

# *Research on the Accounting Information Disclosure of Listed Companies in the Capital Market-Accounting Logic Based on the Capital Market*

**Xiaoxue Yan**

*Zhengzhou Electric Power College, Zhengzhou, Henan, 450000, China*

**Keywords:** Capital market; listed company; accounting information; disclosure

**Abstract:** Throughout the capital market, accounting and accounting information is extremely important, accounting information disclosure of listed companies directly affects the stable and healthy development of the whole capital market. Due to the limitations of accounting information itself, the deviation of corporate governance structure and the objective difference in the comprehensive quality of practitioners, the accounting information disclosure of listed companies in the capital market has problems such as lag, one-sidedness, passivity and inauthenticity, and increases the possibility of asymmetric information risk in the capital market. The key to the quality of accounting information disclosure lies in whether the disclosure is true and reliable, whether the disclosure is sufficient and timely, and whether the disclosure is fair among the objects. Therefore, it is necessary to crack down on accounting information fraud in the capital market, strictly standardize and improve the accounting information disclosure system in the capital market, and constantly strengthen the establishment of accounting information disclosure standards for the existing listed companies and the construction of disclosure supervision standard system to ensure the interests of investors.

Accounting information disclosure refers to that the relevant parties in the capital market, in a series of processes such as capital transactions, in accordance with laws and regulations and relevant provisions, provide the important accounting information that directly or indirectly affects the decision of users to the information users in the form of public reports. Accounting information disclosure of listed companies is a major problem in the capital market. Accounting information disclosure of listed companies is the main source of market information. Standardizing information disclosure of listed companies is an important guarantee for the healthy development of the capital market, and also the basis for protecting the interests of investors, especially small and medium investors. The key to the quality of accounting information disclosure lies in whether the disclosure is true and reliable, whether the disclosure is sufficient and timely, and whether the disclosure is fair among the objects. Accounting information disclosure documents generally include prospectus, bulletin of listed companies, annual report, interim report and interim report, the former two constitute the first disclosure, the latter three constitute continuous disclosure. In the accounting information disclosure system, disclosure should be carried out in legal ways, which generally includes: publishing information disclosure documents in designated newspapers and periodicals

and placing them in designated places for reference, sending information disclosure documents to investors and brokerages by listed companies, holding shareholders' meetings for disclosure, and releasing information through press conferences or press conferences. The exact form of the rules varies among major economies. Accounting Information Disclosure documents generally include prospectus, public announcement, annual report, Interim Report and interim report, the former two constitute the first disclosure, the latter three constitute continuous disclosure. An effective information disclosure system can reduce the uncertainty in the market, restrain opportunistic behavior and reduce transaction costs. In the capital market, it can guide investors to buy and sell capital, so as to achieve the optimal allocation of resources.

## **1. Main problems existing in the accounting information disclosure of listed companies in the capital market**

Accounting information can reflect the operating performance, cash flow and financial situation of listed companies. Accounting information is the language of commercial activities of listed companies in the capital market. Language itself has no meaning, but what language transmits is the value of the existence of language. Accounting as a kind of economic management activities, for the users of accounting information, it is required to be able to objectively, timely and accurately reflect the real situation of economic activities, that is, the high quality of accounting information disclosure itself has clear requirements, but in fact, the disclosure of accounting information is still insufficient, as shown in the following problems.

### **1.1 The authenticity of accounting information disclosure needs to be further improved**

The most serious problem of accounting information disclosure of listed companies in China's capital market is that the authenticity of accounting information disclosure is not high enough, and false information often appears. The premise that accounting information can be used after disclosure is its authenticity, unreal or even completely false accounting information will mislead the users of accounting information, resulting in major mistakes in economic decision-making. According to the regulations of "Measures for the Management of Information Disclosure of Listed Companies" (department rules issued by the CSRC in the form of the order of the President), listed companies must be based on real accounting information when disclosing accounting information, truthfully reflect the financial status and operating results of the enterprise and other related information, and there shall be no false records, misleading statements or major omissions. However, some listed companies, for their own self-interest, are not afraid to take risks, flood water to make false claims, secretly do things, deliberately cover up the actual situation, package financial statements, mislead and deceive users of accounting information, the decision-making is so out of line with the reality that it leads to unnecessary economic losses, seriously destroys the order of the capital market and interferes with the stable development of the capital market.

### **1.2 The standardization of accounting information disclosure needs to be strengthened**

The standardized disclosure of accounting information by listed companies refers to the disclosure at the specified time, place and occasion in accordance with the general format required by the new Accounting Standards for Business Enterprises in 2007 to ensure the integrity of the content. The accounting information of listed companies does not disclose according to regulations mainly include: (1) information release channels are not standard. Individual listed companies do not release information in designated news media as required, and the disclosure of information is very random, resulting in endless gossip and inside information. (2) The disclosure format is not

standard. Individual listed companies do not edit financial statements in accordance with the standard financial statement format and adjust relevant financial statement items on their own, resulting in low comparability of financial statements of listed companies, which is not conducive to the capital market accounting information users to compare, conclude and analyze information. (3) The disclosure content is not standard. Some listed companies increase product costs out of thin air, inflate receivables to raise income, adjust the profit limit at will; In addition, the disclosure of current ratio and quick ratio reflecting the company's solvency is not standard; Non-standard disclosure of contingencies that have a material impact on the company's financial position and operating results; The disclosure of related party transaction information that can transfer profits and conceal the true financial condition of the company is not standard; Information disclosure of capital investment and profitability that have a significant impact on information users is not standardized; The disclosure of shareholding changes of company directors, supervisors and senior managers, which may aggravate potential risks in the capital market, is not standard, trying to only report good news instead of bad news, deliberately misleading or even deceiving users of accounting information, and affecting the steady development of the capital market. (4) The disclosure time is not standardized. According to the "listed company information disclosure management Measures" Article 19, Article 20 provisions, listed company annual report disclosure time for the end of each fiscal year within 4 months; The disclosure time of the quarterly statement shall be completed and disclosed within 1 month after the end of the third and ninth months of each fiscal year. The operation process of listed companies is a dynamic process. Due to information asymmetry, it is impossible for external investors to know the company's financial status, operating results and cash flow at any time as the company's managers do, which inevitably requires listed companies to report useful information in a timely manner. However, some listed companies for their own interests do not timely or even deliberately delay the disclosure of major events that have occurred, resulting in information failure, such as the company's poor operating performance in the year, in order to prevent the company's stock price drastic fluctuations and delayed disclosure, listed companies do not disclose accounting information in a timely manner, which seriously damages the legitimate rights and interests of capital market information users.

## **2. Deep-seated reasons for the problems in accounting information disclosure of listed companies in the capital market**

### **2.1 Driven by the own interests of listed companies**

The abundant resources of the capital market are very tempting. Some listed companies use various means to release misleading information, the ultimate purpose is to absorb a large amount of funds from the capital market for their own use. In order to avoid the suspension or termination of the listing of their shares, and to maintain the qualification of making money in the capital market, they are willing to package or even fabricate, intentionally disclosing false accounting information.

### **2.2 Imperfect corporate governance structure**

In the corporate governance structure system of listed companies, there are two executive bodies with parallel status under the shareholders' meeting, namely the board of directors and the Board of supervisors. Since the board of directors has decision-making rights and the chairman is the legal representative, the board of supervisors with only partial supervisory rights actually becomes an institution under the board of directors. In addition, the board of supervisors is mainly composed of representatives of employees or shareholders, who are subject to the board of directors or directors

who concurrently serve as the management of the company in terms of administrative relations. Moreover, the board of Supervisors has no right to appoint or remove members of the board of directors or the management team, and has no right to participate in and veto the decisions of the board of directors and the management team. As a result, even if the board of directors has illegal behaviors, the supervisors dare not supervise and cannot supervise. The role of supervision is weakened. Despite the introduction of the "independent director" system, most of the independent directors of listed companies are recommended by major shareholders or executive directors, and the possibility of these independent directors becoming the opposition of major shareholders is almost zero. These provide considerable system operating space to the disclosure of accounting information violation.

### **2.3 Third-party accounting supervision is not in place**

In the capital market, the third-party accounting supervision refers to the audit supervision of listed companies by certified public accountant accounting firms. Since the information that investors have is mostly from the audit report of accounting firms, the audit work of accounting firms plays an extremely important role in accounting information disclosure. The characteristics of audit are based on its relative objectivity and independence. However, in the capital market, accounting firms and listed companies jointly practice fraud, which leads to false information disclosure, losses to investors and hinders the healthy development of the capital market.

### **2.4 Relevant laws and regulations are not perfect enough**

So far, the capital market accounting information disclosure system still has many problems, especially has not established a set of open and transparent, standardized implementation, easy to operate, clear level, fair implementation of accounting information disclosure standard system, resulting in listed companies illegal disclosure of accounting information cost is low, false information has strong concealment, more difficult to investigate and punish, the probability of exposure is small. Even if it is revealed, the punitive measures and delisting system of listed companies often cannot be implemented in one step. The lack of punishment further stimulates the desperate psychology of individual listed companies.

## **3. Practical path to solve the problems existing in the accounting information disclosure of listed companies in the capital market**

### **3.1 Guide the capital market to establish the correct accounting logic**

Accounting information is a highly abstract theoretical system. We can abstract the kaleidoscopic activities of listed companies in the capital market into one dimension, that is, to measure the accounting dimension in monetary terms, which is expressed in the form of three accounting tables and accounting indicators, such as revenue or profit. We can understand the listed companies through simple information, comparison of listed companies, thus making investment decisions. Of course, everything has two sides. From another point of view, these highly abstract accounting information, in fact, cannot be directly restored to the activities of listed companies, investors misunderstand accounting rules and systems, listed companies deliberately use accounting information to mislead, or investors isolated and rigid use of accounting information, may bring serious or even disastrous consequences. There are two main reasons: on the one hand, accounting information in the formation process involves a lot of human judgment, which makes accounting information itself is not as reversible as natural science; On the other hand, external users of

accounting information do not have enough other information available to make this recovery work. Therefore, it is necessary to guide the capital market and investors to break only accounting information and analyze listed companies in a diversified way. As a dimension to restore the truth of listed companies, accounting information is only a part of the information of listed companies, and non-accounting information of other dimensions (business model, positioning, people and history) should be used to form a complete information of listed companies. A single dimension without corroboration or validation by other dimensions is unreliable. This can fundamentally reduce the capital market listed companies for their own interests to cheat on the accounting information disclosure of the original impulse<sup>[1]</sup>.

### **3.2 Further improve the corporate governance structure of listed companies**

In essence, the corporate governance structure of listed companies is an institutional arrangement of rights distribution and mutual checks and balances among owners, boards of directors and managers. The fundamental purpose of this system is to enable the owners of listed companies to pursue the maximization of their asset income, to enable the managers of listed companies to operate in accordance with the law of socialist market economy, to achieve the preset operating performance, to realize the economic interests of listed companies and social interests, and to effectively play a decisive role in the rational allocation of resources through the market. Therefore, it is necessary to further clarify the responsibilities of the general meeting of shareholders, establish and improve the appointment and removal mechanism of directors, so that the general meeting of shareholders can play a decisive role in the appointment and removal of directors, improve the accountability mechanism of the board of directors, strengthen the construction of the board of directors, and constantly strengthen the restraint and supervision of the board of directors on the disclosure of accounting information.

### **3.3 Formulate a scientific accounting standard system and establish the quality control mechanism of accounting information of listed companies**

Learn and draw lessons from the CPA auditing systems of major developed economies that implement accounting information of listed companies, combine with the reality of the capital market, accelerate the reform of the CPA firm system, improve the practicing environment, formulate corresponding self-discipline standards for practicing, and constantly improve the risk awareness, professional level and professional ethics of certified public accountants. The independent audit of certified public accountants can ensure the quality and disclosure of accounting information of listed companies, protect the interests of investors, and promote the steady and healthy development of the capital market. The accounting information quality control mechanism of listed companies is established. The accounting information quality control mechanism of listed companies is composed of three elements: internal control of listed companies, control of accounting firms (certified public accountants) and control of market supervision departments. Through practical implementation of their respective functions and mutual restriction, the quality of accounting information disclosure is further improved<sup>[2]</sup>.

### **3.4 Strengthen the legal supervision and punishment of accounting information disclosure**

At present, there is still much room for improvement in the effect of restraint process of accounting information disclosure. We must strengthen the supervision of accounting information disclosure of listed companies, implement strict accounting information disclosure quality classification management, and constantly improve and improve the supervision and management

system. We must combine internal oversight with external oversight, routine oversight with specialized oversight, and professional oversight with mass oversight, so as to achieve an organic combination of government oversight with industrial self-discipline, and internal oversight with social oversight, so that regulatory agencies can play a greater role<sup>[3]</sup>. If the disclosure of accounting information of listed companies in our country has seriously violated the relevant laws and regulations, we should further strengthen the punishment to the relevant responsible persons, to investigate the administrative responsibility, civil compensation responsibility and criminal legal responsibility of those responsible, to raise the cost of accounting information disclosure violations, and to rely on the system to control the cost of government supervision, so that listed companies can effectively fulfill the corresponding obligations, effectively restrict and regulate the listed companies accounting information disclosure behavior<sup>[4]</sup>.

## References

- [1] Rao Gang, Jin Yuan. *This is accounting: the accounting logic of capital markets* [M]. Beijing: Law Press, 2019, 1-112.
- [2] Ma Jinghao. *The way of accounting—the logic and feelings of accounting* [M]. Lixin Accounting Press, 2017, 3-45.
- [3] Li Xiaodong. *Accounting logic in capital markets—from rule logic to information flow logic* [M]. Tsinghua University Press, 2014, 119-146.
- [4] Jin Chenglong, Chen Meihui, Zeng Xiaoqing. *Capital market accounting research-theoretical framework and empirical evidence* [M]. Dongbei University of Finance and Economics Press, 2015, 432-467.