

# A Study on the Impact of Accounting Information Disclosure on Investors' Decision-Making

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**Abstract:** This paper takes the interactive relationship between accounting information disclosure and investors' decision-making as the core research object. It integrates agency theory, signal transmission theory, and information asymmetry theory to construct an analytical framework, and analyzes the impact path from three dimensions: information acquisition, judgment and prediction, and decision-making behavior. Combined with capital market practices, it identifies prominent problems in the current disclosure system, such as insufficient institutional adaptability, weak supervision, and inadequate investor interpretation capabilities. Finally, it puts forward optimization suggestions from the perspectives of institutional improvement, supervision strengthening, and investor empowerment, providing support for protecting investors' rights and interests and improving capital market efficiency.

**Keywords:** Accounting Information Disclosure; Investors' Decision-Making; Information Asymmetry; Capital Market Supervision.

## 1. Introduction

Against the background of deepening market-oriented and international reform of capital markets, information has become a core element of resource allocation. As a standardized carrier of enterprises' financial and operating conditions, accounting information is a key basis for investors to evaluate value and formulate strategies, and its disclosure quality directly affects the implementation of the "three public" (fair, just, open) principles. Currently, China's investor structure is constantly optimizing, but the problem of information asymmetry between enterprises and investors has not been fundamentally solved. Irregularities such as untrue, incomplete, and untimely information disclosure occur frequently. From "Kangmei Pharmaceutical's financial fraud" to "Luckin Coffee's revenue inflation", such incidents not only cause losses to investors but also erode the foundation of market trust. In this context, exploring the impact mechanism and optimization path of accounting information disclosure on investors' decision-making has important theoretical and practical significance.

## 2. Theoretical Basis

### 2.1. Information Asymmetry Theory

Proposed by Akerlof et al., its core is that information differences between transaction parties may lead to "adverse selection" and "moral hazard". In capital markets, management has more enterprise information. Inferior enterprises may conceal negative information to mislead investors (adverse selection), and management may also damage shareholders' rights for personal interests (moral hazard). Accounting information disclosure can effectively balance the information status of both parties through standardized information transmission.

### 2.2. Agency Theory

Jensen and Meckling pointed out that the separation of ownership and management rights forms a principal-agent relationship, and there are differences in interest goals

between shareholders and management. As the core of the supervision mechanism, accounting information disclosure helps shareholders evaluate agency performance, restrain management's opportunistic behavior, and reduce agency costs by disclosing financial reports and management performance.

### 2.3. Signal Transmission Theory

Spence proposed that information-advantaged parties (such as high-quality enterprises) can demonstrate their value through effective signals. High-quality accounting information disclosure is an important way for high-quality enterprises to transmit "positive signals". For example, timely disclosure of performance growth information can obtain lower financing costs; while inferior enterprises cannot imitate and will eventually be eliminated by the market.

## 3. Impact Path of Accounting Information Disclosure on Investors' Decision-Making

### 3.1. Information Acquisition Dimension: Breaking Barriers and Laying the Foundation

Accounting information disclosure is the main channel for investors to obtain enterprise information, and its quality determines the completeness and effectiveness of information. On the one hand, standardized disclosure improves transparency: Enterprises disclose three major financial statements through regular reports and major events such as investment and mergers through interim reports, helping investors fully grasp operational dynamics. For example, analyzing the matching degree between "net cash flow from operating activities" and "net profit" can identify the authenticity of profits. On the other hand, timely disclosure reduces lag: According to the Securities Law, major events must be disclosed within a time limit to avoid information monopoly by a few people and ensure fair information access for ordinary investors.

### **3.2. Judgment and Prediction Dimension: Providing Basis and Improving Scientificity**

Investors' decision-making is essentially a prediction of enterprises' future value, and accounting information provides core materials for this process. First, historical data supports trend prediction: By comparing indicators such as revenue growth rate, gross profit margin, and ROE in the past 3-5 years, enterprises' growth, profitability, and solvency can be identified. For example, enterprises with gross profit margin ranking in the top 20% of the industry for three consecutive years are more likely to be recognized as high-quality targets. Second, industry comparison facilitates positioning analysis: Comparing enterprise indicators with industry averages and competitors can clarify their market position and advantages/disadvantages. Third, risk disclosure assists assessment: The disclosure of market, credit, and operational risks helps investors identify risk points and adjust investment portfolios.

### **3.3. Decision-Making Behavior Dimension: Guiding Choices and Regulating the Market**

High-quality disclosure can enhance investors' confidence and encourage long-term value investment; if disclosure is irregular, investors will "vote with their feet", leading to stock price declines. Meanwhile, disclosed information supports minority shareholders' participation in governance to restrain insider control; it also narrows the information gap between institutional and individual investors, maintaining market fairness.

## **4. Core Problems in Current Accounting Information Disclosure**

### **4.1. Incomplete Institutional Framework**

**Insufficient Industry Adaptability:** The current rules mainly target traditional manufacturing industries (such as requiring the disclosure of capacity, inventory turnover rate, etc.), but have insufficient coverage for emerging industries like new energy, internet, and biomedicine. For instance, the capitalization boundary for R&D expenses of new energy enterprises is ambiguous - a certain photovoltaic company capitalized approximately 200 million yuan of R&D phase silicon material formula testing expenses as intangible assets without clearly disclosing the basis for capitalization (such as whether it met the "technical feasibility" standard), making it difficult for investors to assess the true benefits of R&D investment; there is a lack of guidance for the measurement of data assets in internet enterprises - a certain short-video platform has 1 billion user data, but due to the absence of a unified measurement standard, it has not been included in the balance sheet, preventing investors from accurately judging the core value of its data resources. [The clinical trial stage division and failure risk disclosure of biomedicine enterprises also lack detailed rules - a certain pharmaceutical company only mentioned in its annual report that it was "in the clinical trial stage", without disclosing key information such as the success rate of the trial and the potential market size, making it difficult for investors to assess the project's prospects.]

**Lack of Readability and Practicality:** Financial reports are densely packed with professional terms (such as "deferred income tax assets", "goodwill impairment test"), making it

difficult for ordinary investors to understand - according to a 2024 survey by the Investor Protection Bureau of the China Securities Regulatory Commission, only 30% of individual investors can understand the core logic of the cash flow statement; enterprises mechanically apply templates, providing insufficient personalized information on performance drivers, for example, a certain internet company's annual report only disclosed that "revenue increased by 20%", without explaining whether the growth was due to an expansion in user base (50 million new users) or an increase in average transaction value (from 100 yuan to 120 yuan), making it difficult for investors to judge the sustainability of the growth. [Some enterprises also have the problem of "selective disclosure", providing detailed information on favorable news (such as government subsidies) but only briefly mentioning unfavorable news (such as the departure of core technical personnel), further reducing the practicality of the information.]

### **4.2. Weak Supervision and Law Enforcement**

**Insufficient Coordination:** There are information barriers among multiple regulatory authorities such as the China Securities Regulatory Commission (CSRC), stock exchanges, the Ministry of Finance, and the State Taxation Administration, and the cross-departmental investigation process is cumbersome - in a financial fraud case of a listed company, the CSRC needed to apply to the tax department for the company's tax payment data and to the bank for transaction records, with the process taking over 3 months, missing the best investigation opportunity. [The data systems of various departments are not interconnected, for example, the disclosure information system of the stock exchange and the tax collection and management system of the tax department cannot share data, making it difficult for regulatory authorities to quickly verify the authenticity of a company's revenue and profits.]

**Lagging Technological Means:** Traditional manual verification (such as spot-checking paper vouchers, interviewing relevant personnel) is difficult to cope with the increasing number of listed companies (over 5,500 A-share listed companies by the end of 2024) and the complexity of disclosed content (such as complex financial instrument nesting, cross-border business related-party transactions), and has insufficient ability to identify concealed violations. For instance, a certain listed company inflated its revenue through "shell company circular transactions", and manual verification was unable to trace the actual controller of the transaction counterparty, while the existing regulatory system lacks big data analysis capabilities and cannot automatically identify abnormal signals such as "the same registered address of the transaction counterparty and a closed-loop of capital flow". [Some local regulatory bureaus still rely on Excel spreadsheets for data statistics and cannot achieve real-time monitoring and risk warning of the disclosed data of enterprises.] **Insufficient penalty severity:** The responsibility is mostly concentrated at the enterprise level (such as fines of 300,000 to 600,000 yuan for listed companies), while the accountability for controlling shareholders, actual controllers, and intermediary institutions (accounting firms, underwriting institutions) is relatively lenient. In a financial fraud case in 2023, the listed company was fined 500,000 yuan, while the controlling shareholder, who made over 200 million yuan by reducing shares after inflating the stock price through fraud, was only fined 1 million yuan. The penalty was seriously

mismatched with the illegal gains. Regarding intermediary institutions, an accounting firm that issued a false audit report was only suspended from practice for three months, and the criminal responsibility of the signing accountant was not pursued, resulting in limited deterrence. Additionally, the connection between administrative penalties and criminal responsibility is not smooth. Some fraud behaviors have already involved criminal activities, but due to the cumbersome process of evidence transfer, they were ultimately concluded with administrative penalties only.

### 4.3. Inadequate Investor Capabilities

**Lack of professional knowledge:** Most individual investors lack the ability to conduct financial analysis and are easily misled by surface indicators such as "net profit", ignoring the divergence between cash flow and profit. In 2024, a listed company had a net profit of 2 billion yuan, but its net cash flow from operating activities was -500 million yuan, mainly due to inflated accounts receivable. However, 60% of individual investors still bought the stock due to the "increase in net profit", and eventually suffered losses due to the company's delisting. Some investors even fail to distinguish between "net profit attributable to shareholders of the parent company" and "net profit after deducting non-recurring gains and losses", mistaking non-recurring profits brought by government subsidies and asset disposal gains as sustainable earnings and making wrong decisions.

**Asymmetric information acquisition:** Institutional investors, relying on their resource advantages (such as dedicated research teams and direct communication channels with the management of listed companies), obtain information earlier. Ordinary investors, on the other hand, rely on public channels such as exchange announcements and financial media and are easily influenced by rumors. For example, when a listed company planned a major asset reorganization, institutional investors learned about it through research one month before the information was disclosed and made early investments. Ordinary investors only found out after the announcement was released, by which time the stock price had already risen by 30%, missing the investment opportunity. Some financial media accounts also spread false information (such as "Company X will receive a major order"), and ordinary investors, lacking the ability to distinguish, blindly followed the trend and bought the stock.

**Lack of third-party services:** The market lacks neutral information interpretation services, and research reports from securities firms often have biases. Due to business cooperation with listed companies, securities firms' research reports tend to emphasize "positive factors" and downplay risk warnings. In 2023, a securities firm gave a "buy" rating to a listed company in its report but failed to mention the company's high debt ratio of 80%. Independent financial consulting institutions are few in number and charge high fees (over 5,000 yuan per consultation), making it difficult for ordinary investors to afford them and obtain objective interpretations. Additionally, investor education services are fragmented, lacking systematic financial knowledge training. Most investors only obtain scattered information through short video platforms and cannot form a complete analytical framework.

## 5. Countermeasures to Improve the Quality of Accounting Information Disclosure

### 5.1. Improving the Institutional System

**Refining Industry Standards:** The CSRC, in conjunction with industry associations, formulates special guidelines, requiring new energy enterprises to disclose R&D investment details and internet enterprises to disclose user activity and other core indicators.

**Optimizing Disclosure Forms:** Promote "simplified annual reports" and "visual reports", and set up an "Investor Concerns Column" to reduce reading costs.

**Strengthening Personalized Disclosure:** Require enterprises to add analysis of performance-driving factors and industry competition patterns, and encourage voluntary disclosure of ESG information.

### 5.2. Strengthening Supervision and Law Enforcement

**Building a Three-Dimensional Regulatory System:** Establish a mechanism of "daily supervision + special inspection + cross-departmental coordination", and use big data to build an abnormal monitoring platform for real-time early warning.

**Increasing Penalties:** Expand the scope of liability, and adopt multiple punishment methods such as "fines + market entry bans + criminal liability" for fraud.

**Improving Compensation Mechanisms:** Improve the securities representative litigation and advance compensation systems, simplify the claim process, and protect investors' right to compensation.

### 5.3. Empowering Investors

**Strengthening Education:** Popularize financial analysis methods through online courses and case teaching to improve investors' ability to identify fraud.

**Standardizing Third-Party Services:** Encourage accounting firms and independent institutions to provide neutral interpretations, and support media to set up financial popularization columns.

**Building Interactive Platforms:** Require enterprises to conduct regular interactions through investor relations platforms and online briefings to answer disclosure questions.

## 6. Conclusion

Accounting information disclosure affects investors' decision-making through three dimensions: information acquisition, judgment and prediction, and decision-making behavior. Its authenticity and completeness directly determine the scientificity of decisions and market efficiency. Currently, China's disclosure system has shortcomings in institutional adaptability, supervision intensity, and investor capabilities. It is necessary to improve industry standards, strengthen supervision, and enhance investor education to comprehensively improve disclosure quality. In the future, we can further combine big data and artificial intelligence to explore the impact of digital disclosure on investors' decision-making, providing support for the intelligent upgrading of the market system.

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