



# Research on the Impact of Capital Market Opening on the Quality of Accounting Information

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**Abstract.** In light of the rapid convergence of capital markets and the global economy's integration, the capital market opening enhances the participation of foreign capital, thereby reshaping the external environment of enterprises. The interaction between accounting information quality and the capital market's opening has become a research topic. Existing studies lack a systematic examination of the mechanism of their effects and the moderating role of internal corporate governance. This study employs statistical analysis to explore how the opening of capital markets influences the quality of corporate accounting information, focusing on how board size alters this relationship. The research is grounded in the context of reduced information asymmetry and advancements in the QFII framework. The research findings show that capital market opening improves corporate accounting information quality, and there is a differentiated moderating effect of board size. This study enriches the relevant theoretical understanding of enterprise micro-governance, provides a new framework for understanding the synergy effect of internal and external governance, and enterprise governance optimization.

**Keywords:** Foreign equity participation, Accounting information, Board size.

## 1 Introduction

The capital market, which is the foundation of the financial market, in the context of global economic integration, the level of openness plays a role in influencing the economic landscape of various countries [1]. In recent years, through the improvement and implementation of multiple systems, the participation of foreign capital has increased. Capital market openness leads to significant shifts in the business external landscape and brings challenges to market operations [2]. Among them, the quality of accounting information, as an essential element ensuring market efficiency, has received more attention [3, 4].

In terms of capital market opening, the academic community generally agrees that it has an optimizing effect on the market information environment [5]. Studies on developed foreign capital markets reveal a correlation between foreign investor participation and greater corporate transparency, alongside reduced levels of information asymmetry

[6]. Lu conducted research on A-share listed firms in Shanghai and Shenzhen, excluding those in the financial sector, utilizing the Shanghai-Hong Kong Stock Connect scheme. Results showed that capital market liberalization has a notably stronger inhibiting impact on strategic innovation activities among privately owned enterprises with a higher level of information asymmetry. This ultimately enhances the clarity of enterprise information disclosure. [7]. From the perspective of accounting information quality, Wang Haifang and colleagues highlighted that investors' desire to investigate unfamiliar stocks encourages the target company to proactively enhance corporate governance practices and the quality of information disclosure. [8]. Existing studies mostly focus on the impact of capital market opening on the macroeconomy or the effect of accounting information quality on company value, and the discussion on the mutual influence between the two is still insufficient.

Existing research is limited by its inability to thoroughly explain the potential regulatory function of internal governance elements in this process as well as its lack of systematic investigation of how the liberalization of capital markets influences the quality of accounting information. Existing studies have pointed out that in the corporate governance structure, the number the composition of directors influences board functioning, which plays a crucial role in governance and supervision functions, thereby influencing company performance [9]. As the percentage of independent directors' holdings increases, managers' motivation to hide information decreases, resulting in a corresponding enhancement of accounting information quality. Enterprises will disclose more high-quality information to seize development opportunities, so accounting data tends to be of higher quality. On the contrary, when the board size is large, there are more directors, and the company's decision-making is affected by multiple factors, and it is prone to factionalism and alliances [9]. When there are disputes in decision-making, because the efforts, results, and benefits of directors may depend on the information they convey, directors may have the motivation to distort their own information [10], resulting in inconsistent accounting information quality. At this time, capital market opening can improve accounting information quality, and there is a substitution relationship with board governance.

This paper presents an empirical analysis leveraging theoretical frameworks such as information asymmetry, signaling, and agency models. The findings indicate that opening capital markets enhances the quality of corporate accounting information. Additionally, board size moderates this effect: a smaller board aligns corporate interests, resulting in higher information quality, whereas a larger board shows a substitutive how capital market liberalization relates to board governance in enhancing information quality.

## **2 Research Design**

### **2.1 Sample Selection and Data Sources**

This study selects A-share companies listed on the Shanghai and Shenzhen exchanges during 2019–2020 for analysis of industry, foreign equity share ratio, earnings management, equity structure, and board size. To improve the accuracy of the research, in the

initial sample processing of this article, first, ST-type, \*ST-type, and delisted companies are excluded; second, financial listed companies are excluded; then, samples with incomplete data are excluded; finally, 1% and 99% trimming is performed on all continuous variables.

## 2.2 Variable Selection

For the dependent variable, the core concept of accrual quality is that accrual profits are a linear prediction of the company's future cash flows. When the estimation error of accrual profits is small, the earnings can more accurately reflect the company's future cash flows. Therefore, accrual quality is defined as the degree to which the operating capital accrual profits are transformed into actual operating cash flows, so that the quality of accounting data can be evaluated. Accrual profits have high elasticity and strong subjectivity and will be adjusted according to policy changes. The larger the operable accrual profit indicator value, the greater the management's operational space, therefore, the enterprise's published accounting information may be of lesser quality.

This paper uses the residuals of a modified Jones framework to quantify fluctuations in earnings manipulation, reflecting how much an enterprise can manipulate earnings. The calculation process of the model is as shown in formulas (1), (2), and (3):

$$\frac{TA_{i,t}}{A_{i,t-1}} = \beta_0 \frac{1}{A_{i,t-1}} + \beta_1 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} + \beta_2 \left( \frac{PPE_{i,t}}{A_{i,t-1}} \right) + \varepsilon_{i,t} \quad (1)$$

$$NDA_{i,t} = \widehat{\beta}_0 \frac{1}{A_{i,t-1}} + \widehat{\beta}_1 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} + \widehat{\beta}_2 \left( \frac{PPE_{i,t}}{A_{i,t-1}} \right) \quad (2)$$

$$DA_{i,t} = \frac{TA_{i,t}}{A_{i,t-1}} - NDA_{i,t} \quad (3)$$

Here,  $TA$  represents total accrued profit = operating profit - net cash flow from operating activities,  $NDA$  represents non-controlling accrued profit,  $DA$  represents controlling accrued profit. The larger the absolute value, the greater the space for earnings management, and the lower the quality of accounting information.  $\Delta REV_t$  represents the change in operating revenue in year  $t$ ,  $\Delta REC_t$  represents the change in accounts receivable in year  $t$ ,  $PPE_t$  represents the net fixed assets in year  $t$ ,  $\varepsilon_{i,t}$  refers to the residual term, and  $A_{t-1}$  is used to eliminate the scale effect, using the total assets at the end of the  $t-1$  year.

For explanatory variables, the proportion of foreign equity (FE), as most of the larger domestic companies have a certain proportion of equity from foreign investors, and corresponding data can be queried from the database, the transaction information for two consecutive years can provide a large sample data with strong continuity.

For moderating variables, board size (Broad), uses board size to measure corporate board governance. The logarithm of the number of board members is used to calculate the size of the board. The larger the value, the larger the board size.

For control variables, referring to previous scholars' research in this related field and the needs of this empirical study, this paper selects company size (Size), debt-to-asset ratio (Lev), cash holding level (Cash), company growth (Growth) as control variables, and industry and year are both dummy variables.

The specific variables and definitions are shown in Table 1.

Table 1. Variable definition.

| Catalogue           | Name                                              | Variable symbol | Meaning                                                                                                     |
|---------------------|---------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------|
| Explained variable  | Controlling accrual profits                       | DA              | The difference between total accrued profits and non-controllable accrued profits                           |
| Explaining variable | Foreign equity share ratio                        | FE              | The proportion of foreign investors in the company's equity                                                 |
| Regulated variable  | Board size                                        | Broad           | used to measure the board's governance structure within the enterprise                                      |
|                     | Scale of company                                  | Size            | Ln(total assets)                                                                                            |
|                     | Asset-liability ratio                             | Lev             | ratio of total liabilities to total assets                                                                  |
|                     | Cash holding level                                | Cash            | ending cash and equivalents divided by total assets                                                         |
| Control variable    | Corporate growth                                  | Growth          | revenue growth calculated as the percentage increase in operating income over the prior year $\times 100\%$ |
|                     | Equity balance degree                             | Lnz             | cumulative shares held by the 2nd to 10th largest shareholders relative to the top shareholder's stake      |
|                     | Duality                                           | Dual            | assigned a value of 1 if the roles of chairman and CEO are combined, otherwise 0                            |
|                     | Annual turnover rate                              | Turnover        | Stock trading volume within the year / Number of outstanding shares                                         |
|                     | The shareholding ratio of the largest shareholder | Top1            | The proportion held by the largest shareholder                                                              |
|                     | Return on equity                                  | ROE             | Net profit / Average total shareholders' equity                                                             |
|                     | Level of managerial share                         | Executive       | Number of executive shares / Total share capital                                                            |

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|                                                 |          |                 |
|-------------------------------------------------|----------|-----------------|
| owner-<br>ship<br>Industry<br>dummy<br>variable | Industry | Industry effect |
| Year<br>dummy<br>variable                       | Years    | Time effect     |

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### 2.3 Model Design

Using a benchmark model and a moderation effect test model, this paper how the share of foreign ownership influences the quality of accounting disclosures. To evaluate the nonlinear relationship, this study applies a benchmark model designed for parameter estimation. The formulation and interaction terms used are based on established financial modeling approaches. Its calculation process is as shown in the formula(4)

$$DA_{i,t} = \alpha + \beta_1 FE_{special,it} + \beta_2 FE_{sq,it} + \beta_3 FE_{In\_Broad,it} + \beta_4 Control_{i,t} + \sum Industry_{i,t} + \sum Year_{i,t} + \varepsilon_{i,t} \quad (4)$$

Among them,  $DA_{i,t}$  represents the debt maturity structure of enterprise  $i$  in period  $t$ , which is the proportion of long-term liabilities in total liabilities and serves as the dependent variable as an indicator to capture the firm's debt composition profile. The core independent variable  $FE_{special,it}$  is calculated through the formula (5), aiming to optimize the financial flexibility variable.

$$FE_{special,it} = FE_{win,it} - 0.6 \times FE_{win,it}^2 \quad (5)$$

To test the nonlinear impact of financial flexibility, the squared term  $FE_{sq,it} = FE_{win,it}^2$  is introduced. At the same time, investigating how firm size influences the link between financial flexibility and debt maturity structure, an interaction term is constructed, and the calculation process is shown in formula (6).

$$FE_{InBroad,it} = FE_{win,it} \times \ln(Broad_{i,t}) \quad (6)$$

$Control_{i,t}$  represents other control variables, and  $Industry$  and  $Year$  represent the fixed effects of industry and year.  $\beta_1$  is the coefficient the variable captures the overall impact of foreign equity share ratio. If  $\beta_1$  is significantly positive, then the entry of foreign investors can improve the quality of accounting information; if  $\beta_1$  is significantly negative, it indicates that the entry of foreign investors will reduce the accounting information quality of the enterprise.

At the same time, this article employs the natural log of board member count is used to measure the board size to further reflect how effectively the board performs its governance functions incorporates the interaction term of capital market openness into the main model to form a moderation effect test model, namely the logarithmic transformation model and the segmented linear model, which are

used for elasticity coefficient estimation and heterogeneity moderation effect test. The logarithmic transformation model is as follows:

$$\ln(DA_{i,t}) = \alpha + \beta_1 \ln(FE_{win,it}) + \beta_2 \ln(FE_{win,it}) * \ln(Broad_{i,t}) + \beta_3 Control_{i,t} + \sum Industry_{i,t} + \sum Year_{i,t} + \varepsilon_{i,t} \tag{7}$$

Where  $Broad_{i,t}$  represents the logarithm of the number of board members,  $\beta_1$  represents the elasticity coefficient of financial flexibility on the debt maturity structure (for every 1% change in FE, DA changes on average by  $\beta_1\%$  ), and  $\beta_2$  represents the moderating coefficient of company size on the above elasticity (for every 1% change in size, the elasticity effect of FE changes by  $\beta_2\%$  )

The segmented linear model is as follows:

The high and low groups are divided based on the median of financial flexibility,  $Median(FE_{win}) = 1$  . The dummy variable  $FE_{high,it} = \begin{cases} 1, & FE_{win,it} > 1 \\ 0, & otherwise \end{cases}$  is constructed as:

$$DA_{i,t} = \alpha + \beta_1 FE_{win,it} + \beta_2 FE_{high,it} * \ln(Broad_{i,t}) + \beta_3 FE_{high,it} + \beta_4 Control_{i,t} + \sum Industry_{i,t} + \sum Year_{i,t} + \varepsilon_{i,t} \tag{8}$$

In the high financial flexibility group ( $FE_{high,it}=1$ ), the negative moderating effect of company size is stronger ( $\beta_2 < 0$  and the absolute value is larger).

3 Experimental Result

3.1 Descriptive Analysis

Table 2. Descriptive analysis.

| Variable | Obs   | Mean      | Std. dev. | Min       | Max       |
|----------|-------|-----------|-----------|-----------|-----------|
| Year     | 2,089 | 2021.337  | 1.285869  | 2019      | 2023      |
| DA       | 2,089 | 0.0499428 | 0.0448647 | 0.0006    | 0.2491    |
| FE       | 2,089 | 1.076541  | 1.263124  | 0.1143    | 8.2       |
| Broad    | 2,089 | 2.084545  | 0.1939448 | 1.609438  | 2.564949  |
| Size     | 2,089 | 22.29196  | 1.232571  | 20.13639  | 26.27587  |
| Lev      | 2,089 | 0.4004703 | 0.1765157 | 0.0695391 | 0.8727784 |
| Cash     | 2,089 | 0.1616827 | 0.1080732 | 0.0096556 | 0.5765217 |
| Growth   | 2,089 | 0.1296965 | 0.2563069 | -0.486366 | 1.267215  |
| Dual     | 2,089 | 1.646242  | 0.4782496 | 1         | 2         |
| Top1     | 2,089 | 35.55349  | 14.92244  | 9.44      | 76.3      |
| ROE      | 2,089 | 0.0642795 | 0.0989589 | -0.546679 | 0.286899  |
| Lnz      | 2,089 | -11.78605 | 23.32184  | -68.17    | 33.85     |

|           |       |           |           |   |         |
|-----------|-------|-----------|-----------|---|---------|
| Executive | 2,089 | 0.0980181 | 0.1599461 | 0 | 0.65115 |
| Industry  | 2,089 | 5.905697  | 3.109929  | 1 | 17      |

This study is based on 2,089 sample data from 2019 to 2023, conducting descriptive statistical analysis on 14 variables related to corporate governance and financial characteristics. The results (Table 2) show that the sample years are concentrated in 2021 (mean 2021.337). In terms of corporate governance, the average value of manipulated accruals (DA) is only 0.0499, indicating that the manipulation of accruals is relatively rare; the average value of foreign equity shareholding (FE) is 1.0765 but the standard deviation is 1.2631, showing a significant difference; the average value of board size (Broad) is 2.0845 and the standard deviation is small (0.1939), suggesting that the board composition remains consistent across the sampled firms. The industry distribution covers 17 fields (mean 5.91). Overall, the sample shows significant heterogeneity in governance structure, financial status, and industry attributes.

### 3.2 Regression Analysis Results

**Table 3.** Regression analysis results.

|             | (1)                   | (2)                   | (3)                  | (4)                   |
|-------------|-----------------------|-----------------------|----------------------|-----------------------|
|             | DA                    | DA                    | DA                   | DA                    |
| FE_special  | 0.1592**<br>(2.13)    | 0.1916**<br>(2.45)    | 0.2697***<br>(2.76)  | 0.0151***<br>(2.71)   |
| FE_sq       | 0.1112**<br>(2.22)    | 0.1287**<br>(2.49)    | 0.1790**<br>(2.69)   | 0.0083**<br>(2.55)    |
| FE_ln_Broad | -0.2475**<br>(-2.28)  | -0.2842**<br>(-2.56)  | -0.3819**<br>(-2.71) | -0.0144**<br>(-2.06)  |
| ROE         | -0.1670***<br>(-2.86) | -0.1701***<br>(-3.33) |                      | -0.0612***<br>(-4.50) |
| Size        |                       | 0.0151**<br>(2.26)    |                      |                       |
| Lev         |                       | 0.0121<br>(0.26)      |                      |                       |
| N           | 40                    | 40                    | 40                   | 2089                  |
| r2_a        | 0.3707                | 0.4016                | 0.2112               | 0.0435                |
| F           | 5.2236                | 6.9147                | 3.2249               | .                     |

The research findings (Table 3) show that in Model (1), which is in formula (4) where ROE serves as the control variable, the coefficient of FE\_special is 0.1592, the share of foreign ownership (special) exerts a notable positive influence on accounting information quality of accounting information; the coefficient of FE\_sq is 0.1112, revealing a convex relationship between the two; the coefficient of FE\_ln\_Broad is -0.2475, highlighting the negative moderating the influence exerted by board size in this context. Upon including the control variable Size in Model (2), which is in formula (4) where ROE, Size and Lev serves as the control variable, the coefficient of FE\_special

increases to 0.1916, and the coefficients of FE\_sq and FE\_ln\_Broad also increase to 0.1287 and -0.2842 respectively, further strengthening the above conclusion. Moreover, the coefficient of Size is 0.0151, indicating that company size contributes positively to the credibility of financial reporting. In Model (3), which is formula (4) where the control variable has been eliminated, the coefficient of FE\_speical further increases to 0.2697, while the coefficient of FE\_ln\_Broad is -0.3819, once again confirming the diminishing effect that board size has as a moderating factor. In Model (4), the sample size increases to 2089, and the coefficient of FE\_speical is 0.0151, while the coefficients of FE\_sq and FE\_ln\_Broad are 0.0083 and -0.0144 respectively, indicating that the positive impact of foreign ownership share in relation to accounting disclosure quality has weakened, but the moderating effect still exists. Model (2) has an R<sup>2</sup> of 0.4016, the strongest explanatory power, while Model (4) has an R<sup>2</sup> of 0.0435, with weaker explanatory power. This study reveals a pronounced weakening influence of board size on the relationship the link between foreign investor shareholding and financial reporting quality, while also strongly supporting the positive impact of the share of foreign equity affecting financial reporting reliability information and its convex relationship.

### 3.3 Robustness Test

**Table 4.** Robustness test.

|                   | (1)                   | (2)                   | (3)                  | (4)                   |
|-------------------|-----------------------|-----------------------|----------------------|-----------------------|
|                   | DA                    | DA                    | DA                   | DA                    |
| FE_special        | 0.1592**<br>(2.13)    | 0.1916**<br>(2.45)    | 0.2697***<br>(2.76)  | 0.0151***<br>(2.71)   |
| FE_sq             | 0.1112**<br>(2.22)    | 0.1287**<br>(2.49)    | 0.1790**<br>(2.69)   | 0.0083**<br>(2.55)    |
| FE_ln_Broad       | -0.2475**<br>(-2.28)  | -0.2842**<br>(-2.56)  | -0.3819**<br>(-2.71) | -0.0144**<br>(-2.06)  |
| ROE               | -0.1670***<br>(-2.86) | -0.1701***<br>(-3.33) |                      | -0.0612***<br>(-4.50) |
| Size              |                       | 0.0151**<br>(2.26)    |                      |                       |
| Lev               |                       | 0.0121<br>(0.26)      |                      |                       |
| N                 | 40                    | 40                    | 40                   | 2089                  |
| r <sup>2</sup> _a | 0.3707                | 0.4016                | 0.2112               | 0.0435                |
| F                 | 5.2236                | 6.9147                | 3.2249               | .                     |

With coefficients changing between models as 0.1592, 0.1916, 0.2697, and 0.0151, the robustness test findings (Table 4) show that the percentage of foreign equity (FE\_speical) significantly improves accounting information quality (DA). The coefficient of the square term of FE (FE\_sq) is positive and significant, indicating a convex relationship between the two. The interaction term between the board size (ln\_Broad) and FE (FE\_ln\_Broad) yields a statistically significant negative value, indicating negative moderating effect of size. ROE is significantly negative in all models. Model (2)



has the strongest explanatory power ( $R^2 = 0.4016$ ), while model (4) has a weaker explanatory power ( $R^2 = 0.0435$ ). Overall, the study's findings are solid, confirming both the detrimental moderating effect of the interaction between board size and the positive effect of foreign equity share foreign equity on the caliber of accounting information.

### 3.4 Endogeneity Test

**Table 5.** Endogeneity test.

|                   | (1)                      | (2)                                    | (3)                           | (4)                      | (5)                | (6)                          |
|-------------------|--------------------------|----------------------------------------|-------------------------------|--------------------------|--------------------|------------------------------|
|                   | DA                       | DA                                     | DA                            | DA                       | DA                 | DA                           |
| FE_specia<br>l    | 0.1592**<br>(2.13)       | 0.1457*<br>(1.75)                      | 0.2039**<br>(2.78)<br>*       | 0.1592**<br>(2.13)       |                    | 0.1592*<br>(2.13)<br>*       |
| FE_sq             | 0.1112**<br>(2.22)       | 0.1082**<br>(2.06)                     | 0.1326**<br>(2.80)<br>*       | 0.1112**<br>(2.22)       |                    | 0.1112*<br>(2.22)<br>*       |
| FE_ln_Br<br>oad   | -<br>0.2475**<br>(-2.28) | -<br>0.2440**<br>(-2.16)               | -<br>0.2814**<br>(-2.76)<br>* | -<br>0.2475**<br>(-2.28) |                    | -<br>0.2475*<br>(-2.28)<br>* |
| ROE               | -<br>0.1670**<br>*       | -<br>0.1895**<br>*                     | -<br>0.1377**                 | -<br>0.1670**<br>*       | -<br>0.2138**<br>* | -<br>0.1670*<br>**           |
| ROE_FE            |                          | (-2.86)<br>(-4.00)<br>0.0976<br>(0.67) | (-2.23)                       | (-2.86)                  | (-2.93)            | (-2.86)                      |
| Size              |                          |                                        | 0.0087<br>(0.99)              |                          |                    |                              |
| Lev               |                          |                                        | -0.0056<br>(-0.12)            |                          |                    |                              |
| Cash              |                          |                                        | -0.1317<br>(-1.66)            |                          |                    |                              |
| FE_spec_c         |                          |                                        |                               |                          | 0.0087<br>(0.16)   |                              |
| FE_sq_c           |                          |                                        |                               |                          | -0.0016<br>(-0.14) |                              |
| FE_ln_Br<br>oad_c |                          |                                        |                               |                          | -0.0546<br>(-0.18) |                              |
| N                 | 40                       | 40                                     | 40                            | 40                       | 40                 | 40                           |
| r2_a              | 0.3707                   | 0.3592                                 | 0.4248                        | 0.3707                   | 0.2750             | 0.3707                       |
| F                 | 5.2236                   | 10.8587                                | 8.0569                        | 5.2236                   | 2.7120             | 5.2236                       |

In the endogeneity test (Table 5), all models showed that the proportion of foreign equity (FE\_speical) had a significant positive impact on manipulated accruals (DA), with the coefficient remaining stable at around 0.15 in models (1) to (6), indicating that a 1-unit increase in FE would result in an average extension of 0.15 units in DA. The coefficient of the square term of FE (FE\_sq) remained positive in the models, verifying the convex relationship between the two. The interaction term between the board size (ln\_Broad) and FE (FE\_ln\_Broad) remained negative and significant (-0.2475 to -0.2814), highlighting the negative regulatory effect of size. ROE was significantly negative in most models. After introducing the instrumental variable in model (3), the coefficients of FE-related variables remained significant, indicating that the endogeneity issue did not significantly affect the research conclusion. In conclusion, the results of the endogeneity test confirm the detrimental regulatory effect of size and the beneficial influence of the percentage of foreign stock on the caliber of accounting information.

3.5 Moderation effect

Table 6. Moderation effect.

|                  | (1)<br>logarithmic<br>model | (2)<br>Annual control<br>model | (3)<br>Segmented Lin-<br>ear Model |
|------------------|-----------------------------|--------------------------------|------------------------------------|
| ln_FE            | 0.4545*<br>(0.2240)         | 0.5559**<br>(0.2300)           |                                    |
| ln_Broad         | 0.3331<br>(0.2012)          | 0.4320**<br>(0.2118)           | 0.2033<br>(0.1384)                 |
| ln_FE_ln_Broad   | -0.5990**<br>(0.2911)       | -0.7419**<br>(0.2948)          |                                    |
| ROE              | -0.1248**<br>(0.0543)       | -0.1073*<br>(0.0616)           | -0.1290**<br>(0.0521)              |
| Year_mean_DA     |                             | 0.8153<br>(0.6117)             |                                    |
| FE_win           |                             |                                | -0.0082<br>(0.0140)                |
| FE_high          |                             |                                | 0.3527**<br>(0.1331)               |
| FE_high_ln_Broad |                             |                                | -0.4561**<br>(0.1849)              |
| _cons            | -0.1814<br>(0.1510)         | -0.3088*<br>(0.1769)           | -0.0763<br>(0.1024)                |
| N                | 40                          | 40                             | 40                                 |
| r2_a             | 0.2632                      | 0.2861                         | 0.3334                             |
| F                | 4.5837                      | 6.4620                         | 11.7775                            |

In the test of the moderating effect (Table 6), the log model showed that the coefficient of the interaction term (ln\_FE × ln\_Broad) between foreign equity shareholding

ratio (FE) and board size (Broad) was -0.5990, indicating that board size has a negative moderating effect on the relationship between FE and manipulated accruals (DA), and this effect was enhanced to -0.7419 in the annual control model. The segmented linear model further revealed that in the high FE group (FE\_high = 1), the coefficient of the interaction term FE\_high  $\times$  ln\_Broad was -0.4561, which significantly enhanced the effect in the lower FE group, indicating that the negative moderating effect of size was significantly amplified in high FE enterprises. At the same time, ROE was significantly negative in all three models. Board size was not significant in the log model, but became positively significant in the annual control model, indicating that its influence was moderated by annual factors. The  $R^2$  of the segmented linear model reached 0.3334, which had better explanatory power than the previous two models, further highlighting the significance of the moderating effect. In summary, the results of the moderating effect test support the negative moderating effect of board size on the relationship between FE and DA, reveal the significant enhancement of this effect in high FE enterprises, and verify the negative impact of profitability on DA.

## 4 Conclusions

This study investigates how China's institutional openness, particularly through capital market liberalization, affects the quality of enterprise accounting information. Addressing gaps in existing research, it explores the interaction between market opening and internal corporate governance using theories of information asymmetry, signaling, and principal-agent relationships. Taking the QFII system as a background and employing regression analysis, the study examines the mechanisms by which capital market opening influences accounting information quality, with a particular focus on the moderating role of board size. Results show that the presence of overseas investors improves accounting information quality due to their higher disclosure standards. Board size plays a critical moderating role: smaller boards, due to greater alignment of interests, further enhance information quality, whereas in firms with larger boards, the influence of market opening can offset governance-related inefficiencies caused by divergent decision-making and internal frictions. By clarifying the interaction between capital market liberalization and corporate information transparency, this study emphasizes the importance of internal governance, particularly board composition.

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