UNIVERSITY OF MACAU

FACULTY OF BUSINESS ADMINISTRATION

FAIR VALUE ACCOUNTING AND EARNINGS MANAGEMENT IN HONG KONG

LIAO XUAN

MB345012

Thesis presented to the

Faculty of Business Administration

University of Macau

In partial fulfilment for granting the MSC in Accounting Degree

2016

澳門大學圖書館
BIBLIOTECA DA UNIVERSIDADE DE MACAU
UNIVERSITY OF MACAU LIBRARY

Abstract

Earnings management has been the core issue of accounting researches and the introduction of fair value under the new accounting standards may have profound impacts on earnings management of listed companies. This article aims at exploring the role fair value plays in earnings management of listed companies through empirical analysis to find out how fair value affects earnings management and the preference in choosing methods of earnings management.

Keywords: fair value measurement; earnings management; Hong Kong listed firms

UNIVERSIDADE DE MACAU
仁義禮知信
澳門大學

Table of Content

Abstract 1

1. Introduction 3
2. Literature review and Hypothesis development 9
   - 2.1 Fair Value Accounting 9
   - 2.2 Earnings Management 10
   - 2.3 Hypothesis Development 16
     - 2.3.1 Income from changes of fair value & earnings management 17
     - 2.3.2 Non-operating income & earnings management 19
     - 2.3.3 Asset impairment loss & earnings management 20
3. Research Methodology: 22
   - 3.1 Research Design 22
     - 3.1.1 Measurement of Earnings management 22
     - 3.1.2 Model specifications: 24
     - 3.1.3 Dependent variable 25
     - 3.1.4 Independent variable 25
     - 3.1.5 Control Variables: 27
   - 3.2 Sample Selection 28
4. Results 29
   - 4.1 Descriptive statistics 29
   - 4.2 Empirical results 30
   - 4.3 Robust Test 31
5. Conclusions 32
6. References 35
7. Appendix and tables 47
   - Table 1 Summary: Definition of Variables 48
   - Table 2 Descriptive Statistics 49
   - Table 3 Pearson Correlations 51
   - Table 4 Regression Result 52
   - Table 5 Result of Robustness Test 53

UNIVERSIDADE DE MACAU 仁義禮知信 澳門大學