

A Research on a New Accounting Method

Yang Gao

Hubei Buwei Accounting and Tax Management Consulting Company, 37 Zhuhai Avenue, Xiangyang City, Hubei Province, China
uphill514[at]hotmail.com

Abstract: *This paper mainly expounds a new user-oriented accounting method which takes a specific object as the accounting subject to meet the needs of accounting information users. On the one hand, this paper theoretically proves the rationality and advanced nature of taking specific objects as accounting subjects. On the other hand, from the perspective of accounting practice, this paper demonstrates the feasibility of computerized accounting with specific objects as accounting subjects, and analyzes the advantages and disadvantages via comparison with computerized accounting with the company as the accounting subject. Taking the specific object as the accounting subject can meet the needs of multi-level accounting information users, accounting treatment is more real and reasonable, accounting is more accurate, accounting information is more comprehensive and complete, which makes up for the defects of the assumption that the company is the accounting subject.*

Keywords: accounting method, specific object, multi-level accounting, user-orientation

1. Limitations of the Assumption that Company is the Accounting Subject

An accounting theory is an explanation for observed accounting and auditing practices [1]. Accounting subject is an objective prerequisite for financial reporting, and changes in the objective economic environment may lead to changes in the outreach and connotation of the accounting subject. With the development of market economy, various actors increasingly need to obtain a timely and comprehensive accounting information. The assumption that company is the accounting subject is, to some extent, incompatible with the viewpoint of the system theory of accounting information, which is attracting more and more attention, and is somewhat outdated in view of the development trend of enterprise mergers, cooperation, internal accounting and even including virtual enterprises. The reasons can be elaborated from both internal and external aspects.

Firstly, from the perspective of the accounting subject, the development of individual companies into enterprise groups has complicated the relationship between certain companies, and the space of business operation has been continuously expanded and extended. There are some departments within a company, whose economic activities are obviously different from other departments. If there are some departments within a company whose economic activities are so clearly different from other departments that the accounting information of these departments is particularly useful for external resource providers to make decisions on providing resources to the subject, then these internal departments of special economic activities can also be considered as the reporting subject, which means that the internal financial reports of the departments can be externalized. In the era of knowledge economy, the emergence of virtual enterprises has broken through the previous concept of space, and virtual enterprises are not complete economic entities in the legal sense, and the intangibility of their existence makes the accounting subject not only limited to the real physical space, but also lies in the virtual network space, and this virtual network space makes the accounting subject divide and merge rapidly and has great flexibility, which to a certain extent expands the traditional. It

can be considered as a new type of relative accounting subject derived from the development of information technology in the era of knowledge economy.

Secondly, from the external viewpoint of the accounting subject, the ultimate purpose of financial reporting is to meet the information needs of users of accounting information. The accounting information comes from the accounting subject, and the demand for accounting information depends on the users of accounting information; in turn, accounting information will affect the users' decision-making behavior, and what kind of problems the users of accounting information face and what kind of decision-making methods they use will involve the collection, organization and application of accounting information.

2. Taking a Specific Object as Accounting Subject

Accounting subject refers to the specific object served by accounting work, which is the spatial scope of accounting recognition, measurement and reporting for a specific object. Facing the limitations of the accounting subject assumption, the emphasis on the accounting subject assumption should be shifted from a single, tangible and stable entity in the past to a specific subject that meets the needs of accounting information users, and as long as the combination of mutual collaboration for common economic interests, no matter how many departments or how many independent business organizations there are, they can be regarded as accounting subjects. The author defines the accounting subject hypothesis as a subject that provides accounting information to a specific object. This subject can be a tangible and lasting one or an intangible and short-lived one, including all legal entities or enterprise groups, but also unincorporated subjects and their special branches and divisions with important characteristics within the enterprise, and so on.

Taking specific object as the accounting subject is the extension and expansion of the spatial scope of the company as the accounting subject, which is the inheritance, development and improvement of the theory of accounting

subject assumption. Under the corporate system, the scope of accounting subject is relatively clear. However, with the continuous development and changes of market economy, the boundary of accounting subject becomes less and less clear. The emergence of virtual economic organizations, which do not have independent legal personality from the legal point of view, has impacted the independence of the so-called accounting subjects in the traditional sense and promoted the emergence of accounting subjects with various levels and ambiguities. At the same time, the emergence of virtual economic organizations has made a great impact on the concept of the entity assumed as the accounting subject in the traditional sense. Obviously, the original accounting subject is explained by the economic interest-related association, and the various mergers, consolidations, demergers, reorganizations, virtual economy and other businesses that exist now are also better understood, and this economic interest-related association is one of the specific objects.

With the specific object as the accounting subject, the accounting treatment is more realistic and reasonable, the accounting is more accurate, and the accounting information is more comprehensive and complete. With the specific object as the accounting subject to analyze and judge the economic substance of the business after considering other subjects related to it from the overall perspective, the accounting can better reflect the economic substance, the accounting is more accurate, and the information reflected in the financial report is more true, accurate and comprehensive, and more in line with the requirements of truthfulness, accuracy and completeness of accounting information quality.

3. Practical Research

With the help of network computerization environment, the accounting work enters the era of computerized accounting management and information. E-commerce has broken through the pattern and boundary of traditional commodity exchange, so that there is no need for face-to-face transactions between merchants and consumers, which has impacted the traditional accounting industry [2]. The process of generation and development of accounting computerization is also the process of breaking through the traditional accounting concepts, breakthrough and improvement of the existing accounting theories and methods. IT networks and computer systems have shortened the time needed by accountants to prepare and present financial information to the management [3].

Multiple companies within the economic interest-related consortium and external companies trading with each other at the same time make accounting practice accounting often have some uncertain factors and their relationships are complex, it is difficult to make certain judgments and estimates in accounting processing, in order to carry out normal business processing based on the reality, clear accounting subject is an important prerequisite for carrying out accounting recognition, measurement and reporting work, and the scope of accounting objects is limited from the space, which provides the basis for accountants to make correct judgment on each transaction or matter in accounting and to choose

accounting treatment methods and procedures correctly. After the establishment of accounting information processing network, through the process of accounting computerized accounting, we can define the accounting subjects of specific objects according to the needs of accounting information users.

After the realization of computerized accounting, the accountants only need to enter all kinds of detailed information into the computer to form a basic database, and the users of accounting information can automatically collect and classify and summarize relevant data and information from the basic database according to certain instructions, and obtain the required financial information from the internet at any time and any place, so as to collect, transform, transmit and utilize information faster and more economically, and reduce the implementation cost and usage cost of information.

3.1 Case study

Three persons, A, B, and C without associated relationship have established three companies respectively, namely X, Y and Z. However, they are actually one body of interest or business unit. X and Y were established as general taxpayers limited company to undertake business, while Z was established as small-scale taxpayer individual company only as Y's downstream company. X, Y are applied to tax audit collection, Z approved levy. Group customers G and suppliers H have business relations with X and Y. The operating status of the actual interest body can be shown as follows:

| Balance Sheet (Unit: 10,000) | X | Y | Z | Total |
|---------------------------------|---------|---------|--------|---------|
| Asset | 3000.00 | 1000.00 | 100.00 | 4100.00 |
| Currency | 1000.00 | 300.00 | 100.00 | 1400.00 |
| Accounts Receivable | 1000.00 | 200.00 | 0.00 | 1200.00 |
| Other Receivables | 1000.00 | 500.00 | 0.00 | 1500.00 |
| Liabilities | 1000.00 | 500.00 | 100.00 | 1600.00 |
| Accounts Payable | 500.00 | 200.00 | 0.00 | 700.00 |
| Other Payables | 500.00 | 300.00 | 100.00 | 900.00 |
| Owner's Equity | 2000.00 | 500.00 | 0.00 | 2500.00 |
| Paid-in Capital | 1000.00 | 300.00 | 0.00 | 1300.00 |
| Undistributed Profit | 1000.00 | 200.00 | 0.00 | 1200.00 |

The balance sheet at the beginning of 2020 are as shown in the above table, and the business in January 2020 is as follows:

- 1) Company X and customer G have an excluding tax income of 10 million yuan (service fee with a tax rate of 6%). After earning 15%, company X outsources its business to company Y and H. Company Y has an excluding tax income of 7 million yuan and company H has an excluding tax income of 1.5 million yuan; After earning profits, company Y outsources its business to company H and company Z. Company H has an excluding tax income of 5 million yuan and company Z has an excluding tax income of 1.5 million yuan.
- 2) Company Y and customer G have an excluding tax income of 5 million yuan (service fee with a tax rate of 6%) and its businesses is outsourced to company H and Z. Company H has an excluding tax income of 1.5 million

yuan and company Z has an excluding tax income of 3 million yuan.

- 3) Company X received 1 million yuan loan from company Y's bank deposit, company Y received 2 million yuan loan from company X's bank deposit and 500,000 yuan loan from company Z's bank deposit.
- 4) Company X and Company Y use bank deposits to pay the current excluding tax administrative expenses of 300,000 yuan (excluding 10,000 yuan of input tax) and 500,000 yuan (excluding 20,000 yuan of input tax) respectively.

Assuming that the small taxes (urban maintenance and construction tax, local education fees and their surcharges) are 10% of the value-added tax, company Z can issue special invoices for value-added tax, the tax rate is 3%, the approved operating income is 2.5%, the enterprise income tax is 5% within 1 million, 10% between 1 million and 3 million, and 25% above 3 million; The accounting shall be rounded to 2 decimal places.

The final result is the same when the company is used as the main body of accounting and the specific object is used as the main body of accounting to compile the financial statements to meet the needs of the users of accounting information. The brief process of preparing financial statements to meet the needs of the users of accounting information by using the accounting method of company as the accounting entity is complicated. However, the new accounting method proposed by the author with specific object as accounting subject, use auxiliary accounting, set up an account set with specific object as accounting subject, analyze and judge the overall situation and economic essence of business from the overall perspective, and then conduct accounting to get financial statements directly. It is much easier to calculate and understand. The balance sheet and incomes statement are as follows:

| Balance Sheet (Unit: 10,000) | X+Y+Z |
|------------------------------|---------|
| Asset | 5592.15 |
| Currency | 1302.15 |
| Accounts Receivable | 2790.00 |
| Other Receivables | 1500.00 |
| Liabilities | 2496.63 |
| Accounts Payable | 1548.00 |
| Other Payables | 900.00 |
| Tax | 48.63 |
| Owner's Equity | 3095.52 |
| Paid-in Capital | 1300.00 |
| Undistributed Profit | 1795.52 |

| Income Statement (Unit: 10,000) | X+Y+Z |
|---------------------------------|---------|
| Main business income | 1500.00 |
| Main business cost | 800.00 |
| Gross profit | 700.00 |
| Taxes and surcharges | 3.90 |
| Management expenses | 80.00 |
| operating profit | 616.10 |
| Total profit | 616.10 |
| income tax | 20.58 |
| Net profit | 595.52 |

3.2 Pros and cons analysis

There are many advantages of this new accounting method, which is introduced as follows:

Firstly, from the perspective of clarity of accounting methods, accounting computerized accounting with specific objects as the accounting subject is clearer. It is developed from the needs of users, which makes it user-friendly and user-oriented.

Secondly, from the complexity of setting up the account set, with specific objects as the accounting subject may be complex, may be simple, but in any case, it is more convenient.

Thirdly, in terms of the processing of accounting documents and accounting results, using a specific object as the accounting subject for computerized accounting is to analyze and judge the context and economic substance of the business from an overall perspective and then perform accounting processing and prepare financial statements, which is a simple and more in line with the requirements of truthfulness, accuracy and completeness of accounting information.

Fourthly, in the process of preparing financial statements, each company is used as the accounting subject to establish an account set for accounting to obtain the financial statements of each company, and then a specific entity is used as the accounting entity to offset internal transactions to prepare the consolidated financial statements, the preparation procedures are complex. But taking a specific object as the accounting entity is to meet the needs of accounting information users, after analyzing and judging the business context and economic essence from an overall perspective, we can directly obtain the financial statements through accounting, which is more direct and faster.

Fifthly, from the accounting results, the final results obtained from the preparation of financial statements to meet the needs of users of accounting information are the same for accounting computerized accounting with a company as the accounting subject and accounting computerized accounting with a specific object as the accounting subject, but the results of accounting computerized accounting with a specific object as the accounting subject are more direct.

Sixthly, from the tax perspective, taking the company as the accounting entity is more in line with the tax requirements, because the tax takes the company as the accounting subject, but meeting the tax-related regulations is different from meeting the needs of accounting information users. It is necessary to prepare financial statements that take the company as the accounting subject for computerized accounting to meet the tax-related regulations after taking specific objects as the accounting subject for computerized accounting to prepare financial statements that meet the needs of accounting information users. Then it can also be more in-depth understanding of the economic nature of the business, more conducive to tax planning.

4. Conclusion

The accounting procedures and financial reports performed by the company as the main accounting actor are correct and reasonable, and it can meet the needs of tax reporting, but it cannot meet the needs of multi-level accounting information users. The accounting procedures carried out with specific objects as accounting subjects are similar to those carried out with companies as accounting subjects, except that the accounting procedures carried out with specific objects as accounting subjects are based on the analysis and judgment of the context and economic substance of the business from the overall perspective of all related subjects, and are more in line with the requirements of truthfulness, accuracy and completeness of accounting information.

In addition, the new accounting method proposed by the author can meet the needs of multi-level accounting information users. The preparation of financial statements to meet the needs of accounting information users with a specific object as the accounting subject for computerized accounting also requires the preparation of financial statements with the company as the accounting subject for computerized accounting to meet the needs of tax reporting. Looking ahead, both exist simultaneously, and the latter is proposed to inherit, develop and improve the theory of accounting subject assumptions, while the times are developing and society is progressing, accounting theory also needs more improvement and development as well as innovation.

It's important to note that under the background of diversified development of accounting culture, accounting is still a subject that combines theory and practice closely with the development of the times, we should learn and apply it flexibly on the basis of adhering to the basic principles of accounting.

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Author Profile

Yang Gao, an accountant in China, America's Certified Management Accountant, is the chairman and CFO of Hubei Buwei Accounting and Tax Management Consulting Company. He has been assiduously self-taught in accounting for about ten years with seven years of working experience in the field of financial management, with deep expertise in taxation and accounting. He is pursuing his master's degree in Yanka Kupala State University of Grodno.