

Probe into the Reasons of Absence in Accounting Credit among Listed Companies and Study on Countermeasures

L'ORIGINE DU MANQUE D'HONNETETE DE LA COMPTABILITE DES ENTREPRISES COTEES ET L'ETUDE SUR LES CONTRE-MESURES

NI Xiao-nan¹

HUANG Hong-jie²

Abstract: Credit is basic principle for accounting and the absence of accounting credit will restrain enterprises from existing and development and influence the healthy operation of national economy. Currently absence in accounting credit is an international problem and the accounting credit of listed companies is suffering from social questioning. In this paper, the authors, based upon the definition and performance of absence in accounting credit among listed companies with the help of systematic thoughts, deeply and completely analyzes both internal and external reasons for the absence in accounting credit among listed companies, and attempt to propose of corresponding countermeasures in punishing absence in accounting credit from the aspect of government regulation, social supervision and self-discipline of enterprises and accounting personnel so as to put forward related references for accounting credit construction among listed companies.

Key Words: Listed Company; Absence in Accounting Credit; Probe into Reasons; Countermeasures

Résumé: L'honnêteté est l'un des principes de base de la comptabilité. Le manque d'honnêteté peut restreindre la survie et le développement de l'entreprise et avoir des effets négatifs sur le fonctionnement de l'économie nationale. A l'heure actuelle, le manque d'honnêteté de comptabilité est un problème international. La crédibilité comptable des entreprises cotées est soumise en question. L'article décrit la définition et les signes du manque d'honnêteté comptable, analyse systématiquement les sources interne et externe du manque de crédibilité comptable des entreprises cotées et propose des contre-mesures du point de vue de la surveillance gouvernementale, du contrôle social et de l'autodiscipline du personnel de la comptabilité, afin de provisoirement mis

¹ Associate Professor, Doctor, College of Business Administration, Shenyang University, Shenyang, Liaoning Province, 110044, China. Research area: Accounting theory and practice. E-mail: milaoshu1116@126.com.

² Huang Hong-jie, male, Master Degree Candidate, College of Economics, Shenyang University, Shenyang, Liaoning Province, 110044, China. Research area: industrial policy and structure optimization.

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en avant de fournir des conseils appropriés à maintenir l'honnêteté comptable des entreprises cotées.

Mots-clés: sociétés cotées; manque d'honnêteté comptable; source; contre-mesures

1. DEFINITION AND PERFORMANCE OF ABSENCE IN ACCOUNTING CREDIT AMONG LISTED COMPANIES

Credit remains the kernel thought in moral culture in traditional Chinese Culture and the greatest thinker Confucius once said, “you cannot know the man if he is absent in credit”, which indicates that credit is the basic principle of being a man. Credit composes of honesty and keeping one’s word. Honesty indicates the consistence between one’s inner mind and language & behavior; keeping one’s word indicates that man should abide by credit in daily communication. Accounting work that concentrates on providing decision-making information for related parties demand credit as its basic function and people dealing with accounting work should possess good professional ethics and business capability and they must provide financial information for information users in a timely, precise and complete way so as to provide references for enterprises, society and government.

Absence in accounting credit among listed companies indicates that listed companies provide false accounting information running against facts during financial accounting, which influences correct expression of financial information and it belongs to the immoral behavior violating against the accounting credit principle. The essence of accounting credit is the commitment made by accounting behavioral agent for accounting information users and the accounting credit is the internal quality of accounting work. As a result, the absence in accounting credit is the denial of accounting behavior. Accounting credit in modern market economy society belongs to the necessary condition for social & economic activities and the absence in accounting credit will severely influence the operation of modern economic activities (ZHANG, 2008).

2. PROBE INTO REASONS OF ABSENCE IN ACCOUNTING CREDIT AMONG LISTED COMPANIES

2.1 External reasons for Absence in Accounting Credit among Listed Companies

2.1.1 Unhealthy supervision mechanism

Restriction mechanism for accounting credit among listed companies is unhealthy, which includes four aspects, that is, outdated economic legislation related to accounting credit among listed companies, lack of powerful government regulation, deficiency in social supervision and invalidity of enterprises’ internal auditing work. With the rapid development of China’s market economy, legislation related to accounting supervision is relatively outdated. Problems of economic losses caused by absence in accounting credit among listed companies are larger in number and more severe in result though China has strengthened force in legislation and law enforcement in the aspect of accounting credit absence. Slack law enforcement is commonly seen during the execution and the deficiency in legal supervision severely influences social economic order and the development speed of market economy; in the aspect of social supervision, social intermediary organs and auditing institutions cannot fully execute effective supervision owing to the requirement for profits to cater for requirement of listed companies; in the aspect of government supervision, government supervision cannot make predicted achievements caused by reasons such as limited human force quantity & quality, imperfect policy and outdated law enforcement, etc; internal auditing of enterprises refers to auditing activities, which are intended to guarantee the fully implementation and execution of related national accounting laws and regulations inside the enterprises. Listed companies possess their own auditing departments, which make them lack of independency in auditing work enforcement and they play insufficient role in supervising self accounting credit absence. Internal auditing departments in some listed companies exist only in names without showing any self restraining power and they cannot execute supervision over the transparency of their accounting behaviors

and internal supervision system cannot be effectively implemented.

2.1.2 Lack of punishment over company's accounting credit absence

The unhealthy supervision system leads to the shortage in the precaution and punishment over company's accounting credit absence and distortion in accounting information becomes more and more worse, which is mainly represented in width and depth. From the aspect of width, lack of social supervision and government supervision makes it almost impossible to disclose accounting credit absence, which makes related personnel and listed companies short of credit take risks and lead to the distortion of accounting information in securities market or make accounting credit absence the stubborn disease among companies and it severely influences the operation order of securities market and continual & rapid development of national economy; in the aspect of precaution and punishment depth, supervision over accounting credit mainly relies on administrative punishment and there are few cases claiming for criminal liabilities. Punishment is one in a million in comparison with profits brought by false information, which encourages the accounting credit absence behavior. As a result, to strengthen the punishment over accounting credit absence remains the importance and key point for our supervision department in future (YUE & TANG, 2006).

2.1.3 Information asymmetry of company's accounting credit absence

Accounting information asymmetry of listed companies includes internal and external information and information asymmetry also indicates the inconsistent information for information provider and information user. The separation of management power and ownership among listed companies makes General Manager form contractual relationship with companies. As a result most accounting information users do not participate in production and operation of enterprises and company's accounting information users' requirement only originates from the accounting information providers. Nevertheless, if accounting information providers provide false information related to company's production and operation activities, it will cause accounting information asymmetry. Information providers determine information quantity and quality without any effective supervision behavior and organs; unhealthy market information mechanism is also one of the important factors that lead to the shortage of punishment over market accounting information credit absence. There is still a long way to go before mechanisms such as market information disclosure and transmission are perfected. Accounting credit's social credit mechanism is not established yet and listed companies' market supervision mechanism cannot be effectively represented yet.

2.1.4 Insufficient accounting system reform makes it hard to solve problem of accounting credit absence

With the acceleration of economic globalization process, national economic system also changes, ownership and management power are separated, enterprises set on the road of independent operation with rapid expansion of autonomous power and maximum value becomes the final target for financial management or company operation among listed companies. As the intermediary agent, accounting not only serves but also is dominated by listed company. Nevertheless accounting system reform process is slow, which cannot adapt to the requirement for the economic globalization development. Current accounting system reform is always outdated in comparison with new-arising economic matters and phenomena, which makes current accounting system cannot adapt to the requirement for modern economic development; though accounting system reform has made obvious achievements, problems also exist in the implementation and promotion of reform achievements. There is a long way to go in accounting reform, which makes it unable to basically solve the problem of accounting credit absence.

2.1.5 Accounting faith-keeping inspiration mechanism remains to be perfected

In comparison with huge economic benefits through occasional violation, accounting credit cannot receive corresponding award, which makes credit accounting work lack motives. Besides there is no or little punishment over accounting credit absence, which makes accounting information providers take risks to provide false accounting information beneficial for their company. All in all accounting credit seems to stay on moral level. As a matter a fact it is the performance of failure of market mechanism.

2.2 Internal reasons for accounting credit absence among listed companies

2.2.1 Profits remain the origin of credit absence

As the market environment becomes more and more complicated, accounting credit absence become more and more worse and false accounting becomes more and more popular and the basic reason is motivation by huge economic benefits. Economic reform is not accomplished and market economic system is to be perfected, which makes the accounting credit absence caused by system deficiency become unavoidable. Nevertheless if change of thoughts falls behind the economic change, then some listed companies will abandon the accounting principle of honesty and faith to pursue short-term huge economic benefits regardless of national interests. They will cover actual production and operation status, use false and imperfect accounting information to deceive stakeholders (such as creditor, debtor, tax bureau, etc), and mislead their operation decision making. Currently accountant firms are still at buyer's market and they create false prosperity of listed companies driven by profits to occupy market share and seek for considerable economic benefits by providing false accounting information through "manipulating accounts", which interferes already-existing securities market order and hinders the sustainable, stable and healthy development of listed companies.

2.2.2 Accounting personnel's lack of comprehensive quality

With the rapid development of economy, listed companies are facing more and more complicated micro and macro environments. In comparison with the above-mentioned complicated market environment, related accounting personnel have relatively outdated consciousness and they cannot recognize the false prosperity reflected by the false accounting information, which will cause lethal impact on real sustainable development of listed companies; relatively low comprehensive quality of accounting personnel remains one of the major reasons for accounting credit absence. Accounting personnel belong to social members and their behaviors must be influenced by social environment. Individuals with weak willing power will represent the moral absence. They not only fail to be restrictive to themselves, but also ignore national codes and regulations to pursue economic benefits. They always hide and fabricate false accounting information, which causes severe shortage of accounting information; professional moral level and business quality among accounting personnel are descending and some of them are transferred to accounting posts from other poses without familiarity in their duties. They always adopt inappropriate methods in financial treatment. Some of them provide false information without any professional ethics, which will influence decision making by all accounting information users, which will bring losses to the long-term development of listed companies.

3. THEORETICAL MECHANISMS AND BASIS FOR THE OPERATION AND ASSURANCE OF ACCOUNTING CREDIT ABSENCE PRECAUTION & PUNISHMENT SYSTEM FOR LISTED COMPANIES

The so-called system refers to an integrity composing of a series of affairs communicating and depending on each other. System theory is the theory that takes subjects as the system for recognition and treatment. System theory is scientific exploration of subjects' "integrity". In view of system theory, precaution and management of the stubborn absence in accounting credit among listed companies belongs to a complicated large systematic project. A large system commonly composes of multiple sub-systems, that is, it can be divided into several sub-systems, which depend on and restrain each other. As a result, the system has characteristics of both integrity and interdependency. System under study is constructed by several sub-systems layer by layer in a reasonable way, which makes the system contain characteristics of hierarchy and orderliness; besides, system under study is an organic system and it contains the uniqueness as high-layered system, that is, it contains characteristics of purpose and sequence. We can have scientific and overall recognition of accounting credit absence precaution and punishment system for listed companies only when we understood above-mentioned characteristics of the system, which will push

forward the smooth operation of accounting credit absence precaution and punishment system for listed companies. Based upon overall and deepened analysis of both internal and external reasons of accounting credit absence among listed companies, we shall, with the help of trinity view of government regulation, social supervision and self-discipline of enterprises and accounting personnel of system thought, seek for related countermeasures for punishing accounting credit absence so as to provide related references for the construction of accounting credit among listed companies. We have to utilize systematic thinking to recognize the complexity for the operation barriers of accounting credit absence precaution and punishment system for listed companies so as to provide countermeasures for the operation and assurance of accounting credit absence precaution and punishment system in systematic view.

4. ASSURANCE AND OPERATION COUNTERMEASURES OF ACCOUNTING CREDIT ABSENCE PRECAUTION AND PUNISHMENT SYSTEM FOR LISTED COMPANIES

4.1 Integrate social resources and give full play to social supervision over accounting credit absence among listed companies

Listed companies belong to very important economic organizations in society, which operate in the society. Management power and ownership are separate among listed companies and listed companies belong to companies limited by shares, the largest feature of which is to quickly collect idling capital in society in ways that enterprises in any other forms cannot compete with, which makes the absence in accounting credit among listed companies have larger and deeper influence on the society in comparison with other enterprises. As a result, to prevent from and govern accounting credit absence among listed companies actually belongs to a social problem covering a large area with large influence. Accounting credit absence among listed companies originates from, exists in and influences the society. Therefore it shall seek for way of solving the problem from the society: it shall integrate social resources to give full play to social supervision over accounting credit absence among listed companies, create good social environment of accounting credit, establish social credit system, strengthen the education on social accounting credit and set up social accounting credit thoughts, etc, all of which are key steps for solving the problem of absence in accounting credit among listed companies. Social supervision over accounting credit among listed companies is represented in the following way: take the negative typical as reference and constantly expose unfaithful behavior and corresponding consequences of listed companies. Besides supervision should form joint force with government's function change, cooperate with government to improve its credit level and insist on taking credit as standard for area examination and examination over government achievements. Furthermore both society and government should cooperate with each other to encourage the establishment of social credit system, strengthen the education, make the public have clear recognition of the importance of credit, social intermediary agencies should establish credit files for listed companies, continually keeps recording credit performance of individuals and enterprises related to accounting credit absence management among listed companies, take the credit files as the standard of evaluating the credit level of a company, take the credit level as important reference for matters such as fund collection and finally the accounting credit will directly influence the stable operation and sustainable development of listed companies.

4.2 Improve government's regulation and management level over accounting credit absence among listed companies in scientific ways

4.2.1 Strengthen supervision power of accounting credit

Government should start and execute supervision and management over accounting credit among listed companies as the director. Government shall establish an overall accounting system composing of codes for perfecting accounting and strengthening accounting management in order to establish accounting credit. Perfecting accounting codes is the basis for strengthening accounting credit supervision. Give play to the accounting codes' function in regulation, regulate accounting behaviors through regulations and system,

basically eliminate possibilities of behaviors that violate against accounting law and reduce negative consequences brought by the absence in accounting credit; to strengthen internal accounting management, enterprises must establish plausible internal supervision mechanism, restrain accounting behaviors through administrative and legal methods, strengthen independency of listed company supervision departments (such as China Securities Regulatory Commission) and adopt scientific and powerful countermeasures to guarantee the internal supervision system's effective realization to maximum level.

4.2.2 Establish accounting credit level system and build up credit platform

Establishment of accounting credit level system consists of archive establishment and level management. The establishment of credit files for accounting personnel and listed companies is the primary link for accelerating the establishment of social credit supervision system and it shall back up information related to listed companies and corresponding personnel to general credit database; carry out credit rating according to arranged and ranked database information concerned with listed companies and related personnel and take the credit level as reference and basis for company's operation level and administrative achievements, publicize the rating, and regulate the listed companies with systems and regulations. (LIU, 2006) To solve the problem of accounting credit among listed companies should also establish accounting credit platform. Government should actively support accounting credit evaluation industry. Government many consider to make investment and establish a group of credit evaluation enterprises to restrain from accounting credit absence in joint force with society; utilize modern computer and network methods, establish online credit system, execute internet information communication and transmission, continuously disclose and display credit status of listed companies, realize full transparency of accounting information of listed companies in order to improve their public faith in accounting industry and accelerate their healthy development.

4.2.3 Strengthen the punishment over absence in accounting credit

Profits remain the basic reason for absence and unfaith in accounting credit. As a result government should strengthen the punishment over credit absence to improve the credit construction among listed companies, increase accounting credit absence cost, reduce profits originating from accounting credit absence and prevent from the absence from the origin. Government should punish accounting credit absence by using administrative, legal, economic and other methods, establish one set of perfect credit absence punishment mechanism to assure the effective realization of punishment through the establishment and execution of system, law and code, by which the costs of accounting credit absence is higher than the corresponding economic profits and it can prevent from the creation of motive and recover the essence of accounting information of listed companies.

4.3 Perfect training and internal control system to strengthen the establishment and execution of self-discipline mechanism among enterprises and accounting personnel

As an enterprise, listed company is the key to strengthen the accounting credit construction. In the aspects of accounting credit management and precaution, listed companies can guarantee the real and effective accounting information transmission through strengthening the leaders' liabilities and adjusting company's structure. Runners of listed companies should give play to their demonstration role as pioneers and directors in the aspects of accounting credit precaution and punishment. They should abide by the laws while strengthening their employees' legal consciousness and set examples with their behaviors for their employees, by which an honest and law-abiding atmosphere forms in the company. Besides, to solve accounting credit precaution and punishment among listed companies, we should perfect internal control system and strengthen internal auditing inside listed companies, effectively implement management mechanism of listed companies, establish modern enterprise system, represent the marketization of company development, make accounting information transmission directly relate to company development so as to motivate the initiative of accounting information's self supervision and guarantee the effectiveness, timeliness and integrity of information transmission. Strengthening credit education and establish accounting credit thought are also necessary links for solving accounting credit absence in listed companies. Accounting information users should strengthen credit education, establish correct accounting concept

from both inside and outside aspects. Market economy establishment shall be human-oriented and the change of accounting personnel's thoughts must adapt to the speed of economic development especially inside a company. Strengthen training over accounting personnel's comprehensive quality especially ideological education, establish correct view of life, career and value, set up good credit atmosphere among enterprises and accounting personnel, and consolidate the ideological foundation about credit among accounting personnel. Therefore we must perfect training and internal control system to strengthen the establishment and implementation of self discipline system for enterprises and accounting personnel in order to solve the problem of accounting credit absence among listed companies.

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