in the country. At the same time, we also investigate the extent to which accounting practices and disclosures reflect China's political context as a *socialist market economy with Chinese characteristics*.

Since the late 1970s when Deng Xiaoping regained¹ power in the Chinese communist government, a series of substantive reforms

* Corresponding author.

E-mail address: corinne@uow.edu.au (C. Cortese).

¹ Deng Xiaoping was purged within the CPC three times (in 1934, 1967, and 1976) before he regained the power in 1978 (Shambaugh, 1993).

<http://dx.doi.org/10.1016/j.accfor.2017.04.002>

Received 24 August 2016; Received in revised form 3 January 2017; Accepted 21 April 2017

0155-9982/ © 2017 Elsevier Ltd. All rights reserved.

have changed the country's socio-political environment dramatically. However, despite China gradually opening its door to the rest of the world and the Chinese economy increasingly becoming integrated into the global market, the Communist Party of China (CPC) claims the nation as socialist in nature, or, in the words of the party leaders, "socialism with Chinese characteristics" (Deng, 1993; p.62; Jiang, 2006b; p.1). In relation to accounting, the previous Soviet Union model was replaced with a Western style accounting system (Ezzamel, Xiao, & Pan, 2007), and this was followed by the country's adoption of the International Financial Reporting Standards (IFRS) in 2007. However, unlike most other countries which have adopted IFRS, the accounting profession in China remains under the control of the government (Yee, 2009). Political factors are also influential in the functioning of the Chinese capital market which traditional accounting reports fail to represent (Liu, Tang, & Tian, 2013). This unique context raises questions as to what extent accounting is understood, interpreted, and used in contemporary China. While the extant accounting literature focusing on China primarily apply the concepts established in Western accounting systems and/or adopt the theoretical perspectives from the West (e.g. Xu et al., 2014; Yee, 2009; Zhang et al., 2012), our study locates accounting in the ideological context of the CPC as the ruling political regime, and focuses on the specific discursive environment in which accounting information is produced, distributed, and consumed by the Chinese as well as Western audience.

We have selected a leading state-owned enterprise (SOE)—China Mobile as the focus of the investigation, which represents the uniqueness of China's contemporary socio-political and economic context. As one of China's largest SOEs, China Mobile has maintained its dominance in the telecommunication sector of Mainland China and has become the largest telecommunication firm in the world since 2004 (China Mobile Limited, 2004). The fact that the firm has also been listed on the Hong Kong Stock Exchange (HKSE) and the New York Stock Exchange (NYSE) since 1997 gives a twofold readership from East and West. We have chosen China Mobile's 2010 Annual Report and analysed the associated discursive practice. This is primarily because the 2010 Annual Report is the first report that China Mobile published after the firm set up two different online environments in which the report is made available to Mainland Chinese viewers and Overseas investors (via www.10086.cn and www.chinamobileltd.com respectively) (Gu, 2010). China Mobile also recognises its websites as a formal channel to "account to shareholders for the performance and operations of the (c)ompany... (and) to further increase (its) transparency" (China Mobile Limited, 2010; p.39). This offers us the opportunity to investigate and compare the distribution and consumption of the report from Chinese and non-Chinese perspectives. We argue that the particular annual report would, to a great extent, reflect a dual ideological role from, politically, a socialist regime perspective and, economically, a capitalist market economy perspective.

To conduct this examination, we have used a critical discourse analysis (CDA) based on Fairclough's (1993) methodological framework with a particular emphasis on discursive practice. This is referred to by Fairclough (1993) as the process by which discourse is produced, distributed and consumed. By paying specific attention to the production, distribution and consumption process of China Mobile's annual report, we have located the competing messages of the socialist ideology and the free market economy that China Mobile exhibits, and, more importantly, the way in which these messages are mediated, naturalised, constituted, and sustained.

The remainder of the paper is structured as follows. Section two reviews the extant literature on the studies of the accounting annual report. While discussing relevant accounting studies in the Chinese context, section three introduces both the historical development and the contemporary environment of China's socio-political background. Then, the framework of CDA is discussed in the fourth section, followed by the specific analysis of China Mobile's 2010 annual report in section five. Arguments and conclusions are drawn in the final section.

2. The role of the annual report

Along with the evolution of financial reporting, accounting representations are produced in the form of narratives, graphs, and pictures within annual reports, which ultimately "frame and frequently eclipse the technical accounting content" (Davison, 2010; pp.166–7). From a functionalist view, the purpose of an annual report is, through categorising, recording, summarising and communicating corporate economic events and actions, to permit informed judgements and decisions by information users. Coupled with modern corporations' increasing social significance, however, communicating their financial information is no longer enough for various interest groups which not only "encompass(es) investors, lenders, and creditors, but extend to environmental and consumer groups, employees, and the public at large" (Courtis, 1997; p.269). Corporate annual reports have also evolved into "flamboyant documents which mobilise, in increasingly creative ways, text and visual images alongside the accounting data of old" (Hopwood, 1996; p.55). As such, from a critical perspective, the socially constitutive role of accounting then must be made reflective in the annual report. In this sense, corporate annual reports not only convey the economic information but also represent and construct intangible commercial value (Davison, 2010; Steenkamp & Hooks, 2011), organisational philosophy (Anderson & Imperia, 1992; Newsom, 1988), corporate legitimacy (Brown & Deegan, 1998; Campbell, 2000; Deegan, Rankin, & Tobin, 2002), macro-economic environment (McKinstry, 1996), and ideological value (Chwastiak & Young, 2003; Hui & Rudkin, 2010; Macintosh, 1990; Neimark, 1992; Tinker & Neimark, 1987). While much of the accounting research literature has concentrated on the quantitative data and the written discourse within annual reports, the visual images that appear in annual reports have begun to receive attention from critical studies in recent decades (e.g. Davison, 2002, 2008, 2010, 2011a, 2011b; Davison & Warren, 2009; Graves, Flesher, & Jordan, 1996; Justesen & Mouritsen, 2009; Preston, Wright, & Young, 1996).

From this brief review of previous research, the following four key viewpoints are relevant. First, there are both quantitative and qualitative methods adopted in the study of annual reports. The quantitative investigation primarily draws on the manifest coding of content analysis (see Anderson & Imperia, 1992; Benschop & Meihuizen, 2002; Bernardi, Bean, & Weippert, 2002; Bernardi, Bean, & Weippert, 2005; Bujaki & McConomy, 2010a, 2010b; Courtis, 1997; Dimnik & Felton, 2006; Ewing, Pitt, & Murgolo-Poore,

Download English Version:

<https://daneshyari.com/en/article/5107461>

Download Persian Version:

<https://daneshyari.com/article/5107461>

[Daneshyari.com](https://daneshyari.com)