

Problems and Countermeasures of financial information disclosure of non-profit organizations in China

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Abstract: non-profit organizations are social organizations aiming at public interest and public service. Information disclosure is helpful to solve the problem of information asymmetry between non-profit organizations and stakeholders, so that stakeholders can make appropriate judgments. In recent years, the situation of information disclosure of non-profit organizations in China has improved, but there are still some problems, such as low usefulness, not timely and so on. In this paper, through the analysis of China's non-profit organization financial information disclosure of low usefulness, not timely and other issues, targeted to improve the countermeasures.

Keywords: non-profit organization; information disclosure

1. Introduction

Non-profit organization is an organization whose goal is to support or deal with issues or events of personal concern or public concern. Non-profit organizations are involved in a wide range of fields, including art, charity, education, academic, environmental protection and so on. Their operation is not to produce benefits, which is usually regarded as the main characteristics of such organizations^[1] At the same time, it has the important characteristics of non-profit, non-governmental, autonomous, voluntary, no political, no religious and so on. In this paper, non-profit organizations mainly refer to non-governmental non-profit organizations except hospitals, schools and other government non-profit organizations.

With the development of non-profit organizations in China, it has gradually become an important part of China's economy and plays an increasingly important role. According to the charity Blue Book , as of December 31, 2019, the total number of social organizations in China is 867000, and the total amount of social public welfare resources is 337.4 billion yuan.^[2]Therefore, requiring NPOs to disclose information efficiently not only helps to reduce the cost of principal-agent and solve the problem of information asymmetry, but also helps to promote the optimal allocation of social resources, improve the operational efficiency of relevant institutions, and promote the development of social public welfare undertakings.

2. Problems of financial information disclosure of non-profit organizations in china

(1) The usefulness of information disclosure is low

In December 2019, the China base transparency index (FIT) was released in Beijing. China base transparency index is a set of comprehensive indicators, weight, information disclosure channels, integrity and other parameters.^[3] It is a foundation transparency standard evaluation system in the form of ranking list. According to the charity law of 2016, the measures for information disclosure of charitable organizations of 2018, relevant government departments at all levels, the official websites of various foundations and the information released by public channels, it evaluates 6394 non-profit organizations in China The organization evaluates the transparency of information disclosure.

The report shows that the average score of fit of the participating organizations is 51.34, which is a small improvement compared with 50.08 in 2018, but the number of Full Score foundations has increased significantly. The average completion of basic information disclosure is good, but the project information and financial information need

to be improved. According to the statistics of zhongxin.com of the foundation in 2019, the completion rate of project information of non-profit organizations is only 37%, and the missing rate of project display columns is as high as 54%; the average completion rate of financial information is 41%, and the missing rate of audit report is 37%. And that's exactly what the public is most concerned about.

According to the above data, most of the questions about NPO's organizational performance, financial management, project evaluation and so on have not been fully answered, and even some donors can't obtain NPO's information disclosure report in time.

(2) Information disclosure is not timely

The accounting system for non-governmental non-profit organizations clearly stipulates that "the annual financial and accounting reports of non-governmental non-profit organizations shall be provided to the public at least four months after the end of the year".^[4] However, the accounting system of administrative units does not specify the time requirement of financial information disclosure, which leads to the late disclosure of financial information of non-profit organizations with the nature of administrative units. Take the love foundation, which got the full score of fit, for example, it only released its financial report for 2019 on August 5, 2020. Although affected by epidemic factors, the financial statements of 2017 and 2018 were released in May of the next year, which exceeded the four months stipulated in the accounting system for non-profit organizations.^[5]

3 The solution of financial information disclosure of non-profit organizations in china

(1) Add function cost table

In order to enhance the usefulness of information disclosure, non-profit organizations need to pay more attention to the requirements of information users. The users of relevant information disclosed by non-profit organizations are mainly managers and donors, and the donation of donors is the main source of income for most non-profit organizations. These donors will pay more attention to the use efficiency and effect of non-profit organizations on donations or donated goods, and will consider such related factors in the next donation.

With the increasing complexity of organizational activities, the business activity table used by many non-profit organizations can no longer meet the requirements of information users to understand the various costs of the organization. Therefore, the function cost table can be added to provide cost information according to the nature and function.^[6] For example, after classifying all projects according to the nature of the project, reasonable information disclosure should be made on the cost of each part of each project.

(2) Disclosure of relevant non-financial information

In addition to disclosing three statements to reflect the economic operation efficiency of the organization, a series of non-financial indicators that can truly reflect the public welfare of non-profit organizations should also be provided, such as qualitative indicators such as the use time, flow direction and use effect of funds. The ultimate result of non-profit organization may be a primary school, a healthy body, a forest or even a new life, which can not be measured by the financial information in accounting.^[7] Therefore, the disclosure of relevant non-financial information is conducive to information users' intuitive perception of the performance of non-profit organizations, and is also conducive to attracting potential investors.

(3) Increase the penalty for delay

In China, the accounting system for non-governmental non-profit organizations is "accounting system for non-governmental non-profit organizations". Different from other organizations, the accounting system of non-governmental non-profit organizations has no direct legal basis and external strong supervision. Without the restriction of relevant laws and the supervision of relevant departments, the usefulness and timeliness of information disclosure of non-profit organizations in China has not been well solved. Therefore, we can formulate corresponding laws and regulations and supervision mechanism, and increase the punishment of delayed disclosure of financial reports.

(4) Introducing professionals and systems

The lack of relevant resources of non-profit organizations is also one of the reasons for their untimely information disclosure. The essential characteristic of non-profit organizations is not to make profit, which makes the salary management of non-profit organizations in China exist equalitarianism. This kind of equalitarianism seriously affects the work enthusiasm of non-profit organization employees, and also hinders the possibility of introducing professional talents. Therefore, improving human resource management and recruiting more professional accountants and information technology personnel is one of the ways to improve the operation efficiency of non-profit organizations.^[8] It is suggested that a special talent introduction platform should be set up to match people with posts, improve the treatment of professional talents, and make the organization and financial talents connect quickly.

(5) Building a reasonable evaluation mechanism

First, strengthen the supervision of government departments. The civil affairs department can regulate the activities of non-governmental non-profit organizations, the financial department can evaluate the allocation of public welfare projects, and set up a special group to supervise the use effect of charity funds.^[9] Secondly, an independent third-party evaluation mechanism can be established. In the guidelines for the development of China's Philanthropy (2011-2015) issued by the Chinese government, it is proposed for the first time that charitable organizations should introduce a third-party evaluation mechanism. The effective external supervision system of the third-party evaluation mechanism in the field of public management can not only achieve the balance between the internal governance and external supervision of social organizations, but also provide clear guidance for donors, so that charitable resources can be efficiently allocated.^[10]

4. Conclusion

With the increase of the number and scale of non-profit organizations and the increasing amount of social donations, it has become the consensus of the society to improve the quality of accounting information disclosure and enhance the transparency of the operation of non-profit organizations. In recent years, the transparency of information disclosure of non-profit organizations in China has improved, but there are still many problems such as low usefulness of information disclosure and untimely information disclosure.

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