

Effect of Fair Value Measurement on Earnings Management of Chinese Real Estate Listed Companies

Keyu Guo*, Airu Zhang

School of Finance, Qinghai University, Qinghai 810016, China

Abstract: since the fair value has been used, it has always been paid more attention to, after the financial crisis, it has caused widespread denunciation of the academic session. In the new accounting standards issued in 2014, the attention of fair value has always been very high, which can reflect the influence of enterprises on earnings management through the measurement of fair value. By describing the application of fair value under the new criteria to pave the way for the following description. The back illustrates the impact of fair value on earnings management under the new guidelines. At the end of the paper, some policies and constructive suggestions are put forward to improve earnings management in Chinese enterprises.

Keywords: New accounting standards; Fair value; Earnings management; Cost measurement; Fair measurement

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***Corresponding author:** Keyu Guo, 1601700911@qq.com

1 Application of fair value under the new guidelines

Based on the extensiveness of fair value, the new standard clearly regards fair value as the primary accounting measure of enterprises Attributes. Of the 38 new enterprise accounting detailed standards that have been published, together with the guidelines for use ,35 have directly or indirectly touched fair value, accounting for 92 percent of all new regulations. In the guidelines revised in 2001, the initial measurement of assets would have eliminated

fair value measurement and would have been measured and used only at the end of fair value asset measurement. By contrast, the use of fair value in such a wide range of the new standards exposes our country's new understanding of fair value accounting and its intention to adopt fair value accounting. It also means that the domestic accounting community has whether to apply fair value and how to apply fair value.

In view of the big difference between the old and new standards, it is not depreciation or amortization of investment real estate. So, new

Article 11 of the regulations, investment real estate measured by fair value shall not be depreciated or amortized, and the book price must be adjusted according to the fair value of investment real estate on the balance sheet date. The difference between fair value and original account value is calculated to the gains and losses at this stage. The application of the new standards will lead to changes in the profits and losses of the current period and will increase the profits of the current period, but due to the requirements of the reliability of accounting information, when accounting practice is disposed of, Investment real estate should pay more attention to historical cost measurement.

2 Impact of fair value application on earnings management of listed companies

Investment real estate in listed companies is one of the real estate types that developed rapidly after the financial crisis, compared with traditional industries, the main business areas are real estate sales, investment real estate earnings and capital. The real estate industry's commodity liquidity has been

significantly reduced, with real estate companies continuing operation so that some commercial housing rental to users to obtain funds, investment in real estate increased. Most of the reason is that after the financial crisis, the real estate industry fell into a sales crisis, and our country from 2010 real estate began to implement a strong and powerful macro-control policy.

2.1 Use of policy options for earnings management

The new rules recommend that investment properties be allowed to use cost models or fair value measures, but should be used when necessary

When the corresponding conditions are met, the enterprise can choose to use fair value to carry out calculation. Real Estate Prices in China continue to rise, after the change to choose fair value measurement enterprises no longer need to take depreciation, then the enterprise before the purchase real estate will increase significantly during the holding period, resulting in lower current costs, this part of the difference is directly recorded. The profit and loss of the current period can greatly increase the profit of the enterprise, the new standard stipulates that fair value investment real estate does not need to be counted depreciation and amortization. In this way, the net profits will increase obviously and the enterprise does not carry out any production activities but generates profits.

2.2 Carry on earnings management through the mutual conversion of fixed assets and investment real estate

The guidelines stipulate that idle construction should not be recorded as investment real estate, but should be used as fixed assets. This can only be weighed using the cost model. But if the listed company and related parties to sign lease talks, it will be out rental buildings, and at this time should do investment real estate disposal. A fair price may be taken if appropriate value measurement, at this time the assets no longer need to take depreciation, so that the company's depreciation consumption significantly reduced, profits increased. Add, but the corresponding income tax usage will also follow the increase. On the contrary, when companies want to make small profits, they can eliminate them in addition to leasing peace talks, the original assets into fixed assets, so to achieve the policy of income change. At the same time

The difference balance between the production and the transfer shall not be included in the profits and losses of the current period, or the capital reserve shall be included in the processing current profit and loss^[1]. No matter how the conversion will make the current profit changes, fully available can cause management order the idea of earnings management.

In the face of the current situation, some Chinese listed companies still use cost measurement model to measure investment real estate. Therefore, investment real estate earnings management cases are relatively small. But it is to form the idea that management implements earnings management.

3 Countermeasures and Suggestions for Improving Earnings Management of Listed Real Estate Companies in China

3.1 Improve internal enterprise mechanisms

3.1.1 Improved internal management mechanisms

In order to improve the situation of enterprise earnings management, it should be the adjustment of the enterprise itself. In the process of enterprise management, the decision-making level of the enterprise needs to employ the relevant personnel with high management ability to manage the enterprise. First, let the board of directors and managers in line with the interests of the board of directors, the board of directors appropriate to give managers some incentive mechanism, can be used as a reward to recognize some managers who have paid a lot to the enterprise, which makes managers and enterprises inseparable, so that they have a common goal, which is the goal of the development and growth of the company; Second, strengthen supervision and observation within the enterprise to pay attention to the dynamics of managers, of course, can also establish an independent supervision agency, independent third parties to carry out internal supervision responsibilities, review the internal management of enterprises on a regular basis, review the surplus situation of enterprises, regularly introduce the internal situation of enterprises to the outside world, to obtain the common supervision of the general public, set a specific time period for the relevant supervisors to implement technical guidance, enhance the corresponding technology; Finally, to establish a complete governance mechanism within

the enterprise, to achieve a clear distribution of responsibilities and powers, clear terms of reference of each department, not ultra vires governance, at the same time, each department should achieve mutual supervision and control, reduce the possibility of fraud.

3.1.2 Strengthening enterprise planning mechanisms

The planning mechanism of the enterprise is different from the planning management, and it has objectivity. The planning mechanism of an enterprise is as a the operating mechanism and planning mechanism of the internal operating mechanism of the enterprise are the nature of the enterprise and the operation of the enterprise the management method and the enterprise benefit policy resolution. That is, within the enterprise through the production and operation between each department. Each other plays a certain role, the relationship between the various departments to form a plan for the various departments within the enterprise the restriction function, the plan mechanism plays a greater role in the enterprise's management and production behavior. In the present society, with business with the development of product economy, the role of market mechanism is becoming more and more important. In this case, the external planning mechanism of the enterprise. If we are relatively weak, we should strengthen the internal planning mechanism and improve the response of enterprises in emergency situations the ability to problem.

3.2 Improving the Quality of Employees

3.2.1 Improving the quality of enterprise accountants

In listed companies, enterprises choose what measurement mode measurement once confirmed, can not be changed casually. Accounting the financial statements are also prepared according to the accounting information provided by the enterprise, so the enterprise the professional and moral qualities of accountants are also very important. Enterprises should conduct their accountants regularly professional knowledge and skills training, familiar with the new accounting policy, and clear the scope of application of fair value, calculation methods

etc. And on schedule to hold professional quality, legal knowledge of the seminar.

3.2.2 Improved quality of enterprise auditors

General listed companies are external auditors, to prepare financial reports to the enterprise, regular to the enterprise external investors and all levels of society disclose the financial information of enterprises. Because auditors have direct access to listed companies interest relationship, so when found that the enterprise has surplus behavior without disclosure processing. Audit institutions should be independent, Auditors should also have corresponding professional ethics. Only by separating audit institutions from enterprises can they be true and accurate reflect the internal situation of the enterprise, to the majority of investors. This requires companies to find audit institutions in the need to help, this greatly blocks auditors and enterprises have the same interests and deceive the true information. Auditors disclose the accounting information of listed companies most likely to be comprehensive. It is helpful for investors to be familiar with the real profit strength of enterprises and to some extent restrict investors to make investment decisions.

3.3 Improve Government Supervision System

3.3.1 Improved accounting standards system

First of all, to standardize the use of fair value under accounting standards, once determined can not be changed, so listed

The company should also carefully use fair value measurement; secondly, for accountants, auditors and other related workers,

One is to standardize accounting standards, to measure fair value separately, the other is to require auditors to the company

Make detailed and true disclosure; finally, carry out strict punishment policy for the wrong person.

3.3.2 Improved corporate penalties

In today's society, enterprises should start from their own, fundamentally cut off the earnings management of enterprises. Only just

It is far from enough to strengthen the ethics of employees themselves. Local authorities can select excellent and honest enterprises every 3 months or even a year. The local or government regulatory authorities shall examine the financial situation of the enterprise and the financial audit report issued by the auditors to examine the legality and standardization of the enterprise, and some outstanding enterprises

which abide by the regulations and carry out good management shall give praise and publicity and give corresponding preferential policies. For some enterprises that do not operate in accordance with the norms and excessive earnings management companies, will be given strict penalties.

4 Conclusion

Due to the problem of the ability to master professional knowledge and the new accounting standards issued by the state, this paper adopts the investment. There may be some shortcomings in the research of real estate industry, and there is no research on fair value in this paper. There are comprehensive studies, such as changes in economic activity in the macroeconomic environment that affect changes in asset markets, changes in the asset market will lead to fluctuations in fair value, which will affect the use of fair value by managers the judgment of earnings management action. Through real estate investment demonstration, fair value edification of earnings management is only a piece the explanation of the face. Fair value is the skill of enterprise to carry out dividend disposal. Society is changing, not just discuss the present, from the perspective of development, show that fair value to earnings

management, the new accounting standards What will happen to the impact of fair value on earnings management in the future the change of the sample.

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