

The Profit Manipulation of the Listed Companies of the Motives and Methods of Analysis

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Abstract

With the development of market economy, the market of enterprise, business scope, the type of transaction object expands increasingly, complex, want to further improve the enterprise's book accounting profit real effectiveness, validity more difficult. Especially some listed companies in order to escape taxes, enhance their image, inflated performance objective, manipulation of accounting profits, destroyed market economy good running environment. Listed company the profit manipulation of the way include: bill processing, changes in accounting policies, related party transaction, protective policies, according to this phenomenon, this paper put forward coping method: Calculation of profit target, implementation of internal control, expand the management responsibility

Keywords: profit manipulation; motive, method, strategy

According to the regulations of our country securities supervision committee and the provisions of the laws listed companies must meet the relevant conditions, some listed companies in order to be able to smooth, however, in their own conditions under the condition of incomplete without authorization or leaky accounting policy tinkering accounting statements in order to meet listing index. There are listed companies in order to win the trust from investors, government, creditors and changes to the accounting statements inflated profits, decreased the cost. This kind of phenomenon seriously hampered the development of market economy, increasing the difficulty of the government departments, the securities regulatory, gave investors a great investment risk. This article through the analysis of the motives of listed companies to manipulate accounting profits, expose of the enterprise operation profit method, and on how to prevent listed companies to manipulate profits puts forward some Suggestions.

1. The Motive of Profit Manipulation of Listed Companies is analyzed

Calendar year by the China securities regulatory commission issued a penalty and the news media reported cases, through the analysis of accounting profit manipulation of listed companies can be drawn from a variety of motives:

1.1 Meets the Selfish Interests

As we all know, the level of the ability of managers in the listed company mainly by the size of the contribution to the company's performance, and performance metrics mainly comes from the data in the company's financial statements. For personal gain, managers who instigated the accounting personnel changes the enterprise's profit, profit manipulation.

1.2 Accesses to Capital Support

Is common in our country, the difficulty of corporate loans, for ensure the safety of the funds, avoid risk, improve their rate of return on capital investment purposes, not willing to lend money to the poor operating conditions and bad assets exist in the enterprise. Need a great deal of capital in the daily operation of listed companies, in order to more easily, more a lot of access to financial support, listed companies adopted a modified means of accounting statements, in order to achieve the purpose of a loan. On the other hand, the listed company through issuing new shares to raise funds, investors through the company's accounting statements usually determine the profitability of the company, so as to decide whether to invest, so in order to attract investors of listed companies, to take the tamper with the accounting statements, the method of inflated profits.

1.3 Asylum Listed Qualifications

Listed companies can make the enterprise to expand funding sources, increase the value of the company, etc., and listed qualification is through the strict system of auditing, assets evaluation and a series of ways to obtain, in order to be able to get listed, the company is willing to in violation of the provisions of the accounting regulations, changes the financial statements, inflated profits, in order to qualify as listed. Some listed companies due to mismanagement, losses for several years, and according to the provisions of the relevant securities laws and regulations in China, such enterprises will be losses within a time limit, until to get the trade qualification. Listing qualifications obtained with save is to promote enterprise operation profit is an important motivation.

1.4 Pursue Benefit Maximization

Listed companies in order to maintain the company's social image and expand its influence in the society, deliberately inflated profits, pay more taxes. Some listed companies in order to enrich the company's internal funds, reduce cost, deliberately do STH without authorization changes to the financial statements, achieve decreased profits, pay less tax.

1.5 Evasions of Taxes and Fees

The amount of tax law of our country enterprise is based on accounting profit on the income statement to accounting for tax evasion, tax commonly adopt the inflated cost of listed companies, decreased profit way to adjust the paper profits, so as to achieve the purpose of tax evasion.

2. Profit Manipulation Methods

2.1 Through the Payment Processing

According to the regulation of accounting standards, enterprise accounting year is usually in the Gregorian calendar January 1 as is starting to December 31 of the same year, the expenses incurred during the month and income in accounting books for the month, even other month or the maximal truly pay or receive income. The regulation of the accrual system, however, some listed firms are not strictly abide by the provisions of the accounting standards, adopt the method of payment to reduce the current cost, to achieve the goal of higher profits.

2.1.1 Payment of Correspondence Course

In the balance sheet, accounts receivable is an important part of current assets, according to accounts receivable recovery of assessment of the likelihood that set up special provision for bad debts account. Accounting regulation is highly unlikely to recover accounts receivable, the company should be a percentage of provision for bad debt provision each year and included in the accounting statements. And some companies have deliberately make less, don't even make provision for bad debts is still carried out in accordance with the carrying amount of accounts receivable accounting profits, to achieve the goal of inflated profits.

2.1.2 Pending Payment of Property

Of accounts to be processed in the property damage of overflow, is for the sake of specialized accounting inventory surplus of all kinds of assets, and set up the dish deficient or damaged, when the company losses, damage to the assets, according to the principles of accounting regulations these assets should be debited to processing property caustic excessive subjects, lenders register as raw materials, etc., upon the approval of the administrative authority should be after the assets of the group of dish deficient, damaged carried forward and debit for raw materials, such as the lender to register as pending property damage of overflow, according to the debit balance debit management fees, etc. Some companies, however, intentionally does not handle the loss of current assets, designed to make income artificially high, carried forward at the end of the year when calculating profits is the cause of corporate profits is not the true results.

2.1.3 Projects under Construction Payment for a Long Time

Construction engineering refers to the enterprise itself or entrust other company for the enterprise construction and renovation of fixed assets and the project has not been completed, after carry forward for the fixed assets of the enterprise, and in the process of building a certain amount of capital investment is needed, in the case of lack of the enterprise capital turnover need money, interest charges will happen before return money, provisions of the accounting system in our country, the interest expenses incurred in financing for projects under construction before the project completed and put into use, as the value of projects under construction are capitalized as part of vice shall be as a corporate finance charges included in the current profits and losses. It is such regulations, given the company an opportunity. For example, A company in 2009 will be held in self-built engineering construction period of the loan and interest on bonds payable 3.2 million yuan capital is divided into projects under construction, but in fact this project has been completed as early as 2007, has been put into use in 2008.

2.1.4 Payment of Prepaid Expenses

In the actual operations of the company, some fee already paid but not only belongs to the current, should be in accordance with the use of the period, the apportionment of prepaid expenses. Some companies, however, deliberately not treat booth fees assessed in accordance with the provisions of accounting system, the current cost decreased, resulting in accounting profits inflated. For such behavior should be paid attention to during the audit of prepaid expenses and belonging.

2.2 Change of Accounting Policy

In accordance with the provisions of the accounting standards, the enterprise shall not be arbitrarily changed way of depreciation of fixed assets, inventory valuation methods such as asset accounting methods, which is to facilitate the enterprise appraised to be more objective and accurate analysis of the value of assets in different periods, avoid virtual enterprises in the aspect of asset valuation tamper with the result of decrease costs and increase profits. However, some listed companies regardless of the provisions of the accounting standards for arbitrarily changed accounting policy, attempts to achieve the goal of inflated profits and manipulation of the profits. The following lists the common means of change in accounting policy to manipulate profit:

2.2.1 Change Fixed Assets Valuation and Depreciation Method

Fixed assets as an important means of production, the company its value with the long-term use of wear and tear or advances in technology and produce intangible loss, in order to compensate for the loss in a certain period of fixed assets, depreciation of fixed assets, including the straight-line method, unit-of-production method of depreciation methods, accelerated depreciation method, etc. According to the degree of its use for different types of assets take different depreciation methods

For depreciation of fixed assets is usually based on book value, net salvage value, and depreciation fixed number of year is calculated, of which depreciation fixed number of year is more difficult to determine. It is used on the uncertainty, some listed companies, by increasing the depreciation fixed number of year, made during the period of depreciation of fixed assets depreciation costs less, thereby to reduce costs, the purpose of inflated profits. B company bought the production machine, for example, according to the regulation of accounting standards should be using the straight-line method over 10 years will be the fixed assets depreciation, but the company is the depreciation period without authorization to the depreciation of the limit of 20 years in extension of "reverse" the company losses.

2.2.2 Changes to the Inventory Valuation Method

In the enterprise has a certain amount of inventory, in order to guarantee the normal production and sales. Common stock valuation methods including the specific identification method, first-in first-out, weighted average method, moving weighted average method, etc. Stock market as the market changes. Inventory in the current market price rise, if using fifo can make enterprise current cost is less than the actual cost, on the other hand, the current market price falls, weighted average method is used to make the current cost is less than the actual cost. In reality, some enterprises on inventory valuation methods adopted this way, leading to the current cost reduction, current profit increased, realized the purpose of profit manipulation.

2.2.3 Change Depreciation Reserves Ratio

In the schedule of assets depreciation reserves, mainly consists of eight subjects in the assets depreciation reserves, namely the provision for bad debt, inventory write-down, short-term investment write-down, long-term investment depreciation preparation, self-built engineering impairment provision, by procurement impairment, the impairment of fixed assets, intangible assets depreciation reserves. Those reserves mainly through accounting value compared with net realisable value, with smaller values as the real value of assets. Provision in the actual operation, the reserve ratio mainly depends on the judgment of the enterprise, it is this permissions for the enterprise to develop with the facts of reserve ratios provides the opportunity. To give more reserves make up the cost, reduced the profit, less capital cost reduction, increased profits.

2.2.4 Change Investment Income Accounting Methods

Long-term equity investment is the enterprise through investment in the equity of the invested enterprise. Accounting regulations of long-term investment in our country adopt two kinds of accounting methods, one kind is when investment enterprise of the invested enterprise has control, joint control or significant influence, by employing the equity method is a kind of investment enterprise to the invested enterprises do not have control, joint control or significant influence when using the cost method. Some companies take advantage of the long-term equity investment accounting methods with different articles. Such as the C company invested in a real estate company in 2010, according to the amount of its investment in real estate company as a share of total capital, should take the equity method accounting, C company accounting have been 1 million profits in accordance with the requirements, and in 2011 the real estate company losses owing to mismanagement, the C company is using the method of cost accounting, still won the 500000 earnings.

2.3 Use of Related Party Transactions

Related parties in our country is mainly refers to one party can control, common control of the other party or be able to have a significant impact on it. Common types of related parties including parent-subsidiary, associated companies and joint venture company. In order to qualify as listed, will take part of the reorganization of listed companies, this necessarily promote listed company related party transactions. And related party transactions is not like ordinary enterprises to compete in profit for the purpose, to help each other between related parties for the purpose, so it is easy to cause risk transfer between related parties, the release of earnings results. The following is the related party transactions:

2.3.1 Related Party of the Procurement

Usually between related parties can pass to above or below the market price, complete the related party transactions, in addition, some related party between fictitious business, false sales contract, and in the actual operation between some of the related parties in the form of commissioned entrusted with the operation or management charge a fixed return, is actually the associated enterprises in different compensation in the form of the client or the entrusted party, in addition to the above way more between related parties in order to adjust the management costs to increase profits.

2.3.2 The Transfer of Revenues and Expenses

Some listed companies based on the original part of the reorganization of listed company, after the listing of its still there are a large number of trade relations with the original company. When mismanagement led to itself a loss of listed companies, the parent company in order to make the listed companies still can keep its qualification or continue to obtain the trust of investors, will try to shift the losses through related party transactions of listed companies to themselves, so as to achieve the aim of inflated profits of listed company.

2.3.3 Capital Lease

In the process of its production and operation of listed companies can obtain certain fixed assets from related parties, and the fixed assets usually took the form of lease to exist, will happen during this period rental fees and other assets, the listed company need to pay these costs to the related party, however, some related party for the interests of the listed company and even the whole little or no rental fee.

2.3.4 Custody Business

Hosting is the enterprise's own assets entrusted to other companies to make profitable investment, and because the interests of consistency between the listed company and its affiliated parties tend to produce more hosting business problems. The listed company will own existence problems in actual assets managed to related parties and to achieve the goal of evasion assets loss. Another common way is to related party to profitability strong assets managed to management of listed companies, and the affiliated party only charge less for their benefits.

2.3.5 Assets Transaction

Listed companies need to pass through the strict review to get listing qualifications, review the important aspect is the superiority of assets of listed companies, the evaluation of profitability, some listed companies is a part of the restructuring and listing qualifications, so part of its assets from the parent company, when these assets by the parent company is transferred to the listed company needs to rethink the value of the assets evaluation, this case will be the value of assets shall be formulated by the related parties, the listed company shall, in accordance with the actual needs, thus achieved the purpose of profit manipulation of listed companies.

2.4 Use of Protective Policy

Listed companies can solve the problem of local employment, promote the prosperity of the local economy, at the same time represents the local government performance of listed companies, and therefore the local government to support local listed companies, on the policy, funds to provide support for the listed company, for this kind of situation need to pay attention to aspects as follows:

2.4.1 Against Cut Taxes

According to the provisions of the tax law in our country, the national unified tax rate, the local government and do not have permission to formulate, tax rebates, but some local governments to use their powers for listed companies in excess of the prescribed tax Fantasies. Which influence is relatively big VAT rebate, but only through the VAT rebate does not bring the profits of listed companies long-term effective growth.

2.4.2 For Local Financial Subsidies

Listed companies can appear on the market is the premise of operating in good condition, no loss and a large number of non-performing assets, some of the company itself is not up to standard, does not meet the conditions of both the turnover and operating, the local government to help them to pass audit, through subsidies and other means to solve the problem of substandard for the company. D city bureau of finance in 2009, for example, to give local brewery 15 million subsidies, the subsidies for the winery listed solves the problem of insufficient capital, make it smooth.

2.4.3 Cuts Interest

Control of Banks in China mainly state-owned type, the bank has close relations with the development of local economy, combined with the local government has a certain control, influence, to a bank, the bank will be for the listed companies in the bank loan interest deduction, in this case, the listed company's current financial cost reduction profits on the high side.

2.5 Other Control Methods

2.5.1 Adjustment before the Annual Profit and Loss

Previous annual profit and loss adjusting the accounting subject's role is to adjust the estimated debts or new liabilities, the balance sheet date asset impairment or adjust the penalty amount, assets and liabilities in the future any sales return, inventory surplus of fixed assets, etc., the suitable time is the previous accounting period, some companies intentionally vague, however, an area in time to adjust, adjust business through this also happened this year, causing the profits on the high side.

2.5.2 Not Calculated According to the Facts of Foreign Debt

In business relationship with other companies when the relationship of creditor's rights debt, some firms take advantage of their functions and powers deliberately concealing the fact of foreign debt, to reduce their costs, achieve the goal of the inflated profits.

2.5.3 The Actual Sales Revenue

The accounting statements of listed companies is made in accordance with the accounting year, for the year of income, expenses, etc should be truthfully record, however some companies for the current income accounted into current or will the sales record for sales or make false sales business, to achieve the goal of inflated revenue and increase profits.

2.5.4 Trading or Cover Up Facts

In the assets and liabilities, other receivables, other payables is mainly used in the records of these two subject outside the main business accounting facts, other receivables, the amount of other payables usually empirical derived from accounting vouchers, some companies do STH without authorization to include internal expenses in other receivables, to reduce the current cost. In the other receivables, other payables should pay attention to the thinking about the reliability of the accounting vouchers and accounting facts.

3. The Prevention Countermeasures of Profit Manipulation

3.1 Implement Internal Control

With the enlargement of the scale, sound system, internal control system is becoming more and more perfect, healthy internal control system can help management to better understand the internal environment, resources, etc. Management of listed companies in order to achieve personal gain and maintain the company's profits, express or implied accounting personnel violate compasses operation, if establish perfect internal control system, to a certain extent, can effectively avoid the profit manipulation.

3.2 Enlarge the Management Responsibility

Listed companies manipulate profit condition, the reason is various, which should pay attention to, head of the company in which the role of, should strengthen the education on laws and regulations of management, to implement the responsibility of enterprise operation profit to managers, to avoid the disturbance of accounting personnel perform their duties, to ensure the integrity of the accounting personnel do zhang, independence, put an end to profit from the aspects of human manipulation.

3.3 Perfecting the Accounting System

Put into use in the new accounting standards formulated by the ministry of finance, in which a series of accounting rules are in order to eliminate the phenomenon of enterprise accounting profit manipulation, guarantee the authenticity of the accounting statement of enterprises, standardize the market economy, increasingly perfect system can avoid some of the listed company through leaky system benefit.

3.4 To Strengthen the Vocational Education

As an accounting personnel professional ethics is not only a professional ability to performance, but also be a kind of accomplishment. Accounting personnel should set up the correct outlook on life, sets up the firm faith, continue to receive vocational education, remind oneself, stable mentality, cultivate the strict scientific attitude and social sense of responsibility, with national and collective interests, law-abiding, against fraud, in violation of the accounting laws and regulations, to have the courage to resist, strive to provide real accounting information is the only way to guarantee the authenticity and objectivity of accounting.

3.5 Increase the Violation Cost and Penalties

All kinds of law enforcement to give full play to the function, if found discipline problems should be handled in accordance with the relevant laws and regulations in a timely manner. On the one hand, the relevant government agencies to speed up the legislation construction, deal with the relationship between the laws, regulations, and perfect the legal system; From the aspects of legal norms, on the other hand, social intermediary institution justice supervision function, increase the cost of manipulating profit, thus eliminating the phenomenon of accounting profit manipulation. Should also be severe penalty amount, if the amount is much larger than the violations of the punishment the benefits, so they manipulate profits didn't make much sense. At the same time, set up perfect laws and regulations system, from the source to search for the goal of profit operation, find out the main violations, head of the enterprise, especially the winner for the benefit and instigate or force others to tamper with the responsibility of accounting information, to be more severe punishment, make accounting personnel to realize the consequences of illegal, consciously abide by the law, a clear division of responsibility for each department, to avoid deception.

Many types of companies in our country, the listed company is one of the most important form of, because the scope of its financing of listed companies, trading range widely, and the number of capital operation of large has a great influence to the market economy, government regulators and investors, or creditors can be listed by the company's balance sheet and income statement of the company's operating status and profitability, but some companies make use of the accounting system is not perfect or take illegal means to achieve the objective of the manipulation of accounting profits. Face the problem of accounting profit manipulation of listed companies, based on the professional knowledge, the problems from the accounting point of view of possibilities, through some case to prove the point of view, all efforts are for the evaluation of listed companies is the standardization of the accounting treatment, the authenticity, legality, and for administrative department, investors, creditors and other related personnel to reference.

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