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**UNIVERSITY OF MACAU**  
**FACULTY OF BUSINESS ADMINISTRATION**

THE TYPE OF EARNINGS MANAGEMENT AND THE EFFECT  
OF THE NEW ACCOUNTING STANDARDS FOR BUSINESS  
ENTERPRISES IN CHINA



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## Abstract

In this study, I intend to investigate the effect of new accounting standards for business enterprises (ASBEs) on earnings management in Chinese listed firms. Using multiple regressions, this study yields four major findings. Firstly, I find that the magnitude of earnings management increases after the enforcement of new ASBEs because new standards create new methods for managers to manipulate reported earnings. Secondly, I find that discretionary accruals are positively related to firm's future profitability, which indicates that Chinese listed companies tend to engage in signaling earnings management. Thirdly, I find that the new ASBEs enhance the association between discretionary accruals and future profitability. Finally, I find that stock market attaches value to the information component of discretionary accruals and can respond positively to the effect of new ASBEs on the informativeness of discretionary accruals.

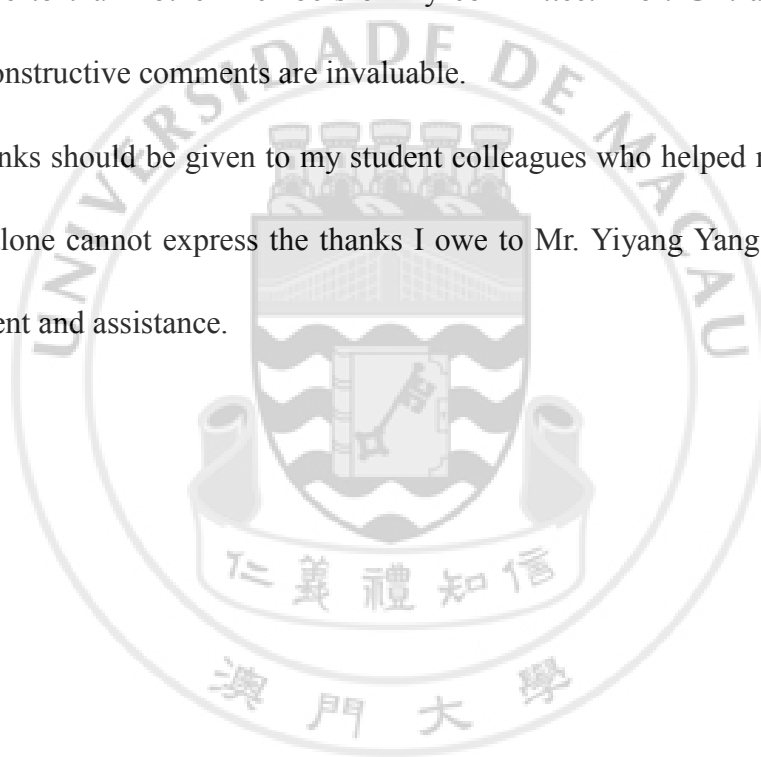
**Keywords:** New accounting standards; Earnings management; Discretionary accruals; Signaling; Valuation; Capital markets

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