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## **The Value Relevance of Accounting Information based on New Accounting Standards: An Analysis of the Chinese GAAP**

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### **Abstract.**

Since the implementation of the new accounting standards for listed companies in 2007, the value relevance of accounting information has increased in China. In fact, value relevance of the income statement is more than that of the balance sheet. The fair value is a main feature introduced in the new accounting standards, which has value relevance in the Chinese context. Before the implementation of the new accounting standards, the expected earnings had weak correlation with cumulative returns of investors. After the implementation of the new accounting standards, both the expected earnings and unexpected earnings have improved their value relevance related to cumulative returns of investors. In other words, investors are not only concerned about their short-term gains but they are also concerned with the long-term stability of earnings of companies. However, the balance sheet concept is not fully effective in the new accounting standards. The degree of value relevance increase for the balance sheet is smaller than that of the income statement. In summary, the implementation of the new accounting standards in China has improved value relevance of accounting information, but the balance sheet did not take effect due to fair value's vulnerability in the fluctuation of the capital market.

**Key words:** accounting standards, value relevance, Chinese GAAP