

Transparency of Accounting Information, Vertical Executive and Corporate Performance

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Abstract. With the development of our capital market and the separation of ownership and management right in enterprises, longitudinal executive positions have gradually become a hot spot of research by many scholars. To this end, this paper takes Chinese listed companies from 2016 to 2021 as samples to conduct empirical analysis to test the relationship between accounting information transparency and corporate performance, as well as the role of vertical part-time executives in this relationship. The following two conclusions are reached: (1) The greater the transparency of accounting information, the better the performance of the business; (2) vertical concurrent executives play a negative moderating role in the relationship between accounting information transparency and corporate performance. The research conclusion of this paper will further enrich the theoretical circle of accounting information Transparency, vertical part-time executives and enterprise performance of economic research, at the same time to improve the corporate governance structure and strengthen supervision and management has a certain guiding role.

Keywords: Transparency of Accounting Information, Vertical Executive, Corporate Performance.

1. Introduction

With the continuous development of China's capital market and the separation of enterprise ownership and management right, the vertical executive has gradually become the focus of academic and practical circles. In recent years, financial fraud incidents have occurred frequently, such as Shengtong Group's long-term financial fraud, inflated income of 61.5 billion yuan, and failed to disclose external guarantees and related transactions in accordance with regulations, which has aroused widespread concern from the public and academia. Accounting information, as an important reflection of an enterprise's financial situation, cash flow and operating results, is a bridge to communicate with the capital market. Therefore, in the process of deepening economic reform in China, the capital market's requirements for accounting information disclosure are increasing day by day to reduce the possibility of financial fraud.

Botosan and Stanford (2005) [1] pointed out that the improvement of accounting information transparency may increase the transaction costs and disclosure risks of enterprises, but more scholars believe that the improvement of transparency is conducive to improving corporate performance. For example, Diamond and Verrecchia (2002) [2] found that the improvement of transparency can reduce the capital cost of enterprises and help enterprises better obtain external financing support. Schrand and Verrecchia (2002) [3] further pointed out that the increase of information disclosure can reduce IPO discount and improve the operation efficiency of the capital market.

At the same time, vertical part-time executives occupy a large proportion in China's listed enterprises. Anderson et al. (2003) [4] found that when a family member of a major shareholder serves as a senior executive of an enterprise, agency problems between management and major shareholders can be effectively alleviated, thus improving enterprise performance. However, Lacker (2010) [5] pointed out that vertical executive positions may also excessively strengthen the power of major shareholders, leading them to pursue the maximization of personal interests while ignoring the overall interests of the company and the interests of other stakeholders.

This paper takes China's listed enterprises from 2016 to 2021 as a sample to explore the impact of accounting information transparency on corporate performance, and analyzes its moderating effect

from the perspective of vertical part-time executives. The results show that the improvement of accounting information transparency significantly promotes firm performance, and the vertical adjunct executive has a significant negative moderating effect on this relationship. This finding not only enriches the relevant theories of accounting information transparency, vertical executive and enterprise performance, but also provides practical guidance for enterprises to improve internal governance mechanism and improve accounting information transparency.

2. Research design

2.1. Sample selection and data source

With the continuous development of the market economy, the vertical adjunct executive has been widespread in Chinese enterprises. Therefore, this paper takes the data of China's Shenzhen-listed enterprises from 2016 to 2021 as research samples to explore the relationship between accounting information transparency and corporate performance and the role of vertical part-time executives in this relationship. On the basis of the original sample, enterprises with special processing such as ST and PT, enterprises with serious data missing, and listed enterprises such as finance and insurance were excluded, and a total of 2782 samples were finally obtained. All the data in this paper are from Guotai 'an database.

2.2. Variable definition and model construction

1) Variable definition

This paper studies the influencing factors of enterprise performance. Zhu Yan and Zhang Mengchang (2013) [6] chose return on total assets (ROA) as the measurement index of enterprise performance, and its calculation formula is $ROA = \text{company net profit} / \text{company total assets}$. Accounting information transparency (Tran), as an explanatory variable, is divided into four grades: excellent (4), good (3), qualified (2) and unqualified (1) according to the evaluation results of Shenzhen Stock Exchange on the information disclosure of listed enterprises. As a moderating variable, refer to the definition of Zheng Gaoping (2014) [7]. When there are vertical part-time executives, the value of AM is 1, otherwise it is 0. In order to accurately analyze the relationship between accounting information transparency, vertical part-time executives and corporate performance, this paper also controls other factors that may affect corporate performance.

2) Model construction

In order to test the relationship between accounting information transparency and enterprise performance, a regression model (1) is established, which is as follows:

$$ROA_{i,t} = \alpha_0 + \alpha_1 Tran_{i,t} + \delta Control_{i,t} + \varepsilon_{j,t} \quad (1)$$

On the basis of testing the above model (1), in order to further explore the regulating effect of vertical part-time executives on accounting information transparency and enterprise performance, a regression model (2) is established by introducing $AM \times Tran$, a cross-product term between vertical part-time executives and accounting information transparency, based on (1). The specific model is as follows:

$$ROA_{i,t} = \beta_0 + \beta_1 AM_{i,t} + \beta_2 Tran_{i,t} + \beta_3 AM_{i,t} \times Tran_{i,t} + \phi Control_{i,t} + \mu_{i,t} \quad (2)$$

3. Empirical results and analysis

3.1. Multiple regression analysis

In this paper, multiple linear regression models (1) and (2) are used to empirically analyze the research hypothesis, and the results are as follows:

(1) Regression analysis of Model 1 shows that accounting information transparency (Tran) is positively correlated with firm performance (ROA) at the significance level of 1%, and the regression coefficient is 0.014. This indicates that when accounting information transparency increases by 1%, enterprise performance increases by 1.4%, which verifies hypothesis 1. The higher the transparency, the better the internal communication, the more transparent the decision-making, thereby reducing costs, preventing risks, and improving performance.

(2) The regression analysis of Model 2 shows that the regression coefficient between the interaction term of vertical part-time executives (Tran*AM) and business performance (ROA) is -0.010, which is significant at 5% level. This indicates that vertical part-time executives have a significant negative moderating effect on the relationship between accounting information transparency and firm performance, which verifies hypothesis 2. When transparency is low, it is difficult for investors to understand the real situation of enterprises, affecting reputation and decision-making. Vertical part-time executives may strengthen the power of major shareholders and make them pursue their own interests while ignoring the interests of the company and other stakeholders, thus affecting corporate performance.

Table 1. Three Scheme comparing

Variable	Model (1) ROA	Model (2) ROA
Tran	0.014*** (6.52)	0.017*** (6.75)
AM		0.031** (2.19)
Tran*AM		-0.010** (-2.29)
Size	0.018*** (13.37)	0.018*** (13.39)
Board Size	-0.022*** (-5.02)	-0.022*** (-5.03)
Leverage	-0.191*** (-32.15)	-0.191*** (-32.10)
Grow	0.071*** (26.07)	0.071*** (26.06)
Top Ten	0.073*** (8.11)	0.074*** (8.18)
Constant	-0.279*** (-10.28)	-0.289*** (-10.53)
Observations	2,782	2,782
R-squared	0.441	0.442
Industry FE	YES	YES
Year FE	YES	YES
sdj_R2	0.439	0.439
F	168.5	168.5

Note: (1) The reported value in parentheses is the T statistic; (2) "*", "***" and "****" represent 10%, 5% and 1% significance levels, respectively.

3.2. Robustness test

In order to make the conclusion of this paper more robust, the influence of chance factors on the research results was excluded in the regression process, and the robustness of the research results was tested as follows: Referring to the practice of Ye Chengang et al. (2016) [8], this paper uses return on equity (ROE) to replace the explained variable business performance (ROA) when other conditions remain unchanged, and conducts the above test again. The regression results are shown in Table 2. Model 1 is the regression result of accounting information transparency (Tran) and return on equity (ROE), and model 2 is the regression result of cross multiplication term of Tran*AM and ROE. The

results show that the transparency of accounting information has a significant positive impact on the return on equity, and the vertical part-time executives have a significant negative adjustment effect between the transparency of accounting information and the return on equity, which is in good agreement with the expected results. Therefore, it can be proved that the above results in this paper are robust, and the conclusions of this study are reliable.

Figure 2. Robustness test

Variable	Model (1) ROE	Model (2) ROE
Tran	0.022*** (6.36)	0.025*** (6.33)
AM		0.038* (1.69)
Tran*AM		-0.013* (-1.76)
Size	0.030*** (13.78)	0.030*** (13.80)
Board Size	-0.036*** (-5.32)	-0.036*** (-5.03)
Leverage	-0.148*** (-15.93)	-0.148*** (-15.90)
Grow	0.104*** (24.34)	0.104*** (24.33)
Top Ten	0.113*** (7.96)	0.114*** (8.02)
Constant	-0.501*** (-11.75)	-0.513*** (-11.89)
Observations	2,782	2,782
R-squared	0.331	0.332
Industry FE	YES	YES
Year FE	YES	YES
sdj_R2	0.329	0.329
F	105.9	105.9

Note: (1) The reported value in parentheses is the T statistic; (2) "*", "***" and "****" represent 10%, 5% and 1% significance levels, respectively.

4. Summary

On the basis of literature review, this paper takes 2,782 valid data of listed enterprises in China from 2016 to 2021 as analysis samples, and uses the research model of regulatory effect to conduct corresponding empirical research, and draws the following conclusions:

(1) The higher the transparency of accounting information, the better the enterprise performance. Higher transparency of accounting information can help shareholders and investors to better understand the financial status and operation of enterprises, not only improve the trust of external investors in enterprises, but also provide convenient conditions for management and external investors to make scientific and reasonable investment decisions, and promote the continuous improvement of enterprise performance.

(2) There is a significant negative moderating effect between the transparency of accounting information and corporate performance. Based on the "hollowing out" theory, in order to maximize their own interests, vertical part-time executives will damage the relevant interests of minority shareholders and external investors, and thus play a certain role in the impact of accounting information transparency on corporate performance. The regression results show that accounting information transparency and cross-multiplication terms of vertical adjunct executives have a significant negative correlation on enterprise performance. In other words, the introduction of vertical

adjunct executives mechanism will have a negative moderating effect on accounting information transparency on enterprise performance.

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