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Information Earnings Management by Financial Accounting Structure of Listed Companies

Ming Fan
Tianjin Maritime College, Tianjin 300350 China
2514821861@qq.com

Abstract. In order to more accurately understand the impact of financial accounting structure on information earnings management of listed companies, the method of investigation and analysis was used to study the impact of cost accounting, tax accounting and expense accounting on the information earnings management of listed companies in the financial accounting structure, and to analyze the data obtained theoretically. The results showed that cost accounting, tax accounting and expense accounting structure had a very important influence in the information earnings management of listed companies. With the core operation data of enterprises, it can directly reflect the operation of enterprises. This is also the data that shareholders, board of supervisors, board of directors and so on strongly require management and financial departments to disclose all the facts and its impact is evident. In summary, the financial accounting structures such as cost accounting, tax accounting and expense accounting have a great impact on the research of information earnings management of listed companies, because the financial accounting structure department has the core data and is the core component of information earnings management.

Keywords: accounting; earnings; finance; enterprises.

1. Introduction

At present, scholars in China and foreign countries have studied earnings management, and most of their research directions are on the motivation of earnings management of business managers under different institutional backgrounds [1]. The information asymmetry caused by the separation of ownership and control rights is the essential cause of earnings management, so managers' ways of earnings management also show different motivations [2]. Among them, the opportunistic motivation of earnings management as the starting point for the study of domestic and foreign scholars are more common, but the theoretical research from the perspective of information earnings management motivation is rare [3]. For earnings management of listed companies, financial accounting structure is a very core part [4]. Tax accounting, cost accounting and expense accounting are the three most important structures. Tax control is very important for a company. Only by legalizing the amount of tax paid by the enterprises can they get as many expected profits as possible, all of which can be accomplished only with the participation of tax accounting, verification and supervision. This is also the data that shareholders are most concerned about [5], but because shareholders cannot participate in the operation of enterprises [6], earnings management of tax data is very important for shareholders, especially whether managers have tax evasion. For enterprise owners, this is the core concerns, and cost control is also very important for a company.

Only when cost control is at a reasonable level and more profits can be obtained can cost accounting be realized. At the same time, cost control is very important [7,8]. Only when cost expenditure is controlled under legal conditions can profit be guaranteed. This work requires the earnest responsibility of cost accounting. For a shareholder, the owner of the enterprise, it is the situation that needs to be known [9,10]. Based on the above research background, identifying the causes and conditions of earnings management is an important prerequisite for effective regulation of earnings management and comprehensive understanding of earnings management.

This paper analyses managers' behavior of information earnings management from two perspectives of theory and practice, and distinguishes speculative earnings management from information earnings management in theory, and empirically studies the impact of corporate financial accounting structure on information earnings management. In summary, the impact of financial accounting structure on listed companies' information earnings management is explored. The results show that cost accounting, tax accounting, expense accounting and other financial accounting structures have a great impact on listed companies' earnings management. The innovation of this paper lies in the research on the importance of financial accounting structure to earnings management from the perspective of board of directors and shareholders. This study will help understanding and thinking about the further improvement and development of earnings management.

2. Research Method and Content

2.1 Research Method

The method of investigation and analysis were used to study the impact of cost accounting, tax accounting and expense accounting on information earnings management of listed companies in the financial accounting structure, and to theoretically analyze the data obtained.

2.2 Financial Accounting Functions

As the financial department of a listed company, its work mainly includes: responsible for the financing and utilization of the company's funds, capital operation, accounting and cost accounting, preparation and implementation of the company's annual and monthly financial revenue and expenditure plans, auditing of various economic contracts, and checking and paying all kinds of payments according to the prescribed procedures and conditions.

2.3 Cost Accounting for Information Earnings Management

Cost control is very important for a company. Only when the cost is controlled at a reasonable level can the expected profits be obtained. It can be accomplished by the participation of cost accounting in the verification and supervision. This is also the data that shareholders are most concerned about. Nevertheless, because shareholders cannot participate in the operation of the enterprise, the earnings management of this data is very important for shareholders. At present, most of the contemporary companies implement a system of separation of ownership and management rights and non-interference with each other. As the owners of enterprises, shareholders of enterprises give the operation rights of enterprises to the managers of enterprises, and the cooperative relationship between managers and shareholders is an agency relationship. According to the agreement between cooperative entrustment, there is a conflict of interest between them because of inconsistency in the understanding of business information or trust relationship. If shareholders only consider their own interests and not the value and interests of management, in such a case, managers will use earnings management to maximize their own interests: if shareholders do not supervise the company's executives enough, it will lead to the company's executives to control the company's operating rights, and shareholders lose the control of company. The bad result is that managers ignore the existence of shareholders and serve their own interests wholeheartedly, ignoring the interests of the company. In addition, the degree of ownership concentration and checks and balances will also affect the cost-informative earnings management behavior of enterprises. Therefore, the existence of cost accounting and the resulting data disclosure are very important for shareholders.

2.4 Impact of Tax Accounting on Information Earnings Management

Earnings management of tax data is very important for shareholders, especially whether managers have tax evasion. In addition, the board of directors is an important institution to protect the interests of shareholders. Shareholders can exert influence on the company's managers through the board of directors and supervise the efforts of managers. The board of directors plays a dual role of decision-making body and executive body in the enterprise, and plays a bridge and link role in the corporate governance structure. The board of directors should not only represent the will of shareholders and implement the resolutions of shareholders' general meeting, but also be responsible for the shareholders' general meeting. It should also give instructions to the managers, exercise the power of decision-making and control over the selection, dismissal and supervision of senior management. It can be said that the board of directors is the link between shareholders' general meeting and senior management, and it plays an important role in corporate governance structure. Secondly, as far as the number of board meetings is concerned, the more the number of board meetings is, the better the result is. This shows that directors of the company actively perform their duties and can solve problems in time. Thus, the space for managers to carry out earnings management will be compressed. Therefore, the existence of tax accounting and working conditions are very important for shareholders and board of directors, because tax accounting holds the very core business data of enterprises, which is an indispensable part of the composition of earnings management.

2.5 Effect of Expense Accounting on Information Earnings Management

The board of supervisors plays an overall supervisory role in the operation and management of the company, and it is also responsible for the shareholders' meeting. The board of supervisors has dual supervision, which not only supervises the board of directors, but also supervises the managers. On the one hand, the existence of double supervision is to avoid the excessive expansion of the rights of the board of directors and infringe on the interests of shareholders. On the other hand, it is to regulate the management power of managers to prevent the interests of companies from being infringed. The size of the board of supervisors and the number of meetings will affect the degree of earnings management, both of which involve a degree problem. The more meetings of the board of supervisors are held, the lower the possibility of managers' speculative earnings management is, and the more likely managers will be to carry out information earnings management. However, the information asymmetry between the members of the board of supervisors and managers will greatly reduce the supervisory effect of managers. It can be seen that the existence of expense accounting and its working conditions are very important for shareholders, the board of directors and the board of supervisors. The reason is that expense accounting holds very important business data for enterprises, which is very core data for the composition of earnings management information.

3. Results and Discussion

The improvement path of financial accounting institutions of listed enterprises is shown in Figure 1. From the graph, it is found that there are many ways for the development and improvement direction of financial accounting institutions of listed enterprises, including all aspects, which is an all-round improvement. Coordination and cooperation of all aspects are needed to form a good and sustainable operation of the ecological guarantee finance department, which is very important for a listed company. Especially for shareholders, managers, board of supervisors, and board of directors, the existence and improvement of financial accounting departments are very core for information earnings management. Financial data is the core of earnings management.

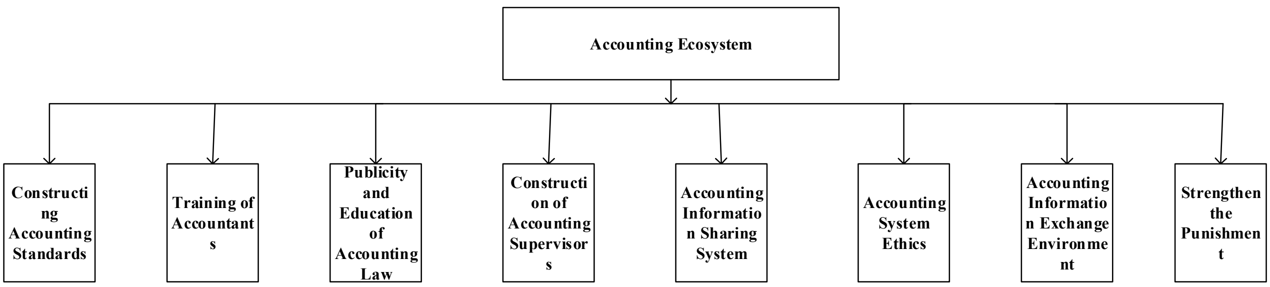

Figure. 1 Ways to improve financial accounting institutions of listed enterprises

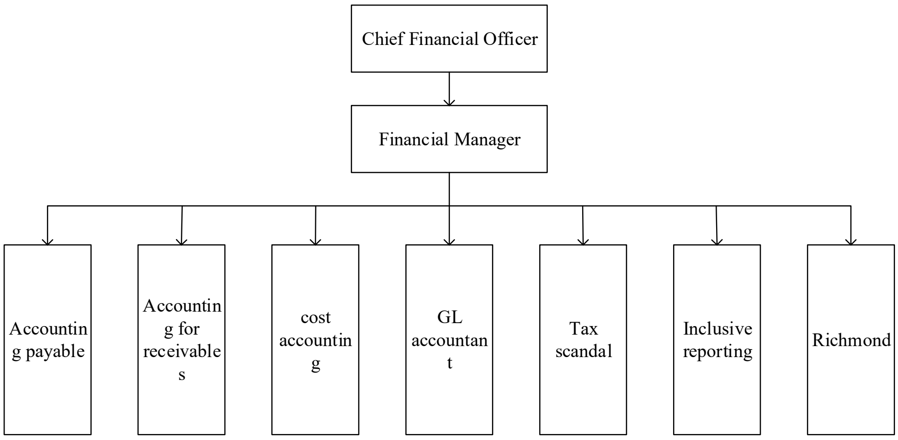

Figure. 2 Composition of financial department structure

The structure of the financial department is shown in Figure 2. From the figure, it is seen that the structure of the financial department is a whole system consisting of seven major parts: the chief financial officer, the financial manager, the accounts payable, the accounts receivable, the cost accounting, the general ledger accounting, the tax accounting, the cashier and so on. Their relationship is interrelated, cooperative and independent. This structure is to ensure that financial secrets will not be disclosed. Finance is very important for a company's management. Therefore, the integrity and efficiency of the financial structure is crucial for information earnings management.

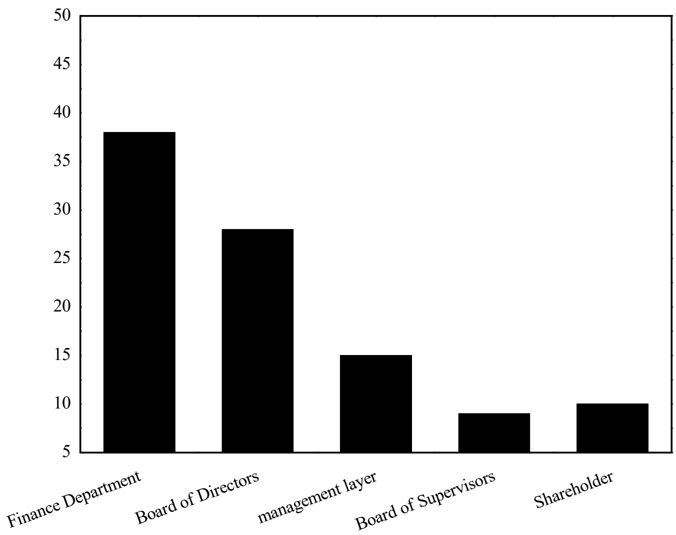

Figure. 3 Influencing factors of earnings management structure of listed companies

The influencing factors of earnings management structure of listed companies are shown in Figure 3. From Figure 3, it is known that 38% of the interviewees believe that financial structure of listed companies has the greatest impact on earnings management. Others, such as management layer, board of directors, board of supervisors, and shareholders, have no great impact on earnings management. Therefore, financial structure is very important for earnings management of listed companies, and it is a very core component.

4. Conclusion

The impact of financial accounting structure on information earnings management of listed companies was studied through the method of investigation and analysis. The results showed that the cost accounting, tax accounting and expense accounting in the financial accounting structure had a great influence on the information earnings management of listed enterprises. Because the cost accounting, tax accounting and expense accounting structure in the financial accounting structure of the company have a very important position, they hold the operational data of the enterprise and know the most real business situation of enterprises. This is also the relevant data required by shareholders and board of supervisors, directors and the public for all the true disclosure of management and financial departments, thus showing its influence on earnings management.

In summary, the above financial accounting structures, such as cost accounting, tax accounting and expense accounting, have a great impact on the study of information earnings management of listed companies. They are the core components of information earnings management. However, there are also some shortcomings in this study. For example, there is no study on the impact of the whole structure of financial accounting on earnings management, but this study still has very important reference value.

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