

Research on the Influence Mechanism of Chinese Corporate Governance and Accounting Information Quality

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Received: February 10, 2022

Accepted: March 6, 2022

Online Published: March 29, 2022

doi:10.20849/abr.v7i2.1067

URL: <https://doi.org/10.20849/abr.v7i2.1067>

Abstract

Ownership and management rights are gradually separated in the process of the development of modern enterprises, and the modern financial and accounting system comes into being. Accounting information system is an indispensable part of modern enterprises, corporate governance structure will be organically combined within the enterprise, the two influence each other and interact with each other. True, reliable and efficient accounting information system can fully improve the operational efficiency of the company, and the structure of corporate governance is effectively optimized. On the contrary, the accounting information system of fraud and information distortion is very likely to make the operators seek improper interests, make the stakeholders bear huge losses, and the financial situation of the company deteriorate.

Keywords: accounting information, corporate governance, truthfulness and reliability

1. Introduction

Under the planned economy system and system, the most remarkable characteristic of the corporate governance structure is that the enterprise managers have no autonomy, the enterprise supervisor is mainly appointed by the superior notice, and the salary is paid by the government according to the regulations. Accounting information system, as the supervision and agency tool of the higher department, is independent of the business performance of the enterprise. On the one hand, it greatly ensures the truth and independence of the accounting information, on the other hand, it also makes the enterprise managers basically unable to collude with the personnel of the accounting information system, endangering the public interest and the state property. Based on this background, the accounting information system ensures its independent, real and effective operation with the help of the system at that time.

Under the market economy system and system, the external governance structure and the internal governance structure together constitute the listed company governance structure. Compared with the companies under the planned economy system, the managers of listed companies have great autonomy and can easily control the accounting information system of listed companies. Accounting information system personnel are under the control of managers in terms of remuneration or job promotion. In this context, the modern enterprise system, which adopts independent audit of the accounting information of the superior company to restrain accounting fraud to the greatest extent, is introduced into the corporate governance structure.

Adopting the appropriate corporate governance structure can not only make the utility of resource owners and company managers tend to be consistent under the action of incentive mechanism, but also make the company managers lose their dominant position of information, reduce the risk of adverse selection, and ensure the true and effective disclosure of corporate accounting information under the action of power balance mechanism.

2. How Does the Quality of Accounting Information Affect Corporate Governance?

Accounting information mainly plays a role by providing real and reliable financial information for enterprise operators, target investors and creditors, and helping investors who have carried out investment activities to master more effective information, improve their target rate of return, guide funds into industries that need to be developed urgently, and make the industry resource allocation mechanism more reasonable. That is, accounting information has an impact on the corporate governance mechanism, and then affects the development of

enterprises to play its governance role (Lang and Lundholm, 1996). From the perspective of the authenticity of accounting information quality, this paper discusses the internal logical relationship between corporate governance and accounting information quality.

2.1 The Quality of Accounting Information Affects the Internal Governance of the Company

First of all, the investment and financing decisions of enterprise operators and the exercise of the power of investors, creditors and so on will be affected by accounting information; secondly, accounting information also plays an important role in the board of directors to supervise and approve the investment and financing activities of enterprise operators; in addition, the board of supervisors can not exercise the duties of supervisors and the formulation of employee compensation activities can not be supported by the quality of accounting information.

(1) How the quality of Accounting Information affects the Board of Directors

Based on the true and reliable accounting information, the shareholders' general meeting entrusts the board of directors to exercise the decision-making power of the enterprise. For the board of directors, it is very important to have real and comprehensive production information and financial information, because this is related to the development strategy of the company and the formulation of enterprise rules and regulations, the distribution of employee compensation and so on.

(2) How the quality of Accounting Information affects the Board of Supervisors

At present, there are two kinds of monitoring mechanisms under the mainstream corporate governance structure model in the world. One is the single-tier corporate governance structure represented by the United States and the United Kingdom. In this mode, the board of directors can not only exercise the supervision power to the managers, but also participate in the decision of major matters. The oversight functions are mainly exercised through the audit committee, compensation committee and other bodies under the board of directors; the second is the double-layer corporate governance structure represented by Germany and Japan. In this mode, not only the board of directors is set up under the general meeting of shareholders, but also supervisors are set up outside the board of directors in order to play the supervisory role of directors and managers. Both modes of supervision agencies need true and reliable accounting information to exercise effective supervision over the company (Kim et al., 2012).

(3) How the quality of Accounting Information affects the Manager

First of all, accounting information will directly affect the decision-making and management behavior of managers, and it is also an important source of information to motivate and restrain managers. Secondly, the board of directors usually measures the managers appointed according to accounting information. In this case, managers have to control the project risk, so that the management rights of managers are constrained to a certain extent. In addition, true and reliable accounting information reduces the problem of information asymmetry caused by the separation of ownership and management rights of enterprises. Enterprise owners and boards of directors can fully understand the management behavior of managers through accounting information. Therefore, important accounting information often determines the salary level of enterprise managers.

(4) How the quality of Accounting Information affects shareholders

On the one hand, the ownership and management rights of listed companies are often relatively separated, the shareholders with majority equity authorize the management rights to the manager and the board of directors, and then control the company through the shareholders' general meeting, and as the highest authority of the enterprise, the shareholders' general meeting has the power to determine the important matters of the company; on the other hand, the shareholders rely on true and reliable information, especially accounting information. If shareholders can not obtain real information about the operation and financial situation of the company, their shareholder power will not be able to exercise effectively, so true and reliable accounting information is of great significance to the exercise of shareholder power by major shareholders. In addition, the equity of listed companies is highly decentralized, and it is difficult for minority shareholders to exercise effective control directly. It mainly realizes indirect control by buying and selling stocks of specific target companies in the capital market, and accounting information mainly provides these small and medium-sized investors with indicators to measure the performance of enterprises, in order to help them to carry out stock transactions through equity flow. Therefore, true and reliable accounting information also has a significant impact on the exercise of power by minority shareholders.

2.2 The Quality of Accounting Information Affects the External Governance of the Company

Corporate external governance is mainly composed of creditors, investors and control market. It is an external control and management system which affects each other and adapts to each other.

(1) How the quality of Accounting Information affects the Control right of the Company

Acquisitions and camera governance make up the market for corporate control. Acquisition mainly refers to the acquisition of corporate control rights by third parties, the original established interest pattern of the company has been completely destroyed; and camera governance means that with the development of the situation to decide whether to take measures to obtain corporate control. The quality of accounting information plays an important role in both acquisition and camera governance.

The influence of accounting information on the acquisition mechanism is mainly realized through information disclosure. The acquirer understands the management and financial situation of the acquired enterprise through accounting information, and the more detailed the accounting information it holds, the closer the acquisition price will be to the real value of the acquired enterprise, so that the effectiveness of the control market can be reflected. On the contrary, false and distorted accounting information will have a serious impact on both buyers and acquisitions, thus distorting the control market and undermining the effectiveness of the control market.

The stakeholders of the enterprise, such as employees, governments, investors and creditors, constitute the main body of camera governance. When the interests of the above stakeholders are infringed, the signal of camera governance is transmitted to the enterprise. Camera governance is carried out in accordance with the specific ways of prior evaluation, in-process monitoring and ex post evaluation. In the stage of prior evaluation, before any governance subject makes targeted investment in the enterprise, it will reasonably evaluate the target object and understand the financial ability, operation status, risk and management mode of the enterprise. In the monitoring stage, the governance subject will continue to follow up the development of the target enterprise, pay attention to the behavior of the managers, and focus on the prevention of moral hazard. In the stage of ex post evaluation, the governance subject grasps the enterprise as a whole according to the enterprise performance created in the early stage of the target enterprise, and takes different measures such as incentive, punishment and correction according to different performance conditions, and the accounting information runs through the whole camera governance process, and the disclosure of true and reliable accounting information by listed companies will undoubtedly have a significant impact on the camera governance process (Balsam et al., 2014).

(2) How the quality of Accounting Information affects investors

True and reliable accounting information can not only help investors to obtain more enterprise information, shorten the process of analysis information, but also help to reduce the cost of information acquisition and improve the overall level of accounting information quality. In addition, it is also of great significance in enhancing the effective decision-making of accounting information to investors and helping investors to optimize the corporate governance structure.

(3) How the quality of Accounting Information affects creditors

Leveraged financing accounts for a large proportion of the financing structure of enterprises in our country at present. Creditors, as an important stakeholder related party, collect the interest paid by the debtor according to the contract. If the enterprise is faced with operating difficulties and insolvent, then the creditor can obtain control of the enterprise through the reorganization of the enterprise or bankruptcy proceedings in accordance with the law. The exercise of creditor's rights is based on the high-quality accounting information provided by the accounting information system. Only if the accounting information is true and reliable, the legitimate interests of creditors can be guaranteed, and the financing environment of the capital market will not be destroyed.

3. How Does Corporate Governance Affect the Quality of Accounting Information?

Because of the asymmetric information between enterprise managers and investors, as one of the investors, the operation and financial situation of the company can only be evaluated through the accounting information of the company, and the behavior of managers can be supervised. In order to keep accounting information true and reliable, various corporate governance mechanisms are needed to restrain the behavior of accounting information producers, so as to further improve the quality of accounting information.

3.1 Internal Governance Affects the Quality of Accounting Information

The decision-making power of the management of the company for the formulation of residual accounting standards and accounting policies, the implementation of accounting matters by the personnel of enterprise accounting institutions and the accounting supervision power of accounting information stakeholders with shareholders as the core constitute internal governance. Internal governance plays an important role in effectively promoting the accounting standards of enterprises, truly reflecting the management and financial situation of the company, and making effective decisions for all shareholders and operators. According to the above analysis, internal governance can be regarded as the key intrinsic variable of accounting information quality, and perfect internal governance is the internal guarantee mechanism of high quality accounting information (Lamoreaux,

2016). This paper mainly studies the corporate accounting governance in China from the following two aspects:

(1) How to influence the quality of Accounting Information by "one dominant share"

Most listed companies in China have the problem of excessive concentration of shares and "one share dominance" of large shareholders. This is particularly true for family businesses, in particular. In this case, the small and medium-sized shareholders can not play an effective role in the exercise of control of the company, the major shareholders will rely on their own favorable position, by providing services, restructuring assets, entrustment management and other related transactions to encroach on the interests of the company. In order to cover up the above behavior, it is necessary to make a lot of changes to the financial statements, so that the authenticity of accounting information is full of bubbles. In addition, the lack of timely and insufficient disclosure of accounting information will also have a great impact on the identification of the authenticity of accounting information.

(2) How "Insider Control" affects the quality of Accounting Information

Managers have control over the superior company, especially the accounting information. Therefore, when there is a contradiction between the actual situation of the enterprise and the contract signed, the manager has the supervisor motivation to change the accounting policy to meet the needs of his own interests. In the case of a perfect corporate governance structure, the internal supervision mechanism can give full play to the role of managers, in order to improve the authenticity and transparency of accounting information. On the contrary, managers are most likely to control and manipulate accounting information to serve their own interests, resulting in accounting information distortion, so that accounting information does not play a role (Biddle and Hilary, 2006).

3.2 External Governance Affects the Quality of Accounting Information

Because the accounting information is both critical and complex, it is far from enough to improve the quality of accounting information only through internal governance. The deep-seated reason is that the investor-centered enterprise stakeholders and enterprise managers are always in the state of information asymmetry, and therefore cause adverse selection and moral hazard. Therefore, in addition to the internal governance mechanism, it is also necessary to supplement the effective external governance mechanism, so that the information advantage of enterprise managers can be weakened, and social accounting governance can be produced.

The market system, government legal supervision and social intermediary supervision constitute the social accounting governance system. As the main part of the social accounting governance system, the market system is composed of manager market, effective securities market and corporate control market. It promotes the provision and disclosure of true and reliable accounting information in a non-contractual model. It often produces adverse selection and moral hazard, which needs to complement and promote each other with government legal supervision. Government legal supervision is to standardize and control the quality of accounting information through the formulation of corresponding laws and supporting policies at the national level, and to investigate the responsibility of accounting information through the supervision system and judicial system, in order to warn and punish the boss companies for illegally disclosing low quality and false accounting information (Fang et al., 2017), in order to promote the management layer of the company to improve the quality of accounting information. Social intermediary supervision, that is, third-party institutions, stands in a fair and objective position to impose strong constraints on accounting information providers

(1) How the Market system affects the quality of Accounting Information

As the main part of the social accounting governance system, the market system is composed of manager market, effective securities market and corporate control market.

First of all, the existence of the manager market exerts pressure on the managers within the enterprise, which can effectively promote the diligent work of the internal managers, safeguard the interests of investors, and restrain their behavior; secondly, reputation, as the most important intangible asset of the professional managers in the manager market, good reputation is conducive to the long-term sustainable development of the enterprise managers, so that the market value of the enterprise gradually expands. On the contrary, if the enterprise operator publishes false information, it will have a great impact on its reputation, even if this impact can not be completely related to the incentive contract, it will indeed reduce the number of incentives, so that managers can be more proactive, and the true disclosure of accounting information that will have an impact on the value of the company. Therefore, the manager market is an important basis for providing high-quality accounting information

In the effective securities market, true and reliable accounting information weakens the information dominant position of enterprise operators, is conducive to attracting investors to invest and enhance the liquidity of the whole market. Therefore, high-quality accounting information will promote the increase of market demand for corporate stocks, make the price of corporate stocks rise, and expand the wealth of business managers. That is, the effective

securities market will stimulate the interests of enterprise managers and promote the management authorities to provide high-quality accounting information.

In the market of corporate control, if the business operators disclose accounting information illegally, they will feedback directly to the market, not only will not improve the value of the company, but will damage the interests of the company value and stakeholders. In this case, the company is most likely to be taken over by other companies with ulterior motives, so that the business operators will be replaced. Therefore, the market of corporate control will also encourage business operators to disclose true and reliable accounting information.

(2) How the Government legal Supervision system affects the quality of Accounting Information

Because the market system promotes the provision and disclosure of true and reliable accounting information in a non-contractual mode, it often produces adverse selection and moral hazard, and enterprise operators may use their own information superiority position to infringe on the interests of stakeholders. Therefore, relying solely on the regulation of the market itself can not complete the complete control of moral hazard and adverse selection. It is also necessary for the government to formulate special laws, regulations and policies to effectively control the production, disclosure and consumption of accounting information. Government legal supervision can not only protect the interests of investors and ensure the fairness and transparency of the market, but also enhance the expectations of investors and improve the efficiency of the operation of the capital market.

On the one hand, the state through the formulation of various laws to regulate and control the qualifications and powers of accounting practitioners and the disclosure of accounting information of listed companies; on the other hand, the state also uses administrative law enforcement means to indirectly intervene in the quality of accounting information through CSRC, finance department, audit department and other administrative departments. The regulatory authorities can review the accounting information disclosed by the superior company according to the accounting information disclosure standards, and at the same time warn and punish the illegal disclosure behavior, so as to improve the quality of accounting information (Kang et al., 2015).

(3) How the Supervision system of Social intermediary affects the quality of Accounting Information

Investors need to rely on real and reliable accounting information in order to effectively exercise control over enterprise operators in the capital market, but shareholders and managers also have asymmetric accounting information, managers generally have moral hazard and opportunity motivation. Therefore, managers are likely to use their own accounting information advantages for their own interests. Based on the above analysis, on the basis of the internal governance of the company, it is necessary to join the objective and impartial external intermediary institutions.

The social intermediary supervision system is mainly composed of asset evaluation institutions, credit rating agencies, law firms and accounting firms. It evaluates the accounting information disclosed by the company impartially and objectively from the perspective of the third party, and restricts the accounting information providers. In addition, reputation mechanism will also play a role and form constraints on social intermediary supervision institutions. Reputation is the foundation of intermediary organizations, rational intermediary organizations generally do not exchange the interests of managers with their own reputation, an effective social intermediary supervision system can maximum curb the spread of dishonest accounting information (Duong and Pescetto, 2019). On the contrary, if the intermediary organization violates the professional ethics and chooses to conspire with the company to falsify, it will reduce the quality of accounting information and encourage the illegal disclosure of the enterprise, which will not only be detrimental to the social intermediary organization itself, but also have a serious impact on the whole market. Therefore, it is necessary for the state to control the credit visa and other intermediary services provided by social intermediary institutions in order to improve the credibility of social intermediary institutions and their intermediary services. A perfect social intermediary supervision system is of great significance to improve accounting quality information (Krishnan et al., 2017).

4. Conclusion

Accounting information mainly plays a governance role in the development of enterprises through the corporate governance mechanism, and the perfect corporate governance mechanism is the basis to ensure the authenticity and reliability of accounting information and restrict accounting producers. The generation of accounting information is closely related to the internal and external factors of the company. To straighten out the relationship between the market, the government and enterprises, can we improve the quality of accounting information and the level of corporate governance at the system level, and promote the healthy development of the market.

Acknowledgements

This work was supported by Sichuan Provincial Finance Department (Project No.: 2020sckjkt004).

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