Non-Controlling Large Shareholders' Exit Threat and Accounting Conservatism

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Abstract. Non-controlling shareholders' withdrawal threat means that by showing the withdrawal tendency to the controlling shareholders, the controlling shareholders are forced to make compromises and improve the accounting soundness of the company. At present, the existing literatures mainly discuss the impact of exit threat on corporate finance and corporate performance, but few literatures study the causal relationship between exit threat and accounting conservatism, and the research field of its correlation is not perfect. Based on this, this paper takes the sample of China's A-share listed companies from 2010 to 2021 as the research object, studies the influence mechanism of the withdrawal threat of non-controlling shareholders on accounting conservatism, puts forward theoretical assumptions from the opposite angle, makes descriptive statistics and benchmark regression, and draws a conclusion; The robustness of benchmark regression conclusion is tested by PSM tendency score matching method and replacement variable method. Finally, based on the perspective of differences, this paper studies the heterogeneous influence of company size, long-term solvency and profitability on accounting conservatism, and finds that the withdrawal threat of non-controlling shareholders is significantly positively correlated with accounting conservatism, which expands the related research of withdrawal threat on corporate governance, and has reference significance for the check and balance governance mechanism of non-controlling shareholders of listed companies in China.

Keywords: Threat of Exit, Accounting Conservatism, Panel Regression.

1. Introduction

The 2014 Accounting Standards for Business Enterprises–Basic Standards stipulates that "standardizing the accounting confirmation, measurement and reporting behavior of enterprises to ensure the quality of accounting information" [1], taking accounting soundness as an important requirement for regulating corporate behavior. From the perspective of financial policy, prudent accounting policy is one of the standards to measure the quality of accounting information of enterprises [2]. The controlling majority shareholders of some listed companies usually carry out earnings management in the name of accounting soundness, infringing on the interests of non-controlling shareholders; At this time, some non-controlling shareholders will raise "exit threats" to force the controlling shareholders to make compromises and improve the company's accounting soundness. Previously, existing studies have focused more on the voice mechanism ("voting with hands") and the exit mechanism ("voting with feet") of non-controlling major shareholders participating in corporate governance, and the exit threat is a governance method that integrates the psychological game of non-controlling shareholders and controlling shareholders, between "voting with hands" and "voting with feet", which has become a hot research angle at present. At present, the existing literature mainly discusses the impact of exit threat on corporate finance, such as: Chen Peiyou et al [3]. Research believes that the exit threat of non-controlling major shareholders can significantly improve corporate performance; Wu Chang [4] believes that the threat of withdrawal of

non-controlling shareholders is significantly negatively correlated with the inefficient investment of enterprises.

In recent years, with the continuous revision of the Accounting Standards for Business Enterprises, scholars have done more research on the corporate governance effect of accounting soundness. Zhou Xinjun (2022) [5] et al. believe that from the perspective of corporate governance, accounting soundness is a tool for the principal to effectively supervise the agent, and the decisions made by the agent will affect the accounting soundness of the company. For this conclusion, Xie Yubao (2021) [6] et al. took 6089 Shanghai and Shenzhen A-share securities issued in China in 2015~2019 as a sample, based on the perspectives of accounting soundness and accounting information transparency, and used multiple linear regression methods to study, and tested the inhibitory effect of accounting soundness on the irrational financing behavior of listed companies. It can be seen that corporate governance is closely related to accounting soundness, and corporate governance is a bridge connecting exit threat and accounting soundness to some extent, but there is little literature to study the causal relationship between exit threat and accounting soundness. Based on the multiple linear regression method, this study reasonably selects the control variables and studies the impact of exit threat on accounting soundness, which provides a useful reference for enterprises.

In view of this, this paper takes the sample of A-share listed companies in China from 2010~2021 as the research object, and empirically finds that the threat of withdrawal of non-controlling shareholders is significantly positively correlated with accounting soundness. The contribution of this paper is mainly manifested in the following two aspects: (1) Enriching the strategies of listed companies to improve accounting soundness; (2) It expands the research on exit threats, verifies the positive impact of non-controlling shareholder exit threats on accounting soundness, and extends the Chicago School's thesis of "shareholder activism". The structure of this paper is as follows: firstly, theoretical hypotheses are proposed from two opposite perspectives, data processing and descriptive statistics are made; Then, benchmark regression was performed on the processed data to draw the conclusions of this paper. Then, the PSM propensity score matching method and the replacement variable method were used to test the robustness of the benchmark regression conclusions. Finally, based on the perspective of difference, this paper studies the heterogeneous effects of company size, long-term solvency and corporate profitability on accounting soundness, and discusses the above issues in depth.

2. Theoretical assumptions

2.1. The "Governance Hypothesis" of the threat of exit of non-controlling shareholders

In the study of corporate finance, in general, directors are elected by shareholders, and then senior management of the company is selected to participate in corporate governance. In order to balance the influence of controlling shareholders on the company, some non-controlling shareholders usually select an agent to enter the management to feedback their own demands, and in this process, the second type of entrusted agent problem arises: because agents often make projects that are contrary to the interests of non-controlling shareholders in order to achieve their own interests. The threat of withdrawal of non-controlling shareholders will change the perception of corporate decision-makers, which in turn will achieve corporate governance by influencing management decisions [7]. Since the withdrawal behavior of non-controlling shareholders is usually interpreted by the outside world as a mismanagement of the company, and the shorting of the company's shares by non-insiders leads to a sharp decline in the company's stock price, the controlling shareholder who owns the majority of the shares will face huge losses. In order to prevent such problems, controlling shareholders are willing to reach settlements with non-controlling shareholders on most issues, try to meet their demands and protect their interests. This includes the daily supervision of non-controlling shareholders in the daily business activities of the company, and the information disclosed to them can be guaranteed to be credible. In other words, accounting soundness is guaranteed. Based on the above analysis, this paper proposes hypothesis 1:

H1: The threat of exit of non-controlling shareholders is positively correlated with accounting soundness.

2.2. The "Strategic Collusion Hypothesis" of exit threats

Some non-controlling shareholders may play both supervisory and collusive roles in the company's management system. Pound's (1988) "Strategic Collusion Hypothesis" holds that institutional investors may collude with the management of listed companies for personal gain [8]. In order to maximize personal interests, some non-controlling shareholders will reach a "strategic collusion" with the management of the enterprise to harm the interests of minority shareholders. Some non-controlling shareholders use the threat of exit to force the company to whitewash its financial reports, in which case the threat of exit provides an opportunity for them to carry out acts such as profit fraud, tunnel mining, and manipulation of accounting information [9]. Based on the above analysis, this paper proposes hypothesis 2:

H2: The threat of exit of non-controlling shareholders is negatively correlated with accounting soundness.

3. Research design

3.1. Data source and sample selection

This paper selects A-share listed companies from 2010~2021 as research samples, and screens the samples according to research practices and actual needs: (1) only the samples with a statistical cut-off date of December 31 each year are retained; (2) Exclude stocks with special treatment (ST) and stocks with delisting warning (*ST); (3) Exclude samples from the financial industry; A total of 11,261 samples were obtained. At the same time, in order to eliminate the influence of extreme values on the regression results, Winsorize tail reduction treatment was performed on continuous variables at the 1% level. The main source of data in this article is the CSMAR database.

3.2. Selection and measurement of variables

(1) Explained variable-accounting conservatism

Basu is adopted in this paper [10]. The conservatism index model measures accounting conservatism. Basu's model to measure accounting conservatism is:

$$\frac{\mathrm{Eps}_{\mathrm{i,t}}}{\mathrm{p}_{\mathrm{i,t-1}}}=\mu_0+\mu_1\mathrm{DR}_{\mathrm{i,t}}+\mu_2\mathrm{R}_{\mathrm{i,t}}+\mu_3\mathrm{R}_{\mathrm{i,t}}\times\mathrm{D}_{\mathrm{i,t}}+\varepsilon_{i,t} \quad (1)$$

$\mathrm{Eps}_{i,t}$ represents earnings per share; $\mathrm{P}_{i,t-1}$ indicates the closing price of the stock; $\mathrm{R}_{i,t}$ represents the stock return rate; $\mathrm{D}_{i,t}$ represents a dummy variable about stock return rate, which takes 1 when $\mathrm{R}_{i,t}<0$ and 0 when $\mathrm{R}_{i,t}>0$. In addition, the linear expressions of μ_2 and μ_3 are constructed with tool variables, which are specifically expressed as:

$$\mathrm{Gscore}=\mu_2=\alpha_1+\alpha_2\mathrm{Size}_{\mathrm{i,t}}+\alpha_3\ \mathrm{MTB}_{\mathrm{i,t}}+\alpha_4\mathrm{Lev}_{\mathrm{i,t}} \quad (2)$$

$$\mathrm{Cscore}=\mu_3=\beta_1+\beta_2\mathrm{Size}_{\mathrm{i,t}}+\beta_3\mathrm{MTB}_{\mathrm{i,t}}+\beta_4\mathrm{Lev}_{\mathrm{i,t}} \quad (3)$$

Among them, Gscore means the measurement that "good news" is confirmed in time, Cscore means the timeliness increment of "bad news" compared with "good news", $\mathrm{Size}_{i,t}$ is the size of the enterprise, $\mathrm{MTB}_{i,t}$ is the ratio of market value to book value, $\mathrm{Lev}_{i,t}$ is the asset-liability ratio. Substituting (1) and (2) into (3), you can get:

$$\begin{aligned}\frac{\mathrm{Eps}_{\mathrm{i,t}}}{\mathrm{p}_{\mathrm{i,t-1}}} &= \mu_0 + \mu_1 \mathrm{DR}_{\mathrm{i,t}} + \alpha_1 \mathrm{R}_{\mathrm{i},t} + \alpha_2 \mathrm{Size}_{\mathrm{it}} \times \mathrm{R}_{\mathrm{i},t} + \alpha_3 \mathrm{MTB}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{itt}} \\ &+ \alpha_4 \mathrm{Lev}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{i,t}} + \beta_1 \mathrm{DR}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{i,t}} + \beta_2 \mathrm{Size}_{\mathrm{i,t}} \times \mathrm{DR}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{i,t}} \\ &+ \beta_3 \mathrm{MTB}_{\mathrm{i,t}} \times \mathrm{DR}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{i,t}} + \beta_4 \mathrm{Lev}_{\mathrm{i,t}} \times \mathrm{DR}_{\mathrm{i,t}} \times \mathrm{R}_{\mathrm{i,t}} + \varepsilon_{\mathrm{i,t}}\end{aligned} \tag{4}$$

The model (4) is regressed, and the obtained β_1, β_2, β_3, and β_4 are substituted into the formula (3) to obtain the Cscore. In this paper, Cscore is used to measure the accounting conservatism level of enterprises. The larger Cscore is, the more stable the accounting policy of enterprises is.

(2) Explain the variable-exit threat

Therefore, this article draws lessons from Chen Kejing (2019) [11] Methods: The degree of withdrawal threat of non-controlling shareholders is measured by multiplying stock Liquidity and Competition of non-controlling shareholders, and the stock liquidity is measured by the average daily turnover rate of tradable shares. Formula (5) calculates the withdrawal threat of non-controlling major shareholders, and formula (6) is the calculation method of competition degree of major shareholders.

$$\mathrm{Ethreat}_{\mathrm{i,t}} = \mathrm{Liquidity}_{\mathrm{i,t}} \times \ \mathrm{Competition}_{\mathrm{i,t}} \tag{5}$$

$$\mathrm{Competition}_{\mathrm{i,t}} = \sum_{k=1}^{N} \left(\frac{\mathrm{Share}_{\ \mathrm{k,i,t}}}{\mathrm{Block}_{\mathrm{i,t}}} \right)^2 \tag{6}$$

Among them: $\mathrm{Competition}_{\mathrm{it}}$ is the competition degree of the non-controlling major shareholders of the I-th enterprise in the T year; $\mathrm{Share}_{\mathrm{k,i,t}}$ I and T are the shareholding ratio of the kth non-controlling major shareholder of the ith enterprise in the t year; Block is the sum of the shareholding ratios of all major shareholders in the t year of the ith enterprise. The bigger the $\mathrm{Competition}_{\mathrm{i,t}}$ is, the higher the competition degree of non-controlling shareholders.

3.3. Control variable

There are many factors that affect accounting conservatism. In order to control the influence of other factors on accounting conservatism and ensure the robustness of regression results, please refer to Wang Xiaohong [12]. Chen kejing [11], Wu Sha [13] Scholars' research methods, such as company Size (size), asset-liability ratio (Lev), net profit rate of total assets (ROA), inventory ratio (INV), operating income Growth rate (growth rate) and independent director ratio (Indep) are introduced into the model as control variables. In addition, this paper also controls the annual and industry fixed effects. See table 1 for specific variable definitions.1

Table 1. Variable definition

Variable type	Variable name	Variable symbol	Variable definition
Explained variable	Accounting conservatism	C_score	The model (3) is calculated
Explanatory variable	Exit threat	Ethreat	The model (5) is calculated.
Control variable	Company size	Size	Ln (total assets)
	Asset-liability ratio	Lev	Total liabilities/total assets
	Net profit rate of total assets	ROA	Net profit/total assets after tax
	Inventory proportion	INV	Capital balance/total assets occupied by inventory
	Operating income growth rate	Growth	Increase in operating income this year/total operating income of last year
	Proportion of independent directors	Indep	Number of independent directors/number of board members
	Annual dummy variable	Year	Control annual effect
	Virtual industry variable	Indu	Control industry effect

3.4. Design of regression model

In order to analyze the influence of withdrawal threat of non-controlling shareholders on accounting conservatism, the following regression model is constructed:

$$\mathrm{C\_score}_{i,t+1} = \alpha_0 + \alpha_1\ \mathrm{Ethreat}_{i,t} + \alpha_2\ \mathrm{Controls}_{i,t} + \mathrm{Year} + \mathrm{Indu} + \varepsilon \quad (7)$$

Where: $\mathrm{C\_score}_{i,\ t+1}$ represents accounting conservatism; $\mathrm{Ethreat}_{i,t}$ indicates the threat of withdrawal of non-controlling shareholders; Controls means all control variables; ε represents a random error term; α_0 is a constant term; α_1, α_2 are regression coefficients of variables to be estimated; I represents the enterprise; T represents the year. If the Ethreat coefficient α_1 is significantly positive, it is assumed to be true.

4. Empirical analysis

4.1. Data source and sample selection

This paper selects A-share listed companies from 2010~2021 as research samples, and screens the samples according to research practices and actual needs: (1) only the samples with a statistical cut-off date of December 31 each year are retained; (2) Exclude stocks with special treatment (ST) and stocks with delisting warning (*ST); (3) Exclude samples from the financial industry; A total of 11,261 samples were obtained. At the same time, in order to eliminate the influence of extreme values on the regression results, Winsorize tail reduction treatment was performed on continuous variables at the 1% level. The main source of data in this article is the CSMAR database.

4.2. Descriptive statistical results of main variables

In the table 2, In the final 11261 sample companies, the average C-Score of accounting conservatism level is 0.0730, and the standard deviation is 0.101, which is basically positive. It shows that, as a whole, the accounting policies of listed companies in China have shown a certain stable trend in recent ten years. The maximum value of non-controlling shareholders' exit threat Ethreat is 0.009, the minimum value is 0, and the average value is 0.001, which indicates that there are

differences among different enterprises' exit threats. The influence of withdrawal threat of non-controlling shareholders on accounting conservatism needs to be further studied later.

Table 2. Descriptive statistics

Variable	N	Mean	SD	Min	p50	Max
C Score	11261	0.068	0.102	-0.144	0.049	0.376
Ethreat	11261	0.001	0.002	0	0	0.009
Size	11261	22.600	1.234	20.300	22.430	26.000
Lev	11261	0.522	0.165	0.159	0.518	0.885
ROA	11261	0.029	0.050	-0.236	0.028	0.165
INV	11261	0.165	0.153	0	0.124	0.705
Growth	11261	0.191	0.414	-0.542	0.114	2.559
Indep	11261	0.375	0.054	0.333	0.353	0.571

4.3. Correlation coefficient test

The above calculated C_Score value is taken as the explained variable, and the withdrawal threat of non-controlling shareholders is taken as the independent variable. At the same time, the results of regression analysis by adding related control variables are shown in Table 3. As shown in the table below, the data analysis shows that the withdrawal threat of non-controlling shareholders is positively correlated with the C_score value, that is, some non-controlling shareholders play the role of corporate governance through the withdrawal threat, which has a positive correlation effect on accounting conservatism.

Table 3. Correlation coefficient test

	C_Score	Ethreat	Size	Lev	ROA	INV	Growth	Indep
C_Score	1							
Ethreat	0.060***	1						
Size	-0.474***	-0.109***	1					
Lev	0.160***	-0.092***	0.454***	1				
ROA	-0.211***	0.007	-0.004	-0.366***	1			
INV	0.094***	-0.076***	-0.039***	0.190***	-0.082***	1		
Growth	-0.071***	0.056***	0.010	-0.043***	0.359***	0.002	1	
Indep	0.012	-0.041***	0.005	-0.009	-0.023**	0.022**	-0.003	1

4.4. Benchmark regression analysis

The results of the regression analysis are shown in Table 4. The threat of exit of non-controlling shareholders is positively correlated with accounting soundness, and is significant at the level of 1%, that is, the threat of withdrawal of non-controlling shareholders will improve accounting soundness. The above results are consistent with hypothetical H1.

Table 4. Benchmark regression

	(1)	(2)	(3)
VARIABLES	C_Score	C_Score	Cscore+Gscore
Ethreat	0.875***	0.757***	0.598***
	(3.10)	(2.59)	(2.63)
Size	-0.053***	-0.053***	-0.031***
	(-98.43)	(-88.25)	(-71.06)
Lev	0.298***	0.300***	0.229***
	(78.83)	(71.35)	(75.20)
ROA	-0.105***	-0.086***	-0.079***
	(-11.33)	(-8.33)	(-10.61)
INV	0.006	0.005	0.004
	(1.20)	(0.81)	(1.07)
Growth	-0.005***	-0.005***	-0.004***
	(-4.85)	(-4.84)	(-5.00)
Indep	-0.008	-0.006	-0.004
	(-0.89)	(-0.57)	(-0.61)
Constant	1.070***	1.063***	0.643***
	(73.02)	(65.78)	(54.25)
Observations	11,261	8,064	11,261
Number of stkcd	2,427	2,300	2,427
year FE	YES	YES	YES
Industry FE	YES	YES	YES

z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4.5. Robustness test

(1) PSM propensity score matching

The conclusion of regression model analysis in this paper may be interfered by endogenous problems, which makes the conclusion of regression analysis not necessarily causal. In this paper, the tendency score matching method (PSM) is used to alleviate this problem. The independent variable exit threat is divided into 0-1 variables according to the median, and the exit threat index is 0 below the median, indicating that there is no exit threat; The exit threat index is recorded as 1 above the median, indicating that there is an exit threat. According to Probit model, according to the company Size (size), asset-liability ratio (Lev), net profit margin of total assets (ROA), inventory ratio (INV), operating income Growth rate (growth rate) and independent director ratio (Indep), a total of 8064 control samples were obtained. The balance test results of the paired samples show that there is no significant difference in the average values of variables between the treatment group and the control group after PSM matching, and the standardized deviation of each variable after matching is less than 5%, which indicates that the parallel hypothesis is effectively satisfied. The regression results of PSM samples are shown in table 4 line 2. It can be seen that accounting conservatism and withdrawal threat are still significantly positively correlated at the level of 1%, indicating that the withdrawal threat of non-controlling shareholders can improve the accounting conservatism of the company, which is consistent with the benchmark regression results, further verifying the hypothesis.

(2) Replace the explained variables.

In order to verify whether the results of the above regression analysis are robust, refer to Wang Xiaohong [12], etc. With the method of variable substitution, the measurement of accounting conservatism in the above model is replaced by the measurement of "bad news" (Cscore+Gscore) instead of the measurement of timeliness increment of "bad news" compared with "good news", so as to show the strength of accounting conservatism of the company. Independent variables and controlled variables remain unchanged. Repeat the above regression analysis process, the withdrawal

threat of non-controlling shareholders is positively related to accounting conservatism of the company, and its conclusion is still the same as the previous one in table 4 line 3.

5. Further analysis

Non-controlling shareholders are affected by the company size, corporate solvency and profitability, etc., and their exit threats are different. Therefore, they have different influences on accounting conservatism. This paper selects the company size, corporate long-term solvency and corporate profitability as the heterogeneity characteristics to distinguish the behavior subjects, and makes heterogeneity analysis on the sample data.

5.1. Company size

In order to test the heterogeneity of firm size of the effect of withdrawal threat of non-controlling shareholders on accounting conservatism, the sample data is divided into two sub-samples with larger scale and smaller scale by taking the average firm size as the boundary, and the sub-sample test is carried out. According to the data in table 5 line1 and line2, the withdrawal threat of non-controlling shareholders has a significant positive impact on companies of different sizes. For larger companies, accounting conservatism is significantly positive at the level of 5% due to the withdrawal threat of non-controlling shareholders, while for smaller companies, the relationship between them is significantly positive at the level of 10%. According to the coefficient, the withdrawal threat of non-controlling shareholders has a more obvious effect on accounting conservatism of large enterprises.

5.2. Long-term solvency of enterprises

In order to test the heterogeneity of the relationship between the solvency of enterprises and the withdrawal threat of non-controlling shareholders and accounting conservatism, this paper adopts the asset-liability ratio (LEV) to measure the long-term solvency of enterprises, and divides the sample data into two sub-samples of strong solvency and weak solvency according to the average value of asset-liability ratio. According to the data in table 5 line3 and line4, the influence of the withdrawal threat of non-controlling shareholders on accounting conservatism has a positive effect on both the enterprises with large asset-liability ratio and the enterprises with small asset-liability ratio. For the companies with strong solvency, the coefficient is 0.892, which is significantly positive at the level of 5%, while the other group is not significant. That is to say, companies with relatively large asset-liability ratio have more significant impact on accounting conservatism caused by the withdrawal threat of non-controlling shareholders.

5.3. Enterprise profitability

In order to test the heterogeneity of the relationship between corporate profitability's exit threat to non-controlling shareholders and accounting conservatism, this paper adopts ROA to measure corporate profitability, and divides the sample data into two sub-samples with strong profitability and weak profitability by dividing the average of ROA. Table 5 line 5 and line 6 reports the test results of accounting conservatism differences under different net profit margins of total assets. According to the data in table 5 line 5 and line 6, the accounting conservatism of companies with net profit margin of total assets is significantly positive at the level of 5% due to the withdrawal threat of non-controlling shareholders. The withdrawal threat of non-controlling shareholders has a more obvious effect on the accounting conservatism of companies with net profit margin of total assets.

Table 5. Sub-sample test under the heterogeneity of firm size

	(1) large scale	(2) smaller scale	(3) Strong solvency	(4) Weak solvency	(5) strong profitability	(6) Weak profitability
VARIABLES	C_Score	C_Score	C_Score	C_Score	C_Score	C_Score
Ethreat	1.209**	0.646*	0.892**	0.298	0.583	0.833**
	(2.436)	(1.943)	(2.230)	(0.835)	(1.486)	(2.221)
Size	-0.055***	-0.050***	-0.052***	-0.056***	-0.055***	-0.052***
	(-57.757)	(-42.573)	(-75.171)	(-71.198)	(-79.815)	(-70.299)
Lev	0.331***	0.269***	0.270***	0.302***	0.293***	0.298***
	(54.948)	(56.212)	(34.973)	(44.575)	(54.991)	(58.504)
ROA	-0.151***	-0.087***	-0.107***	-0.118***	-0.218***	0.015
	(-9.340)	(-8.089)	(-8.363)	(-9.800)	(-10.286)	(1.186)
INV	-0.003	0.006	0.020***	-0.000	0.010	0.001
	(-0.481)	(0.942)	(3.271)	(-0.047)	(1.482)	(0.167)
Growth	-0.005***	-0.003**	-0.004***	-0.002	-0.004***	-0.004***
	(-4.364)	(-1.995)	(-3.465)	(-1.618)	(-2.994)	(-3.068)
Indep	0.000	-0.012	-0.005	-0.020*	-0.014	-0.004
	(0.028)	(-0.994)	(-0.433)	(-1.731)	(-1.205)	(-0.339)
Constant	1.095***	1.030***	1.071***	1.151***	1.130***	1.055***
	(41.641)	(37.219)	(51.998)	(55.552)	(54.648)	(53.818)
Observations	5,031	6,230	5,550	5,711	5,479	5,782
Number of stkcd	1,097	1,807	1,373	1,773	1,920	1,666
Year	YES	YES	YES	YES	YES	YES
Indu	YES	YES	YES	YES	YES	YES

z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

6. Conclusion

Based on recent literature, this paper takes the sample of A-share listed companies in China from 2010~2021 as the research object, explores the positive and negative relationship between the exit threat of non-controlling shareholders and accounting soundness, and empirically finds a significant positive correlation. Whether from the perspective of financial policy or management, prudent accounting policy is one of the standards to measure the quality of enterprise accounting information, and the threat of exit is a governance method that integrates the psychological game of non-controlling shareholders and controlling shareholders, which has become a hot research angle at present. Corporate governance is closely related to accounting soundness, and corporate governance is to some extent a bridge connecting exit threat and accounting soundness, but there is little literature to study the causal relationship between exit threat and accounting soundness. Based on the multiple linear regression method, this paper reasonably selects the control variables and studies the impact of exit threat on accounting robustness, which provides a useful reference for enterprises. The contribution of this paper is mainly manifested in the following two aspects: (1) enriching the strategies of listed companies to improve accounting soundness; (2) It expands the research on exit threats, verifies the positive impact of non-controlling shareholder exit threats on accounting soundness, and extends the Chicago School's thesis of "shareholder activism". In the future, further research can be carried out in the following aspects, and the impact of the threat of withdrawal of non-controlling major shareholders on the innovation efficiency and cost of enterprises can be examined.

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