

Research on the Present Situation and Countermeasures of Accounting Information Supervision of Listed Companies in China

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Abstract

With the rapid expansion of the scale of China's capital market, the disclosure of accounting information of listed companies is not standardized and the problem of information transparency is becoming more and more prominent. This paper analyzes the present situation and existing problems of the accounting information supervision system of listed companies in China from three aspects: the internal system supervision of listed companies, the supervision of government legal system and the supervision of social intermediary system, and puts forward some countermeasures for perfecting the supervision of accounting information of listed companies in China.

Keywords: accounting information supervision, countermeasures

1. Introduction

After nearly 30 years of development, the scale of China's capital market has expanded rapidly, gradually developing into a large market with the largest number of participants, ranking second in market value and radiating influence around the world. However, while making great achievements, the disclosure of accounting information of listed companies in China is not standardized, and the problem of information transparency is still very serious. Based on the analysis of the number of administrative penalty decisions published on the website of the China Securities Regulatory Commission from 2019 to 2021, 149 listed companies in China were given administrative penalties by the CSRC in 2019 and 114 in 2020, and this value rose to 132 in 2021. Although it generally decreased slightly, it remained at a relatively high level. And more than half of the listed companies were punished for suspected illegal disclosure and fraud of accounting information. It can be seen that the distortion of corporate accounting information is seriously threatening the healthy development of China's capital market and listed companies. The reasons for the increasing distortion of accounting information in China's capital market may come from many aspects, but the weakness and lack of supervision of accounting information is undoubtedly directly related to it. The whole process of accounting information generation and disclosure to the capital market of listed companies can not be separated from the effective supervision of accounting information, so as to ensure the authenticity and reliability of accounting information of listed companies (Katsikas, 2011). Therefore, we think that it is of great theoretical significance and practical value to study the problems faced by listed companies in accounting information supervision and put forward countermeasures to optimize the corporate governance structure, improve the level of accounting information supervision, and thus promote the long-term and healthy development of listed companies.

2. The Present Situation of Accounting Information Supervision of Listed Companies in China

The internal system supervision of listed companies, the supervision of government legal system and the supervision of social intermediary system constitute the accounting information supervision system of listed companies in China. The internal system supervision of listed companies is the main part of accounting information supervision, but it often brings adverse selection and moral hazard, so it needs the cooperation of government legal system supervision with it (Laughlin and Sigerstad, 1990). Government legal system supervision refers to the government through the formulation of laws and regulations to regulate and control the accounting information disclosure behavior of listed companies, and through the judicial system to investigate the responsibility of listed companies for illegal disclosure and false disclosure, in order to promote enterprises to

improve the quality of accounting information; social intermediary system supervision, that is, third-party institutions stand in a fair and objective position, take a strong constraint on the accounting information disclosure behavior of listed companies. Below, this paper will analyze the problems existing in the accounting information supervision of listed companies in China from the above three aspects, and then, in view of the specific problems, put forward the countermeasures to improve the accounting supervision of listed companies in China.

2.1 Problems Existing in the Supervision of the Internal System of Listed Companies

The internal system supervision of listed companies is the main part of accounting information supervision. The advantage of internal system supervision lies in deeply understanding the real financial situation and operating results of listed companies, and being able to obtain more internal information of enterprises. However, there are serious defects in the internal governance structure of listed companies under the current listed company system, which is mainly reflected in the fact that the board members and managers of listed companies often act as each other at the same time. The functions of management can not be effectively brought into play, which makes the mutual restriction mechanism gradually invalid, and the problem of insider control appears.

Once the problem of insider control appears in the listed company, the manager layer of the enterprise will have the actual control over the listed company, especially the control of the accounting information disclosure, which is very likely to control and manipulate the accounting information to serve its own interests. Internal supervisors should have assumed the responsibility of supervising the disclosed accounting information, but in the case of insider control, they are often restricted by their own choice of economic interests and managers, and ultimately make the supervision of the internal system of listed companies become mere formality.

2.2 Problems Existing in the Supervision of the Government Legal System

(1) Problems existing in Government Supervision

With the rapid development of China's economy and the acceleration of the process of globalization of the world economy, the important role of accounting information in market investment and international trade is becoming more and more prominent. The Chinese government attaches great importance to the supervision of accounting information of listed companies. In recent years, it has been committed to the construction of accounting and audit related laws and regulations, and increased the punishment for violations. It plays an important role in improving the quality of accounting information and protecting the rights and interests of investors. However, the problems existing in government supervision can not be ignored, mainly in the following two aspects.

First of all, the policies formulated by the government are not coordinated. According to the relevant laws of China, the supervision of accounting information of listed companies involves many departments, such as CSRC, CBRC, Ministry of Finance, Audit Office and people's Bank of China. Each department has the responsibility to supervise the accounting information of listed companies. As a result, in the actual process of work, each subject bears its own responsibility in formulating systems and policies, and each government has overlapping and intersecting powers. Thus, the policy is not coordinated and repeated supervision is formed, which makes the supervision of accounting information of listed companies wrong (Ball et al., 2003).

Secondly, there is a rent-seeking phenomenon in government supervision. The government formulates the corresponding laws and supporting policies at the national level to standardize and control the quality of accounting information, but because the government departments are the makers and implementers of the regulatory laws, the rights of the government departments are too concentrated, leaving a lot of space for the rent-seeking behavior of listed companies. When the financial performance of listed companies falls short of expectations or falls into operational difficulties, in order to "whitewash" the financial statements, business operators will choose to collude with the officials in charge of supervision in the government to challenge the legal boundaries.

(2) Problems existing in legal Supervision

At present, China has basically established a legal system of securities market supervision. These laws mainly include "Securities Law", "Company Law", "Accounting Law", "Audit Law" and "Certified Public Accountants Law" and so on. These regulations have played a positive role in improving China's securities market, improving the disclosure of information of listed companies, and protecting the rights and interests of investors, and the effect is also significant. However, there are still many shortcomings in the current accounting laws and regulations system in China, which are mainly reflected in the following two aspects.

First of all, the supporting laws and regulations needed for accounting supervision are not perfect, which makes the accounting supervision of listed companies have a lot of legal loopholes. The legal sanctions for the false accounting information disclosed by listed companies are relatively light. In addition, the accounting regulations

are not coordinated, which also makes the accounting supervision of listed companies do not know what laws and regulations to follow; secondly, the supervision and punishment is not enough. The penalties for information violations of listed companies in China are mainly imposed by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Shanghai Stock Exchange. Although the regulatory authorities have strengthened supervision in recent years, the deterrence of penalties is very limited, and the inherent drive of improper information disclosure of illegal listed companies is far better than the deterrence of regulatory penalties. Within ten years, the Chinese accounting supervision department has constructed the implementation mechanism of the supervision standard through the construction of the accounting information quality spot check system, the accounting information disclosure supervision and the punishment system, but the serious accounting information distortion and the information disclosure violation punishment effect has little effect, which shows that the accounting supervision of the listed companies in China is out of order (Wagenhofer, 2011).

2.3 Problems Existing in the Supervision of the Social Intermediary System

At present, certified public accountants and firms play a major role in China's social intermediary supervision system. As an institution independent of the audited listed companies, accounting firms should ensure the integrity, authenticity and accuracy of public disclosure information of listed companies through audit activities under the principle of good faith and in accordance with the requirements of securities law and other laws and regulations and audit professional ethics. However, accounting firms have not played their due role, mainly in the following two aspects:

First of all, the "independence" of certified public accountants has not been reflected. At present, due to the imperfect corporate governance structure in China, there are many chairman and general manager of listed companies who are both chairman and general manager. The actual client of audit of listed companies is the managers of listed companies, that is to say, the management themselves employs certified public accountants to try themselves. This abnormal principal-agent relationship greatly reduces the "independence" of certified public accountants, and even shows that it is not independent at all. Certified public accountants can not strictly supervise the false accounting information of listed companies, the quality of accounting information can not be guaranteed, and the violation of accounting information disclosure is inevitable.

Secondly, when some accounting firms carry out audit business, they do not confirm the relevant matters without implementing the necessary audit procedures and obtaining sufficient audit evidence, resulting in the distortion of the audited financial statements or the issuance of inappropriate audit opinions, in accordance with the requirements of independent audit standards and other standards of practice. In the face of some major related transactions, contingent items, non-recurrent profit and loss items of listed companies have not been fully disclosed, some certified public accountants in the audit process neither to the company, nor in the audit report disclosure (Wolk and Tearney, 1980).

3. Countermeasures for Perfecting Accounting Information Supervision of Listed Companies in China

In order to make China's capital market develop more healthily, it is necessary to strengthen the governance of illegal disclosure of accounting information by listed companies. It is a systematic project to perfect the accounting information supervision of listed companies, and all the supervision subjects should be comprehensively managed.

3.1 Perfecting the Supervision of the Internal System of Listed Companies

The effectiveness of corporate internal governance structure is very important to ensure the quality of accounting information, and the internal control of listed companies depends to a large extent on the improvement and perfection of the governance structure of listed companies. Therefore, to improve the internal control system of listed companies, we can start from the following two aspects: first, improve the composition of the board of directors and implement the independent director system. With the establishment of an audit committee under the board of directors, it is clear that the primary responsibility of the audit committee is to ensure that listed companies truthfully compile and disclose accounting information, and to expand the rights of the audit committee in internal accounting supervision. At the same time, strengthen the sense of responsibility of the board of directors to the quality of accounting information. Second, standardize and improve the mechanism of the board of supervisors. In the aspect of perfecting the mechanism of the board of supervisors, we can draw lessons from the foreign supervision system of Germany. The basic feature of this system is the supremacy of the power of the board of supervisors standing on the board of directors. It has not only supervision over all senior managers, including the board of directors and managers, but also the appointment and removal of board members and managers.

3.2 Improving the Supervision of the Government and the Legal System

First of all, the SFC and the Ministry of Finance should play their respective roles. The CSRC should unify the external form of accounting information disclosure mainly through the formulation of relevant rules and systems of accounting information disclosure, and be responsible for the specific details of accounting information disclosure; the Ministry of Finance should standardize the internal quality of accounting information mainly through the formulation of accounting standards and accounting systems, and be responsible for the generation principles of accounting information, so as to ensure the standardization of accounting information of listed companies. Secondly, we should strengthen the law enforcement and increase the illegal cost of violators. Government regulatory departments should increase the punishment of accounting information disclosure violations, increase law enforcement efforts, increase the illegal costs of violators, in order to improve the quality of accounting information and disclosure. For the treatment of accounting information disclosure violations, we should strengthen the intervention of the judiciary, establish and improve the securities civil liability compensation system, encourage civil litigation, administrative and criminal two-pronged approach.

3.3 Perfecting the Supervision of the Social Intermediary System

Accounting firms and other social intermediary organizations, from the perspective of the third party fair and objective evaluation of the accounting information disclosed by the company, the accounting information providers have a binding effect. In the process of perfecting the supervision of the social intermediary system, we can start from two aspects. First of all, we should reform the appointment system of certified public accountants in order to maintain the independence of certified public accountants. In order to maintain the independence of certified public accountants and give full play to the supervision function of the economic police of certified public accountants, we should improve the employment system of certified public accountants. Secondly, we should establish a joint defense mechanism for breach of trust in the industry. For some accounting information distortion behavior belongs to the scope of ethics and ethics, can not be resolved by legal means. The most effective way is to establish credit mechanisms in the industry by means permitted by law, discredit them and blacklist those who break their trust. Through the power of the market to punish those who break their trust, so that they can not have a foothold in the industry for a certain period of time.

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