The Impact of International Convergence of Enterprise Accounting Standards on Enterprise Financial Management Practice

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Abstract. In order to do a good job in financial management, enterprises must start with accounting standards and give full play to the role of financial management. At present, China's enterprise accounting standards have been revised several times in accordance with the development direction of international accounting standards, which shows that China's financial management level has improved, which means that the development of enterprise financial management needs more in-depth study of enterprise accounting standards. Starting from the relationship between accounting standards and financial management, this paper points out the important changes of accounting standards, expounds the influence and role of international convergence of accounting standards on financial management, and accordingly points out which measures enterprises should take under the background of the current new accounting standards.

Keywords: enterprise accounting standards, financial management, financial management practice.

1. Introduction

At present, China's economic development is growing faster and faster, and is in line with the international economy. At the same time, more and more enterprises begin to pay attention to the changes of China's economic system and their own financial management. Generally speaking, enterprise accounting standards mainly aim at the quality and objectives of accounting information.

The current enterprise accounting standards are based on the Enterprise Accounting Standards - Basic Standards issued by Ministry of Finance Decree No. 33 (2006), and revised in 2014. As of December 31, 2018, the Ministry of Finance has formulated and promulgated Enterprise Accounting Standards - Basic Standards, Enterprise Accounting Standards No. 1-42 and Enterprise Accounting Standards Interpretation No. 1-12. In addition, as of May 2019, the Ministry of Finance has revised the relevant standards for financial instruments, financial assets, hedging accounting, government subsidies, income, leasing, debt restructuring and non-monetary assets transactions, which establishes the current enterprise accounting standards system in China and basically realizes the convergence with international financial standards.

2. An Analysis of Significant Changes in Current Accounting Standards for Enterprises

Compared with the traditional accounting standards in China, the current accounting standards for enterprises have undergone tremendous changes, but they still retain the important principles, such as the principle of importance, the principle of prudence, emphasizing comparability and consistency [1]. These major changes have laid a solid foundation for China to establish a scientific and perfect accounting system, promoted the progress and prosperity of China's accounting work, and pointed out the direction for the development and reform of financial management of large enterprises.

3. A Brief Description of the Relationship between Accounting Standards and Financial Management

Accounting activities are based on money and the core of a series of business activities. It can be said that scientific and reasonable accounting work can bring tremendous help to enterprises. At the
same time, accounting activities are mainly a series of business activities generated by enterprises, internal personnel and external environment. However, due to the misunderstanding and deviation of each link, the possibility of information asymmetry is very great, which affects the normal financial management of enterprises.

Accounting activities must be carried out in accordance with special standards, which is conducive to the supervision, management and operation of accounting activities [2]. Only in this way can enterprise financial managers collect, collate and use enterprise accounting information. Moreover, only in this way can enterprises obtain real and effective information, so that enterprise decision makers can more intuitively see the financial situation of enterprises. In addition, only in this way can accounting standards reflect their true value.

It can be said that there is an interactive relationship between accounting standards and financial management. At the same time, in order to standardize the market economy and ensure the normal and healthy operation of the market economy, accounting standards must be open and transparent in order to truly achieve the goal of restricting financial management. In addition, in the context of the new accounting standards, subtle changes in the economy and environment are likely to affect the operation of financial management practices. Therefore, it is necessary to optimize and adjust accounting standards in order to truly match with financial management practices.

![Fig. 1 The Relationship between Accounting Standards and Financial Management](image)

4. The Impact of International Convergence of Accounting Standards on Financial Information and Content

Enterprise financial management is carried out around the source and direction of funds. In addition, in the process of accounting activities, the use of accounting standards is different, and the results will be very different, which will also have a certain role and impact on financial management.

4.1 Making Financial Information More Credible

After the international convergence of enterprise cross-level standards, enterprise financial information is more credible. The main reason is that in the international accounting standards, the most important feature of accounting information is reliability. All accounting information must be based on actual events. At the same time, if accounting information is confirmed to be untrue, it will be punished accordingly. In addition, the current enterprise accounting standards also clearly show that accounting information must be true and reliable, which is the focus of all accounting information.

4.2 Guaranting the Fairness and Transparency of Financial Information

In essence, financial management is an institutional embodiment of stakeholders. In addition, the main purpose of financial management is to achieve dynamic balance by ensuring the interests and responsibilities of different stakeholders, and maximize the interests of all parties as far as possible. At the same time, under the background of the international convergence of the new accounting standards, the focus of financial management is to scientifically and rationally distribute the power and interests of financial management, and use scientific and effective means to distribute them, so
that financial management can really enter different industries and fields. In addition, it can ensure
the fairness and transparency of financial information and the interests of all parties.

4.3 Innovating the Contents about Financial Management

In order to truly meet the requirements of the current market economy development for the new
accounting standards, China's current enterprise accounting standards have also carried out many
innovations, mainly in five aspects. On one hand, we should attach importance to technological
transformation and independent innovation ability of enterprises, break through the traditional R&D
cost accounting methods, and promote the development of R&D cost to the direction of capitalization.
On the other hand, pay attention to the various accounting information provided by investors, and
collect and sort out this accounting information. At the same time, China's cost compensation system
has been further improved, and cost accounting methods have been optimized and adjusted according
to the needs of international and market.

5. The Impact of International Convergence of Accounting Standards on
Financial Management Objects

5.1 The Impact on Accounting Measurement Attributes

5.1.1 Fair Value can be an Important Tool for Profit Adjustment

After the international convergence of enterprise accounting standards, fair value has become an
important means of accounting adjustment and risk control. For example, in the process of non-
monetary transactions, Article 8 of the Accounting Standards for Enterprises No. 7 - Non-monetary
Assets Exchange (Revised in 2019) (CAS7) stipulates that the difference between the fair value of
the converted assets and the book value of the converted assets is included in the current profit and
loss [3].

5.1.2 Fair Value Affects Accounting Measurement

Traditional accounting measurement is based on historical cost, which measures the value of
completed transactions. It may also lead to many accounting information can not be obtained in time.
In addition, the Accounting Standards for Enterprises issued in 2006 added transaction value to
accounting information, still based on historical cost, thus improving accounting measurement
methods.
5.1.3 Fair Value Affects Accounting Concepts

A series of concepts in China's traditional accounting standards define transactions that have already been generated, such as "assets" and "liabilities". However, the current accounting standards for enterprises stipulate that assets should be accounted for at their fair value. Due to the difference between fair value and transaction value of assets, this also perfects and supplements the traditional concepts, such as "assets" and "liabilities"[4].

5.2 The Impact of Inventory Management in Enterprises

In traditional accounting standards, the inventory management method adopted by enterprises is based on transactions that have occurred, which leads to delays in the recognition of economic gains and losses caused by changes in inventory value. However, the profit calculated by this method is close to the actual profit, and it is also a common method to reflect the economic benefits of enterprises. At the same time, it can help business managers and stakeholders to predict and evaluate the current economic benefits and operating conditions of enterprises. In addition, this method has some shortcomings. In the process of cost carry-over, in general, this method will not be able to carry-over inventory costs by stages, which makes it difficult to fully reflect the specific operating conditions of the initial inventory, and then lead to various undesirable phenomena, such as fraud, false profits and so on. At the same time, Article 15 of Accounting Standards for Enterprises No. 1 - Inventories stipulates that on the balance sheet date, inventories should be measured at a lower cost than net realizable value. In addition, if the cost of inventory is higher than its net realizable value, the provision for inventory depreciation shall be calculated and included in the current profit and loss. This optimizes and supplements the traditional inventory management mode, and fundamentally reduces the possibility of fraud and false profits.

5.3 The Impact of Enterprise Income Recognition

In July 2017, the Ministry of Finance issued the revised Accounting Standards for Enterprises No. 14 - Income, which has an important impact on the recognition of enterprise income. In addition, the revised revenue criteria emphasize the contract and make it clear that the contract is the starting point and basis of revenue. At the same time, no matter which way to sign the contract, such as written, network fax, etc., must conform to the relevant laws and regulations as well as the ownership of interests. Moreover, the new revenue criterion makes the conditions for revenue confirmation more stringent, which greatly reduces the possibility of false profits in corporate statements and avoids corporate profit manipulation.

Fig. 3 The Impact of International Convergence of Accounting Standards on Financial Management Objects
6. The Measures to Strengthen Financial Management Practice under the New Accounting Standards

6.1 Focusing on Profit Fluctuation after Enterprises use New Accounting Standards

Through the analysis of the international convergence of accounting standards, we can clearly understand the main reasons for the change of enterprise profits, so as to accurately and effectively judge whether the abnormal changes of related items in financial statements are caused by the change of accounting standards. For example, profits of high-tech enterprises suddenly dropped sharply, which may be due to the adoption of first-in-first-out accounting standards. For example, a heavily indebted company suddenly sees a sharp increase in profits, possibly because of the rise in the fair value of its assets.

6.2 Doing a Good Job in the Daily Financial Revenue and Expenditure Management of Enterprises

After the convergence of enterprise accounting standards, major enterprises began to adjust their own property system. Since then, in the financial management sector, whether financial analysis or financial accounting, enterprises must strictly comply with relevant standards and requirements. Therefore, in the process of financial management, enterprises must strictly implement the current accounting standards of enterprises, constantly formulate scientific and effective measures, strengthen the daily financial revenue and expenditure management process of enterprises, and regard it as the core of financial management [6].

6.3 Improving the Management and Training of Financial Personnel

With the continuous development of China's economy, China's economic system continues to improve and optimize, and the market economic management system has begun to gradually adjust and supplement. Therefore, the society has put forward higher requirements for the work level of financial managers. At the same time, it not only requires enterprises to improve their business capabilities, but also requires enterprises to have a higher comprehensive quality to ensure that the level of financial management of enterprises and social development synchronize [7]. Therefore, enterprises need to plan the career of internal employees, formulate scientific and reasonable measures, and conduct comprehensive and systematic education and training for financial managers. In this way, financial managers can not only establish a sense of discipline, but also improve work efficiency.

6.4 Strengthening the Financial Management and Control of Enterprises

In order to ensure the smooth integration of China's accounting standards with international standards, enterprises must strengthen financial management and control, and establish a scientific and effective financial supervision system. At the same time, its content should include the following four points. To begin with, financial management consciousness should be established. Second, to ensure that enterprises maximize the use of funds. Thirdly, promote enterprises to establish and improve material management and control system. Fourthly, enterprises should be urged to pay attention to the management of existing commodities and accounts receivable so as to effectively avoid stagnation of enterprise funds.
7. Conclusion

To sum up, the international convergence of enterprise accounting standards reflects the financial situation of enterprises to a certain extent. In addition, it is worth noting that the international convergence of accounting standards will have a greater impact on the internal financial management of enterprises. Therefore, enterprise financial managers must adapt to the changing new accounting standards and take certain measures.

In addition, the international convergence of enterprise accounting standards makes it necessary for enterprises to optimize and adjust their financial management in strict accordance with the changes of accounting standards. At the same time, these measures can improve the quality of enterprise accounting information to a certain extent, and ensure that enterprise financial management is more reasonable and legitimate. Moreover, although there are still some imperfections in the adjustment of accounting standards, enterprises must correctly recognize the importance of international convergence of accounting standards and use scientific and reasonable methods to solve a series of problems.

In a word, the international convergence of accounting standards is an important reference for China's current financial accounting system and has an important impact on the development of major enterprises in China. In addition, the international convergence of accounting standards has fully promoted the development of financial management of major enterprises in China. At the same time, the international convergence of accounting standards also puts forward higher requirements for enterprise financial management and new requirements for enterprise management mode. Therefore, large enterprises need to strictly optimize and adjust their own conditions, adjust their own accounting system in advance, and adapt to the future internationalization of enterprise accounting standards, to truly achieve sustainable development.
References


