



Faculty of Business Administration
Seminar Series No.10/1011
Accounting

**“The Impact of Corporate Governance on
Informative Earnings Management in China”**

Prof. Morris Liu

*Assistant Professor in Accounting
Hong Kong Baptist University*

Abstract

This study investigates the relationship between internal corporate governance measures and informative earnings management for Chinese firms. While many previous studies on earnings management adopted the opportunistic perspective, we examine earnings management from an informative perspective, treating discretionary accruals as a means for managers to signal inside information to stakeholders. We postulate that the better the internal corporate governance mechanisms, the more likely is the firm to engage informative earnings management. By relating informative earnings management with ownership as measured by blockholders, duality of the CEO and the board of directors' chairman, activeness of the board of directors, the supervisory board and the shareholders, percentage of non-negotiable shares, percentage of independent directors and supervisory board members over total directors, and cross-listing status, we develop ten hypotheses. Our regression results support all our hypotheses, indicating that better corporate governance leads to informative earnings management and therefore more transparent reporting.

Date: March 10, 2011 (Thursday)

Time: 15:00 – 16:30

Venue: JM12

ALL ARE WELCOME!