

# The Impact of New Accounting Standards Based on Competence Standard on Accounting Information Quality

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**Abstract:** The main purpose of this paper is to study the impact of fair value on the quality of accounting information in China. Investment is an important way of resource allocation and plays a great role in the development of national economy. When China's new accounting standards for enterprises are implemented in listed companies, in the context of changing international circumstances, whether the quality of accounting information has been improved with the proposed standards, and what role will the quality of accounting information play in the investment behavior of enterprises? Based on the value relevance, this paper uses empirical research method to test the implementation effect of new enterprise accounting standards. The research results show that the implementation of the new enterprise accounting standards improves the ability of the net assets and earnings per share to explain the stock price, that is, the value correlation of accounting information has improved, and the implementation of the standard is better. The measurement attribute of fair value is more advantageous in ensuring the relevance of accounting information, because fair value can truly reflect the economic benefits brought by assets to enterprises. More accurately reflect the company's operational capabilities, solvency, and help users of accounting information to make the right decisions.

**Keywords** Ability-based; Enterprise Accounting Standards; Accounting Information Quality

## INTRODUCTION

Accounting information is economic information that reflects the status and characteristics of value movement and value-added processes in the process of accounting entity economic activities. The quality of accounting information is the sum of the characteristics and characteristics of accounting information products that meet the requirements or potential needs [Ewert, *et. al.*, 2016]. The basic criteria also clearly define the conditions for the recognition of accounting elements such as assets, liabilities, income, expenses, etc., all of which emphasize the basis of "reliability". In the case of the separation of owners and managers, as a state-owned enterprise manager, it exerts a greater influence in the business process of the company, which leads to insider problems [Krismiaji, *et. al.*, 2016]. After the reform process, the implementation of strong restrictions, penalties and supervision on management has not been fundamentally changed, making management do what they want. Compared with developed countries' perfect capital markets, the relevance and reliability of accounting information in China's capital markets are not very high. The research on the value relevance of accounting information in China's stock market by scholars at home and abroad shows that accounting information in China's capital market has relevance. However, most of these relevant information comes from accounting earnings data, and other non-earnings accounting information is not highly relevant [Xiao-Fei, *et. al.*, 2014].

At present, the corporate governance in China is not sound enough. The inefficient investment behavior of listed companies is relatively common. After the financial crisis, the investment problem of enterprises is more serious. After the implementation of enterprise reform by the government, the power of management has been continuously enhanced [Magnan, *et. al.*, 2015]. Accounting information quality is an essential component of accounting information system. Guarantee of accounting information quality is a prerequisite to ensure the normal operation and effectiveness of accounting information system [Barron, *et. al.*, 2014]. The quality characteristic of accounting information is the basic quality requirement that accounting information should achieve or satisfy. It is the restriction of accounting information by accounting system in order to achieve accounting objectives. In the old standard system, eight assets, such as inventory, long-term investment and fixed assets, which have already suffered impairment, are allowed to be deducted from impairment and turned back when the value recovers [Ebaid, *et. al.*, 2014]. In China's private listed companies, the company's major shareholders are the company's managers, and the management has the power to control the company's business decisions. Because corporate governance can't supervise and restrict management, it makes it easy for management to use its resources to squander. Correlation and reliability together constitute the main quality characteristics of accounting information. Useful information must have relevance and reliability at the same time. The greater the correlation, the higher the

reliability, and the more consistent with the requirements of users [Wang, *et. al.*, 2015].

## MATERIALS AND METHODS

Accounting objective is the starting point of accounting theory research, which is the main line running through the financial accounting concept system. It determines the quality characteristics of accounting information, the definition, confirmation and measurement of accounting elements, so that the conceptual framework system becomes an internal consistent and logically strict system, providing theoretical support for the formulation of specific accounting standards. In China's accounting standards system, the measurement attributes of fair value are introduced more comprehensively. For trading financial assets, the initial recognition is measured at fair value. At the end of the period, financial assets are subsequently measured at fair value. Changes in fair value are recognised in profit or loss. In accounting activities, the quality of accounting information is used to guide the confirmation and measurement of accounting information, as well as the generation and

transmission of accounting information, so as to ensure that accounting information meets certain quality standards. The value relevance of accounting information refers to the relationship between stock price (income) and accounting earnings, net assets. The closer the relationship is, the stronger the value relevance of accounting information is. From the accounting point of view, the concept of fiduciary responsibility holds that the objective of financial statements is to reflect the performance of fiduciary responsibility by the fiduciary. And since the most effective information reflecting the performance of fiduciary responsibility is information about business performance, financial statements should focus on reflecting business performance and its evaluation.

According to the results of the investigation on the effect of the mechanism of accounting standards implementation, as shown in Table 1. As a mechanism, enterprise accounting standards have higher internal technical constraints than external pressures (penalty risks, regulatory measures, etc.), which enables enterprises to implement independently and has a certain guarantee for the quality of accounting information.

Table 1 The mechanism of accounting standards implementation mechanism

Survey item name	Accounting Standards	Punishment risk	Regulatory means	Accounting information needs	Internal accounting supervision
Numerical value	7.16	6.45	6.21	5.62	5.95
Sort	1	2	3	4	5
Mechanism classification	Technical constraint mechanism	Deterrence mechanism		Demand incentive	Corporate accounting governance (supervision and incentive) mechanism

To achieve the goal of financial accounting, accounting information must have certain quality characteristics, and relevance and reliability are the primary quality characteristics of accounting information. The new accounting standards stipulate that enterprises should conduct accounting confirmation, measurement and reporting based on actual transactions or events. The accounting elements and other relevant information that meet the requirements for confirmation and measurement are truthfully reflected, and the accounting information is guaranteed to be authentic and complete. According to the research purpose and the related literature, this paper defines management as Dong Jiangao. Investment efficiency and accounting information quality, foreign research results have been recognized by the academic community, Chinese scholars in this area have little research, research is to learn from foreign models, or some innovations. If the price guides earnings, that is, the stock market can predict accounting profit and reflect this expectation in the

initial stock price, then the earnings model will produce biased earnings reflection coefficient. In contrast, the stock price model will produce unbiased profit regression coefficient, because the stock price reflects the cumulative effect of profit information.

## RESULT ANALYSIS AND DISCUSSION

Because corporate governance can not constrain the management well, the greater the power of the management, the greater the agency cost, and the on-the-job consumption of the management will have an impact on the investment efficiency of the company. The greater the power of management, the more motivated it is to infringe on the interests of shareholders and creditors. The best way to construct an asset measurement model is to define the asset and deduce the measurement attributes that best reflect the definition to determine the corresponding measurement model. The presentation of these new assets and liabilities makes it easier for information users to understand and analyze their position and

role in the process of business operation, and more conducive to targeted decision-making by information users. The greater the power of management, the more serious the phenomenon of over-investment, leading to the company's inefficient investment. Scholars have pointed out that the greater the manager's right will make the company's excessive investment more serious. In the case that the effect of salary constraints is not obvious, management will have blind investment motives in order to obtain more private benefits and enjoy more on-the-job consumption. Accounting should dynamically reflect the formation process of assets. The process of reflection is to continuously and dynamically record past processes. The correct concept of asset valuation is to "sum up the past, based on the present and facing the future."

### CONCLUSION

Based on the accounting information quality theory and fair value theory, this paper analyzes the status quo and reasons of accounting information quality in China. The application of fair value discusses the valuation of China's assets and liabilities, the recognition of income, and the impact of balance sheets and income statements. Improve corporate governance mechanisms and effectively enforce and supervise management power. Under the imperfect internal governance, the power management will tend to use the power in the hands to influence the company's operations, and weaken the constraints of internal control on management behavior. But overestimating or underestimating greatly improves the requirement of accountants' professional judgment. At the same time, it may leave opportunities for accounting information fraudsters to drill holes and make accounting information distorted. Combined with the provisions of the new accounting standards, this paper systematically studies the impact of the application of fair value in specific standards on asset valuation and income recognition in China. Among them, the research focuses on the fair value of financial assets, non-monetary assets

exchange, debt restructuring, investment real estate, long-term equity investment and other projects which are widely used and have a greater impact.

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