

Introduction to accounting professional judgment manipulation

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Abstract: - Professional judgment of accounting is procedures and criterion of handling of accounting events, and the compilation of the financial and accounting reports, according to accounting regulations, accounting standards, accounting system, related laws request and the enterprise financing environment and business characteristics.

Keywords: - Accounting profession; Judge manipulation; Presumption of discriminant

I. INTRODUCTION

Accounting professional judgment is not a simple problem. It gradually becomes the accounting people deal with the relationship between the economic interests of the stakeholders in an important measure influenced by the factors of market economy. Under such an interest, the nature of accounting professional judgment is distorted gradually and the body of market economic health is damaged. People will ask that accounting professional judgment is academic or magic?

II. ACCOUNTING PROFESSIONAL JUDGMENT AND CONTROL PERFORMANCE

Professional judgment of accounting is procedures and criterion of handling of accounting events, and the compilation of the financial and accounting reports, according to accounting regulations, accounting standards, accounting system, related laws request and the enterprise financing environment and business characteristics[1-3].

Professional judgment of accounting control is a major form of accounting manipulation and behavior that the enterprise selects reasonable framework, wanton behavior adjustment, whitewashing accounting statements.

New enterprise accounting system and specific accounting standards enlarged the space of accounting professional judgment, which should get more valuable accounting information in the framework of policies and regulations[4]. But driven by the interests of the various aspects, this kind of independent choice and judgment of space often become the stage of stakeholders' whitewashing accounting statement. Throughout the annual reports of companies listed in recent years, the phenomenon of professional judgment of accounting manipulation can be found everywhere. The main forms are:

1. To abandon the basic principles of accounting calculation. 《The business enterprise accounting system》 to standard and added to the basic principles of accounting, especially increased the content of the substance-over-form principle. 《The system》 article 11 (2) of regulation "enterprise shall should in accordance with the economic substance of transactions or events do their business accounting, and should not be just according to their legal form as the basis of accounting." The principle of substance-over-form request enterprise should be the main risk and rewards for transfer as the recognition, measurement and reporting standards. However, some enterprises for achieve a goal, substantial contents can take or leave even wantonly make trade form, beautify accounting statements. As some of the listed companies in order to reach the goal of expected profit, using related party transactions with associated companies signed far above or far below the

market price of the false sales contract, signing buy-back contract at the same time, using the two contracts in execution interval time. The accounting for sales contract financial results, the following year to repurchase contract adjustment of financial results. This kind of insubstantial transfer of fictitious trades concealment to manipulate profits in a short time.

2. Optional choice and change of accounting policy. Accounting policy is the enterprise in the accounting practice in the following concrete principles and specific accounting methods adopted. The choice in the inventory measurement, long-term investments, fixed assets depreciation method are based on professional judgment of accounting personnel. Arguably, the processing method of all sorts of accounting policy has the scientific and normative. But a lot of enterprise accounting policy choice as an art, using its more has the characteristics of "legal but unreasonable", to achieve the effect of "draw on advantages and avoid disadvantages". Take listing Corporation "ganyue high-speed" fixed asset depreciation method, for example, at present, similar to the listing Corporation of the basic use of the workload method (that is, according to the traffic flow) as a way to carry out the depreciation method. This does not violate the relevant laws and regulations. However, in accordance with the speed of depreciation of ganyue high-speed in 2001, the depreciation period of up to 100 years or more. This is obviously unreasonable, but the management of the company to reflect the callous.

3. Abuse of accounting estimates. Accounting estimation is a judgment of the enterprise to the uncertain transaction and the information which can be used as a basis for the recent information. In the accounting system, the "eight plan" for the typical accounting estimates in the specific accounting can be said to be "a variety of", the market is called "accounting magic". St Qingqi (600698) in 2002, the controlling shareholders of receivable in arrears as 30 billion, this year is the provision 93% is 2.7 billion yuan, the major shareholder of the karma wiped out; and Kelon Electrical (000921) 2002 report profits, the use of "secret reserve", will be up to 4 billion yuan huge ready to rush back, losses to profit. Similar to the listing Corporation as Changan automobile (000625), Huayi investment (000667), ST (600893) Jifa etc.. In the elastic space of accounting estimates, the secret weapon of the beautiful report is emerge in endlessly.

III. THE CAUSES OF ACCOUNTING PROFESSIONAL JUDGMENT MANIPULATION

1.The motivation of accounting professional judgment. Originally, the motivation of accounting professional judgment should be consistent with the goal of accounting, financial management, which are to seek to maximize the enterprise value. But in the complex market economy condition, the positive motives are often distorted[5-6]. The main reasons are as follows. One is The defect of corporate governance structure, leading to large shareholders and small shareholders, operators and other persons of interest. The second is accounting people in order to reach the goal of self-protection, catering to the unit head of the subjective desire, passive deviation from the reasonable professional judgment. The last is to cater to the bank, finance, securities, and other government agencies at all levels of requirements, or to achieve the overall enterprise development route and the need of tax planning, impact on the accounting professional judgment right estimate or choice.

2.The space of professional judgment system is large and pale. Accounting professional judgment involves all aspects of the accounting elements, different accounting policy choice and accounting estimates that could draw difference is huge profits. The elastic space is quite large. But, looking from the current accounting environment, to prevent distortion of accounting professional judgment from the system behavior seems unlikely. If setting more restrictions, we can not find the answer to the problem, then it will enter a dead end. In this case, enterprises are looking for ways to through the accounting professional judgment manipulation to achieve the particular purpose[7].

3.The weakening supervision strength. At present, our country enterprise accounting behavior is largely dependent on the supervision of social intermediary.But in the current environment of our transition economy, there is a close relationship between certified public accountants and the interests of the enterprise management[8-9]. The independence of CPA is abate, so that the accounting supervision weakening. Conceptions of accounting professional judgment not promptly correct, indulge the enterprise accounting manipulation.

IV. THE MANAGEMENT OF PROFESSIONAL JUDGMENT OF ACCOUNTING MANIPULATION

1.To perfect the corporate governance structure and give full play to company's business and financial activities of supervision of the board of supervisors and the independent director. At the same time,to establish enterprise internal control system and give the accounting personnels independent judgment rights[10].

2.Improve and perfect the social supervision system taking the industry Bai Lv as the core and constraint and supervise enterprise accounting professional judgment. At the same time,we need strengthen the government external supervision especially supervision of the perform quality of guidelines and system.

3.To strengthen the construction of legal system and stop and prevent companies using elasticity of accounting professional judgment to make false accounting information. Perfect criterion system and regulate the behavior of the accounting professional judgment further.

Improve the judgment ability of accounting professional, update the conception of accounting education, trengthen the legal awareness and moral cultivation, set up correct consciousness of professional judgment, accumulate accounting practice experience and improve the comprehensive quality of accounting personnel.

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