



The Listed Company Information Disclosure of Non-recurring Profit and Loss Question Discussion—Xindu Company Against Daxin and Tianjian, for Example

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The listed company information disclosure of non-recurring profit and loss of specification or not, will directly affect the accounting information users' judgment and analysis of the actual operation situation of listed company, also directly influence the development of securities market in China. The case "Shenzhen Xindu Hotel Co., Ltd. to prosecute cases Daxin and Tianjian Certified Public Accountants" encourages people to pay attention to the listed company information disclosure of non-recurring profit and loss problem. At present, our country's related laws and regulations of information disclosure of non-recurring gains and losses are not perfect, the listed company to disclose the information is not capable optional, the gender is strong, the regulation does not reach the designated position, etc. To avoid the risk of delisting of listed companies, reduce the investment decision-making errors, our country must establish and improve the laws and regulations system of the information disclosure of non-recurring gains and losses, regulate the behavior of the listed company's information disclosure of non-recurring profit and loss, and strengthen supervision and management. Only in this way can the listed company be urged to objectively and fair reflect the business performance and profitability, promote the sustainable and healthy development of the securities market in our country.

Keywords: the listed company, non-recurring profit and loss information disclosure, surplus capacity, the securities market

Introduction

Non-recurring profit and loss refers that the company has no direct relationship between the production and operation, and is related to the production and business operation, due to the nature, amount, frequency, or expenditure (Guan, 2012). According to the provisions of China Securities Regulatory Commission (CSRC), listed company shall make disclosure of non-recurring profit and loss of information, so that the investors, creditors and other external interested in the company business performance and profitability make the right judgment, and make the right decisions. Deducting non-recurring gains and losses net profit is one of the important indicators reflecting the operating results of listed companies, if listed companies deliberately conceal or manipulate the indicators and accounting firms fail to perform their obligation, it will affect the

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actual reliability of the accounting report, and have serious adverse consequences for information users. Therefore, studying the problem of non-recurring profit and loss information disclosure of listed companies, to promote the healthy development of securities market in China and improve the real fairness and relevance of accounting information, has very important practical significance. This paper is combined with Xindu Company against two certified public accountants case analysis.

Shenzhen Xindu Company Sued Dixin and Tianjian Case Review

Shenzhen Century Plaza Hotel Co., Ltd. (Xindu Company) is a share in Shenzhen Stock Exchange listed company. For illegal related-party guarantee, the financial and accounting reports of the company in 2013 and 2014 for two consecutive years are inexpressible opinions of the auditing reports issued by audit institutions, which lead to the company's shares being suspended trading on May 21, 2015 by the Shenzhen Stock Exchange. Later, the company in accordance with the provisions of the "Shenzhen Stock Exchange Stock Listing Rules", after the suspension of stock trading the first fiscal year (2015) disclosed its financial and accounting reports. According to the financial report, in 2015 after deducting non-recurring gains and losses attributable to ordinary shareholders company's net profit is positive. Tianjian Certified Public Accountants reported their audit opinion on April 25, 2016, think * ST Xindu company financial report in all major was in accordance with the provisions of the accounting standards for enterprises' establishment, fair reflecting the company in 2015, the parent company and group company's financial position, operating results, and cash flows.

To restore its stock listing, the company applied to Shenzhen Stock Exchange on May 3, 2016, Shenzhen Stock Exchange had to accept. At the same time, the company commissioned Dixin Certified Public Accountants to conduct special review on its 2015 annual golf rental income 29.5 million yuan. Dixin Certified Public Accountants was born on December 15, 2016, has written "review", recognized golf rental income 29.5 million yuan as a profit-making and losses of the disclosure, complying with the company's business characteristics, following the principle of consistency.

However, on April 28, 2017, Dixin Certified Public Accountants suddenly sent the letter to Xindu Company, saying it would "review" golf rental income as improper operating profit and loss. Although the income is related to the normal business, given its background and special properties of revenue recognition, it was considered as accidental events, which should be adjusted from the current profit and loss and be recognized as non-recurring profit and loss.

Reviewing the company's application, Dixin Certified Public Accountants proposed the opposite conclusion, finally causing the company's attribution to ordinary shareholders of the net profit which is a negative number after deducting non-recurring gains and losses, the company stock can't restore public risks.

In order to maintain their legal rights and interests, Xindu Company filed a lawsuit with Changsha Tianxing People's Court on May 10, 2017, and asked Dixin and Tianjian to compensate for the loss and make an apology. On May 16, 2017, Shenzhen Stock Exchange made a decision in accordance with the law, terminating the listing of Xindu Company stock (I am a CPA, 2017).

The Problems Existing in the Listed Company Information Disclosure of Non-recurring Profit and Loss

Due to the opposite audit conclusion issued by certified public accountants, Xindu was delisted, but this

event also showed the company's problem in accounting information disclosure. There is no accurate grasp such as accounting treatment of rental income, debts estimation, subsidiaries' performance and other major accounting events. From this case we can submit main problems on the disclosure of the information of the non-recurring profit and loss of listed companies in China as follows:

Relevant Laws and Regulations Are Not Perfect

At present, our country does not have a mature theoretical system about information disclosure of non-recurring profit and loss, due to the lack of complete system of accounting laws and regulations governing the norms of listed companies to disclose non-recurring profit and loss. In our country accounting standard for business enterprises doesn't require public companies to disclose their alone non-recurring profit and loss information, which is contained in the income statement (Xu, 2014). Some of non-recurring profit and loss belongs to the non-operating income and expenses, and some belongs to the commercial break, simply from the income statement which is difficult to distinguish between what the recurring profit and loss is and what the non-recurring profit and loss is.

CSRC requires public companies to disclose information on non-recurring gains and losses on a regular basis, but only off-balance-sheet disclosure, that is, in the financial and accounting reports list disclosure in the form of notes. About the content of the non-recurring gains and losses, although the provisions of the CSRC have 21 items as non-recurring profit and loss, there is a lack of specific operation guide. Article 20, for example, is "in addition to all the other non-operating income and expenditure" (Lv, 2014). But standing on the angle of accounting, there are a lot of contents on non-operating income such as accounts withdraw, foreign donations dealing. The processing of each company is not exactly same. This undoubtedly gives space for listed companies to use the non-recurring profit and loss adjusting profit.

Non-recurring Profit and Loss of Judgment Standard Is Not Clear

Non-recurring profit and loss refers to an event which is obviously different from the normal activity of gains or losses resulting from the transactions or events, so it doesn't often occur or occur on a regular basis. Due to no identical understanding of the non-recurring profit and loss of listed companies, the reasons of non-recurring profit and loss information disclosure manipulation are more likely random, such as polishing performance, avoiding delisting (Zhang & Li, 2015). Xindu Company is such, if the golf rental income 29.5 million yuan reaches the current profits and losses, it can avoid delisting risk; however, when the golf rental income 29.5 million yuan reaches non-recurring gains and losses, the company's net profit is a negative number, and the stock is delisted.

In addition, the form and content of listed company information disclosing non-recurring profit and loss is multifarious, since this is the report disclosed in the notes, many listed companies do not reflect the non-recurring gains and losses in accordance with the principle of importance, there is only a simple list, some intentional omission or omission, caused by lack of information, seriously influencing information users to know about business performance and profitability of listed companies, and make a judgment, which in turn affects their decision.

Supervision and Management Are Inadequate

Non-recurring profit and loss of the nature of decision, accounting and information disclosure system of listed companies in accordance with the relevant provisions' accurate grasp, also need a comprehensive, multifaceted supervision and management. Some of the internal audit of listed companies can be evaded, no

real exercise effective internal audit responsibilities, and non-recurring profit and loss for the financial and accounting reports are the reflection of the content and form of information disclosure which has not been carefully investigated and verified, finding that the problem timely is reported and processed. External audit of listed companies is usually borne by certified public accountants, certified public accountant in the audit process because the investigation is not thorough or complete, prone to make subjective understanding mistakes, problems such as wrong, leading to non-objective and unfair audit conclusion. In the example above, the big letter is issued by an accounting twice before and after the conclusion, while the opposite audit report is probably issued due to the understanding of non-recurring gains and losses on deviation, or property decision problems. Securities exchanges, CSRC as trade management departments and regulators, are responsible for the supervision and inspection of non-recurring profit and loss of listed companies in the information disclosure problems, whose related regulation is not in place.

Strengthen the Listed Company Information Disclosure of Non-recurring Profit and Loss

The existence of non-recurring profit and loss compiled by the financial and accounting reports of listed companies cannot truly reflect their financial position and operating results. Non-recurring profit and loss is distributed to multiple profit and loss in the income statement, such as asset impairment loss, investment income, non-operating income, and expenditure, etc., if you can't distinguish this, it will influence the profit structure and earnings quality of listed companies, which in turn will affect information users' analysis of the financial and accounting reports, and even cause the failure of decision making. Based on this, our country should perfect external environment and internal mechanism of the information disclosure of non-recurring profit and loss, improve the core competitiveness of the listed company and securities market standard and orderly development.

Perfect the Laws and Regulations of Information Disclosure of Non-recurring Profit and Loss

In order to avoid manipulation of listed companies' non-recurring profit and loss profit, our country should perfect relevant laws and regulations system. The current Q&A approach released by the CSRC to regulation, limitation and binding force is not strong, which should be improved and perfected.

(1) CSRC shall improve laws and regulations of information disclosure of non-recurring profit and loss

CSRC shall be for the current user of non-recurring profit and loss information disclosure of listed companies in the existing problems and improve the listed company stock delisting warning mechanism and regulations, for they do not conform to the requirements of the listed company stock trading rules of listed company's repellent. At the same time, it should be improved continuously and gradually to perfect the definition standard of non-recurring profit and loss, especially should formulate specific operational guidelines, in order to accurately grasp the non-recurring profit and loss of listed companies. Also, it should increase the intensity of punishment, and stop the listed company from using the non-recurring gains and losses net profit adjustment.

Suggestion on the information disclosure of non-recurring profit and loss to disclosed in the table, and off-balance sheet, within limits. It distinguishes between the current profits and losses of the project in the income statement and non-recurring profit and loss, thus calculating directly the deduction of non-recurring gains and losses net profit index and non-recurring profit and loss of earnings per share, so the enterprise external related interests are clearly aware of the operating results of information of listed companies, thus accurately analyzing the profitability of the listed company's core competitiveness analysis, and making the

right decisions.

(2) The government department or industry association should speed up the treasury and should formulate relevant accounting standards.

Our country should formulate the special accounting standards as soon as possible for non-recurring gains and losses, specific provision for the nature of the standard definition, scope, and accounting of non-recurring profit and loss, to regulate listed companies for the non-recurring profit and loss accounting and information disclosure (Zhang & Li, 2015). Non-recurring profit and loss is broad, which is related to current enterprise asset impairment loss, investment income, non-operating income, and non-business expenses, such as how to discern the non-recurring gains and losses in these subjects should be clearly set forth in the accounting standards, so that the listed company can correctly record in the daily accounting business accounting non-recurring profit and loss, until the final preparation. Therefore, if the normal accounting of listed companies will contain non-recurring profit and loss accounting treatment, it is easy to calculate the profit statement at the end of term deducting non-recurring gains and losses net profit and earnings per share of deducting non-recurring gains and losses. The ministry of finance accounting standards should be formulated by the securities regulatory commission and regulations should be formulated by the coordinated, system of listed companies in order to avoid using artificial holes between the surplus manipulation, prompting the financial reports of listed companies which more truly reflect its profitability and the core competitiveness of enterprise's sustained development.

Regulate the Behavior of Information Disclosure of Non-recurring Profit and Loss

Listed companies should observe securities rules and accounting standards for information disclosure of non-recurring profit and loss on a regular basis. At the time of disclosure subjectivity and randomness should be avoided as far as possible.

First of all, it should reasonably define non-recurring profit and loss, financial and accounting personnel should constantly update the knowledge structure, timely understand the relevant policy change, improve their professional strain capacity. Listed companies should accurately define transactions or events happening which belong to the non-recurring gains and losses, and give the accounting treatment in time. For questionable accounting events, consult specialized management institutions, or experts and scholars, objective and fair as possible, to reflect the actual operating situation of the enterprise.

Second, standardizing the accounting of listed companies, what happened to the company is the non-recurring profit and loss items which should be booked for the provision of asset impairment loss, obtaining the government subsidies, the disposal of non-current assets net profit or loss, debt restructuring, non-monetary assets transaction, and many other non-recurring profit and loss project accounting details, so that the final deduction of non-recurring profit and loss can be calculated, such as net profit and earnings per share index.

Finally, the listed company should according to the requirement of the materiality principle, timely disclose major non-recurring profit and loss trading process, the purpose and the reason of the project, to overcome the subjective randomness. Because for the users the information is very important, they can get the analysis of the profitability of listed companies, financing ability, development prospects, financial situation, and other useful information, in order to better avoid investment risk, grasp the direction of investment.

Strengthen the Supervision of Information Disclosure of Non-recurring Profit and Loss and Management

Listed companies are using the non-recurring profit and loss items to adjust net income, its basic reason lies in the listed company's main business profitability which is low. Therefore, listed companies should strive to improve their core competitiveness, have the advantage of technology, capital, management, and marketing. The listed company doesn't make an issue of non-recurring profit and loss account which should be conducive to the development of listed companies in our country. Therefore, the supervision of the listed company information disclosure of non-recurring profit and loss is strengthened (Zhan, 2015). CSRC will use "deducting non-recurring gains and losses net profit" as the basis of judging to supervise the listed company, regardless of the losses, strict standards, punishment of violations of listed companies, to warn other listed companies.

At the same time, our country should vigorously develop independent intermediaries, such as the securities practice qualification of certified public accountants, appraisers firm, etc. They as independent intermediaries must uphold honest and trustworthy, objective and fair rules, give full play to its securities market credit relationship maintenance, lower transaction costs, promote the role of credit transaction and other aspects. The above case, which is in contrary to two big letter certified public accountants audit reports made, fully illustrates the intermediary supervision behavior is not standard, will not only bring economic losses to the listed company, but also will bring themselves a huge negative impact, which is not conducive to the healthy development of securities market in our country. Therefore, building specification system of intermediary institutions, strengthening the independence of intermediary institutions, honesty and fairness, to effectively curb non-recurring profit and loss manipulation of listed companies have a very important practical significance.

Conclusion

"Xindu Company against Daxin and Tianjian" cases, fully explained the influence on the listed company information disclosure of non-recurring profit and loss of their own and external related interest groups do not underestimate the impact of the capital market. Therefore, China should strengthen standard management of the listed company information disclosure of non-recurring profit and loss, perfect the legal system of the information disclosure of non-recurring gains and losses, the theoretical circle also should strengthen in-depth research and discussion, scientifically define the current profits and losses and non-recurring profit and loss. At the same time, our country should also build the good external environment, strengthen the audit supervision function, social intermediary agencies to promote listed companies non-recurring profit and loss treatment and disclosure of information of the project, so as to promote the sustainable and healthy development of the securities market in our country.

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