

The Effect of Accounting Accruals Level on Real Earnings Management: Evidence from the Algerian Companies

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ABSTRACT

Accounting accruals are widely used to measure accounting earnings management even though the literature revealed a negative relationship between accounting earnings management and real earnings management. This study explored whether accounting accruals affect the real earnings management in the Algerian companies. The study included a sample of 100 firm-year observations that concern 20 companies during the period 2015 to 2019. The hypothesis testing was based on a leaner regression model that relates the real earnings management proxy with accounting accruals. The results indicated a negative and statistically significant effect of accounting accruals on real earnings management. That effect is very important, where the determination coefficient reached 70%, which is consistent with the hypothesis and confirms the results of many previous studies about the negative relationship between accounting earnings management and real earnings management. These results provide evidence about the behavior of managers, for which they resort to real earnings management when they cannot practice accounting earnings management. It enables users to capture the quality of financial statements and helps auditors when certificating financial statements.

Keywords: real earnings management, accounting earnings management, accounting accruals, accounting quality, Algerian companies