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Impact of earning management in stock market

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DESCRIPTION

Measurement of profit management is a critical issue for both investors and stockholders. Depending on the measurement model of choice it is appropriate for managing earnings, investors evaluate a firm's efficacy on the stock market. In this series of our research attempts to illustrate and contrast four models for measuring revenue management the availability of information on the Tunisian stock market foresee the actions of managers. We categorized the parameter greater and lower levels of "discretionary accruals" examined how it affected returns. The results obtained indicate for the two degrees of discretionary, significant coefficient accruals (according to the four models). The management of earnings is a critical concern for shareholders and financiers. Evaluation by investors on a business (firm performance and stock returns on investment the financial market) requires choosing a model for measuring the management of earnings. Our research tries to present and contrast four earnings management measurement approaches in terms of the Tunisian stock's informational substance market, attempting to forecast managers' actions.

There aren't many studies done in Tunisia to investigate the connection between accounting and returns and manipulation, though the problems of researchers generally discuss manipulation. However, numerous studies in the US specifically studied as a subject or setting for research funding management. Other recent investigations similar to those by Young (2005) and Mastumra (2003) sought to evaluate the effects of accounting fraud on the finance industry. Our study was inspired by the dearth of empirical research focused on evaluating the impact of earnings operations on stock prices in the Tunisian context. This is largely due to the country's strict financial and accounting regulations, which prevent frequent changes in account styles and mandate that fiscal communication content adhere to a set of rules, particularly when it comes to disclosing earnings. Appears to lead to an expansion in the manner in which profit activities are carried out. Yield management involves manipulating a company's profits toward predetermined goals. This goal may be motivated by a desire for more stable income, in which case the manager will perform income smoothing. Opportunistic income smoothing is associated with lower risk and increase the market value of the enterprise. Other possible motives for revenue management include the need to maintain a certain level of accounting treatment due to liabilities, and the need to maintain and increase revenues. It includes pressure to exceed analyst targets.

Revenue management may include taking the opportunity to make accounting decisions that change the amount of revenue reported in the financial statements. Accounting decisions can affect the timing of transactions and estimates used in financial reporting, which can affect earnings. For example, a relatively small change in bad debt estimates can have a large impact on net income, and companies that apply the last-in, first-out method to their inventory may invest in purchases to reduce their net income during periods of rising prices.

Revenue management can be difficult for individual investors to discern due to the complexity of accounting rules, but accounting researchers have suggested several methods. For example, research shows that firms with higher reserves and weaker governance structures are more likely to be involved in revenue management. Recent research suggests that linguistics-based methods it has been suggested that financial manipulation can be discovered in For example, a 2012 study found that it was related to the linguistics used by executives in payroll meetings.