

Supervision and Governance of Accounting Information Leakage in Listed Companies-- A Case Study of Luckin

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Abstract. After many years of development of securities market, our securities market standard system is increasingly sound. But there are also many problems, such as the disclosure of accounting information of listed companies. It has not formed an accurate and fast system to systematize the disclosure of accounting information in the securities market, which leads to the low efficiency of the securities market. On the other hand, it is of great significance to construct the long-term mechanism of accounting supervision to perfect the national supervision system, strengthen the ability of risk management and control, optimize the quality of accounting information and standardize the market economic order. In a series of important meetings, China proposed that accounting supervision, auditing supervision and statistical supervision should be included as an important part of the national supervision system. Therefore, it can be seen that the construction of long-term mechanism of financial and accounting supervision is the most urgent and top priority to consolidate the foundation of China's supervision system. In this paper, through the analysis of Luckin coffee incident, put forward the optimization strategy to build a long-term mechanism of accounting supervision in the new era.

Keywords: Luckin; Governance; Accounting Information

1. Introduction

Accounting information mainly refers to help understand the financial status, business performance, capital flow of each enterprise. Through the analysis of the current situation of enterprise information, enterprise leaders can make more effective management measures for their own enterprises. Accounting information mainly refers to the accounting information published to provide people with the information they need. The disclosure of accounting information in the securities market is compulsory and voluntary [1]. At present, the status quo of accounting information disclosure error in our stock market mainly consists of timely information disclosure, error and false information disclosure and not getting authorization approval. Accounting information disclosure has become an important problem to be solved urgently in capital market.

In recent years, China has stressed the need to continue to deepen the implementation of the political supervision guarantee mechanism [2], and constantly improve the construction of the Party and state supervision system. Financial supervision plays a basic role in our supervision system [3], often forms a synergy with other supervision ways, so as to coordinate with each other, improve quality and efficiency. Especially in the financial fraud, insider trading, internal control imbalance and other aspects of the prominent role [4]. In early April 2020, the financial fraud incident of Luckin Coffee broke

out, which made the stock price fall rapidly and caused the stock market shock. According to the investigation by the Ministry of Finance, the lack of financial supervision is one of the causes of the incident. Therefore, taking Luckin Coffee financial fraud as an example, this paper discusses the countermeasures and suggestions for building a long-term mechanism of financial and accounting supervision in the new period.

2. The Role of Accounting Supervision

First, improve the national supervision system. Through the analysis of financial fraud events in recent years, most of them are due to the lack of financial supervision or insufficient strength, the lack of necessary professional, forward-looking and precision in the supervision system, will appear management loopholes and weak links. Financial and accounting supervision is incorporated into the national supervision system, and through the organic integration of financial and accounting supervision and other supervision methods, it provides the basis for other supervision methods from the aspects of behavior and system, enriches the connotation of the supervision system and improves the supervision system mechanism to a certain extent[5].

Second, we will strengthen our capacity for risk management and control[6]. In recent years, because most enterprises and institutions do not have sound internal control institutions and professional financial personnel, so that the work in internal control is not in place, not ideal, non-compliance, so, internal control and risk management is the focus of enterprises and institutions in recent years. Through the introduction of financial and accounting supervision, the organic combination of business and internal control, the formulation of reasonable and effective internal control supervision measures, the implementation of incompatible post separation system, clear the responsibilities of each department, scientific and efficient use of resources, so as to prevent financial risks and improve the efficiency of economic resources.

Third, optimize the quality of accounting information. By strengthening financial and accounting supervision, it is beneficial to standardize business accounting processing and optimize the quality of accounting information. Accounting institutions and personnel in accordance with "accounting law" and other relevant legal system, standardize business accounting, guard against financial risk, carrying out the financial supervision, the implementation of the preferential tax policy and to use, to properly and scientifically to carry on the financial information disclosure, eventually improve the quality of accounting information, enhance the reliability and comparability of accounting information and correlation. Fourth, standardize the order of the market economy. Since the 18th National Congress of the Communist Party of China, China has redeployed and remobilized efforts to build a modern financial system and improve the socialist market economy. In to improve the system of modern finance and in the process of the system of socialist market economy, inevitably involve the accounting supervision, to bring into play the function of accounting supervision and active, to bring into full play the basic role of market in the allocation of resources, foster a good healthy business environment, maintain the norms and orderly market competition, to enhance the development of the market main body. Therefore, the safeguard function of strong finance and accounting supervision plays an irreplaceable role in establishing modern financial system and budget system, deepening the reform of tax system and standardizing the socialist market economic system.

3. The Luckin Coffee Case

On January 31, 2020, Muddy Waters, a well-known short seller, claimed to have received an 89-page anonymous short selling report that pointed to data falsification at Luckin Coffee. On Feb. 3, Luckin denied all the allegations. On April 2, Luckin sent shockwaves through the industry when it issued a statement admitting to accounting fraud and fictitious transactions worth 2.2 billion yuan, sending its share price plummeting 80 percent that day. On April 5, Luckin issued an apology. On June 27, Luckin announced that it would suspend trading on June 29. On July 31, the Ministry of Finance completed the inspection of the accounting information

quality of Luckin Coffee domestic companies. It was found that from April 2019 to the end of December 2019, Luckin Coffee increased the transaction volume by 2.247 billion yuan through fictitious commodity coupons and other means, and inflated the income by 2.19 billion yuan, accounting for 41.16% of the disclosed income of 5.15 billion yuan. Inflated costs and expenses were 1.211 billion yuan, and inflated profits were 908 million yuan.

Luckin's methods are as follows: One is to exaggerate the operating income. Luckin manipulated the number of orders through the APP and used coupons to artificially increase the number of online orders and offline pickups or take-out to achieve the illusion of increasing sales. In addition, malicious increase the net price of unit price goods. The financial results of the third quarter showed that the net price of the unit price of goods was 11.2 yuan, while the actual investigation found that the net price of the unit price of goods was less than 10 yuan, an inflated proportion of 12%. At the same time, it also inflated the operating income of other goods, by nearly 400%. Second, inflated costs. According to Luckin's published financial results, prospectus and Muddy Waters investigation for the second and third quarters, Luckin inflated costs in the form of multiple advertising fees. 3 quarter advertisement cost up to 382 million yuan, but the survey found that the actual only 4, 6 million yuan, only 12% of rui xing coffee results display data. Third, covert related party transactions. Luckin's director, Lu Zhengyao, worked with close investors to cash out of Shenzhou Rent-a-Car and, through the acquisition of Borgward, transferred funds to related parties, which used his trading company to provide sales of coffee raw materials and coffee machines, registered next to Luckin's Xiamen headquarters. Luckin's financial results did not explain the disclosure of this phenomenon, can not help but let people think of the use of related parties for interest transmission.

The outbreak of financial fraud of Luckin Coffee is not accidental, but caused by the accumulation of various reasons. Therefore, through the analysis of Luckin coffee incident, it is of great importance for the construction of accounting supervision mechanism in the new era, which is worthy of analysis and reference. Internally, enterprise management, accounting institutions and accounting personnel fail to fulfill their duties in strict accordance with relevant laws and regulations. For the purpose of improving the performance of the company and enhancing the corporate image, the management instructs the accountants to artificially manipulate the financial indicators such as revenue, cost and profit to whitewash the operating results of the enterprise; The accounting staff is of small talk, coupled with the coercion and inducement of the management, they do not comply with the accounting staff's professional ethics and follow the arrangement instructions of the management, which seriously affects the quality requirements of accounting information and reduces the reliability, comparability and relevance of the data. Externally, the construction of the supervision system at the national level is not perfect, and the supervision of finance and accounting needs to be strengthened. As an important participant in enterprise accounting and supervision, accounting personnel is more timely, effective and accurate than other supervision

methods. Therefore, accounting supervision plays a non-negligible role in our supervision system. Accounting firms and enterprises can freely choose to conduct business audit supervision from each other for reasons such as interests, favors and results. For a specific purpose, accounting firms are driven by interests and do not prompt or disclose major financial risks, which reduces the independence of audit to a certain extent and results of audit are unfair.

4. Suggestions

4.1 Improve the legal system of accounting supervision

On the one hand, state organs should strengthen the relevant legislation of accounting supervision. We can learn from the successful experience and practice of foreign developed countries, follow up the revision and update of relevant legal system implementation rules, combine theory with practice, and improve application and practicability. On the other hand, enterprises should establish a complete internal control system. From business processes, rules and regulations, level authorization to risk management, through a sound internal control system to effectively carry out prior prediction, in-process supervision, and post evaluation, reduce the harm of accounting risks to the continuous operation of enterprises. At the same time, the intervention of senior executives, shareholders and directors in relevant decisions should be reduced, the supervisory role of supervisors and board of supervisors should be given full play, and the status of accounting personnel in the company should be attached importance, so as to enhance the independence and integrity of accounting supervision and improve the quality of accounting information.

4.2 Promote the integration of financial and accounting supervision systems

Accounting supervision not only includes the supervision of accounting institutions and financial personnel, but also includes the supervision of external institutions such as government departments and accounting firms. Government departments should improve the formulation of relevant systems, have laws to follow and rules to follow, promote the construction of the "Internet plus government affairs" platform, and realize information sharing and supervision linkage. At the same time, we will strengthen supervision and guidance over enterprises and third parties. Accounting firms should, in accordance with the legal system, improve their professional skills, optimize resource allocation, enhance personnel literacy, pay attention to quality requirements, and provide accurate, objective and true audit reports and opinions.

4.3 Strengthen the construction of accounting supervision information.

With the booming rise of new digital technologies such as big data, artificial intelligence, mobile Internet, cloud computing, Internet of things and blockchain, it has brought new opportunities and challenges to the accounting industry. Realizing financial intelligence and promoting information construction can not only improve efficiency and strengthen management, but also be an effective means to enhance the competitiveness of enterprises and an important opportunity to effectively connect the financial procedures and management systems of enterprises. Enterprises should establish an intelligent and shared accounting supervision information system to efficiently collect, summarize, analyze and process data from the aspects of centralized fund management, centralized financial accounting and centralized budget control, so as to improve the efficiency of internal accounting supervision and improve the feedback effect of accounting supervision. To the enterprise management decision also can carry on the effective supervision, enhances the financial accounting supervision forward-looking, eliminates the financial risk in time, improves the financial management level. Promote the information sharing of financial and accounting supervision and other supervision methods, build network service platforms, collect and process the feedback results and opinions of supervision, realize the sharing of financial data and supervision results, and give better play to the dynamic role of the Party and state supervision system.

5. Conclusion

This paper studies some problems of accounting information disclosure of listed companies in China, and puts forward some specific measures for these problems, including improving the legal system of accounting supervision, constructing the accounting supervision information and so on. It can provide effective suggestions for China's accounting information disclosure to be more fair and transparent, and for the orderly and healthy development of the socialist market economy.

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