Analysis of the Problems Accounting Information Distortion for the Listed Companies

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Abstract. In this paper, the research results of scholars is referenced at home and abroad, the social reality is combined with, the problem of accounting information distortion of the listed companies is expounded, the background and related concepts of accounting information distortion are introduced, the performance and harms of accounting information distortion are summarized, the cause of accounting information distortion is raised, and the solutions which will avoid accounting information distortion is put forward effectively.

1. Introduction

1.1. The background of selected topic
In development of social and economic today, listed companies is developing rapidly in our country, occupy the main position of the overall economic development in our country, the accuracy of accounting information has become the key factor which is restricting the market evolution steadily. For many years, the distortion of accounting information is available, in order to maximize the profit, accounting information is used irrelevantly by part of listed companies. Lack of effectiveness of accounting information, counterfeit of financial information is more and more serious, and has formed an atmosphere. These problems existence long-term not only reduced the enthusiasm of investors, but also restricted the sustainable development of our country economic system seriously. The《Journal of Public Securities》 published the ten black listed companies in 2018. Tle net assets with negative number is accounted by Le-shi, the company's audit report is issued inexpressible opinions continuously; Because of inflated revenue and profit, information disclosure illegal violations, the ST were forced to retreat city; Hong holding stocks involved in illegal trading, late payments, were extensively in termination of the listing and delisting; because of false net profit, a large number of related party transactions, debt of exceed the time limit, the ST received a disciplinary decision and the Shenzhen stock exchange regulation function and so on. Most of them because of information disclosure is not real or alleged, produced adverse effect to the company eventually.

1.2. The research significance
Since reform and opening-up, the number of listed companies is rising the problem of accounting information distortion hindered the economic development of our country, has been favored by close attention to people all over the country. Effective accounting information is the accuracy of the eight basic requirements: such as reliable, comparable understandability, cautious, importance, substance
over form and timeliness. This is the basic condition for financial information users to make effective decisions, and different industries have different characteristics, consequences of severity caused by the accounting information distortion is different. For listed companies, the rapid development of Internet economy create conditions for the public company accounting information distortion, the concealment of the accounting information distortion is more difficult to track. It’s easy to use misleading information when making economic policy, and it’s disadvantage for enterprise to make decision reasonable for economic development; And the distortion of accounting information will also have an effect on reputation, phenomenon, threatens the long-term development of enterprises.

In view of the present stage of accounting information distortion problem affected area broad, how to guard and governance of accounting distortion reasonably, is faced with the Chinese nation currently. Analysis the performance and dangers of the distortion, probing into the cause of the problem, curb it by take effective and reliable measures in order to improve the problem situation.

1.3. The core concepts
The listed company refers to the company whose publicly issued shares are listed and traded on the stock exchange with the approval of the state council or the securities regulatory department authorized by the state council. The capital of listed companies through the stock market, its liquidity and transparency is stronger, which determines the sensitive degree and influence of the listed companies are higher than general industry. So, how to control accounting information distortion problem for the listed companies is a long way to go.

The accounting information reflects the enterprise's business performance and financial situation clearly [1], company managers, investors and other external users predict the future according to the accounting information form financial statements make scientific investment decision. As in [2], the quality of accounting information will affect the stand of modern enterprise management system and the result of the enterprise internal management, as well as affect the economic interests of the stakeholders negatively, and even affect the normal operation of the national economy. From the produce process, it’s divided into unintentional and intentional distortion usually, unintentional distortion refers to in the process of make account, follow the provisions of the accounting law, the financial personnel knowledge is not solid enough, negligence, imperfect accounting system and accounting standards random, accounting environment by accounting pay attention to strengthen learning, improve ability personnel. It is easy to correct and overcome relatively. And intentional distortion refers to in the accounting work, the personnel is encouraged by the management of the company or for personal self-interest, making false accounting against accounting norms and ethics, violate the provisions of the state laws and regulations for accounting systems deliberately, providing false accounting information. Compared to unintentional distortion, intentional distortion is more difficult to prevent and detect the behaviour of the dangers.

2. The main performance of the Listed Company accounting information distortion
2.1. The current business processes improperly, related party transactions disclosure distortion
Listed companies in China attract investors by using the method of imaginary profits, not only makes investors cannot make an accurate evaluation of the enterprise, but also interfere the investors to make right investment decisions, and will damage the interests of the collective seriously[3]. Because of the affiliated party transactions in China did not have clear rules and trading activities, the results of the accounting information is influenced through trading activities with each other, in this process, the connection transaction pricing is changed by listed companies, mutual transfer through the bank to inflated earnings, debt reduction, inflated profits.
2.2. **Fabricate evidence, tamper the financial data, kangaroo concealed accounts inflated business performance**

The accounting under the orders of the company’s board or out of personnel lust, violate unethical accounting principle and ethical under violate of the state laws and regulations of accounting systems deliberately, tamper the financial information, achieve the goal of convincing; Some enterprises in order to avoid tax, inflated profits and set inconsistent account, in case of the auditing organ for verification.

2.3. **False financial report, the virtual assets, liabilities and profit situation appear**

Listed companies violate state provisions of the uniform accounting system provide information to enterprise investors shareholders, tax authority and social public. The false, whitewash financial statements and false accounting will bring irreparable damage to these users, bring potential threat to well development of the enterprise; Liabilities and owners' equity is equal to the sum of assets, under the premise that the separation of ownership and management rights, the enterprise whether will well continue going is a worrying problem.

2.4. **The accounting information disclosure no timely, investors and creditors have suffered unnecessary loss**

Listed companies raise funds from the form of a public offering mainly, whatever the thing which have a bad effect on the stock price of event occurs, should be made known to the stock holders, and show a case to the public for the first time, at the same time to reduce the stock exchange or securities regulatory commission to submit analysis report. But many listed companies in order to stabilize the stock price, they will build profitable appearances quietly, the result is hurt self and others.

2.5. **Executive managers in order to meet performance indicators, the operating performance is whitewashed to suit the needs of management**

In order to meet the needs of the business, actual transaction is distorted or false operation deliberately inflated profits [4]. Due to the formulation of accounting standards cannot keep up with the changes timely, accounting managers would choose the legal loophole to manipulate profits.

2.6. **Certified public accountants in glove with the listed company and protect each other, conspiring profits**

The reference [5] was the first analysis the accounting firm in order to enhance their brand influence, get more audit project, part of the certified public accountants can't stick their bottom line, yield to the temptation of money, issue false audit reports according to the enterprise demand; The listed companies in order to obtain the trust of the people and attract investment, select the certified public accountants which has the willing to pay for the fraudulent accounting, achieve the goal of both sides profit at last.

3. **The countermeasures of the Listed Company accounting information to resolve the problem**

3.1. **Establish perfect accounting standard system, identify a specific accounting standards**

When making relevant laws and regulations, the Listed Company should reduce their uncertain risk fully. Make the setting of accounting standards, accounting legal system is more adapt to the change of accounting environment; more promote the development of market economy. In order to better adapt to the development of enterprises, and build a good investment environment, the government department should strengthen the accounting legal system; improve relevant laws to make the enterprise management activities. Due to between the new guidelines of some new ideas and new practices with the regulation of our country existing accounting practice has certain gap certainly, for the execution of the new guidelines, should according to the actual situation of enterprises, select the measurement model and the accounting policies cautiously.
3.2. Strengthen the accounting personnel professional ethics construction, improve employees' comprehensive quality

The public company accounting information quality is closely related with the comprehensive level of accounting personnel; appear false accounting information explained that the enterprise accounting personnel's moral accomplishment and knowledge accomplishment. High-quality financial practitioners is the basis of ensure the accounting information true and reliable, the listed company can establish a high standard, high threshold of credentials for the new staff, ensure the comprehensive quality of the public company accounting staff. For financial personnel have inducted, should step up the importance of continuing education each year, train accounting workers by the accountant of the authority who on-the-job; Let financial personnel in accounting knowledge lecture basis and the accounting professional ethics seminar regularly, while thinking about the content of the lecture, their professional ethics standards, knowledge and skills will improve. Encourage financial personnel learning the legal knowledge, clear and definite about the sanctions issue of false accounting information, improve their comprehensive quality level. Only when everyone has a good faith benchmark, fraud will die.

3.3. Strengthen the enterprise internal supervision, restraint mechanism and the social audit supervision

In order to prevent the accounting data is personnel wantonly illegally, guarantee the authenticity of accounting information, enterprises need to establish a comprehensive system of internal control, strengthening surveillance mechanism, should from the financial, auditing, tax and other relevant departments to strengthen the supervision and punishment make sure legal, the laws, law applied, the barriers. Because of certified public accountants have full responsibility for the audit results, improve the overall quality of certified public accountants, strengthening the independence of the certified public accountants audit will have a great role in promoting social and economic regulation. To strengthen the attention of the audit, embody the folk audit agency to supervise the accounting profession fully.

3.4. Increase the penalties of accounting information distortion for the listed companies, strengthen the accounting information disclosure of listed companies standardized consciousness and ideas

City companies choose the accounting information distortion which purpose is max their enterprise benefit, but if the listed company provide false information, not only take on the reputation of the enterprise cost, but also bear the corresponding economic costs. For enterprise accounting personnel due to personal factors caused the accounting information distortion and abuse of power for management accounting information distortion caused is happening [6], specified in the relevant domestic laws, "breaking the accounting moral integrity, imposition of fraudulent accounting personnel, has not yet constitute a crime, administrative leadership give corresponding punishment, and may not consider promotion several years; For the circumstances are serious false accounting personnel, will cancel accounting qualifications permanently; If the case constitutes a crime will be investigated for criminal responsibility according to law ".Reasonable scientific development concept will promote the sound development of the enterprise, the listed company accounting information disclosure must ensure effectiveness and authenticity. This requires the listed companies take measures to perfect the corporate governance structure and system, establish constraint mechanism from the top to down, let all the staff manner to understand the public company accounting economic environment changes timely, clear and definite the consequences of deliberate distortion of accounting information. On the other hand, the corresponding reward and the necessary protection against and expose fraud personnel, give play to accounting personnel's sense of justice fully, it is conducive to the formation of mutual supervision, consciousness and cultivate good faith principles, try to avoid the possibility of accounting information distortion occurs.
3.5. **Optimize the company's internal governance and control structure, establish effective incentive and supervision mechanism for the operators and managers**

The enterprise leaders is the important factor whether an enterprise run normally. Important main body of accounting responsibility is in charge of the unit that is only the enterprise unit, which has been clear about the related legal responsibilities to head to correct attitude and avoid violations of laws and better supervision of the relevant financial personnel. It ensures that the actual reliability of accounting information from the source to eliminate the happening of the accounting information of distortion phenomenon. So it has been strengthen the leadership unit the legal consciousness, further, head of the unit should be utilized to the supervision of the accounting work [8]. The practice of effective internal control system, between the principal and agent in the formation of effective incentive and supervision mechanism, help enterprise operational efficiency maximization, which is mutually beneficial behaviour [7]. For example, the enterprises’ stake is given to senior management which makes the operator and the owner get dividends, and makes their interest goals tend to be consistent. It not only can increase the income of the enterprise, but also reduce the management risk of the enterprise, which can yet be regarded as a good mechanism for encouraging.

3.6. **Guarantee the independence of CPA auditing system and the authority of the audit report**

In terms of the listed company, the social supervision is mainly composed of certified public accountants audit. Financial reports of enterprises must be gone through the certified public accountants audit [9]. Certified public accountant of personal factors on the quality of the financial report of listed companies and audit quality play a vital role. So long as certified public accountants have stronger professional ability, the justice practice standard, and to give full play to the appraisal of the service function, which can guarantee information that provided by the accounting authenticity and integrity. Therefore it is concluded that the audit report is convinced to the public.

4. **The enlightens**

Securities market in China starts late relative to other developed countries is not mature enough. The public company accounting information distortion problems emerge in endlessly so that it got the attention of the masses. Study and analysis of accounting information distortion problem in the countries can control the loss of state-owned assets reduce the business tax evasion, graft, and so on in certain extent, and so forth play a positive role for national macro-control. The accounting information provided by the objective truth for enterprises is more; the beneficial to the user's business decisions is more. It can provide a strong guarantee to the enterprise development. In personally, more discipline, accounting practitioners tend to improve their discipline professional moral accomplishment and business and are more conducive to the sound development of economic market accounting. Improving their work efficiency can bring more development potential for enterprise. In short, the accounting information distortion not only can make the listed company itself has suffered losses, but also bring its related information users significant loss and damage, in order to make our country market to gain sound and rapid economic development, carrying out a research into the accounting information distortion is a very necessary, reasonable and effective measure. To prevent and control the accounting information distortion is our unremitting way to realize all the time.

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