

The Impact of other Comprehensive Income Disclosure and Corporate Governance on Earnings Management and Firm Performance

Authors : Yan Wang, Yuan George Shan

Abstract : This study examines whether earnings management reduces firm performance and how other comprehensive income (OCI) disclosure and strong corporate governance restrain earnings management. Using a data set comprising 6,260 firm-year observations from listed companies on the Shanghai and Shenzhen Stock Exchanges during 2009–2015, the results indicate that OCI disclosure generally improves firm performance, but earnings management lowers firm performance. The study also finds that OCI disclosure and corporate governance are complementary in restraining earnings manipulation and promote firm performance. The implications of the findings are relevant policy-makers and regulators in assisting them evaluate the consequences of convergence of Chinese Accounting Standards with the International Financial Reporting Standards.

Keywords : other comprehensive income, corporate governance, earnings management, firm performance, China

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