Abstract

Chinese B-share Companies need to restate their financial statements from Chinese GAAP (Generally Accepted Accounting Principle) to IAS (International Accounting Standard). This study focuses on determining the difference of reported net earnings under IAS and Chinese GAAP, and to assess which items of these financial statements are the causes for the differences in net earnings.

The target population are 54 B-share companies listed on the Shanghai Stock Exchange during 2001. The paired-sample t test was used in this study for testing the hypothesis. Under 90% confidence level, there is a significant difference between the two sets of net earnings under the two different accounting standards. The study found that on average net earnings under Chinese GAAP are overstated by 36% as compared to IAS. Fixed Asset valuations contributed mostly to this overstatement differences.