

Reflections on Problems of Accounting for Bankruptcy Liquidation

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Abstract. The emergence of market economy system promotes the rapid development of Chinese private economy and individual economy. With the support of national policies, the number of enterprises and companies is increasing. In the process of enterprise management, accounting for bankruptcy liquidation is an important part of Property Liquidation in the later stage, which plays an important role in the whole financial accounting work. However, due to the lack of attention, there are many problems in the accounting work of enterprise financial bankruptcy liquidation. In this article, the author utilizing analyzing the deficiencies and shortcomings in the accounting work of enterprise bankruptcy liquidation, which can make targeted suggestions, so that the financial accounting liquidation work can be effectively solved.

Key words: Market economy; Bankruptcy liquidation; Financial accounting; Law.

1. Introduction--The concept of bankruptcy liquidation

1.1 Bankruptcy Liquidation

Enterprise Law has relevant explanations on bankruptcy liquidation that the legal system of paying off creditors while dealing with their own debts after an enterprise or organization goes bankrupt economically. When the debtor is unable to repay and insolvent, the court will forcibly declare it bankrupt and pay off all creditors with the assets owned by the debtor in accordance with relevant laws and regulations. In addition, enterprise liquidation can also be divided into bankruptcy liquidation and non-bankruptcy liquidation. In terms of application, they are quite different. However, the states of bankruptcy liquidation and non-bankruptcy liquidation can change each other when it meets the certain conditions. Article 188 of the Enterprise Law expressly stipulates: "if the liquidation group finds that the enterprise property is insufficient to pay off its debts after clearing up the enterprise property and checking the balance sheet and inventory of property, it shall apply to the people's court for bankruptcy according to law." When this happens, the enterprise or organization changes from non-bankruptcy liquidation to bankruptcy liquidation.

1.2 Bankruptcy liquidation accounting

In the whole enterprise financial accounting work, bankruptcy liquidation is a relatively special existence. During bankruptcy liquidation, the liquidation team members will truthfully record and reflect all creditor's rights and debts of the enterprise or organization according to the corresponding accounting knowledge and standards. At the same time, confirm the procedures, methods and other measures in the whole process. In addition, bankruptcy elements include bankruptcy assets, bankruptcy net assets, bankruptcy claims, bankruptcy profits and losses as well as many other contents. At present, there are still differences on the definition of bankruptcy liquidation in academic circles, which are mainly reflected in: (1) the confirmation of main accounting institutions; (2) The division of accounting periods.

2. Problems existing in the current accounting work of bankruptcy liquidation

2.1 Insufficient supervision

At present, among Chinese enterprises, there is always a lack of supervision over the accounting work of bankruptcy liquidation. Many enterprises will transfer their own assets during the bankruptcy appeal. On the one hand, they can obtain the part of the illegal income. On the other hand, those enterprises also reduce the debt of the enterprises but bring some troubles to the acquirer. Therefore, the bankruptcy liquidation accounting of the acquirer needs to strictly supervise the acquiree so as to find the problems of the acquiree. Policies of strictly block should be took to prevent the acquiree transferring assets which would bring losses to acquirer. However, because enterprises ignore the construction of bankruptcy liquidation accounting, the supervision effect is unsatisfactory.

2.2 Imperfect laws and regulations

There are serious loopholes in China's current bankruptcy liquidation accounting laws and regulations, which are mainly manifested in two aspects; The first aspect is that there are no provisions on the types of bankrupt enterprises. At present, the relevant laws and regulations of bankruptcy liquidation accounting in China only stipulate the concept of bankrupt enterprises without detailed distinction, which leads to the confusion of the contents of bankrupt enterprises themselves. In the bankruptcy of most enterprises, the contents that need to be implemented are too unified which giving some enterprises an opportunity to take advantage of it. The second aspect is that there are no provisions on bankruptcy liquidation accounting, which leads to the fact that bankruptcy liquidation accounting can find legal loopholes in practical work, so as to obtain illegal benefits for enterprises.

2.3 The exist of serious information barriers

In mergers and acquisitions between enterprises, the acquirer often wants to pay less, while the acquiree often wants to obtain more benefits. Therefore, it is very difficult for the acquirer's bankruptcy liquidation accountant to obtain the acquiree's financial information data that leads to the exist of serious information barriers. Although the acquiree will not directly reject the acquirer's bankruptcy liquidation accounting requirements, the financial reports provided by the acquirer are often incomplete, and the lack of key content is the acquiree's key data. Therefore, it is necessary to restrict the behavior of the acquirer so that the bankruptcy accounting of the acquirer can obtain sufficient data content, otherwise it will lead to the acquisition work difficult.

Based on the author's experience of participating in an enterprise bankruptcy liquidation in Yueqing, Zhejiang Province, the court hired a professional asset appraisal company to liquidate an enterprise. However, even the appraisers of professional companies cannot accurately calculate the value of the fixed assets of the liquidated factory. The appraisal report clearly points out that the appraisal conclusion is made on the basis of the basic documents and data provided by the entrusting party and the property right holding unit. Which means if the information provided by each party is wrong, the court as the liquidation unit could not distinguish the error. Take some of the old equipment for example. Although it is being used, it is far less efficient than the new equipment after innovation and upgrading. The equipment manufacturer could stop producing it 10 years ago made their current value could not be estimated. In a rapidly developing country like China, the inflation rate is relatively high, and it is difficult to estimate the accurate value according to the simple calculation of depreciation. The appraisal price of a Medium-sized factory' fixed assets is only US \$4605. Information asymmetry is actually very difficult to overcome even for professional evaluation companies.

2.4 Insufficient talent capacity

At present, there is a general shortage of accounting talents for bankruptcy liquidation in Chinese enterprises., The author once had the opportunity to participate in the liquidation of a bankrupt company in Yueqing, China; At that time, the court entrusted the company which the author worked

for to estimate the price of the remaining machines of the bankrupt company for auction. At that time, as the person in charge of asset appraisal and liquidation, the author did not have the corresponding ability of asset appraisal. The author had no choice but to find out the price of the scrap iron on the network at that time. Without further evaluation and discussion, the company where the author worked directly used this data and finally obtained the direct permission of the court, which is not rigorous to a certain extent.

On the one hand, Chinese enterprises not only do not pay enough attention to accounting positions in bankruptcy liquidation but also are not willing to construct separate positions for them. The left-over choice is directly using the existing accounting talents in the enterprise to complete the corresponding work, which makes it difficult to obtain the corresponding results in the actual work process. On the other hand, due to the lack of attention of the enterprise leaders, the salary given to the accounting talents for bankruptcy liquidation is limited which is difficult to obtain some top talents. and the enterprise leaders have no change in their consciousness, but think that they can finally choose the accounting firm to complete the corresponding work.

3. Countermeasures for optimizing enterprise bankruptcy liquidation accounting

On the basis of forming a preliminary understanding of the accounting work for bankruptcy liquidation of bankrupt enterprises, in order to improve the efficiency of bankruptcy liquidation accounting and ensure the goal of maximizing interests in the process of enterprise bankruptcy, it is necessary to optimize bankruptcy liquidation accounting, effectively solve the existing problems and improve the comprehensive effect of accounting work.

3.1 Strengthen the education and training of bankruptcy liquidation accounting staff

The good professional quality and professional ability of bankruptcy liquidation accounting staff can ensure the optimization of bankruptcy liquidation accounting. Therefore, in view of the current situation of insufficient professional quality and poor working ability of Accountants in bankruptcy liquidation, it is necessary to regularly organize accountants to participate in professional education and training. Introduce cutting-edge knowledge of the industry, and implement training guidance for accountants, so that they can update the existing knowledge system and complete their work efficiently. On this basis, we should also recognize the importance of professional ethics training for bankruptcy liquidation accountants, improve their ideological level, enable them to uphold good professional ethics, participate in work practice, standardize their own work behavior, complete bankruptcy liquidation with high efficiency, and ensure the comprehensive effect of accounting and asset evaluation. For enterprises to optimize the implementation of bankruptcy liquidation work to provide good talent security

3.2 Effective supervision of enterprise accounting information disclosure

Based on the defects of accounting information disclosure in the current bankruptcy work of enterprises, in the process of optimizing and innovating the accounting work of bankruptcy liquidation in the new period, it is necessary to strengthen the rational supervision of accounting information disclosure to create conditions for the development of the accounting work of bankruptcy liquidation. On the one hand, the main objectives of accounting information monitoring work of bankrupt enterprises are clear, to ensure that reasonable monitoring programs can be developed, so that the legitimate rights and interests of creditors and investors are guaranteed. On the other hand, it is necessary to implement effective supervision on the quality of accounting information, build a perfect standardized accounting information disclosure system, ensure comprehensive analysis of power balance and economic relations, implement accounting information supervision, and improve supervision efficiency. In addition, the people's court can also try to establish a corresponding supervision group to supervise the authenticity and comprehensiveness of accounting information in

bankruptcy liquidation, improve the effectiveness and reliability of accounting information disclosure, which promote the steady progress of bankruptcy liquidation.

3.3 Establish and improve the audit supervision mechanism

The implementation of audit supervision can create good conditions for bankrupt enterprises to carry out bankruptcy liquidation accounting work and promote the further improvement of comprehensive work efficiency. As a result, at work, it is necessary to combine concrete problems to build perfect auditing supervision mechanism, and actively promote transparent accounting audit system so as to ensure the creditors and the social public to the bankrupt enterprise implement effective financial disclosure, highlight the authenticity, accuracy and reliability of the results announcement, improve the overall efficiency of the bankruptcy liquidation accounting work. At the same time, the audit system needs to be optimized, gradually implement the review system, to carry out the work of bankruptcy and liquidation in the actual organization, in the process of promoting the responsibility for implementation, to effectively avoid auditing risk. In order to safeguard effectively the maintenance of the legitimate rights and interests of stakeholders, thus promoting the comprehensive effect of audit supervision work, to improve the overall level of bankruptcy and liquidation accounting.

4. Epilogue

Enterprise bankruptcy is the common sense of the law of development of all things, also a way of self-renewal of modern market economy. With more and more enterprises exit, bankruptcy liquidation accounting work is more and more important. The author had the honor to work as an intern in an enterprise in Yueqing, Zhejiang province in charge of its bankruptcy liquidation. I hope to provide some ideas for the bankruptcy work of enterprises through my own thinking. To solve the accounting liquidation problem of bankrupt enterprises, which could make more enterprises in the face of bankruptcy problem to maximize the protection of economic interests and greatly reduce the negative impact of bankrupt enterprises on the whole industry. To ensure the steady development of the market. Therefore, it is necessary to improve the professional level of the staff involved in bankruptcy accounting liquidation, but also to improve the supervision of the market, to prevent the particularity of bankruptcy accounting liquidation itself caused by market operation problems. For bankrupt enterprises, it is the most ideal state to ensure the safety of funds, reduce the negative impact on employees and not interfere with the normal operation of the market.

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