

# Research on the Quality of Accounting Information Disclosure by Listed Companies under the New “Securities Law”

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**Abstract:** The “Securities Law” serves as the fundamental law governing the market, which influences and regulates the orderly development of the capital market. The revised “Securities Law”, officially coming into effect in March 2020, has introduced more detailed provisions on the disclosure of corporate accounting information, explicitly outlining the requirements for accounting information disclosure, and expanding the definition of “significant events”. It has increased the penalties for the management of listed companies and further regulated the healthy and orderly development of the capital market. By comparing the disclosure of corporate accounting information and penalties during the implementation period of the original law, this study aims to clarify the superiority of the new “Securities Law” in terms of the authenticity, speed, and quality of information disclosure by listed companies.

**Keywords:** New “Securities Law”, Listed Companies, Information Disclosure.

## 1. Literature Review

Accounting information disclosure by Chinese enterprises has long been plagued by issues such as concealment, exaggeration, and falsehood. These problems not only undermine fair competition among enterprises in the market but also mislead consumers, thereby affecting consumers’ confidence in investment and hindering normal course of business financing. The new “Securities Law” implemented in China in March 2020 has introduced stricter and more comprehensive regulations on corporate information disclosure, which to some extent has improved the quality of corporate information disclosure and enhanced the investment environment for investors. Before the introduction of the new “Securities Law”, many Chinese enterprises had varying degrees of deficiencies in information disclosure, with low quality and small-scale disclosure. According to the China Securities Regulatory Commission (CSRC), the information disclosure rate was only 5%, far below the international average standard, underscoring the pressing need for improvement [1]. The quality of information disclosure by listed companies directly affects the orderly development of the capital market. With an increasing number of market participants, the market and investors have higher expectations for the quality and transparency of information provided by listed companies. On March 1, 2020, with the formal implementation of the new “Securities Law”, a dedicated chapter was established to further refine the information disclosure system, creating a new standardized model for listed company information disclosure system. This new model mainly combines aspects such as the scale of information disclosure, the intensity of the severity of

penalties for violations, and the regulation of external intermediary agencies. It further reinforces the decisive roles of corporate supervisors, directors, and controlling shareholders in information disclosure, completing the integration of the information disclosure system for listed companies. This paper will focus on discussing the reforms introduced by the new “Securities Law” and employ mathematical models to illustrate the impact of the new “Securities Law” on the quality of accounting information disclosure.

## 2. A Comparative Analysis of the Old and New “Securities Law”

In the newly revised “Securities Law”, there exists a distinct chapter exclusively devoted to the revised regulations on corporate information disclosure, highlighting the importance attached to corporate information disclosure in the “Securities Law”. Corporate accounting information disclosure assumes a pivotal role and stands as one of the core points of the “Securities Law”.

Corporate accounting information disclosure serves as a guiding principle for business operations. Wrongful actions by companies such as tampering, manipulation, and concealment of accounting information undoubtedly harm the interests of numerous investors and, even more seriously, disrupt the orderly competition in the market. As a response to this challenge, the new “Securities Law” has introduced legal provisions that enhance the penalties for erroneous corporate accounting information disclosure. This new regulation increases the cost associated with fraudulent practices by companies, as shown in Table 1 and Table 2.

**Table 1.** Penalties for Non-compliance with Legal Obligations for Corporate Accounting Information Disclosure

Penalty Recipients	Old “Securities Law”	New “Securities Law”
Major listed companies	RMB 100,000 to 600,000	RMB 1 million to 10 million
Senior executives	RMB 30,000 to 300,000	RMB 200,000 to 2 million
Companies’ top management and board of directors	RMB 30,000 to 300,000	RMB 1 million to 10 million

**Table 2.** Penalties for Falsification, Manipulation, and Significant Omissions in Various Types of Disclosures

Penalty Recipients	Old “Securities Law”	New “Securities Law”
Major listed companies	RMB 100,000 to 600,000	RMB 1 million to 10 million
Senior executives	RMB 30,000 to 300,000	RMB 500,000 to 5 million
Companies’ top management and board of directors	RMB 30,000 to 300,000	RMB 1 million to 10 million

Data source: China Securities Regulatory Commission (CSRC)

It can be seen from Table 1 and Table 2 that the new “Securities Law” has greatly enhanced the severity of penalties, while also refining the distinction and measures for cases involving “failure to fulfill information disclosure obligations” and “significant falsification or omission in information disclosure”. In the new “Securities Law”, the minimum penalties for major listed companies have been increased from RMB 100,000 to 1 million. Likewise, the minimum penalties for individuals and companies’ top management have been raised from RMB 30,000 to 500,000 and 1 million, respectively. It is apparent that the new “Securities Law” has substantially intensified the severity of penalties for top management personnel of companies, with maximum fines as high as RMB 10 million.

The new “Securities Law” has not only significantly increased the severity of penalties but also introduced relatively detailed revisions in several other aspects. Firstly, it has clarified the boundaries of “significant events”, revising events that “impact stock prices” as “significant events” and adding events that “affect bond trading” to the category of “significant events”. Secondly, the new “Securities Law” has strengthened the disclosure obligations of top management and the board of directors, which is conducive to guiding top management and the board of directors in leading the company to better fulfill their information disclosure obligations.

### 3. Research Hypotheses

This paper delves into the impact of the new “Securities Law” on the quality of accounting information in listed companies. Essentially, while the quality of accounting information is studied, it is also necessary to further explore its impact on the market. Therefore, the following two hypotheses are proposed:

Q1: The new “Securities Law” is beneficial for improving the quality of accounting information disclosure by listed

companies.

Q2: The new “Securities Law” is not conducive to improving the quality of accounting information disclosure by listed companies.

## 4. Research Design

### 4.1. Sample Selection and Data Sources

The sample for the research in this paper consists of Chinese A-share listed companies from the year of 2015 to 2022. The financial and governance data of these listed companies are sourced from the CSMAR database. The initial sample includes 500 listed companies, with a total of 4,976 annual observations. All data processing and econometric analyses are conducted using Stata 17.0, a statistical software.

### 4.2. Variable Definitions and Empirical Model

#### 4.2.1. Variable Selection

##### (1) Dependent Variable

This paper aims to study the changes in the quality of accounting information disclosure by companies within the context of the new “Securities Law”. Therefore, the dependent variable in this study is the quality of accounting information disclosure by companies. The quality of accounting information disclosure, denoted as “RANK”, is assessed based on the accounting information disclosure quality rating provided by the Shenzhen Stock Exchange (SZSE). These ratings are divided into four categories: unqualified, qualified, good, and excellent, assigned numerical values from 1 to 4, respectively.

##### (2) Independent Variable

The independent variable in this study is the implementation status of the new “Securities Law”, denoted as “perk”. It is assigned a value of 1 if the law has been revised and 0 if has not. Specifically, data from 2015 to 2018 are categorized as 0; while data from 2019 to 2022 are categorized 1.

**Table 3.** Variable Descriptions

Variable Type	Variable Name	Variable Code	Variable Description
Dependent variable	Quality of corporate accounting information disclosure	Rank	Categorized into four levels: unqualified, qualified, good, excellent, assigned numerical values from 1 to 4 respectively.
Independent variable	Implementation status of the New Securities Law	Perk	Coded as 1 if implemented and 0 if not. Data for 2015-2018 is coded as 0, while data for 2019-2022 is coded as 1.
	Financial leverage ratio	Finlev	Debt-to-asset Ratio = total Liabilities / total assets
	prudence in business accounting information disclosure	sumbeta	A metric to gauge the prudence in business accounting information disclosure
Control variable	Return on assets	ROA	Total net assets margins = net profit / total assets
	Auditor’s opinion on accounting information	OPINION	Coded as 1 for a standard unqualified audit report; otherwise, coded as 0
	Corporate growth	GROWTH	(Current year’s revenue - previous year’s revenue) / previous year’s revenue
	Company size	SIZE	Natural logarithm of year-end total assets for the company

### (3) Control Variable

Referring to previous studies on the quality of accounting information disclosure [2, 3], this paper selects the following control variables: financial leverage (Finlev), company size (Size), return on assets (ROA), prudence in business accounting information disclosure (BA), auditor's opinion on accounting information (Opinion), and corporate growth (Growth).

#### 4.2.2. Model Setting

This paper has formulated the following empirical model to verify the proposed hypotheses.

Model:

$$\text{RANK} = \beta_0 + \beta_1 \text{PERK} + \beta_2 \text{Size} + \sum \beta_3 \text{CONTROL} + \varepsilon$$

## 5. Empirical Results and Analysis

### 5.1. Descriptive Analysis

The descriptive statistics of accounting information disclosure quality for each year are displayed in Table 4. It can be observed that the overall quality of accounting information disclosure by enterprises has shown a steady upward trend, with increasing stability year by year. This reflects an enhanced awareness of accounting information disclosure and intensified regulatory efforts in China. From 2018 to 2019, there was a substantial increase from 1.812 to 1.927, representing a growth rate of 6%. There was a slight decline in 2020 and 2021, possibly due to the impact of Covid-19 and the global economic downturn. However, from 2021 to 2022, there was a substantial increase from 1.897 to 2.059, with a remarkable growth rate of 8%.

**Table 4.** Descriptive Statistics

Summary Group	for variable	variables	RANK						
YEAR	Mean	SD	Min	p25	p50	Min	Max	SD	
2015	1.643	0.554	1	1	2	1	3	0.554	
2016	1.850	0.777	1	1	2	1	4	0.777	
2017	1.934	0.750	1	1	2	1	4	0.750	
2018	1.812	0.689	1	1	2	1	4	0.689	
2019	1.927	0.684	1	2	2	1	4	0.684	
2020	1.889	0.674	1	1	2	1	4	0.674	
2021	1.897	0.685	1	1	2	1	4	0.685	
2022	2.059	0.585	1	2	2	1	3	0.585	
Total	1.889	0.681	1	1	2	1	4	0.681	

The descriptive statistical results for the main variables of this study are shown in Table 5. From the evaluation results for each year, it is apparent that the quality of accounting information disclosure in China is still not at a high level and faces considerable challenges. The average value is 1.889, which reflects that most companies in the sample do not meet the criteria for qualified accounting information quality. This underscores the necessity for enhanced regulatory oversight in China. However, in 2022, the average value reached 2.069 for the first time, which means that there has been notable progress in the quality of accounting information disclosure by Chinese companies.

### 5.2. Correlation Statistics

Because the dependent variable RANK is ordinal data, to

make the statistical results more reliable, the Spearman method was used to test the correlation between variables, as shown in Table 5. From Table 5, it can be observed that the revision of the new "Securities Law" is positively correlated with the quality of accounting information disclosure, with a correlation coefficient of 0.008, significant at the 1% level. The revision of the new "Securities Law" is also positively correlated with the prudence in accounting information, with a correlation coefficient of 0.125, significant at the 1% level. The hypothesis Q1 has been preliminarily verified. Additionally, the VIF values for all variables are below 10, indicating the absence of serious multicollinearity problems among variables, allowing for further analysis.

**Table 5.** Correlation Analysis

	perk	RANK	Finlev	sumbeta	roa	opinion	GR	size
perk	1							
RANK	0.080**	1						
FinLeverag~o	-0.150***	-0.0160	1					
SumBeta	0.125***	0.090***	-0.0350	1				
ROA	0.077**	-0.258***	-0.325***	0.00600	1			
OPINION	0.086**	-0.349***	-0.0120	0.0220	0.164***	1		
Gr~h	-0.0130	-0.0570	0.0410	-0.0330	0.191***	0.0550	1	
size	-0.109***	-0.336***	0.512***	-0.070**	0.0300	0.061*	0.073**	1

Note: \*\* and \*\*\* indicate significance at the 5% and 1% levels, respectively.

### 5.3. Linear Regression Analysis

Linear regression analysis is performed on the variables, and the results are shown in Table 6. Firstly, the overall model

is significant, with an F value of 0. Secondly, the regression results indicate a positive correlation between perk and RANK at a significance level of 0.01. This suggests that the revision of the new "Securities Law" is beneficial to the

improvement of the quality of corporate accounting information disclosure, thus confirming hypothesis Q1.

## 6. Conclusion

Currently, due to the frequent occurrence of corporate fraud cases, the disclosure of accounting information by companies has become a focal point of academic research. Therefore, the question of how to improve the quality of accounting information disclosure by enterprises has garnered widespread attention. This paper takes the revision of the new “Securities Law” as the starting point, employs data of listed companies from 2015 to 2022 sourced from the CSMAR

database, and adopts a linear regression model to study the impact of perks on rank. The study findings are as follows:

The revision of the new “Securities Law” is beneficial to the quality of accounting information disclosure, confirming the experimental hypothesis Q1. This implies that the revisions introduced by the new “Securities Law”, through a series of measures, have effectively improved the quality of accounting information disclosure. Therefore, the direction in amending the management of accounting information disclosure quality in new “Securities Law” is deemed appropriate. In this regard, there lies the potential for further enhancements in regulatory oversight.

**Table 6.** Regression Analysis

Source	SS	df	MS	Number of obs	=	822
Model	107.8	7	15.39	Prob>F	=	0
Residual	273.2	814	0.336	R-squared	=	0.283
Total	380.9	821	0.464	Root MSE	=	0.579

  

RANK	Coefficient	Std. err.	t	P> t	95% conf. interval
perk	0.131	0.0437	2.990	0.00300	0.0448 0.216
FinLeverageRatio	0.437	0.128	3.410	0.00100	0.186 0.688
SumBeta	0.0672	0.0303	2.220	0.0270	0.00776 0.127
Average ROA	-2.948	0.601	-4.910	0	-4.127 -1.769
OPINION	-1.026	0.101	-10.20	0	-1.224 -0.829
Average Growth	0.0340	0.0652	0.520	0.603	-0.0941 0.162
Average size	-0.169	0.0165	-10.21	0	-0.201 -0.136
cons	6.457	0.355	18.21	0	5.761 7.153

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