Proceedings of Business and Economic Studies, 2025, Volume 8, Issue 8
http://ojs.bbwpublisher.com/index.php/PBES
Online ISSN: 2209-265X
Print ISSN: 2209-2641

Research on the Impact of New Accounting Standards on Enterprise Financial Management

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Abstract: Against the backdrop of deepening economic globalization and accelerated business innovation, China's new accounting standards have systematically revised core areas, including revenue recognition, financial instrument measurement, and asset accounting, achieving deep convergence with international standards while imposing new requirements on corporate financial management. This study examines the 2025 implementation of the new accounting standards, analyzing their specific impacts through three dimensions: accounting practices, financial reporting, and financial decision-making. By addressing typical challenges in corporate practice, the paper proposes targeted strategies to help enterprises achieve financial compliance and enhance management capabilities. The research reveals that the new standards, through standardizing accounting measurement attributes, optimizing financial statement presentation, and strengthening disclosure requirements, are driving corporate financial management toward refined and standardized operations. Enterprises must establish adaptive systems through personnel competency development, institutional framework enhancement, and system upgrades to align with these standards.

Keywords: New accounting standards; Enterprise financial management; Accounting; Financial decision-making; Risk response

Online publication: December 31, 2025

1. Introduction

With China's capital market maturing and the market economy system continuously improving, the original accounting standards have gradually revealed limitations in addressing complex transactions and preventing financial risks. To address this issue, the Ministry of Finance has comprehensively revised and improved the enterprise accounting standards, aligning with domestic economic development needs and the updating trends of International Financial Reporting Standards (IFRS), which were officially implemented in recent years. This standard reform covers multiple core areas, including revenue recognition, financial instruments, fixed assets, and intangible assets, with the principle of "substance over form" at its core, restructuring the accounting logic and financial reporting system. For enterprises, the new accounting standards represent not only adjustments to accounting rules but also a comprehensive reshaping of financial management concepts, processes, and methods. Accurately grasping the changes in the standards and mitigating the pressure of transformation have become the top priority in corporate financial work.

2. The core changes of the new accounting standards

2.1. The fine reconstruction of the income criterion

The new revenue recognition standard replaces the traditional "transfer of risk and reward" with "transfer of control" as the core criterion, establishing a unified "five-step" revenue recognition model. This model requires enterprises to sequentially complete five steps: contract identification, performance obligation decomposition, transaction price determination, price allocation, and revenue recognition, with particular emphasis on detailed accounting for multi-transaction arrangements. For instance, software/hardware sales and subsequent services must be decomposed into separate performance obligations, with revenue recognized at respective time points or periods. Additionally, the standard clarifies measurement norms for variable consideration and criteria for periodic performance, profoundly impacting revenue accounting in industries such as retail, construction, and technology [1].

2.2. Classification optimization and risk-oriented upgrade of financial instruments

The new financial instruments standards streamline the original four-category classification of financial assets into three groups: "financial assets measured at amortized cost," "financial assets measured at fair value with changes recognized in other comprehensive income," and "financial assets measured at fair value with changes recognized in current profit or loss." The classification criteria now shift from management's holding intent to "business model + cash flow characteristics." Regarding impairment measurement, the standards fully implement the expected credit loss model, requiring companies to recognize expected credit losses at the initial recognition of financial instruments and maintain continuous dynamic updates. This replaces the previous delayed approach of recognizing losses only after they occur, thereby strengthening proactive risk management.

2.3. Clarification of the recognition boundary and measurement standard of asset criteria

The fixed assets accounting standards establish dual capitalization criteria for subsequent expenditures, requiring both "extended service life, enhanced productivity, or improved quality" and "termination of the book value of replaced components" to be met. This effectively prevents companies from arbitrarily extending depreciation periods for major assets. The intangible assets standards further strengthen the recognition rigidity of R&D expenditures, stipulating that prototypes or other products developed during R&D must not be reversed to inventory or operating costs even after subsequent sales, provided they were initially expensed. This effectively curbs profit manipulation through R&D expenditures. Additionally, the Inventory Standards eliminate the last-in-first-out (LIFO) method, permitting only the first-in-first-out (FIFO), weighted average, or specific identification method for cost accounting [2].

2.4. Strengthening the requirements of financial statement presentation and information disclosure

The new accounting standards have optimized financial statement items. For instance, the balance sheet now consolidates 'notes receivable' and 'accounts receivable' into a single 'notes receivable and accounts receivable' category, while provisions are required to be categorized by maturity into 'within one year' and 'over one year' for separate reporting. Regarding disclosure requirements, companies must provide detailed explanations in notes to financial statements, including the impact of accounting policy changes and accounting estimate adjustments on financial data, along with key information such as the classification basis for financial assets and the method for estimating credit losses. These changes significantly enhance the transparency and information richness of financial reporting.

3. The specific influence of the new accounting standards on the financial management of enterprises

3.1. Impact on accounting practices

Accounting complexity has significantly increased. The new accounting standards introduce multiple measurement attributes such as fair value and present value, requiring higher professional judgment capabilities from financial personnel. For instance, financial asset classification requires comprehensive evaluation based on business models and cash flow characteristics, while R&D expenditures demand precise differentiation between research and development phases. These factors collectively increase the complexity of daily accounting operations. Some companies have encountered accounting errors due to inadequate understanding of the standards, leading to distorted financial data. Accounting processes require comprehensive restructuring: The "five-step method" model under the revenue recognition standard requires deep involvement of financial personnel in contract reviews, while the financial asset standard reforms necessitate enterprises to redesign accounting processes, including asset classification and impairment testing. Taking technology companies as an example, new accounting steps like performance obligation segmentation and transaction price allocation have been added, rendering existing processes insufficient to meet standard requirements. Cost accounting has become more standardized. After the inventory standard abolished the last-in-first-out method, cost flow in enterprises now better aligns with actual logistics conditions, effectively preventing profit manipulation during price fluctuations. However, companies must reorganize inventory management processes and adjust cost accounting methods, which temporarily increases accounting workload [3].

3.2. Impact on the financial statements

Adjustments to financial asset classifications directly impact the presentation of asset book values. The lease accounting standard reforms (which require lessees to recognize usage rights assets and lease liabilities beyond short-term leases and low-value asset leases) have significantly expanded corporate asset and liability scales, driving up key metrics like debt-to-asset ratios. This transformation is particularly evident in retail and aviation enterprises with extensive leasing operations, potentially affecting investors' assessments of corporate debt repayment capacity. Revisions to revenue recognition timing have altered the confirmation periods for operating revenue and net profits, with some companies experiencing profit volatility due to premature or delayed revenue recognition. Additionally, updated impairment provisions rules (prohibiting reversal of certain long-term asset impairments) have curbed profit manipulation while increasing sensitivity to asset quality changes. New accounting standards require substantially expanded disclosures, mandating not only standardized financial statements but also detailed supplementary notes including explanations of accounting policy changes, risk assessment bases, and fulfillment obligation breakdowns. While this improves financial reporting practicality, it also increases the workload for financial personnel [4].

3.3. Impact on financial decision-making

Changes in financial asset classification and measurement have impacted the accounting of investment project returns and risk assessment. When making decisions on bond investments, equity investments, and other financial activities, enterprises must recalibrate return on investment (ROI) and risk exposure in compliance with updated measurement standards. The application of the expected credit loss model has also heightened corporate focus on counterparties 'creditworthiness during project evaluations. Variations in financial metrics like debt-to-asset ratios may affect corporate financing capabilities. Some enterprises experiencing increased debt-to-asset ratios due to lease standard implementation may face challenges such as stricter bank loan approvals and higher financing costs, necessitating revised financing strategies. Financial information under new accounting standards now aligns more closely with business realities, providing more reliable data for operational decisions. For instance, the revenue recognition standard's detailed accounting of performance obligations helps enterprises clarify profitability across business segments, offering data-driven support for product pricing and business expansion strategies.

3.4. Impact on financial risk management

The new accounting standards have introduced more complex rule systems. Companies with accounting errors or incomplete disclosures may face regulatory penalties. Meanwhile, upgraded standards for identifying material prior-period errors now require retrospective adjustments to affect current financial statements, further tightening compliance requirements. The expected credit loss model mandates continuous customer risk assessment and robust credit evaluation mechanisms. Businesses with substantial accounts receivable must develop risk models using historical data and macroeconomic indicators to avoid asset impairment risks from inadequate provisions. Reconstructed accounting processes and new operational phases necessitate simultaneous improvements in internal controls. For instance, revenue recognition requires additional contract review checkpoints, while financial asset accounting demands strengthened classification verification mechanisms to prevent control loopholes [5].

4. Financial management strategies of enterprises in response to the new accounting standards

4.1. Strengthening the professional capacity building of financial personnel

Companies should regularly organize specialized training sessions for financial staff on new accounting standards, inviting experts in standard formulation and senior professionals from accounting firms to deliver lectures. These sessions should address challenging topics like revenue recognition and financial asset classification through industry case studies. The training content must cover standard interpretation, practical operational procedures, and common pitfalls to ensure financial personnel fully grasp the requirements. A financial learning forum with monthly exchange meetings where staff can share experiences and challenges in applying the standards should be created. Cross-departmental collaboration should be encouraged to deepen understanding of business processes, particularly in sales, R&D, and investment operations, thereby enhancing professional judgment. A standard learning reward fund was set up to provide bonuses and promotions for financial personnel who pass relevant professional exams or demonstrate outstanding performance in standard application, motivating self-directed learning [6].

4.2. Reconstructing financial management system and process

In accordance with the new accounting standards, we will reorganize and redesign accounting workflows, clarifying operational protocols and accountability at each stage. For instance, revenue accounting will incorporate contract review, performance obligation segmentation, and transaction price allocation [7]. Financial asset accounting will establish standardized procedures, including classification verification and impairment testing. Report formats and content should be adjusted to ensure compliance with standards, with detailed disclosure of standard changes' impact on financial data in notes. A multi-level review mechanism should be implemented to improve report quality and prevent omissions. Thresholds for key indicators like debt-to-asset ratio, gross margin, and expected credit loss rate should be set. Through real-time monitoring of these metrics, promptly identify compliance risks and credit risks, and develop contingency plans to mitigate potential losses [8].

4.3. Upgrade the financial information system

The current financial system should be upgraded to meet the accounting requirements of the new accounting standards, adding modules such as performance obligation splitting, financial asset classification, and expected credit loss provisioning to automate accounting processes and reduce human errors. Data silos between finance and business departments should be eliminated by integrating sales contracts, R&D projects, and investment activities into a unified platform, ensuring financial staff can access business information promptly and providing data support for accurate accounting. A regular maintenance mechanism for the financial system should be established to ensure data security and stable operation. Additionally, train financial staff to master new system functionalities to enhance work efficiency [9].

4.4. Strengthening external collaboration and cooperation

Regular communication with partner firms should be maintained to address challenges in applying accounting standards, while understanding audit priorities and regulatory requirements. During annual report audits and special accounting tasks, engage accounting firms early to provide professional guidance. Regulatory interpretations and implementation Q&A should be proactively monitored, operational issues encountered in standard application should be promptly reported, and policy guidance should be sought. Simultaneously, strictly adhere to regulatory requirements for financial reporting to mitigate compliance risks. Financial teams should be organized to study best practices of peer companies in standard adaptation, process optimization, and system upgrades, then adapt these insights to your own operational context [10].

5. Conclusion

The implementation of new accounting standards has exerted comprehensive and profound impacts on corporate financial management. While restructuring accounting systems and reshaping financial statement frameworks, these standards have accelerated the transformation of financial decision-making models while simultaneously intensifying compliance risks and regulatory pressures. Specifically, reforms in revenue recognition and financial instrument measurement have enhanced accounting precision but raised professional thresholds. Although optimized financial reporting and strengthened disclosure mechanisms improve information quality, they also increase operational burdens. Financial decision-making and risk management must now align with updated financial indicator systems and regulatory requirements. To navigate these challenges, enterprises should establish a four-dimensional response system encompassing personnel training, institutional restructuring, system upgrades, and external collaboration to ensure smooth transition. As economic environments evolve and international standards continue to update, China's enterprise accounting standards will remain in dynamic adjustment. Future corporate financial management must advance toward intelligent and refined approaches: On one hand, leveraging technologies like big data and artificial intelligence in accounting and risk control will boost operational efficiency; on the other hand, cultivating interdisciplinary financial professionals with both accounting expertise and business acumen will drive the transformation from transactional accounting to value-creation finance. Additionally, companies should maintain continuous monitoring of standard updates and establish regular compliance tracking mechanisms to ensure financial management consistently aligns with regulatory requirements and corporate development strategies.

Disclosure statement

The author declares no conflict of interest.

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