

Impact Analysis of Accounting Information Quality on the Variable Loss and Profit of Financial Asset Classification

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Abstract: Due to the rapid development of China's economy, accounting information quality has more and more significant impact on the variable loss and profit of financial asset classification, so we conduct in-depth research and analysis aiming at it. Impacts of accounting information quality on the variable loss and profit of financial asset classification include that it can reduce the fluctuation of variable loss and profit of financial asset classification, lower operative difficulty of the variable loss and profit of financial asset classification and strengthen the comparability of variable loss and profit of financial asset classification and so on.

Keywords: Accounting information quality; Financial assets classification; Variable loss and profit

1. Introduction

At present, China's financial and economic activities are more and more active, so it is necessary to correctly treat the changes in profit and loss caused by financial assets classification correctly and classify financial assets. Only in this way can financial activities be correctly analyzed and counted [1]. The purpose of classifying financial assets is to make statistics of money supply, financial liabilities and financial assets; it also provides the normative compilation standard for the materials such as balance sheet and assets list of financial and economic companies; it can carry out a correct assessment on financial and economic institutions owning capital liquidity and investment risk; The classification of financial assets can lead to variable loss and profit of financial assets classification, and using variable loss and profit of financial assets classification can stat financial assets classification normatively [2]. Classification of financial assets has two ways including constituting groups and constituting grouping system based on many signs and simple grouping and parallel grouping system based on single sign. If we want to further know and find financial flow statistics, we must pay attention to the diversification of financial asset classification; In the case of high normative requirements, a multi-level grouping system can be used to classify financial assets. Along with the gradual acceleration of economic globalization, financial assets requires unified and international classification requirements, when classifying financial assets, China also needs to comply with the financial asset classification regulations stipulated by the international financial asset statistics institution [3]. Compared with developed countries, China's financial system is still not stable enough to meet the

international financial system development standards. However, China's financial and economic development system is also gradually changing towards market finance. With the emergence of various financial and economic institutions and the upgrading of financial instruments, the statistics and records on variable loss and profit of financial assets classification must also adapt to the changes of era [4]. At present, the statistics and records on variable loss and profit of financial assets classification in China still show a relatively backward development trend in the financial and economic development and practice, moreover, whenever new financial instruments appear, the statistics and records on variable loss and profit of financial assets classification are not reflected timely and accurately. Therefore, it is necessary to grasp the impact of accounting information quality on the changes in the profit and loss of financial asset classification, and classify and count the changes in the profit and loss of financial asset classification correctly.

2. Reduce the Fluctuation of Variable Loss and Profit of Financial Asset Classification

The judgment of accounting information quality mainly focuses on fairness and efficiency. The purpose of improving accounting information quality is to maintain social good order and protect the rights and interests of investors, therefore equity and efficiency must be prioritized as well as international harmonization and cost-effectiveness principles [5]. When the accounting information quality be geared to international standards, we must take into account China's national conditions. The basic function of accounting is supervision and accounting, while the accounting information quality can reflect the economic activities of the subject objectively. The

premise and basis of accounting is to conduct accounting truthfully. The three classifications in the variable profit and loss of financial assets classification cancel the three categories including liquid financial assets, holding investment and maturity investment, and receivables and loans, and expand the statistical range of fair value, so as to meet the matching requirements of accounting information quality [6]. Using the fair value to make statistics can reflect the real financial status and real operating

status of financial and economic enterprises more reasonably and accurately, adding authenticity and credibility to accounting information quality. According to the business model of enterprise managing financial assets and characteristics of collecting contract cash flow, the new classification criterion for variable loss and profit and loss of financial assets makes a simple classification on variable profit and loss of financial assets. The classification business process is shown in figure 1.

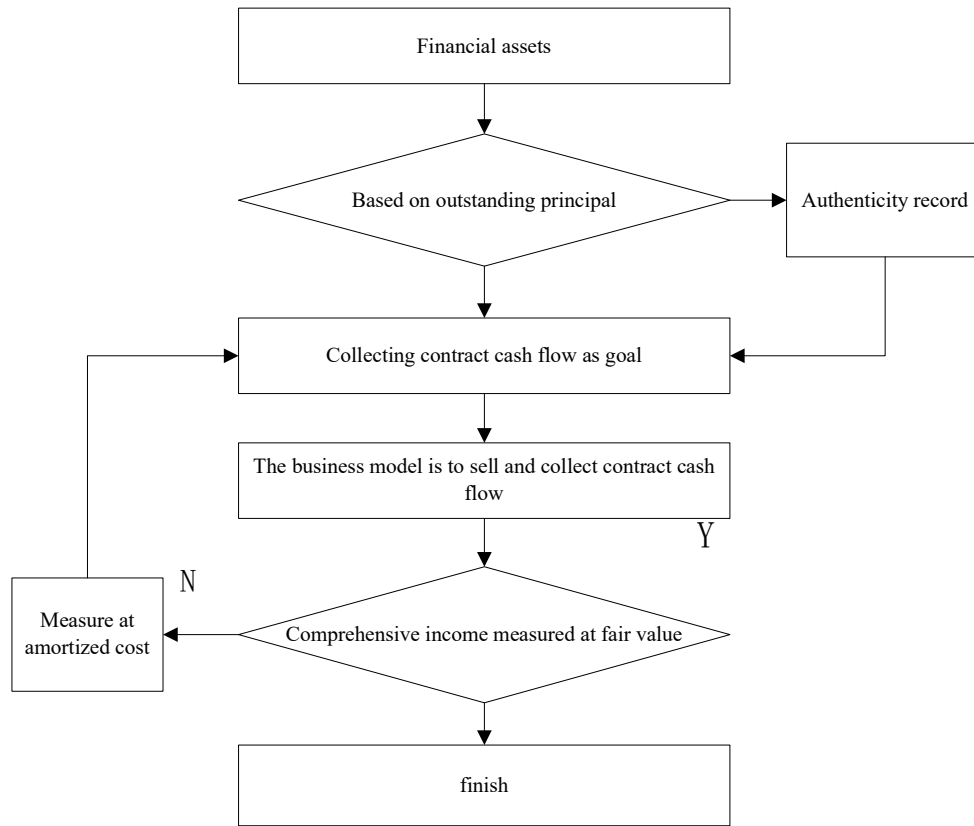


Figure 1. The classification business process

Accounting information quality can provide accounting information with authenticity and reliability for stakeholder, however, each stakeholder has different decision-making needs, therefore, accounting information quality cannot solve all the decision-making problems, only ensure the authenticity of accounting information can guarantee the existing value of accounting information quality. When accounting information quality tends to be in favor of a specific stakeholder, then accounting information will not be able to fully and objectively reflect all the information on changes in profit and loss of financial assets classification, nor can it create a fair and relatively stable financial environment. Accounting information quality, as objective public information, is non-competitive and non-exclusive, this nature indicates that the authenticity and validity of accounting information

must be considered in the formulation of accounting information quality, so as to provide information on the variable profit and loss of financial asset classification easy for creditors, investors and enterprise managers to make correct and reasonable decisions. In addition, accounting information quality should not be affected by specific stakeholders, and it should be neutral and comprehensive as far as possible, only in this way can we reduce the fluctuation of financial assets classification.

3. Lower Operative Difficulty of the Variable Loss and Profit of Financial Asset Classification

The accounting information quality requires financial and economic enterprises to fully consider all kinds of forward-looking information when using the expected loss

method to deal with losses, and this shows that the provisions of variable profit and loss of financial asset classification attach great importance to equity factors [7]. The relevant measures to optimize accounting information quality are shown in figure 2.

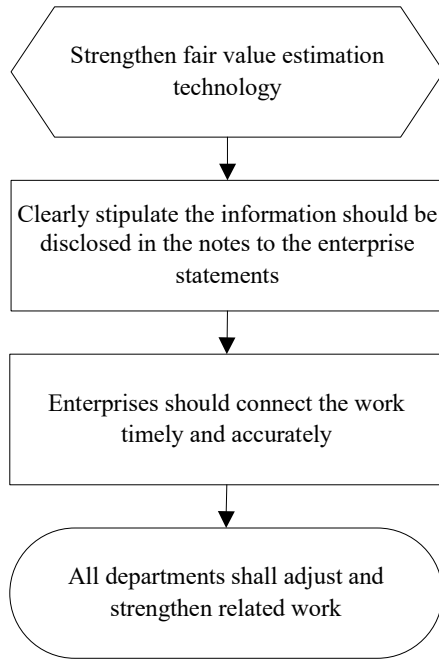


Figure 2. The relevant measures to optimize accounting information quality

The current development of China’s market economy is not enough, if the accounting information quality blindly in line with international standards, and then the follow-up development of China’s market economy may appear many difficulties, for example, enhancing the quality of accountants and improving technical requirements for measurement problems, expected loss recognition problem and so on. The necessity of relevant financial information may reduce the efficiency of China’s economic development to a certain extent. Therefore, China must measure the variable profit and loss of financial asset classification according to its own accounting information quality standard. At present, the rule for China’s variable profit and loss of financial asset classification is generally affected by the stakeholders, so there will be some enterprises using variable profit and loss information of financial asset classification to manipulate profits [8]. However, since the goal of the balance sheet and the profit statement must be consistent, therefore the accounting information quality can be used to reduce the occurrence of this situation. Using the accounting information quality to measure variable loss and profit of financial assets classification is to take accounting measurement angle as a measuring standard, accuracy and authenticity as the measuring conditions, strive for strict

logic and unified standards, and it can not only improve the effectiveness of variable profit and loss of financial asset classification, but also make accounting more simple and also reduce the recording difficulty of variable profit and loss of financial asset classification.

4. Strengthen the Comparability of Variable Loss and Profit of Financial Asset Classification

When the accounting information quality does not meet the standards or the information is not true, variable loss and profit of financial asset classification may produce impairment losses, the causes of impairment losses are shown in figure 3.

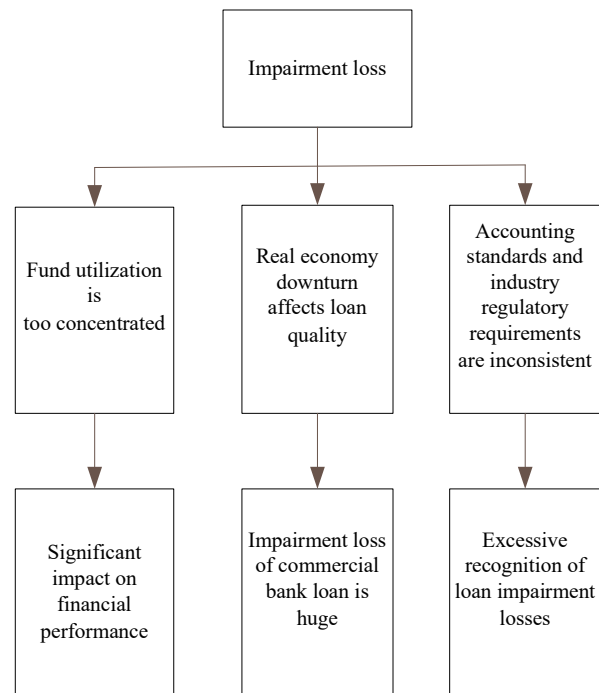


Figure 3. The cause of impairment loss

It can be said that the accounting information quality will have a great impact on the comparability of variable profit and loss of financial asset classification, which can be illustrated from two perspectives, including horizontal comparability and vertical comparability. Horizontal comparability refers to that due to the uncertainty of accounting information quality in initial category identified, so it is possible that different enterprises under different cases, according to the subjective judgment of management, enterprise scale and its development, classify the financial assets obtained in different situations into different financial assets and generate relative variable profit and loss. While vertical comparability refers to that the same enterprise in different operating periods, its cash flow, external environment and profitability are different,

and therefore, at different points of accounting information quality, the same enterprise may classify the types of financial assets obtained under similar transactions and generate relative variable profit and loss. The quality of accounting information will lead to different accounting treatment of financial assets, and the accounting information reflected by it is also very different, these conditions belong to the scope of comparability, and they are all the impact of accounting information quality on variable profit and loss comparability of financial assets classification.

5 Conclusions

In order to better adapt to the globalization of financial economy and the internationalization of financial economy, we must grasp the impact of accounting information quality on the variable profit and loss of financial asset classification, master and understand the scope of these effects, and carry out in-depth understanding on the variable profit and loss of financial asset classification, in order to make more reasonable and scientific financial economic decisions, accelerate China's economic development, improve China's economic development level.

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