



## **Research on the Impact of the Comparability of Accounting Information on Audit Quality**

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**Abstract:** Comparability requires that the information between different enterprises or different periods of the same enterprise should be able to be compared. Changes in the accounting standards, industry characteristics of the enterprise, and limitations of the accounting information itself are the limiting factors for the comparability of accounting information, these factors have a significant impact on audit quality.

**Keywords:** Accounting information, Comparability, audit quality.

### **1. Introduction**

The Ministry of Finance promulgated a new "Enterprise Accounting Standards" on February 25, 2006. The newly revised "Enterprise Accounting Standards-Basic Standards" stipulates that "the accounting information provided by enterprises shall be comparable. This requirement is called the principle of comparability in accounting. It enables users to distinguish the quality characteristics of similarities and differences from two groups of economic situations, requires that financial accounting policies between different entities have the same basis, and that the content reflected in accounting information should also be basically the same. When the economic conditions are the same, the accounting information provided should be the same; when the economic conditions are different, the accounting information should reflect the differences.

Comparability requires that the information between different enterprises or different periods of the same enterprise should be able to be compared. The purpose of comparison is to find and explain the similarities and differences in order to facilitate decision-making and assessment of the manager's management responsibility. Comparability includes formal comparability, that is the accounting policies used by different enterprises or the same enterprise in different periods are basically the same;

it also includes substantial comparability, that is the accounting information provided by different enterprises or the same enterprise in different periods truly reflects the actual situation of the enterprise. However, comparability does not require that all enterprises adopt the same accounting treatment method, and each enterprise should choose an appropriate accounting treatment method according to the actual situation. Only truly reflected information can be truly comparable. Therefore, comparable substance is fundamental, and comparable form is complementary<sup>[1]</sup>. In response to the new concepts and regulations of the new accounting standards system, auditors must improve their business capabilities, make audit judgments strictly in accordance with the principles set out in the new accounting standards system, make reasonable audit conclusions and improve audit quality.

## **2. Interpretation of Accounting Information Comparability Norms**

The comparability of accounting mainly includes the comparability of the accounting indicators of different enterprises and the comparability of the accounting information of the same enterprise in different periods. The comparability of accounting indicators of different enterprises is called unity. For this reason, the Basic Standards stipulate that different companies that have the same or similar transactions or events should adopt prescribed accounting policies to ensure that the accounting information is consistent and comparable; The comparability of accounting indicators in different periods of an enterprise is called consistency. In this regard, the "Basic Standards" stipulate that the same or similar transactions or events occurring in different periods of the same enterprise shall adopt consistent accounting policies and shall not be changed at will. Unity emphasizes horizontal comparison, that is comparison between accounting information in different spaces; consistency emphasizes vertical comparison, that is comparison between accounting information at different times. The definition of the accounting comparability principle also includes another layer of meaning, that is the issue of affecting the comparability of accounting elements by using different alternative accounting treatment methods for the same or similar transactions or events at the same enterprise and at the same time. The existence of these coexisting processing methods will inevitably affect the extent of comparability of accounting information generated by choosing different processing methods for the same type of transactions or events.

## **3. Constraints on Comparability of Accounting Information**

Users of accounting information require companies to provide comparable information, and they hope that the coverage of such information will be greater and the more detailed the information is, the better, but regardless of their subjective efforts,

companies may not always be satisfactory. The main reasons include: differences in enterprise characteristics, enterprises in different industries, different organizational forms, different sizes and different technologies, and management conditions, as well as enterprises that apply different industrial policies and different accounting policies. The above objective differences lead to accounting policies between them. Difficult to be uniform, the result is hindering the horizontal comparability of accounting information<sup>[2]</sup>.

### 3.1 Changes in accounting standards affect vertical comparability of accounting information

As the economy develops or the political environment changes, accounting standards need to be revised. For example, international accounting standards have been revised many times since they were issued; China's accounting standards have been continuously revised in recent years. The reform of accounting standards has made the caliber of accounting indicators inconsistent. In addition, the amendments to accounting standards require changes in some accounting methods, which makes it difficult to compare accounting indicators for accounting periods before and after enterprises. Even if accounting standards stipulate that retrospective adjustment method and future applicable method are adopted for it, it is impossible to achieve consistency before and after this, which limits the comparability of accounting information of the accounting period before and after the enterprise.

### 3.2 Enterprise industry characteristics affect the horizontal comparability of accounting information

First, different industries affect the comparability of accounting information. Because different industries will adopt different industrial policies and accounting policies, this objectively makes it difficult for them to be completely consistent in accounting, which hinders the comparability of accounting information. For example, the forestry industry's capital turnover period is mostly more than one year, some even more than ten years; while the service industry's capital turnover is very fast, and some can be turned over once a day. As they have different cost cycles, the accounting methods used are also different, which affects the comparison of accounting information between them.

Secondly, the comparison of accounting information is affected by different corporate organizational forms. Chinese enterprises are organized in the form of sole proprietorships, partnerships, and joint-stock enterprises, and some of them are listed companies. Due to the different sizes and organizational forms of these enterprises, the accounting methods and economic contents contained in the accounting indicators

are different.

### 3.3 The limitations of accounting information itself affect the comparability of accounting information

Investors compare the accounting information of different companies to understand the operating status of the companies and find the basis for future investment decisions. However, we know that the accounting data itself has its limitations and it affects the comparability of accounting information: First, the accounting data itself has its untrue side, because accounting can only reflect at certain points in the economic movement, and does not the whole process of fund movement. The accounting response deviates from the actual movement of funds. The second is that accounting data can only reflect economic phenomena and results, but not the internal causes of economic phenomena and results. Third, accounting data is only part of the company's operating conditions, not all of it. Because there are still many important economic data accounting that cannot be reflected, such as the human resource data of the enterprise, the core competitiveness of the enterprise, the management status of the enterprise, and the product sales network. These are the main reasons for the funding movement. It is the most necessary information for investors to make business decisions, but accounting cannot reflect it all.

## **4. Connotation of audit quality**

As a special service commodity, quality is its lifeline. The level of audit quality affects the degree of investor protection, public investment confidence and the development of the capital market. There is currently no clear definition or authoritative description of the concept of audit quality. The United States General Accounting Office (2003) proposed that audit quality refers to the audit conducted by auditors in accordance with generally accepted auditing standards, with reasonable assurance that accounting information and its disclosure are expressed in accordance with generally accepted accounting principles, and that there are no major misstatements caused by mistakes and fraud. Watts and Zimmerman (1986) believe that audit quality is the joint probability of professional competence and independence, which can increase the probability of auditors finding and eliminating wrongdoing, thereby increasing the credibility of financial reporting. Western scholars define audit quality as a combination of professional competence and independence. The relationship between independence, professional competence and audit quality is essentially just a causal relationship. There are two viewpoints in the domestic academic circles, "result theory" and "process theory". In theory, the evaluation of audit quality should be based on the process and results of the entire audit activity to assess its pros and cons, not only for

audit reports. However, in auditing practice, professional competence and independence are intangible to the users of the report. What people can only see is the final audit product—the audit report. Therefore, the quality of the audit can only be based on the assumption of the quality of the audit report. This paper considers that the accuracy of the assurance of the fairness of the accounting information disclosure of the audited unit is the audit quality. This article analyzes and reviews from three aspects of environment, subject and object, and discusses the influencing factors of new accounting standards on audit quality<sup>[3]</sup>.

### **5. Conclusion and inspiration**

First, there is a two-way causal relationship between audit quality and influencing factors, and the realization of audit quality is the result of the combined effect of various factors. Due to the existence of many factors, the quality of audits is getting worse and worse. On the contrary, the low quality of audits will also affect the development and improvement of each element. The various influencing factors have restrictions and effects on each other, and the realization of the final audit quality is the result of many factors acting together under certain mature conditions.

Secondly, the effects of influencing factors on audit quality are diverse and uncertain. The effects of various influencing factors on audit quality are often diverse and uncertain. The effect of a single influencing factor on audit quality is significant or insignificant; it may be positive or negative.

Finally, there is an absolutely positive correlation between audit quality and risk control audits. Risk control awareness has increased the public's attention to audit quality, and has also exacerbated the gap in audit expectations in the judgment responsibility of fraud, that is, the public's expectations of audit quality of certified public accountants are always higher than the reasonable assurance range of certified accountant audit results. Therefore, although the CPA has spared no effort, it is impossible to meet the needs of the whole society. In order to bridge this gap and reduce audit litigation and risks, it is necessary to carry out corresponding risk control in order to ensure as reasonably as possible that the audited accounting information has added value and that the audit results are given high-quality evaluation. Based on this demand, a risk-oriented audit model emerged at the historic moment. Its biggest function is to focus on the customer's operating risk, adapt to the requirements of diversified targets, actively control risks, and effectively allocate resources. The core of the emphasis is that the assessment of the auditee's ability to continue operations has been throughout, highlighting the extreme importance of the client's continued operations to audit risks. Risk control enables auditors to free themselves from the shackles of financial reporting, and to understand, analyze, and evaluate the internal and external

operating environment, controls, and strategies of auditees, and to analyze the nature of errors and flaws, improve audit quality, and prevent problems before they occur. The rational and effective implementation of modern risk-oriented audits will certainly improve audit quality to a great extent. It can be seen that the effective implementation of modern risk-oriented audits can solve the problem of how to deal with and control risks, and the audit quality can be reasonably guaranteed. Therefore, the audit quality is absolutely positively related to modern risk-oriented auditing.

With the development of China's economy and the improvement of economic supervision, auditing is protecting national property and promoting the building of a clean government. Protect the interests of investors and the public, and maintain market economic order. It also plays an increasingly important role in strengthening corporate self-restraint and management. We have the responsibility to resolve the contradictions and problems that plague audit work, and constantly reform and update the links in the audit work that do not meet the needs of the market economy and new situation. Audit system. Take auditing to a new and higher level of development.

### **References**

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