Analysis of Financial Fraud Motives and Consequences Based on the POR-GONE Model: A Case Study of Company H

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Abstract: With the continuous development of the capital market, financial fraud by listed companies occurs from time to time, and how to effectively curb it has become a key research focus in the academic community. Financial fraud not only seriously affects the economic development of enterprises themselves but also exerts a significant impact on the long-term stable development of China's securities market. This paper studies the financial fraud case of Company H based on the GONE theory. On the one hand, it conducts an in-depth analysis of the motivations behind Company H's financial fraud from four dimensions: Greed, Opportunity, Need, and Exposure: Firstly, the founders of Company H had greedy motives, and the enterprise had loopholes in internal control. Secondly, Company H was under financing pressure, and financial fraud helped the company successfully pass the review of the China Securities Regulatory Commission (CSRC). Thirdly, the auditing institution failed to maintain sufficient professional skepticism during the audit process. Finally, the intensity of punishment was insufficient to achieve a warning effect. On the other hand, based on the analysis of the motivations for financial fraud, this paper puts forward the following measures to prevent and control corporate financial fraud: First, strengthen the construction of integrity, probity, and moral awareness within the management of modern enterprises; second, accelerate the transformation and structural upgrading; third, strengthen the internal supervision and external control of the enterprise management; fourth, increase the intensity of punishment and accountability for corporate financial fraud and improve the claim coordination mechanism for external investors. It is hoped that through the research in this paper, the financial fraud of film and television companies can be effectively curbed, thereby promoting the healthy development of China's listed companies and maintaining the stability of the capital market.

Keywords: Financial Fraud; Fraud Motivation Analysis; Fraud Prevention; GONE Theory.

1. Introduction

As China continues to deepen its reform efforts, it has achieved fruitful results in economic development, and its capital market has also witnessed sound growth. However, at the same time, some companies resort to unscrupulous means to commit financial fraud in order to gain more benefits, posing challenges to the capital market. Although the China Securities Regulatory Commission (CSRC) has strengthened supervision, it still cannot completely prevent the occurrence of such phenomena. The issue of corporate financial fraud has affected the standardization and transparency of China's capital market. Strengthening the prevention of financial fraud is not only conducive to the long-term stable development of China's corporate securities market, but also provides enterprises with more stable, efficient, and convenient financing channels. Furthermore, it creates a more legal and orderly trading environment for investors' financial transactions. The financial fraud of listed companies has attracted widespread attention from society.

Company H is a Chinese film and television company listed in 1997, and has produced many excellent film and television works. In July 2019, Company H received the Pre - Administrative Penalty Notice from the Chongqing Regulatory Bureau of the China Securities Regulatory Commission issued by the China Securities Exchange (Chongqing Regulatory Bureau). The reason was that the company failed to provide true, accurate, and complete corporate financial data for four consecutive years, and the actual controller of the company was given a warning and imposed a fine, among other penalties. Conducting research on Company H's financial fraud incident helps to warn other companies to pay more attention to financial reporting and information disclosure, thereby reducing the occurrence of financial fraud incidents, improving corporate credibility, and ensuring the integrity of information transmission. It also helps investors enhance their understanding of relevant financial fraud behaviors, improve their ability to identify such frauds, and avoid suffering economic losses again due to similar incidents. In addition, it is beneficial to ensuring the stable daily operation of the securities market.

2. Literature Review

2.1 Research on the Motivations and Methods of Financial Fraud

Regarding research on the motivations and methods of financial fraud, the GONE Theory proposed by Bologna et al. [1] is one of the representative approaches to analyzing fraud motivations, encompassing the four dimensions of "Greed, Opportunity, Need, and Exposure". Based on this theory, Lou [2] put forward the "four-factor" fraud motivation framework, which includes culture, motivation, opportunity, and interests. A distinctive feature of his research is the introduction of cultural factors into the theory. Taking A-share listed companies in China as the research object, Liu et al. [3] conducted an empirical analysis of their strategic decisions. The results showed that the more aggressive a company’s strategic decisions are, the higher the likelihood of financial problems. Sun et al. [4] found that related-party transactions are the most commonly used method for financial fraud, while Wang [5] argued that other methods also exist, such as inflating profits, embezzling corporate funds, and illegal securities trading. To address the issue of diverse accounting fraud methods, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report Financial Reporting Fraud: 1987-1997 and Chmielewski [6] conducted studies and identified two most prevalent financial fraud methods: asset overstatement and revenue overstatement. Shun [7] pointed out that major shareholders have the ability to interfere with or manipulate the financial decision-making process, rendering a company’s accounting information no longer a reliable basis for market decisions. Don and Vasant [8] suggested that the executive compensation structure should reduce executives’ intertemporal incentives to mitigate judgment biases that may lead to fraud risks.

2.2 Research on Financial Fraud Identification

In terms of research on financial fraud identification, Aros and Molano [9] et al. reviewed the application of machine learning in financial fraud identification and compared its efficiency differences with other identification methods. Focusing on the issue of fraud identification, Axelsson [10], a representative scholar in audit-related fraud detection, stated in his report that internal audit institutions and internal audit systems of a company are crucial for effectively identifying corporate financial fraud. By comparing the research results of internal and external auditors, Robert and Dolores [11] initially observed significant differences between the occurrence of fraud, the manipulability of financial statements, and the specific departments where fraudsters are located. Xiong [12] proposed that a combination of a company’s financial and non-financial indicators, along with fraud identification models, could be used to identify fraud in listed companies. Ye [13] suggested that analyzing financial information in corporate financial reports could help determine whether a company’s financial information is problematic. Through a study on the revenue fraud methods of Chinese listed companies, Chen [14] argued that such methods mainly manifest in fabricating economic transactions, artificially adjusting the timing of revenue recognition (either delaying or advancing it), and disguising non-operating income as operating income. Li [15] believed that corporate governance indicators play a strong supplementary role in financial fraud identification. Robert and Josip [16] developed a new accounting tool to help companies and investors detect and prevent fraud in a timely manner, ultimately achieving financial stability and more efficient capital allocation.

2.3 Research on Financial Fraud Prevention

For research on financial fraud prevention, Beasley [17] suggested increasing the proportion of independent directors and ensuring that their authority and status in expressing opinions can deter financial fraud. Sun [18] argued that an excellent corporate culture can provide sustained impetus for a company's development, and enterprises should build a brand of integrity. Yang [19] proposed introducing insurance companies into the capital market: when investors suffer losses due to a company's financial fraud, insurance companies can compensate for such losses to a certain extent. Zhao et al. [20] pointed out that advanced financial statement analysis is expected to be automated, which can not only improve the audit process but also effectively enhance investment performance. He also proposed a "Unified Investor Protection Framework," which summarizes and classifies theories related to investor protection from the macro to the micro level. Zhao et al. [21] believed that financial fraud can be curbed mainly by increasing a company's market value, sending positive signals to society, and helping enterprises obtain government subsidies.

2.4 Summary of Literature

A review and summary of the above literature reveals the following:

In terms of research timing, foreign scholars began studying financial fraud earlier than their Chinese counterparts. For research on the motivations and methods of financial fraud: Foreign scholars tend to use the Fraud Triangle Theory and GONE Theory for elaboration; Chinese scholars, while building on these theories, incorporate considerations of national policies and conditions, making their research on financial fraud motivations more suitable for China's context. Regarding literature on financial fraud methods: Most studies conduct macro-level analyses by aggregating numerous fraud cases, while research targeting specific industries remains relatively scarce. For literature on financial fraud prevention: Scholars at home and abroad explore the issue from both internal and external corporate perspectives. In addition to the common measures of strengthening external audit work and social supervision, greater emphasis is placed on internal corporate governance (i.e., urging managers to enhance internal management). Furthermore, Chinese scholars have also put forward suggestions related to corporate culture. In summary, there are still significant gaps in the qualitative identification and research of financial fraud behaviors in Chinese enterprises, which require further exploration.

3. Theory and Methodology

Information asymmetry in Company H's financial fraud is mainly reflected in aspects such as fictitious transactions and revenues, concealment of expenses and debts, and undisclosed related-party transactions. The information asymmetry theory primarily refers to the significant differences in the level of information mastery among various market participants regarding specific events during market activities, due to variations in the channels, timing, and authenticity of information acquisition. External investors and company employees receive data at different times, thereby creating operable space for financial fraud. if the information provided by a company is false and cannot truly reflect its operating conditions, investors will be affected by information biases to a certain extent, leading to incorrect decisions. This paper proposes combining the fraud triangle theory (POR Model) with the GONE Theory to analyze the causes of financial fraud, as shown in Figure 1.

Figure 1. POR-GONE Model

3.1 Fraud Triangle Theory (POR Model)

The fraud triangle theory is composed of three elements: Pressure, Opportunity, and Rationalization. This fraud theory was first proposed by Albrecht [22], an economist from Chicago, USA, in 1995. He pointed out that if a company lacks any one of these elements, it is impossible to cause financial fraud in the enterprise. The pressure factor is the main behavioral motivation for enterprise financial fraud, that is, why the enterprise conducts financial fraud; the opportunity factor is the timing when fraud can be committed and the fraudster can cover up his fraud or effectively avoid fraud penalties; Li [23] believes that the rationalization factor refers to the fact that the fraudster must find a reason to make his fraud behavior conform to his own social moral concepts or be consistent with his social behavioral norms, so that he has sufficient justification to carry out financial fraud. Yang et al. [24] believe through the fraud triangle theory that the childhood poverty experience of the chief executive officer (CEO) may have an impact on the financial fraud behavior of the enterprise.

3.2 The GONE Theory

The GONE Theory, also known as the Four-Factor Theory, was proposed by Bolobna and Wrens of the United States in 1993 based on the "Fraud Triangle Theory". It consists of four elements: G (Greed), O (Opportunity), N (Need), and E (Exposure). In this theory, the "Greed" factor not only has its literal meaning but also a deeper significance, representing an individual's value judgment, which is closely related to the values of corporate fraudsters and corresponds to the "Rationalization" factor in the "Fraud Triangle Theory". The "Opportunity" factor refers to whether corporate fraudsters have sufficient time to commit financial fraud, which is generally related to the power they hold within the company. The "Need" factor, also known as the "Motivation" factor, indicates that only improper motives can lead to financial fraud, which is similar to the "Pressure" factor in the "Fraud Triangle Theory". The "Exposure" factor refers to the possibility of fraud being exposed and the severity of legal sanctions after exposure. These four factors represent the four conditions for a company to commit fraud, and they are interdependent and inseparable, jointly determining the risk level of financial fraud in the company.

4. Financial Fraud of Company H

Company H was officially registered and established in 2006. and in August 2011, it completed the comprehensive shareholding system reform. The company began planning for an initial public offering in 2011. After five rounds of financing and two failed attempts at planning an initial public offering, it finally in 2015 signed the "Equity Transfer Agreement" with Company H and Company B, and directly held approximately 14% of the total issued share capital of Company B, thus becoming the largest shareholder of Company B. In November 2016, after the asset reorganization was completed, Company H was injected into Company B, becoming its wholly-owned subsidiary, thus completing the shell listing.

In July 2017, due to issues related to financial disclosure, Company H was investigated by the China Securities Regulatory Commission. The investigation lasted for nearly two years. In 2019, the Chongqing Regulatory Bureau of the China Securities Regulatory Commission officially released this "Administrative Penalty Decision Document", disclosing the detailed financial fraud situation of Company H. The content shows that the financial data of Company H contained serious false information and engaged in financial fraud through various means. They continuously deceived for four years, with a cumulative amount exceeding 100 million yuan, a long duration, and a large amount of illegal involvement.

After the Securities Regulatory Commission's investigation, it was found that Company H failed to provide all the company's annual financial data for the years 2013 to 2016 on time, resulting in significant omissions in the disclosed financial statements. The specific financial fraud methods include the following aspects:

4.1 Confirming Inflated Revenue in Advance and Increasing Operating Income

In order to present the revenue and various time points more concisely, this article has created the Table 1 based on the administrative penalty notice issued by the Chongqing Regulatory Bureau.

The "Enterprise Accounting Standards" stipulate that for the film and television industry to generate profits, it needs to go through three stages: shooting the film, selling the copyright for distribution, and broadcasting the series. That is to say, during the process of selling and distributing the copyright, only when both parties sign a copyright transfer agreement can it be regarded as the sole indicator. Once signed, it is equivalent to transferring the copyright to the other party, but at this time, the risks and rewards have not been transferred. Only when the third step is completed is it a complete process; otherwise, it all belongs to the premature recognition of income. The end mark of the third step is "master tape handover", that is, handing over the film screening tape to the buyer. This is a complete process. The process is shown in the following Figure 2.

Table 1. Company H's Confirmation of Revenue Status Report (Unit: Ten Thousand Yuan)

TV series	Assignment of copyright	Revenue of issue	Confirming the timing of revenue recognition	The time when the agreement took place	Master tape handover time
Film A	4905.66	147.17	2013.12	2014.2	2014.6
Film B	1886	0	2013.12	2014.2	No exact time
Film C	2490	298	2014.12	2015.2	2015.3

Data source: Administrative Penalty Decision Document of the Chongqing Regulatory Bureau of the China Securities Regulatory Commission

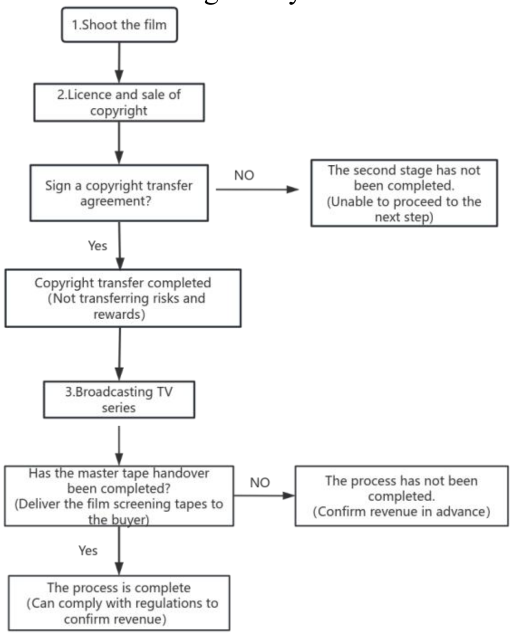

Figure 2. Process of Confirming Copyright Income

On the one hand, Company H had already confirmed the revenue from Film A. In February 2014, Company A signed a TV drama copyright transfer agreement with the TV station, which marked the completion of the second stage of "selling the copyright". Film A had completed the transfer of the master tape in June 2014. According to the agreement, the confirmed revenue for Film A was calculated from the day the master tape was transferred. In fact, Company H and Television had already determined the copyright revenue for Film A in December 2013, with a total revenue of 50.5283 million yuan (copyright transfer income of 4.90566 million yuan and distribution income of 147,170 yuan). This shows that Company H confirmed the revenue from the TV drama earlier than the effective date of the agreement and the transfer of the master tape, which does not comply with the accounting standards.

On the other hand, regarding the profit income of Film C, Company H also had certain problems of its own. In February 2015, Company H signed a contract with the TV station for the television broadcast rights of the TV series. Both parties agreed that the agreement would take effect immediately, and the transfer of the master tapes was scheduled for March 2015. However, in December 2014, Company H had already confirmed the revenue of 27.8943 million yuan (including 2.9887 million yuan in distribution income and 24.9057 million yuan). Company H had determined the revenue of Film C before the contract took effect, which violated the relevant provisions of the "Enterprise Accounting Standards".

4.2 Fictitious Collection of Receivables with Insufficient Provision for Bad Debts

According to the notice issued by the Chongqing Regulatory Bureau of the China Securities Regulatory Commission, in 2015, Company H intended to recover the receivables of Company S totaling 8.5 million yuan, resulting in a decrease of 4.25 million yuan in the bad debt provision amount recorded in the company's 2015 financial statements. In 2016, Company H falsely recovered 17 million yuan of the receivables from Company S, causing the bad debt loss of Company H to decrease by 8.5 million yuan. After careful verification, Company H did indeed receive a sum of money from Company S in June of that year. However, in fact, these funds were all controlled through an account under Mr. Wang 's control of the company. The recovery of this money was the responsibility of Mr. Chen and Miss Zhong. Mr. Chen arranged for Mr. Wang to open a bank account under the name of Company Y. He transferred this sum of money directly into the account of his wife Miss Zeng, and required Miss Zeng to transfer the funds from Company S to Company H as the receivables of Company S to Company H. The relationship is shown as follows in the Figure 3.

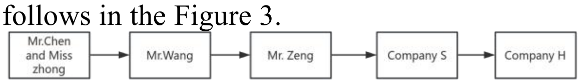

Figure 3. Relationship Diagram

4.3 Postpone the Provision for Bad Debts on Various Receivables

In December 2012, Company H and Company Z jointly produced the Film D. Approximately 5.2 million yuan in total fees have been paid to Company H. In December 2013, Company H was supposed to transfer a delayed uncollected advance payment to other receivables and make provisions for bad debts. However, the company did not carry out the relevant operation until December 2014, resulting in a total under-provision of bad debts of 2.6 million yuan for the three years from 2013 to 2015. This was recognized as a delay in provisioning for bad debts of receivables.

4.4 Failure to Fully Disclose the use of Funds by Related Parties and Shareholders

Before the company reorganization, Company H had already established connections with Company W, Company Y, and other companies. From March 2013 to February 2017, Company W received 12 million yuan from Company H for investing in the production of Film E, but this was not made public. During this period, from June 2015 to March 2017, nearly two years, Company W borrowed 18 million yuan from the company's entertainers for use, but the specific details were not disclosed. From November 2016 to May 2017, Company W used the excuse of shooting Film F to occupy 8 million yuan of Company H's funds, but as a listed company, Company H's financial situation was not fully disclosed regarding the whereabouts of the funds.

5. The Impact of the Financial Fraud at Company H

5.1 The Company's Profits have been Affected

For companies involved in financial fraud, the impact of such fraud is not merely the penalties imposed by the securities regulatory commission and the decline in stock prices. The more far-reaching effects lie ahead. As shown in the Figure 4, during the period of financial fraud at Company H from 2013 to 2016, the overall net profit was good. Especially in 2016, compared with 2015, the operating revenue and net profit showed a turning point. The operating revenue increased from 13.44 million yuan in 2015 to 738.55 million yuan in 2016, and the net profit rose from 1.3 million yuan in 2015 to 265.06 million yuan in 2016. However, since it was exposed to financial fraud in 2017, the operating revenue and net profit have started to decline separately. The operating revenue dropped from 156.721 million yuan in 2017 to 132.847 million yuan in 2018, and the net profit decreased from 42.164 million yuan in 2017 to 32.329 million yuan in 2018. In 2019, after the document was issued by the Chongqing Regulatory Bureau of the China Securities Regulatory Commission, the net profit became negative and remained negative for three consecutive years. It is evident that this financial fraud has had a blatant impact on Company H, and it is difficult for the company to return to the normal track within a short period of time.

Figure 4. Company H Profit Statement (Unit: Ten Thousand Yuan)

Company H, a film and television company that has produced many popular TV dramas and has a good public image, was exposed by the China Securities Regulatory Commission for financial fraud after going public. This not only tarnished its credibility but also left a negative record on the stock exchange. The Weibo post "Company H has committed financial fraud for four consecutive years" sparked discussions among netizens, seriously damaging the company's reputation and hindering its subsequent financing and business development. At the same time, it misled investors by "flattering" the financial statements. Due to information asymmetry, small and medium-sized investors were unable to know the true financial situation. After the fraud was exposed, they suffered huge losses first and were the ones who were most affected. Investors whose rights and interests were damaged can file lawsuits for compensation. Moreover, this fraud has also had a profound impact on China's capital market, challenging the existing market rules, weakening the credibility of listed companies' financial reports, and causing investors to have concerns about the securities industry and reducing their enthusiasm for market participation. This, in turn, affects the normal operation of the entire stock and securities market.

5.2 The Company's Stock Price has been Negatively Affected

On July 17, 2017, Company H received a notice of investigation from the China Securities Regulatory Commission. On July 18, the board of directors announced this matter and announced the suspension of listing. On August 8, it resumed trading. This article takes the first trading day after Company H's stock listing as the event date, and selects three working days before and after for comparison. As shown in the Figure 5 & Figure 6 & Figure 7, before the delisting on July 17, 2017, the closing price was 9.46 yuan per share. On the first trading day after re-listing, that is, on August 8, 2017, the closing price was 8.76 yuan per share. Moreover, influenced by public opinion, the daily price fluctuations in the three consecutive days after re-listing were all negative. This shows that the illegal behavior had a certain negative impact on the company's stock price. Even in 2025, when the closing price dropped to 5.93 yuan per share, its stock price was still behind that of 2017 and could not return to the previous level. This clearly shows the far-reaching negative impact of its financial fraud.

During the investigation by the CSRC in July 2017, the trading volume gradually increased, reflecting the panic selling in the market due to the fear of financial fraud. During this period, the decline in stock prices was a direct manifestation of investors' loss of confidence in the company's integrity and financial authenticity. However, in October 2025, the trading volume remained at a relatively high level. The essence of this was the continuation of the negative impact of financial fraud on the company's reputation and long-term damage, that is, investors' trust in the company's financial transparency could not be restored. Once there was any disturbance, the stock price would fluctuate more severely due to the historical "blemish".

Figure 5. Opening Price of Company H (unit: yuan per share)

Figure 6. Closing Price of Company H (Unit: Yuan Per Share)

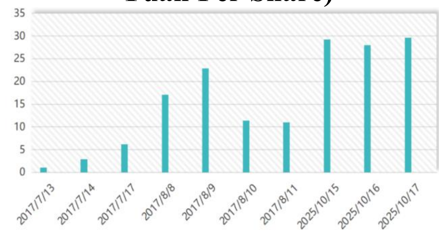

Figure 7. Shares Trading Volume of Company H (Unit: Ten Thousand Yuan)

5.3 Received Administrative Penalties from the China Securities Regulatory Commission

After the financial fraud case of Company H occurred, the China Securities Regulatory Commission Chongqing Branch issued three public penalty decisions against the management of Company H and the relevant personnel involved in the case. Summarizing the main penalty measures, they mainly include: First, Company H was warned and required to make corrections, and a total fine of 900,000 yuan was imposed; Second, Company H was given a warning penalty and fined 600,000 yuan; Third, Miss Zhong, the main responsible person with direct economic responsibility of the company, was given a warning and fined 1 million yuan; Fourth, the other 9 directly responsible personnel of the company were given a warning and fined a total of 80,000 yuan; Fifth, Company H and Mr. Wang, the associated enterprises, were each given a warning of 300,000 yuan; Sixth, Mr. Zhang, the person in charge of the accounting department of Company H , was fined 100,000 yuan. The total fines amounted to 4.52 million yuan.

From the three investigation reports of the Chongqing Securities Regulatory Bureau, it can be seen that Company H began to engage in financial fraud in 2013 in order to successfully go public through a shell merger. They also "fudged" the financial statements for three and a half consecutive years, making the financial statements more attractive to investors. Such illegal behavior not only had a negative impact on China's securities trading market and the users of company financial reports, but also damaged the public's impression and confidence in listed film and television companies due to the unique high attention nature of the film and television industry.

6. Analysis of the Causes of Financial Fraud at Company H Based on the GONE Theory

Based on the four elements of GONE, we conducted a detailed analysis of the financial fraud motives of Company H, covering four aspects: G (greed), O (opportunity), N (need), and E (exposure). We can see as shown in Figure 8.

Figure 8. GONE Theory

6.1 Greedy Factor

Under the GONE theoretical framework, the G element refers to the situation where, under the influence of the subjective factors such as the subject's moral, psychological and value beliefs of the fraud perpetrator, they find reasonable reasons for their financial fraud behavior. Personal values and moral concepts inevitably have an impact on an individual's behavior to a certain extent. Pursuing interests is something that everyone and every company needs to consider, but it is important to remember the legal boundaries. One cannot aim to harm the interests of others and go beyond the legal limits. In the financial fraud of Company H, the financial staff, under the pressure from their superiors, violated professional ethics. The actual controller was driven by economic interests and instructed subordinates to operate illegally, losing integrity. The company's equity structure was long-term unreasonable and overly concentrated. Initially, it was controlled by Mr. Chen and Miss Zhong as 100% owners for five years, making them treat the company as private property. This led to an excessive desire for high profits. The two even illegally appropriated company funds and borrowed from their own artists to invest, affecting the safety of the company's capital chain. Later, although partners were introduced, the couple and the partners still held 30.15% of the shares, while the remaining artist shareholders lacked management rights due to the industry characteristics, resulting in the actual controller abusing power and disregarding moral constraints when borrowing shells for listing, ultimately implementing financial fraud.

6.2 Opportunity Factor

The opportunity factors in this article are divided into internal opportunities and external opportunities. From the perspective of the company itself, the imbalance of the internal governance structure and the institutional flaws of the audit committee have created conditions for the smooth occurrence of financial fraud. Moreover, the external auditing department of the company lacks professional talents in the field of film and television, which also gives the company's managers the opportunity to take advantage of the situation.

Internal opportunities. Company H was initially a company jointly founded by Mr. Chen and Miss Zhong, with each of them holding the positions of chairman and general manager respectively. In 2011, the company was renamed as a joint-stock limited company. Although its overall equity structure underwent several major changes over the years, the current equity is still completely controlled by Mr. Chen and Miss Zhong 100% in reality. As early as 2016, after the company successfully achieved the goal of going public through a reverse merger, Mr. Chen and Miss Zhong and other company partners collectively owned approximately 30.15% of the company's shares. Mr. Chen and Miss Zhong can be regarded as the owners of the company's highest control rights, executive rights and supervision rights. This led to the modern management system of the company being virtually ineffective. Jing [25] believes that although Compony H was able to successfully go public, the rights held by Mr. Chen and Miss Zhong were not constrained or decentralized at all. Therefore, there was an opportunity for financial fraud.

In the daily operations of Company H, the auditing department does not interfere, and the regulatory authorities cannot conduct a comprehensive monitoring of the company's actions. Therefore, investors can only obtain information about the company from public channels. Moreover, some unscrupulous media deliberately mislead investors, making it difficult for the public to know how the company operates in reality, let alone gain an in-depth understanding of its financial situation. The management and shareholders of Company

H are more familiar with the company's situation than external investors. This gives them the opportunity to fabricate false financial records, thereby misleading investors and even evading inspections. Even if the regulatory authorities discover that the company is engaging in financial fraud, it takes some time to conduct an investigation. During the investigation process, there is also an opportunity to modify the financial situation. Company H was not punished by the CSRC until six years after the fraud occurred. This shows that the emergence of information asymmetry gives enterprise managers the opportunity to exploit loopholes.

External opportunities. Sun [26] believes that for accounting firms, the shortage of auditing talents in the film and television industry may prevent auditors from truly understanding various risks in the film and television sector. They may not be able to implement more effective auditing procedures, and it would be even more difficult for them to detect fraud. Firstly, confirming revenue in advance, such as the handover of master tapes and copyright transfer, are important time points that are extremely unfamiliar to people outside the film and television industry. Company H seized on this point and dared to make a big deal at these time points, making it impossible for the auditors to have true professional skepticism during the audit process. They failed to confirm the authenticity of revenue, resulting in the auditing department not being able to detect Company H's financial fraud. Secondly, it is related to the bad debt policy. The bad debt policy is often based on professional judgment, but the bad debt policies of film and television industry companies are different from those in other industries. Therefore, although Company H knew that the bad loan policy did not conform to the company's actual situation, they did not correct it. This gave them the leeway to adjust profits, allowing the auditing institution to not be able to investigate financial fraud, enabling Company H to engage in more audacious fraudulent behavior.

Before the implementation of the new securities law, the penalties for financial fraud in China were very lenient. The maximum fine was only 600,000 yuan, and the penalties for the responsible personnel of the enterprises were not too severe either. Therefore, in the face of huge profits and a relatively small penalty amount, it is not surprising that companies without a good moral code and those willing to do anything to pursue profits engaged in financial fraud. According to the three announcements of the CSRC, a total of 900,000 yuan was fined to Company H, 600,000 yuan to Company H, and a total of 1.6 million yuan was fined to the actual controller. Other relevant personnel were fined from 30,000 to 50,000 yuan respectively. However, compared with the huge profits obtained by Company H, these penalties were insignificant. The low cost of fraud made it unable to have a sufficient deterrent effect on the company.

Looking at the penalties imposed by foreign companies on fraud-related illegal activities, there are two very classic cases. At that time, Enron was heavily fined approximately 500 million US dollars, which ultimately forced Enron to declare bankruptcy. The then CEO of the company was sentenced to 24 years in prison and was also fined a total amount of over 45 million US dollars by the court; WorldCom was fined 750 million US dollars and paid 25 million US dollars in collective lawsuit compensation. The original CEO of the company was sentenced to 25 years in prison. Therefore, from the perspective of the severity of the penalties, the cost of fraud and illegal activities for Chinese enterprises is often not proportional to the actual amount of profit they make. Coupled with the greedy and profit-seeking nature of the Chinese people, this has led some listed companies to dare to engage in such blatant fraud and illegal activities.

6.3 Required Factors

The need factors in the GONE theoretical framework, also known as stress or motivation factors, directly influence the final decision on whether a company can engage in financial or fraudulent activities. The final decisions made by companies regarding the ability to effectively carry out financial fraud are often based on certain most urgent and realistic needs of the company.

Times are evolving, technology is advancing, and with the continuous development of the economy, people's preferences for films and TV dramas have also changed. Films and TV shows with good viewing effects are increasingly favored by everyone. However, this requires a large amount of funds. For the film and television industry, stable cash flow is extremely important. Facing competition from similar enterprises, Company H had to choose to go public to enhance its competitiveness. In 2013, Company H, which was preparing for a shell listing, chose to commit financial fraud to ensure a smooth path for the listing. Therefore, good operation and financial statements are extremely important. They used various means to conceal false information to clear obstacles for a successful listing.

The implementation of the "policy restricting historical drama productions" has severely restricted the TV series of Company H. As Company H is a company that specializes in shooting historical dramas, this policy has led to a significant decrease in the purchase demands from various TV stations. This is a huge blow to Company H, meaning they have to deal with a large amount of unsold historical drama inventory and it will affect the company's development for a long time to come. Therefore, to have a good financial report, the easiest and quickest way is financial fraud.

6.4 Exposure Factor

The exposure factor mentioned in the GONE theoretical framework refers to the judgment made by business managers regarding the likelihood of detecting and exposing such financial fraud. The nature and severity of the punishment often relate to the subjective judgment of the perpetrator before the crime is successful, in order to provide the most sufficient psychological deterrence to those potential criminal fraudsters.

The financial fraud case of Company H occurred from 2013 to 2016. According to the relevant penalty regulations of the China Securities Regulatory Commission, the penalty measures taken by the commission this time can be regarded as the maximum penalty for other companies. However, compared to the greater profits obtained through financial fraud, the limited intensity and low amount of this penalty are likely to have no deterrent effect at all. Instead, they will only further embolden the lawbreakers. Analyzing from the content of the tax penalty notice alone, in such typical cases, hardly anyone can receive criminal punishment. This might be the reason why financial fraud behaviors have persisted despite repeated prohibitions in recent years.

Company H engaged in continuous fraud from 2013 to 2016 for four consecutive years. Initially, the fraudulent activities were mainly carried out because they wanted to submit a good financial report to facilitate smooth financing and listing in the future. However, when the fraud began in 2013, the company was not exposed. Even before the listing, no problems were identified. This made Company H believe that the company's financial fraud would not be discovered, thus forming a mentality. Therefore, they used various fraudulent methods to adjust their profits.

7. Further Research

Corporate financial fraud has a profound impact on the current and future development of the enterprise, with the negative effects being particularly prominent. Therefore, in order to prevent the occurrence of financial fraud at its source, the following measures are proposed:

Strengthen the construction of integrity and ethics among the management team. The management team serves as the guiding standard for the entire enterprise. The only factor that can influence their decisions is their own moral character. Therefore, it is necessary to regularly organize personnel to study relevant theoretical knowledge and adhere to professional ethics in daily life. Just like in the financial fraud case of Company H, it was the executives who, driven by personal interests, gradually took steps to violate the principles of integrity and ethics, thereby causing the occurrence of financial fraud. In such an enterprise culture environment, all employees will unconsciously be influenced by integrity. Therefore, if the company wants to achieve long-term and healthy development, it must build the company culture based on the construction of integrity.

Strengthen the internal and external control functions of the enterprise. Avoid senior executives serving as members of the board's audit committee. From 2016 to 2018, Mr. Zhong and Miss Chen, senior executives of Company H, concurrently served as members of the company's board's audit committee. They deliberately concealed problems to cover up their own fraudulent behavior. The practice of senior executives serving as audit committee members completely deviates from the original intention of establishing the audit committee, preventing it from playing its supervisory role and weakening the effectiveness of external audits. Due to factors such as ability, morality, and economic pressure, decision-makers and executors are prone to make mistakes in decision-making. Therefore, it is necessary to strengthen internal supervision and regulation to safeguard investors' rights and the normal operation of the company. Strengthen the external auditing function of the enterprise. The quality of accounting firms' services affects the company's financial fraud situation. They must strictly follow internal review procedures and conduct thorough verification and investigation. In China, annual report audits mostly adopt the audit appointment system. As the firms are employed by the enterprises, their auditing methods may be restricted, and the report forms often accommodate the management, even with collusion situations, which affect the auditing process. Therefore, the external auditing function needs to be improved to ensure that the auditing institutions, as independent third parties, are not influenced by interests.

Fully leverage the supervisory role of the media. Media supervision, under the premise of ensuring objectivity, professionalism and fairness, is an effective preventive measure for supervising listed companies. Currently, with the diversified development of media, the ways for the public to obtain information have also changed. Online media is increasingly popular and favored by the public, such as investors, financial practitioners, and financial information enthusiasts, who are more eager to obtain information. Internet media has a wide coverage and rapid information transmission capabilities, and has a strong positive and negative impact on listed companies.

Increase the cost of corporate fraud. Strengthen the penalties for financial fraud. Regarding corporate financial fraud, first, relevant laws and regulations on financial fraud should be improved to ensure that significant penalties have legal basis; second, sufficient judgment ability is needed to determine the degree of punishment based on the extent of fraud and the amount of profit obtained, so that the fine amount is greater than the amount obtained from financial fraud. Third, strengthen the management of the "responsibility system" for key personnel, especially for cases of fraud with serious consequences and social nature, they should be held accountable, and in necessary situations, criminal sanctions can be imposed on relevant personnel. Increasing the cost of illegal acts is an effective way to further improve the mechanism for exposing and discovering fraud. In this case, the asset value created by Company H through this financial fraud has far exceeded the fine amount. We still need to continue to use a series of more clear and severe penalty measures and increase the intensity of penalties, etc, to effectively curb the occurrence of various fraud phenomena. Increasing the strength of administrative penalties and expanding the scope of legal criminal liability are measures that we can seriously consider and gradually improve in the future.

In conclusion, in the future, the prevention of corporate financial fraud will no longer be a single-step governance process, but a systematic project carried out through multiple measures. Moreover, as various mechanisms and policies continue to be improved and implemented, the authenticity and transparency of corporate financial information will continue to improve, ultimately laying a solid foundation for the long-term and healthy development of the enterprise, and also promoting the capital market to develop in a more healthy and efficient direction.

8. Conclusion

Based on the fraud process and fraud methods of Company H, this article analyzes the fraud motives of Company H from the four perspectives of greed, opportunity, need and exposure as proposed by the GONE theory. It also puts forward suggestions in combination with the fraud process. Finally, based on the above research results, we draw the following conclusion:

Financial fraud seriously hinders the development of enterprises. In the short term, apart from having a negative impact on stock prices, financial fraud also involves compensation for lawsuits from investors, which are considerable amounts. In the long term, financial fraud leads to financial loopholes and a significant decline in reputation. The financial fraud committed by Company H was the result of multiple factors. External policy pressures, competition from other industry enterprises, the incompetence of external auditing departments, and the opportunities arising from the dysfunction of internal control all had significant impacts on the financial fraud committed by Company H.

Currently, the anti-fraud environment in China has gradually improved, but there is still room for further improvement. Especially after the revision and implementation of laws, it will be more effective in controlling current fraudulent behaviors.

Through the above analysis, we hope that it can provide certain reference value for preventing fraud in listed companies, and play a positive role in the sustainable development of the company and the stable operation of the capital market.

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