

The Impact of Accounting Information Quality on Corporate Financial Decision-Making

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Abstract. As a key indicator of a firm's operational performance, accounting information directly determines the rationality of corporate financial decision-making. This paper examines the differences across large listed companies, multinational companies and small and medium-sized enterprises, and analyzes their differentiated effects on financing, investment and working capital decisions from dimensions of reliability, relevance and timeliness. Research findings indicate that high-quality accounting information can mitigate information asymmetry between investors and financiers, broaden corporate financing channels and cut financing costs. Meanwhile, it enables accurate estimation of project returns and risks, thereby enhancing the rationality of investment decisions. Reliable and real-time financial data facilitates optimized cash flow management and the prevention of liquidity risks. Conversely, distorted or delayed accounting data may lead to reckless investment, capital chain strain and other operational crises. Combined with the internal and external causes, the countermeasures are put forward from three aspects: internal control, perfect supervision and professional competence of accounting staff. This study expands the theory of information decision-making and provides reference for corporations to standardize accounting work and improve the efficiency of capital allocation.

Keywords: Quality of accounting information, corporate financial decision-making, financing cost, working capital management

1. Introduction

Accounting information quality serves as a critical bridge between business operations and external capital markets, directly impacting the financing efficiency, investment return and capital security of enterprises. Against the backdrop of an increasingly complex global capital market, information asymmetry between firms and external stakeholders has grown prominent, and the phenomena of accounting information distortion, incomplete information disclosures and insufficient decision-making relevance are widespread, which seriously restricts the standardization and scientific rigor of enterprise financial decision-making. How to improve the quality of accounting information to optimize the financial decision-making of corporations has become the focus of academic and practical circles. Under this background, this paper focuses on the relationship between accounting information quality and corporate financial decision-making, and systematically analyzes the internal influence mechanism between them, aiming at providing theoretical support and practical

reference for all kinds of corporations to optimize financial decision-making and improve the efficiency of capital allocation.

Extensive research has been conducted on the correlation between accounting information quality and corporate financial decision-making. Sunarta & Astuti confirmed that accounting information quality serves as a mediator between accounting information systems and organizational performance [1]. Zhao found that flawed accounting information greatly increases corporate financing barriers [2]. Feng carried out targeted research on the impacts of financial accounting information on corporate financing decisions and provided corresponding empirical evidence [3]. Yang Jingwen demonstrated from the perspective of innovation investment that accounting information transparency directly determines the rationality of corporate capital investment [4]. Rotaru et al argued that financial accounting information runs through all corporate business decision-making procedures and directly affects the implementation effect of various decisions [5]. Lu expanded the research scope to the supply chain field and analyzed how transparent financial accounting information optimizes supply chain financial decision-making [6]. In another study published by Sunarta & Astuti, the two scholars further verified the internal logical links among accounting information system quality, accounting information quality and decision-making effectiveness [7]. Siswanto & Aqdam took micro, small and medium-sized enterprises as research objects and proved that e-commerce and accounting information systems jointly help improve the quality of entrepreneurial decision-making [8]. Mesioye & Bakare systematically sorted out multiple evaluation indicators of financial reporting quality and elaborated its multi-dimensional influences on the decision judgments of various stakeholders [9]. Yoshikuni et al. explored emerging digital accounting technologies and clarified their transmission mechanism of enhancing enterprises' strategic flexibility by lifting decision-making performance [10]. On the whole, existing literature mostly discusses the linear relationship between accounting information quality and a single financial decision, while few scholars integrate financing, investment and working capital decisions into a unified analytical framework, and insufficient attention has been paid to the heterogeneous differences in decision modes arising from gaps in enterprise scale.

This paper uses the method of literature analysis and theoretical deduction to distinguish large listed corporations, multinational companies and small and medium-sized corporations, and systematically analyzes the differential action path of accounting information quality on corporate financial decision-making from three dimensions: financing, investment and working capital management. The article follows progressive logic.

2. Analysis of the status of accounting information quality and corporate financial decision-making

2.1. Current situation of enterprise accounting information quality

From a global perspective, the accounting information quality of enterprises in various countries shows obvious hierarchical characteristics. Large-scale listed companies and multinational enterprises are subject to the multiple constraints of International Financial Reporting Standards (IFRS), securities regulatory agencies and industry self-discipline rules, and their accounting and financial disclosure processes are relatively standardized, and the overall quality of accounting information is maintained at a high level. In sharp contrast, small and medium-sized companies with the highest proportion of market entities generally have shortcomings in imperfect accounting management systems. Restricted by the limited scale of funds, a shortage of professionals and

backward management concepts, the accounting treatment of these enterprises is not standardized, and all kinds of information quality problems are particularly prominent in this kind of corporation.

Based on the practice of global enterprise operation, this paper finds that there are three common drawbacks in the field of accounting information. First, accounting information distortion is more common. On the one hand, some enterprises take the initiative to implement earnings management in order to enhance their business image or strive for financing convenience, and artificially change financial data by means of inflating revenue, hiding debts and adjusting costs; on the other hand, non-subjective distortions such as accounting errors and discrepancies between accounts and facts caused by the limited professional ability of accountants are also widespread. Second, accounting information lacks decision-making relevance. Most enterprises follow the fixed financial report template, only list the basic data, and do not carry out targeted analysis in combination with their own operating characteristics, project prospects and potential risks, so it is difficult to meet the decision-making needs in different scenarios. Third, the information disclosure is lagging behind and the content is incomplete. Many corporations delay the submission of financial reports or selectively release favorable information to the outside world; unlisted corporations generally lack normalized internal information transmission mechanism, and the efficiency of data flow is at a low level.

The underlying drivers of these issues can be analyzed from corporate internal and external perspectives. Internally, the internal control system of many enterprises is largely ineffective, and management interference in accounting work is common. In addition, the accounting information system is outdated, and the professional quality of financial personnel is uneven, which further lowers the information quality. In the external dimension, the global regulatory resources are unevenly distributed, and small and medium-sized enterprises have long been in a weak regulatory coverage range; at the same time, in most areas, the punishment for accounting irregularities is insufficient, the cost of committing financial fraud is low, and the supervision and restraint are insufficient, so it is difficult to completely control all kinds of accounting information quality problems.

2.2. Present situation of enterprise financial decision-making

Financial decision-making runs through the whole life cycle of an enterprise and is mainly divided into three categories: financing decision, investment decision and working capital management decision. There are obvious differences in decision-making modes among companies of different scales. Large multinational companies can raise funds through various channels, such as equity, bonds, credit, etc., and their investment scope covers many fields, such as real asset investments, capital operation, industrial mergers and acquisitions, etc., and they are equipped with professional financial teams to manage the allocation of funds as a whole. Small and medium-sized companies in the world generally have narrow financing channels, and the source of funds is highly dependent on bank credit and private lending; the investment strategy of companies tends to be conservative, focusing only on the layout of main business, and the liquidity allocation is directly controlled by enterprise managers, and the fund management model is extensive.

At present, global companies generally expose three kinds of outstanding deficiencies in financial decision-making. First, decision-making is often highly subjective. Some managers are divorced from real accounting data and only make investment and financing plans based on personal experience or market trends, and behaviors such as following the trend of expansion and cross-border investment frequently occur, which easily leads to waste of funds and operational risks. Second, the overall decision-making efficiency is low. Affected by factors such as poor internal

communication, delayed financial data transmission, and complicated approval process, market opportunities are often missed. Third, the risk management and control system is imperfect. Most companies fail to build an effective risk early warning mechanism based on accounting data, and it is difficult to accurately identify debt risks, investment risks and cash flow hidden dangers, and there are obvious shortcomings in risk management capabilities.

3. Analysis of the specific impact of accounting information quality on corporate financial decision-making

As the carrier of enterprise financial data, accounting information is the core basis for making, implementing and controlling all kinds of financial decisions. Combined with the global business practice and existing academic research conclusions, the quality of accounting information will substantially affect the financial decision-making of enterprises from the three dimensions of financing, investment and working capital management, and the quality of accounting information leads to entirely different decision outcomes.

3.1. Influence on financing decision-making

Financing decision-making is the core component of corporation financial decision-making, which is related to the construction of capital structure and long-term financial stability, and accounting information is the core basis for investors and financial institutions to evaluate the solvency and profitability of corporations. The quality of accounting information will play a decisive role in debt capacity, financing cost and financing structure selection by changing the degree of information asymmetry.

When a company has high-quality accounting information, the financial data are true, accurate, highly relevant and fully disclosed, which can clearly show its own operating conditions and financial performance, effectively enhance the trust of external fund suppliers and significantly improve the availability of financing. Financial institutions and external investors assess corporate risk based on credible financial statements, which lowers risk premiums and effectively cuts financing expenses including loan rates and equity risk premiums. At the same time, complete and detailed financial data can help the management to accurately measure the capital demand, reasonably match the debt and equity financing modes according to its own debt scale and profit level, scientifically define the financing scale, optimize the capital structure, and avoid the problems of excessive debt and insufficient fund raising.

If the quality of accounting information is low, there are shortcomings such as data distortion, incomplete disclosure and untimely information, and external subjects cannot distinguish the real financial risks of enterprises, and the problem of information asymmetry is further aggravated. Financial institutions will tighten lending conditions and raise interest rates, and investors will also take a wait-and-see attitude, which will directly lead to the constriction of financing channels for enterprises and a significant increase in financing difficulties. In order to obtain operating funds, enterprises can only accept higher financing costs and increase the burden of financial expenses for a long time. Certain firms cannot access formal capital markets due to unreliable financial data and are forced to rely on costly private financing, which severely limits their expansion and growth. To sum up, the quality of accounting information directly affects the whole process of enterprise financing, which is an important basis for enterprises to obtain stable financial support.

3.2. Influence on investment decision

After financing, enterprises need to realize asset appreciation through investment, and the soundness of investment decision-making is also highly dependent on accounting information. Company investment decision-making covers many types, such as real asset investment, financial asset investment, industrial merger and acquisition, etc. Project feasibility analysis, risk assessment and income prediction are all based on accounting information, and the quality of information directly determines the accuracy of investment assessment and the rationality of decision-making.

High-quality accounting information can provide real historical operating data, cash flow data and cost data for investment judgment. Based on complete and relevant financial information, the management can accurately measure the project investment, expect income and potential risks, and select high-quality items with development potential from many investment targets.

On the contrary, distorted and delayed accounting information will mislead investment estimation. If the enterprise carries out feasibility analysis based on the financial data of inflated profits and concealed costs, it will overestimate the project income and underestimate the business risk, and it will easily lead to project losses and capital being tied up after blindly investing funds; lagging in updating financial data will lead management to miss the optimal investment time, or continue to lay out declining projects, resulting in sustained capital loss.

3.3. Influence on working capital arrangement decision

Financing and investment are medium and long-term financial decisions, while working capital runs through the daily operation of corporations and is the key link to ensure the sustainable operation of corporations. The fund operation decision mainly focuses on the daily cash flow management, capital allocation, accounts receivable and payable, inventory control and other matters. Accounting information is the direct basis for management to carry out fund planning and allocation, and its quality is directly related to the efficiency of fund use and the safety of corporation liquidity.

With high-quality accounting information, the management can grasp the overall cash balance, the rhythm of income and expenditure, the maturity of accounts receivable and liabilities in real time and rationally allocate working capital according to the business plan. For one thing, idle funds can be deployed for short-term operations to boost the overall return on capital; for another, enterprises can allocate funds in advance according to business demands to guarantee the normal operation of procurement, production, sales and other links and accelerate capital turnover. Meanwhile, with the help of standardized and timely financial data, enterprises can sort out operational processes, find loopholes in fund management and continuously optimize the fund management and control system.

If the quality of accounting information is low, it will easily lead to problems such as data accounting errors and delayed updating of financial statements, and the management can't grasp the real capital situation, and then make wrong working capital allocation decisions. Some enterprises misjudge the stock of funds, resulting in a large number of funds being deposited for a long time, forming idle, and the efficiency of capital use being lowered; more enterprises underestimate expenditure and overestimate income, resulting in deviation of cash flow measurement and insufficient short-term debt repayment funds, which leads to tight cash flow and even liquidity risk. For small and medium-sized enterprises with weak risk resilience, the pressure of cash flow will directly threaten the normal operation of companies. It can be seen that the stability and efficiency of working capital are highly dependent on the real-time and accuracy of accounting information, which is also the basic requirement of refined corporate financial management.

4. Recommendations and suggestions to improve quality of accounting information and optimize corporate financial decision-making

The previous analysis shows that the quality defects of accounting information will seriously interfere with the financial decision-making of companies from three dimensions: financing, investment and capital operation. Combined with the development status of global companies, industry pain points and internal and external causes, this section puts forward targeted countermeasures from the three dimensions of companies, supervision and personnel, aiming at standardizing accounting work in an all-round way, improving information quality, and then enhancing the scientific and rational financial decision-making of companies.

4.1. Enterprise level

Enterprises are the main body of generating and using accounting information, and also the first responsible party to improve the quality of accounting information. Only by improving the management system from the inside can people avoid the problems of information distortion, insufficient correlation and lagging disclosure from the source and build a solid data foundation for financial decision-making.

First, improve the internal accounting management system and internal control system. Enterprises need to combine their own business model, set up standardized accounting and accounting treatment processes, clarify the rights and responsibilities of each post, and eliminate arbitrary accounting practices. At the same time, strengthen the internal control mechanism, ensure that the board of supervisors and the internal audit department exercise their supervisory functions, restrain the management's intervention in accounting, and ensure the authenticity and reliability of accounting data from the system. Second, establish a normalized professional training mechanism for accounting personnel, and carry out systematic learning around the current accounting standards, financial data analysis and digital accounting system operation, so as to enhance the professional ability of financial teams and reduce objective accounting errors. Finally, standardize the disclosure of accounting information. In strict accordance with the requirements of the standards, information disclosure should be timely and complete, and not only basic financial data should be publicized, but also business analysis, risk warning and other contents should be supplemented to enhance the relevance of accounting information and fully meet the use needs of various decisions such as investment and financing, capital deployment and so on. Through a series of internal reforms, the authenticity, relevance and timeliness of accounting information will be comprehensively improved.

4.2. Regulatory level

A perfect external supervision and legal system is the external guarantee to restrain the accounting irregularities of enterprises and create a standardized industry environment. At present, there are problems such as uneven distribution of regulatory resources and weak punishment for violations around the world, which are also important reasons why accounting chaos is difficult to cure. Therefore, it is necessary to strengthen supervision from two aspects: system and implementation.

First, improve the accounting-related laws, regulations and standards system. Unify the accounting implementation standards of enterprises of different industries and sizes, refine the rigid requirements of information disclosure and accounting, fill the loopholes in the rules, and provide a legal foundation for regulatory enforcement. Second, expand regulatory oversight scope and increase supervision frequency. Shift from the previous approach that focused on listed companies

while neglecting small and micro enterprises and bring small and medium-sized enterprises into the normal supervision scope to realize universal regulatory coverage. Third, increase the punishment for accounting information distortion. Raise the illegal costs of enterprises, relevant financial leaders and management, and seriously pursue accountability for financial fraud, deliberately concealing financial information, delaying disclosure, etc., forming a strong deterrent effect of regulation. Relying on strict external supervision, enterprises are forced to carry out accounting work in compliance and create a fair and standardized industry accounting environment.

4.3. Personnel level

Managers and accounting practitioners are the direct executors of accounting work. The cognition, ability and professional ethics of personnel directly determine the output quality of accounting information and also affect the direction of financial decision-making, so personnel construction is an essential part.

On the one hand, enhance the importance of enterprise management to the quality of accounting information. Guide managers to establish a scientific management concept, abandon the short-sighted thinking of "emphasizing performance and neglecting finance", clarify the supporting role of high-quality accounting information in financial decisions such as investment and financing, fund management, and put an end to tampering with financial data in pursuit of short-term interests. On the other hand, advance competency development for accounting practitioners in two ways: first, carry out normalized professional skills training, closely follow the update iteration of accounting standards and financial tools, and ensure accurate and standardized accounting work; the second is to strengthen professional ethics and rule of law education, strengthen the ethical standards of employees, and consciously resist financial fraud. Only by improving employees' professional mindset and professional ability simultaneously can people ensure compliance of the whole accounting process and produce high-quality accounting information that can support financial decision-making.

5. Conclusion

Based on the method of literature analysis, this paper expounds the mechanism of accounting information quality in financing, investment and working capital management, focusing on the relationship between accounting information quality and corporate financial decision-making and combining with the operation practice of global enterprises. This paper distinguishes large listed companies, multinational companies and small and medium-sized enterprises, and analyzes the differentiated influence path of accounting information quality on various financial decisions.

Specifically, at the level of financing decision-making, high-quality accounting information can effectively reduce the information asymmetry between enterprises and external funders, enhance the trust of financial institutions and investors, thus broadening financing channels, reducing financing costs, and assisting management to optimize capital structure. At the level of investment decision-making, authentic and reliable accounting data provides a solid basis for project feasibility analysis and risk assessment, which helps management to screen high-quality projects and avoid blind investment. At the level of working capital management, timely and accurate accounting information enables enterprises to grasp the capital situation in real time, rationally dispatch working capital and prevent liquidity risks; on the contrary, information lag or accounting errors will weaken the accuracy of capital allocation, and may even lead to the risk of cash flow shortfall for small and medium-sized companies.

Based on the above analysis, this paper puts forward countermeasures from three dimensions: companies should improve internal control system, strengthen personnel training and standardize information disclosure; Supervision needs to improve standards, expand coverage and increase punishment; Personnel should enhance the management's attention and strengthen the professional skills and professional ethics of accountants.

This study expands the application of information-based decision theory in the financial field and provides reference for enterprises to improve the efficiency of capital allocation. In the future, empirical analysis methods can be used for quantitative testing, and innovative paths of decision support models can also be explored in combination with technologies such as big data.

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