

Financial Information Distortion of Listed Companies and Its Control

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Abstract: With the acceleration of market-oriented process, the listing of Chinese enterprises has become the only way for a large number of state-owned enterprises to market. In modern economic society, the proportion of listed companies is increasing. In the transitional period of China's securities market, listed companies have some problems, such as the limitations of laws and regulations, the imperfect internal supervision mechanism, the weakening of social intermediary supervision and the low quality of accountants, which lead to the distortion of financial information. It has had a very bad impact on the market economic order and the public and government credibility, seriously damaging the interests of investors. As a result, investors have lost confidence in investment; for China's securities market, the original open and fair The principle of fair and basic transactions has been severely damaged. Based on the establishment of a sound internal control system, to improve the effectiveness of accounting standards and related rules and regulations, and strengthen all-round integrity education as a means to strengthen the legal system and improve relevant regulations, the financial information distortion governance objectives can be achieved.

1. Introduction

A listed company refers to a limited company whose shares are listed and traded on a stock exchange. The emergence of securities market provides a platform for the development of listed companies [1]. The quality of financial information of listed companies directly affects the decision-making and judgment of investors, the guarantee of their legitimate rights and interests, the normal operation of the securities market and the effective allocation of social resources [2]. The purpose of investing in the stock market is to get a certain return and increase its value. But because some listed companies provide distorted financial information, mislead investors to make wrong decisions, which leads to no return of capital. These investors all blame the weak supervision of the relevant government departments [3]. Use imperfect supervision system and its own information advantages to provide untrue financial information. After the introduction of the independent director system, the governance structure of listed companies has been improved to some extent, but the independence is still insufficient and the supervision role is insufficient [4]. The government's macroeconomic regulation and control effectiveness is weakened, market resource allocation is unbalanced, misleading investment decisions, harming national interests and affecting social harmony and stability. Financial information provided in accordance with generally accepted accounting principles should be able to generally reflect the true state of the business and help investors and other information users make judgments and make decisions [5].

With the rapid development of the global economy, for the managers, investors, creditors, government departments and other functional departments of enterprises, it makes the financial information of enterprises available. Shareholders' control is weakened due to equity differentiation. Managers control the board of directors by influencing the nomination of directors, and "insider control" is more likely to cause damage to shareholders' rights and interests [6]. The false financial information provided by listed companies has seriously damaged the interests of investors, caused investors to suffer huge losses, made investors fear the stock market, talked about stock color change, and seriously shaken the confidence of investors [7]. Accounting standards generally can not keep up with the innovation of economic behavior and the development of accounting practice. It is difficult to find long-term effective accounting standards as the basis of accounting operation. Accounting treatment can not often appear in practice. This trend of differentiation makes the tendency of

financial information distortion more obvious and difficult to control [8]. There are still outstanding problems in the disclosure of financial information of listed companies. While causing economic losses to investors, it also caused instability in the securities market. Therefore, the so-called financial information distortion is that it is not provided in accordance with accounting standards and related rules [9]. Those who hold the true view of the results believe that financial information distortion is that financial information does not reflect economic facts. However, in the Chinese securities market during the transition period, the distortion of financial information of listed companies has occurred frequently, and the false financial information has spread, which has become a major public hazard in society [10].

2. The Present Situation of Financial Information Distortion of Listed Companies in China

2.1. Overview of Financial Information

Distortion of financial information is a common phenomenon in capital markets of various countries. The amount of refinancing of listed companies should be based on the current net assets of the company and determined on the basis of the actual capital requirement of their investment projects. "Return on foreign investment". This seriously infringes the investors' right to know, which makes them unable to get enough information about the profitability of enterprises and to respond to investment risks in a timely manner. The hazard analysis of financial information distortion of listed companies is shown in Table 1 and Figure 1. It is necessary to clarify the market mechanism, promote the establishment of a multi-equity structure, gradually reduce the proportion of state-owned shares, follow the market mechanism to strengthen the liquidity of equity, and strive for micro-distribution of equity, macro-centralization and shareholder diversification. The accounting firm and relevant government departments carry out. However, due to the limited manpower of these institutions, it is difficult to actively monitor, so it is difficult to find problems in listed companies; even if problems are discovered, due to restrictions on their powers and relevant laws, Only fines can be done.

Table 1 Harmfulness Analysis of Financial Information Distortion of Listed Companies

	Build	Development
Influencing economic health	10.52	9.16
Affecting social stability	8.18	7.42

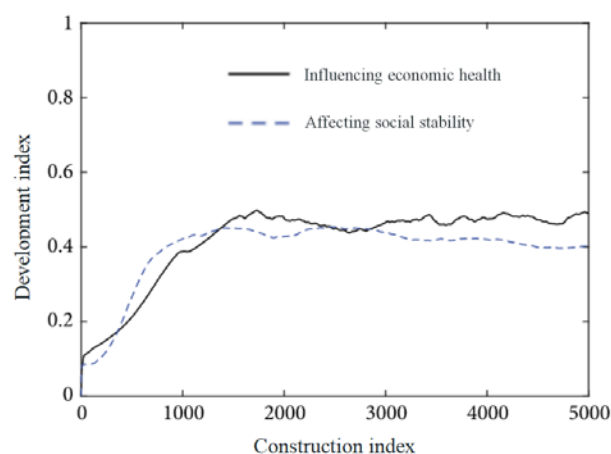


Fig.1. Harmfulness Analysis of Financial Information Distortion of Listed Companies

2.2. Lack of strict supervision and punishment

In the view of information, accountants can prove that the financial report disclosure method based on historical cost and supplemented by additional disclosure is correct by virtue of the effective securities market hypothesis. In China, in order to obtain more material rewards and political promotion, the management authorities of listed companies often resort to instructing accountants to issue false financial reports. Some listed companies ignore the provisions of accounting system and

related standards, and fail to follow the accrual basis principle, matching principle or prudence principle in accounting. The depreciation of fixed assets is not calculated in accordance with the regulations. Enterprise accounting standards are further improved in order to standardize new problems in accounting practice, plug their loopholes, and make false information lose its reason for existence. Establish and improve the internal control system, which should be checked by the enterprise units to prevent distortion of financial information. In order to avoid the independent audit of the non-audit services provided by the certified public accountant, the auditing business and consulting services of the same client shall not be provided by a certified public accountant. In order to increase the quality of auditing, the intensity and cost of illegal punishment should be increased, so that the compensation for cheating is far greater than its income. Some listed companies may temporarily repay the accounts receivable with the debtor after consultation. In addition, listed companies have delayed payment of accounts payable after consultation with creditors. In either case, the above two conditions can achieve advanced adjustment of listed companies.

Accounting firms can not only effectively supervise listed companies, but also scientifically audit the business performance, financial status and cash flow of enterprises. Accountants and certified public accountants should be educated in good faith, and lawyers, credit rating agencies and investors should also be educated in good faith, and market regulators, including government officials, regulators and the press, should be strengthened. We are required to select accounting policies and methods and make accounting estimates on the basis of policies and regulations, current accounting laws and regulations, confirmation of accounting elements, measurement and reporting requirements. Managers, as internal controllers, determine the appointment and remuneration of board members of supervisors of listed companies. The daily work of supervisors is also post-supervision, and passive work causes many loopholes. Once a listed company provides false financial information or has major decision-making mistakes, independent directors must assume legal responsibility and be sanctioned by law. In addition, independent directors must be “sensible”, that is, independent directors must understand business, so that they can better play its supervisory role. In China's board of directors, independent directors have a small proportion and low independence, which cannot form a strong constraint. Its members are often internal employees of the company. The supervisors are often in a subordinate relationship with a lower level of status. The supervisory role of directors and managers is limited. In addition, the lack of professional knowledge often results in a form that is difficult to play.

3. Research on Countermeasure of Financial Information Distortion

3.1. Improving the Governance Structure of Listed Companies

If rational economists think that making distorted financial information can maximize their own utility, they will produce distorted financial information. If they think that making distorted financial information is less effective than providing real financial information, they will provide real financial information. Internal norms are usually expressed in the internal rules, regulations and methods formulated by the accounting entity, and their implementation is supervised by the relevant departments within the accounting entity. The responsibility should be clearly defined from the legal system. Those who provide false information and make investors suffer huge losses should bear criminal responsibility, confiscate all illegal gains and impose multiple fines, so that those who make financial information fraudulent dare not try the law by themselves, in order to maintain normal market order. Improve laws and regulations and various credit files, eliminate content that is independent of each other and content, so that the burden on listed companies is reduced, and the authority of credit ratings is enhanced. The lack of operability of accounting regulations can also lead to distortion of financial information. Therefore, the formulation of laws and regulations must not only have principle requirements, but also make clear requirements for specific behaviors. Giving full play to the supervisory role of external directors is also an effective way to solve the problem of “one big share” and improve the corporate governance structure.

3.2. Strengthening the Credit Construction of Accounting Industry

On the one hand, the development of market economy depends on the regulation of the market, on the other hand, it needs the regulation of the government. However, these two aspects of regulation can not complete the complementary role, but also need the listed companies, enterprises to build a moral restraint line of integrity. Individuals who participate in market behavior are called rational economic people, and they are supposed to decide their own behavior based on profit prediction and value judgment. Only when all participants in the market carry forward morality and pay attention to honesty, can the system and norms be implemented and accounting fraud be prevented. Accounting activity is an important part of human social life. It also needs legal norm system to restrain and adjust, maintain normal working order and ensure the quality of financial information. To construct a perfect talent market for professional managers is to comprehensively consider the quality of professional managers. Strengthen legislation, improve accounting laws and regulations, compulsory restraint of enterprise behavior. To improve the civil reparation system for false statements, it is necessary to reform the causality determination, litigation methods, and litigation pre-procedures, so that investors who suffer losses due to false statements can obtain compensation through civil litigation. When the government evaluates listed companies, it should reduce the administrative potential risks and strive to be fair and just. In order to enable listed companies to understand and inquire about the credit information of the other party in a timely manner, they can use the mass participation and democratic voting to strengthen the construction of supporting information networks.

In order to prevent financial information distortion, we should not only establish accounting integrity, but also establish social integrity. Only if the whole society is honest and credible, can the financial information personnel be kept in good faith, and can they provide real and reliable financial information. If listed companies want to eliminate moral hazard thoroughly, they must strengthen the construction of integrity. To improve the quality of accountants, first of all, we should cultivate their legal awareness, consciously resist the leadership's instructions and instructions to create false financial information; secondly, we should continuously improve their professional quality through follow-up education and self-study to prevent false information caused by technical reasons. Reform the supervisory board system, clarify the division of powers between supervisors and independent directors, and improve the supervisors' powers and business requirements. In order to enable them to be competent for financial supervision and other duties, supervisors should have professional knowledge or work experience in law, finance, accounting and other fields. The actual effect of supervising your own form is conceivable. In the financial information disclosure activities, listed companies for financing or refinancing, etc., must modify some of the unsatisfactory financial information, so that investors are optimistic about the company, so as to smooth financing or refinancing. Establish a financial information disclosure supervision system with the auditor's fair audit as the core, and establish a financial information disclosure supervision system with the financial department's annual financial information inspection and the CSRC's spot check and review as the core.

4. Conclusion

This paper studies the distortion of financial information of listed companies and its governance. False financial information has a great destructive effect on the healthy and sustainable development of market economy, which seriously affects the image of the Party and the government. To achieve effective control, improve internal management and improve the execution of supervision. Institutions can give appropriate incentives or penalties for lax financial management and unclear accounts, so as to improve the work enthusiasm of accountants and financial managers. According to the business cycle, the company will establish an internal control system suitable for the company, implement full-time and full-member control, and implement evaluation and revision of the internal control operation, strengthen internal audit, and prevent accounting fraud at the employee level. To dispel their concerns and make them more fair and fully disclose financial information. Improvement is an important factor in standardizing the accounting profession, which helps accountants to form a

correct outlook on life and values, so that they can resist and resolve the coercive and tempting from the outside, act in accordance with the law, and correctly handle the relationship between the interests of the state, the collective and the individual. It is necessary to improve the accounting personnel protection system and the legal aid system, create a positive and fair environment for accountants, and finally alleviate the distortion of financial information of listed companies.

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