# Fair Value Measurement and Executive Compensation Contract

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**Abstract:** The principal-agent problem is often unavoidable, and a reasonable and effective compensation contract is the key to alleviate the principal-agent problem. Accounting information is an important basis for the design of compensation contract. Therefore, fair value information also has a certain impact on the formulation of compensation contract. Previous studies have shown that there is a correlation between changes in fair value and executive compensation contract, but there is also an asymmetry of "high reward and low penalty". This paper selects the data of A-share non-financial listed companies from 2014 to 2017 as samples to explore the correlation and asymmetry between fair value and executive compensation after the implementation of cas39, and the impact of equity incentive on the relationship between fair value measurement and executive compensation.

## 1. Introduction

The separation of two rights is the basic feature of modern enterprise system. Because the goals of the owner and the operator are not completely consistent, the principal-agent problem is often unavoidable. In addition, the information asymmetry between the principal and the trustee leads to adverse selection and moral hazard. Therefore, the establishment of an effective incentive mechanism for managers is the key to alleviate the principal-agent problem, and a reasonable and effective compensation contract is an important means to coordinate the interests of both sides.

The research shows that there is no correlation between the management compensation and accounting information in China. In order to improve the correlation, China issued the Interim Measures for the compensation management of central enterprises in 2004 to standardize the formulation of the compensation contract of state-owned enterprises. Since then, the issue of executive compensation has attracted the attention of all walks of life, and the related discussions have been endless, while the issue of "heavy reward and light punishment" has been frequently seen.

Because it is difficult to observe the efforts of management, accounting information often becomes the basis for the design of executive compensation contract, and the decision usefulness of accounting information is crucial to the effectiveness of the contract. Different accounting policy choices will form different accounting information. Fair value information can best reflect the current value of enterprise assets and liabilities, and its decision usefulness is reflected in many aspects, such as salary contract, dividend contract and so on. In 2006, China's accounting standards reintroduced the fair value measurement attribute, and the related research is also gradually warming up. Liu Hao and sun Zheng (2008) proposed that the study of fair value should be combined with China's national conditions and guided by the concept of contract. Since then, the fair value measurement and executive compensation contract have been widely concerned by the academic community. Most scholars' research shows that the relationship between the performance measured by fair value and executive compensation is asymmetric, but most of the data selected in the study are concentrated in 2008-2014. In 2014, the Ministry of Finance promulgated the accounting standards for Business Enterprises No. 39 - fair value measurement, which makes a more specific definition of fair value. After the implementation of cas39, whether the relationship between fair value and executive compensation has changed has become a problem worthy of our discussion.

Equity incentive is a new way of incentive, which is considered to be an efficient method of long-term incentive for executives. It can make the interests of executives and owners converge, so as to

alleviate the principal-agent problem in enterprises. Early studies have shown that equity incentive plays an important role in improving corporate performance, reducing agency costs and restraining inefficient investment, which can effectively improve corporate governance. Xu Jingchang (2010) proposed that effective corporate governance can improve the effectiveness of executive compensation contract. As an effective means to improve corporate governance, whether equity incentive can improve the effectiveness of fair value compensation contract remains to be empirically tested.

To sum up, this article will focus on the following questions: first, whether there will be differences between the two types of fair value changes on executive compensation? Second, after the implementation of cas39, does the asymmetry between the performance measured by fair value and executive compensation still exist? Third, can equity incentive alleviate the asymmetry between fair value and executive compensation?

## 2. Theoretical analysis and hypothesis proposed

### 2.1 Analysis of the relationship between executive monetary compensation and performance sensitivity measured by fair value

The existing theoretical research on executive compensation shows that the change of fair value included in the current profit and loss has an impact on the executive compensation of listed companies. Although the two types of changes in fair value are presented in different positions and do not belong to the same information in a strict sense, both of them are unrealized gains or losses arising from securities with active market, which are part of gains or losses in China's accounting standards. Moreover, in essence, the impact of these two types of fair value changes on the future value of the company is the same. Therefore, under the condition of effective capital market, there should be no difference in the impact of position differences of fair value changes on executive compensation.

However, when the compensation contract maker has a "function lock-in tendency", or when the accounting standards change and the compensation contract maker does not adjust the contract in time according to the change, the position of fair value earnings may have an impact on executive compensation. According to the efficient market theory, the presentation position and classification method of financial statement information will not affect the usefulness of financial statement information in theory. However, in reality, there are many anomalies in the capital market. The efficient market theory may not be applicable in the real market. The users of financial statements may have the phenomenon of memory classification when they analyze the information of financial statements. Different positions of financial statements form different categories in the memory of the users of financial statements, and the users have the corresponding analysis habits for each category of data, If a certain accounting information is disclosed in different positions of financial statements, the position of disclosure may not fully conform to the classification characteristics of users, and the judgment of users may be wrong. Therefore, the functional locking hypothesis has certain reality. In this regard, foreign scholars have done a lot of empirical research to confirm the existence of "functional locking tendency". If the maker of compensation contract has "function lock-in tendency", the position of fair value change may have an impact on executive compensation, and the impact of fair value change included in current profit and loss on executive compensation will be greater than that included in other comprehensive income. Therefore, the following competitive hypothesis is proposed

H1a: the impact of changes in fair value profit and loss is greater than that of changes in fair value included in other comprehensive income.

H1B: there is no significant difference in the impact of changes in fair value profit and loss and changes in fair value included in other comprehensive income on executives' monetary compensation.

## 2.2 Analysis of the asymmetric relationship between executive monetary compensation and performance asymmetry

A large number of studies on executive compensation have shown that executive compensation has the characteristics of "Stickiness". According to behavioral finance, actors often have self attribution bias, that is, they tend to attribute success to their own ability and failure to external factors. Because the pay reduction may have a certain impact on the reputation and promotion of executives, executives are often reluctant to accept the pay reduction. At the same time, due to the problem of information asymmetry between the client and the agent, when the income is generated, the senior managers may attribute it to their excellent management ability and hard work. When the loss is generated, the senior managers may attribute it to uncontrollable market factors, and the gains and losses of fair value changes are easy to fluctuate with the market fluctuation, which is more important The reasons for the executives to exonerate themselves from their responsibilities are given. Therefore, the following hypotheses are put forward

H2: the correlation between executive monetary compensation and gains and losses measured at fair value is different, that is, the correlation between executive monetary compensation and gains measured at fair value is greater than that between executive monetary compensation and losses measured at fair value.

## 2.3 Analysis of Equity Incentives and the Effectiveness of Fair Value Compensation Contracts

According to the optimal contract theory, the implementation of equity incentive can reduce the agency cost and improve the effectiveness of corporate governance mechanism. The positive impact of equity incentive on the correlation between fair value earnings and compensation contract is mainly manifested in two aspects: first, relevant studies show that equity incentive can improve the efforts of senior managers and improve the effectiveness of senior managers' investment decisions; second, equity incentive can reduce agency costs and weaken executives' responsibility for operating losses Factors of self attribution bias motivation.

According to the theory of management power, the implementation of equity incentive may lead to senior managers' rent-seeking behavior. Many scholars have found that the implementation of equity incentive will lead to the earnings management behavior of executives. Before and after the implementation of equity incentive, the earnings management behavior of executives increases significantly, which leads to the increase of the cost of equity capital. (Zhang Juan, Huang Zhizhong, 2014; Zhou Jianan, Lei Ting, 2014). The behavior of executives using fair value for earnings management will reduce the correlation between fair value earnings and executive compensation contract.

Therefore, for monetary compensation and total compensation, this paper puts forward the following two sets of competitive assumptions

H3a: for the companies that implement equity incentive, the asymmetry between the performance measured by fair value and the monetary compensation of executives is alleviated.

H3B: for the companies that implement equity incentive, the asymmetry between the performance measured by fair value and the monetary compensation of executives has not been alleviated.

H4a: for the companies that implement equity incentive, the performance measured by fair value is positively correlated with the total executive compensation, and the correlation is not asymmetric.

H4B: for the companies that implement equity incentive, the performance measured by fair value is positively correlated with the total executive compensation, but the correlation is asymmetric.

## 3. Research design

### 3.1 Definition and summary of variables

This paper studies the relationship between fair value earnings and explicit compensation at different levels to test whether equity incentive can alleviate the phenomenon of "heavy reward and light punishment". Therefore, this paper selects monetary compensation and total compensation as explanatory variables. This paper selects three explanatory variables: changes in fair value included in

current profit and loss (FV1), changes in fair value included in other comprehensive income (FV2) and general surplus (Rev).

Table.1. Variable summary

| Variable type | Variable | Variable definition |
|---|---|---|
| Explained variable | Cash | Average cash compensation of top three executives (excluding directors and supervisors) with the highest salary |
| | Salary | Cash+(annual average price exercise price) * number of exercise shares in the current year / number of exercise executives in the current year |
| Explanatory variable | FV1 | The profit and loss from changes in fair value are deflated using the total assets at the end of the period |
| | FV2 | Changes in fair value included in other comprehensive income are deflated using the total assets at the end of the period |
| | REV | Ordinary surplus is the amount of total profit after deducting the income from changes in fair value, and the total assets at the end of the period are used for smoothing |
| control variable | SIZE | Enterprise scale, natural logarithm of total assets at the end of the period |
| | DIR | The proportion of independent directors in the board of directors |
| | Dual | If two positions are in one position, one of the two positions is taken as one, otherwise 0 |
| | RAT | Shareholding ratio of the largest shareholder |
| | Growth | Growth is expressed by the growth rate of operating revenue in this year |
| | FST | If the actual controller is state-owned, take 1, otherwise take 0 |
| | Wage | The level of employee's salary is the natural logarithm of the salary paid to the employee in the cash flow statement |
| | Board | The natural logarithm of the size of the board of directors |
| | Lev | Asset liability ratio |
| | Year | Annual control variables |
| | Ind | Industry control variables |

## 3.2 Empirical model

Referring to the model of Zhang jinruo et al. (2011) and the empirical process, H1 model is constructed. For sample 1, FV1 and FV2 are tested separately, and then FV1 and FV2 are tested at the same time. Model 1 is set as follows:

$$\ln Cash = \beta_0 + \beta_1 \times FV1 + \beta_2 \times FV2 + \beta_3 \times REV + \beta_4 \times Size + \beta_5 \times DIR + \beta_6 \times Dual + \beta_7 \times RAT + \beta_8 \times Growth + \beta_9 \times Fst + \beta_{10} \times ADU10 + \beta_{11} \times Wage + \beta_{12} \times Lev + \sum_{i=1}^{14} \beta_{12+i} \times Ind + \sum_{i=1}^{4} \beta_{26+i} \times Year$$

In order to verify whether there is asymmetry between the performance measured at fair value and monetary compensation of senior executives, model 2 slightly deforms on the basis of model 1, sets two dummy variables D1 and D2, and introduces D1 × FV1 and D2 × FV2. The specific settings are as follows:

$$\ln Cash = \beta_0 + \beta_1 \times FV1 + \beta_2 \times D1 \times FV1 + + \beta_3 \times FV2 + \beta_4 \times D2 \times FV2 + \beta_5 \times REV + \beta_6 \times Size + \beta_7 \times DIR + \beta_8 \times Dual + \beta_9 \times RAT + \beta_{10} \times Growth + \beta_{11} \times Fst + \beta_{12} \times ADU10 + \beta_{13} \times Wage + \beta_{14} \times Lev + \sum_{i=1}^{14} \beta_{14+i} \times Ind + \sum_{i=1}^{4} \beta_{28+i} \times Year$$

In order to verify whether equity incentive can improve the effectiveness of fair value contract, model 3 makes regression test on sample 2. The specific settings are as follows:

$$\ln Cash = \beta_0 + \beta_1 \times FV1 + \beta_2 \times D1 \times FV1 + + \beta_3 \times FV2 + \beta_4 \times D2 \times FV2 + \beta_5 \times REV + \beta_6 \times Size + \beta_7 \times DIR + \beta_8 \times Dual + \beta_9 \times RAT + \beta_{10} \times Growth + \beta_{11} \times Fst + \beta_{12} \times ADU10 + \beta_{13} \times Wage + \beta_{14} \times Lev + \sum_{i=1}^{14} \beta_{14+i} \times Ind + \sum_{i=1}^{4} \beta_{28+i} \times Year$$

The explanatory variable of model 4 is total compensation. Regression analysis is conducted on sample 2 to test the correlation between total compensation and changes in fair value and whether there is asymmetry. The specific settings are as follows:

$$\ln Salary = \beta_0 + \beta_1 \times FV1 + \beta_2 \times D1 \times FV1 + +\beta_3 \times FV2 + \beta_4 \times D2 \times FV2 + \beta_5 \times REV + \beta_6 \times Size + \beta_7 \times DIR + \beta_8 \times Dual + \beta_9 \times RAT + \beta_{10} \times Growth + \beta_{11} \times Fst + \beta_{12} \times ADU10 + \beta_{13} \times Wage + \beta_{14} \times Lev + \sum_{i=1}^{14} \beta_{14+i} \times Ind + \sum_{i=1}^{4} \beta_{28+i} \times Year$$

## 3.3 Sample selection and data sources

This paper selects A-share non-financial listed companies with changes in fair value from 2014 to 2017 and A-share non-financial listed companies with changes in fair value and equity incentive from 2014 to 2017 as sample 1 and sample 2 respectively.

The screening criteria of sample 1 are as follows: (1) excluding listed companies in the financial industry; (2) excluding st and st * enterprises; (3) excluding enterprises without "income from changes in fair value" and "other comprehensive income" items in the income statement and with "income from changes in fair value" and "other comprehensive income" items zero; (4) excluding enterprises with missing monetary compensation data of senior executives; (5) excluding audit intention See for non-standard unreserved enterprises.

The screening criteria of sample 2: on the basis of sample 1, select the companies that implement equity incentive and have executive power.

## 4. Regression analysis

## 4.1 Regression test results of H1

Table.2. Regression test results of H1

| variable | Prediction symbol | Only Fv1 | | Only FV2 | | All tests | |
|---|---|---|---|---|---|---|---|
| | | Nonstandard coefficient | T value | Nonstandard coefficient | T value | Nonstandard coefficient | T value |
| constant | | 7.931*** | 17.938 | 7.925*** | 18.111 | 7.911*** | 17.975 |
| FV1 | + | 0.006* | 1.716 | | | 0.006* | 1.710 |
| FV2 | + | | | 0.000 | -0.464 | 0.000 | -0.442 |
| REV | + | 0.004*** | 8.067 | 0.004*** | 7.947 | 0.004*** | 8.063 |
| Size | + | 0.011 | 0.380 | 0.012 | 0.388 | 0.012 | 0.393 |
| DIR | - | -0.167 | -0.465 | -0.183 | -0.509 | -0.170 | -0.475 |
| RAT | - | -0.007*** | -5.434 | -0.007*** | -5.389 | -0.007*** | -5.414 |
| Growth | + | -0.029 | -1.104 | -0.031 | -1.143 | -0.030 | -1.118 |
| Dual | + | -0.020 | -0.415 | -0.024 | -0.504 | -0.020 | -0.421 |
| FST | - | -0.117*** | -2.686 | -0.120*** | -2.754 | -0.116*** | -2.668 |
| Wage | + | 0.235*** | 8.123 | 0.233*** | 8.046 | 0.234*** | 8.090 |
| Board | + | 0.297*** | 2.745 | 0.299*** | 2.769 | 0.297*** | 2.746 |
| Lev | + | 0.339** | 2.476 | 0.335** | 2.445 | 0.339** | 2.475 |
| Ind | | control | | control | | control | |
| Year | | control | | control | | control | |
| N | | 992 | | 992 | | 992 | |
| Adj.R² | | 0.363 | | 0.362 | | 0.363 | |

Note: ***, **, and * indicate 1%, 5%, and 10% significant levels, respectively.

The results show that the goodness of fit is ideal, and the significance of empirical test is high. The regression results of the three groups are consistent, so the following is a detailed analysis based on the regression results of all tests. The nonstandard regression coefficient of FV1 is 0.006, which is significant at the significance level of 10%, indicating that the change of fair value included in the current profit and loss is positively correlated with the monetary compensation of senior executives, and it is significant; the nonstandard regression coefficient of FV2 is approximately 0.000, which is

not significant, indicating that there is no correlation between the change of fair value included in other comprehensive income and the monetary compensation of senior executives; the nonstandard regression coefficient of REV is not significant The normalized regression coefficient is 0.004, which is significant at the 1% significance level, indicating that the total profit after deducting the changes in fair value is positively correlated with the monetary compensation of executives, and it is very significant. Regression test results support H1a.

## 4.2 Regression test results of H2

Table.3.Regression test results of H2

| variable | Prediction symbol | Only Fv1 | | Only FV2 | | All tests | |
|---|---|---|---|---|---|---|---|
| | | Nonstandard coefficient | T value | Nonstandard coefficient | T value | Nonstandard coefficient | T value |
| constant | | 7.772*** | 17.519 | 7.921*** | 18.057 | 7.764*** | 17.434 |
| FV1 | + | 0.011*** | 2.902 | | | 0.011*** | 2.902 |
| D1×FV1 | - | -0.029*** | -2.968 | | | -0.029*** | -2.964 |
| FV2 | + | | | 0.000 | -0.376 | 0.000 | -0.188 |
| D2×FV2 | - | | | 0.000 | -0.131 | -0.001 | -0.331 |
| REV | + | 0.004*** | 8.160 | 0.004*** | 7.944 | 0.004*** | 8.155 |
| Size | + | 0.015 | 0.492 | 0.012 | 0.383 | 0.015 | 0.491 |
| DIR | - | -0.139 | -0.390 | -0.184 | -0.513 | -0.145 | -0.407 |
| RAT | - | -0.007*** | -5.536 | -0.007*** | -5.380 | -0.007*** | -5.504 |
| Growth | + | -0.027 | -1.034 | -0.031 | -1.142 | -0.028 | -1.042 |
| Dual | + | -0.018 | -0.367 | -0.024 | -0.500 | -0.018 | -0.363 |
| FST | | -0.114*** | -2.644 | -0.120*** | -2.756 | -0.114*** | -2.637 |
| Wage | + | 0.236*** | 8.191 | 0.233*** | 8.012 | 0.236*** | 8.148 |
| Board | + | 0.311*** | 2.890 | 0.299*** | 2.756 | 0.309*** | 2.865 |
| Lev | + | 0.332** | 2.437 | 0.336** | 2.447 | 0.334** | 2.447 |
| Ind | | control | | control | | control | |
| Year | | control | | control | | control | |
| N | | 992 | | 992 | | 992 | |
| Adj.R² | | 0.369 | | 0.361 | | 0.367 | |

Note: ***, **, and * indicate 1%, 5%, and 10% significant levels, respectively.

The regression results of the three groups were consistent, and the goodness of fit of the model was ideal. The following is an analysis of the regression results based on all tests. The nonstandardized regression coefficient $\beta1$ of FV1 was 0.011, which was significant at 1% significance level. The nonstandardized regression coefficient $\beta2$ of D1 × FV1 was -0.029, which was significant at 1% significance level. $\beta1$ indicates the influence of FV1 on executive monetary compensation when FV1 > 0, and $\beta1 + \beta2$ indicates the influence of FV1 on executive monetary compensation when FV1 < 0. Obviously, $\beta1 + \beta2 < \beta1$, and $\beta1 + \beta2 < 0$, which means that when FV1 < 0, FV1 is negatively correlated with executive monetary compensation, indicating that compensation makers pay little attention to the loss of fair value changes, resulting in a significant negative correlation between FV1 and executive monetary compensation. The increase of executive monetary compensation may be affected by other factors. There is no significant correlation between FV2, D2 × FV2 and executive monetary compensation. The non standardized regression coefficient of rev was 0.004, which was significant at the 1% significance level, and was still less than that of FV1, which was similar to the test result of H1.

On the whole, H2 has been verified. When the profit and loss of fair value change is greater than zero, it has a significant positive correlation with executive monetary compensation, and when it is less than zero, it has a negative correlation with executive monetary compensation.

## 4.3 Regression test results of H3

Table.4. Regression test results of H3

| variable | Prediction symbol | Nonstandard coefficient | T value | Sig. |
|---|---|---|---|---|
| constant | | 5.810*** | 4.671 | 0.000 |
| FV1 | + | 0.039* | 1.845 | 0.067 |
| D1×FV1 | - | -0.001 | -0.805 | 0.422 |
| FV2 | + | -0.034 | -0.860 | 0.391 |
| D2×FV2 | - | 0.003 | 0.655 | 0.513 |
| REV | + | 0.002** | 2.478 | 0.014 |
| Size | + | -0.056 | -0.757 | 0.450 |
| DIR | - | -0.569 | -0.552 | 0.581 |
| RAT | - | -0.001 | -0.438 | 0.662 |
| Growth | + | 0.084 | 0.499 | 0.619 |
| Dual | + | 0.285 | 1.204 | 0.230 |
| FST | | 0.165 | 1.533 | 0.127 |
| Wage | + | 0.130 | 1.535 | 0.127 |
| Board | + | 0.439*** | 6.756 | 0.000 |
| Lev | + | -0.085 | -0.365 | 0.716 |
| Ind | | control | | |
| Year | | control | | |
| N | | 212 | | |
| Adj.R² | | 0.550 | | |

Note: ***, **, and * indicate 1%, 5%, and 10% significant levels, respectively.

The goodness of fit of model 3 is very good. The nonstandard regression coefficient $\beta1$ of FV1 is 0.039, which is significant at the significance level of 10%, indicating that when FV1 > 0, FV1 is significantly positively correlated with executive monetary compensation, and the correlation coefficient is greater than the coefficient of FV1 and executive monetary compensation in sample 1; the nonstandard regression coefficient $\beta2$ of cross multiplier D1 × FV1 is -0.001, but the significance level is not high. There is no significant correlation between FV2, D2 × FV2 and executive monetary compensation. The non standardized regression coefficient of rev was 0.002, which was significant at 5% significance level.

Compared with the test results of H2, $\beta2$ is very close to 0, that is, $\beta1 + \beta2$ and $\beta1$ are almost equal, which indicates that the asymmetry of the relationship between the company with equity incentive and the monetary compensation of executives decreases when the profit and loss of fair value change is positive or negative.

## 4.4 Regression test results of H4

The fitting degree of model 4 is ideal. The non standardized regression coefficient $\beta1$ of FV1 is 0.114, which is significant at the 1% significance level. It shows that when FV1 > 0, FV1 is positively correlated with executive monetary compensation, and the correlation coefficient is greater than that of monetary compensation of senior executives; the non standardized regression coefficient $\beta2$ of the multiply item D1 × FV1 is -0.001, but the significance level is not high, indicating that the profit and loss of the change in fair value is negative and the total executive compensation is negative The positive correlation of amount is not significant, which indicates that the relationship between the total compensation of senior executives and the profit and loss of fair value changes is asymmetric. There is no significant correlation between FV2, D2 × FV2 and executive monetary compensation. The non-standard regression coefficient of Rev is 0.005, which is significant at 5%, which shows that the general surplus is positively correlated with the total executive compensation. Generally speaking, regression test results support H4b.

Table.5. Regression test results of H4

| variable | Prediction symbol | Nonstandard coefficient | T value | Sig. |
|---|---|---|---|---|
| constant | | 7.359*** | 3.680 | 0.000 |
| FV1 | + | 0.114*** | 2.719 | 0.007 |
| D1×FV1 | - | -0.001 | -0.341 | 0.733 |
| FV2 | + | -0.091 | -1.343 | 0.181 |
| D2×FV2 | - | 0.012 | 1.643 | 0.102 |
| REV | + | 0.005*** | 3.512 | 0.001 |
| Size | + | 0.006 | 0.048 | 0.962 |
| DIR | - | -0.965 | -0.575 | 0.566 |
| RAT | - | -0.008* | -1.688 | 0.093 |
| Growth | + | 0.032 | 0.117 | 0.907 |
| Dual | + | 0.330 | 0.881 | 0.379 |
| FST | | -0.052 | -0.306 | 0.760 |
| Wage | + | 0.161 | 1.196 | 0.233 |
| Board | + | 0.369*** | 3.545 | 0.000 |
| Lev | + | -0.667* | -1.789 | 0.075 |
| Ind | | control | | |
| Year | | control | | |
| N | | 212 | | |
| Adj.R² | | 0.304 | | |

Note: ***, **, and * indicate 1%, 5%, and 10% significant levels, respectively.

## 4.5 Robustness test

Referring to the practice of most studies, we choose "the average salary of the top three directors, supervisors and senior executives" instead of "the average salary of the top three executives" for regression analysis, and all the robustness test results are consistent with the previous test results. It reflects that the model is robust and the empirical results are reliable.

## 5. Research conclusions

This paper selects A-share non-financial listed companies with changes in fair value from 2014 to 2017 and A-share non-financial listed companies with changes in fair value and equity incentive from 2014 to 2017 as sample 1 and sample 2, respectively, to study the correlation between the two types of changes in fair value and executive monetary compensation after the implementation of cas39 in 2014, as well as the effectiveness of the fair value compensation contract of listed companies with equity incentive The conclusions are as follows

After the implementation of cas39 in 2014, there are still significant differences between the two types of fair value changes on the impact of executive monetary compensation. Among them, changes in fair value included in current profits and losses are significantly positively correlated with executive monetary compensation, while changes in fair value included in other comprehensive income are not correlated with executive monetary compensation.

After the implementation of cas39, the asymmetry between the performance measured by fair value and the monetary compensation of executives has not been alleviated. Because there is no correlation between the changes of fair value included in other comprehensive income and executive monetary compensation, there is no asymmetry between them. The regression results show that when the change of fair value included in the current profit and loss is less than zero, there is a significant negative correlation between the change of fair value and the monetary compensation of senior executives, which indicates that the change of fair value does not cause any loss to senior executives at all, and verifies that the stickiness of monetary compensation of senior executives still exists in the profit and

loss of current value change.

For the listed companies that implement equity incentive, there are also significant differences between the two types of fair value changes on the impact of executive monetary compensation. The results show that equity incentive mainly shows its positive side on the asymmetry between fair value and executive compensation.

For the listed companies that implement equity incentive, the total compensation is significantly positively correlated with the change of fair value included in the current profit and loss, but not with the change of fair value included in other comprehensive income. Although the asymmetry between monetary compensation and fair value change profit and loss is alleviated, there is still asymmetry between total compensation and fair value change profit and loss.

The above empirical results verify the hypothesis proposed in this paper, and draw relevant conclusions and suggestions, but there are still shortcomings in this paper. At present, equity incentive for senior executives is still not common in China's listed companies. Most of the researches on the influencing factors and implementation effect of executive equity incentive choose the relative index of executive shareholding ratio. This article chooses the absolute index of shareholding, which may have some defects. The follow-up research can choose more representative index.

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