

Analysis on the Correlation between Internal Control Quality and Accounting Information Quality of Listed Companies in China

Shixin Zhang^a, and Zhenyu Hou^b

Lanzhou University of Technology, China

^a506338087@qq.com; ^b495582958@qq.com

Keywords: Listed company; Internal control quality; Accounting information quality

Abstract: Nowadays, listed companies have become the core of the development of market economy. The quality of internal control of listed companies has a direct impact on the quality of accounting information within listed companies, thus affecting the available value of accounting information. Therefore, the guarantee of accounting quality, the realization of accounting information constraints and guiding value, not only reflected in the moral constraints on the relevant personnel, but also reflected in its management of the subject of the constraints of the transaction to achieve the authenticity of accounting information, effectiveness, Perfect protection.

The content of this study is based on the analysis of the current accounting information distortion, fraud, low quality of the current situation, from the perspective of the quality of internal control of listed companies, the quality of internal control of listed companies and the quality of accounting information related to Analysis, from the perspective of the quality of internal control of listed companies to improve the quality of accounting information related to the proposed method, and then affirmed the listed company's internal control and accounting information quality of the linear correlation between the quality of internal control, the better, the corresponding accounting The higher the quality of information.

1. Introduction

With the development of China's economic market, the modern enterprise system is also constantly improving. But as far as the construction of internal control mechanism of Listed Companies in China is concerned, there are still some shortcomings, which need the continuous efforts of theoretical and practical circles to continue the research in this area, so as to lay a solid foundation for the construction and improvement of internal control mechanism of enterprises themselves.

Internal control is a necessary choice made by enterprises themselves in order to improve their internal management, improve their operational efficiency, effectiveness and ensure their economic efficiency. Accounting information is an important part of social and economic development. Good quality of accounting information can reflect the social and economic development, and provide certain reference value for enterprise managers, social financiers and government departments in the process of decision-making.

At the same time, good accounting information quality can also provide some reference value for the development of social economy, and create good conditions for the rational, fair and efficient distribution of social resources. In recent years, with the development of social economy, the problem of accounting information fraud has gradually emerged in the process of market economy development. It affects the value of accounting information, at the same time, it also hinders the development of social economy, and brings many problems to the development of social economy. This paper is based on the recognition and analysis of the importance of accounting information quality in the overall development of Listed Companies in China and the development of market economy. Combined with the performance status and development mode of internal control of listed companies, this paper carries out a correlation study on accounting information quality based on

internal control of listed companies, and analyses the internal control quality of listed companies to accounting. The influence of information quality and the correlation between them can provide some reference opinions and strategies for strengthening and improving the level of accounting information quality of listed companies.

2. Literature Review

In the mid-20th century, the American Association of Accountants put forward in a committee that the methods to improve the quality of internal control need not only the rational design of internal organization, but also the coordination and orderliness of internal departments. With these methods, the property of enterprises can be protected, the quality of accounting information can be effectively improved, and the business results will be better and better. Internal control is not simply carried out by the right department, supervision department and management of the enterprise. It is a process that requires every employee of the enterprise to participate in it. Only in this way can the realization of enterprise goals become easier. Lawrence Sawyer put forward that internal control includes all kinds of evaluation activities for all control personnel within the enterprise, and also includes individual evaluation of various business behaviors and control behaviors by the control personnel. In this way, internal supervisors determine whether the principles and procedures followed by the enterprise are independent, whether they can meet the standards set by the state and enterprises, whether they can make the enterprise independent, whether they can use resources effectively, and whether the ultimate goal of the enterprise can be achieved.

In the basic rules of internal control issued by our country, it has been emphasized that internal control is not only carried out by the right department, supervision department and management of the enterprise, but also a process that requires every employee of the enterprise to participate in. Only in this way can the realization of enterprise goals become easier. Liu Wei (2016) believes that listed companies with different systems can adopt different internal control means. The company system is supervised by the board of supervisors. In addition, the subordinate departments of the management also set up internal supervision organizations to audit other departments of the company. The listed companies adopting partnership system and ownership system are suitable for handing over the internal supervision and management business to other companies for assistance. Yang Shizhong (2013) pointed out that there are several processes in the change of enterprise internal control theory. Firstly, the restriction of power function before each department in the enterprise, and secondly, the gradual systematization of enterprise internal control. Later, the structure of internal control has become more and more scientific and reasonable. Finally, the reasonable integration of the whole basic framework has gradually formed a more scientific risk. Evolution trend of management framework. Zhang Min (2010) believes that, as far as our internal control system is concerned, the formulation of the Internal Accounting Control Standards is to enhance the authenticity and effectiveness of accounting information, not only to be considered as the needs of the audit department, but also to effectively provide internal management of enterprises.

This paper combines the previous literature research on the value of internal control, takes the quality of accounting information as the research value orientation, and further explores the correlation between the internal control of listed companies and the quality of accounting information through the analysis of the specific manifestations of internal control of enterprises. Based on the theory, this paper expounds the correlation between the quality of internal control and the quality of accounting information of listed companies, which has certain reference value and significance for improving the effectiveness of internal control of listed companies.

3. The Empirical Research

Empirical Analysis on Internal Control Quality and Accounting Information Quality of Listed Companies. In order to avoid the problem of unreliability, we do not use the latest available data. Therefore, we select the listed companies (except financial industry) from 2011 to 2012 A share

market as samples for correlation and regression analysis.

Table 1 Descriptive statistics

	Number	Range	Minimum	Maximum	Average		Standard deviation	variance
	Statistics	Statistics	Statistics	Statistics	Statistics	Standard deviation	Statistics	Statistics
ABSDACC	5233	7.334	0.000	7.334	0.106	0.002	0.197	0.039
IC	5233	1.0	.0	1.0	0.711	0.006	0.453	0.205
ICA	5233	1	0	1	0.94	.003	0.232	0.054
EPS	5233	15.960	-3.140	12.820	0.470	0.007	0.557	0.310
ROA	5233	223.351	-105.164	118.186	7.003	0.122	8.895	79.137
LEV	5233	1338.983	0.708	1339.691	43.819	0.578	41.849	1751.394
LnSIZE	5233	12.288	16.116	28.405	21.533	0.019	1.377	1.898
GROWTH	5233	36849.923	-96.726	36753.197	29.176	7.555	546.579	298749.179
Effective N (in columns)	5233							

Table 2 Coefficient of correlation

	ABSDACC	IC	ICA	EPS	ROA	LEV	LnSIZE	GROWTH
ABSDACC	1.000							
IC	-0.003*	1.000						
ICA	0.033*	-0.054**	1.000					
EPS	0.078**	-0.164**	0.033*	1.000				
ROA	0.085**	-0.286**	0.065**	0.822**	1.000			
LEV	0.015	-0.124**	-0.109**	-0.239**	-0.424**	1.000		
LnSIZE	0.007	0.295**	-0.201**	-0.081**	-0.342**	0.453**	1.000	
GROWTH	0.162**	-0.068**	0.046**	0.361**	0.371**	-0.051**	-0.073**	1.000

.The correlation is significant at 0.05 level (double tails)

The correlation was significant at 0.01 level (double tails).

From the descriptive statistics table, it can be seen that the maximum value of ABSDACC (company maneuverability accrual) is 7.33, while the minimum value is only 0.00001. The difference between the two is very obvious. On the other hand, its average value is 0.106, which shows that many enterprises in the selected sample still have a certain degree of earnings management.

In addition, IC and ICA, because we assign only 0 and 1 here, but from the average value of 0.711 and 0.94, we can see that the majority of enterprises have disclosed the internal control self-evaluation report and internal audit report in the selected sample.

As can be seen from Table 2, the correlation coefficient between IC and ABSDACC is - 0.003, which is significant at 0.01 level, indicating that the disclosure of internal control audit evaluation reports is conducive to improving the quality of accounting information. Secondly, the correlation coefficient between ICA and ABSDACC is 0.033, which is significant at 0.05 level.

Table 3 Regression analysis

Model		Non-standardization coefficient		Standard coefficient	t	Sig.
		B	Standard error			
1	constant	-0.064	0.045		-1.402	0.161
	EPS	0.007	0.006	0.020	1.117	0.264
	ROA	0.003	0.000	0.143	7.302	0.000
	LEV	0.001	0.000	0.128	8.820	0.000
	LnSIZE	0.005	0.002	0.038	2.621	0.009
	GROWTH	2.213E-6	0.000	0.006	0.450	0.653

a. dependent variable:ABSDACC

Table 4 Goodness of Fit

Goodness of Fit				
Model	R	R ²	Adjusted R ²	Standard estimation error
1	0.168a	0.028	0.027	0.19439
a. Predictive variables: (constant), BDI.				

Table 5 ANOVA

Model		sum of squares	degree of freedom	Mean square	F	Sig.
1	regression	5.751	5	1.150	30.439	0.000 ^b
	residual	197.522	5227	0.038		
	Total	203.273	5232			

a. Predictive variables: ABSDACC

b. Predictive variables: (constant), GROWTH, EPS, LnSIZE, LEV, ROA

The saliency value is the actual saliency probability of F value. When the significant value ≤ 0.05 , the regression relationship has statistical significance.

4. Conclusion

The formulation and implementation of the internal control mechanism of an enterprise is essentially to achieve better internal management of the enterprise, create a good internal environment for the external market competition of the enterprise, and create more value gains. The accounting information of enterprises, as a specific form of data expression of the operation status of enterprises, can effectively reflect the problems existing in the operation process of enterprises, and provide a certain strategic reference for the construction and development of enterprises, which has a certain guiding value. Based on the consideration of the quality of internal control and the value of accounting information, this paper analyses the present situation of the publicity of internal audit of listed companies, and the impact of internal control of listed companies on the quality of accounting information, as well as the correlation between the two. Through the analysis, it can be found that good practice and implementation of internal control mechanism can further strengthen the internal governance of enterprises, at the same time, provide more firm guarantee for the quality of accounting information from the level of accounting information quality. At the same time, the good quality of accounting information can also be seen as the reflection of good internal control of enterprises to some extent.

Strengthening internal control and guaranteeing the quality of internal control can promote the rational and orderly operation of enterprises, protect the assets owned by enterprises effectively, and infringe the rights and interests of stakeholders within enterprises easily, so the quality of accounting information in enterprises will also be improve.

References

- [1] Jeffrey Doyle, Weili Ge and Sarah McVay, *Accounting Review*, 2007, (5): 1141-1170.
- [2] Q.H. Yang and Y.R. Wang: *Monthly Journal of Finance and Accounting*, 2011 (33): 76-80.
- [3] C.H. Yang: *Journal of Fujian Agricultural and Forestry University*, 2008, (1): 52-57.
- [4] K.R. Tian, X. Qi and F. Zhang: *Contemporary Finance & Economics*, 2006, (1): 108-112.
- [5] W. Liu: *Journal of Liaoning University of Petroleum and Chemical Technology*, 2016, (3): 76-80.
- [6] S.Z. Yang and S.D. Liu: *Audit and Economic Research*, 2013, (2): 42-48.
- [7] M. Zhang and X.P. Zhu: *Economic Management*, 2010, (9): 108-113.