

Research on Financial Fraud in the Supply Chain of NianFu Company Under Performance Commitment - From the Perspective of Business Ethics and Accounting Professional Ethics

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Abstract: *With the vigorous development of China's economy, business ethics in the field of market economy has become the focus of social discussion. In recent years, cases of financial fraud to realize their interests are common, disrupting the healthy development of the capital market and damaging the vital interests of small and medium-sized investors. This paper takes the typical illegal case of the securities regulatory inspection in 2021 - the financial fraud case of the Nianfu supply chain as an example. First, the basic situation of the case is introduced; Secondly, it exposes the means of financial fraud and analyzes the motivation of fraud based on the triangle theory of financial fraud, and finds that enterprises commit financial fraud out of financing needs and under the pressure of performance commitment. Finally, it analyzes the behavior of financial fraud in violation of business ethics and accounting professional ethics, and puts forward corresponding countermeasures and suggestions.*

Keywords: NianFu supply chain; Performance commitment; Financial fraud; Business ethics; Professional ethics.

1. INTRODUCTION

In recent years, financial fraud cases often occur in the capital market, and the financial fraud cases of listed companies can always cause significant reactions in the capital market. Among the 20 typical illegal cases audited by the Securities Regulatory Commission in 2021, the cases of Nianfu Supply Chain and Ningbo Dongli information disclosure violations were listed. This case is a typical case of a financial fraud in fictitious supply chain business. Nianfu supply chain caused the listed company to directly set aside 1.717 billion yuan of goodwill impairment through financial fraud, and at the same time set aside 1.373 billion yuan of bad debt reserves for Nianfu supply chain receivables and other receivables. As early as the end of 2015, Ningbo Dongli suspended trading and began to plan the acquisition of Nianfu Industry. However, in the process of acquisition, disputes between subsidiaries and related parties were found through third-party companies and asset evaluation agencies, but this did not cause Ningbo Dongli to attach great importance. On Dec 17, 2015, Ningbo Dongli began to suspend trading to plan a major asset restructuring and included the Nianfu supply chain in its consolidated financial statements in August 2017. In order to make up the promised performance and complete the net profit agreed in the performance commitment letter, the acquired company, Nianfu Supply Chain, embarked on the road of financial fraud, and finally made the acquired company, Ningbo Dongli, a serious loss. From 2015 to 2018, the company's share price fell from 20.57 yuan to 2.41 yuan, a new low since its listing, and directly caused the market value to decline by more than 10 billion yuan. Even tens of thousands of shareholders were deeply trapped, and the fake enterprise-rich supply chain eventually ended up in bankruptcy. Business ethics is the principles and norms of business conduct that business subjects should abide by, and the good business spirit that should be established. Accounting professional ethics is the norms and constraints of accounting personnel. However, in the whole process of financial fraud, from the perspective of corporate governance, the management of the company participates in the planning, and business ethics and ethics are seriously missing; From the perspective of accountants, accountants lose their independence and lack accounting professional ethics.

2. LITERATURE REVIEW

2.1 Research on financial fraud

Based on the research and analysis at home and abroad, it is found that the research on financial fraud is mainly carried out from three aspects, including the study on the influencing factors of financial fraud, the study on the impact of financial fraud, and the study on management of financial fraud.

Domestic and foreign scholars started the research on the influencing factors of financial fraud earlier and achieved rich results. They often linked financial fraud with management characteristics, corporate culture, internal control environment, salary incentives and other aspects. Malmendier (2011) found that overconfidence in the management or the growth experience in childhood would affect the management decision and financial manipulation behavior of the enterprise, thus affecting the authenticity of financial information. Tenpai et al. (2020) believe that internal control defects will lead to management fraud, while related party transactions will create potential opportunities. Zhou et al. (2018) further found that under the consideration of equity incentives, the effect of compensation returns and other measures on corporate financial fraud is also regulated by whether enterprises have delisting pressure. In enterprises with high delisting pressure, executive compensation has no inhibitory effect on fraudulent behavior. For companies without delisting pressure, the inhibitory effect is highly significant. Taking Jiu hao Group as an example, Weng Jianying (2021) analyzed the motivation of fraud and the internal causes of audit failure and found that accounting firm organization, system level, institutional investors, and other factors have an important impact on the governance of corporate financial fraud.

The research on the impact of financial fraud is mainly based on the perspective of enterprises, studying the decline of corporate reputation caused by financial fraud and the negative impact on the capital market. Files et al. (2019) found that the reputation of an enterprise that has committed financial fraud will also be greatly reduced. Not only that, the independent directors of the enterprise have not weakened their status in the enterprise in time, but affected by the reputation of the enterprise, their seats on the board of directors of other enterprises will also be reduced. Ye Fan et al. (2021) took Kangmei Pharmaceutical as an example, built a model from five dimensions related to inventory to analyze financial fraud, and explained the impact of this incident on the market.

The research on the governance of financial fraud is mainly based on the theory of financial fraud to understand the motivation of enterprises to commit financial fraud, and then from the perspective of internal governance and external supervision to standardize the financial fraud behavior of enterprises. Zhang Xuchao (2019) makes Changsheng as a case and assigns the responsibility for fraud to all participants from the four aspects of greed, opportunity, need and exposure based on the GONE theory. As for the governance of financial fraud, the supervision of government departments is a powerful measure for the governance of financial fraud. Hail (2018) believes that sometimes the flexibility and knowledge of regulatory authorities and intermediaries are far less than that of enterprises, and the regulatory mechanism is not fully effective. Therefore, the governance of financial fraud requires enterprises to investigate themselves and improve their regulatory mechanism to eliminate fraud. Laux (2014), from the internal perspective of the enterprise, believes that when the board of directors uses accounting information to make investment decisions, the increase of the CEO's manipulation marginal cost will increase the optimal compensation convexity, and the manipulation range that first increases and then decreases should be identified. Lian Yanling et al. (2021) found that the higher the degree of ownership concentration, the more active the major shareholders are in supervising the CEO's participation in the strategic decision-making process of the enterprise, and the more effectively they can restrain the risk-taking ability of the CEO to take financial fraud.

2.2 Research on business ethics and accounting professional ethics

Core areas of business ethics include ethics in corporate governance, business ethics in consumer relationship management, business ethics in market competition and cooperation, and corporate social responsibility. With the development of digital economy, business ethics in the digital age Business ethics in the digital age includes the trend of business change in the digital age, the dilemma of business ethics in the digital age and the principles of business ethics in the digital age. The relevant research on accounting professional ethics can be divided into the professional ethics of accountants, the professional ethics of certified public accountants and the professional ethics of accounting in the digital age according to the object.

Based on the domestic research on business ethics and accounting professional ethics, it can be summarized into macro and micro aspects. On the macro side, Yan Pin (2017) believes that to establish modern business ethics standards, we should not only establish economic legal system and credit system, but also strengthen business ethics education, optimize the external environment and give external pressure, and at the same time awaken the ethical consciousness of enterprise managers, so as to realize the internal institutionalized management of business

ethics. Shao Anhua (2018) believes that in the current construction of business ethics in China, the basic principles and theoretical foundation of business ethics must be established to consolidate the foundation of business ethics construction in China. Secondly, social supervision, the rule of law and morality should be combined to form a new value system of business ethics under the socialist market economy system. At the micro level, Zhou Xinyu (2016) discusses the significant impact of accounting consciousness on accounting industry norms and the maintenance of accounting professional ethics from the perspective of individual accountants. Yi Haifeng (2013) believed that in order to strengthen the construction of enterprise ethics in China, efforts should be made from three aspects: improving the ethical quality of enterprise managers, strengthening the ethical education of enterprise employees and strengthening the macro-control of the government. Shi Ruotai. (2020) studied the business ethics and accounting professional ethics of enterprises through the case analysis of Wanfu Shengke's financial fraud. Li Xuan (2020) analyzed J Group's illegal disclosure of backdoor listing information from the perspective of business ethics and accounting professional ethics.

According to previous literature studies, it can be found that in financial fraud cases, there is basically a lack of business ethics and accounting professional ethics. At the same time, enterprises are easy to do things that violate business ethics and accounting professional ethics in order to realize their own interests. This paper takes the financial fraud case of the Nianfu supply chain as an example, analyzes the motivation of financial fraud based on the triangle theory of financial fraud, and studies the business ethics and accounting professional ethics of the Nianfu supply chain from the perspective of corporate governance and accounting personnel. Finally, the paper reflects on the business ethics and moral problems in the financial fraud case of the Nianfu supply chain and puts forward corresponding countermeasures and suggestions.

3. CASE INTRODUCTION AND EVENT ANALYSIS

3.1 Company profile and event description

3.1.1 The acquirer - Ningbo Dongli

Ningbo Dongli Co., LTD. (hereinafter referred to as "Ningbo Dongli"), founded in 1997, was listed on the Shenzhen Small and Medium Board in 2007, and is the first A-share listed company in China's gear industry. After 20 years of development, it has gradually established a diversified and professional business pattern with transmission equipment, supply chain integrated service, gate control system and engineering and technical service as the main industries. Affected by the lack of demand in the downstream industry, Ningbo Dongli's performance has been in a straight decline since 2012, and the annual net profit has suffered a loss for the first time. Since then, the company's main business has been relatively depressed. From 2012 to 2015, Ningbo Dongli deducted non-net profit for four consecutive years, which made the listed company was delisted in 2014. Based on the improvement of performance to get rid of the delisting crisis pressure is like a "sword of Damocles" hanging on the head of Ningbo Dongli, officially in this background, Ningbo Dongli began the road of foreign mergers and acquisitions since 2015.

3.1.2 The acquired party - Nianfu Supply Chain

Shenzhen Nianfu Supply Chain Co., LTD. (referred to as "Nianfu Supply Chain"), located in Futian District, Shenzhen, is a technologically advanced service enterprise focusing on integrated supply chain integration services. In 2015, Nianfu Supply chain entered the vision of Ningbo Dongli. This old Shenzhen supply chain enterprise was established in 2008. The company tailor-made supply chain solutions integrating financing flow, business flow, logistics and information flow for customers. It specializes in undertaking non-core business outsourcing - business outsourcing, logistics outsourcing, settlement outsourcing, information system and database processing outsourcing, and provides settlement, ticket, tax, exchange and other services, as well as business, customs clearance, commodity inspection, logistics and information and other supporting services to ensure that customers' external transactions and supply chain operation process is fast, flexible, safe and reliable. In June 2016, Ningbo Dongli announced the purchase price of 2.16 billion yuan, at a value-added rate of about 700% to buy 100% equity of Nianfu Supply Chain, and to increase the capital of Nianfu Supply Chain by 200 million yuan.

3.1.3 Description of the financial fraud incident of Nianfu Supply Chain

In July 2017, Ningbo Dongli spent a huge sum of 2.16 billion yuan to acquire Shenzhen Nianfu Supply Chain Co., LTD. Table 1 shows Ningbo Dongli's main accounting data and financial indicators before and after the acquisition of Nianfu Supply Chain. It can be found from Table 1 that the operating income of Ningbo Dongli in 2017 increased by 2399.84% compared with 2016. In the successful acquisition and table after the financial report data finally become bright, it can be said that the rich supply chain to its own force to boost the income of Ningbo Dongli. But less than a year, Ningbo Dongli on the "great justice to kill relatives", on the grounds of contract fraud will be the relevant executives of the supply chain are accused all over. On August 29, 2018, in the "Announcement on the Removal of Directors and senior Executives" issued by Ningbo Dongli, the illegal acts of Nianfu Supply Chain were disclosed in detail: "Li Wenguo and the senior management team of Nianfu Supply Chain are suspected of concealing the actual operation of Nianfu supply chain in the process of signing and fulfilling the asset purchase agreement and performance compensation agreement with Ningbo Dongli, embezzling the company's funds through a number of overseas affiliated enterprises, colluding with customers, and making extensive financial fraud to defraud the listed company's equity, merger and acquisition funds, capital increase funds and guarantees." Affected by this, Ningbo Dongli issued a semi-annual report in 2018, saying that it fully impaired the goodwill of Nianfu supply chain of 1.717 billion yuan, and provided for the bad debt reserve of Nianfu supply chain receivables and other receivables of 1.363 billion yuan. It can also be found from Table 1 that Ningbo Dongli's operating income in 2018 decreased by 8.62% compared with that in 2017. What is more significant is that the net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses reached 1238.60%.

Table 1: Main accounting data and financial indicators of Ningbo Dongli before and after the merger and acquisition

	2018	2018 is up or down from 2017	2017	2017 is up or down from 2016	2016
Operating revenue / 100 million yuan	117.61	- 8.62%	128.70	2399.84%	5.15
Net profit attributable to shareholders of listed companies/RMB 100 million	28.01	- 1857.90%	1.59	1277.33%	0.12
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses (yuan)	17.65	- 1238.60%	1.55	2940.84%	0.05
Net cash flow from operating activities/yuan	4.68	5173.76%	0.09	- 94.34%	1.57
Basic earnings per share (yuan/share)	4.00	- 1479.31%	0.29	866.67%	0.03
Diluted earnings per share (yuan/share)	4.00	- 1479.31%	0.29	866.67%	0.03
Weighted average return on equity	- 139.23%	A 147.14 percentage point reduction	7.91%	6.84%	1.07%
Total assets (yuan)	17.01	- 89.63%	163.94	853.77%	17.19
Net assets attributable to shareholders of listed companies (Yuan)	5.76	- 83.11%	34.12	212.79%	10.91

Data Source: Financial reports of Ningbo Dongli in 2017 and 2018.

3.2 Analysis of financial fraud means of Nienfu supply chain

3.2.1 Inflated revenue and profit

Operating income is the main source of operating profit, operating profit is one of the important factors to judge the value of enterprises, so enterprises will inflate income and profit to enhance their own "value". According to the disclosure of China Securities Regulatory Commission, Nianfu Supply Chain falsified its operating income and operating profit by falsifying its supply chain business from 2014 to 2018. During this period, its operating income was RMB 348,217,100 yuan and its operating profit was RMB 436,134,300 yuan respectively. Detailed data are shown in Table 2. It can be found that the fake trend of the rich supply chain is increasing sharply, and its inflated profits accounted for 56.54% and 108.72% of the combined profits in 2017 and 2018, respectively. If it is not found that the rich supply chain financial fraud in 2018, the inflated profits in the 2018 annual report may be "ahigher level".

Table 2: Years of inflated operating income of Fufu Supply chain (unit: ten thousand yuan)

Project	2014	2015	2016	2017	January-march 2018
Inflated operating income	3627.41	9114.41	3678.45	107040.43	119809
Inflated operating profit	3627.41	9114.41	3678.45	10121.87	6359.16
Proportion of annual rich supply chain's current Disclosed operating profit	84.50%	71.96%	75.64%	-	-
Proportion of Ningbo Dongli's Disclosed operating profit in the current period	-	-	-	56.54%	108.72%

The inflated operating income and operating profit of the supply chain are mainly carried out in two ways, one is the inflated export agency service fee income and profit, and the other is the inflated overseas sourcing business income and profit.

(1) Annual rich supply chain inflated export agency service fee income and profit

The export business of Nianfu supply chain involves three links: first, the domestic trade link, the domestic customers sell the goods to the Nianfu supply chain at the export commission price; Second, in the export link, the Nianfu supply chain sells the said goods to the HongKong subsidiary of Nianfu Supply Chain, Shengda (Hong Kong) Co., LTD. (hereinafter referred to as Shengda) or the Hong Kong sun company, Lianfu International Development Co., LTD. (hereinafter referred to as Lianfu) at the customs declaration price; Third, in the foreign trade link, Shengda or Lianfu will sell the said goods to the overseas subsidiary or related party of the customer at the overseas sales price. Under the normal business mode, the customs declaration price and the overseas sales price are equal to the export commission price, and the agency service fee is charged according to a certain proportion of the export commission price.

From July 2014 to March 2018, in the export business with Ruijiaco Group Co., LTD. (hereinafter referred to as Ruijiaco), Nianfu Supply chain fabricated the Supplementary Agreement and the Overseas Supply Chain Service Agreement, and in the name of service fee in the export link, the price of goods (only the whole machine, excluding materials) was inflated by 1%, 3% or 5% on the basis of the export commission price. Form customs declaration price, in the name of service fee in the foreign trade link, the price of all goodson the basis of customs declaration price increased by 1.95% to form overseas sales price. The difference between the amount of overseas sales and the amount entrusted to export (including the normal agency service fee) is the inflated income, and the inflated income is equal to the inflated profit.

From December 2016 to March 2018, in the export business with Guizhou Fortune Zhizhou Technology Co., LTD. (hereinafter referred to as Guizhou Fortune), the Nianfu supply chain inflated the overseas sales price in the foreign trade link, and from September to November 2017, it also inflated the customs declaration price in the export link, thereby inflating the export agency service income of Guizhou Fortune. The inflated income is equivalent to the inflated profit. Among them, the inflated operating profit of 54.6821 million yuan in 2017 and 15.99986 million yuan from January to March 2018.

From July 2016 to March 2018, in the export agency business with Zunyi Waterworld Technology Co., LTD. (hereinafter referred to as Waterworld), the Nifu supply chain inflated the overseas sales price in the foreign trade link, thereby inflating the export agency service income to Waterworld, and the inflated income is equal to the inflated profit. Among them, the inflated operating profit amounted to 17.4552 million yuan in 2016, 32.3617 million yuan in 2017, and 9.2857 million yuan from January to March 2018.

(2) Annual Rich Supply chain inflated the revenue and profit of overseas sourcing business

From June 2017 to March 2018, Nienfu Supply Chain inflated the revenue of its overseas mining business through the overseas mining business of Fictionalized and Fortune Boat Technology (Hong Kong) Co., LTD. (hereinafter referred to as Hong Kong Fortune). Hong Kong Fortune cooperated with Fortune Supply Chain in the purchase and sale of non-actual business. Among them, in 2017, the fictitious income was 200,829,600 yuan, and the corresponding inflated operating profit was 95.284,200 yuan; From January to March 2018, the fictional income was 11,117,759,900 yuan, and the corresponding fictitious operating profit was 3,7261,400 yuan.

3.2.2 Fictitious increase of receivables

The NianFu supply chain turns bad debts into false receivables from Nifu supply Chain to its affiliates, creating the illusion that the company is strong and profitable. Due to poor management, the receivables of Dongguan Kangtel Cloud Terminal System Co., LTD., Shandong Fuyu Bluestone Tire Co., LTD., and PSONS Co., Ltd. total 316,536,200 yuan and could not be recovered. Instead of making a provision for bad debts, Nianfu Supply Chain converted the above bad debts into false receivables of its affiliates, thereby falsely increasing receivables by 316,536,200 yuan on September 30, 2016, and falsely increasing receivables by 316,536,200 yuan in 2017 and the first quarter of 2018. As a result, there are false records in the Audit Report and Financial Statements, the 2017 annual report and the first quarter report of 2018 disclosed by Ningbo Dongli.

3.2.3 Concealing related relationships and related transactions

Ningbo Dongli disclosed in the semi-annual report of 2018 that it had associated relationships and related transactions with Shibo International Group Co., LTD. (hereinafter referred to as Shibo), Yuanyi Co., LTD. (hereinafter referred to as Yuanyi), Weilong International Trading Co., LTD. (hereinafter referred to as Weilong), Tiyyitong Co., LTD. (hereinafter referred to as Tiyyitong) and Yunlutai Co., LTD. (hereinafter referred to as Yunlutai). However, Shibo, Weilong, Yuanyi, Tiyyitong and Yunlutai are all registered companies in HongKong, which are actually controlled by Li Wenguo, then vice chairman of Ningbo Dongli. The purchase and sale business between the above companies and Ningbo Dongli's subsidiary Nianfu Supply chain belongs to connected transactions. In 2017, the total sales and purchase transactions between Nianfu Supply Chain and Shibo, Weilong, Tiyyitong and Yunlutai amounted to 157,3.1376 million yuan, 616,2676 million yuan, 90,3.231,300 million yuan and 187,099,300 million yuan respectively, accounting for more than 5% of the audited net asset value of Ningbo Dongli in the latest period. Nianfu Supply Chain conceals the above related relationships and related transactions, As a result, Ningbo Dongli's 2017 annual report did not disclose the above related relationships and related transactions in accordance with the provisions of Article 66 (6) of the Securities Law of 2005 and Article 40 of the Standard No. 2 on the Content and Format of Information Disclosure of Companies that Publicly issue Securities -Content and Format of Annual Report (CSRC Announcement No. 17 (2017)). There are major omissions.

3.3 NianFu supply chain financial fraud motivation analysis

3.3.1 Pressure factors - financing demand and performance commitment

According to the above analysis, it can be found that financial fraud has occurred in the Nianfu supply chain since 2014, and financial fraud before the merger and acquisition is mainly for the purpose of financing demand. Nianfu Supply Chain wants to take advantage of Ningbo Dongli as a listed company to achieve direct financing through the capital market, so as to meet its capital needs when expanding its business scale and developing capabilities. It can be seen from Table 3 that before the merger and acquisition, the net cash flow generated by the operating activities of Nianfu Supply Chain in 2014 was -707 million yuan, which increased to 0.12 in 2015. In the first three quarters of 2016, the net cash flow achieved by the operating activities reached 622 million yuan, and this was still under the condition of poor market conditions. At that time, the operation condition of Nianfu supply chain was already poor. However, in order to obtain more financing and need Ningbo Dongli to guarantee it, Nianfu Supply Chain increased its profit through financial fraud, so as to facilitate Ningbo Dongli's merger and acquisition.

Table 3: Combined profits of Nianfu Supply Chain from 2014 to 2016 (unit: 100 million yuan)

Item	January to September 2016	2015	2014
Cash flows from operating activities			
Cash received from sales of goods and services provided	54.76	3.29	6.48
Return of taxes received	0.13	0.49	-
Receive other cash in connection with operating activities	0.63	0.05	0.01
Subtotal cash inflows from operating activities	55.52	3.84	6.48
Cash paid for goods purchased or services received	42.40	3.69	6.54
Cash paid to and for employees	0.09	0.01	0.02
Various taxes paid	0.03	0.01	0.01
Payment of other cash related to operating activities	6.78	0.00	6.99
Subtotal cash outflows from operating activities	49.30	3.72	13.56
Net cash flow from operating activities	6.22	0.12	7.07

The financial fraud is mainly due to the pressure of performance commitment after the completion of the merger. From the acquisition announcement of listed companies, the supply chain promised to complete the performance of 110 million, 220 million, 320 million and 400 million yuan from 2017 to 2020. However, the reason why the supply chain had better business performance before the merger and acquisition was mainly achieved through financial fraud, so such a performance promise of up to 100 million yuan undoubtedly caused great pressure on it. Therefore, it can only continue to cover up its financial loopholes by fabricating the return of commercial bills of exchange, fabricating payment records, false accounts of customers, falsely opening letters of credit, fabricating the profits of overseas purchase and sales business, transferring costs, and falsely increasing assets.

3.3.2 Opportunity factor - inadequate internal and external supervision

(1) Internal opportunity - failure of internal control

There are major defects in the internal control of Ningbo Dongli, and Ningbo Dongli has an internal audit department, but it has no awareness of the activities such as the fabrication of the supply chain business of its subsidiaries. On the one hand, the financial counterfeiters were the chairman of Nianfu Supply Chain at the time, and as the directors of Ningbo Dongli when the company was acquired, they had enough power and ability to commit financial fraud; On the other hand, facing the current situation of business difficulties and declining profits, Ningbo Dongli urgently sought new growth points of performance, so it did not have too much doubt about the performance of Nianfu Supply Chain in previous years, and the lack of due diligence of the listed company Ningbo Dongli provided internal opportunities for the financial fraud of Nianfu Supply Chain.

(2) External opportunities - the intermediary agency did not fulfill the duty of diligence

In the process of financial fraud, the relevant intermediary agencies also failed to play a role of diligent supervision. During the process of M&A and reorganization and continuous supervision, neither the audit report issued by Fong's CPA Firm nor the relevant opinions issued by the independent financial consultant Guosen Securities raised any objection to the financial data of Nianfu Supply Chain. The target company's financial fraud has been continuously occurring for five consecutive years, that is, the financial fraud occurred before the merger and acquisition, and did not attract the attention of the acquirer Ningbo Dongli. The third-party audit institutions and evaluation institutions have not found any illegal behavior in the supply chain of the company. Due diligence of the intermediary agency is insufficient, because as a logistics provider, the supply chain has a large number of customers and a large number of overseas related parties. Due to time and cost constraints, the intermediary agency cannot fully grasp all the information and make accurate judgments. Due to information asymmetry, the failure of relevant intermediaries to perform their duty of diligence provides external opportunities for the financial fraud of Nianfu supply chain.

3.3.3 Excuse factor - lack of ethics in management

The excuse factor is about making excuses for things you shouldn't have done and seeking psychological balance. The excuse factor in the fraud triangle theory is a subjective factor, which has a direct relationship with the fraudster's values, attitudes, etc. Fraudsters usually find a high-sounding reason for their fraudulent behavior, in order to feel comfortable committing financial fraud. The Nianfu supply chain began financial fraud in 2014 and was found in 2018, and there were financial fraud behaviors for five consecutive years. Due to the low illegal cost of financial fraud in the past, financial counterfeiters have a fluke mentality. First, it is not easy to be found; Second, if the cost of being found is not as good as the benefits brought by financial fraud. Li Wenguo (then chairman of Nianfu Supply Chain), Yang Zhanwu (then general manager of Nianfu Supply Chain) and Liu Bin (then financial director of Nianfu Supply Chain), as members of the senior management team, instructed their subordinate departments to provide fake financial data fabricated in advance to third-party evaluation institutions before restructuring. Defrauding the listed company's shares and cash consideration of 2.16 billion yuan with an inflated appraisal value of more than 2.18 billion yuan. After the completion of the merger and acquisition, they continued to falsely increase profits without the ability to perform the contract, defrauded Ningbo Dongli to increase its capital by 200 million yuan, and deceived the listed company to guarantee 1.5 billion yuan. The management's self-rationalization consolation is mainly for the purpose of realizing the long-term development of the company, but in fact it is the lack of business ethics, and the CFO, as an accountant, lacks accounting professional ethics and knows the law is against the law.

4. FINANCIAL FRAUD VIOLATES BUSINESS ETHICS AND PROFESSIONAL ETHICS BEHAVIOR ANALYSIS

4.1 Business ethics and moral perspective

Business ethics and ethics regulate the operation of enterprises from the perspective of corporate governance. At that time, Nianfu supply chain was a way for the acquired enterprise to seek more financing through financial fraud. However, after the financial fraud was exposed, the parent company Ningbo Dongli fully charged the goodwill of 1.717 billion yuan generated by the merger and acquisition. As shown in Table 4, the bad debt reserve of Nianfu supply chain receivables and other receivables was 1.373 billion yuan. At that time, after the stock price fell all the way, the total market value of Ningbo Dongli was only 1.944 billion yuan as of September 2, 2018. On the one hand, the lack of business ethics in the Nienfu supply chain not only caused huge losses to the listed company Ningbo Dongli, but also had a significant impact on small and medium-sized investors.

Table 4: Provision for asset impairment of Ningbo Dongli in 2018 (unit: 100 million yuan)

Project	Amount accrued for the current period
Goodwill	17.17
Accounts receivable	0.22
Other receivables	13.51

On the other hand, the financial fraud of the rich supply chain has caused damage to the social atmosphere and the construction of modern market civilization. The behavior of financial fraud is lack of integrity, violation of legal ethics, and lack of business ethics to a certain extent. The pursuit of profit maximization is the goal of every enterprise, but it is based on the premise of following business ethics. In this case, Nianfu supply chain made false accounting information disclosure in order to realize its own interests by all means. By deceiving the acquirer with untrue accounting information and damaging the interests of investors, such business philosophy is difficult to maintain the sustainable development of the enterprise, and such behavior in violation of business ethics will eventually be exposed and disturb the market order.

4.2 Accounting professional ethics perspective

From the perspective of accounting personnel, the professional perspective of accounting emphasizes the standardization of standards, and professional ethics should be observed by every employee. However, accountants play an important role in this case of financial fraud in the rich supply chain. As the processing personnel of basic financial information of enterprises and the writers of financial reports, accountants are an important part of information disclosure and public information release of enterprises. The professional judgment of accountants directly affects the quality of accounting information. If accountants lack professional ethics, the quality of accounting information disclosure of enterprises is difficult to be guaranteed. In the case of financial fraud in the Nianfu supply chain, first of all, the financial director of the Nianfu supply chain at that time directly participated in financial fraud for his own interests, did not play a leading role, and seriously violated the professional ethics of an accountant. At the same time, the relevant accounting personnel of other companies, under the pressure of their superiors, did not adhere to the professional bottom line and assisted in the fraud. Other relevant accountants are easy to lose their independence because they are employed by the company. When an enterprise's internal control fails, the audit department fails to perform its duty of duty and independent directors fail to perform their duty of diligence, the entire accounting environment is decided by the management. When internal and external supervision is not in place, accountants are more likely to have a fluke mind and make fictitious notes to realize their own interests, and disclose untrue financial information.

5. COUNTERMEASURES AND SUGGESTIONS

In the financial fraud case of the next year's rich supply chain of performance commitment, it made false accounting information disclosure through fictitious supply chain business to inflate operating income and operating profit, inflate receivables and conceal the situation of related relationships and related transactions and other financial fraud methods. From the perspective of enterprises, such unscrupulous behavior in order to meet the financing needs and pass the performance commitment period smoothly goes against the honest-based principle emphasized by business ethics. The business philosophy that interests come first and lacks integrity is difficult to

gain a foothold in the market, and the behavior that disturbs the market order is even more difficult to support the sustainable development of enterprises. From the perspective of accountants, practitioners violate the professional ethics of objectivity, fairness, honesty and trustworthiness, and carry out false accounting information disclosure to damage the interests of others. As the main body of economic activities of enterprises, accounting personnel do not have the courage to adhere to their bottom line, violate the professional ethics code, and fail to guarantee the quality of accounting information due to the pressure of management and other reasons. Based on this, this paper puts forward countermeasures and suggestions from the following five aspects:

5.1 Improving the moral quality of the management

In order to curb the greed of enterprise management, the core is to establish a correct moral proposition and value orientation. As the executor of the decision of the shareholders' meeting, the management should clarify their own rights and obligations. Their quality directly determines the degree of implementation of relevant policies. Enterprises can regularly carry out management moral quality education conference, constantly strengthen personal professional moral quality, urge management to standardize their professional behavior, improve ideological understanding. In addition, enterprises should also conduct regular follow-up education for employees, and conduct performance evaluation from time to time, so as to promote the improvement of employees' moral quality and professional level.

5.2 Strengthen the professional ethics training of accounting personnel

Accounting personnel participated in the whole process of financial fraud in the Nienfu supply chain, breaking through their own professional ethics bottom line, but many schools and enterprises have ignored the professional ethics training of accounting personnel. In addition to having solid professional knowledge, it is more important for accounting personnel to have correct values, world outlook and outlook on life, so that they can choose the right direction when facing various temptations or pressures. Therefore, accounting personnel should pay attention to the improvement of their own literacy, work hard to learn the relevant professional knowledge of accounting and seriously learn the relevant content of accounting professional ethics.

5.3 Appropriately extend the performance commitment period

One of the important reasons why Nianfu supply Chain adopts financial fraud to violate business ethics and morality is that it is facing the pressure of high performance commitment signed with Ningbo Dongli. Therefore, properly extending the agreed performance commitment period in the merger and acquisition can prevent the enterprise from financial fraud to a certain extent. In the short term, the merger and acquisition parties can not well complete the integration of business operation, management system and corporate values, etc. After a long performance commitment period, the two companies can have a clear positioning for each other and better integrate internal resources, so as to achieve the synergistic effect of the merger and acquisition.

5.4 Strengthen the supervision of enterprises

At present, the problem of information disclosure in mergers and acquisitions is still emerging in an endless stream. The CSRC, as a regulatory body, should more strictly regulate the information disclosure requirements, especially the information related to the transfer of interests related to market acquisitions that infringes on other stakeholders, which needs to disclose more details and strengthen the supervision of the behavior of listed companies. In terms of supervision, various institutions and departments should clarify the scope of supervision functions of listed companies and accounting firms, so as to prevent the situation of unclear powers and ineffective supervision. It is also necessary to actively encourage the coordinated supervision of social forces, encourage the public to supervise and report and unblock reporting channels, and encourage small and medium-sized shareholders to strengthen their ability to identify financial fraud.

5.5 Increase the punishment of illegal operations

For the illegal information disclosure of the rich supply chain in the stage of major asset restructuring, the penalty amount for the rich supply chain is 600,000 yuan, while the penalty amount for the responsible personnel of the rich supply chain is 300,000 yuan, and the penalty amount for the other directly responsible personnel of the rich supply chain is 200,000 yuan. The penalty amount is nothing compared with the profit obtained by financial fraud. Therefore, in addition to punishing audit institutions, it is more important to improve the penalties for

counterfeiters of listed companies, and change the current "cart before the horse" situation of heavy penalties for audit institutions and underwriters and light penalties for counterfeiters. At the same time, it is necessary to strengthen the criminal punishment of those responsible for financial fraud, and increase the punishment of illegal operations of enterprise management, so as to deter counterfeiters.

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