

Research on Earnings and Accounting Management of Small and Medium Sized Enterprises

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Keywords: Small and Middle Enterprise, Earnings Management, Accounting Management

Abstract: Earnings management and accounting information quality are two important fields of accounting theory and empirical research. Domestic and foreign scholars do a lot of research on them and achieve a series of achievements. However, few scholars study the SME board in China. SME board was formally launched in Shenzhen Stock Exchange in May 2004. It is an important step in promoting the construction of the GEM market step by step. At present, the "initial public offering of shares and GEM Listing Interim Measures" released by China Securities Regulatory Commission has begun to implement, marking the official opening of GEM. In-depth study and evaluation of SME board operation is conducive not only to continuing to promote the development of SME board, but also for the operation of the GEM can learn from experience. In order to achieve this goal, this paper explores the issue of earnings management and accounting information quality of small and medium-sized listed companies.

1. Introduction

SMEs occupy a very important position in the economic development of all countries in the world and play an irreplaceable role in expanding employment, active markets, income distribution, social stability and the layout of the national economy. Similarly, the SMEs in our country are also at a pivotal position in the development of the national economy. However, the development of SMEs is also subject to many factors, the most prominent is the financing issue. It is generally believed that through financing directly in the capital market, the establishment of a financing mechanism is a good solution to the financing difficulties of SMEs. However, due to many conditions, it is very difficult for SMEs to win the qualification to be listed on the main board. Therefore, many countries have established a secondary market and established a direct financing channel for SMEs. In our country, after years of research and discussion, the SME board was formally launched in Shenzhen Stock Exchange in May 2004. The establishment of a SME board market is an important step taken to step up the construction of the GEM. It is also an important decision made by the Central Party Committee and the State Council from the perspective of promoting the sustainable development of the economy and adjusting the economic structure. SME Board focused on arrangements for listing the conditions of the motherboard listed companies in smaller companies listed, when conditions are ripe, the overall spin-off as an independent GEM market [1].

2. SME Earnings Management

On the means of realization of earnings management of listed companies, domestic scholars have done a lot of research, the following is only a brief description of commonly used means for SMEs. Earnings management using the time difference of accounting treatment is one of the commonly used means for small and medium-sized enterprises, including early recognition of revenue, postponement of confirmation of fees, or not based on the actual occurrence of revenue, but based on sales and purchase contracts to confirm revenue practices. For example, fake invoices in the end of the year, the following year and then back to the grounds of substandard quality. Accrual basis is

the basic accounting method used to determine the profit and loss, its essence is the principle of proportioning. A corollary of adopting the accrual basis is the generation of virtual assets, that is, the actual expenses or losses incurred have been temporarily suspended, which are classified as prepaid expenses and pending loss of property. As an asset, it should be able to bring future economic benefits to the business, but these virtual assets bring about future losses, not profits. As a result, SMEs can account for their current losses that have been incurred in their virtual assets and then adjust their profits through amortization [2].

Related party transactions refer to the transfer of resources or obligations between related parties, irrespective of whether the payment is received. Therefore, related party transactions are likely to become a means of earnings management. Small and medium-sized enterprises often do not have intricate but clearly existing related party relationships as large enterprises do, and their related party relationships appear to be relatively implicit. Earnings management using implicit related party transactions is mainly conducted through such methods as connected purchase and sale, fee transfer, managed operation, lease operation and contracted operation. As accounting treatment of the same transaction or event, it is usually difficult for a person to judge which one is more fair to reflect the financial status, operating results and cash flow of the enterprise, and thus some enterprises make use of this feature of accounting policy changes to adjust the surplus. From a practical point of view, mainly including changes in depreciation policy, changes in inventory valuation methods, changes in accounting methods for bad debts, changes in merger policies.

3. SME Board Accounting Information Quality Problems

Small and medium-sized enterprises listed companies a large number of annual growth rate. The number of listed companies from 2005-2007 was 50, 102 and 202, respectively, which doubled annually, which affected the quality of accounting information in two aspects. On the one hand, every year, newly entering the SME board of enterprises, compared with the original business, the accounting information disclosure requirements of listed companies are not familiar with most accounting staff also do not have the appropriate experience, so in the generation and disclosure Accounting information may be improper operation, this part of the newly listed companies to reduce the overall quality of accounting information for SME board level. On the other hand, in order to meet the mandatory listing requirements, some enterprises may implement earnings management and even accounting fraud and other misconducts, and will inevitably be assessed as being inferior or even unqualified during the assessment. Both have had an impact on the quality of accounting information for SME boards at the same time. The promulgation and implementation of new accounting standards. The Ministry of Finance promulgated the new accounting standards on February 15, 2006, and implemented the listed company on January 1, 2007. As the new accounting standards have many important changes such as the introduction of fair value, etc., will be the first time the implementation of the new accounting standards for the year the financial report has a greater impact. Therefore, some listed companies choose to take a series of activities in advance according to the Company's financial targets in 2006, such as intentional advancement or postponement of disposal of financial assets, in order to achieve the target effect. This situation is bound to have an impact on the reliability of accounting information. In 2007, the situation is similar [3]. In order to cope with the negative impact of the new accounting standards on the performance of the Company, some listed companies will adopt irregularities to improve the information conveyed in their financial reports, which will also reduce the quality of accounting information. In addition, the lack of experience in the first year of accounting standards for listed companies in the implementation of the new accounting standards will inevitably lead to errors in the confirmation and measurement of assets and liabilities, which will further worsen the overall quality of accounting information [4]. This is also in line with the above one-way ANOVA results. In 2006, the quality of accounting information in 2007 decreased year by year. At the same time, the quality of accounting information in 2007 was significantly lower than in 2006. It should be noted that, here only emphasizes the decline in the quality of accounting information for SME board trend, and can not draw the conclusion of its poor accounting information quality. In fact, the preamble

has also been mentioned, SME board is considered "board of good faith." The results of the regression model in the previous section also showed that the quality of accounting information of the SME board in 2007 is still better than that of the main board. Zhou Ming, deputy general manager of Shenzhen Stock Exchange, has briefly summarized three experiences of successful operation of small and medium-sized enterprise boards: first, upholding integrity-based and standardizing operations; second, upholding strict supervision and innovation; third, continuously improving system design, City system, while focusing on protecting the interests of investors. Strict supervision and carry out targeted system innovation can be said that the key to the healthy development of SME board. SME Board at the beginning of the establishment of the establishment of strict supervision of the concept, and in practice to explore the establishment of a set of targeted and effective regulatory mechanism, which also gem market construction and operation of the specified direction.

4. SME Board Accounting Information Management

The estimated asset-liability ratio D E B T is the minus sign, and passed the W a l d test, indicating that the higher the debt-to-asset ratio, the worse the quality of the listed company's accounting information. Producing such a regression result, one may be due to the high debt ratio, refinancing channels for listed companies is relatively narrow, it will consider the option of financing through the stock market, thus generating a strong motivation for placement. In order to achieve this goal, we will adopt such measures as earnings management and accounting fraud. Another possibility is that the high debt-to-liability ratio results in high debt costs, which may have a greater negative impact on the business performance of the enterprise. Poor business performance will affect the management's interests. Therefore, in order to show a better operation from the book Performance, management may consider generating false accounting information. The estimated EPS of EPS is positive, and passed W a l d test, indicating that the higher the EPS of listed companies, the better the quality of accounting information. The reason for this is that higher earnings per share reflects the strong profitability of listed companies. Under these circumstances, the motivation of listed companies to conduct whitewashing reports or even accounting fraud is relatively small, and the corresponding output is of higher quality accounting information, thus resulting in a positive correlation between EPS and accounting information quality [5].

Due to the short establishment time of SME board listed companies and the mostly private-owned enterprises, the family management is more concentrated, and the internal governance mechanism and internal control mechanism of the company have some weak links. In addition, the small size of the listed company's share capital and the uncertain operation of the listed company may easily lead to irrational speculation and even manipulative behavior, causing the stock price to fluctuate greatly. In view of the aforesaid unfavorable situation of SME listed companies, the management department issued and implemented a series of normative documents such as guidelines on directors 'behavior, guidelines on protection of investors' rights and interests, guidelines for controlling shareholders and actual controllers, guidelines for internal auditing, and guidance for listed companies to strengthen the Company Governance and standardized operation; the implementation of the special account storage system to ensure that the SME board companies to raise funds for the safe use and normative; the implementation of the annual performance of the reporting system, an annual report briefing system to improve the information disclosure Timeliness and completeness. The suspension of trading mechanism was established on the first trading day of the IPO, adding a temporary suspension index and extending the suspension period of new indices to effectively alert risks. Should be said that these regulatory measures to establish SME board "good faith board" a good image has played very good results. SMEs board in the past five years the operation of the valuable experience gained, it is worth learning from the GEM.

5. Conclusions

In this paper, we focus on the two hot issues of earnings management and accounting

information quality, and study the situation of listed SMEs in our country. When explaining the level of earnings management and the quality of accounting information in SME board, the main board is taken as the reference object to test whether there is a significant difference between the two markets by establishing multiple linear regression model and binomial classification logit regression model respectively. Then, the single-factor analysis of variance (ANOVA) was used to illustrate the trend of accounting information quality of SME board in 2000-2007.

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