

# Research on Problems and Countermeasures of Accounting Agency Industry

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## Abstract

As a new accounting method, accounting agency has gradually become the primary choice for small and medium-sized enterprises. However, in the process of continuous development of agency bookkeeping, some drawbacks have become increasingly prominent, such as low entry threshold for agency bookkeeping industry, low social awareness and low price competition. In order to promote the better development of the accounting agency industry, this paper will start from the current situation of the development of accounting agency, analyze its existing problems and put forward corresponding improvement countermeasures.

## Keywords

Accounting agency; Acting bookkeeping; Small and medium-sized enterprises.

## 1. INTRODUCTION

Under the background of today's rapid economic development, small and medium-sized enterprises are developing rapidly. In the total number of enterprises in the country, its proportion has reached about 90%. However, a large number of small and medium-sized enterprises generally have problems such as lack of competitiveness, small scale, less output, weak accounting and management capabilities, etc. In the cruel environment of "survival of the fittest", the emergence of accounting agencies has undoubtedly become a lifeline for some small and medium-sized enterprises. Choosing an accounting agent reduces the financial pressure on enterprises to set up accounting institutions and hire accountants. Small and medium-sized enterprises can pay less and get full professional and high-quality accounting management. As a better way to achieve financial management, accounting agency has become the first choice for small and medium-sized enterprises. Accounting agency mainly includes agency bookkeeping, tax consultation, financial consultation and agency license. However, with the rapid economic development and the continuous emergence of small and medium-sized enterprises, it is difficult to set up accounting departments and the quality of accounting information is not high. This paper mainly discusses the accounting agency bookkeeping in the accounting agency industry.

## 2. THE DEVELOPMENT OF ACCOUNTING AGENCY

### (1) Background

#### ① Conditions of production

According to relevant laws and regulations, a company must report its operation to the tax authorities every month from the 15th working day of its establishment. No matter whether the company is profitable or not, if there is any business, even if there is no income, it must make zero declaration, and according to the company's tax and operating conditions, it must establish its own accounting vouchers [3].

Some small and medium-sized enterprises are often fined because they are not familiar with the relevant financial laws and regulations at the initial stage of their establishment, and they are too busy with relevant tax matters to do anything. If tax returns are not made in time within the stipulated time, they will definitely be punished. At the same time, it is also possible to miss the preferential policies of tax reduction and exemption due to not strictly carrying out tax registration or filing according to relevant regulations. This will bring heavy blows to small businesses.

At the same time, with the in-depth reform of China's tax system and the vigorous increase of inspection efforts, the requirements on the settlement and payment ability of enterprises are also more stringent. This also means that in addition to mastering the general accounting ability, accounting personnel of enterprises also need to be skilled in handling tax issues. Otherwise, the correct accounting information will not be provided to the enterprise leaders, resulting in the allocation of resources in the enterprise not being optimized. In addition, violation of some tax laws and regulations of the tax authorities will inevitably be punished, which will cause certain troubles to the long-term development of enterprises. Therefore, it is very important for enterprises to have some high-quality personnel who understand accounting and taxation. However, it is very expensive for an enterprise to set up its own professional financial personnel. If it chooses to employ some part-time accounting personnel to take charge of the accounting treatment of the unit, the risk is very high. In case of financial and tax risks and no corresponding risk prevention mechanism, there will be unnecessary losses.

Therefore, in enterprises, accountants are required to fully grasp the methods of tax treatment and accounting, and can strictly abide by laws and regulations, as well as be able to make overall plans for taxation. On the premise of reasonably reducing the tax payment cost for enterprises, it is the best choice for small and medium-sized enterprises to choose to employ legal and standardized accounting agencies. With the continuous development of small and medium-sized enterprises, the rapid development of the accounting agency bookkeeping industry naturally follows.

## ② Legal status

In order to meet the development of the times and the needs of enterprises, when China revised the "Accounting Law" in 1993, it added the regulation of "agency bookkeeping", allowing units that have no ability or conditions to set up separate accounting institutions to choose to employ professional agency bookkeeping institutions [4]. The legal status of China's agency bookkeeping business has been established for the first time.

In addition, Article 36 of the Interim Measures for the Administration of Agency Bookkeeping issued by the Ministry of Finance in 1994 clearly stipulates: "Each unit shall set up accounting institutions according to the needs of its own accounting business, or set up accounting personnel in the relevant institutions and designate their supervisors. Do not have the conditions to set up, to entrust the approved establishment of the accounting agency bookkeeping institutions for accounting treatment "[5]. Agency bookkeeping has more room for legal development. In the "Administrative Measures for Agency Bookkeeping" officially released in 2005 and its revision in 2016, there are specific specifications and detailed requirements for the establishment conditions, qualification application, approval procedures and business scope of the accounting agency bookkeeping institution. It has also relaxed the entry conditions for agency bookkeeping institutions and strengthened the credit supervision and restriction mechanism [6].

All these indicate that the accounting agency industry is playing an increasingly important role and is developing from an auxiliary institution to an indispensable accounting service industry.

## (2) Development status

### ① The scope of accounting agency bookkeeping is further expanded

At the beginning, the agency bookkeeping organization only deals with some basic accounting practices, more importantly, it fills in and verifies some original vouchers, registers account books and fills in various statements. Now there are more services. For example, financial consultation, tax planning, declaration and registration of industrial and commercial tax, etc.

② More and more obvious contribution to SMEs

With the rapid development of economy, the number of small and medium-sized enterprises has been increasing, accounting for more than 90% of the total number of enterprises in the country. However, most enterprises are small enterprises. As a new accounting solution, agency bookkeeping is becoming more and more popular in small and medium-sized enterprises. The strong demand of small and medium-sized enterprises for accounting practitioners who understand laws and regulations, fiscal and tax policies and have good practical operation ability has been effectively alleviated with the continuous development of the accounting agency accounting industry, which has contributed a huge force to the healthy and orderly development of small and medium-sized enterprises.

③ Increasing industry supervision

Accounting agency bookkeeping in 1993 revised "accounting law", there are relevant provisions, the legal status of accounting agency bookkeeping business in China has been established for the first time. After several decades of continuous development, the standard of accounting agency is becoming more and more specific. For example, in the Interim Measures for the administration of agency bookkeeping issued by the Ministry of Finance in 1994, the Interim Measures for the administration of agency bookkeeping issued in 2005 and the revision in 2016, the Ministry of Finance successively made a more comprehensive specification for the conditions for entering the accounting agency industry and the procedures for agency bookkeeping. The "fixed office" and "sound financial and accounting management system" in the six access conditions have been cancelled, and it is also stipulated that after obtaining the agency qualification, it should be publicized to the public in time. All of these have created a reliable and powerful legal atmosphere for the good development of accounting agent bookkeeping industry.

### 3. PROBLEMS IN ACCOUNTING AGENCY

The employment of accounting agency can save a lot of operating costs for enterprises. If an accounting post is set up separately, the salaries of accounting personnel and social insurance premiums will occur accordingly. By contrast, the cost of accounting agencies charged by the amount of work will be much lower. Secondly, the agent bookkeeping company established in accordance with the law has more knowledge of financial regulations and tax, and can timely control the changes of relevant provisions, which can help enterprises to avoid some errors and losses due to the changes of the relevant tax laws to a certain extent. Obviously, the employment of accounting agency accounting unit undoubtedly brings a lot of convenience to some small and medium-sized enterprises. However, in the development process of accounting agency, due to the influence of its own and external environment, many problems will inevitably emerge, affecting the further development of the industry. The main problems are as follows:

(1) Low threshold for industry access

According to relevant laws and regulations, the establishment of an agency bookkeeping organization must meet the requirements of "at least 3 full-time practitioners with accounting qualification certificate, and the person in charge of the agency bookkeeping business has the professional and technical title of accountant or above, and is a full-time practitioner" [7]. It is not difficult to see that the conditions for entering the accounting agent bookkeeping industry are very low. This leads to the emergence of agency bookkeeping units with the development of small and medium-sized enterprises, which seriously affects their future development. In

addition, in fact, there are only one real employee, and almost all of the others are on the temporary post or the agency bookkeeping institutions of the employees who have not obtained the relevant professional and technical titles. At the same time, there are many independent part-time accountants in the industry, which makes the market environment of accounting agency accounting very chaotic. However, there are no clear laws and regulations to regulate the market environment, which makes many illegal acts in practice impossible to investigate and deal with, showing a state of disorder.

(2) Lack of social cognition

Although the accounting agency bookkeeping industry has experienced several decades of development, there are still many small and medium-sized enterprises that think the cost of choosing agency bookkeeping institutions is lower. From the perspective of small and medium-sized enterprises, they choose to employ accounting agency to keep accounts, just because the cost is low, they do not fully realize the important role of accounting agency to keep accounts, and they do not have a deeper understanding of the professionalism and standardization of agency to keep accounts. Some people think that the accounting agency is an illegal existence, in this sense, they will not choose the agency. In addition, there are also some enterprises because of some part-time accountants entrusted before, or some illegal and illegal institutions, which have a negative impact, resulting in their resistance to such industries and so on.

(3) There is vicious competition at low prices.

Under the background of rapid economic development, small and medium-sized enterprises are developing rapidly and increasing in number. As a new accounting solution, agency bookkeeping is becoming more and more popular, and the growth of agency bookkeeping institutions is especially obvious. However, in addition to some legally established accounting agencies, there are also a large number of illegal and irregular agencies, as well as some independent part-time accountants. These illegal and non-standard organizations and part-time accountants are not under the supervision of the industrial, commercial and financial departments, so they are not afraid to take some improper means to snatch business and carry out vicious competition that disturbs the market. In order to attract business, blind price reduction for self-interest and the delusion of attracting customers at lower prices have led to chaos in the accounting agency industry, causing serious interference in the development of the accounting agency industry. In addition, in terms of charging standards, legal accounting agencies are also uneven, because the industry does not have strict charging standards, and even vicious competition at low prices, resulting in a chaotic market environment.

(4) There are great differences in the cultural level of employees

It is a common problem for accounting agencies to have large differences in the cultural level of employees. Moreover, the accounting agencies and bookkeeping institutions do not have a clear division of work levels so that people with different educational backgrounds can do the same work together. As a result, highly educated people are prone to psychological gap, and are prone to frequent job hopping and careless work. With the rapid development of economy and the change of social environment, accounting is also in a process of continuous updating and change. Some employees are unable to capture and use information quickly and accurately due to their limited cultural level and insufficient mastery of professional knowledge. At the same time, among the employees, there are many old employees who have long working years, good accounting practice and rich experience. However, due to the aging age and knowledge system, it is difficult to adapt to the changing fiscal and taxation policies. In addition, in today's highly developed information environment, the use of computerized processing has become a norm. However, it is even more difficult for the old employees to apply computerization.

(5) The moral level needs to be improved

In the process of handling the work, most of the employees can love their posts and work hard and adhere to the principles. However, there are still some practitioners who cannot strictly abide by laws and regulations and lack independence. Some employees are unable to be conscientious and responsible for their work. They are not clear about the confirmation and measurement of the business and fill in untrue certificates. They only keep accounts on the basis of the information received from the entrusting party, which inevitably leads to the situation that there is nothing in the accounts or there is nothing in the accounts. In addition, there are a series of untrue accounts caused by not taking stock in time or even not taking accounting treatment when the stock is lost or damaged. For the client's request to reduce tax and other requirements, he did not refuse because he was afraid of losing his customers and created false accounting information. For example, if there is income but it is not confirmed in time, the payment received will be credited to other accounts and no profits will be made to evade taxes.

In addition, there are also some employees who place too much emphasis on money, although their abilities have been improved and their social relations have been strengthened. However, they left their jobs because they received too little salary. They even took away the clients they handed over. Some employees did not hesitate to exchange the business information of their organizations for personal gain for the sake of benefits.

#### **4. SOLUTIONS TO THE PROBLEMS IN ACCOUNTING AGENCY**

In the rapid growth of small and medium-sized enterprises environment, for small and medium-sized enterprises, the emergence of accounting agency has undoubtedly solved a big problem. At the same time, after decades of experience and exploration, the agency bookkeeping industry in China has achieved good results to a certain extent, but the problems in it are bound to become the obstacles to the good development of the agency bookkeeping industry. However, the existing problems are not terrible. The key lies in how to analyze and solve the problems better. It is impossible for any enterprise or institution to achieve perfection in everything. In order to develop in the long run, we can do our best in every way. To deal with the existing problems perfectly will certainly promote the healthy and orderly development of the accounting agency industry.

##### **(1) Building access system**

In view of the problem that the current accounting agency bookkeeping industry is in a chaotic state, relevant government departments should establish an access system. For institutions or individuals that want to engage in the accounting agency bookkeeping industry, they must abide by relevant laws and regulations, and strictly control the business license and permit so that they must meet the conditions to be eligible to engage in this industry. Only by implementing a strict admission system and improving the establishment conditions can the accounting agency industry become more standardized and develop better. In addition, relevant government departments should strictly control the issuance of permits. When some organizations obtain licenses or business licenses, the relevant departments must carry out strict annual inspections to assess the credit rating. For those found to be unqualified in the assessment or with major errors, the relevant departments must not condone or condone them, and cancel their qualification for agency bookkeeping [8]. For part-time individuals to be restricted, gradually reduce or eliminate the "part-time accounting" and "underground accounting".

##### **(2) Improve social awareness**

Relevant government departments should vigorously promote the positive significance of accounting agency bookkeeping, and actively lead the accounting agency bookkeeping organization.

Government departments should pay more attention to the development of the accounting agency industry, investigate and move around. The government can pay for the services of some high-quality bookkeeping agencies and give full play to their guiding and exemplary role.

The accounting agency should strengthen its own construction to fundamentally change the society's disapproval attitude towards it. For example, relevant employees can be organized to learn relevant financial practice operation knowledge, theoretical knowledge, accounting law, tax law and other laws and regulations in a standardized way. So that the relevant employees of accounting agency can know the law, understand the law, and standardize their daily business operations. Establish a sound review and inspection system, so that the economic responsibility can be specifically allocated, ensure the quality of practitioners, and reduce the occurrence of accounting errors [9]. We should further improve the quality of practice, make full use of and give full play to the advantages of modern information technology, so that the way of work can be continuously innovated, and fully promote the service upgrading of accounting agency. In addition to the basic accounting practice, it can provide better financial management and management consulting services to the client.

On the premise of ensuring the quality of service, the accounting agency should go deep into some small and medium-sized enterprises that need to employ agency bookkeeping, and carry out deeper communication. So that it can clearly understand the benefits of choosing accounting agent to keep accounts, so as to improve the awareness of the society.

### (3) Create a good industry environment

Relevant government departments should regulate the standards of industrial charges. There are many kinds of charging standards for accounting agents. Some of the accounting agencies charge fees according to the industry category, some according to the output value, some according to the complexity of services. However, no matter what kind of standard charges are based on, there should be a frame for the range of charges. Define the upper and lower limits of various charges. A standard process shall be specified for undertaking agency bookkeeping business, signing contracts, setting up accounting subjects, filling in and reviewing accounting vouchers, registering account books, preparing various statements and other work.

At the same time, we should strengthen the supervision of the industry and regularly inspect and supervise the accounting agency. For the units engaged in agency bookkeeping to build archives, for some illegal operations, never connive. For some unlicensed, no business authority and some false operations, resolutely stop and improve the discipline of the industry.

### (4) Strengthen follow-up education and broaden the channels of talent introduction

The accounting agency must pay attention to and strengthen the follow-up education. Knowledge is in a process of continuous renewal. In addition, China's fiscal and tax policies are constantly updated, so improving the learning ability of employees is very important for their long-term development. The accounting agency can regularly arrange relatively large-scale training, and urge the practitioners to participate in and take it seriously on time. Only by strengthening the regular continuing education of the practitioners can they control the new financial and tax policies in time.

Agency bookkeeping institutions should recruit some qualified employees, but not limited to regular recruitment. They can try to cooperate with some colleges and universities to achieve docking, and reserve some high-quality accounting professionals [10]. College students with solid knowledge and certain practical operation ability are lack of practical opportunities. They urgently need to be able to contact practical business to exercise their ability. Agency bookkeeping institutions should seize this opportunity to provide a large number of internship posts, attract excellent talents, and lay a good foundation for the students left after assessment.

### (5) Improve the moral level of practitioners

Professional ethics is a professional standard that accountants must follow in the process of practice. In daily work, the accounting agency should popularize the importance of abiding by the professional ethics of accounting to the practitioners and cultivate the moral concepts of the practitioners. Guide accounting practitioners to establish correct values, emphasize and urge accounting practitioners to have integrity, independence, confidentiality, integrity and self-discipline [11]. Strengthen the ideological and moral construction, and improve the accounting practitioners' sense of loyalty, adherence to principles and strict compliance with laws and regulations.

At the same time, according to the characteristics and actual situation of the unit itself, the accounting agency should formulate appropriate accounting practice processing procedures and internal control degree; ensure the independence of accounting practitioners to be maintained and avoid interference from superiors and other personnel; further improve the incentive mechanism of the agency accounting agency, and reward the excellent practitioners For example, it can improve the level of wages, award honorary titles, promote professional titles, etc. to drive its passion for serious work. Encourage them to strengthen their professional ethics.

## 5. SUMMARY

In the context of the continuous development and progress of society and rapid economic development, the team of small and medium-sized enterprises is also growing. As a new accounting solution and socialized accounting service project, agency bookkeeping is more and more popular in small and medium-sized enterprises, and plays the role of accounting in small and medium-sized enterprises.

In the development process of several decades, we can't deny the advantages of accounting agent bookkeeping. For example, it reduces the operating cost of enterprises, gives full play to the function of accounting supervision and improves the quality of accounting information. But there are also inevitable problems. This paper mainly discusses from six aspects: the low threshold of industry access, the lack of social awareness and the great difference of employees' cultural level. In view of these problems in reality, the corresponding solutions are put forward. There is still a long way to go in the future. We should take an objective attitude towards it and use it to promote its healthy and orderly development.

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