Earnings Management Vs Financial Reporting Fraud Key

The fiscal market is an unpredictable torrent of information that modern organizations strive to understand. Business professionals dedicate themselves to understanding uncertain results around economic performance to improve management, reporting standards, and predict trends in financial statements. International Financial Reporting Standards and New Directions in Earnings Management is an essential reference source that discusses identifying the behavioral patterns of managers and the accounting policies they use in different opportunistic circumstances. Featuring research on topics such as earnings quality, risk reports, and investor protection, this book is ideal for regulatory authorities, accountants, impression managers, auditors, academics, students, and researchers seeking coverage on the theoretical, empirical, and experimental studies that relate to the different themes within earnings management.

Accounting and finance are common terms for users of financial information. Nowadays the reporting of financial as well as non-financial information of an entity, and efficiency in the banking system, are considered to be important issues by creditors, investors, and managers of financial markets.Over four sections this book addresses topics including national accounting standards and financial statement disclosure; foreign direct investment and the roles of accounting valuations and earnings management during the global financial crisis; and bankruptcy risk, banking efficiency, and debt restructuring in the United Nations General Assembly Resolution.

Doctoral Thesis / Dissertation from the year 2015 in the subject Business economics - Investment and Finance, grade: Great Distinction, UGSM-Monarch Business School Switzerland (Accounting and Finance), course: Doctor of Philosophy in Finance, language: English, abstract: The dissertation examined Earnings Management and Corporate Governance Governance Practices of the firms that are listed on the floor of the Nigerian Stock Exchange. The researcher investigated the published financial statements of all the listed companies across all the sectors of the exchange using empirical quantitative research methods. Al the variables of earnings management were extracted from the published annual financial statements and Directors Annual Reports through Content Analysis. The paper further explored all the variables of corporate governance as published by the Directors in the Annual Reports in the Financial Statements and through a face to face recorded interviews of the members of the Board of Directors, the members of the Audit Committees and the Heads of Internal Audit Functions in the Listed Public Companies. The study documented that companies that are listed on the Nigerian Stock Exchange are involved in both the upward and downward earnings management practices. This findings cut across all the Sectors and categorization of the companies on the Nigerian Stock Exchange. The research thus recommended the need for better oversight by the Board of Directors, the Audit Committee and the Market Regulators mainly the Security and Exchange Commission and the Nigerian Stock Exchange. The findings of the Research on Corporate Governance is mixed. In certain sectors, evidence of strong corporate governance are documented as reflected in the quality of Board Members, the Quality of the deliberations at the Board meetings, the independence of the Board, the independence of the Audit Committee and the independence and effectiveness of the Head of the Internal Audit function measured by the reporting line of the holder of this role. In some sectors, the ingredients of strong corporate governance were missing thus suggesting a need for a more stricter regime of corporate governance to be implemented in these corporations.

Wahlen/Baginski/Bradshaw is a balanced, flexible, and complete Financial Statement Analysis book that is written with the premise that students learn financial statement analysis most effectively by performing the analysis on actual companies. Students learn to integrate the concepts from economics, finance, business strategy, accounting, and other business disciplines through the integration of a unique six-step process. Important Notice: Media content referenced within the product description or the product text may not be available in the ebook version.

Earnings Management Practices in Financial Reporting of Public Enterprises in India

Earnings Management and Corporate Governance. An Investigation of Financial Statement Reporting of Publicly Listed Companies in Nigeria

Transparency in Information and Governance

Financial Reporting, Financial Statement Analysis and Valuation

External Agency Monitoring Mechanisms and Earnings Management

Impact of International Financial Reporting Standards on Earnings Management

The sweeping crisis of confidence in business and a widespread decline in users' reliance in published financial statements in recent years imparted with a significant impetus for re-examination of financial estimation and reporting practices. This study explores the question of why unwarranted financial reporting irregularities can be so well hidden in published financial statements of business enterprises in general, and when the business is financially unsteady, in particular. With the help of published financial statements over the period from 2002-03 to 2012-13 of 25 enterprises of Manufacturing, Service, Mining, and Power sector of Public Enterprises in India, different elements are explored with different ratio metrics and statistical process, and various symptoms of financial estimates and reporting irregularities are identified. In this study the red flags are uncovered using Beneish's five variable M-Score model and shaded the light on the degree of variability between them in terms of earnings management practices. To validate the explanation of questionable changes and unusual relationship, different elements are identified through revealing a relationship between variables in terms of profitability, liquidity, and Assets Turnover of the respective enterprises. It appears that public enterprises in India with strong profitability signals generally do engage in managing its earnings while reporting the financial statements. The study found that earnings management practices have a negative relation with the profitability and positive relation with liquidity position and there is no significant difference exist in the variability predicting benchmark in different enterprises during the study period in terms of earnings management practices in public enterprises in India.

Earnings management research is of interest not only to academics, but also to practitioners and regulators. A major strand of the relevant literature examines the divergent reporting incentives that managers face when reporting for tax and for financial accounting purposes. In case of conforming earnings management, firms that prefer tax aggressiveness also lower their financial accounting income, whereas firms that are aggressive in financial reporting also inflate taxable income. However, there is significant evidence that firms also take advantage of the opportunity provided by the dual reporting system (i.e., preparation of distinct reports) and simultaneously manipulate both accounting and taxable earnings (i.e., non-conforming earnings management). As the extent of earnings manipulation cannot be measured directly, a number of proxies have been developed in the literature relying on publicly available data. For the purposes of the present review, the most commonly used ones are classified into three groups: accrual models, effective tax rates and book-tax differences.

Use of accounting discretion to address financial statements seems to be eroding public confidence in the financial reporting process. Some managers are abusing GAAP's afforded discretion to manage earnings thus reducing the quality of the financial reporting process and ultimately bring adverse effects on resource allocation in the economy. Market participants, legislators, regulators, and academics are concerned in order for them to have the need to control financial reporting abuses. In this paper, I briefly analyze the recent literature and theories on earnings management and show the techniques used by managers to manipulate earnings. I found strong incentives and reasons for managers to report such smooth and increasing earnings by the: a) increase market capitalization; b) enhance management compensation and job security; and c) reduce the company's cost of capital. The evidence found suggests that the managers used: a) big bath restructuring charges; b) miscellaneous cookie jar reserves (a hidden reserve that do not show up on the balance sheet (understating values) which can be used to adjust quarterly earnings reports c) premature and aggressive revenue recognition; and d) creative acquisition accounting and purchased R&D to manage earnings.

For this volume we have collected 12 original research papers dealing with various issues relating to transparency. This topic spans many disciplines beyond accounting and finance, intersecting economics, law and management, embracing sociology and political science, and offering opportunities for creative interdisciplinary research. We hope this v

The Case of Germany

A Study of "earnings Management" Under the Accrual and Consolidation Model

Essays on Earnings Management and Tax Avoidance in Corporate Financial Reporting

Cfos' Incentives and Earnings Management Ethics Impact on Their Financial Decisions

Definitions, Measures, and Financial Reporting

Learn how to legally manage your earnings with EARNINGS MANAGEMENT! This finance text demystifies earnings management and provides you with 28 reasonable and legal techniques. Read this text and you will gain valuable knowledge about earning management concepts and tools and gain insight into the management decisions that can shape financial statements and the underlying quality of the earnings.

Analyzes executive compensation in a setting where managers may take a costly action to manipulate corporate performance, and whether managers do so is stochastic. Examines how the opportunity to manipulate affects the optimal pay contract, and establishes necessary and sufficient conditions under which earnings management occurs. The author¿s model provides a set of implications on the role earnings management plays in driving the time-series and cross-sectional variation of executive compensation. In addition, the model's predictions regarding the changes of earnings management and executive pay in response to corporate governance legislation are consistent with empirical observations. Charts and tables.

Essay from the year 2017 in the subject Business economics - Accounting and Taxes, grade: A, University of Nairobi, language: English, abstract: This paper discusses the motives behind earnings management and explains some of the methods used by firms to manage their earnings. Earnings management has been defined differently by a number of scholars. It is important to note that there is a thin line between fraud and earnings management. Hamid, Hashim and Salleh citing the works of Brown, Perols and Lounge and Erickson, Hanlon and Maydew noted the difference in the definitions that are offered by the scholars. According to Perols and Lounge organizations will engage in fraud due to the constraints on earnings management. The research found out that the firms that had engaged in earnings management will be more likely to be involved in cases of fraud. Brown and Erickson et al noted that the difference between earnings management and fraud is that earnings management is usually within the scope of the generally accepted accounting principles (GAAP) while fraud is outside of the boundaries of GAAP. Earnings management has been defined as the manipulation of the financial statements and reports by the managers so that the firms can earn extra profit. It has also been defined as the action where the management of the organizations apply their own self-assessment in the communication of the financial information and transactions to modify the financial data for two main reasons: 1) influencing contractual businesses that solely rely on the financial information or 2) providing the stakeholders with a wrong impression about the financial position of the firm.

This book provides researchers and scholars with a comprehensive and up-to-date analysis of earnings management theory and literature. While it raises new questions for future research, the book can be also helpful to other parties who rely on financial reporting in making decisions like regulators, policy makers, shareholders, investors, and gatekeepers e.g., auditors and analysts. The book summarizes the existing literature and provides insight into new areas of research such as the differences between earnings management, fraud, earnings quality, impression management, and expectation management; the trade-off between earnings management activities; the special measures of earnings management; and the classification of earnings management motives based on a comprehensive theoretical framework.

Earnings Management in Private Firms

A Review of the Proxies

Earnings Management and Performance of Indian Equity Rights Issues

Evidence on the Relation between Audit and Earnings Quality. Do Clients of Higher Quality Auditors Provide Better Financial Reporting?

Executive Compensation and Earnings Management Under Moral Hazard

New Perspectives on Banking, Financial Statements and Reporting

Objective - The objective of this research is to obtain empirical evidence about the effect of real earnings management that is proxied by abnormal Cash Flow from operating and discretionary expenses towards fraudulent financial reporting.Methodology/Technique - The objects in this research are companies listed on the Indonesian Stock Exchange (idx) between 2011 and 2015 comprised of companies that have engaged in fraudulent activities as well as those that have not, to enable a comparison to be *made. The companies that have engaged in fraudulent financial reporting were obtained from a list issued by the Financial Services Authority (OJK), being the agency that oversees the capital market in Indonesia. The sampling is conducted using purposive sampling. Secondary data is used, and the hypotheses are testing using logistic regression analysis.Finding - The results of this research show that: (1) Real Earning Management proxied by Abnormal Cash Flow from operating activities (CFO) have a significant effect towards Fraudulent Financial Reporting (FFR), (2) Real Earning Management proxied by Abnormal Discretionary Expenses does not have an effect on Fraudulent Financial Reporting (FFR) and (3) Real Earning Management that is proxied by Abnormal Cash Flow from operating (CFO) and Abnormal Discretionary Expenses have a simultaneous and significant effect on Fraudulent Financial Reporting (FFR).Novelty - Based on these findings, this research provides insight to companies to enable them to give greater attention to abnormal cash flow from operating activities due to the effect this has on companies that are suspected of committing irregularities in its operational activities. This is important because fraudulent reporting can erode investor's confidence and thereby reduce investment in the company.Type of Paper - Empirical.*

This study examines the relationship between corporate governance mechanisms and financial statement fraud in Malaysia. This study also investigates the likelihood of Malaysian financial statement fraud firms' involvement in real earnings management. Although a number of firms submitted fraudulent financial statement each year to deceive financial statement users in decision making, limited studies have been undertaken on financial statement fraud in emerging countries. This study will fill the research gap by examining the relationships between financial statement fraud, corporate governance and real earnings management. In the end, this study will make a significant contribution for regulators to make policies and analysts to identify early warning signals with regard to fraudulent financial reporting practices in Malaysia. Univariate and multiple regression models will be employed to test the hypothesized relation between firms convicted in financial statement fraud and corporate governance practices. This study will incorporate ethnic attribute on the board and audit committee. This study will also investigate changes towards corporate governance practice after fraud detection. To the best of the researcher's knowledge, no research has investigated pre and post corporate governance practices in related to financial statement fraud at the same time. Abnormal real earnings management will be used as the proxy for earnings management. Prior literatures have focused on accounting accruals to proxy earnings management. Nevertheless, past literatures documented that it is more favourable for managers to manipulate monetary values that involve with the timing of actual business transactions. It is also posited that real earnings management occurs before manipulation of accruals. As a result, the decision to use real earnings management in identifying early warning signal of financial statement fraud is appropriate. Potential findings of this study are the effective corporate governance mechanisms able to reduce fraudulent financial reporting. Furthermore, earnings quality is expected to decline towards the conviction of financial statement fraud.

This book provides an overview of earnings quality (EQ) in the context of financial reporting and offers suggestions for defining and measuring it. Although EQ has received increasing attention from investors, creditors, regulators, and researchers in different areas, there are various definitions of it and different approaches for its measurement. The book describes the relationship between EQ and earnings management (EM) since they can be considered related challenges, especially in the context of international financial reporting standards (IAS/IFRSs). EM occurs when managers make discretionary accounting choices that are regarded as either an efficient communication of private information to improve the informativeness of a firm’s current and future performance, or a distorting disclosure to mislead the firm’s true performance. The intentional manipulation of earnings by managers, within the limits allowed by the accounting standards, may alter the usefulness of financial reporting and lead to lower quality of earnings. The use of fair value in financial reporting has created a current debate about the impact it might have on EQ. At times, the high subjectivity in estimating fair value can allow opportunities for the exercise of management judgments and intentional bias, which can reduce the quality of financial reporting. Management discretion can result in high EM and hence in a reduction of EQ. Particularly during difficult financial periods, managers engage in EM to mask the negative effects of the turmoil, and in such circumstances accruals and earnings smoothing are attempts to reduce abnormal variations of earnings in such circumstances. This book is a valuable resource for those interested in wider perspectives on EQ and it adds to the research studies on this topic in the context of financial reporting.

Does information system (IS) quality limit earnings management and contribute to financial reporting timeliness? While prior work has studied causes and constraints of earnings management and timeliness, the role of IS quality has not been considered. However, IS quality may facilitate and thus expedite financial statement preparation, and limit earnings management by, among other things, enabling the use of sophisticated software to more effectively prevent earnings manipulations and detect fraud indicators. Still, IS quality may also improve managers' ability to manage and time the financial statement information due, for example, to increased information asymmetry between managers and external financial statement users. Using a broad sample that spans the 14-year period, 2001-2014, our primary findings demonstrate that IS quality is associated with reduced earnings management activities and improved financial reporting timeliness. These findings hold even after controlling for a multitude of variables demonstrated by prior research to explain earnings management and timeliness, and are robust to alternative definitions of the dependent and independent variables and estimation methods. Our findings may help financial statement users -- outsiders (investors, financial analysts, and external auditors) and insiders (audit committees) -- in assessing a firm's earnings quality, and regulators in their effort to improve financial reporting quality and timeliness.

Introduction to Earnings Management

Earnings Quality

Towards Improvement of Financial Reporting Quality

Accounting and Finance
Earnings management to avoid earning decreases and losses
Empirical Essays on Financial Reporting Properties, Earnings Management and Consequences of Accounting Choices

Line-Item Analysis of Earnings Quality provides a comprehensive summary and analysis of the specific earnings quality issues pertaining to key line item components of the financial statements. After providing an overview of earnings quality and earnings management, Line-Item Analysis of Earnings Quality analyzes key line items from the financial statements. For each key line item, the authors: review accounting principles discuss implications for earnings quality evaluate the susceptibility of the item to manipulation describe analyses and red flags which may inform on the item's quality Line-Item Analysis of Earnings Quality will prove useful in conducting fundamental and contextual analyses through its analysis and evaluations"

Teaching Modules are sets of cases, references, and other materials organized around a special theme. While a single case or reading can be illuminating, a set of materials can show you multiple points of view on an issue, the main debates around an issue, or how a case comes to life through supplementary articles from the business press. For faculty members, Teaching Modules are closer to the kinds of integrated assignments that would appear on a course syllabus. We welcome your comments on how you might use the Teaching Modules or ideas for creating or adding to Teaching Modules.This Teaching Module was prepared by Dr. Steven Mintz, Professor and Area Chair, Cal Poly, San Luis Obispo, as part of CasePlace.org's Corporate Governance and Accountability Project.

This study examines two issues relating to fraudulent financial reporting in Malaysia. The first issue examines factors involved with fraudulent financial reporting practices; i.e. predisposition (i.e. related party transactions, history of prior violations, founders on board), motive (i.e. economic factor, ownership factor, political factor) and opportunity (i.e. poor corporate governance). Then, the second issue looks into the relationship between earnings management and the occurrences of fraudulent financial reporting. The study uses a matched sample of 47 firms that were convicted of issuing fraudulent financial statements during the period from 1996 to 2006. Our results show that firms with fewer related party transactions, higher number of prior violations, and higher proportion of founders on board are more likely to quot;tipquot; over the edge into fraudulent financial reporting. We also find that the corporate environment most likely to lead to fraudulent financial reporting is characterized by accounting practices that are already quot;pushing the envelopequot; on earnings management. Furthermore, we find that firms are embroiled in fraudulent financial reporting when non-family and non-foreigners own the company, and when the level of financial distress is high. As expected, our results also show that firms involved in fraudulent financial reporting have significantly poor corporate governance structures whereby the audit quality is lower and outside directors seem overcommitted. However, we find no evidence that firm's political connection factor or the level of board independence play a significant role in the potential for fraudulent financial reporting.

This book is a study of earnings management, aimed at scholars and professionals in accounting, finance, economics, and law. The authors address research questions including: Why are earnings so important that firms feel compelled to manipulate them? What set of circumstances will induce earnings management? How will the interaction among management, boards of directors, investors, employees, suppliers, customers and regulators affect earnings management? How to design empirical research addressing earnings management? What are the limitations and strengths of current empirical models?

Earnings Management in European Private Firms Versus Public Firms
Evidence from China
Line-Item Analysis of Earnings Quality
Financial Reporting on Earnings Management
Management Predisposition, Motive, Opportunity, and Earnings Management for Fraudulent Financial Reporting in Malaysia
Causes, Techniques, and Transparent Financial Reporting

Seminar paper from the year 2017 in the subject Business economics - Accounting and Taxes, grade: 1,3, , language: English, abstract: This paper studies the relation between audit and earnings quality. It examines whether firms audited by a Big 4 member engage in higher earnings management activities as proxied by the magnitude of discretionary and absolute accruals, as well as an income smoothing measure. The author predicts that large auditors have higher competencies and incentives to deliver a higher quality audit. Therefore, their clients are expected to reveal less sophisticated earnings management and thus higher earnings quality. The results do not support this relation. Since standardsetters have been concerned about managers ' use of discretion to manage earnings in their financial reports, an increasing amount of empirical research was conducted to address this issue, additionally to regulation. While independent auditors (aim to) assure that these statements are in accordance with legal compliance, the actual audit quality can be grasped as the contingency that the auditor exposes and discloses an anomaly in their clients ' financial reports. Whereas numerous audit scandals threaten the trustworthiness of well-known large auditors, there is various research revealing that Big N audited firms are supposed to disclose financial reports of higher quality. Supplementing misguiding accrual accounting practices in this regard, this study also addresses another proxy for earnings management: income smoothing. Burgstahler and Dichev (1997) explain corporate income smoothing with the fact that managers avoid revealing earning decreases and losses to diminish costs arising from transactions with stakeholders. Similarly, Degeorge, Patel and Zeckhauser (1999) show that managers smooth earnings to meet analysts ' forecasts. On the other hand there are various contrary studies. DeFond and Jimbalvo (1993) found that auditor-client disagreements resulting from earnings management, are more present in Big 4 audited firms. They explain this with the properties of the " common " Big 4 clients. For the reason of the ambiguous results, it is interesting to study the effects and compare them with prior evidence to answer the question whether Big 4 auditors deliver " higher " quality in terms of a " better " financial reporting. The terms are operationalized using a dis-cretionary accruals and income smoothing measure and analyzed for (non-)Big 4

audited UK-firms in the period 2005-2011.

Essay from the year 2015 in the subject Art - Arts Management, language: English, abstract: Despite the regulatory reforms targeted at limiting aggressive earnings management and financial reporting continues to be a major concern of the regulators, standards setters and the industry practitioners. To bring the practice to light and offer mitigative solutions, the paper carries out an experiment to investigate the impact of two independent variables on the discretionary CFO's expense control. Incentive conflict, one of the independent variable is manipulated at two different levels (past and present). EM-Ethics (earnings management ethics) is the other CFOs independent variable (low vs. high). And it is measured as the CFOs assessment of the ethicalness of the primary earnings management motivations. We discover that the EM-Ethics and incentive conflict interact to determine the discretionary accruals for the CFOs such that (a) when the incentive conflict is absent, the CFOs with high (low) EM-Ethics do tend to resist (give in) the corporate incentive through booking higher (lower) expense accrual. (b) when the incentive conflict is absent, the CFOs with (high) low EM-Ethics do tend to resist (give into) the incentive through booking (lower) higher expense accruals. The practical and theoretical implications of the research findings are discussed.

Earnings management is an issue that directly affects the overall integrity and quality of financial reporting and to date, many studies have been conducted in an attempt to gain an understanding of whether firms are engaging in earnings management, why they do so, what are the motives that drive managers' discretionary behaviour, what are the economic consequences and whether investors can see through this behaviour? In this book, Chapter One reviews the developments and the trends in the contemporary earnings management research and discuss several possible avenues for future research. Chapter Two provides an overview of the most recent studies on earnings management in relation to the financial crisis and the institutional environment and firm characteristics. Chapter Three provides a description of the nowadays most commonly used methods for measuring earnings management in accounting and finance literature. Chapter Four examines earnings management and corporate social responsibility as an entrenchment strategy.

Financial reports are prepared to ensure timely availability of reliable information regarding companies' state of affairs to its users. But when financial statements fail to meet the information expectations of the stakeholders due to lack of qualitative characteristics (ICAI, 2000) like understandability, relevance, reliability, comparability and faithful representation, it raises a question mark on the authenticity of financial reports by corporate houses. The absence of true and fair financial reporting indicates the presence of manipulation in accounting numbers, which can be in the form of fraud, creative accounting and earnings management. Earnings management is modifying the reported accounting figures by using the discretion provided by the accounting standards in such a way that there is no impact on the overall value of the firm. Earnings management is the first step which, if not paid attention to, gets aggravated and becomes fraud. The present paper approaches earnings management keeping research developments and the concepts related to earnings management in view.

Standardization of Financial Reporting and Accounting in Latin American Countries

An Empirical Test with M-Score

Earnings Management, Conservatism, and Earnings Quality

Global Perspectives, Performance and Future Research

Earnings Management and Fraudulent Financial Reporting

An Empirical Analysis of Determinants and Consequences of Earnings Management in Private Firms

Financial Reporting on Earnings ManagementGRIN Verlag

The purpose of this study is to investigate the effect of International Financial Reporting Standards (IFRS) adopting on earning management by considering the role of board size and board independence. Univariate tests and multivariate regression analysis were employed to test whether the level of earnings management is significantly lower after the adoption of IFRS and whether the role of board size and board independence on constraining the earnings managements is higher after IFRS adoption for a sample of Chinese listed companies during the period 2003 to 2013 except 2007 over a four-year period before and a six-year period after the adoption of IFRS. The empirical results show that earning management increased after the adoption of IFRS. However, there is no relationship between board size and earnings management before and after the adoption of IFRS but board independence has significantly decreased the earning management after the adoption of IFRS in China. The findings of this study have important implications for policymakers, auditors, multinational firms, and users of financial reports. As the rapid growth of China's economy gains global recognition, the Chinese stock market is capturing the attention of international investor.

This study analyzes the level of earnings management in Latin America after the adoption of the International Financial Reporting Standards (IFRS) and analyzes the role of cross-listing in the United States. The literature on earnings management in less developed countries is still under construction, and few studies focus on this issue, especially with respect to Latin America, despite its relevant role in the global economy. This paper fills this gap in the literature as it analyzes the level of IFRS earnings management regarding the first and main Latin American countries applying IFRS (Brazil and Chile), when compared to the main Anglo-Saxon countries with IFRS tradition (United Kingdom and Australia), and with the main Continental European economies (France and Germany). The results show that Latin American firms present a higher level of earnings management than Continental European and Anglo-Saxon firms, and this opportunistic behavior remains significant when only global players with cross-listing in the United States are analyzed. Thus, even with a unique set of high quality accounting standards (IFRS) and strong reporting incentives, countries' specific characteristics still play an important role in the way IFRS is implemented in each country.

FINANCIAL REPORTING, FINANCIAL STATEMENT ANALYSIS, AND VALUATION, 8E is written with the premise that students can learn financial statement analysis most effectively by performing the analysis on real-world companies. Wahlen/Baginski/Bradshaw's textbook will teach students how to integrate the concepts from economics, finance, business strategy, accounting, and other business disciplines through a unique six-step process. New to this edition, chapters now include quick checks after each section so that students can be sure that they have obtained the key insights after reading each section. Important Notice: Media content referenced within the product description or the product text may not be available in the ebook version.

Is it Good Or Bad?

The Impact of Corporate Governance and Real Earnings Management on Financial Statement Fraud in Malaysia

Financial Reporting, Financial Statement Analysis and Valuation: A Strategic Perspective
Earnings Management, Timeliness, and Corporate Information Systems
Earning Management
Conceptual Framework and Research Developments

Accounting has often been described as the language of business. As the increasing competition of overseas markets begins to affect even the smallest local companies, many more business professionals must become fluent in accounting principles and practice. Standardization of Financial Reporting and Accounting in Latin American Countries highlights the recent move to International Financial Reporting Standards (IFRS) and addresses some of the concerns raised due to cultural differences and the level of enforcement of these standards in separate countries. Describing the evolution of both financial and managerial accounting due to the adoption of IFRS, this book is an essential reference source for both students and seasoned professionals in the fields of accounting, finance, and related management fields, especially those with an international emphasis.

Earnings Management, Conservatism, and Earnings Quality reviews and illustrates earnings management, conservatism, and their effects on earnings quality in an economic modeling framework. Both earnings management and conservative accounting introduce biases to financial reports. The fundamental issue addressed is what economic effects these biases have on earnings quality or financial reporting quality. Earnings Management, Conservatism, and Earnings Quality reviews analytical models of earnings management and conservatism and shows that both can have beneficial or detrimental economic effects, so a differentiated view is appropriate. Earnings management can provide additional information via the financial reporting communication channel, but it can also be used to misrepresent the firm's position. What the authors find is that similar to earnings management, conservatism can reduce the information content of financial reports if it suppresses relevant information, but it can be a desirable feature that improves economic efficiency. The approach to study earnings management, conservatism, and earnings quality is based on the information economics literature.A variety of analytical models are reviewed that capture the effects and subtle interactions of managers' incentives and rational expectations of users. The benefit of analytical models is to make precise these, often highly complex, strategic effects. They offer a rigorous explanation for the phenomena and show that sometimes conventional wisdom does not apply. The monograph is organized around a few basic model settings, which are presented in simple versions first and then in extensions to elicit the main insights most clearly. Section 2 presents the basic rational expectations equilibrium model with earnings management and rational inferences by the capital market. Section 3 is devoted to earnings quality and earnings quality metrics used in many studies. Section 4 studies conservatism in accounting. Finally, the authors examine the interaction between conservatism and earnings management. Each section ends with a section containing a summary of the main findings and conclusions.

Earnings management occurs when managers use judgment in financial reporting and in structural transactions to alter financial reports to either mislead some stakeholders about the underlying performance of the company, or to influence contractual outcomes that depend on reported financial performance. Many research studies are conducted to investigate the earnings management in developed economies. Due to regulated operating environment of in India until 1992 earnings management was not a fertile topic for research. But, post-1992 companies are given freedom to price their capital issues. This freedom motivates the issuers to manage their earnings prior to capital issues.The objectives of the study are to investigate if firms in India manage earnings prior to launching of equity rights issues (known as seasoned equity offerings in the USA and Europe) and the post issue performance of the firms. We used discretionary current accruals (DCAs) to measure the extent of earnings management. Modified Jones Model is used to estimate DCAs during three years prior to the rights issue (pre-issue period) and three years after the rights issue (post-issue period). DCAs of rights issue firms are adjusted for DCAs of control sample (non-rights issuers).Adjusted mean DCAs of pre-issue period is compared with adjusted mean DCAs of the post-issue period to detect earnings management. The results suggest that there has been earnings management prior to the rights issues. Analysis of pre-and-post issue performance the sample firms corroborate the findings based on DCAs. Study period is 1993-94 to 2003-04. Sample size is 259.

Emerging Insights in Theory, Practice, and Research
Earnings Management by Firms Applying International Financial Reporting Standards: Implications for Valuation
Governmental Accounting and Financial Reporting in Transition
The Role of Board Characteristics on the Relationship Between International Financial Reporting Standards (IFRS) Adoption and Earnings Management
International Financial Reporting Standards and Earnings Management in Latin America
Detecting Earnings Management