

Conquer the 5 Critical Issues with Cloud Accounting and ERP systems in China

Business owners and entrepreneurs know that tracking their financials is vital to success. Being able to do so with simplicity, flexibility, and transparency is making the lives of managers all over the world easier. Cloud accounting and ERP applications are the secret sauce that makes this possible. This Software-as-a-Service (SAAS) industry is emerging in china and specialized advisors are building practices to help businesses effectively structure their operations and address their specific accounting needs using these applications.

When a business commits to undergoing a transformation to take advantages of these applications, the results are truly profound. Cloud accounting and ERP applications remove the limitations of owning a physical server to host all the important information about your business and bring it into the cloud where you can access it anytime, anywhere, allowing you to run your business from work, from home, or on the go. This new kind of accessibility also allows you to better collaborate with your teams, business managers, accountants, and other advisors. What's more, operating within a cloud environment means that the once painstaking system upgrade process is now beautifully simple and best of all, free.

Comprehensive SAAS ERP package also comes with a collection of seamlessly connected modules integrating multiple business functions and forming end-to-end solutions. Beyond accounting, which lies at the core of the software, processes like sales, purchase, inventory management, expense management, simple production, payroll, become much more streamlined, saving businesses' time, effort and money.

In the last decade or so, a number of players have entered the market, providing competitive cloud business applications all over the world. Some of the more well-known providers include QuickBooks Online, Xero, Dear Systems, Unleashed, Tradegecko and Vend etc. While many of these software suppliers are able to sufficiently serve most clients internationally, one country significant differs from other countries with regards to accounting standards and compliance requirements: China.

This article outlines 5 components that need to be considered in order for small and medium level businesses to fully capture the promises of the cloud applications. If you're already familiar with these applications, this guide will highlight the gaps which prevent many of the best-in-class applications from being successfully applied in China.

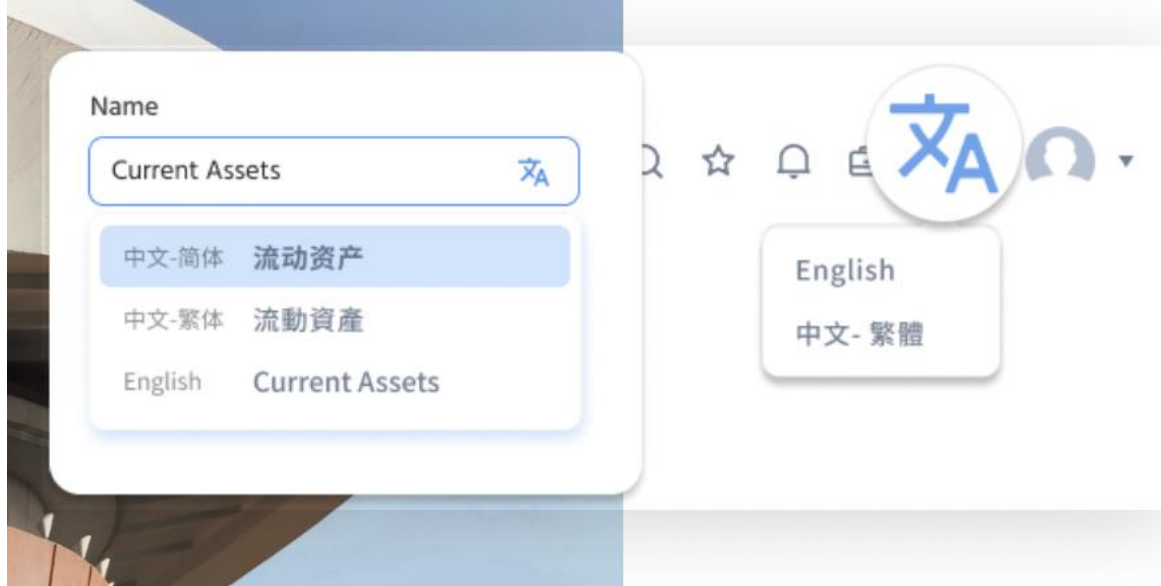
China localization issues for business applications

1. Multi-lingual capabilities

The local regulatory environment in China has some unique requirements that other cloud business software providers are simply not equipped to address. To the surprise of many

overseas businesses, China's statutory regulations require Businesses in China maintain a Chinese language version of their accounting records. This includes the software interface, master data (including chart of accounts), accounting records, as well as reporting functions. Among the functional shortcomings of cloud business applications in China, language support, or the lack thereof, is the most notable.

<https://jeenie.com.cn/general-features/>



2. Chart of account

Beyond the language requirements, a business's chart of accounts must also be in compliance with the accounting laws of the PRC. A chart of accounts under Chinese GAAP is subject to different rules than those maintained overseas, meaning global companies must keep two charts of accounts: one for group reporting and one specifically for the Chinese subsidiaries. If the cloud application or tool is not functionally equipped to address this, companies are often left with an account mapping nightmare.

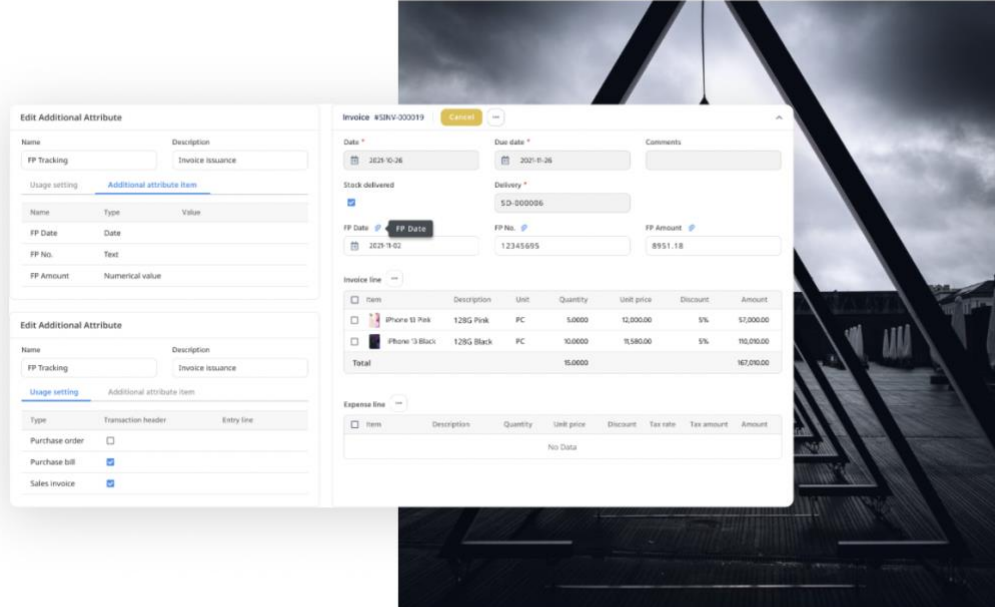
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Code	Name	Description	Debit/credit direction	Foreign currency accounting	Type	Accounting dimension	Active
1001	Cash in Hand		Debit	No	Current assets		✓
1002	Bank		Debit	No	Current assets		✓
1121	Other Cash and Cash Equivalent		Debit	No	Current assets		✓
1122	Accounts Receivable		Debit	No	Current assets		✓
1122.01	Internal Transaction		Debit	Yes	Current assets	Customer * Region	✓
1122.02	External Transaction		Debit	Yes	Current assets	Customer * Region *	✓
1122.03	Related party transaction		Debit	No	Current assets		✓
1123	Prepayment		Debit	No	Current assets		✓
1123.01	Rental		Debit	No	Current assets	Supplier	✓
1123.03	Prepayment		Debit	No	Current assets		✓
1131	Short-Term Investments		Debit	No	Current assetst		✓

3. VAT fapiao tracking

Among the most troublesome requirements of accounting software in China is the infamous VAT fapiao. The fapiao, or legal invoice issued by the Chinese Tax Bureau, can be tedious to trace, tricky to monitor, and problematic to validate; not to mention the added obstacles related to Chinese tax deductions. Chinese entrepreneurs and businesses need to be able to track each fapiao against business transactions to reduce the risks related to a missing or double issued fapiao, both of which can lead to lost money in overpaid taxes or fines.

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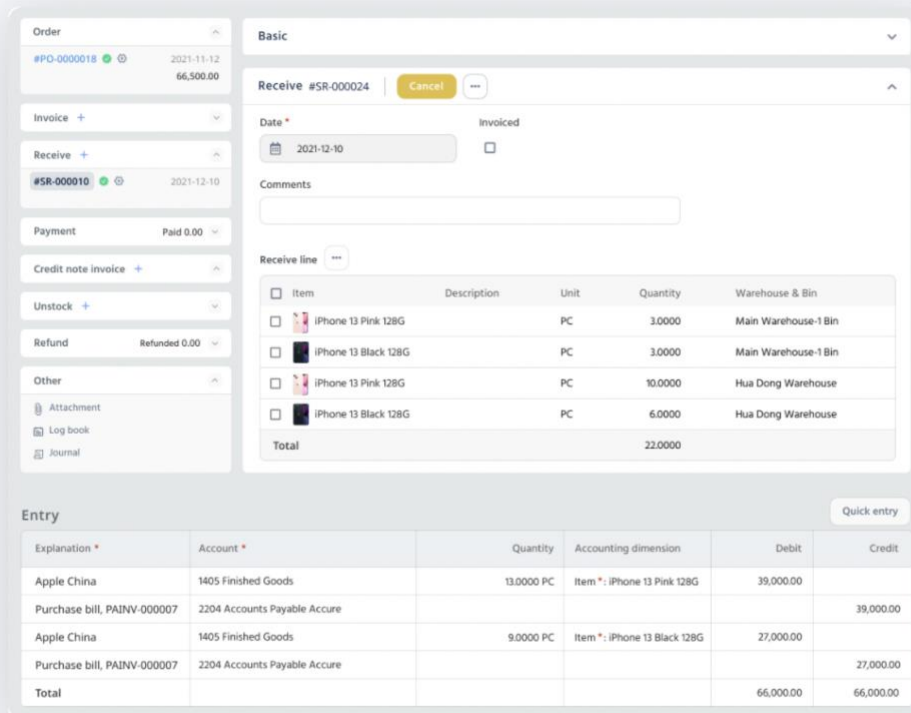
4. Inventory management

Beyond localization issues related to accounting, there are also a range of business practices that are of Chinese characteristics which make overseas SAAS business applications incompatible with unique business settings in China.

One example of these implications is inventory management. Purchased goods and purchase invoice do not arrive at the same time is frequent occurrence in China. The inventory stock accrual method requires inventory to be recognized as an asset of the company, and in the meantime, the payable to the vendor to be accrued as a liability until purchase invoice (fapiao) has been received. Upon receiving the purchase invoice, the goods and accounts payable should be adjusted to the value of the goods and Value Added Tax as stated on the fapiao. The key points here is that the estimated value of goods must be recognized in the accounting system as a liability to the vendor before the true value of the goods is known. Currently, most overseas business software and applications do not offer the capability to account for inventory this way due to its specialized nature.

Jeenie is a good example of how localized SAAS applications may choose to handle such compatibility challenges. When goods arrive before purchase invoice, the value of goods is temporarily estimated in the book and superseded by actual value later when invoice is received.

<https://jeenie.com.cn/purchase/>



Advisory Service Providers

As illustrated above, processes unique to China, such as inventory accruals, VAT fapiao, tax deductions, and charts of accounts, can be complicated and make streamlining business processes difficult for an international company.

Plus, as business owners or directors, you also face the challenge of implementing the solutions in a way that fits well into unique requirements.

5. People and cultural barriers

In additional to software functional imperatives, [people and cultural barriers](https://jeenie.com.cn/3-hard-truths-about-using-erp-systems-in-china/) are also key problematic issues inhibiting implementation.

Jeenie forms an ecosystem of [professional business advisors](https://jeenie.com.cn/find-a-partner/) with both internationals business mindset and China local expertise. The existence of such advisors is crucial to helping foreign SME businesses, in achieving optimal matching and integration of SAAS ERP applications with your business imperatives. Along with guiding the

implementation of the SAAS applications, they also help with structuring business processes and data to better control operations, visualize financials, as well as comply with local statutory compliance requirements.

Conclusion

The emergence of SAAS business applications in China is making available to SME businesses tools and services often exclusively provided by monolithic ERP systems providers and CFOs which often price their products and services out of reach for SMEs. Those who choose to utilize SAAS applications and the value-added service that come with them are much better positioned to grow their business in an increasingly competitive business environment.