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Commentary

Evaluating Comparability and Consistency in Industry Accounting

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DESCRIPTION

The effects of concurrent independent directors in the same industry on accounting information comparability for the period 2008-2019, using a sample of Chinese A-share listed businesses. Their discover that Cabin Intercommunication Data System (CIDSI) can effectively improve the comparability of accounting information, and that this gain is achieved mostly by reducing earnings management. Furthermore, they believe that CIDSI can provide an industry-wide perspective on the company's board reports. Variations among concurrent organizations, as well as internal and external circumstances, considerably affect the relationship between CIDSI and accounting information comparability. This link enhances the likelihood of receiving non-standard unqualified audit opinions while decreasing audit fees. Their findings highlight the significance of appointing independent directors, which has implications for firms.

By removing information asymmetry, high-quality accounting information can help shareholders and investors make more successful decisions. Accounting information provides the capital market with information about a company's financial situation and business success. However, not all publicly traded firms' accounting information is flawless. Financial fraud has become increasingly widely publicized in recent years.

This scam has caused the public to question the effectiveness of the independent director system, as well as academics and practitioners to place greater focus on accounting information accuracy. As a result, the independence, diligence, and ability of independent directors to detect fraud are being called into question. Given the importance of independent directors in corporate governance, it is critical to discuss how successfully they carry out their responsibilities.

Persistent information fraud undermines the public's trust in accounting data. Increasing the comparability of accounting data, on the other hand, can improve its correctness and trustworthiness. In a report on qualitative quality features of accounting information issued by the United States Financial Accounting Standards Board (FASB) in 1980, comparability was first identified as an essential component of accounting information quality. A high level of comparability of accounting information allows for an objective and impartial examination of a company's financial status, as well as simpler comparison of the performance of multiple accounting entities. Furthermore, it improves the dependability and relevance of firm strategic decisions.

However, effectively quantifying accounting information comparability is difficult, and there is little early academic study in this field. Following the creation of the novel measuring model for accounting information comparability, numerous studies are looking into accounting standards and both internal and external aspects of firm governance. According to the literature, implementing both convergent accounting standards and International Financial Reporting Standards (IFRS) improves financial information comparability. Accounting information comparability is further influenced by top management connections, internal controls, and the extent of legal scrutiny.

Accounting information comparability research not only serves as a guide for developing and implementing accounting standards, but it also protects the interests of small and medium-sized investors and suggests new directions for governmental regulation, fostering the capital market's steady and healthy growth. In discussions of accounting information comparability and corporate governance, independent directors are emphasized because they monitor the accuracy of data in financial reports and provide support and strategic recommendations for critical decisions such as a company's choice of accounting policies.

The amount and quality of information available to independent directors has a substantial impact on their effectiveness. Highlight the number of independent directors on the board, their educational backgrounds, and how important they are to the network. These studies attest to the utilization of information by independent directors in carrying out their responsibilities as external governance experts. Several studies, on the other hand, strongly question the capacity of independent directors to provide counsel and oversight.

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