

Discussion on the Non-financial Information Disclosure Problems of Listed Companies

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Abstract. The non-financial information disclosure problems of listed companies have been highly focused by all sectors of society. Currently, there are non-financial information disclose problems such as insufficient disclosure and low disclosure quality, and their existence has weakened the usefulness of accounting information. In this paper, the causes for the non-financial information disclosure problems of listed companies are analyzed and then the basic strategies and suggestions for improving the non-financial information disclosure are proposed.

Keywords: Information Disclosure; Non-Financial Information; Voluntary Disclosure

1. Introduction

Accounting is reactive. Along the development of social economy, especially the development of knowledge economy and the proposal of sustainable development theory and the idea of "building a harmonious socialist society", the financial accounting and reporting system deeply rooted in the industrial economy has been unable to adapt to the rapid development of economy and society. *Purpose and Concept of Preparing Financial Statement* issued by the International Accounting and Reporting Expert Group in 1988 shows that the first purpose of preparing corporate statements is to disclose the financial and non-financial information about management, resources and obligation and help users control listed companies and make the economic and social decisions about the companies. Therefore, the accounting information system should be an integrated

information system mainly providing financial information plus other information, so as to reflect all the financial and non-financial information in the process of company management. However, the current accounting information disclosure system of listed companies still exist many drawbacks, especially the non-financial information disclosure.

2. The current situation of the non-financial information disclosure in China's listed companies

2.1 Non-financial information disclosure is insufficient

A questionnaire survey, made by Liansheng Wu (2001), showed that the demand of users for accounting information was not confined to the historical information, and also more attention was paid to the future information. At present, the accounting information disclosed according to the requirements of China's Securities Regulatory Commission is still different from user's information needs. This can be mainly reflected from the information that can't be measured using currency and even can't be expressed using data. Meanwhile, the effective disclosure of some mandatory accounting information by listed companies is insufficient.

2.2 A quantitative and standardization system is absent for non-financial information disclosure, making the non-financial information disclosure quality difficult to control

Non-financial information involves a wide range of contents, so not all of the non-financial information such as human resources quality and

structure, product quality and customer satisfaction can be quantified and standardized. This gives rise to the great difficulties to the non-financial information disclosure. At the same time, the disclosure of this kind of information may lead to greater uncertainty because some indicators may be specific, subjective, and not audited.

The non-financial information disclosure statement (2011) of China's listed companies showed that 99% of listed companies failed to pass the test of non-financial information disclosure and the overall level was still in its infancy.

2.3 Impression management behavior exists in the non-financial information disclosure of listed companies

Non-financial information is expressed mainly in the form of language information. Language information creates a non-financial information disclosure chance for listed companies. The process of company's financial information from formation to disclosure is strictly restricted by the accounting standards, and standardization and quantification are its salient characteristics. On the contrary, non-financial information is the data, which does not conform to the defining, measuring, relevance and reliability requirements and thus is excluded from accounting statements to reflect the company business activities. The diversity of contents and forms is a significant characteristic of non-financial information. Moreover, it is unnecessarily audited and inspected. For these reasons, a space is available for listed companies in the non-financial information disclosure impression management. Non-financial information disclosure has been focused by more and more investors and stakeholders, and listed companies can advertise themselves through non-financial information disclosure, making the companies motivated by impression management in the process of non-financial information disclosure. An empirical study of Manli SUN on the language

information impression management of listed companies proves that there exists language information impression management within listed companies.

3. Analysis on the causes for the current situation of the non-financial information disclosure of listed companies in China

3.1 Violating the basic functions of financial accounting

Financial accounting is an important branch of modern accounting. Jiapeng GE thinks that the main purpose of financial accounting is to provide useful decision-making financial information for the investors who don't participate in company management using financial statements; financial accounting's mission is to provide historical financial information for companies, but not to try to provide possible future information or generate non-financial information. In the above, the essence of financial accounting is indicated. Non-financial information is correlated with decision-making, but its reliability is insufficient. The non-financial information disclosure is beyond the scope of the traditional financial accounting. The generation and disclosure of non-financial information will be ignored if no clear requirements are available for it.

3.2 Non-financial information disclosure is restricted by the internal governance shortcomings of listed companies

Corporate governance is to study the "agent problem" under the condition that ownership is separated from management. In the "dominant" equity structure of state-owned shares, the board of directors may not be responsible for shareholders and supervised by shareholders, so it is difficult to be restricted by the external market; the board of supervisors performs practically no function; the independent directors are not independent at all; small and medium-sized shareholders have no choice but to vote with their feet.

3.3 Unsound non-financial information disclosure system in listed companies

With the development of Chinese capital market, related institutions such as securities regulatory commission have submitted requirements or suggestions for the non-financial information disclosure of listed companies. Some information disclosed by listed companies makes the quality of non-financial information disclosure low because of poor maneuverability and conformity, and also is unable to meet the increasing information needs of stakeholders. On the one hand, a rules system similar to generally accepted accounting principles has been not formed yet to stipulate the non-financial information contents and forms, putting the current non-financial information disclosure in a dilemma. On the other hand, rules are absent for specifying the disclosure behaviors of non-financial information required to be disclosed.

3.4 Restricted by the cost-benefit principle

The cost-benefit principle is widely used for accounting information disclosure, in which the disclosure of information is feasible only if the benefit of information disclosure is greater than the cost. Corporate cost includes disclosure cost, lawsuit cost and competitive disadvantage; corporate benefit includes lower capital cost and the earnings from public relations. From the corporate level, the non-financial information disclosure cost will undoubtedly be larger. Non-financial information disclosure, especially involving the information related to core competitiveness, may force companies to be in a competitive disadvantage; non-financial information disclosure may give rise to litigation costs to companies. In the meantime, the benefits produced by non-financial information, especially the benefits from public relations, are difficult to determine. Therefore, from the micro level, companies are in a dilemma to decide if they are going to disclose non-financial information as well as the disclosed amount.

From the perspective of non-financial information, benefit is certainly larger than cost. In terms of society, the benefit of corporate accounting information disclosure is obviously greater than the cost. From the above analysis, companies are in a dilemma to disclose non-financial information, but potential investors and society require them to disclose more non-financial information related to management, so that the contradiction between non-financial information supply and demand occur.

4. Strategies for improving the current situation of the non-financial information disclosure in China's listed companies

4.1 Strengthening the study of non-financial information disclosure of listed companies

At present, it is necessary to strengthen the non-financial information disclosure, and this has been a consensus in the academic field and practice field. However, the special studies of non-financial information disclosure are rare. The study of non-financial information disclosure is at a superficial level and difficult to systematically recognize non-financial information as well as disclosure. So far, a scientific understanding of the key issues such as "what is non-financial information" (i.e. the boundary of non-financial information) and how and when to disclose non-financial information has been not gotten yet. The scarce study of theories will affect the formation of the specific rules in the practice field and the effective operation of the capital market. Therefore, it is necessary to enhance the study of non-financial information disclosure on the basis of the existing studies.

4.2 Strengthening the supervision of government, improving the non-financial information disclosure system in listed companies, and encouraging and standardizing non-financial information disclosure

At present, there have been rules and regulations about non-financial information disclosure in China, but the rules for non-financial information disclosure have been not sound yet. This can be mainly reflected in incomplete contents and insufficient rules. Therefore, a set of non-financial information disclosure rules fit for China can be made using S-X and S-K rules of the United States for reference and combining the actual capital market conditions of China, so as to enhance the non-financial information disclosure of listed companies as well as its quality.

4.3 Strengthening the identification of non-financial information to ensure the quality of non-financial information disclosure of listed companies

Non-financial information is the data, which does not conform to the defining, measuring, relevance and reliability requirements and thus is excluded from accounting statements to reflect the company business activities. The diversity of contents and forms is a significant characteristic of non-financial information. Moreover, it is unnecessarily audited and inspected. The identification refers to the business out of audit, capital verification and consultation, which provides examination, check and approval but no securities and statement execution results. It just makes up the vacancy of the audit work and improves the quality of non-financial information.

4.4 Implementing the stricter enforcement of law and enlarging the penalties for false information disclosure

The laws in China's accounting statement specification system mainly include Securities Law, Corporate Law, and Accounting Law. Accounting Law is absent in the legal system of the United States, Japan and France. In these laws, however, the stipulation on civil liability is absent. Thus, the current situation of false accounting information disclosure can't be effectively constrained by civil litigation. It is necessary for China to give tough sanctions to accounting information disclosure frauds using the related provisions of France and the United States for reference, so as to warn late-comers not to make the same mistakes.

5. Conclusions

The current accounting information disclosure system of listed companies still exist many drawbacks, especially the non-financial information disclosure, and some strategies for improving the current situation of the non-financial information disclosure in China's listed companies were put forward.

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